

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

[X] ANNUAL REPORT UNDER SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED DECEMBER 31, 1998

COMMISSION FILE NUMBER 000-29472

AMKOR TECHNOLOGY, INC.
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE
(STATE OF INCORPORATION)

23-172-2724
(I.R.S. EMPLOYER IDENTIFICATION NUMBER)

1345 ENTERPRISE DRIVE
WEST CHESTER, PA 19380
(610) 431-9600
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES AND ZIP CODE)

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT: NONE
SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT:
COMMON STOCK, \$0.001 PAR VALUE
5 3/4% CONVERTIBLE SUBORDINATED NOTES DUE 2003

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No []

Check if there is no disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is contained in this form, and no disclosure will be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

The aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the average bid and asked prices of such stock, was approximately \$397,010,688 as of March 16, 1999.

The number of shares outstanding of each of the issuer's classes of common equity, as of March 16, 1999, was as follows: 117,860,000 shares of Common Stock, \$0.001 par value.

Documents Incorporated by Reference: Portions of the definitive Proxy Statement to be delivered to stockholders in connection with the 1999 Annual Meeting of Stockholders are incorporated by reference into Part III.

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USE OF CERTAIN TERMS

All references in this annual report to "Amkor," "we," "us," "our" or the "company" are to Amkor Technology, Inc. and its subsidiaries. We refer to the Republic of Korea, which is also commonly known as South Korea, as "Korea."

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PART I

ITEM 1. BUSINESS

DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

This business section contains forward-looking statements that involve risks and uncertainties. You may find these statements by the use of forward-looking terminology such as "believe," "expect," "anticipate," "estimate," "plan," "project," "may," "will" or other similar words. We have based these forward-looking statements on our own information and on information from other sources that we believe are reliable. Our actual results may differ materially from those expressed or implied by these forward-looking statements as a result of risk factors and other factors noted throughout this annual report. Given this level of uncertainty, you should not place undue reliance on such forward-looking statements.

OVERVIEW

Amkor is the world's largest independent provider of semiconductor packaging and test services. We believe that we are also one of the leading developers of advanced semiconductor packaging and test technology. We offer a broad and integrated set of packaging and test services, which are the final procedures to prepare semiconductor devices for further use. Our customers supply us with semiconductor wafers, and through a series of complex steps we incorporate individual semiconductor chips into protective packages that facilitate the integration of the semiconductor device into electronic products. We also provide final testing and related services that validate the operating specifications of the finished semiconductor device. In January 1998, we began marketing wafer fabrication services provided by Anam Semiconductor, Inc.'s ("ASI's") new semiconductor wafer foundry. ASI is our primary supplier of semiconductor packaging and test services from four factories they own in Korea. For the year ended December 31, 1998, we derived 69% of our net revenues and 49% of our gross profit from sales of services performed for us by ASI. We derived the remainder of our revenues from services performed by our three factories in the Philippines. We have entered into an asset purchase agreement with ASI to purchase the assets of ASI's newest and largest packaging and test factory, K4, excluding cash and cash equivalents, notes and accounts receivables, intercompany accounts and existing claims against third parties. The purchase price for K4 is \$607 million, including the assumption of up to \$7 million of employee benefit liabilities. ASI has indicated that this purchase price would be reduced to \$582 million if we sign an agreement to make an equity investment of \$150 million in ASI over a four year period, pursuant to the proposed financial restructuring of ASI with its creditor banks, called a "Workout." The Company has sent ASI's creditor banks a letter committing to make an equity investment in ASI subject to certain conditions. See "-- Relationship With ASI," The terms on which we are willing to make this investment have not yet been accepted by ASI's creditor banks.

INDUSTRY BACKGROUND

Semiconductors, transistors and integrated circuits are the essential

building blocks used in most electronic products. Semiconductor material, usually silicon, has the properties of both an electrical conductor and an insulator, a non-conductor of electricity. A transistor is made of semiconductor material and enables both analog and digital circuits to manipulate and perform computations. In 1958, Texas Instruments developed the first integrated circuit, a complex semiconductor device consisting of multiple connected transistors residing on a single piece of silicon. Since then, semiconductor design and manufacturing technologies have improved and resulted in smaller, more complex and less costly integrated circuits.

As semiconductor devices have evolved, there have been three important effects: (1) an increase in demand for computers and related products due to declining prices for such products, (2) the proliferation of semiconductor devices into diverse end products such as consumer electronics, communications equipment and automotive systems and (3) an increase in the number of semiconductor devices in electronic products. Semiconductor content in electronic products has increased from approximately 10.5% in 1992 to 14.8% in 1998, and this figure is expected to grow to 20.7% by 2002. Simultaneously, the worldwide semiconductor market expanded at a compound annual growth rate of 12.9% over a period of six years from \$65.3 billion in

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1992 to \$134.8 billion in 1998. According to industry estimates, the worldwide semiconductor market is expected to total \$234.8 billion by 2001, which represents a compound annual growth rate of 20.3% over 1998's level.

MANUFACTURING PROCESS

The production of a semiconductor device is a complex process that requires increasingly sophisticated engineering and manufacturing expertise. The production process can be broadly divided into three primary stages: (1) wafer fabrication, (2) packaging of die into finished semiconductor devices and (3) test of finished semiconductor devices and other related services.

Wafer Fabrication. The wafer fabrication process begins with the generation of a mask that defines the circuit patterns for the transistors and interconnect layers that will be formed on the raw silicon wafer. The transistors and other circuit elements are formed by repeating a series of process steps wherein: (1) a photosensitive material is first deposited on the wafer, (2) the material is exposed to light through the mask in a photolithography process and (3) the unwanted material is etched away, leaving only the desired circuit pattern on the wafer. By stacking various patterns, the individual elements of the semiconductor are defined. The final step in the wafer fabrication process is to electrically test each individual chip on the semiconductor wafer in a wafer probe process in order to identify the good chips for packaging.

Packaging. The fabricated wafers are then transferred to semiconductor packaging factories. Semiconductor packaging protects the semiconductor device, dissipates heat from the semiconductor device and facilitates its integration into electronic products. In the packaging process, the wafer is diced into its individual die which are then separated from the wafer and attached to a substrate via an epoxy adhesive. Leads on the substrate are then connected by extremely fine gold wires to the input/output terminals on the chips through the use of automated machines known as wire bonders. Each lead is an input/output connector, and a higher number of leads increases the functionality and complexity of a semiconductor device. Each die is then encapsulated in a plastic molding compound, thus forming the package, which then goes through several additional finishing steps to prepare it for testing.

Test. Following packaging, each packaged device is then tested using a sophisticated test platform and program that analyzes the many different operating specifications of the semiconductor device, including functionality, voltage, current and timing. The completed devices are either shipped back to the customer or shipped directly to their final destination.

TRENDS TOWARD OUTSOURCING

Historically, semiconductor companies packaged semiconductors primarily in their own factories and relied on independent providers to handle overflow volume. Today, semiconductor companies are increasingly outsourcing their packaging and test services to independent providers for the following reasons:

INDEPENDENT PROVIDERS HAVE DEVELOPED EXPERTISE IN ADVANCED PACKAGING TECHNOLOGIES.

Semiconductor companies are facing ever-increasing demands for miniaturization, higher lead counts and improved thermal and electrical performance in semiconductor devices. As a result of this trend, many semiconductor companies view packaging as an enabling technology requiring sophisticated expertise and technological innovation. However, they have had difficulty developing the necessary capabilities with their internal resources and are relying on independent providers of packaging and test services as a key source of new package designs.

INDEPENDENT PROVIDERS CAN OFFER SHORTER TIME TO MARKET FOR NEW PRODUCTS BECAUSE THEIR RESOURCES ARE DEDICATED TO PACKAGING AND TEST SOLUTIONS.

We believe that semiconductor companies are seeking to shorten the time to market for their new products and that having the right packaging technology and capacity in place is a critical factor in reducing delays for these companies.

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Semiconductor companies frequently do not have sufficient time to develop their packaging and test capabilities or the equipment and expertise to implement new packaging technology in volume. For this reason, semiconductor companies are leveraging the resources and capabilities of independent packaging and test companies to deliver their new products to market more quickly.

MANY SEMICONDUCTOR MANUFACTURERS DO NOT HAVE THE ECONOMIES OF SCALE TO OFFSET THE SIGNIFICANT COSTS OF BUILDING PACKAGING AND TEST FACTORIES.

Semiconductor packaging is a complex process requiring substantial investment in specialized equipment and factories. As a result of the large capital investment required, this manufacturing equipment must operate at a high capacity level for an extended period of time to be cost effective. Shorter product life cycles, faster introductions of new products and the need to update or replace packaging equipment to accommodate new products have made it more difficult for semiconductor companies to sustain high levels of capacity utilization. Independent providers of packaging and test services, on the other hand, can use equipment at high utilization levels over a longer period of time for a broad range of customers, effectively extending the life of the equipment.

THE AVAILABILITY OF HIGH QUALITY INDEPENDENT PACKAGING AND TEST SERVICES ALLOWS SEMICONDUCTOR MANUFACTURERS TO FOCUS THEIR RESOURCES ON SEMICONDUCTOR DESIGN AND WAFER FABRICATION RATHER THAN SEMICONDUCTOR PACKAGING AND TEST SERVICES.

As the cost to build a new wafer foundry has increased to over \$1 billion, semiconductor companies are choosing to focus their capital resources on core wafer fabrication activities. As a result, semiconductor companies are outsourcing to independent packaging and test providers who have the ability to invest the capital needed to develop new packaging and test capacity.

THERE IS A GROWING NUMBER OF SEMICONDUCTOR COMPANIES WITHOUT FACTORIES, KNOWN AS "FABLESS" COMPANIES, THAT OUTSOURCE ALL OF THE MANUFACTURING OF THEIR SEMICONDUCTOR DESIGNS.

Fabless semiconductor companies focus exclusively on the semiconductor design process and outsource virtually every significant step of the semiconductor manufacturing process. According to industry estimates, revenues of fabless semiconductor companies as a percentage of the worldwide

semiconductor industry have expanded from 5.2% in 1997 to 6.3% in 1998. We believe that fabless semiconductor companies will continue to be a significant driver of growth in the independent packaging and test industry.

These outsourcing trends, combined with the growth in the number of semiconductor devices being produced and sold, are increasing demand for independent packaging and test services. Today, nearly all of the world's major semiconductor companies use independent packaging and test service providers for at least a portion, if not all, of their packaging and test needs. According to industry estimates, independent packaging and test revenues are expected to grow at a compound annual growth rate of 26.4% over a period of three years from \$4.6 billion in 1998 to \$9.3 billion in 2001. Furthermore, the percentage of total packaging and test revenues generated by independent providers, which was 15.4% in 1995, is expected to increase to 23.3% in 2001.

Certain of the same forces driving the growth of independent packaging and test are also driving demand for independent wafer fabrication services. Many semiconductor companies are outsourcing some or all of their wafer fabrication needs because the cost to build new wafer foundries has been rising steadily. This is particularly true for newer, smaller geometry technologies which cannot be produced in many semiconductor companies' existing wafer foundries. As the demand for semiconductor devices with smaller geometries increases, we believe semiconductor companies will increasingly utilize independent wafer manufacturers.

STRATEGY

To build upon our leading industry position and to remain the preferred independent provider of semiconductor packaging and test services, we are pursuing the following strategies:

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CAPITALIZE ON OUTSOURCING TREND. We intend to continue to capitalize on the projected growth of the independent semiconductor packaging and test segment. We believe that semiconductor manufacturers will increasingly outsource packaging and test services to those independent providers who deliver superior quality and value. We work with our customers to quantify the cost savings of our services compared to their in-house capabilities. We believe our leading-edge technologies and manufacturing expertise enable us to optimize production yields, reduce cycle times and lower per unit costs.

LEVERAGE SCALE AND SCOPE OF PACKAGING AND TEST CAPABILITIES. We are committed to expanding both the scale of our operations and the scope of our packaging and test services. We believe that our scale and scope allow us to provide cost-effective solutions to our customers in the following ways:

- N We have the capacity to absorb large orders and accommodate quick turn-around times;
- N We use our size and industry position to obtain low pricing on key materials and manufacturing equipment; and
- N We offer an industry-leading breadth of packaging and test services and can serve as a single source for many of our customers.

MAINTAIN TECHNOLOGY LEADERSHIP. We intend to continue to develop leading-edge packaging technologies. We believe that our focus on research and product development will enable us to enter new markets early, capture market share and promote the adoption of our new package designs as industry standards. We seek to enhance our in-house research and development capability and joint development activities with ASI in Korea through the following activities:

- N We are collaborating with customers to gain access to technology roadmaps for the next generation of semiconductor designs;

N We are collaborating with companies, such as Compaq Computer Corporation, Ericsson Corporation, and Nokia Group, which purchase semiconductor devices from our customers, to design new packages that function with the next generation of electronic products; and

N We are implementing new package designs by entering into technology alliances and by licensing leading-edge designs from others. We and Sharp Corporation have entered into a strategic alliance to promote chip scale packaging with fleXBGA(R). We have licensed from Tessera, Inc. the technology for their (LOGO)BGA(R) design. We have also licensed "flip-chip" package technology from LSI Logic Corporation.

STRENGTHEN CUSTOMER RELATIONSHIPS. We intend to further develop our long-standing customer relationships. We believe that because of today's shortened technology life cycles, integrated communications are crucial to speed time to market. We have customer support personnel located near the facilities of major customers and in acknowledged technology centers. These support personnel work closely with customers to plan production for existing packages as well as to develop requirements for the next generation of packaging technology. In addition, we are implementing direct electronic links with our customers to enhance communication and facilitate the flow of real-time engineering data and order information.

PURSUE SELECTIVE ACQUISITIONS AND STRATEGIC RELATIONSHIPS. We are evaluating candidates for strategic acquisitions and joint ventures to strengthen our core business and expand our geographic reach. We believe that there are many opportunities to acquire the in-house packaging factories from semiconductor manufacturers. We intend to structure any such acquisitions to include long-term supply contracts with the seller. In addition, by establishing joint ventures, we intend to enter new markets near clusters of wafer foundries, which are large sources of demand for packaging and test services. For example, in October 1998, we entered into a joint venture with Taiwan Semiconductor Manufacturing Corporation, Acer Inc., Scientek International Investment Co. Ltd. and Chinfon Semiconductor & Technology Company to build a packaging and test factory in Taiwan, a market with significant demand in which we currently have few customers.

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PROVIDE AN INTEGRATED, TURNKEY SOLUTION. We intend to provide a complete turnkey solution comprised of semiconductor wafer fabrication, packaging and test services. We believe that this will enable customers to achieve faster time to market for new products and reduce manufacturing costs.

COMPETITIVE STRENGTHS

LEADING INDUSTRY POSITION. We are the world's largest independent provider of semiconductor packaging and test services. We have built our leading position through: (1) one of the industry's broadest offerings of packaging and test services, (2) expertise in the development and implementation of packaging and test technology, (3) long-standing relationships with our customers and (4) advanced manufacturing capabilities.

BROAD AND INTEGRATED PACKAGING AND TEST SERVICES. With over 600 different package types, we offer one of the semiconductor industry's broadest lines of packaging and test services. We provide customers with a wide array of packaging alternatives including mature leadframe packages and newer advanced leadframe and laminate packages. We also offer an extensive line of services to test digital logic, analog and mixed signal semiconductor devices. We believe that the breadth of our packaging and test services is important to customers seeking to reduce the number of their suppliers.

LEADING TECHNOLOGY INNOVATOR. We believe that we are one of the leading providers of advanced semiconductor packaging and test solutions. We have designed and developed state-of-the-art thin package formats and laminate packages including our PowerQuad(R), SuperBGA(R), fleXBGA(R) and ChipArray(R)

BGA packages. To maintain our leading industry position, we have 95 employees engaged in research and development focusing on the design and development of new semiconductor packaging and test technology. We work closely with customers and technology partners to develop new and innovative package designs. We also participate in joint development activities with ASI's research and development staff in Korea.

LONG-STANDING RELATIONSHIPS WITH PROMINENT SEMICONDUCTOR COMPANIES. Our customer base consists of more than 150 companies, including 36 of the world's 40 largest semiconductor companies. In our 31-year operating history, we have developed long-standing relationships with many of our customers. We have served each of our ten largest customers, based on our 1998 net revenues, for more than ten years.

ADVANCED MANUFACTURING CAPABILITIES. We believe that our company's and ASI's manufacturing excellence has been a key factor in our success in attracting and retaining customers. We have worked with ASI, our customers and suppliers to develop proprietary process technologies to enhance our existing manufacturing capabilities. These efforts have directly resulted in reduced time to market, increased quality and lower manufacturing costs. We believe our manufacturing cycle times are among the fastest available from any independent provider of packaging and test services.

PACKAGING AND TEST SERVICES

PACKAGING SERVICES

We offer a broad range of package formats designed to provide our customers with a full array of packaging solutions. Our packages are divided into three families: traditional leadframe, advanced leadframe and laminate, as described below.

Semiconductor packages have evolved from traditional leadframe to advanced leadframe to laminate in response to the increasing demands of today's high-performance electronic products. The differentiating characteristics of these packages include: (1) the size of the package, (2) the number of electrical connections the package can support and (3) the thermal and electrical requirements of the package.

N As the size of semiconductor devices shrinks for use in portable computers and wireless telecommunications products, the size of packages must also shrink. In leading-edge packages, the size of the package is reduced to approximately the size of the individual chip itself, in a process known as chip scale packaging.

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N The number of electrical connections on a semiconductor device is an important factor in determining its end use in electronic products. As semiconductor devices increase in complexity, the number of electrical connections that is required also increases. Leadframe products have electrical connections from the semiconductor device to the electronic product through leads on the perimeter of the package. Our newer laminate products use balls on the bottom of the package to create the electrical connections and can support larger numbers of electrical connections. These products are called ball grid array or BGA products.

N Advanced thermal and electrical characteristics of a particular package improve the functionality and durability of today's high-powered semiconductor devices. For example, a copper layer in a package can help reduce thermal wear on the semiconductor device and improve its electrical conductivity.

The following table sets forth by product type, for the periods indicated, the amount of our packaging and test net revenues in millions of dollars and the percentage of such net revenues:

	1994		1995		1996		1997		1998	
Traditional leadframe.....	\$491	85.7%	\$749	80.3%	\$ 819	69.9%	\$ 834	57.3%	\$ 603	41.5%
Advanced leadframe.....	47	8.2	136	14.6	202	17.3	312	21.4	343	23.6
Laminate.....	3	.6	15	1.7	109	9.3	251	17.3	438	30.2
Test and other.....	32	5.5	32	3.4	41	3.5	59	4.0	68	4.7
Total package and test net revenues.....	\$573	100.0%	\$932	100.0%	\$1,171	100.0%	\$1,456	100.0%	\$1,452	100.0%

In addition, we had \$116 million of net revenues from wafer fabrication services in 1998.

TRADITIONAL LEADFRAME PACKAGES

Traditional leadframe packages are the most widely used package family and are characterized by a chip encapsulated in a plastic mold compound with metal leads on the perimeter. This package family has evolved from a design where the leads are plugged into holes on the circuit board to a design where the leads are soldered to the surface of the circuit board. We offer a wide range of lead counts and body sizes to satisfy variations in the size of customers' semiconductor devices. Continuous engineering and customization has reduced the footprint of the package on the circuit board and improved the electrical performance of the package. In addition, we have designed package types to dissipate the heat generated by high-powered semiconductor devices. Such "power" designs are advancements on our small outline package (SOP) and metric quad flat package (MQFP) and are called PowerSOP(R) and PowerQuad(R).

The following table presents our traditional leadframe packages, including the number of leads and the description of and end uses for each package format.

PACKAGE FORMAT	NUMBER OF LEADS	DESCRIPTION	END USES
Plastic Dual In-line Package PDIP	8-48	General purpose plastic package used in consumer electronic products	Games, telephones, televisions, audio equipment and computer peripherals
Shrink PDIP-SPDIP	30-64	General purpose plastic package used in consumer electronic products	Games, telephones, televisions, audio equipment and computer peripherals
Hermetic	Custom	Ceramic package used in high-reliability applications	Military, space and commercial aviation products
Plastic Leaded Chip Carrier-PLCC	20-84	Package with leads on two sides used in a consumer electronics and products in which the size of the package is not vital	Copiers, printers, scanners, desktop personal computers, electronic games and monitors
Small Outline Integrated Circuit-SOIC	8-44	Small leadframe package designed for applications requiring low height	Pagers, cordless telephones, fax machines, copiers, printers, computer peripherals, audio and video products and automotive systems

PACKAGE FORMAT	NUMBER OF LEADS	DESCRIPTION	END USES
Metric Quad Flat Package-MQFP	44-304	Package with leads on four sides designed for advanced processors, controllers, digital signal processors (DSPs) and application specific integrated circuits (ASICs)	Desktop personal computers, consumer and industrial products, commercial and office equipment and automotive systems

PowerQuad(R)	64-304	Higher-performance, thermally-enhanced quad flat package (QFPs)	High-performance computers such as workstations and servers, disk drives, central processing units (CPUs), audio and video products and telecommunications products
PowerSOP(R)	8-36	Higher-performance, thermally-enhanced SOIC package	Pagers, disk drives, wireless telecommunications products, automotive systems and industrial products

ADVANCED LEADFRAME PACKAGES

Our advanced leadframe packages are similar in design to our traditional leadframe packages. However, the advanced leadframe packages generally are thinner and smaller, have more leads and have advanced thermal and electrical characteristics.

The thin small outline packages (TSOPs), thin shrink small outline packages (TSSOPs), and shrink small outline packages (SSOPs) are smaller than our traditional small outline integrated circuit (SOIC) package. The thin quad flat package (TQFP) is a smaller version of the metric quad flat package (MQFP). We also offer power versions of these package types to dissipate heat generated by high-powered semiconductor devices. We plan to continue to develop increasingly smaller versions of these packages to keep pace with continually shrinking semiconductor device sizes and demand for miniaturization of portable electronic products.

The following table presents our advanced leadframe packages, including the number of leads and the description of and end uses for each package format.

PACKAGE FORMAT	NUMBER OF LEADS	DESCRIPTIONS	END USES
Thin Quad Flat Package -- TQFP	32-176	Designed for lightweight, portable electronics requiring broad performance characteristics	Laptop computers, desktop personal computers, disk drives, office equipment, audio and video products, and telecommunications and wireless telecommunications products
Thin Small Outline Package -- TSOP	28-48	Package designed for high-volume production of low-lead count memory devices such as FLASH, SRAM and DRAM	Laptop computers, desktop personal computers, still and video cameras, and standard connections for peripherals to computers (PCMCIA)
Thin Shrink Small Outline Package -- TSSOP	8-80	Smaller version of TSOP designed for logic and analog devices and memory devices such as FLASH, SRAM, EPROM, EEPROM and DRAM	Disk drives, recordable optical disks, audio and video products, consumer electronics and telecommunications products
Shrink Small Outline Package -- SSOP	8-56	Smallest of the SOP packages designed for portable products which require reduced size and weight	Pagers, disk drives, portable audio and video products and wireless telecommunications products
MicroLeadframe(TM)	6-52	Package designed for low lead-count devices requiring reduced size and improved thermal and electrical performance	Telecommunications and wireless telecommunications products and personal digital assistants (PDAs)

PACKAGE FORMAT	NUMBER OF LEADS	DESCRIPTIONS	END USES
ePad(TM), ExposedPad(TM)	6-128	Thermally and electrically-enhanced TQFP and TSSOP packages	Pagers, disk drives and wireless telecommunications products

LAMINATE PACKAGES

The laminate package family is our newest product offering. This family employs the ball grid array design which utilizes a plastic or tape laminate substrate rather than a leadframe substrate and places the electrical connections on the bottom of the package rather than around the perimeter.

The ball grid array format was developed to address the need for higher lead counts required by advanced semiconductor devices. As the number of leads surrounding the package increased, packagers increased the proximity of the leads to one another in an attempt to maintain the size of the package. The nearness of one lead to another resulted in electrical shorting problems, and required the development of increasingly sophisticated and expensive techniques for producing circuit boards to accommodate the high number of leads.

The ball grid array format solved this problem by effectively creating leads on the bottom of the package in the form of small bumps or balls. These balls can be evenly distributed across the entire bottom surface of the package, allowing greater distance between the individual leads. For the highest lead count devices, the ball grid array configuration can be manufactured less expensively and requires less delicate handling at installation.

Our first package format in this family was the plastic ball grid array (PBGA). We have subsequently designed or licensed additional ball grid array package formats that have superior performance characteristics and features that enable low-cost, high-volume manufacturing. These new laminate products include:

N SuperBGA(R), which includes a copper layer to dissipate heat and is designed for low-profile, high-power applications;

N (LOGO)BGA(R), which is designed to be approximately the same size as the chip and uses a thinner tape substrate rather than a plastic laminate substrate; and

N ChipArray(R) BGA, which allows the package to be as small as 1.5 mm larger than the chip itself.

We are currently designing and implementing extensions of existing ball grid array packages, such as ChipArray(R) BGA, TapeSuperBGA(R), TapeArray(TM) BGA and WaferScale Chip Scale Package, to further reduce package size and increase manufacturing efficiency.

The following table presents our laminate packages, including the number of leads and the description of and end uses for each package format.

PACKAGE FORMAT	NUMBER OF LEADS	DESCRIPTIONS	END USES
Plastic Ball Grid Array -- PBGA	119-580	Ball grid array package designed for applications which require high performance	Laptop computers, disk drives, video cameras, global positioning systems (GPS), wireless telecommunications products and standard connections for peripherals to computers (PCMCIA)

PACKAGE FORMAT	NUMBER OF LEADS	DESCRIPTIONS	END USES
SuperBGA (R)	168-600	Higher-performance, thermally-enhanced BGA package designed for digital signal processors (DSPs), application specific integrated circuits (ASICs) and microprocessors	Laptop and palmtop computers, personal digital assistants (PDAs), video graphical user interfaces (video GUI), central processing units (CPUs) and wireless telecommunications products
flexBGA (R)	132-672	Low-profile package designed to support a densely-packed ball grid array for high lead count devices	Laptop computers, disk drives, pagers, video products and wireless telecommunications products
Micro Ball Grid Array -- (LOGO)BGA (R)	8-100	Package approximately the size of the die designed for applications which require small size and light weight such as memory devices, including FLASH, SRAM and Rambus DRAM, microprocessors, and applications specific integrated circuits (ASICs)	Laptop and palmtop computers, disk drives, personal digital assistants (PDAs), video products, portable consumer products and wireless telecommunications products
ChipArray (R) BGA	8-208	Extension of PBGA package designed for logic, analog and memory devices and application specific integrated circuits (ASICs)	Laptop and palmtop computers, personal digital assistants (PDAs), global positioning systems (GPS), telecommunications and wireless telecommunications products
TapeSuperBGA (R)	256-696	Extension of SuperBGA (R) package designed for high lead count devices	High-performance computers such as workstations and servers, data communication products and internet routers
TapeArray (TM) BGA	48-256	Extension of flexBGA (R) package designed for logic, analog and memory devices and application specific integrated circuits (ASICs)	Palmtop computers, disk drives, personal digital assistants (PDAs), global positioning systems (GPS), digital consumer electronics and wireless telecommunications products
WaferScale Chip Scale Package wsCSP (TM)	40-200	Extension of (LOGO)BGA (R) package designed for logic and memory devices and other low lead count devices	Laptop and palmtop computers, personal digital assistants (PDAs), and telecommunications and wireless telecommunications products
Flip Chip BGA	168-1140	Package with latest interconnect technology that delivers improved electrical performance to devices requiring a large number of leads in a small package	High-performance computers such as workstations and servers, data communications products and internet routers

PACKAGE FORMAT	NUMBER OF LEADS	DESCRIPTIONS	END USES
Multi-Chip Package PBGA-MCP PBGA	119-456	Extension of PBGA package designed to integrate two or more logic, analog and	Modems, wireless telecommunications products and electronic automotive

VisionPak(TM)	8-20	memory devices and application specific integrated circuits (ASICs) to maximize their operating performance Ceramic ball grid array package in which photographic-quality glass is mounted above the die	components Bar code scanners, digital still cameras, digital video conferencing and electronic toys
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TEST SERVICES

We also provide our customers with services to test the specifications of semiconductor devices. We have the capability to test digital logic, analog and mixed signal products. The combination of our test operations together with ASI's test operations comprises one of the largest independent test operations in the world. Although test services accounted for only 4.7% of our net revenues and were performed on only 14% of the total units shipped in 1998, we believe that our ability to provide both packaging and test services at the same location provides us with a competitive advantage.

WAFER FABRICATION SERVICES

In January 1998, we entered into a supply agreement with ASI to market wafer fabrication services provided by ASI's semiconductor wafer foundry. Using .25 micron and .18 micron CMOS process technology provided by Texas Instruments, Inc. ("TI"), this semiconductor wafer foundry can produce up to 15,000 eight inch wafers per month. ASI began limited production in January 1998 and since the end of 1998 has been operating at close to full capacity. The wafer foundry primarily manufactures digital signal processors ("DSPs"), application-specific integrated circuits ("ASICs") and other logic devices, which are found in many advanced electronic products.

We plan to continue to focus our semiconductor technology development efforts to serve the high-performance digital logic market. However, as technological capability evolves and the need for new CMOS designs arise, we anticipate adding embedded memory and special analog functionality to our core CMOS technology.

We can provide a complete turnkey solution comprised of wafer fabrication, packaging and test services. We believe that this will enable customers to achieve faster time to market for new products and reduce manufacturing costs.

AGREEMENTS WITH ASI AND TI. TI and our company have entered into a Manufacturing and Purchase Agreement pursuant to which TI has agreed to purchase from us at least 40% of ASI's wafer foundry's capacity, and under certain circumstances has the right to purchase 70% of the wafer foundry's capacity.

The Texas Instruments Manufacturing and Purchasing Agreement terminates on December 31, 2007, unless it has been previously terminated. The agreement may be terminated upon, among other things: (1) the consent of ASI, TI and our company, (2) a material breach by ASI, TI or our company, (3) the failure of ASI to protect TI's intellectual property and (4) a change of control, bankruptcy, liquidation or dissolution of ASI. The agreement may also be terminated by ASI or TI on two years' notice if they cannot successfully negotiate an agreement to govern ASI's use of TI's next-generation CMOS process technology prior to September 30, 2000. During any such two-year notice period, TI will only be obligated to purchase a minimum of 20% of the wafer foundry's capacity.

Under the Texas Instruments Technology Agreements, ASI has a license to use Texas Instruments' technology only to provide wafer fabrication services to Texas Instruments. For more information regarding the risks to our company of this relationship and ASI's limited technology license, see "Management's

Operations -- Risks That May Affect Future Operating Performance -- Risks Associated with Our Wafer Fabrication Business" in Item 7 of this annual report.

RESEARCH AND DEVELOPMENT

Our research and development efforts focus on developing new package designs and improving the efficiency and capabilities of our existing production processes. We believe that technology development is one of the key success factors in the semiconductor packaging and test market and believe that we have a distinct advantage in this area.

We employ approximately 95 persons in research and development activities. In addition, we involve management and operations personnel in research and development activities. In 1996, 1997 and 1998, we spent \$10.9 million, \$8.5 million and \$8.3 million, respectively, on research and development. We expect to continue to invest in research and development.

In addition to our internal development work and our co-development work with ASI, we also work closely with our packaging equipment and material suppliers in developing advanced processing capabilities and materials for use in our production process. Currently, we are focusing on development programs that extend the capability and applicability of the ball grid array design.

We are implementing new package designs by entering into technology alliances and by licensing leading-edge package designs from others.

N We and Sharp Corporation have entered into a strategic alliance to promote chip scale packaging with fleXBGA(R), a package which is also only slightly larger than the chip itself. The size of this package is ideal for portable electronic products, and the flexible tape substrate enables the package to support a denser ball grid array configuration and thus more complex semiconductor devices.

N We have licensed from Tessera, Inc. the technology for its (LOGO)BGA(R) design, a package which is only slightly larger than the chip itself. Rambus Inc., a fabless semiconductor company, has adopted the (LOGO)BGA(R) package as the preferred package for their Rambus DRAM (RDRAM) designs. Rambus Inc. has developed a technology which increases the speed of semiconductor memory devices and has licensed this technology to leading DRAM manufacturers.

N We have also licensed "flip chip" package design technology from LSI Logic Corporation. Using flip chip technology, we are able to design packages that support the highest number of leads available because we attach the input/output terminals on the chip directly to the leads on the substrate thereby eliminating the need for delicate wire bonds. The flip-chip package can support semiconductor devices with more than 1,000 leads.

MARKETING AND SALES

We sell our packaging and test services and wafer fabrication services to our customers and support them through a network of international offices. To better serve our customers, our offices are located near our largest customers or near a concentration of several of our customers. Our office locations include sites in the U.S. (Austin, Texas; Boise, Idaho; Chandler, Arizona; Dallas, Texas; Santa Clara, California; and West Chester, Pennsylvania), France, Singapore, Taiwan and the Philippines. We have historically derived a substantial majority of our net revenues from U.S.-based customers.

To provide comprehensive sales and customer service, we assign each of our customers a direct team consisting of an account manager, a technical program manager and one or more customer support representatives. We also typically support our largest multinational customers from multiple offices. We have 200 employees dedicated to our direct teams who focus on sales and customer service.

The direct teams are closely supported by an extended staff of product managers, process and reliability engineers, marketing and advertising

specialists, information systems technicians and factory personnel. Together, these direct and extended teams deliver an array of services to our customers. These services

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include: (1) providing information and expert advice on packaging solutions and trends, (2) managing the start-up of specific packaging and test programs, (3) providing a continuous flow of information to the customers regarding products and programs in process and (4) researching and helping to resolve technical and logistical issues.

We are implementing direct electronic links with our customers to enhance communication and facilitate the flow of real-time engineering data and order information. These links connect our customers to our sales and marketing personnel worldwide and to our factories in the Philippines and ASI's factories in Korea.

CUSTOMERS

We currently have more than 150 customers, and our customers include many of the largest semiconductor companies in the world. The table below lists our top 50 customers in 1998:

Altera Corporation	Integrated Device Technology, Inc.	Nvidia Corporation
Adaptec, Inc.	Intel Corporation	Philips Electronics N.V.
Advanced Micro Devices, Inc.	Lattice Semiconductor Corporation	R.F. Micro Devices
Alcatel Mietec	Level One Communications, Inc.	Robert Bosch GmbH
American Micro Systems, Inc.	LSI Logic Corporation	S3 Incorporated
Analog Devices, Inc.	Lucent Technologies, Inc.	SGS-THOMSON
Atmel Corporation	Macronix International Co., Ltd.	Microelectronics N.V.
Cirrus Logic	Matra Harris Semiconductors	Siemens AG
Conexant	Maxim Integrated Circuits	SMC Corporation
Cypress Semiconductor Corp.	Microchip Technology Inc.	Siera Semiconductor Corporation
Dallas Semiconductor	Mitel Semiconductor	Silicon Storage Technology, Inc.
Fairchild Semiconductor	Mitsubishi Electric Corporation	Taiwan Semiconductor
Harris Corporation	Motorola, Inc.	Manufacturing Corporation Ltd.
Hewlett-Packard Company	National Semiconductor Corp.	Texas Instruments, Inc.
International Business Machines Corp.	NEC Corporation Ltd.	Toshiba
IC Works Inc.	NeoMagic Corporation	VLSI Technology, Inc.
Integrated Circuit Systems, Inc.	Northern Telecom	VTC Inc.
		Xilinx, Inc.

Our five largest packaging and test customers collectively accounted for approximately 39.2%, 40.1% and 35.3% of our net revenues in 1996, 1997 and 1998, respectively. We anticipate that, for the foreseeable future, our top five customers will continue to account for a substantial percentage of our net revenues. In addition, during 1998, we derived 7.4% of our net revenues from wafer fabrication services, and we derived all of these revenues from TI. We have served each of our ten largest customers, based on our 1998 net revenues, for more than ten years.

MATERIALS AND EQUIPMENT

Our packaging operations depend upon obtaining adequate supplies of materials and equipment on a timely basis. The principal materials used in our packaging process are leadframes or laminate substrates, gold wire and molding compound. We purchase materials based on customer orders, and our customers are generally responsible for any unused materials in excess of the quantity that they indicated that they would need.

We work closely with our primary material suppliers to insure that materials are available and delivered on time. Moreover, we also negotiate worldwide pricing agreements with our major suppliers to take advantage of the scale of our operations. We are not dependent on any one supplier for a substantial portion of our material requirements.

Our packaging operations and our expansion plans also depend on obtaining adequate supplies of manufacturing equipment on a timely basis. We work closely with major equipment suppliers to insure that equipment is delivered on time and that the equipment meets our stringent performance specifications. One of ASI's affiliates manufactures semiconductor packaging equipment exclusively for our company and ASI at locations in close proximity to our factories in the Philippines and ASI's factories in Korea. For a discussion of additional risks associated with our materials and equipment suppliers, see "Management's Discussion and

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Analysis of Financial Condition and Results of Operations -- Risk Factors that May Affect Future Operating Performance -- Dependence on Materials and Equipment Suppliers" in Item 7 of this annual report.

ENVIRONMENTAL MATTERS

For a discussion of the environmental issues and risks facing us, see "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Risk Factors that May Affect Future Operating Performance -- Environmental Regulations" in Item 7 of this annual report.

COMPETITION

The independent semiconductor packaging and test market is very competitive. This sector is comprised of approximately 39 companies.

We face substantial competition from established packaging and test service providers primarily located in Asia, including companies with significant manufacturing capacity, financial resources, research and development operations, marketing and other capabilities. These companies include Advanced Semiconductor Engineering, Inc., ASE Test Limited, ASAT Ltd., Hana Microelectronics Public Co. Ltd., Astra International, Carsem Bhd., ChipPAC Incorporated, Siliconware Precision Industries Co., Ltd. and Shinko Electric Industries Co., Ltd. Such companies have also established relationships with many large semiconductor companies that are current or potential customers of our company. On a larger scale, we also compete with the internal semiconductor packaging and test capabilities of many of our customers.

The principal elements of competition in the independent semiconductor packaging market include: (1) breadth of package offering, (2) technical competence, (3) new package design and implementation, (4) manufacturing yields, (5) manufacturing cycle times, (6) customer service and (7) price.

The independent wafer fabrication business is also highly competitive. Our wafer fabrication services compete primarily with independent semiconductor wafer foundries, including those of Chartered Semiconductor Manufacturing, Inc., Taiwan Semiconductor Manufacturing Company, Ltd. and United Microelectronics Corporation. Each of these companies has significant manufacturing capacity, financial resources, research and development operations, marketing and other capabilities and has been operating for some time. We also expect to compete with device manufacturers that provide semiconductor wafer foundry services for other semiconductor companies, such as LG Semicon Co., Ltd., Hitachi, Ltd., Toshiba Corp. and Winbond Electronics Corporation. Each of these independent semiconductor wafer foundries and many of these companies have also established relationships with many large semiconductor companies that are current or potential customers of our company.

The principal elements of competition in the wafer foundry market include: (1) technical competence, (2) new semiconductor wafer design and implementation, (3) manufacturing yields, (4) manufacturing cycle times, (5) customer service and (6) price.

As with the independent semiconductor packaging market, we believe that we

generally compete favorably with respect to each of these factors.

INTELLECTUAL PROPERTY

We currently hold 43 U.S. patents, 16 of which are held jointly with ASI, related to various semiconductor packaging technologies. These patents will expire at various dates from 2012 through 2016. We also have 89 pending patent applications. With respect to development work undertaken jointly with ASI, we share intellectual property rights with ASI under the terms of the supply agreements between our company and ASI. The supply agreements provide for the cross-licensing of intellectual property rights between our company and ASI. We also enter into agreements with other developers of packaging technology to license or otherwise obtain certain process or packaging technologies.

We expect to continue to file patent applications when appropriate to protect our proprietary technologies. However, we believe that our continued success depends primarily on factors such as the technological skills

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and innovation of our personnel rather than on our patents. We may need to enforce our patents or other intellectual property rights or to defend our company against claimed infringement of the rights of others through litigation, which could result in substantial cost and diversion of our resources.

Although we are not currently a party to any material litigation, the semiconductor industry is characterized by frequent claims regarding patent and other intellectual property rights. If a third party were to bring a valid legal claim against our company or ASI, we and ASI could be required to: (1) discontinue the use of certain processes, (2) cease the manufacture, use, import and sale of infringing products, (3) pay substantial damages, (4) develop non-infringing technologies or (5) acquire licenses to the technology that we had allegedly infringed.

EMPLOYEES

As of December 31, 1998, we had approximately 10,300 full-time employees. Of these employees, 8,845 were engaged in manufacturing, 940 were engaged in manufacturing support, 95 were engaged in research and development, 210 were engaged in marketing and sales and 210 were engaged in finance, business management and administration. Our employees are not represented by any collective bargaining agreement, and we have never experienced a work stoppage. We believe that our relations with our employees are good. In connection with our proposed acquisition of ASI's packaging and test facility located in Kwangju, Korea ("K4"), we expect to hire 1,700 employees currently working at K4. For a more complete discussion of the acquisition of K4, see "-- The Acquisition of K4."

CORPORATE HISTORY

Amkor Technology Inc. was formed in September 1997 to consolidate the ownership of the following interdependent companies which were involved in the same business under the direction of common management (the "Reorganization"):

N AEI and its subsidiaries Amkor Receivables Corp., which purchases our accounts receivable under an accounts receivable financing arrangement, and Amkor Wafer Fabrication Services SARL, which provides various technical support for CIL Limited's ("CIL") wafer fabrication services customers in Europe and Asia;

N T.L. Limited ("TLL") and its subsidiary CIL, which markets our services to semiconductor companies in Europe and Asia;

N Amkor/Anam EuroServices S.A.R.L. ("AAES"), which provides various technical and support services for CIL's packaging and test customers;

N Amkor/Anam Advanced Packaging, Inc. ("AAP"), Amkor/Anam Pilipinas, Inc. ("AAP") and AAP's subsidiary Automated MicroElectronics, Inc. ("AMI"), each of which provides manufacturing services; and

N AK Industries, Inc. ("AKI") and its subsidiary, Amkor-Anam, Inc., which provides raw material purchasing and inventory management services.

Subsequent to the Reorganization, we created additional subsidiaries and reorganized the ownership structure of several of our subsidiaries.

THE ACQUISITION OF K4

We have entered into an asset purchase agreement with ASI to purchase the assets of ASI's newest and largest packaging and test factory, K4, excluding cash and cash equivalents, notes and accounts receivables, intercompany accounts and existing claims against third parties. The purchase price for K4 is \$607 million, including the assumption of up to \$7 million of employee benefit liabilities. K4 provides packaging and test services for advanced leadframe and laminate packages that are used in high-performance electronic products such as cellular telephones, laptop computers, digital cameras and microprocessors. K4 began operating in October 1996 and is ASI's newest semiconductor packaging and test facility. In addition to other conditions, including the satisfactory completion of due diligence, the receipt of a fairness opinion and final board

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approval, our acquisition of K4 is subject to our ability to obtain financing of the entire amount of the purchase price on reasonable terms. We cannot be certain that we will be able to obtain this financing on reasonable terms. Our company and ASI continue to finalize the details of the acquisition, including ancillary agreements. ASI has indicated that it will reduce the purchase price of K4 to \$582 million if we sign an agreement to make an equity investment of \$150 million in ASI over a four year period, pursuant to the proposed financial restructuring of ASI with its creditor banks, called "Workout." The Company has sent ASI's creditor banks a letter committing to make an equity investment in ASI. The commitment is subject to conditions more fully described in "-- Relationship With ASI," and the terms on which we are willing to make this investment have not yet been accepted by ASI's creditor banks.

K4 is situated on approximately 100 acres and currently consists of a 1,000,000 square foot facility, including 782,000 square foot of manufacturing and administrative space. K4 provides packaging and test services for many of our most advanced packages. In addition, the K4 site has the infrastructure in place to accommodate four pre-configured modules for a total of 1.6 million square feet of incremental capacity.

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RELATIONSHIP WITH ASI

WHO IS ANAM SEMICONDUCTOR, INC.?

ASI is a Korean company engaged primarily in providing semiconductor packaging and test services. ASI currently operates four semiconductor packaging and test factories in Korea, including K4. ASI also operates a semiconductor wafer foundry in Korea. ASI derives substantially all of its revenues from the sale of its packaging and test services to us. ASI also derives all of its wafer fabrication revenues from the sale of services to us. In addition, ASI markets its services directly to customers located in Korea.

We have a long-standing relationship with ASI. ASI was founded in 1956 by Mr. H. S. Kim, the father of Mr. James Kim, our Chairman and Chief Executive Officer. Since January 1992, in addition to his other responsibilities, Mr. James Kim has served as Chairman and a director of ASI. For the years ended

December 31, 1996, 1997 and 1998, we derived 72%, 68% and 69% of our net revenues and 51%, 42% and 49% of our gross profit from sales of services performed for us by ASI.

In January 1998, we entered into new supply agreements with ASI. Under these agreements, we retain a first right to substantially all of its packaging and test services and the exclusive right to all of the output of its semiconductor wafer foundry. We expect to continue to purchase substantially all of ASI's packaging and test services and to purchase all of ASI's semiconductor wafer output.

THE KOREAN FINANCIAL CRISIS AND THE ASI WORKOUT

ASI's business has been severely affected by the economic crisis in Korea. In late 1997, the Republic of Korea began to undergo a foreign currency liquidity crisis resulting in significant adverse economic circumstances and significant depreciation in the value of the Korean Won against the U.S. dollar. In order to address this situation, the government of Korea sought assistance from the International Monetary Fund and implemented a comprehensive policy intended to address the structural weaknesses in the Korean economy and financial sector. While the reform policies were intended to alleviate the economic difficulties and improve the economy over time, in the short term, they have resulted in: (1) slower economic growth, (2) a reduction in the availability of credit, (3) an increase in interest rates, (4) an increase in taxes, (5) an increase in the rate of inflation, (6) volatility in the value of the Korean Won, (7) an increase in the number of bankruptcies of Korean corporate entities and (8) unrest resulting from a significant increase in unemployment. Although the Korean economy recovered somewhat in the latter half of 1998, these conditions and similar conditions in other countries in the Asia Pacific region continue to pose a threat to the economies of such countries and to the region as a whole.

ASI historically operated with a significant amount of debt relative to its equity. The economic crisis in Korea led to sharply higher interest rates and significantly reduced opportunities for refinancing maturing debts. Because ASI maintained a substantial amount of short-term debt, its inability to refinance this debt created a liquidity crisis for ASI.

In addition to its own leveraged financial position, ASI guarantees certain debt obligations of its affiliates and subsidiaries, many of which have encountered similar or worse financial difficulties as a result of the crisis. In response to this situation, in October 1998, ASI announced that it had applied for and was accepted into the Korean financial restructuring program known as "Workout." The Workout program is the result of an accord among Korean financial institutions to assist in the restructuring of Korean business enterprises. This process involves negotiation between the related banks and ASI, and does not involve the judicial system. The Workout process also does not impact debts outstanding with trade creditors, including balances due to/or from ATI. ASI's operations have continued uninterrupted during the process, and we expect ASI's operations to continue uninterrupted for the duration of the process.

The Company has received the report of the meeting of ASI's Creditor Banks at which the principal terms of a Workout plan for ASI were approved (a translation of the principle terms of the ASI Workout is attached as Exhibit 99.1 filed with this annual report). We understand from ASI's management that many of the details of the Workout program will be contained in definitive agreements between ASI and the creditor

banks and none of these agreements have yet been finalized. The terms of ASI's Workout set forth below are based upon the report and information provided to us by ASI's management. References to "won" or "W" are to the currency of Korea.

The Workout as approved by the creditor banks contains the following relief

provisions for ASI:

- N The creditor banks will allow ASI to defer repayment on principal of ordinary loans until December 31, 2003. After December 31, 2003 bank loans with repayment terms will be payable through readjustment of repayment schedules on the basis of the repayment period as of October 24, 1998. For loans without repayment terms, the schedule to repay principal amounts will be determined by ASI and the Creditor Banks at the end of such period.
- N The creditor banks will allow ASI to defer repayment of principal under capital leases until December 31, 1999, with payments of principal to resume under a 7 year installment plan thereafter.
- N The creditor banks will allow ASI to defer the maturity of its Won-denominated debentures held by the Creditor Banks for an additional three year term after currently scheduled maturity dates.
- N The creditor banks will allow ASI to make no interest payments on ordinary loans until December 31, 1999. The Creditor Banks will add accrued interest to the principal amounts of these loans every three months.
- N The creditor banks will reduce interest rates on ASI's remaining outstanding Won-denominated ordinary bank loans to 10% or the prime rate of each creditor bank, whichever is greater. This would reduce ASI's weighted average interest rate from 12.9% before the Workout to 10.5% after the Workout.
- N The creditor banks will give ASI a five year grace period until December 31, 2003 against enforcement of guarantees made by ASI for liabilities of ASI's affiliates. In addition, interest will not accrue on guaranteed obligations during the five year period.
- N The creditor banks will provide to ASI a short-term loan of W50 billion at the prime rate plus 1%, to be repaid with proceeds from the sale of K4.
- N The creditor banks will convert W250 billion (\$208 million, using the December 31, 1998 exchange rate of W1207 to \$1.00) of ASI debt held by the creditor banks into: (1) W122.3 billion (\$102 million using the December 31, 1998 exchange rate) in equity shares of ASI, (2) W108.1 billion (\$90 million using the December 31, 1998 exchange rate) in five-year non-interest bearing convertible debt and (3) W19.6 Billion (\$16 million) in non-interest bearing loans. The conversion would take place in installments over four years and at a conversion rate equal to W5,000 per share, the par value of ASI's common stock. In order for the initial conversion of debt to take place in accordance with the terms of Workout, ASI will have to undergo a series of corporate actions, including a reverse stock split to bring the fair market value of its equity shares to a price at least equal to the par value of such shares. The creditor banks would time their conversions of ASI debt to coincide with equity investments made in ASI by a third-party investor company, in the aggregate amount of \$150 million over a four year period.

The conversion of debt by the creditor banks depends upon ASI obtaining a commitment from a third party foreign investor to invest \$150 million in ASI equity over a four-year period. We have sent a letter to ASI's creditor banks committing, subject to certain conditions, to make an investment of \$41 million in 1999 and, assuming certain additional conditions are met, we will invest an additional \$109 million between years 2000 and 2002. Our commitment letter provides that upon meeting these conditions, we would invest \$41 million in 1999, 2000, and 2001, with a final investment of \$27 million in 2002. We would purchase the ASI shares at W5,000 per share. Since our commitment is in U.S. dollars, the number of shares we would purchase will vary based on the exchange rate of Korean won to U.S. dollars. The letter has not yet been accepted by ASI's creditor banks, and we cannot be certain that the banks will agree to the terms we have proposed for the investment. Our commitment to invest in ASI must be finalized before the Workout agreements will be implemented. If we reach agreement with ASI's creditors banks on the terms of our

commitment, ASI has indicated that it will reduce the K4 purchase price to \$582 million from \$607 million. We do not believe that any other third party is considering investing in ASI.

ASI has not finalized the Workout agreement with the creditor banks. Assuming the creditor banks and ASI finalize and implement the Workout, upon completion of the first installment of the conversion of debt of the creditor banks to equity or convertible debt and the first installment of our equity investment, the relative equity ownership of ASI among the creditor banks, the Kim family and our company would be approximately 27%, 21% and 21%, respectively (assuming an exchange rate of W1,200 to \$1.00). Upon completion of all debt conversions and equity investments contemplated by the Workout through 2002, the relative equity ownership of ASI among the creditor banks, the Kim family and our company would be approximately 29%, 11% and 43%, respectively (assuming an exchange rate of W1,200 to \$1.00 and without any future sales of ASI stock by these parties). Upon conversion of all of the convertible debt issued to creditor banks, which would be permitted beginning one year after the date of issuance of such debt, the ownership of ASI among the creditor banks, the Kim family and our company would be approximately 43%, 9% and 34%, respectively (assuming an exchange rate of W1,200 to \$1.00 and without any future sales of ASI stock by these parties).

The creditor banks have the right to terminate the Workout if ASI fails to meet the conditions of the Workout, which includes conditions related to ASI's financial performance. We believe that if the Workout is not finalized by the creditor banks and ASI, or if the creditor banks subsequently terminate the Workout, the debt relief afforded to ASI pursuant to the Workout would be terminated and the creditor banks could reinstate and enforce the original terms of ASI's debt, including accelerating ASI's obligations. If this were to occur, ASI's and our businesses could be harmed.

RELATIONSHIP WITH ASI FOLLOWING THE WORKOUT AND PROPOSED ACQUISITION OF K4

We expect ASI to continue to be important to our business in the future. Under our supply agreements with ASI, we have a first right to substantially all of the packaging and test services of ASI and the exclusive right to all of the wafer output of ASI's wafer foundry. The supply agreements have a five-year term and may be terminated by either party upon five years' written notice after completion of the initial five year term. The supply agreements may also be terminated upon breach or insolvency of either party. We expect to continue to have certain contractual and other business relationships with ASI, including those under the supply agreements. The supply agreements generally provide for continued cooperation between our company and ASI in research and development, as well as cross-licensing of intellectual property rights. The supply agreements also provide for continued capital investment by ASI based on our forecasts. If the Workout is not agreed upon by ASI and its creditor banks or if it is not successful, ASI's ability to meet the capital expenditure requirements for expansion may be limited.

Concurrent with the completion of the proposed acquisition of K4, we will enter into a transition services agreement and an intellectual property licensing agreement with ASI. The terms of these agreements are being negotiated.

Our company and ASI will also continue to have close ties due to our overlapping ownership and management. The Kim family currently beneficially owns approximately 65.8% of our outstanding common stock and approximately 40.7% of ASI's Common Stock. As a result of the Workout as currently contemplated, the Kim family's ownership of ASI will be substantially diluted. Nevertheless, we believe that the Kim family will continue to exercise significant influence over ASI and its affiliates, as well as over our company. We expect that Mr. James Kim will continue to serve as Chairman of ASI and as our Chairman and Chief Executive Officer. If our company makes an investment of \$150 million in ASI in connection with the Workout, our company would own approximately 43% of the

outstanding common stock of ASI by the year 2002, which would increase the interrelationship of our two companies (assuming an exchange rate of W1,200 to \$1.00, without any future sales of ASI stock by us, and before conversion of outstanding convertible notes to equity).

Our company has also entered into agreements with ASI and TI relating to our wafer fabrication business. For more information on these agreements, please see "Business -- Wafer Fabrication Services."

We may engage in other transactions with ASI from time to time that are material to us. For further information regarding our historical relationship with ASI, see "Certain Transactions."

ASI'S FINANCIAL CONDITION

ASI's ability to continue to provide services to us will depend on ASI's financial condition and performance. ASI is currently in a weak financial condition, and it is not certain whether the Workout that is being negotiated will be sufficient to allow ASI to substantially improve its financial condition.

The following is a summary of the audited, December 31, 1996, 1997 and 1998 unconsolidated financial information pertaining to ASI. The unconsolidated financial information differs from consolidated financial data in certain significant respects. Under generally accepted accounting principles in Korea ("Korean GAAP"), investments are carried at cost. Consequently, income or losses from subsidiaries and equity investments are generally not considered in determining net income on an unconsolidated basis. In addition, revenues earned on sales to affiliated companies are not eliminated. In 1997, ASI's net loss on a consolidated basis was W348,729 million. Consolidated financial statements for 1998 are not available. The financial information is prepared in accordance with Korean GAAP which differs from U.S. GAAP. These differences include accounting for investment securities, foreign currency translation, impairment of long lived assets, deferred assets, deferred taxes and goodwill. Under U.S. GAAP the U.S. dollar would be the functional currency for ASI. U.S. GAAP financial statements are not available.

Beginning in late 1997 and continuing into 1998, the won depreciated significantly against the U.S. dollar and other foreign currencies. On December 31, 1996, the exchange rate was W884 to \$1.00. By comparison, the exchange rate was W1,415 to \$1.00 on December 31, 1997 and W1,207 to \$1.00 on December 31, 1998. No representation is made that the won or U.S. dollar amounts referred to herein could have been or could be converted into U.S. dollars or won, as the case may be, at any particular rate or at all.

ASI UNCONSOLIDATED CONDENSED FINANCIAL INFORMATION
(KOREAN GAAP)

	1996	1997	1998
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	(IN MILLIONS)		
INCOME STATEMENT DATA:			
Sales.....	W1,125,880	W1,428,353	W2,261,395
Gross profit.....	162,965	212,059	143,199
Operating income.....	112,815	153,402	78,641
Interest and dividend (income) expense, net.....	54,637	61,731	246,139
Foreign exchange (gains) losses, net, losses on forward exchange contracts and amortization of deferred charges, net.....	31,720	343,169	(187,831)
Loss on valuation of inventories.....	--	444	21,179
Other, net.....	(3,875)	235	(32,462)
	-----	-----	-----
Total non-operating (income) expense, net...	82,482	405,579	47,025
	-----	-----	-----

Ordinary income (loss) before income taxes and extraordinary items.....	30,333	(252,177)	31,616
Income tax.....	7,286	--	--
Extraordinary (gains) losses, net.....	3,322	(484)	189,811
	-----	-----	-----
Net income (loss).....	W 19,725	W (251,693)	W (158,195)
	=====	=====	=====
Depreciation expense.....	W 83,433	W 123,142	W 301,874
	=====	=====	=====

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ASI UNCONSOLIDATED
(KOREAN GAAP)

	DECEMBER 31		
	1996	1997	1998
	-----	-----	-----
	(IN MILLIONS)		
SUMMARY BALANCE SHEET DATA:			
Cash and bank deposits.....	W 291,554	W 190,473	W 8,623
Accounts and notes receivable, net.....	50,219	86,274	101,646
Inventories.....	90,889	116,224	61,749
Short-term loans to affiliates.....	2,680	28,919	340,344
Other current assets.....	67,868	161,512	105,131
	-----	-----	-----
Total current assets.....	503,210	583,402	617,493
	-----	-----	-----
Property, plant and equipment, net.....	884,985	2,075,065	2,212,544
Investments.....	114,093	122,732	116,849
Long-term accounts receivable.....	9,696	9,518	6,120
Other long-term assets.....	38,507	231,898	109,795
	-----	-----	-----
Total long-term assets.....	1,047,281	2,439,213	2,445,308
	-----	-----	-----
Total assets.....	W1,550,491	W3,022,615	W 3,062,801
	=====	=====	=====
Short-term borrowings.....	W 410,009	W 932,937	W 924,426
Current maturities of long-term debt.....	80,222	93,396	214,161
Provision for losses on short-term loans to affiliates.....	--	--	190,000
Other current liabilities.....	202,863	280,951	387,868
	-----	-----	-----
Total current liabilities.....	693,094	1,307,284	1,716,455
	-----	-----	-----
Long-term debt, net of current maturities.....	402,020	654,662	448,212
Long-term capital lease obligations.....	105,428	852,444	655,105
Other long-term liabilities.....	57,074	74,915	78,563
	-----	-----	-----
Total long-term liabilities.....	564,522	1,582,021	1,181,880
	-----	-----	-----
Total liabilities.....	1,257,616	2,889,305	2,898,335
	-----	-----	-----
Stockholders' equity.....	292,875	133,310	164,466
	-----	-----	-----
Total liabilities and stockholders' equity.....	W1,550,491	W 3,022,615	W 3,062,801
	=====	=====	=====

A significant amount of the current and long-term liabilities of ASI are denominated in U.S. dollars and other foreign currencies. At December 31, 1998, the amount of U.S. dollar and other foreign currency denominated short-term borrowings, current maturities of long-term debt, long-term debt (net of current maturities) and long-term capital lease obligations were W253 billion, W80 billion, W96 billion and W633 billion, respectively. Due in part to the significant depreciation of the won resulting from the economic crisis in Korea, ASI's dollar-denominated liabilities in won terms and its leverage calculated in

won significantly increased in 1997. The effect of this depreciation on ASI, however, has been mitigated by the fact that substantial amounts of ASI's revenues are denominated in U.S. dollars. The increase in ASI's liabilities was also attributable in part to additional financing obtained in connection with the construction of its new semiconductor wafer foundry.

As of December 31, 1998, ASI was contingently liable under guarantees in respect of debt of ASI's subsidiaries and affiliates in the Anam Group including AUSA in the aggregate amount of approximately W668 billion. In addition, if any relevant subsidiaries or affiliates of ASI, certain of which may have greater exposure to domestic Korean economic conditions than ASI, were to fail to make interest or principal payments or otherwise default under their debt obligations guaranteed by ASI, ASI could be required under its guarantees to repay such debt, which event could have a material adverse effect on its financial condition and results of operations.

ITEM 2. PROPERTIES

We provide packaging and test services through our three factories in the Philippines. We source additional packaging and test services from four factories located in Korea and owned by ASI, including K4, pursuant to a supply agreement with ASI. We also source wafer fabrication services from ASI's semiconductor wafer foundry located in Korea pursuant to another supply agreement. In addition, we have a research and development facility at our Chandler, Arizona site. For information about our supply agreements with ASI, see "Relationship With ASI."

We believe that total quality management is a vital component of our advanced manufacturing capabilities. We have established a comprehensive quality operating system designed to: (1) promote continuous improvements in our products and (2) maximize manufacturing yields at high volume production without sacrificing the highest quality standards. Each of our factories and each of ASI's factories is ISO9002 and QS-9000 certified. ISO9002 is a worldwide manufacturing quality certification program administered by an independent standards organization. QS-9000 is a manufacturing quality certification program administered by an independent standards organization that is used primarily by U.S. automotive manufacturers. We believe that many of our customers prefer to purchase from suppliers who are ISO9002 and QS-9000 certified. In addition to providing world-class manufacturing services, our factories in the Philippines and ASI's factories in Korea provide purchasing, engineering and customer service support.

The size, location, and manufacturing services provided by each of our company's and ASI's factories is set forth in the table below.

LOCATION -----	APPROXIMATE FACTORY SIZE (SQUARE FEET) -----	MANUFACTURING SERVICES -----
OUR FACTORIES		
Muntinlupa, Philippines(P1)	579,000	Packaging and test services Packaging and process development
Muntinlupa, Philippines(P2)	115,000	Packaging services
Province of Laguna, Philippines(P3)	388,000	Packaging and test services
ASI'S FACTORIES		
Seoul, Korea(K1)	646,000	Packaging services Package and process development
Buchon, Korea(K2)	264,000	Packaging services
Bupyung, Korea(K3)	404,000	Packaging and test services
Kwangju, Korea(K4)	782,000	Packaging and test services
Buchon, Korea	480,000	Wafer fabrication services

Our operational headquarters is located in Chandler, Arizona, and our administrative headquarters is located in West Chester, Pennsylvania. In addition to an executive staff, the Chandler, Arizona campus houses: (1) sales and customer service for the southwest region, (2) product management planning and marketing and (3) a 121,000 square foot center for technical design and research and development. The West Chester location houses finance and accounting, legal, personnel administration and information systems, and serves as a satellite sales office for our eastern sales region.

ITEM 3. LEGAL PROCEEDINGS

In the ordinary course of business we may be involved in legal proceedings from time to time. As of the date of this annual report, there are no material proceedings pending against us.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

There were no matters submitted to a vote of security holders during the fourth fiscal quarter of the fiscal year ended December 31, 1998.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Our common stock is traded on the Nasdaq National Market under the symbol "AMKR." Public trading of the common stock began on May 1, 1998. Prior to that, there was no public market for our common stock. The following table sets forth, for the periods indicated, the high and low sale price per share of our common stock as quoted on the Nasdaq National Market.

1998 ----	HIGH -----	LOW -----
Second Quarter (from May 1, 1998).....	\$14.000	\$7.000
Third Quarter.....	\$ 9.750	\$3.250
Fourth Quarter.....	\$10.875	\$3.000

DIVIDEND POLICY

We have not paid cash dividends and have no present plans to do so. We have a negative covenant prohibiting dividends under the terms of one of our current loan agreements.

There were approximately 102 holders of record as of March 15, 1999 of our Common Stock.

RECENT SALES OF UNREGISTERED SECURITIES

Prior to our initial public offering in May of 1998, 82,610,000 shares of Common Stock were issued to Mr. James Kim and members of his family in exchange for their outstanding interests in entities affiliated with our predecessor. Such issuances were made pursuant to an exemption from registration under Section 4(2) of the Securities Act of 1933, as amended. See "Corporate History" in Item 1 of this Annual Report. The recipients of securities in each such transaction represented their intention to acquire the securities for investment only and not with a view to or for sale in connection with any distribution thereof and appropriate legends were affixed to the share certificates issued in such transactions. All recipients had adequate access, through their relationships with our company, to information about our company.

ITEM 6. SELECTED FINANCIAL DATA

SELECTED CONSOLIDATED FINANCIAL DATA

We have derived the selected consolidated financial data presented below for, and as of the end of, each of the years in the five-year period ended December 31, 1998 from our consolidated financial statements. Arthur Andersen LLP, independent public accountants, has audited the consolidated financial statements as of December 31, 1997 and 1998 and for each of the years in the three-year period ended December 31, 1998. Their report thereon, together with such consolidated financial statements and the notes thereto, are included elsewhere in this annual report. We have derived the selected consolidated financial data presented below as of December 31, 1994, 1995 and 1996 and for the years ended December 31, 1994 and 1995 from audited consolidated financial statements which are not presented herein. You should read the selected consolidated financial data set forth below in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and the notes thereto, included elsewhere in this annual report.

	YEAR ENDED DECEMBER 31,				
	1994	1995	1996	1997	1998
	(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)				
INCOME STATEMENT DATA:					
Net revenues.....	\$572,918	\$932,382	\$1,171,001	\$1,455,761	\$1,567,983
Cost of revenues -- including purchases from ASI.....	514,648	783,335	1,022,078	1,242,669	1,307,150
Gross profit.....	58,270	149,047	148,923	213,092	260,833
Operating expenses:					
Selling, general and administrative...	41,337	55,459	66,625	103,726	119,846
Research and development.....	3,090	8,733	10,930	8,525	8,251
Total operating expenses.....	44,427	64,192	77,555	112,251	128,097
Operating income.....	13,843	84,855	71,368	100,841	132,736
Other (income) expense:					
Interest expense, net.....	5,752	9,797	22,245	32,241	18,005
Foreign currency (gain) loss.....	(4,865)	1,512	2,961	(835)	4,493
Other (income) expense, net.....	(877)	6,523	3,150	8,429	9,503
Total other (income) expense.....	10	17,832	28,356	39,835	32,001
Income before income taxes, equity in income (loss) of ASI and minority interest.....	13,833	67,023	43,012	61,006	100,735
Provision for income taxes.....	2,977	6,384	7,876	7,078	24,716
Equity in income (loss) of ASI(a).....	1,762	2,808	(1,266)	(17,291)	--
Minority interest(b).....	1,044	1,515	948	(6,644)	559
Net income.....	\$ 11,574	\$ 61,932	\$ 32,922	\$ 43,281	\$ 75,460
PRO FORMA DATA (UNAUDITED):					
Historical income before income taxes, equity in income (loss) of ASI and minority interest.....	\$ 13,833	\$ 67,023	\$ 43,012	\$ 61,006	\$ 100,735
Pro forma provision for income taxes(c).....	3,177	16,784	10,776	10,691	29,216
Pro forma income before equity in income (loss) of ASI and minority interest(d).....	10,656	50,239	32,236	50,315	71,519
Historical equity in income (loss) of ASI.....	1,762	2,808	(1,266)	(17,291)	--
Historical minority interest.....	1,044	1,515	948	(6,644)	559
Pro forma net income(c).....	\$ 11,374	\$ 51,532	\$ 30,022	\$ 39,668	\$ 70,960

	=====	=====	=====	=====	=====
PER SHARE DATA:					
Basic net income per common share(c)....	\$.14	\$.75	\$.40	\$.52	\$.71
Diluted net income per common share(c).....	\$.14	\$.75	\$.40	\$.52	\$.70
Basic pro forma net income per common share -- unaudited(c) (d).....	\$.14	\$.62	\$.36	\$.48	\$.67
Diluted pro forma net income per common share -- unaudited(c) (d).....	\$.14	\$.62	\$.36	\$.48	\$.66
OTHER FINANCIAL DATA:					
Depreciation and amortization.....	\$ 14,612	\$ 26,614	\$ 57,825	\$ 81,864	\$ 119,239
Capital expenditures.....	\$ 68,926	\$ 123,645	\$ 185,112	\$ 178,990	\$ 107,889

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	DECEMBER 31,				
	-----	-----	-----	-----	-----
	1994	1995	1996	1997	1998
	-----	-----	-----	-----	-----
	(DOLLARS IN THOUSANDS)				
BALANCE SHEET DATA (AT END OF PERIOD):					
Cash and cash equivalents.....	\$114,930	\$ 91,151	\$ 49,664	\$ 90,917	\$ 227,587
Working capital (deficit).....	\$134,798	\$111,192	\$ 36,785	\$ (38,219)	\$ 191,383
Total assets.....	\$426,522	\$626,379	\$804,864	\$855,592	\$1,003,597
Total debt, including short-term borrowings and current portion of long-term debt.....	\$326,434	\$411,542	\$594,151	\$514,027	\$ 260,503
Total long-term debt.....	\$273,908	\$326,422	\$402,338	\$346,710	\$ 221,846
Stockholders' equity.....	\$ 9,617	\$ 45,289	\$ 45,812	\$ 90,875	\$ 490,361

- (a) In 1997, we recognized a loss of \$17,291 resulting principally from the impairment of value of our investment in ASI, which we sold in February 1998.
- (b) Represented ASI's 40% interest in the earnings of Amkor/Anam Pilipinas, Inc. ("AAP"), one of our subsidiaries in the Philippines. We purchased ASI's interest in AAP with a portion of the proceeds from our initial public offering in May 1998.
- (c) Prior to our reorganization in April 1998, our predecessor, AEI, elected to be taxed as an S Corporation under the Internal Revenue Code of 1986 and comparable state tax laws. Accordingly, AEI did not recognize any provision for federal income tax expense during the periods presented. The pro forma provision for income taxes reflects the U.S. federal income taxes which would have been recorded if AEI had been a C Corporation during these periods.
- (d) We used 82,610,000 shares of common stock and common stock equivalents to compute both basic and diluted net income per common share for the years ended December 31, 1994, 1995, 1996 and 1997. We used 106,221,000 shares of common stock and 116,596,000 shares of common stock and common stock equivalents to compute basic and diluted net income per common share, respectively, for the year ended December 31, 1998.

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ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion contains forward-looking statements within the meaning of the federal securities laws, including: (1) statements regarding the anticipated growth in the market for our products, (2) our anticipated capital expenditures and financing needs, (3) our expected capacity utilization rates, (4) our belief as to our future operating performance (5) our anticipated results of the ASI Workout, (6) statements regarding future won/dollar exchange rates, (7) statements regarding the future of our relationship with ASI, (8) our anticipated equity investment in ASI, (9) our plan to implement a Year 2000 compliance plan, and (10) other statements that are not historical facts. Because such statements include risks and uncertainties, actual results may differ materially from those anticipated in such forward-looking statements as a result of certain factors, including those set forth in the following discussion as well as in "-- Risk Factors that May Affect Future Operating Performance" and "Business." The following discussion provides information and analysis of our results of operations for the three years ended December 31, 1998 and our liquidity and capital resources. You should read the following discussion in conjunction with "Selected Consolidated Financial Data" and our consolidated financial statements and notes thereto, included elsewhere in this annual report.

OVERVIEW

From 1995 to 1998, our net revenues increased from \$932.4 million to \$1,568.0 million. We generate revenues from packaging and test services performed by our three factories in the Philippines. In addition, we subcontract with ASI for packaging and test and wafer fabrication services performed by their five factories in Korea. We derived approximately 72%, 68% and 69% of our net revenues in 1996, 1997 and 1998, respectively, from sales of services performed by ASI pursuant to our supply agreements.

Beginning in 1997, a worldwide slowdown in demand for semiconductor devices led to excess capacity and increased competition. As a result, price declines resulted in recent periods. From 1996 to 1998, we were able to partially offset the effect of price declines by successfully developing and marketing new packages with higher prices, such as advanced leadframe and laminate packages. We cannot assure you that we will be able to offset any such price declines in the future. You should read "-- Risk Factors that May Affect Future Operating Performance -- Declining Average Selling Prices" for more information regarding declining prices for our products and "Business -- Packaging and Test Services" for more detailed descriptions of our product offerings.

We depend on a small group of customers for a substantial portion of our revenues. In 1996, 1997 and 1998, we derived 39.2%, 40.1% and 35.3%, respectively, of our net revenues from sales to five packaging and test customers, with 23.5%, 23.4% and 20.6% of our net revenues, respectively, derived from sales to Intel Corporation. In addition, during 1998, we derived 7.4% of our net revenues from wafer fabrication services, and we derived all of these revenues from TI.

Our cost of revenues consists principally of: (1) service charges paid to ASI for packaging and test services performed for us, (2) costs of direct material and (3) labor and other costs at our factories in the Philippines. Services charges paid to ASI are set in accordance with our supply agreements with ASI as described below. Our gross margins on sales of services performed by ASI are lower than our gross margins on sales of services performed by our factories in the Philippines, but we do not bear any of ASI's fixed costs. We incur costs of direct materials used in packages that we and ASI produce for our customers. Because a portion of our costs at our factories in the Philippines is fixed, increases or decreases in capacity utilization rates can have a significant effect on our gross profit. The unit cost of packaging and test services generally decreases as fixed charges, such as depreciation expense on our equipment, are allocated over a larger number of units produced. If our investment in ASI occurs, ASI's financial results will affect our financial results because we will be required to record our proportionate ownership interest in ASI's earnings or losses, through equity accounting. See "Business -- Relationship with ASI" in Item 1 of this annual report.

In order to meet customer demand for our laminate packages, we have made significant investments to expand our capacity in the Philippines. In 1996 and the first six months of 1997, we incurred and expensed \$15.5 million and \$16.6 million, respectively, of pre-operating and start-up costs and initial operating losses in connection with our newest factory in the Philippines, P3. This factory operated at substantially less than full capacity during these periods while our customers were completing qualification procedures for the production of laminate packages at this factory. During the last six months of 1997 and in 1998, we significantly increased utilization of P3 due to continued growth in demand for laminate packages. As a result, P3 contributed positive gross margins throughout 1998.

RELATIONSHIP WITH ASI. Our gross margins are significantly affected by fluctuations in service charges paid pursuant to our supply agreements with ASI. During 1996, 1997 and 1998, we derived approximately 51%, 42% and 49%, respectively, of our gross profit from sales of services performed for us by ASI. In addition, ASI derives nearly all of its revenues from services sold by us. Historically, ASI has directly sold packaging and test services in Japan and Korea. In January 1998, we assumed the marketing rights for packaging and test services in Japan from ASI. In January 1998, we also began marketing wafer fabrication services provided by ASI's new semiconductor wafer foundry.

Through our supply agreements with ASI, we have a first right to substantially all of the packaging and test service capacity of ASI and the exclusive right to all of the wafer output of ASI's new wafer foundry. We expect to continue to purchase substantially all of ASI's packaging and test services and to purchase all of ASI's wafer fabrication services.

Our company and ASI review and, if applicable, adjust within a pre-determined range the pricing arrangements for packaging and test services and wafer fabrication services. Our company and ASI review the arrangements for packaging and test services quarterly and wafer fabrication services annually. In each case, the prices can be adjusted based on changes in forecasted demand, product mix, capacity utilization and fluctuations in exchange rates, as well as our mutual long-term strategic interests. Based on these factors, in the second quarter of 1998, our company and ASI agreed to reduce the prices paid by us for packaging and test services.

Historically, ASI has undertaken capacity expansion programs and other capital expenditures primarily on the basis of forecasts and operational plans which our company and ASI jointly prepare. The supply agreements generally provide for continued capital investment by ASI based on our forecasts and on operating plans we jointly prepare reflecting such forecasts. If the Workout described in Item 1 of this annual report is not agreed upon by ASI and its creditor banks or if it is not successful, ASI's ability to meet the capital expenditure requirements for expansion may be limited.

We cannot assure you that ASI will not terminate the supply agreements when the initial term expires, or that ASI will not become insolvent and cause the supply agreements to terminate. If ASI does terminate the supply agreements, we may not be able to enter into a new agreement with ASI on terms favorable to us or at all. For more information on this risk, see "Business -- Relationship with ASI" in Item 1 of this Annual Report and "-- Risk Factors that May Affect Future Operating Performance -- Dependence on ASI."

We expect ASI to continue to be important to our business, financial condition and results of operations as we will continue to be significantly dependent on ASI's ability to effectively provide the contracted services on a cost-efficient and timely basis. ASI's ability to continue to provide services to us will depend on ASI's financial condition and performance. ASI is currently in a weak financial condition. ASI's creditors recently agreed on a Workout, pursuant to which a portion of ASI's outstanding debt will be converted to equity and payment of certain loans will be deferred for a number of years. The Workout may be modified or terminated by ASI's creditors if ASI fails to meet the conditions of the Workout. Even if the Workout is completed, we cannot be

certain that it will be sufficient to allow ASI to substantially improve its financial condition.

Our company and ASI will continue to have close ties due to our overlapping ownership and management. The Kim family beneficially owns approximately 65.8% of our outstanding common stock. As a result of the Workout as currently contemplated the Kim family's ownership of ASI will be substantially diluted. As of February 1, 1999, the Kim family owned 40.7% of ASI's outstanding common stock. Under the

proposed terms of the Workout, this interest could be diluted to approximately 21% in 1999 and less than 10% by 2003 (assuming an exchange rate of W1,200 to \$1.00 and without any future sales of ASI stock by the Kim family). Nevertheless, we believe that the Kim family will continue to exercise significant influence over ASI and its affiliates, as well as our company. We expect that Mr. James Kim will continue to serve as Chairman of ASI and as our Chairman and Chief Executive Officer. If we complete our proposed investment of \$150 million over the next four years in ASI in connection with the Workout, and our company would own approximately 43% of the outstanding common stock (assuming an exchange rate of W1,200 to \$1.00, without any future sales of ASI stock by us and before conversion of outstanding convertible notes to equity) of ASI by the year 2002, which would increase the interrelationship of our two companies.

We may agree to certain changes in our contractual and other business relationships with ASI, including pricing, manufacturing allocation, capacity utilization and capacity expansion, among others, which in the judgment of our management could result in reduced short-term profitability for us in favor of potential long-term benefits to our company and ASI. We cannot assure you that our business, financial condition or results of operations may not be adversely affected by any such decision. For more information concerning our relationship with ASI, you should read "-- Risk Factors that May Affect Future Operating Performance -- Dependence on Relationship with ASI," "-- Risk Factors that May Affect Future Operating Performance -- Potential Conflicts of Interest with ASI" and "-- Liquidity and Capital Resources."

RESULTS OF OPERATIONS

The following table sets forth certain operating data as a percentage of net revenues for the periods indicated:

	YEAR ENDED DECEMBER 31,		
	1996	1997	1998
Net revenues.....	100.0%	100.0%	100.0%
Cost of revenues -- including purchases from ASI.....	87.3	85.4	83.4
Gross profit.....	12.7	14.6	16.6
Operating expenses:			
Selling, general and administrative.....	5.7	7.1	7.6
Research and development.....	0.9	0.6	0.5
Total operating expenses.....	6.6	7.7	8.1
Operating income.....	6.1%	6.9%	8.5%

YEAR ENDED DECEMBER 31, 1998 COMPARED TO YEAR ENDED DECEMBER 31, 1997

Net Revenues

Net revenues increased \$112.2 million, or 7.7%, to \$1,568.0 million in 1998

from \$1,455.8 million in 1997. Packaging and test net revenues were relatively unchanged in 1998 compared to 1997. However, net revenues from wafer fabrication services have ramped up since operations began in January 1998 and accounted for substantially all of the increase in net revenues. In addition, beginning in January 1998, we assumed marketing rights for packaging and test services in Japan from ASI.

Total unit volumes increased during 1998 compared to 1997. This increase was primarily due to increases in volumes of laminate packages, which more than doubled compared to 1997. Our advanced leadframe packages also increased in volume, but unit volumes for traditional packages declined. Although traditional packages still account for more than 65% of our total unit volume, the shift to laminate packages has more significantly impacted revenues because each laminate package has an average selling price significantly higher than the average selling price of a traditional package. Laminate and advanced leadframe packages accounted for 53.8% of packaging and test net revenues in 1998 compared to 38.7% in 1997. This trend was consistent throughout 1998. We do not expect any near term changes to this trend because we expect demand for smaller and thinner packages to continue to increase and believe laminate and advanced leadframe packages will best satisfy this demand.

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Gross Profit

Gross profit increased \$47.7 million, or 22.4%, to \$260.8 million in 1998 from \$213.1 million in 1997. Gross margin improved to 16.6% in 1998 from 14.6% in 1997. The following factors contributed to higher gross margins in 1998:

- N Gross margins on packaging and test services provided by ASI improved as a result of the supply agreements entered into in January 1998;

- N Gross margins at P3, which incurred significant pre-operating and start-up costs and initial operating losses in the first half of 1997, improved primarily as a result of increased volumes and better absorption of fixed costs; and

- N Gross margins improved as a result of the positive impact from wafer fabrication revenues during 1998 compared to no revenue from wafer fabrication in 1997.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased \$16.1 million, or 15.5%, to \$119.8 million in 1998 from \$103.7 million in 1997. Selling, general and administrative expenses as a percentage of net revenues increased to 7.6% in 1998 from 7.1% in 1997. The increase was primarily due to: (1) higher administrative expenses at P3 as unit volumes continued to increase and (2) costs related to wafer fabrication services, which began in January 1998.

Research and Development Expenses

Research and development expenses decreased \$0.3 million, or 3.2%, to \$8.3 million in 1998 from \$8.5 million in 1997. Research and development expenses as a percentage of net revenues decreased to 0.5% in 1998 from 0.6% in 1997.

Other (Income) Expense

Other (income) expense decreased \$7.8 million to \$32.0 million in 1998 from \$39.8 million in 1997. The decline was primarily due to a reduction in net interest expense of \$14.2 million to \$18.0 million in 1998 from \$32.2 million in 1997. We used a portion of the proceeds from our initial public offering in May 1998 to repay much of our outstanding debt. Additionally, we accumulated a significant cash balance. An increase in foreign exchange losses, due to fluctuations in the Philippine peso, partly offset lower interest expense.

Income Taxes

Our effective tax rate, after giving effect to the pro forma adjustment for income taxes, was 29.0% in 1998 compared to an effective tax rate of 17.5% in 1997. The lower effective tax rate in 1997 was due to the recognition of deferred tax assets on currency losses for Philippine tax reporting purposes, which are not recognized for financial reporting purposes. This decrease was offset by increases in the effective rate resulting from non-deductible losses at P3 where we have a tax holiday until the end of 2002.

We have structured our global operations to take advantage of lower tax rates in certain countries and tax incentives extended to encourage investment. The tax returns for open years are subject to changes upon final examination. Changes in the mix of income from our foreign subsidiaries, expiration of tax holidays and changes in tax laws and regulations could result in increased effective tax rates for us.

Minority Interest

Minority interest represented ASI's ownership in the consolidated net income of AAP, one of our subsidiaries in the Philippines. Accordingly, we recorded a minority interest expense in our consolidated financial statements relating to the minority interest in the net income of AAP.

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In the second quarter of 1998, we purchased ASI's 40% interest in AAP, and, as a result, we now own substantially all of the common stock of AAP. The purchase of the minority interest resulted in the elimination of the minority interest liability and goodwill amortization of approximately \$2.5 million per year.

YEAR ENDED DECEMBER 31, 1997 COMPARED TO YEAR ENDED DECEMBER 31, 1996

Net Revenues

Net revenues increased \$284.8 million, or 24.3%, to \$1,455.8 million in 1997 from \$1,171.0 million in 1996. This growth was primarily due to an increase in units sold and a continued shift in our mix of packages from traditional leadframe packages to advanced leadframe and laminate packages. In addition, the opening of both our P3 factory and ASI's K4 factory in late 1996 enabled us to begin to expand revenues from laminate packages. This growth was offset in part by declines in average selling prices for many of our packages.

Gross Profit

Gross profit increased \$64.2 million, or 43.1%, to \$213.1 million in 1997 from \$148.9 million in 1996. Gross margin improved to 14.6% in 1997 from 12.7% in 1996. Gross profit and gross margin increased primarily due to improved operating results at our P1 and P2 factories during the second half of 1997, which more than offset pre-operating losses and start-up costs and initial operating losses incurred in connection with P3 during the first half of 1997. Gross margins at our P1 and P2 factories improved as a result of a shift to more profitable packages and a decrease in labor costs due to the devaluation of the Philippine peso.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased \$37.1 million, or 55.7%, to \$103.7 million in 1997 from \$66.6 million in 1996. Selling, general and administrative expenses as a percentage of net revenues increased to 7.1% in 1997 from 5.7% in 1996. The increase was primarily due to the addition of marketing and support personnel in connection with our growth. The number of employees in our marketing and sales support groups increased approximately 21% during 1997 over 1996, which resulted in: (1) an overall increase in personnel-related costs including salaries, benefits and payroll taxes and (2)

higher office rental, depreciation and other occupancy-related expenses. In addition, during 1997, we incurred general and administrative expenses of approximately \$8.0 million to expand P3's operations and \$3.6 million to support our wafer fabrication services. We did not incur similar costs in 1996 as these groups were start-up operations in 1997.

Research and Development Expenses

Research and development expenses decreased \$2.4 million, or 22.0%, to \$8.5 million in 1997 from \$10.9 million in 1996. Research and development expenses as a percentage of net revenues decreased to 0.6% in 1997 from 0.9% in 1996. The decrease in research and development expenses principally reflected the termination in late 1996 of our efforts to develop our own laminate substrate manufacturing capability.

Other (Income) Expense

Other (income) expense increased \$11.4 million, to \$39.8 million in 1997 from \$28.4 million in 1996. This increase was primarily due to higher interest expense, net and other expense, net. Interest expense, net increased \$10.0 million to \$32.2 million in 1997 from \$22.2 million in 1996 as we increased our borrowings to finance capacity expansion. Other expenses, net increased primarily due to \$2.4 million of costs related to our trade receivables securitization transactions.

Income Taxes

Our effective tax rate, after giving effect to the pro forma adjustment for income taxes, was 18% in 1997 as compared to 25% in 1996. This decrease was attributable to income not taxed due to a tax holiday and foreign exchange effects described below.

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This decrease was also attributable to certain foreign exchange effects. To the extent P3 is profitable, our effective tax rate related to our operations in the Philippines during this tax holiday will be less than the statutory rate of 35% in the Philippines. In 1997 we recognized deferred tax benefits from unrealized foreign exchange losses which are recognized in the Philippines for tax reporting purposes and relate to unrecognized net foreign exchange losses on U.S. dollar denominated monetary assets and liabilities. These losses are not recognized for financial reporting purposes because the U.S. dollar is our functional currency. These losses will be realized for tax reporting purposes in the Philippines upon settlement of the related asset or liability. The benefit derived from unrealized foreign exchange losses was partially offset by an increase in the valuation allowance. We concluded that it was more likely than not that we could realize a portion of these tax benefits in the Philippines within the three year loss carryforward period. We recorded a valuation allowance for the remaining tax benefits where we could not reach such a conclusion.

Equity in Income (Loss) of ASI

In 1997, we recognized a loss of \$17.3 million resulting principally from the impairment of value in our investment in ASI. In February 1998, we disposed of our investment in ASI's common stock.

Minority Interest

Minority interest represented ASI's ownership interest in the consolidated net income of AAP, one of our subsidiaries in the Philippines. During 1997, as a result of a settlement of an intercompany loan, which otherwise had no effect on our combined pretax income, AAP reported a net loss as a separate entity. Accordingly, we recorded a minority interest benefit in our consolidated financial statements related to the minority interest in the net loss. We purchased ASI's ownership interest in AAP during 1998.

QUARTERLY RESULTS

The table below sets forth unaudited consolidated financial data, including as a percentage of net revenues, for the last eight fiscal quarters ended December 31, 1998. Our results of operations have varied and may continue to vary from quarter to quarter and are not necessarily indicative of the results of any future period. In addition, in light of our recent growth, we believe that you should not rely on period-to-period comparisons as an indication of our future performance.

Prior to our reorganization in April 1998, our predecessor, AEI, elected to be taxed as an S Corporation under the Code. As a result, AEI did not recognize any provision for federal income tax expense prior to April 28, 1998. In accordance with applicable SEC regulations, we have presented pro forma adjustments (unaudited) to net income to reflect the additional U.S. federal income taxes which we would have recorded if AEI had been a C Corporation during these periods.

We believe that we have included in the amounts stated below all necessary adjustments, consisting only of normal recurring adjustments, to present fairly our selected quarterly data. You should read our selected quarterly data in conjunction with our consolidated financial statements and the notes thereto, included elsewhere in this annual report.

Our net revenues, gross profit and operating income are generally lower in the first quarter of the year as compared to the fourth quarter of the preceding year primarily due to the combined effect of holidays in the U.S., the Philippines and Korea. Semiconductor companies in the U.S. generally reduce their production during the holidays at the end of December which results in a significant decrease in orders for packaging and test services during the first two weeks of January. In addition, we typically close our factories in the Philippines for holidays in January, and ASI closes its factories in Korea for holidays in February.

The semiconductor industry experienced a general slowdown during 1998. As a result, our packaging and test net revenues decreased by 3.5% from the first quarter of 1998 to the fourth quarter of 1998. The decrease in packaging and test net revenue was offset by significant growth in net revenues from wafer fabrication

services. Net revenues from wafer fabrication services, which represented less than 1% of net revenues in the first quarter of 1998, increased to 16.4% of net revenues in the fourth quarter of 1998.

	QUARTER ENDED							
	MARCH 31, 1997	JUNE 30, 1997	SEPT. 30, 1997	DEC. 31, 1997	MARCH 31, 1998	JUNE 30, 1998	SEPT. 30, 1998	DEC. 31, 1998
	(IN THOUSANDS EXCEPT PER SHARE DATA)							
Net revenues.....	\$313,019	\$350,471	\$380,130	\$412,141	\$371,733	\$384,724	\$386,718	\$424,808
Cost of revenues - including purchases from ASI.....	287,449	299,093	314,246	341,881	310,056	317,016	321,758	358,230
Gross profit.....	25,570	51,378	65,884	70,260	61,677	67,618	64,960	66,578
Operating expenses:								
Selling, general and administrative.....	20,608	26,657	26,829	29,632	28,715	28,939	30,017	32,175
Research and development.....	1,485	2,030	2,236	2,774	2,057	1,938	2,109	2,147
Total operating expenses.....	22,093	28,687	29,065	32,406	30,772	30,877	32,126	34,322
Operating income.....	3,477	22,691	36,819	37,854	30,905	36,741	32,834	32,256
Net income (loss).....	\$ (4,829)	\$ 8,707	\$ 19,025	\$ 20,378	\$ 8,812	\$ 26,119	\$ 20,874	\$ 19,655

Pro forma net income (loss).....	\$ (6,388)	\$ 7,566	\$ 18,098	\$ 20,392	\$ 9,640	\$ 20,791	\$ 20,874	\$ 19,655
Basic net income (loss) per common share.....	\$ (.06)	\$.11	\$.23	\$.25	\$.11	\$.25	\$.18	\$.17
Diluted net income (loss) per common share.....	\$ (.06)	\$.11	\$.23	\$.25	\$.11	\$.24	\$.17	\$.16
Basic pro forma net income (loss) per common share.....	\$ (.08)	\$.09	\$.22	\$.25	\$.12	\$.20	\$.18	\$.17
Diluted pro forma net income (loss) per common share.....	\$ (.08)	\$.09	\$.22	\$.25	\$.12	\$.19	\$.17	\$.16

	QUARTER ENDED							
	MARCH 31, 1997	JUNE 30, 1997	SEPT. 30, 1997	DEC. 31, 1997	MARCH 31, 1998	JUNE 30, 1998	SEPT. 30, 1998	DEC. 31, 1998
Net revenues.....	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of revenues - including purchases from ASI.....	91.8	85.3	82.7	83.0	83.4	82.4	83.2	84.3
Gross profit.....	8.2	14.7	17.3	17.0	16.6	17.6	16.8	15.7
Operating expenses:								
Selling, general and administrative.....	6.6	7.6	7.1	7.2	7.7	7.5	7.8	7.6
Research and development.....	0.5	0.6	0.5	0.6	0.6	0.5	0.5	0.5
Total operating expenses.....	7.1	8.2	7.6	7.8	8.3	8.0	8.3	8.1
Operating income.....	1.1	6.5	9.7	9.2	8.3	9.6	8.5	7.6
Net income (loss).....	(1.5)%	2.5%	5.0%	4.9%	2.4%	6.8%	5.4%	4.6%
Pro forma net income (loss).....	(2.0)%	2.2%	4.8%	4.9%	2.6%	5.4%	5.4%	4.6%

Our operating results have varied significantly from period to period and may continue to vary in the future due to a variety of factors. For more information on the risks affecting our operating results, see "-- Risk Factors that May Affect Future Operating Performance -- Declining Average Selling Prices," "-- Dependence on Highly Cyclical Semiconductor and Electronic Products Industries," "-- Dependence on Relationship with ASI," "-- Absence of Backlog," "-- Customer Concentration," "-- Risks Associated with our Wafer Fabrication Business," "-- Rapid Technological Change," "Competition," "-- Protection of Intellectual Property" and "-- Year 2000 Compliance."

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LIQUIDITY AND CAPITAL RESOURCES

Our ongoing primary cash needs are for equipment purchases, factory expansion and working capital. In addition, we have funded and will continue to fund our interest in our Taiwan packaging and test joint venture out of available cash.

In May, 1998, we consummated our initial public offering of 35,250,000 shares of common stock and \$207 million principal amount of convertible subordinated notes due May 1, 2003. We used the net proceeds of approximately \$558 million primarily to repay approximately \$264 million of short-term and long-term debt and approximately \$86 million of amounts due to AUSA, and to purchase for \$34 million ASI's 40% interest in AAP. The remaining amount of net proceeds was available for capital expenditures and working capital.

Prior to our initial public offering, we met a significant portion of our cash requirements from a combination of: (1) cash from operating activities, (2) short-term and long-term bank loans, (3) financing obtained for our benefit by AUSA, a wholly-owned financing subsidiary of ASI, and (4) financing from a trade

receivables securitization agreement. Because of the short-term nature of certain of the AUSA loans, the flows of cash to and from AUSA under this arrangement have been significant. At December 31, 1998, we had no outstanding balances with AUSA. Net cash provided by operating activities in 1996, 1997 and 1998 was \$8.6 million, \$250.1 million and \$238.0 million, respectively. Net cash provided by (used in) financing activities in 1996, 1997 and 1998 was \$148.0 million, \$(16.0) million and \$62.0 million, respectively.

Under the terms of our trade receivables securitization agreement, a commercial financial institution is committed to purchase, with limited recourse, all right, title and interest in up to \$100 million in eligible receivables, as defined in the agreement.

We have invested significant amounts of capital to increase our packaging and test services capacity. During the last three years we have constructed our P3 factory, added capacity in our other factories in the Philippines and constructed a new research and development facility in the U.S. In 1996, 1997 and 1998, we made capital expenditures of \$185.1 million, \$179.0 million and \$107.9 million, respectively. We expect that we will need to increase capital expenditures in 1999 to meet the anticipated growth in demand for our products. We intend to spend approximately \$160 million in capital expenditures in 1999, primarily for the expansion of our factories.

On a monthly basis, we incur processing charges for packaging and test and wafer fabrication services performed for us by ASI. Historically, we paid ASI for these services on net 30-day terms. On July 21, 1998 we entered into a prepayment agreement with ASI related to packaging and test services. Under this agreement, we made a \$50 million non-interest bearing advance to ASI. This advance represented approximately one month's processing charges for packaging and test services. We completely offset this advance against billings by ASI for packaging and test services provided in the fourth quarter of 1998.

In connection with our wafer foundry agreement with TI, our company and TI agreed to revise certain payment and other terms contained in the Texas Instruments Manufacturing and Purchase Agreement. As part of the revision, TI agreed to advance our company \$20 million in June 1998 and another \$20 million in December 1998. These advances represented prepayments of wafer foundry services to be provided in the fourth quarter of 1998 and first quarter of 1999, respectively. We recorded these amounts as accrued expenses. In turn, we advanced these funds to ASI as prepayment for foundry service charges. We completely offset the first \$20 million advance to ASI against billings for wafer fabrication services performed for us by ASI in the fourth quarter of 1998 and intend to offset the second \$20 million advance to ASI against billings for wafer fabrication services performed for us by ASI in the first quarter of 1999. The current portion due from an affiliate reflects the prepayment to ASI. Under the terms of the revision to the Texas Instruments Manufacturing and Purchase Agreement, we remain ultimately responsible for reimbursing TI if ASI fails to comply with the terms of the agreement.

We have entered into an asset purchase agreement with ASI to purchase the assets of ASI's newest and largest packaging and test factory, K4, excluding cash and cash equivalents, notes and accounts receivables, intercompany accounts and existing claims against third parties. The purchase price for K4 is \$607 million, including the assumption of up to \$7 million of employee benefit liabilities. This purchase price would be

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reduced to \$582 million if we sign an agreement to make an equity investment of \$150 million in ASI over a four year period, pursuant to the proposed financial restructuring of ASI with its creditor banks, called a "Workout." The Company has sent ASI's creditor banks a letter committing to make an equity investment in ASI. The commitment is subject to conditions more fully described in "-- Relationship With ASI," and the terms on which we are willing to make this investment have not yet been accepted by ASI's creditor banks. In addition to other conditions, including the satisfactory completion of due diligence, the receipt of a fairness opinion and final board approval, our acquisition of K4 is

subject to our ability to obtain financing of the entire amount of the purchase price on reasonable terms. We cannot be certain that we will be able to obtain this financing on reasonable terms. If we agree to make the \$150 million equity investment in ASI the purchase price of K4 will be \$582 million. If we do not make the equity investment, the Workout may be terminated. We expect to use cash flow from operations to fund this equity investment in ASI over four years.

At December 31, 1998, our debt consisted of \$38.7 million of borrowings classified as current liabilities, \$14.8 million of long-term debt and capital lease obligations and \$207.0 million of 5 3/4% convertible subordinated notes due 2003. We had \$90.5 million in borrowing facilities with a number of domestic and foreign banks, of which \$54.1 million remained unused. Certain of the agreements with our banks require compliance with certain financial covenants, contain other restrictions and are collateralized by our assets. These facilities are typically revolving lines of credit and working capital facilities that are renewable annually and bear interest at rates ranging from 11.25% to 16.0%. We intend to pay a substantial portion of the amounts outstanding under these facilities in the first half of 1999. Long-term debt and capital lease obligations outstanding have various expiration dates through April 2004 and bear interest at rates ranging from 5.8% to 13.8%. During the third quarter of 1998, we were released from our obligations under guarantees of affiliate bank debts and vendor obligations.

We believe that our existing cash balances, cash flow from operations, and available equipment lease financing will be sufficient to meet our projected capital expenditures, working capital and other cash requirements for at least the next twelve months, exclusive of our proposed acquisition of K4. Our acquisition of K4 is contingent upon obtaining satisfactory financing for the acquisition. In addition to the financing of K4, we may require other capital sooner than currently expected. We cannot assure you that additional financing will be available when we need it or, if available, that it will be available on satisfactory terms. Failure to obtain any such financing could have a material adverse effect on our company.

Subchapter S Taxes and Distributions

Prior to our reorganization in April 1998, our predecessor, AEI, elected to be taxed as an S Corporation under the Internal Revenue Code and comparable state laws. As a result, AEI did not recognize any provision for federal income tax expense prior to April 28, 1998. Instead, up until the date the S Corporation status of AEI terminated, Mr. and Mrs. James Kim and the Kim Family Trusts had been obligated to pay U.S. federal and certain state income taxes on their allocable portion of the income of AEI. Under certain tax indemnification agreements, we are indemnified by such stockholders with respect to their proportionate share of any U.S. federal or state corporate income taxes attributable to the failure of AEI to qualify as an S Corporation for any period or in any jurisdiction for which S Corporation status was claimed through April 28, 1998. The agreements in turn provide that, under certain circumstances, we will indemnify such stockholders if they are required to pay additional taxes or other amounts attributable to taxable years for which AEI filed tax returns claiming status as an S Corporation. AEI has made various distributions to Mr. and Mrs. Kim and the Kim Family Trusts which have enabled them to pay their income taxes on their allocable portions of the income of AEI. Such distributions totaled approximately \$13.0 million, \$5.0 million and \$33.1 million in 1996, 1997 and 1998, respectively. As a result of the termination of the S Corporation election and the finalization of the AEI tax returns, approximately \$3.0 million of the 1998 distributions will be refunded to our company.

Foreign Currency Translation Gains and Losses

Our subsidiaries in the Philippines maintain their accounting records in U.S. dollars. All sales, the majority of all bank debt and all significant material and fixed asset purchases of such subsidiaries are denominated in U.S. dollars. As a result, the exposure of our subsidiaries in the Philippines to changes in the

Philippine peso/U.S. dollar exchange rate relates primarily to certain receivables and advances and other assets offset by payroll, pension and local liabilities. To minimize our foreign exchange risk in the Philippines, we selectively hedge our net foreign currency exposure through short-term forward exchange contracts. To date, our hedging activity has been immaterial.

YEAR 2000 ISSUES

We have been actively engaged in addressing Year 2000 ("Y2K") issues. These issues occur because many currently installed computer systems and software products are coded to accept only two digit entries in the date code field. As a result, software that records only the last two digits of the calendar year may not be able to distinguish whether "00" means 1900 or 2000. This may result in software failures or the creation of erroneous results.

State of Readiness: To manage our Y2K compliance program, we have divided our efforts into five program areas:

- N Computing systems, including computer hardware and software;
- N Manufacturing equipment;
- N Facilities;
- N External utilities; and
- N Supply chain, including equipment/inventory vendors, freight forwarders and other vendors.

For each of these program areas, we are using a five-step approach:

- N Ownership: creating awareness, assigning tasks, providing structured feedback and updates;
- N Inventory: listing items to be assessed for Y2K readiness;
- N Initial Assessment: prioritizing the inventoried items and assessing their Y2K readiness, including validation with vendors, and testing where appropriate;
- N Risk Assessment: evaluating initial assessments and developing action and contingency plans; and
- N Corrective Action Deployment: implementing corrective actions, verifying implementation, finalizing and executing contingency plans.

We have implemented a process to monitor and maintain our Y2K compliance. As of December 31, 1998, we had completed the Ownership and Inventory steps for all program areas. We provide structured feedback and progress updates to our senior management on an ongoing basis.

To date, we are on target to complete the Initial Assessment and Risk Assessment step during the first quarter of 1999 and the Corrective Action Deployment step during the second quarter of 1999. The status for each program area is as follows:

- N COMPUTING SYSTEMS: With a few exceptions, we believe that our technical infrastructure, including servers, communications equipment, personal computers, operating systems and standard software are Y2K compliant. We will replace our older personal computers through the end of 1999 as part of our normal upgrade and expansion plans. We are in the process of physically testing our technical infrastructure, and we will complete this process during the first quarter of 1999. We have completed the Inventory and Assessment steps regarding software applications, and we have put in place plans to either upgrade or replace certain applications.

N MANUFACTURING EQUIPMENT: We have inventoried all manufacturing equipment and have contacted vendors to ascertain the status of their Y2K compliance. We plan to implement vendor recommended actions for every piece of equipment. Our packaging operations have completed the Risk Assessment and Corrective Action Deployment steps. Our test operations have completed the Initial Assessment and Risk Assessment steps for all equipment and related systems. We have determined that certain

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test equipment is not Y2K compliant and will require upgrades which are scheduled for the second quarter of 1999. ASI expects to conduct the Initial Assessment and Risk Assessment steps during the first quarter of 1999.

N FACILITIES: We have completed the Initial and Risk Assessments for all of our packaging and test factories. We expect to complete Corrective Action Deployment during the first quarter of 1999. We are scheduled to complete the Initial Assessment and Risk Assessment steps for all of our other facilities during the first quarter of 1999.

N EXTERNAL UTILITIES: We are currently assessing the Y2K readiness of both public and private utilities in Korea and the Philippines. These utilities include electricity, telecommunications, water, sewer, gas and key airports used to transport products and supplies. We are developing contingency plans for all utilities, regardless of their Y2K readiness. We are scheduled to complete the first version of such plans during the first quarter of 1999.

N SUPPLY CHAIN: We have completed supply chain inventories and vendor surveys. During the fourth quarter of 1998, we began Y2K compliance audits of our key equipment and material suppliers and freight forwarders. In addition, we are continuing to review external providers of software and information technology and to verify our banks' Y2K readiness. We are also developing contingency plans for all key suppliers regardless of their readiness. We will continue to monitor and assess the risks of our supply chain to Y2K issues throughout 1999.

In addition, because ASI is our most significant vendor, we have conducted regular reviews as to the status of their Y2K compliance program. We believe that ASI has a similar Y2K program. Unless discussed otherwise above, we believe that ASI has achieved a similar level of completion and believe that ASI is on target to meet our timing deadlines.

COSTS TO ADDRESS Y2K ISSUES: We have highly-automated manufacturing equipment and systems. Such equipment incorporates personal computers, embedded processors and related software to control activity scheduling, inventory tracking, statistical analysis and automated manufacturing. We have devoted a significant portion of our Y2K efforts on internal systems to prevent disruption to manufacturing operations.

We are evaluating the estimated costs to address Y2K issues using our actual experience. Based on available information, we believe that we will be able to manage our Y2K transition without any material long-term adverse effect on our business or results of operations. We have executed our Y2K compliance effort within the normal operating budgets of our internal engineering, information technology, purchasing and other departments. We attribute a small number of projects directly to Y2K issues, and most software upgrades have been covered within our software maintenance contracts. We attribute the majority of our historical and projected costs to resolve Y2K issues to the upgrade of equipment in our test operations. We will capitalize such costs. We have incurred \$1 million of expenses related to Y2K issues through 1998 and are projecting \$2 million of expenses in 1999.

RISKS OF Y2K ISSUES AND CONTINGENCY PLANS: We continue to assess the Y2K

issues relating to our computing systems, manufacturing equipment, facilities, and external utilities and supply chain. Currently, we believe that our largest Y2K risk is that entities beyond our control upon which we are dependent, including external utilities and our supply chain, fail to adequately address their Y2K issues. We have designed our Y2K planning process to mitigate worst-case disruptions which could delay product delivery. We are scheduled to complete our Risk Assessment step during the first quarter of 1999 and will continue to update our contingency plans throughout 1999 as circumstances dictate.

Based on currently available information, we do not believe that the Y2K issues discussed above will have a material long-term adverse impact on our financial condition or results of operations. However, we cannot assure you that we will not be affected by such issues. In addition, we cannot assure you that the failure of any material supplier, utility provider, customer or other third party with whom we deal to ensure Y2K compliance will not have a material adverse effect on our financial condition or results of operations.

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RISK FACTORS THAT MAY AFFECT FUTURE OPERATING PERFORMANCE

FLUCTUATIONS IN OPERATING RESULTS -- THE SUCCESS OF OUR BUSINESS DEPENDS ON A VARIETY OF FACTORS.

Our operating results have varied significantly from period to period and may continue to vary in the future due to a variety of factors. A large portion of our expenses are fixed, and as a result, we cannot quickly adjust to unanticipated declines in revenues. In addition to the risks to our business and to the industry in which we operate described in the risk factors below, our quarterly operating results may vary due to:

- changes in the mix of products we sell, with more advanced products contributing more revenue than older products;
- start-up expenses associated with bringing new factories on line;
- capital expenditures;
- results of ASI on an equity accounting basis, assuming we make the \$150 million investment in ASI (because we will be required to record our proportionate ownership interest in ASI's earnings or losses) (see "Business -- Relationship with ASI" in Item 1 of this annual report).
- seasonality of our customers' purchases, with our first quarter revenues and net income typically lower than our fourth quarter revenues and net income; and
- declining average selling prices.

The following sections entitled Declining Average Selling Prices, Dependence on Highly Cyclical Semiconductor and Electronic Products Industries, Dependence on Relationship with ASI, Customer Concentration, Absence of Backlog, Risks Associated with Our Wafer Fabrication Business, Utilization of Manufacturing Capacity, Rapid Technological Change, Competition, Protection of Intellectual Property and Year 2000 Compliance describe other risks to our business and the industry in which we operate. You should also read the section entitled "-- Quarterly Results" above for a better understanding of the factors that cause our results to fluctuate.

DECLINING AVERAGE SELLING PRICES -- THE SEMICONDUCTOR INDUSTRY PLACES DOWNWARD PRESSURE ON THE PRICES OF OUR PRODUCTS.

Historically, prices for our packaging and test services have declined over time. Beginning in 1997 a worldwide slowdown in demand for semiconductor devices led to excess capacity and increased competition. As a result, price declines in

1998 accelerated more rapidly. We expect that average selling prices for our packaging and test services will continue to decline in the future. If we cannot reduce the cost of our packaging and test services to offset a decline in average selling prices, our future operating results could be harmed.

DEPENDENCE ON THE HIGHLY CYCLICAL SEMICONDUCTOR AND ELECTRONIC PRODUCTS INDUSTRIES -- WE OPERATE OUR BUSINESS IN VOLATILE INDUSTRIES, AND INDUSTRY DOWNTURNS HARM OUR PERFORMANCE.

Our business is tied to market conditions in the semiconductor industry which is highly cyclical. Because our business is and will continue to be dependent on the requirements of semiconductor companies for independent packaging, test and wafer fabrication services, any future downturn in the semiconductor industry or any other industry that uses a significant number of semiconductor devices, such as the personal computer industry, could have a material adverse effect on our business. For example, our operating results for 1998 were adversely affected by downturns in the semiconductor market. See above for a detailed discussion of our operating results in 1998.

DEPENDENCE ON RELATIONSHIP WITH ASI -- OUR BUSINESSES ARE CLOSELY RELATED AND FINANCIAL DIFFICULTIES FACED BY ASI MAY AFFECT OUR PERFORMANCE.

Our business depends on ASI providing semiconductor packaging and test services and wafer fabrication services on a cost effective and timely basis. In addition, we derived 100% of our wafer fabrication net revenues from services performed for us by ASI.

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If ASI were to significantly reduce or curtail its operations for any reason, or if our relationship with ASI were to be disrupted for any reason, our business would be harmed. We may not be able to identify and qualify alternate suppliers quickly, if at all. In addition, we currently have no other third party suppliers of packaging and test services and no other qualified third party suppliers of wafer fabrication services. Our factories in the Philippines would be able to fill only a small portion of the resulting shortfall in packaging and test capacity and none of the shortfall in wafer fabrication capacity.

ASI is currently in weak financial condition. In 1998, ASI's independent auditors report on the unconsolidated financial statements included explanatory paragraphs regarding ASI's operations being significantly affected by the Korean economy caused in part by currency volatility in the Asia Pacific region and ASI's participation in the Workout program. ASI has a significant amount of debt relative to its equity and has negotiated the Workout program with its creditors. The Workout is conditioned upon a third party foreign investor committing to invest \$150 million in equity of ASI during the next four years. We have sent the creditors a letter committing to the equity investment on certain terms. We do not believe there is any other investor considering an investment in ASI, and we cannot be certain that the creditors will accept our terms. If we make the equity investment, ASI's financial results will affect our financial results as they will be reported in our financial statements using the equity method of accounting method. ASI's creditors could terminate the Workout. If the Workout fails, we could be harmed.

It is not certain whether the Workout will be sufficient to allow ASI to substantially improve its financial condition. There is a substantial risk that ASI's ability to continue to provide services to our company at current levels may be negatively affected by its weak financial condition. Moreover, ASI may be unable to obtain funds for capital expansion, and this would affect our access to services provided by them as well as our financial results on an equity accounting basis if their income suffers.

You should read the risk factor entitled, "Business -- Potential Conflicts of Interest with ASI" below and the section entitled "Relationship with ASI" in Item 1 of this annual report for specific details about our dependence on ASI,

our commercial agreements with ASI, ASI's financial condition and the potential conflicts of interest between our company and ASI. Financial information relating to ASI that appears in this annual report was prepared in accordance with Korean GAAP which differs from U.S. GAAP.

POTENTIAL CONFLICTS OF INTEREST WITH ASI -- MEMBERS OF THE KIM FAMILY OWN SUBSTANTIAL PORTIONS OF, AND HAVE ACTIVE MANAGEMENT ROLES IN, BOTH OUR COMPANY AND ASI. THIS COULD LEAD TO CONFLICTS OF INTEREST IN OUR BUSINESS DEALINGS WITH ASI.

Mr. James Kim, the founder of our company and currently our Chairman, Chief Executive Officer and largest shareholder, is the eldest son of Mr. H. S. Kim, the founder of ASI. Mr. H. S. Kim is currently the honorary Chairman and a Director of ASI. Since January 1992, in addition to his other responsibilities, Mr. James Kim has served as Chairman and a director of ASI. The Kim family, which collectively owned approximately 40.7% of the outstanding common stock of ASI as of February 1, 1999, significantly influences the management of ASI. Mr. James Kim and members of his family beneficially own approximately 65.8% of our outstanding common stock. However, our company may purchase equity in ASI which could result in our company owning approximately 43% of ASI's outstanding common stock by 2002 (assuming an exchange rate of W1200 to \$1.00 and without any future sales of ASI stock by us). ASI has experienced financial difficulties and recently its creditor banks agreed on a Workout arrangement. The Workout provides for the conversion of a portion of ASI's debt to equity, which will substantially decrease the Kim family's ownership in ASI. We believe that, in the future, the Kim family will continue to exercise significant influence over our company and ASI and its affiliates. You should read "Relationship with ASI" for more information on the Workout arrangement.

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ABSENCE OF BACKLOG -- OUR NET REVENUES IN ANY QUARTER DEPEND ON OUR CUSTOMERS' DEMAND FOR PACKAGING AND TEST SERVICES IN THAT QUARTER, AND WE MAY NOT BE ABLE TO ADJUST COSTS QUICKLY IF OUR CUSTOMERS' DEMAND DIPS SUDDENLY.

Our packaging and test business does not typically operate with any material backlog. We expect that in the future our packaging and test net revenues in any quarter will continue to be substantially dependent upon our customers' demand in that quarter. None of our customers have committed to purchase any amount of packaging or test services or to provide us with binding forecasts of demand for packaging and test services for any period. In addition, our customers could reduce, cancel or delay their purchases of packaging and test services. Because a large portion of our costs is fixed and our expense levels are based in part on our expectations of future revenues, we may be unable to adjust costs in a timely manner to compensate for any revenue shortfall.

CUSTOMER CONCENTRATION -- WE GENERATE A LARGE PERCENTAGE OF OUR NET REVENUES FROM A SMALL GROUP OF CUSTOMERS WHO HAVE NO MINIMUM PURCHASE OBLIGATIONS.

We depend on a small group of customers for a substantial portion of our net revenues. In 1996, 1997 and 1998, we derived 39.2%, 40.1% and 35.3%, respectively, of our net revenues from sales to five packaging and test customers, with 23.5%, 23.4% and 20.6% of our net revenues, respectively, derived from sales to Intel Corporation. In addition, during 1998, we derived 7.4% of our net revenues from wafer fabrication services, and we derived all of these revenues from TI. Our ability to maintain close, satisfactory relationships with these customers is important to the ongoing success and profitability of our business. We expect that we will continue to be dependent upon a small number of customers for a significant portion of our revenues in future periods.

For additional information regarding terms of our agreements with Texas Instruments and ASI, including ASI's rights with respect to future transfers of technology from Texas Instruments and Texas Instruments' obligations to buy wafers from us, see "Business -- Packaging and Test Services -- Wafer

Fabrication Services."

RISKS ASSOCIATED WITH INTERNATIONAL OPERATIONS -- WE DEPEND ON OUR FACTORIES IN KOREA AND THE PHILIPPINES. MANY OF OUR CUSTOMERS' OPERATIONS ARE ALSO LOCATED OUTSIDE OF THE U.S.

We provide packaging and test services through our three factories located in the Philippines. We source additional packaging and test services from four factories located in Korea and owned by ASI, including K4, pursuant to a supply agreement with ASI. We also source wafer fabrication services from a wafer foundry located in Korea and owned by ASI. In addition, many of our customers' operations are located outside the U.S. The following are risks inherent in doing business internationally:

- N regulatory limitations imposed by foreign governments;
- N fluctuations in currency exchange rates;
- N political risks;
- N disruptions or delays in shipments caused by customs brokers or government agencies;
- N unexpected changes in regulatory requirements, tariffs, customs, duties and other trade barriers;
- N difficulties in staffing and managing foreign operations; and
- N potentially adverse tax consequences resulting from changes in tax laws.

In addition to the risks listed above, our operations in Korea and the Philippines are subject to certain country-specific risks described below.

RISKS ASSOCIATED WITH OUR OPERATIONS IN KOREA

Historically, we have derived a significant percentage of our net revenues from sales of services performed for us by ASI in Korea. Our operations in Korea following the acquisition of K4 and ASI's operations are subject to risks inherent to operating in Korea. Substantially all of ASI's revenues and a significant part of its

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debt and capital lease obligations are denominated in U.S. dollars, while its costs are denominated in won. Fluctuations in the foreign exchange rate will affect ASI's financial results. If we make the proposed equity investment in ASI, the translation of ASI's financial results from won to dollars to include them in our financial results will also subject our financial results to foreign exchange fluctuations.

Relations between Korea and the Democratic People's Republic of Korea ("North Korea") have been tense over most of Korea's history. Incidents affecting relations between the two Koreas continually occur. If the level of tensions with North Korea increases or changes abruptly, both our company's and ASI's businesses could be harmed.

Beginning in late 1997 and continuing into 1998, Korea experienced severe economic instability as well as devaluation of the Korean won relative to the U.S. dollar. The exchange rate as of December 31, 1996 was W884 to \$1.00 as compared to W1,415 to \$1.00 as of December 31, 1997 and W1,207 to \$1.00 as of December 31, 1998. The depreciation of the won relative to the U.S. dollar has increased the cost of importing goods and services into Korea. In addition, the value in won of Korea's public and private sector debt denominated in U.S. dollars and other foreign currencies has also increased significantly. These developments in turn led to sharply higher domestic interest rates and reduced opportunities for refinancing or refunding maturing debts. As a result of these difficulties, financial institutions in Korea have limited their lending, in

particular to highly leveraged companies. Future economic instability in Korea could have a material adverse effect on our company's and ASI's business and financial condition.

RISKS ASSOCIATED WITH OUR OPERATIONS IN THE PHILIPPINES

Although the political situation and the general state of the economy in the Philippines has stabilized in recent years, each has historically been subject to significant instability. Most recently, the devaluation of the Philippine peso relative to the U.S. dollar beginning in July 1997 led to economic instability in the Philippines. Any future economic or political disruptions or instability in the Philippines could have a material adverse effect on our business.

Because the functional currency of our Philippine operations is the U.S. dollar, we have recently benefited from cost reductions relating to peso-denominated expenditures, primarily payroll costs. We believe that any future devaluations of the Philippine peso will eventually lead to inflation in the Philippines, which could offset any savings achieved to date.

RISKS ASSOCIATED WITH OUR PROPOSED ACQUISITION OF K4 -- THE ACQUISITION OF K4 REPRESENTS A MAJOR COMMITMENT OF OUR CAPITAL AND MANAGEMENT RESOURCES.

Our proposed acquisition of K4 would require our management to devote a significant portion of its resources to the maintenance and operation of a factory in Korea. We do not have experience in owning and operating a business in Korea. It may take time for us to learn how to comply with relevant Korean regulations, including tax, environmental and employee laws. During the transition period in which we will integrate K4 into our company, our management may not have adequate time and attention to devote to other aspects of our business, and those parts of our business could suffer. In addition, we will rely on ASI to provide us with financial, human resources and other administrative services pursuant to a transition services agreement. If ASI terminates this agreement or fails to provide us with the services we require to operate K4, our ability to operate K4 profitably could be adversely affected.

Our proposed acquisition of K4 is subject to conditions, including satisfactory completion of due diligence, the receipt of a fairness opinion, final board approval, and our ability to obtain financing of the entire amount of the purchase price on reasonable terms. We cannot be certain that we will be able to obtain financing on reasonable terms. Our company and ASI continue to finalize the details of the acquisition, including ancillary agreements.

If we complete the K4 acquisition, we plan to retain and integrate up to 1,700 Korean employees currently working at K4 into our workforce, and we may face cultural difficulties until we learn how to interact

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with these new employees. If our K4 employees become dissatisfied working for a U.S. company, they may leave us. If we cannot find new employees to replace departing ones, our K4 operations could suffer.

MANAGEMENT OF GROWTH -- WE FACE CHALLENGES AS WE INTEGRATE NEW AND DIVERSE OPERATIONS AND TRY TO ATTRACT QUALIFIED EMPLOYEES TO SUPPORT OUR EXPANSION PLANS.

We have experienced, and may continue to experience, growth in the scope and complexity of our operations and in the number of our employees. This growth has strained our managerial, financial, manufacturing and other resources. Future acquisitions may result in inefficiencies as we integrate new operations and manage geographically diverse operations.

Although we believe our current controls are adequate, in order to manage our growth, we must continue to implement additional operating and financial controls and hire and train additional personnel. We have been successful in

hiring and properly training sufficient numbers of qualified personnel and in effectively managing our growth. However, we cannot assure you that we will be able to continue to do so in the future. If we fail to: (1) properly manage growth, (2) improve our operational, financial and management systems as we grow or (3) integrate new factories and employees into our operations, our financial performance could be materially adversely affected.

Our success depends to a significant extent upon the continued service of our key senior management and technical personnel, any of whom would be difficult to replace. In addition, in connection with our expansion plans, our company and ASI will be required to increase the number of qualified engineers and other employees at our respective factories in the Philippines and Korea. Competition for qualified employees is intense, and our business could be adversely affected by the loss of the services of any of our existing key personnel. Our inability to attract, retain and motivate qualified new personnel could have a material adverse effect on our business.

RISKS ASSOCIATED WITH OUR WAFER FABRICATION BUSINESS -- OUR WAFER FABRICATION BUSINESS IS SUBSTANTIALLY DEPENDENT ON TEXAS INSTRUMENTS.

Our wafer fabrication business, which commenced operations in January 1998, depends significantly upon TI. An agreement with ASI and TI (the "Texas Instruments Manufacturing and Purchasing Agreement") requires TI to purchase from us at least 40% of the capacity of ASI's wafer foundry, and under certain circumstances, TI has the right to purchase from us up to 70% of this capacity. TI's orders during rampup of production during the first half of 1998 were below required minimum purchase commitments due to market conditions and issues encountered by TI in the transition of its products to new technology. We cannot assure you that TI will meet its purchase obligations in the future. If TI fails to meet its purchase obligations, our company's and ASI's businesses could be harmed.

TI has transferred certain of its complementary metal oxide silicon ("CMOS") process technology to ASI, and ASI is dependent upon TI's assistance for developing other state-of-the-art wafer manufacturing processes. In addition, ASI's technology agreements with TI (the "Texas Instruments Technology Agreements") only cover .25 micron and .18 micron CMOS technology. TI has not granted ASI a license under TI's patents to manufacture semiconductor wafers for third parties. Moreover, TI has no obligation to transfer any next-generation technology to ASI. Our company's and ASI's businesses could be harmed if: (1) ASI cannot obtain new technology on commercially reasonable terms or (2) ASI's relationship with TI is disrupted for any reason.

DEPENDENCE ON MATERIALS AND EQUIPMENT SUPPLIERS -- OUR BUSINESS MAY SUFFER IF THE COST OR SUPPLY OF MATERIALS ADVERSELY CHANGES.

We obtain from vendors the materials and equipment required for both the packaging and test services performed by our factories and the packaging and test services performed for us by ASI. We source most of our materials, including critical materials such as leadframes and laminate substrates, from a limited group of suppliers. Furthermore, we purchase all of our materials on a purchase order basis and have no long-term contracts with any of our suppliers. Our business may be harmed if we cannot obtain materials and other

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supplies from our vendors: (1) in a timely manner, (2) in sufficient quantities, (3) in acceptable quality and (4) at competitive prices.

RAPID TECHNOLOGICAL CHANGE -- OUR BUSINESS WILL SUFFER IF WE CANNOT KEEP UP WITH TECHNOLOGICAL ADVANCES IN OUR INDUSTRY.

The complexity and breadth of both semiconductor packaging and test and wafer fabrication are rapidly changing. As a result, we expect that we will need to offer more advanced package designs and new wafer fabrication technology in order to respond to competitive industry conditions and customer requirements. Our success depends upon the ability of our company and ASI to develop and

implement new manufacturing process and package design technologies. The need to develop and maintain advanced packaging and wafer fabrication capabilities and equipment could require significant research and development and capital expenditures in future years. In addition, converting to new package designs or process methodologies could result in delays in producing new package types or advanced wafer designs which could adversely affect our ability to meet customer orders.

Technological advances also typically lead to rapid and significant price erosion and may make our existing products less competitive or our existing inventories obsolete. If we cannot achieve advances in package design and wafer fabrication technology or obtain access to advanced package designs and wafer fabrication technology developed by others, our business could suffer.

COMPETITION -- WE MUST COMPETE AGAINST LARGE AND ESTABLISHED COMPETITORS IN BOTH THE PACKAGING AND TEST INDUSTRY AND THE WAFER FABRICATION BUSINESS.

The independent semiconductor packaging and test market is very competitive. This sector is comprised of approximately 50 companies, and approximately 15 of these companies had sales of \$100 million or more in 1998. We face substantial competition from established packaging and test service providers primarily located in Asia, including companies with significant manufacturing capacity, financial resources, research and development operations, marketing and other capabilities. Such companies have also established relationships with many large semiconductor companies that are current or potential customers of our company. On a larger scale, we also compete with the internal semiconductor packaging and test capabilities of many of our customers.

The independent wafer fabrication business is also highly competitive. Our wafer fabrication services compete primarily with independent semiconductor wafer foundries, including those of Chartered Semiconductor Manufacturing, Inc., Taiwan Semiconductor Manufacturing Company, Ltd. and United Microelectronics Corporation. Each of these companies has significant manufacturing capacity, financial resources, research and development operations, marketing and other capabilities and has been operating for some time. Many of these companies have also established relationships with many large semiconductor companies that are current or potential customers of our company.

If we cannot compete successfully in the future against existing or potential competitors, our operating results would suffer.

ENVIRONMENTAL REGULATIONS -- FUTURE ENVIRONMENTAL REGULATIONS COULD PLACE ADDITIONAL BURDENS ON THE MANUFACTURING OPERATIONS OF OUR COMPANY OR ASI.

The semiconductor packaging process uses chemicals and gases and generates byproducts that are subject to extensive governmental regulations. For example, we produce liquid waste when silicon wafers are diced into chips with the aid of diamond saws, then cooled with running water. Federal, state and local regulations in the United States, as well as environmental regulations in Korea and the Philippines, impose various controls on the storage, handling, discharge and disposal of chemicals used in our company's and ASI's manufacturing processes and on the factories occupied by our company and ASI. We believe that our activities, as well as those of ASI, conform to present environmental and land use regulations applicable to our respective operations.

Increasingly, however, public attention has focused on the environmental impact of semiconductor manufacturing operations and the risk to neighbors of chemical releases from such operations. In the future, applicable land use and environmental regulations may: (1) impose upon our company or ASI the need for additional capital equipment or other process requirements, (2) restrict our company's or ASI's ability to expand our respective operations, (3) subject our company or ASI to liability or (4) cause our company or ASI to curtail our respective operations.

PROTECTION OF INTELLECTUAL PROPERTY -- WE MAY BECOME INVOLVED IN INTELLECTUAL PROPERTY LITIGATION.

We currently hold 43 U.S. patents, and we also have 89 pending patent applications. We expect to continue to file patent applications when appropriate to protect our proprietary technologies, but we cannot assure you that we will receive patents from pending or future applications. However, we believe that our continued success depends primarily on factors such as the technological skills and innovation of our personnel rather than on our patents. In addition, any patents we obtain may be challenged, invalidated or circumvented and may not provide meaningful protection or other commercial advantage to us.

We may need to enforce our patents or other intellectual property rights or to defend our company against claimed infringement of the rights of others through litigation, which could result in substantial cost and diversion of our resources. If we fail to obtain necessary licenses or if we face litigation relating to patent infringement or other intellectual property matters, our business could suffer.

Although we are not currently a party to any material litigation, the semiconductor industry is characterized by frequent claims regarding patent and other intellectual property rights. If any third party makes a valid claim against our company or ASI, our company or ASI could be required to: (1) discontinue the use of certain processes, (2) cease the manufacture, use, import and sale of infringing products, (3) pay substantial damages, (4) develop non-infringing technologies or (5) acquire licenses to the technology we had allegedly infringed. Our business, financial condition and results of operations could be materially and adversely affected by any of these negative developments.

In addition, TI has granted ASI very limited licenses under the Texas Instruments Technology Agreements, including a license under TI's trade secret rights to use TI's technology in connection with ASI's provision of wafer fabrication services. However, TI has not granted ASI a license under TI's patents to manufacture semiconductor wafers for third parties. Furthermore, TI has reserved the right to bring infringement claims against customers of our company or customers of ASI with respect to semiconductor wafers purchased from our company or ASI. Such customers and others could in turn subject our company or ASI to litigation in connection with the sale of semiconductor wafers produced by ASI.

CONTINUED CONTROL BY EXISTING STOCKHOLDERS -- MR. JAMES KIM AND MEMBERS OF HIS FAMILY CAN DETERMINE THE OUTCOME OF ALL MATTERS REQUIRING STOCKHOLDER APPROVAL.

Mr. James Kim and members of his family beneficially own approximately 65.8% of our outstanding common stock. Mr. James Kim's family, acting together, will therefore effectively control substantially all matters submitted for approval by our stockholders. These matters could include:

- N the election of all of the members of our Board of Directors;
- N proxy contests;
- N approvals of transactions between our company and ASI or other entities in which Mr. James Kim and members of his family have an interest;
- N mergers involving our company;
- N tender offers; and
- N open market purchase programs or other purchases of our common stock.

See "Principal Stockholders" for additional information concerning ownership of our common stock.

YEAR 2000 COMPLIANCE -- OUR BUSINESS MAY SUFFER IF OUR YEAR 2000 ("Y2K") COMPLIANCE PROGRAM FAILS TO RESOLVE ALL Y2K ISSUES.

Many currently installed computer systems and software products are coded to accept only two digit entries in the date code field. As a result, software that records only the last two digits of the calendar year may not be able to distinguish whether "00" means 1900 or 2000. This may result in software failures or the creation of erroneous results.

We have implemented a Y2K compliance program to address possible Y2K issues that may affect our business, and we are involved in the implementation of a similar Y2K compliance program for ASI. We believe that these programs are on target to bring our company and ASI into Y2K compliance. However, if these compliance programs are not successful, or if we encounter unexpected problems, our business could be harmed. Our operations could also be harmed if any material supplier, utility provider, customer or other third party with whom we deal fails to address its own Y2K issues.

For information about the current status of our Y2K readiness and potential costs, see "-- Year 2000 Compliance" above.

STOCK PRICE VOLATILITY

The trading price of our common stock has been and is likely to continue to be highly volatile and could be subject to wide fluctuations in response to factors such as:

- N actual or anticipated quarter-to-quarter variations in operating results;
- N announcements of technological innovations or new products and services by Amkor or our competitors;
- N general conditions in the semiconductor industry;
- N changes in earnings estimates or recommendations by analysts;
- N developments affecting ASI;
- N or other events or factors, many of which are out of our control

In addition, the stock market in general, and the Nasdaq National Market and the markets for technology companies in particular, have experienced extreme price and volume fluctuations. This volatility has affected the market prices of securities of companies like ours for that have often been unrelated or disproportionate to the operating performance. These broad market fluctuations may adversely affect the market price of our common stock.

OUR CHARTER DOCUMENTS AND DELAWARE LAW COULD DELAY OR PREVENT A TAKEOVER.

Certain provisions of our Certificate of Incorporation, Bylaws and Delaware law could make it more difficult for a third party to acquire us, even if that change of control would be beneficial to our stockholders. For example, our Board of Directors has the authority to issue up to 10,000,000 shares of Preferred Stock with rights, preferences and privileges that could be superior to Common Stock; this would make it more difficult for a potential acquiror to obtain a majority of our voting stock. We are also subject to Section 203 of the Delaware General Corporation Law, which prohibits us from entering into certain "business combinations" with an "interested stockholder" for three years after the transaction in which that person becomes an interested stockholder unless the transaction were to be approved in a prescribed manner. This too could delay or prevent a change of control that could be beneficial to our stockholders. In addition, our Certificate of Incorporation does not provide for cumulative voting. This provision, and other provisions of the Certificate of Incorporation, our Bylaws and Delaware corporate law, may have the effect of deterring hostile takeovers or delaying or preventing changes in control or our management, including transactions in which stockholders might otherwise receive

a premium for their shares over then current market prices.

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ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

MARKET RISK

The Company is exposed to market risks, primarily related to foreign currency and interest rate fluctuations. In the normal course of business, the Company employs established policies and procedures to manage its exposure to fluctuations in foreign currency values and changes in interest rates.

FOREIGN CURRENCY RISKS

The company's primary exposure to foreign currency fluctuations is associated with Philippine Peso based transactions and related Peso based assets and liabilities. The Company's objective in managing this exposure is to minimize the risk through minimizing the level of activity and financial instruments derived in Pesos. Although the Company has selectively hedged some of it's currency exposure through short-term (generally not more than 30 to 60 days) forward exchange contracts, the Company's hedging activity to date has been immaterial.

At December 31, 1998, the Company's Peso based financial instruments primarily consisted of non-trade receivables, deferred tax assets and liabilities, accounts payable, accrued payroll, taxes and other expenses. Based on the Company's portfolio of Peso based net assets at December 31, 1998, a 20% increase in the Philippine Peso to U.S. dollar exchange rate would result in a decrease of approximately \$4 million, in Peso based net assets.

INTEREST RATE RISKS

The Company has interest rate risk with respect to its investment in cash and cash equivalents, use of short-term borrowings and long-term debt, including the \$207 million face value of convertible notes outstanding. Overall, the Company mitigates its interest rate risks by investing in short-term investments, which are due on demand or carry a maturity date of less than three months. In addition, both the Company's short-term borrowings and long-term debt, excluding the convertible notes, have variable rates that reflect currently available terms and conditions for similar borrowings. As the Company's convertible notes bear a fixed rate of interest, the fair value of these instruments fluctuates with the market interest rates and the market price of the Company's common stock.

Based on the Company's conservative policies with respect to investments in cash and cash equivalents, use of variable rate debt and the fact that the Company intends to pay the face value of its convertible note obligation upon maturity, unless converted, the Company believes that the potential loss in future earnings due to interest rate fluctuations is not material.

EQUITY PRICE RISKS

The Company's convertible notes are convertible into the Company's common stock at \$13.50 per share. As stated above, the Company intends to pay the face value of its convertible note obligation upon maturity, unless converted. If the market value of the Company's common stock were to increase above the conversion rate of \$13.50 per share and investors were to decide to convert their investment in convertible debt to Company common stock, there would be no impact to future earnings of the Company, other than a reduction in interest expense (See Note 15 in "Notes to Consolidated Financial Statements").

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

We present the information required by Item 8 of Form 10-K here in the following order:

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Consolidated Balance Sheets -- December 31, 1997 and 1998...	47
Consolidated Statements of Stockholders' Equity -- Years ended December 31, 1996, 1997 and 1998.....	48
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Report of Independent Public Accountants (SyCip Gorres Velayo & Co) with respect to the 1997 Financial Statements of Amkor/Anam Pilipinas, Inc.....	80
Independent Auditors' Report (Siana Carr & O'Connor, LLP) with respect to the 1997 Financial Statements of Anam USA, Inc.....	81
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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Amkor Technology, Inc.:

We have audited the accompanying consolidated balance sheets of Amkor Technology, Inc. and its subsidiaries as of December 31, 1997 and 1998, and the related consolidated statements of income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 1998. 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 Anam Semiconductor, Inc. ("ASI"), the investment in which is reflected in the accompanying 1996 and 1997 financial statements using the equity method of accounting. The investment in ASI represents 2% of total assets at December 31, 1997 and the equity in its net loss represents 4% and 29% of net income before the equity in loss of ASI in 1996 and 1997, respectively. The statements of ASI were audited by other auditors whose report has been furnished to us and our opinion, insofar as it relates to amounts included for ASI, is based solely on the report of the other auditors.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting

the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, based upon our audits and the report of other auditors regarding 1996 and 1997, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Amkor Technology, Inc. and its subsidiaries as of December 31, 1997 and 1998, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1998, in conformity with generally accepted accounting principles.

The report of the other auditors referred to above indicates that the financial statements of ASI have been prepared assuming that ASI will continue as a going concern. This report states that the operations of ASI have been significantly affected, and will continue to be affected for the foreseeable future, by Korea's unstable economy caused by currency volatility and unstable finance markets in Korea and that ASI has historically operated with a significant amount of debt relative to its equity, had a significant working capital deficit at December 31, 1997 and has contractually guaranteed the debt obligations of certain affiliates and subsidiaries. These significant uncertainties may affect ASI's future operations and its ability to maintain or refinance certain debt obligations as they mature, which raise substantial doubt regarding ASI's ability to continue as a going concern. ASI's plans to address these matters, which are disclosed in ASI's financial statements, including entering into the Korean financial restructuring program known as "Workout" in October 1998. The Workout program is the result of an accord among Korean financial institutions to assist in the restructuring of Korean business enterprises and does not involve the judicial system. Finally, the report of other auditors states that the ultimate outcome of these uncertainties cannot be determined presently and ASI's financial statements do not include any adjustments that might result from these uncertainties.

ARTHUR ANDERSEN LLP

Philadelphia, Pennsylvania
February 10, 1999

(except with respect to the Company's proposed investment in ASI pursuant to the financial restructuring of ASI discussed in Note 14, as to which the date is March 29, 1999)

AMKOR TECHNOLOGY, INC.

CONSOLIDATED STATEMENTS OF INCOME
(IN THOUSANDS, EXCEPT PER SHARE DATA)

	FOR THE YEAR ENDED DECEMBER 31,		
	1996	1997	1998
NET REVENUES.....	\$1,171,001	\$1,455,761	\$1,567,983
COST OF REVENUES -- including purchases from ASI (Note 14).....	1,022,078	1,242,669	1,307,150
GROSS PROFIT.....	148,923	213,092	260,833
OPERATING EXPENSES:			
Selling, general and administrative.....	66,625	103,726	119,846
Research and development.....	10,930	8,525	8,251
Total operating expenses.....	77,555	112,251	128,097
OPERATING INCOME.....	71,368	100,841	132,736

OTHER (INCOME) EXPENSE:			
Interest expense, net.....	22,245	32,241	18,005
Foreign currency (gain) loss.....	2,961	(835)	4,493
Other expense, net.....	3,150	8,429	9,503
	-----	-----	-----
Total other expense.....	28,356	39,835	32,001
	-----	-----	-----
INCOME BEFORE INCOME TAXES, EQUITY IN LOSS OF ASI AND			
MINORITY INTEREST.....	43,012	61,006	100,735
PROVISION FOR INCOME TAXES.....	7,876	7,078	24,716
EQUITY IN LOSS OF ASI.....	(1,266)	(17,291)	--
MINORITY INTEREST.....	948	(6,644)	559
	-----	-----	-----
NET INCOME.....	\$ 32,922	\$ 43,281	\$ 75,460
	=====	=====	=====
PRO FORMA DATA (UNAUDITED):			
Historical income before income taxes, equity in loss			
of ASI and minority interest.....			
	\$ 43,012	\$ 61,006	\$ 100,735
Pro forma provision for income taxes.....	10,776	10,691	29,216
	-----	-----	-----
Pro forma income before equity in loss of ASI and			
minority interest.....	32,236	50,315	71,519
Historical equity in loss of ASI.....	(1,266)	(17,291)	--
Historical minority interest.....	948	(6,644)	559
	-----	-----	-----
Pro forma net income.....	\$ 30,022	\$ 39,668	\$ 70,960
	=====	=====	=====
PER SHARE DATA:			
Basic net income per common share.....	\$.40	\$.52	\$.71
	=====	=====	=====
Diluted net income per common share.....	\$.40	\$.52	\$.70
	=====	=====	=====
Basic pro forma net income per common share			
(unaudited).....	\$.36	\$.48	\$.67
	=====	=====	=====
Diluted pro forma net income per common share			
(unaudited).....	\$.36	\$.48	\$.66
	=====	=====	=====
Shares used in computing basic net income per common			
share.....	82,610	82,610	106,221
	=====	=====	=====
Shares used in computing diluted net income per			
common share.....	82,610	82,610	116,596
	=====	=====	=====

The accompanying notes are an integral part of these statements.

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AMKOR TECHNOLOGY, INC.

CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS)

	DECEMBER 31,	
	1997	1998
	-----	-----
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents.....	\$ 90,917	\$ 227,587
Short-term investments.....	2,524	1,000
Accounts receivable --		
Trade, net of allowance for doubtful accounts of \$4,234		
and \$5,952.....	102,804	109,243
Due from affiliates.....	14,431	25,990
Other.....	4,879	5,900
Inventories.....	115,870	85,628
Other current assets.....	26,997	16,687
	-----	-----
Total current assets.....	358,422	472,035
	-----	-----
PROPERTY, PLANT AND EQUIPMENT, net.....	427,061	416,111
	-----	-----
INVESTMENTS:		

ASI at equity.....	13,863	--
Other.....	5,958	25,476
	-----	-----
Total investments.....	19,821	25,476
	-----	-----
OTHER ASSETS:		
Due from affiliates.....	29,186	28,885
Other.....	21,102	61,090
	-----	-----
	50,288	89,975
	-----	-----
Total assets.....	\$855,592	\$1,003,597
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Bank overdraft.....	\$ 29,765	\$ 13,429
Short-term borrowings and current portion of long-term debt.....	167,317	38,657
Trade accounts payable.....	113,037	96,948
Due to affiliates.....	15,581	15,722
Accrued expenses.....	43,973	77,004
Accrued income taxes.....	26,968	38,892
	-----	-----
Total current liabilities.....	396,641	280,652
	-----	-----
LONG-TERM DEBT.....	196,934	14,846
	-----	-----
CONVERTIBLE SUBORDINATED NOTES.....	--	207,000
	-----	-----
DUE TO ANAM USA, INC. (Note 14).....	149,776	--
	-----	-----
OTHER NONCURRENT LIABILITIES.....	12,084	10,738
	-----	-----
COMMITMENTS AND CONTINGENCIES (Note 16)		
MINORITY INTEREST.....	9,282	--
	-----	-----
STOCKHOLDERS' EQUITY:		
Amkor Technology, Inc. -- common stock.....	45	118
	-----	-----
AK Industries, Inc. -- common stock.....	1	--
	-----	-----
Additional paid-in capital.....	20,871	381,061
	-----	-----
Retained earnings.....	70,621	109,738
	-----	-----
Accumulated Other Comprehensive Income:		
Unrealized losses on investments.....	--	(556)
Cumulative translation adjustment.....	(663)	--
	-----	-----
	(663)	(556)
	-----	-----
Total stockholders' equity.....	90,875	490,361
	-----	-----
Total liabilities and stockholders' equity.....	\$855,592	\$1,003,597
	=====	=====

The accompanying notes are an integral part of these statements.

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AMKOR TECHNOLOGY, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(IN THOUSANDS)

	AMKOR TECHNOLOGY, INC. COMMON STOCK	AK INDUSTRIES, INC. COMMON STOCK	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE INCOME	TOTAL	COMPREHENSIVE INCOME
	-----	-----	-----	-----	-----	-----	-----
BALANCE AT JANUARY 1, 1996.....	\$ 45	\$ 1	\$ 16,494	\$ 31,146	\$ (2,397)	\$ 45,289	
Net income.....	--	--	--	32,922	--	32,922	\$32,922
Unrealized gains on investments.....	--	--	--	--	464	464	464

Currency translation adjustments.....	--	--	--	--	(1,411)	(1,411)	(1,411)
Comprehensive income (Note 11)...							31,975
Distributions.....	--	--	--	(15,123)	--	(15,123)	
Change in division equity account.....	--	--	--	(16,605)	--	(16,605)	
Acquisition of AATS (Note 14)....	--	--	276	--	--	276	
BALANCE AT DECEMBER 31, 1996.....	45	1	16,770	32,340	(3,344)	45,812	43,281
Net income.....	--	--	--	43,281	--	43,281	
Unrealized gains on investments.....	--	--	--	--	1,586	1,586	1,586
Currency translation adjustments.....	--	--	--	--	1,095	1,095	1,095
Comprehensive income (Note 11)...							45,962
Distributions.....	--	--	--	(5,000)	--	(5,000)	
Change in division equity account.....	--	--	4,101	--	--	4,101	
BALANCE AT DECEMBER 31, 1997.....	45	1	20,871	70,621	(663)	90,875	75,460
Net income.....	--	--	--	75,460	--	75,460	
Unrealized (losses) on investments, net of tax.....	--	--	--	--	(556)	(556)	(556)
Currency translation adjustments, reclassification for loss included in net income.....	--	--	--	--	663	663	663
Comprehensive income (Note 11)...							\$75,567
Distributions.....	--	--	--	(33,100)	--	(33,100)	
Issuance of 35,250,000 common shares in public offering, net.....	35	--	360,228	--	--	360,263	
Acquisition of AKI.....	--	(1)	--	(3,243)	--	(3,244)	
Change in par value of stock in connection with Company Reorganization.....	38	--	(38)	--	--	--	
BALANCE AT DECEMBER 31, 1998.....	\$118	\$ 0	\$381,061	\$109,738	\$ (556)	\$490,361	

The accompanying notes are an integral part of these statements.

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AMKOR TECHNOLOGY, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

	FOR THE YEAR ENDED DECEMBER 31,		
	1996	1997	1998
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income.....	\$ 32,922	\$ 43,281	\$ 75,460
Adjustments to reconcile net income to net cash provided by operating activities --			
Depreciation and amortization.....	57,825	81,864	119,239
Provision for accounts receivable.....	1,271	3,490	1,719
Provision for excess and obsolete inventory.....	500	12,659	7,200
Deferred income taxes.....	(324)	(11,715)	1,250
Equity loss of investees.....	605	16,779	--
(Gain) loss on sale of fixed assets and investments.....	(139)	(239)	2,500
Minority interest.....	948	(6,644)	559
Changes in assets and liabilities excluding effects of acquisitions --			
Accounts receivable.....	(36,695)	(19,802)	4,742
Proceeds from sale/(repurchase of) accounts receivable.....	--	90,700	(16,500)
Other receivables.....	(925)	1,547	(1,021)
Inventories.....	(16,380)	(26,609)	23,042
Due to/from affiliates, net.....	(8,203)	(19,138)	(11,117)
Other current assets.....	1,694	(7,239)	6,709
Other non-current assets.....	(6,108)	3,322	(8,061)
Accounts payable.....	(16,852)	60,939	(12,489)
Accrued expenses.....	(12,658)	13,817	33,489
Accrued taxes.....	7,433	14,130	11,924
Other long-term liabilities.....	(108)	(1,089)	(685)
Other, net.....	3,750	--	--
Net cash provided by operating activities.....	8,556	250,053	237,960
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of property, plant and equipment, including			

purchase of AATS.....	(185,112)	(178,990)	(107,889)
Acquisition of minority interest in AAP.....	--	--	(33,750)
Acquisition of AKI.....	--	--	(3,244)
Sale of property, plant and equipment.....	2,228	1,413	121
Purchases of investments and issuances of notes receivable.....	(15,633)	(15,187)	(20,571)
Proceeds from sale of investments.....	520	--	2,021
	-----	-----	-----
Net cash used in investing activities.....	(197,997)	(192,764)	(163,312)
	-----	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net change in bank overdrafts and short-term borrowings...	64,852	52,393	(173,565)
Net proceeds from issuance of 35,250,000 common shares in public offering.....	--	--	360,263
Proceeds from issuance of Anam USA, Inc. debt.....	1,205,174	1,408,086	522,116
Payments of Anam USA, Inc. debt.....	(1,189,317)	(1,443,464)	(658,029)
Net proceeds from issuance of long-term debt.....	102,193	11,389	203,170
Payments of long-term debt.....	(3,138)	(43,541)	(158,833)
Distributions to stockholders.....	(15,205)	(5,000)	(33,100)
Change in division equity account.....	(16,605)	4,101	--
	-----	-----	-----
Net cash provided by (used in) financing activities.....	147,954	(16,036)	62,022
	-----	-----	-----
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS.....	(41,487)	41,253	136,670
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD.....	91,151	49,664	90,917
	-----	-----	-----
CASH AND CASH EQUIVALENTS, END OF PERIOD.....	\$ 49,664	\$ 90,917	\$ 227,587
	=====	=====	=====
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:			
Cash paid during the period for:			
Interest.....	\$ 24,125	\$ 37,070	\$ 27,730
Income taxes.....	\$ 2,256	\$ 3,022	\$ 12,908

The accompanying notes are an integral part of these statements.

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AMKOR TECHNOLOGY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (U.S. DOLLAR AMOUNTS IN THOUSANDS, EXCEPT SHARE AND DOLLAR PER SHARE DATA)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of Amkor Technology, Inc. and its subsidiaries (the "Company"). All of the Company's subsidiaries are wholly owned except for a small number of shares of each of the Company's Philippine subsidiaries which are required to be owned by directors of these companies pursuant to Philippine law.

The consolidated financial statements reflect the elimination of all significant intercompany accounts and transactions.

The investments in, and the operating results of, 20% to 50% owned companies are included in the consolidated financial statements using the equity method of accounting.

Prior to the Reorganization (as defined below), the Company's financial statements were presented on a combined basis as a result of common ownership and business operations of all the Amkor Companies (as defined below), including AK Industries, Inc. ("AKI"). The Reorganization was treated similar to a pooling of interests as it represented an exchange of equity interests among companies under common control, except for the acquisition of AKI which was accounted for as a purchase transaction. The purchase price for the AKI stock, which represented the fair value of those shares, approximated the book value of AKI.

Reorganization

Prior to the Reorganization (as defined herein) the combined financial

statements of Amkor Technology, Inc. ("ATI") and its subsidiaries and AKI and its subsidiary included the accounts of the following based on the ownership structure prior to the Reorganization (these companies are referred to as the "Amkor Companies"):

- M Amkor Electronics, Inc. ("AEI"), (a U.S. S Corporation) and its wholly owned subsidiaries, Amkor Receivables Corp (a U.S. Corporation) and Amkor Wafer Fabrication Services SARL (a French Limited Company) ("AWFS");
- M T.L. Limited ("TLL") (a British Cayman Island Corporation) and its Philippine subsidiaries, Amkor Anam Advanced Packaging, Inc. ("AAAP") (wholly owned) and Amkor/Anam Pilipinas, Inc. ("AAP"), which was owned 60% by TLL and 40% by Anam Semiconductor Inc. ("ASI") (which changed its name in 1998 from Anam Industrial Co., Ltd.) (-- see Notes 6 and 14), and its wholly-owned subsidiary Automated MicroElectronics, Inc. ("AMI");
- M C.I.L., Limited ("CIL") (a British Cayman Islands Corporation) and its wholly-owned subsidiary Amkor/Anam Euroservices S.A.R.L. ("AAES") (a French Corporation);
- M Amkor Anam Test Services, Inc. (a U.S. Corporation) (see Note 17);
- M The semiconductor packaging and test business unit of Chamterry Enterprises, Ltd. ("Chamterry"). During the third quarter of 1997 Chamterry transferred its customers to AEI and CIL and ceased operations of its semiconductor and test business unit; and
- M AKI (a U.S. Corporation) and its wholly-owned subsidiary, Amkor-Anam, Inc. (a U.S. Corporation).

Prior to the Reorganization, all of the Amkor Companies were substantially wholly owned by Mr. and Mrs. James Kim or entities controlled by members of Mr. James Kim's immediate family (the "Founding Stockholders"), except for AAP which was 40% owned by ASI and one third of AEI and all of AKI which were owned by trusts established for the benefit of other members of Mr. James Kim's family ("Kim Family

AMKOR TECHNOLOGY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(U.S. DOLLAR AMOUNTS IN THOUSANDS,
EXCEPT SHARE AND DOLLAR PER SHARE DATA)

Trusts"). The Amkor Companies were an interdependent group of companies involved in the same business under the direction of common management. ATI was formed in September 1997 to facilitate the Reorganization and consolidate the ownership of the Amkor Companies. In connection with the Reorganization, AEI was merged into ATI. Amkor International Holdings ("AIH"), a Cayman Islands holding company, became a wholly owned subsidiary of ATI. AIH was formed to hold the following entities: First Amkor Caymans, Inc. ("FACI"), which was formed to hold AAAP, AAP and its subsidiary AMI, TLL and its subsidiary CIL and CIL's subsidiary AAES. The relative number of shares of common stock issued by the Company in connection with each of the transactions comprising the Reorganization was based upon the relative amounts of stockholders' equity at December 31, 1997. On April 14, 1998, Mr. and Mrs. James Kim and the Kim Family Trusts received two-thirds (9,746,760 shares) and one-third (4,873,380 shares) of the ATI common stock then outstanding, respectively. On April 29, 1998, ATI issued 67,989,851 shares of common stock, representing approximately 82% of its shares immediately after the Reorganization, in exchange for all of the outstanding shares of AIH and its subsidiaries. Of such shares, 27,528,234 shares and 36,376,617 shares were gifted to Mr. and Mrs. James Kim and the Kim Family Trusts, respectively, such that Mr. and Mrs. James Kim and the Kim Family Trusts owned 45.1% and 49.9%, respectively, of the ATI common shares outstanding after the Reorganization. Following such transactions the Founding Stockholders beneficially owned a majority of the outstanding shares of ATI common stock. In addition, ATI

acquired all of the stock of AKI from the Kim Family Trusts for approximately \$3,000. The merger of AEI and ATI, the creation of AIH and FACI, the issuance of ATI common stock for AIH and the acquisition of AKI are collectively referred to as the Reorganization. (See "-- Income Taxes" regarding change in AEI tax status.)

Nature of Operations

The Company provides semiconductor packaging and test services as well as wafer fabrication services to semiconductor and computer manufacturers located in strategic markets throughout the world. Such services are provided by the Company and by ASI under a long-standing arrangement (see Note 14). Approximately 72%, 68% and 67% of the Company's packaging and test revenues in 1996, 1997 and 1998 respectively, relate to the packaging and test services provided by ASI. In addition, 100% of the Company's wafer fabrication revenues relate to the wafer fabrication services provided by ASI under a long-term agreement (see Note 14).

Concentrations of Credit Risk

Financial instruments, for which the Company is subject to credit risk, consist principally of accounts receivable and cash and cash equivalents. With respect to accounts receivable, the Company has mitigated its credit risk by selling primarily to well established companies, performing ongoing credit evaluations and making frequent contact with customers.

The Company has mitigated its credit risk with respect to cash and cash equivalents through diversification of its portfolio of cash holdings into various money market accounts, U.S. treasury bonds, federal mortgage backed securities, and high grade municipal and commercial loans. At December 31, 1998, the Company maintained approximately \$35,000 in six high grade municipal and commercial loans, with the largest individual loan balance of approximately \$10,000. However, at December 31, 1996, 1997 and 1998, the Company maintained approximately \$14,649, \$34,622 and \$29,303, respectively, in deposits and certificates of deposits at foreign owned banks and \$1,861, \$2,548 and \$4,406, respectively, in deposits at U.S. banks which exceeded federally insured limits.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(U.S. DOLLAR AMOUNTS IN THOUSANDS,
EXCEPT SHARE AND DOLLAR PER SHARE DATA)

Significant Customers

The Company has a number of major customers in North America, Asia and Europe. The Company's largest customer, Intel Corporation, accounted for approximately 23.5%, 23.4% and 20.6% of net revenues in 1996, 1997 and 1998, respectively. The Company's five largest customers collectively accounted for 39.2%, 40.1% and 41.6% of net revenues in 1996, 1997 and 1998, respectively. The Company anticipates that significant customer concentration will continue for the foreseeable future, although the companies which constitute the Company's largest customers may change.

Risks and Uncertainties

The Company's future results of operations involve a number of risks and uncertainties. Factors that could affect the Company's future operating results and cause actual results to vary materially from historical results include, but are not limited to, dependence on the highly cyclical nature of both the semiconductor and the personal computer industries, competitive pricing and declines in average selling prices, dependence on the Company's relationship with ASI (see Note 14), reliance on a small group of principal customers, timing and volume of orders relative to the Company's production capacity, availability of manufacturing capacity and fluctuations in manufacturing yields, availability

of financing, competition, dependence on international operations and sales, dependence on raw material and equipment suppliers, exchange rate fluctuations, dependence on key personnel, difficulties in managing growth, enforcement of intellectual property rights, environmental regulations and results of ASI on an equity accounting basis, assuming we make the \$150,000 investment in ASI (because we will be required to record our proportional ownership interest in ASI's earnings or losses).

Foreign Currency Translation

Substantially all of the Company's foreign subsidiaries use the U.S. dollar as their functional currency. Accordingly, monetary assets and liabilities which were originally denominated in a foreign currency are translated into U.S. dollars at month-end exchange rates. Non-monetary items which were originally denominated in foreign currencies are translated at historical rates. Gains and losses from such remeasurement and from transactions denominated in foreign currencies are included in other (income) expense, net. The cumulative translation adjustment reflected in accumulated other comprehensive income in stockholders' equity in the consolidated balance sheets related primarily to investments in unconsolidated companies which used the local currency as the functional currency (see Note 6).

Cash and Cash Equivalents

The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Accounts Receivable

At December 31, 1997 and 1998, trade accounts receivable represent the Company's interest in receivables in excess of amounts purchased by banks under an accounts receivable sale agreement (see Note 3). Of the total net trade accounts receivable amount at December 31, 1997 and 1998, \$19,905 and \$22,488, respectively relates to the trade accounts receivable of CIL which were not sold under the Agreement.

Inventories

Inventories are stated at the lower of cost or market. Cost is determined principally by using a moving average method.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(U.S. DOLLAR AMOUNTS IN THOUSANDS,
EXCEPT SHARE AND DOLLAR PER SHARE DATA)

Property, Plant and Equipment

Property, plant and equipment are stated at cost. Depreciation is calculated by the straight-line method over the estimated useful lives of depreciable assets. Accelerated methods are used for tax purposes. Depreciable lives follow:

Buildings and improvements.....	10 to 30 years
Machinery and equipment.....	3 to 5 years
Furniture, fixtures and other equipment.....	3 to 10 years

Cost and accumulated depreciation for property retired or disposed of are removed from the accounts and any resulting gain or loss is included in earnings. Expenditures for maintenance and repairs are charged to expense as

incurred. Depreciation expense was \$58,497, \$81,159 and \$116,424 for 1996, 1997 and 1998, respectively.

Other Noncurrent Assets

Other noncurrent assets consist principally of goodwill, deferred debt issuance costs, security deposits, deferred income taxes and the cash surrender value of life insurance policies.

The Company recorded goodwill representing the excess of cost over the book value of minority interest in AAP (see Note 17). Goodwill is amortized on a straight-line basis over a period of ten years which is the estimated future period to be benefited by the acquisition.

In connection with the \$207,000 offering of Convertible Notes (see Note 2) the Company incurred approximately \$9,100 of debt issuance costs which have been deferred and are amortized and reflected as interest expense over the life of the Convertible Notes.

Other Noncurrent Liabilities

Other noncurrent liabilities consist primarily of pension obligations and noncurrent income taxes payable.

Stock Compensation Plans

The Company accounts for its stock-based compensation plans in accordance with Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees." Accordingly, compensation cost for stock based plans is generally measured as the excess, if any, of the quoted market price of the Company's stock at the date of the grant over the amount an employee must pay to acquire the stock. Disclosures required by Statement of Financial Accounting Standards ("SFAS") No. 123 are presented in Note 13.

Income Taxes

The Company accounts for income taxes following the provisions of SFAS No. 109, "Accounting for Income Taxes," which requires the use of the liability method. If it is more likely than not that some portion or all of a deferred tax asset will not be realized, a valuation allowance is provided.

The Company reports certain income and expense items for income tax purposes on a basis different from that reflected in the accompanying consolidated financial statements. The principal differences relate to the timing of the recognition of accrued expenses which are not deductible for federal income tax purposes until paid, the use of accelerated methods of depreciation for income tax purposes and unrecognized foreign exchange gains and losses.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(U.S. DOLLAR AMOUNTS IN THOUSANDS,
EXCEPT SHARE AND DOLLAR PER SHARE DATA)

AEI elected to be taxed as an S Corporation under the provisions of the Internal Revenue Code of 1986 and comparable state tax provisions. As a result, AEI did not recognize U.S. federal corporate income taxes. Instead, the stockholders of AEI were taxed on their proportionate share of AEI's taxable income. Accordingly, no provision for U.S. federal income taxes was recorded for AEI. The accompanying consolidated statements of income include an unaudited pro forma adjustment to reflect income taxes which would have been recorded if AEI had not been an S Corporation, based on the tax laws in effect during the respective periods (see "-- Reorganization").

Just prior to the Offerings (see Note 2), AEI terminated its S Corporation status at which point the profits of AEI became subject to federal and state income taxes at the corporate level.

Revenue Recognition and Risk of Loss

The Company records revenues upon shipment of packaged semiconductors to its customers. The Company does not take ownership of customer-supplied semiconductors. Title and risk of loss remains with the customer for these materials at all times. Accordingly, the cost of the customer-supplied materials is not included in the consolidated financial statements. Risk of loss for the Company's packaging costs passes upon completion of the packaging process and shipment to the customer. In regards to wafer fabrication services, the Company records revenues upon shipment of completed wafers to its customers.

Research and Development Costs

Research and development costs are charged to expense as incurred.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Recently Issued Accounting Standards

In June 1998, the Financial Accounting Standards Board issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS No. 133 establishes accounting and reporting standards requiring that every derivative instrument (including certain derivative instruments embedded in other contracts) be recorded on the balance sheet as either an asset or liability measured at its fair value. SFAS No. 133 requires that changes in the derivative's fair value be recognized currently in earnings unless specific hedge accounting criteria are met. Special accounting for qualifying hedges allows a derivative's gains and losses to offset related results on the hedged item in the income statement, and requires that a company must formally document, designate, and assess the effectiveness of transactions that receive hedge accounting.

SFAS No. 133 is effective for fiscal years beginning after June 15, 1999. Early adoption at the beginning of any quarter after issuance is permitted, but cannot be applied retroactively. The provisions of the statement must be applied to derivative instruments and certain derivative instruments embedded in hybrid contracts that were issued, acquired, or substantively modified after December 31, 1997.

The Company believes that the impact of adopting SFAS No. 133 on its financial statements will not be material and has not determined the timing of adoption.

Reclassifications

Certain previously reported amounts have been reclassified to conform with the current presentation.

2. INITIAL PUBLIC OFFERING

On May 6, 1998, the Company completed its Initial Public Offering of 30,000,000 shares of its common stock at a price to the public of \$11.00 per share and \$180,000 aggregate principal amount of Convertible Notes ("Initial Public Offering" or "Offerings"). Also on May 8, 1998, the Company sold 5,250,000 additional shares of its common stock and \$27,000 additional principal amounts of Convertible Notes in conjunction with the underwriters' over-allotment options. The net proceeds were approximately \$558,121, after deducting the underwriter discounts and offering expenses. The convertible notes 1) are convertible into the Company's common stock at \$13.50 per share; 2) are callable in certain circumstances after three years; 3) are unsecured and subordinate to senior debt; 4) carry a coupon rate of 5 3/4%; and 5) mature at the end of five years. Approximately \$264,000 of the proceeds were used to reduce short-term and long-term borrowings. Approximately \$86,000 of the proceeds were used to reduce amounts due to Anam USA, Inc., ASI's wholly owned financing subsidiary ("AUSA"). Approximately \$34,000 of the proceeds was used to purchase ASI's 40% interest in AAP. (See Note 17.) In connection with the Offerings, one existing stockholder sold approximately 5,000,000 of his shares.

3. ACCOUNTS RECEIVABLE SALE AGREEMENT

Effective July 7, 1997, the Company entered into an agreement to sell receivables (the "Agreement") with certain banks (the "Purchasers"). The transaction qualifies as a sale under the provisions of SFAS No. 125 "Accounting For Transfers and Servicing of Financial Assets and Extinguishments of Liabilities." Under the Agreement, the Purchasers have committed to purchase, with limited recourse, all right, title and interest in selected accounts receivable of the Company, up to a maximum of \$100,000. In connection with the Agreement, the Company established a wholly owned, bankruptcy remote subsidiary, Amkor Receivables Corp., to purchase accounts receivable at a discount from the Company on a continuous basis, subject to certain limitations as described in the Agreement. Amkor Receivables Corp. simultaneously sells the accounts receivable at the same discount to the Purchasers. The Agreement is structured as a three year facility subject to annual renewals based upon the mutual consent of the Company and purchasers. Prior to December 31, 1997, the Company applied approximately \$83,400 of the Receivables Sale proceeds together with approximately \$17,000 of working capital to reduce the Company's indebtedness to AUSA which amounts were advanced by AUSA to entities controlled by members of James Kim's family.

The first annual renewal under the Agreement was effective December 30, 1998 and the next renewal date is December 29, 1999. ASI had guaranteed the Company's obligations under the agreement (See Note 14), however, ASI was released from its obligations as guarantor effective December 30, 1998.

Proceeds, net of reduction in selected accounts receivable from the sale of receivables were \$84,400 in 1997 which has decreased by \$12,900 during 1998 due to a further reduction in selected accounts receivable. Losses on receivables sold under the Agreement were approximately \$2,414 and \$4,693 in 1997 and 1998, respectively and are included in other expense, net. As of December 31, 1997 and 1998, approximately \$6,300 and \$2,700, respectively, is included in current liabilities for amounts to be refunded to the Purchasers as a result of a reduction in selected accounts receivable.

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AMKOR TECHNOLOGY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(U.S. DOLLAR AMOUNTS IN THOUSANDS,
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4. INVENTORIES

Inventories consist of raw materials and purchased components which are used in the semiconductor packaging process. The Company's inventories are

located at its facilities in the Philippines or at ASI on a consignment basis. Components of inventories follow:

	DECEMBER 31,	
	1997	1998
Raw materials and purchased components.....	\$105,748	\$ 77,351
Work-in-process.....	10,122	8,277
	<u>\$115,870</u>	<u>\$ 85,628</u>

5. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following:

	DECEMBER 31,	
	1997	1998
Land.....	\$ 2,346	\$ 2,346
Buildings and improvements.....	109,528	142,252
Machinery and equipment.....	448,032	534,314
Furniture, fixtures and other equipment.....	33,050	40,502
Construction in progress.....	31,964	8,282
	<u>624,920</u>	<u>727,696</u>
Less -- Accumulated depreciation and amortization.....	197,859	311,585
	<u>\$427,061</u>	<u>\$416,111</u>

6. INVESTMENTS

The Company's investments include investments in affiliated companies which provide services to the Company (see Note 14) and certain other technology based companies. Investments are summarized as follows:

	DECEMBER 31,	
	1997	1998
Equity Investment in ASI (8.1% at December 31, 1997).....	\$13,863	\$ --
Other Equity Investments (20% - 50% owned)		
Taiwan Semiconductor Technology Corporation.....	--	20,052
Other.....	738	738
Total other equity investments.....	738	20,790
Available for Sale.....	5,220	4,686
	<u>\$19,821</u>	<u>\$25,476</u>

On October 21, 1998, the Company announced that it entered into a joint venture, Taiwan Semiconductor Technology Corporation ("TSTC"), with Taiwan Semiconductor Manufacturing Corporation, Acer Inc., United Test Center and Chinfon Semiconductor & Technology Company. TSTC, which is expected to commence operations during the first quarter of 1999, will provide independent advanced integrated circuit ("IC") packaging services primarily for the Taiwan market and Taiwan foundry output. The Company plans to invest an estimated total of \$40,000 in TSTC. In October 1998, the Company invested \$10,000 as part of

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AMKOR TECHNOLOGY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(U.S. DOLLAR AMOUNTS IN THOUSANDS,
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the second round of joint venture financing. In December, 1998, the Company purchased additional TSTC shares from ASI for \$10,000 which represented ASI's investment as part of the joint venture's initial round of financing in which ATI did not participate. ASI did not participate in the joint venture's second round of financing. As of December 31, 1998 the Company owns approximately a 25% interest in TSTC and accordingly, the Company's investment in TSTC is accounted for using the equity method of accounting.

The Company's investment in ASI was accounted for using the equity method of accounting. Although the Company did not own in excess of 20% of the outstanding common stock of ASI, the Company, through its common ownership with the Kim family and entities controlled by the Kim family, owned 40.7% of the outstanding common stock of ASI at December 31, 1997 and could have exercised a significant influence over ASI. Accordingly the Company applied the equity method based on its ownership interest.

In 1997, the Company recognized a loss of \$17,291, resulting principally from the impairment of value of its investment in ASI as well as the Company's equity in loss of ASI for the year ended December 31, 1997. The amount of the impairment loss was determined based upon the market value of the ASI shares on the Korean Stock Exchange on February 16, 1998, the date that the Company sold its investment in ASI common stock to AK Investments, Inc., an entity owned by James J. Kim. In exchange for the shares, AK Investments, Inc. assumed \$13,863 of the Company's long-term borrowings from Anam USA, Inc.

ASI's independent auditors' report indicates that the financial statements of ASI have been prepared assuming that ASI will continue as a going concern. ASI's business has been severely affected by the economic crisis in Korea. ASI has traditionally operated with a significant amount of debt relative to its equity and had a significant working capital deficit at December 31, 1997 and has contractually guaranteed the debt obligations of certain affiliates and subsidiaries. These significant uncertainties may affect ASI's future operations and its ability to maintain or refinance certain debt obligations as they mature, which raise substantial doubt regarding ASI's ability to continue as a going concern. ASI's plans to address these matters, which are disclosed in ASI's financial statements, include entering into the Korean financial restructuring program known as "Workout" in October 1998. The Workout program is the result of an accord among Korean financial institutions to assist in the restructuring of Korean business enterprises and does not involve the judicial system. The ultimate outcome of these uncertainties cannot be determined presently and ASI's financial statements do not include any adjustments that might result from these uncertainties. See Note 14 for more information regarding the Workout.

ASI's financial statements are prepared on the basis of Korean GAAP, which differs from U.S. GAAP in certain significant respects. The Company's equity in loss of ASI is based upon the Korean GAAP information noted above and the Company's estimate of significant U.S. GAAP adjustments. These adjustments were not significant in 1996. In 1997, ASI recognized a W349 billion loss principally

as a result of foreign exchange losses on U.S. dollar denominated liabilities due to the significant depreciation of the won relative to the U.S. dollar. For purposes of determining the Company's equity in loss of ASI under U.S. GAAP, losses on remeasuring U.S. dollar denominated liabilities are not recognized as the U.S. dollar is the functional currency for ASI. Such U.S. dollar denominated liabilities were W2,144 billion at December 31, 1997. Also, at December 31, 1997, the carrying value of the investment in ASI, adjusted for the loss on the 1998 disposition discussed above, is less than the Company's portion of ASI's net assets after consideration of the estimated U.S. GAAP adjustments. The most significant such adjustment affecting net assets is the remeasurement of property, plant and equipment to historical costs as required as the U.S. dollar is the functional currency.

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The following summary of consolidated financial information pertaining to ASI for 1996 and 1997 was derived from the consolidated financial statements referred to above. No amounts are presented for 1998 as the investment was sold in February 1998. All amounts are in millions of Korean Won:

	1996 -----	1997 -----
SUMMARY INCOME STATEMENT INFORMATION:		
Sales.....	W1,338,718	W1,786,457
Net income (loss).....	W (9,385)	W (348,729)
SUMMARY BALANCE SHEET INFORMATION:		
Total assets.....	W2,225,288	W3,936,030
Total liabilities.....	W1,975,431	W3,834,096

7. SHORT-TERM CREDIT FACILITIES

At December 31, 1997 and 1998, short-term borrowings consisted of various operating lines of credit and working capital facilities maintained by the Company. These borrowings are secured by receivables, inventories or property. These facilities, which are typically for one-year renewable terms, generally bear interest at current market rates appropriate for the country in which the borrowing is made (ranging from 11.25% to 16.0% at December 31, 1998). For 1997 and 1998, the weighted average interest rate on these borrowings was 8.6% and 11.9%, respectively. Included in cash and cash equivalents is \$11,200 of certificates of deposit pledged as collateral for certain of these lines. The unused portion of lines of credit total \$54,077 at December 31, 1998.

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8. DEBT

Following is a summary of the Company's short-term borrowings and long-term debt excluding the \$207,000 of Convertible Notes discussed in Note 2.:

	DECEMBER 31,	
	----- 1997 -----	----- 1998 -----
Short-term borrowings (see Note 7).....	\$ 187,659	\$ 30,430
Bank loan, interest at LIBOR plus annual spread (6.78% at December 31, 1997), due October, 2000.....	50,000	--
Bank loan, interest at LIBOR plus annual spread (6.68% at December 31, 1997), due in installments beginning March, 1998 through April, 2001.....	71,250	--
Bank debt, interest at LIBOR plus annual spread (9.37% at December 31, 1997), due December, 2001.....	20,000	--
Bank debt, interest at LIBOR plus annual spread (12.22% at December 31, 1997,) due October, 1998.....	5,000	--
Bank debt, interest at LIBOR plus annual spread (9.09% at December 31, 1997), due in installments with balance due September, 1999.....	3,500	--
Bank debt, interest at LIBOR plus annual spread (11.88% at December 31, 1997), due in equal installments through January, 2001.....	5,502	--
Note payable, interest at bank's prime (12.25% at December 31, 1998), due in installments with balance due April, 2004.....	9,530	12,747
Note payable, interest at LIBOR plus annual spread (10.25% at December 31, 1998), due in installments with balance due November, 1999.....	9,000	7,000
Other, primarily capital lease obligations and other debt...	2,810	3,326
	-----	-----
	364,251	53,503
Less -- Short-term borrowings and current portion of long-term debt.....	(167,317)	(38,657)
	-----	-----
	\$ 196,934	\$ 14,846
	=====	=====

The Bank loans were obtained to finance the expansion of the Company's factories in the Philippines. The Company had the option to prepay all or part of the loans on any interest payment date. These Bank loans were unconditionally and irrevocably guaranteed by ASI. The Bank loans contained provisions pertaining to the maintenance of specified debt-to-equity ratios, restrictions with respect to corporate reorganization, acquisition of capital stock or substantially all of the assets of any other corporations and advances and dispositions of all or a substantial portion of the borrower's assets, except in the ordinary course of business. AAP was not in compliance with covenants regarding the maintenance of certain debt-to-equity ratios and advances to affiliates at December 31, 1997. As a result of the receipt of the net proceeds from the Initial Public Offering (see Note 2), amounts due under these agreements, certain other agreements with cross-default clauses and \$42,500 of short-term borrowings which were refinanced were classified as non-current liabilities at December 31, 1997 in the accompanying consolidated balance sheet.

Other bank debt instruments have interest rates based on Singapore interbank rates and LIBOR plus an annual spread. The loans are secured by assets of the Company including assets acquired through proceeds from the loans.

Interest expense related to short-term borrowings and long-term debt, including the Convertible Notes, is presented net of interest income of \$5,471, \$5,752 and \$9,072 in 1996, 1997 and 1998, respectively, in the Company's Consolidated Statements of Income.

The \$207,000 of Convertible Notes mature in May, 2003. The principal payments required under other long-term debt borrowings at December 31, 1998 are as follows:

	AMOUNT

1999.....	\$ 8,227
2000.....	3,731
2001.....	3,215
2002.....	2,802
2003.....	2,549
Thereafter.....	2,549

Total.....	\$23,073
	=====

9. EMPLOYEE BENEFIT PLANS

U.S. Defined Contribution Plan

ATI has a defined contribution benefit plan covering substantially all U.S. employees under which employees can contribute up to 13% of salary to the plan and ATI matches 75% of the employee's contributions up to a defined maximum on an annual basis. The expense for this plan was \$776, \$959 and \$1,394 in 1996, 1997 and 1998, respectively.

Philippine Pension Plan

AAAP, AAP and AMI sponsor a defined benefit plan that covers substantially all employees who are not covered by statutory plans. Charges to expense are based upon costs computed by independent actuaries.

During 1998, the Company adopted SFAS No. 132 "Employers' Disclosures about Pensions and Other Postretirement Benefits." The provisions of SFAS No. 132 revise employers' disclosures about pensions and other postretirement benefit plans. It does not change the measurement or recognition of this plan.

The components of net periodic pension cost for the defined benefit plan are as follows:

	YEAR ENDED DECEMBER 31,		
	-----	-----	-----
	1996	1997	1998
	-----	-----	-----
Service cost of current period.....	\$1,542	\$1,274	\$1,618
Interest cost on projected benefit obligation....	1,228	957	1,209
Expected return on plan assets.....	(672)	(534)	(879)
Amortization of transition obligation.....	93	81	79
	-----	-----	-----
Total pension expense.....	\$2,191	\$1,778	\$2,027
	=====	=====	=====

It is the Company's policy to make contributions sufficient to meet the minimum contributions required by law and regulation.

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The following table sets forth the funded status of the Company's defined benefit pension plan and the related changes in the projected benefit obligation and plan assets:

	1997	1998
	-----	-----
Change in projected benefit obligation:		
Projected benefit obligation at beginning of year.....	\$12,699	\$10,428
Service cost.....	1,274	1,618
Interest cost.....	957	1,209
Actuarial loss/(gain).....	94	194
Foreign exchange (gain)/loss.....	(4,483)	348
Benefits paid.....	(113)	(230)
	-----	-----
Projected benefit obligation at end of year....	\$10,428	\$13,567
	-----	-----
Change in plan assets:		
Fair value of plan assets at beginning of year.....	\$ 6,077	\$ 6,614
Actual return on plan assets.....	585	(461)
Employer contribution.....	2,322	2,137
Foreign exchange (loss)/gain.....	(2,257)	144
Benefits paid.....	(113)	(230)
	-----	-----
Fair value of plan assets at end of year.....	\$ 6,614	\$ 8,204
	-----	-----
Funded status:		
Projected benefit obligation in excess of plan assets.....	\$ 3,814	\$ 5,363
Unrecognized actuarial loss.....	(953)	(2,546)
Unrecognized transition obligation.....	(967)	(906)
	-----	-----
Accrued pension costs.....	\$ 1,894	\$ 1,911
	=====	=====

The discount rate used in determining the projected benefit obligation was 12% as of December 31, 1997 and 1998. The rates of increase in future compensation levels was 11% as of December 31, 1997 and 1998. The expected long-term rate of return on plan assets was 12% as of December 31, 1997 and 1998. These rates reflect economic and market conditions in the Philippines.

The fair value of plan assets include an investment in our Company's common stock of approximately \$1,100 at December 31, 1998.

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10. INCOME TAXES

The provision for income taxes includes federal, state and foreign taxes currently payable and those deferred because of temporary differences between the financial statement and the tax bases of assets and liabilities. The components of the provision for income taxes follow:

	FOR THE YEAR ENDED DECEMBER 31,		
	1996	1997	1998
Current:			
Federal.....	\$5,880	\$ 16,126	\$18,316
State.....	60	2,639	4,426
Foreign.....	2,260	28	724
	-----	-----	-----
	8,200	18,793	23,466
	-----	-----	-----
Deferred:			
Federal.....	(226)	(4,991)	282
Foreign.....	(98)	(6,724)	968
	-----	-----	-----
	(324)	(11,715)	1,250
	-----	-----	-----
Total provision.....	\$7,876	\$ 7,078	\$24,716
	=====	=====	=====

The reconciliation between the tax payable based upon the U.S. federal statutory income tax rate and the recorded provision follows:

	FOR THE YEAR ENDED DECEMBER 31,		
	1996	1997	1998
Federal statutory rate.....	\$15,054	\$ 21,352	\$35,257
State taxes, net of federal benefit.....	60	1,285	2,877
S Corp. status of AEI through April 28, 1998.....	(2,900)	(3,613)	(4,500)
Deferred taxes established at termination of S Corp. status of AEI.....	--	--	(1,954)
(Income) losses of foreign subsidiaries subject to tax holiday.....	4,957	(5,106)	(9,129)
Foreign exchange (losses)/gains recognized only for income taxes.....	--	(21,147)	12,602
Change in valuation allowance.....	--	22,000	(8,079)
Difference in rates on foreign subsidiaries.....	(9,295)	(7,693)	(3,377)
Goodwill and other permanent differences.....	--	--	1,019
	-----	-----	-----
Total.....	\$ 7,876	\$ 7,078	\$24,716
	=====	=====	=====

The Company has structured its global operations to take advantage of lower tax rates in certain countries and tax incentives extended to encourage investment. AAAP has a tax holiday in the Philippines which expires at the end of 2002. Foreign exchange (losses)/gains recognized for income taxes relate to unrecognized net foreign exchange (losses)/gains on U.S. dollar denominated monetary assets and liabilities. These (losses)/gains, which are not recognized for financial reporting purposes as the U.S. dollar is the functional currency (see Note 1), result in deferred tax assets that will be realized, for Philippine tax reporting purposes, upon settlement of the related asset or liability. The net deferred tax asset related to these losses increased in 1997 as a result of the dramatic devaluation of the Philippine peso relative to the U.S. dollar. These assets decreased in 1998 as they were realized for Philippine tax reporting purposes. The Company's ability to utilize these assets depends on the timing of the settlement of the related assets or liabilities and the amount

of taxable income recognized within the Philippine statutory carryforward limit of three years.

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Accordingly, a valuation allowance was established for a portion of the related deferred tax assets. As of December 31, 1998, foreign net operating loss carryforwards of \$11,050 are available to offset future foreign income through 2001. In addition, minimum corporate income tax credits of \$1,182 are available to offset future foreign tax obligations through 2001.

The following is a summary of the significant components of the Company's deferred tax assets and liabilities:

	DECEMBER 31,	
	1997	1998
Deferred tax assets (liabilities):		
Retirement benefits.....	\$ 816	\$ 1,038
Other accrued liabilities.....	100	4,571
Receivables.....	227	1,717
Inventories.....	6,509	2,583
Property, plant and equipment.....	--	(2,139)
Unrealized foreign exchange losses.....	37,447	15,805
Unrealized foreign exchange gains.....	(9,084)	(3,530)
Loss on sale of investment in ASI.....	--	1,620
Net foreign operating loss carryforward.....	--	3,646
Minimum corporate income tax.....	--	1,182
Other.....	(2)	191
	-----	-----
Net deferred tax asset.....	36,013	26,684
Valuation allowance.....	(22,000)	(13,921)
	-----	-----
Net deferred tax asset.....	\$ 14,013	\$ 12,763
	=====	=====

Non-U.S. income before taxes and minority interest of the Company was \$20,420, \$32,920 and \$53,937 in 1996, 1997 and 1998, respectively.

The company does not pay or record U.S. income taxes on the undistributed earnings of its foreign subsidiaries as long as those earnings are permanently reinvested in the companies that produced them. These cumulative undistributed earnings are included in consolidated retained earnings on the balance sheet and amounted to approximately \$37,000 as of December 31, 1998. An estimated \$12,000 in U.S. income and foreign withholding taxes would be due if these earnings were remitted as dividends.

At December 31, 1997 and 1998 current deferred tax assets of \$13,439 and \$9,838, respectively, are included in other current assets and noncurrent deferred tax assets of \$574 and \$2,925, respectively, are included in other assets in the consolidated balance sheet. The Company's net deferred tax assets include amounts which, in the opinion of management, are more likely than not to be realizable through future taxable income.

The Company's tax returns have been examined through 1993 in the

Philippines and through 1994 in the U.S. The tax returns for open years are subject to changes upon final examination of these. Changes in the mix of income from the Company's foreign subsidiaries, expiration of tax holidays and changes in tax laws or regulations could result in increased effective tax rates for the Company.

In connection with the Initial Public Offering, the Company and the stockholders of AEI entered into a Tax Indemnification Agreement providing that the Company and AEI will be indemnified by such stockholders, with respect to their proportionate share of any federal or state corporate income taxes

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attributable to the failure of AEI to qualify as an S Corporation for any period or in any jurisdiction for which S Corporation status was claimed through the date AEI terminated its S Corporation status. The Tax Indemnification Agreement provides that the Company and AEI will indemnify the stockholders if such stockholders are required to include in income additional amounts attributable to taxable years on or before the date AEI terminated its S Corporation status as to which AEI filed or files tax returns claiming status as an S Corporation.

Prior to AEI's termination of its S Corporation status, Mr. and Mrs. James Kim and the Kim Family Trusts had been obligated to pay U.S. federal and certain state income taxes on their allocable portion of AEI's income. AEI has made various distributions to Mr. and Mrs. Kim and the Kim Family Trusts which have enabled them to pay these income taxes. Upon finalization of the AEI tax returns, approximately \$3,000 of these distributions will be refunded to the Company.

11. STOCKHOLDERS' EQUITY

The common stock and additional paid-in-capital of the Company are reflected at the original cost of the Amkor Companies. In connection with the Reorganization (see Note 1), the Company authorized 500,000,000 shares of \$.001 par value common stock, of which 82,610,000 shares were issued to the stockholders of the Amkor Companies in exchange for their interests in these Companies.

At the date of the Reorganization consolidated retained earnings included \$3,243 related to AKI. This amount is reflected as a reduction in retained earnings in 1998 as a result of the purchase of AKI by the Company.

In addition, the Company authorized 10,000,000 shares of \$.001 par value preferred stock, designated as Series A.

Changes in the division equity account reflected in the consolidated statement of stockholders' equity represent the net cash flows resulting from the operations of the Chamterry semiconductor packaging and test business for the periods indicated. Such cash flows have been presented as distributions or capital contributions since these amounts were retained in Chamterry Enterprises, Ltd. for the benefit of the owners.

The line items included in Other Comprehensive Income, as presented in the Consolidated Statements of Stockholders' Equity, relate to S Corporation activity prior to 1998. Accordingly, the related amounts reflected in Other Comprehensive Income and Accumulated Other Comprehensive Income in the Consolidated Statements of Stockholders' Equity and the Consolidated Balance Sheets are net of taxes at an effective tax rate of 0%.

12. EARNINGS PER SHARE

Net income per common share was calculated by dividing net income and pro forma net income by the weighted average number of shares outstanding for the respective periods, adjusted for the effect of the Reorganization (see Note 1) and the Initial Public Offering (see Note 2).

In 1997, the Company adopted SFAS No. 128, "Earnings Per Share," which requires dual presentation of basic and diluted earnings per share on the face of the income statement. Basic EPS is computed using only the weighted average number of common shares outstanding for the period while diluted EPS is computed assuming conversion of all dilutive securities, such as options. In accordance with the statement, all prior period per share amounts were revised to reflect this presentation. Both the Company's basic and diluted as

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well as the Company's basic pro forma and diluted pro forma per share amounts are the same for all periods presented except for the year ended December 31, 1998 which are calculated as follows:

	EARNINGS (NUMERATOR)	WEIGHTED AVG. SHARES (DENOMINATOR)	PER SHARE AMOUNT
	-----	-----	-----
EARNINGS PER SHARE -- YEAR ENDED			
DECEMBER 31, 1998			
Basic earnings per share.....	\$75,460	106,221,000	\$0.71
Impact of Convertible Notes.....	5,672	10,334,000	
Dilutive effect of options.....	--	41,000	
	-----	-----	-----
Diluted earnings per share.....	\$81,132	116,596,000	\$0.70
	=====	=====	=====
PRO FORMA EARNINGS PER SHARE -- YEAR ENDED			
DECEMBER 31, 1998 (UNAUDITED)			
Basic pro forma earnings per share.....	\$70,960	106,221,000	\$0.67
Impact of Convertible Notes.....	5,672	10,334,000	
Dilutive effect of options.....	--	41,000	
	-----	-----	-----
Diluted pro forma earnings per share.....	\$76,632	116,596,000	\$0.66
	=====	=====	=====

13. STOCK COMPENSATION PLANS

1998 Director Option Plan. The Company's 1998 Director Option Plan (the "Director Plan") was adopted by the Board of Directors in January 1998 and was approved by the Company's stockholders in April 1998. A total of 300,000 shares of Common Stock have been reserved for issuance under the Director Plan. The option grants under the Director Plan are automatic and non-discretionary. Generally, the Director Plan provides for an initial grant of options to purchase 15,000 shares of Common Stock to each new non-employee director of the Company (an "Outside Director") when such individual first becomes an Outside Director. In addition, each Outside Director will automatically be granted subsequent options to purchase 5,000 shares of Common Stock on each date on which such Outside Director is re-elected by the stockholders of the Company, provided that as of such date such Outside Director has served on the Board of Directors for at least six months. The exercise price of the options is 100% of the fair market value of the Common Stock on the grant date, except that with respect to initial grants to directors on the effective date of the Director Plan the exercise price was 94% of the Initial Public Offering price per share of Common Stock in the Initial Public Offering. The term of each option is ten years and each option granted to an Outside Director vests over a three year

period. The Director Plan will terminate in January 2008 unless sooner terminated by the Board of Directors. As of December 31, 1998, there were 60,000 options outstanding under the Director Plan.

1998 Stock Plan. The Company's 1998 Stock Plan (the "1998 Plan") generally provides for the grant to employees, directors and consultants of stock options and stock purchase rights. The 1998 Plan was adopted by the Board of Directors in January 1998 and was approved by the Company's stockholders in April 1998. Unless terminated sooner, the 1998 Plan will terminate automatically in January 2008. The maximum aggregate number of shares which may be optioned and sold under the 1998 Plan is 5,000,000 plus an annual increase to be added on each anniversary date of the adoption of the 1998 Plan.

Unless determined otherwise by the Board of Directors or a committee appointed by the Board of Directors, options and stock purchase rights granted under the 1998 Plan are not transferable by the optionee. Generally, the exercise price of all stock options granted under the 1998 Plan must be at least equal to the fair market value of the shares on the date of grant. In general, the options granted will vest over a four year period

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and the term of the options granted under the 1998 Plan may not exceed ten years. As of December 31, 1998, there were 3,695,300 options outstanding under the 1998 Plan.

1998 Stock Option Plan for French Employees. The 1998 Stock Option Plan for French Employees (the "French Plan") was approved by the Board of Directors in April 1998. Unless terminated sooner, the French Plan will continue in existence for 5 years. The French Plan provides for the granting of options to employees for AAES and AWFS, the Company's French subsidiaries (the "French Subsidiaries"). A total of 250,000 shares of Common Stock have been reserved for issuance under the French Plan plus an annual increase to be added on each anniversary date of the adoption of the French Plan. In general, stock options granted under the French Plan vest over a four year period, the exercise price for each option granted under the French Plan shall be 100% of the fair market value of the shares of Common Stock on the date the option is granted and the maximum term of the option must not exceed ten years. Shares subject to the options granted under the French Plan may not be transferred, assigned or hypothecated in any manner other than by will or the laws of descent or distribution before the date which is five years after the date of grant. As of December 31, 1998, there were 68,600 options outstanding under the French Plan.

A summary of the status of the Company's stock option plans follows:

	NUMBER OF SHARES	WEIGHTED AVERAGE EXERCISE PRICE PER SHARE
	-----	-----
Balance at January 1, 1998.....	--	\$ --
Granted.....	3,974,200	\$10.01
Exercised.....	--	\$ --
Cancelled.....	150,300	\$11.00
	-----	-----
Balance at December 31, 1998.....	3,823,900	\$ 9.97
	-----	-----
Exercisable at December 31, 1998.....	--	\$ --

Significant option groups outstanding at December 31, 1998 and the related weighted average exercise price and remaining contractual life information are as follows:

	OUTSTANDING		EXERCISABLE		WEIGHTED AVERAGE REMAINING LIFE (YEARS)
	SHARES	PRICE	SHARES	PRICE	
Options with Exercise Price of:					
\$11.00.....	3,038,200	\$11.00	--	\$11.00	9.3
\$10.34.....	30,000	\$10.34	--	\$10.34	9.3
\$ 9.14.....	30,000	\$ 9.14	--	\$ 9.14	9.5
\$ 5.66.....	725,700	\$ 5.66	--	\$ 5.66	9.9
Options outstanding at December 31, 1998.....	3,823,900		--		

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A summary of the weighted average fair value of options at grant date granted during the year ended December 31, 1998 follows:

	NUMBER OF SHARES	WEIGHTED AVERAGE EXERCISE PRICE PER SHARE	WEIGHTED AVERAGE GRANT DATE FAIR VALUES
Options whose exercise price is greater than the market price on grant date.....	42,600	\$11.00	\$2.22
Options whose exercise price equals market price on grant date.....	3,901,600	\$ 9.99	\$4.31
Options whose exercise price is less than the market price on grant date.....	30,000	\$10.34	\$4.97

In order to calculate the fair value of stock options at date of grant, the Company used the Black-Scholes option pricing model. The following assumptions were used: expected option term -- 4 years, stock price volatility factor -- 47%, dividend yield -- 0%, and risk free interest rate -- 5.38%.

1998 Employee Stock Purchase Plan. The Company's 1998 Employee Stock Purchase Plan (the "Purchase Plan") was adopted by the Board of Directors in January 1998 and was approved by the stockholders in April 1998. A total of 1,000,000 shares of common stock have been made available for sale under the Purchase Plan and an annual increase is to be added on each anniversary date of the adoption of the Purchase Plan. Employees (including officers and employee directors of the Company but excluding 5% or greater stockholders) are eligible to participate if they are customarily employed for at least 20 hours per week and for more than five months in any calendar year. The Purchase Plan permits eligible employees to purchase common stock through payroll deductions, which

may not exceed 15% of the compensation an employee receives on each payday. The initial offering period began on October 1, 1998 with a seven-month offering period. All subsequent offering periods will be consecutive six-month periods beginning on May 1, 1999, subject to change by the Board of Directors. Each participant will be granted an option on the first day of an offering period, and shares of Common Stock will be automatically purchased on the last date of each offering period. The purchase price of the Common Stock under the Purchase Plan will be equal to 85% of the lesser of the fair market value per share of Common Stock on the start date of the offering period or on the purchase date. Employees may end their participation in an offering period at any time, and participation ends automatically on termination of employment with the Company. The Purchase Plan will terminate in January 2008, unless sooner terminated by the Board of Directors.

Under the Purchase Plan, the Company has withheld approximately \$600 through payroll deductions as of December 31, 1998. The fair market value per share of the Company's common stock was \$4.56 on October 1, 1998, the start date of the first offering period. The fair value of the purchase rights granted during 1998 was \$1.29 which was estimated using the Black Scholes option pricing model with the following assumptions: expected option term -- 7 months, stock price volatility factor -- 47%, dividend yield -- 0% and risk free interest rate -- 4.31%.

The Company accounts for its stock compensation plans as prescribed by Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," and its related interpretations. Accordingly, no compensation cost has been recognized in the Consolidated Statements of Income. Had the Company recorded compensation expense for its stock compensation plans, as provided by SFAS No. 123, "Accounting for Stock-Based Compensation," the Company's reported net income and basic and diluted earnings per

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share, which reflects pro forma adjustments for income taxes (see Note 19), would have been reduced to the pro forma amounts indicated below:

	FOR THE YEAR ENDED DECEMBER 31,		
	1996	1997	1998
	(UNAUDITED)		
Net Income:			
As reported.....	\$30,022	\$39,668	\$70,960
Pro forma.....	\$30,022	\$39,668	\$69,313
Earnings per share:			
Basic:			
As reported.....	\$ 0.36	\$ 0.48	\$ 0.67
Pro forma.....	\$ 0.36	\$ 0.48	\$ 0.65
Diluted:			
As reported.....	\$ 0.36	\$ 0.48	\$ 0.66
Pro forma.....	\$ 0.36	\$ 0.48	\$ 0.64

14. RELATED-PARTY TRANSACTIONS

At December 31, 1997, the Company owned 8.1% of the outstanding stock of ASI (see Note 6), and ASI owned 40% of AAP. On February 16, 1998, the Company sold its investment in ASI common stock for \$13,863 to AK Investments, Inc. based on the market value of ASI shares on the Korean Stock Exchange. On June 1,

1998 the Company purchased ASI's interest in AAP for approximately \$34,000 (see Note 17). In 1996, 1997, and 1998, approximately 72%, 68% and 67%, respectively, of the Company's packaging and test revenues as well as 100% of the Company's wafer fabrication revenues (see Note 1) were derived from services performed for the Company by ASI, a Korean public company in which certain of the Company's principal stockholders hold a minority interest. By the terms of a long-standing agreement, the Company has been responsible for marketing and selling ASI's semiconductor packaging and test services, except to customers in Korea and Japan to whom ASI has historically sold such services directly. During 1998, the Company became responsible for marketing and selling ASI's semiconductor packaging and test services to the majority of ASI's customers in Japan. The Company has worked closely with ASI in developing new technologies and products. Effective January 1, 1998, the Company entered into five-year supply agreements with ASI giving the Company the first right to market and sell substantially all of ASI's packaging and test services and the exclusive right to market and sell all of the wafer output of ASI's new wafer foundry, both of which have negotiable pricing terms. These agreements are cancellable by either party upon five years prior written notice at any time after the fifth anniversary of the effective date. The Company's business, financial condition and operating results have been and will continue to be significantly dependent on the ability of ASI to effectively provide the contracted services on a cost-efficient and timely basis. The termination of the Company's relationship with ASI for any reason, or any material adverse change in ASI's business resulting from underutilization of its capacity, the level of its debt and its guarantees of affiliate debt, labor disruptions, fluctuations in foreign exchange rates, changes in governmental policies, economic or political conditions in Korea or any other change could have a material adverse effect on the Company's business, financial condition and results of operations.

The Company previously met a significant portion of its financing from financing arrangements provided by AUSA. A majority of the amount due to AUSA represented outstanding amounts under financing obtained by AUSA for the benefit of the Company with the balance representing payables to AUSA for packaging and

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test service charges and wafer fabrication service charges from ASI. Based on guarantees provided by ASI, AUSA obtained for the benefit of the Company a continuous series of short-term financing arrangements which generally were less than six months in duration, and typically were less than two months in duration. Because of the short-term nature of these loans, the flows of cash to and from AUSA under this arrangement were significant. Purchases from ASI through AUSA were \$460,282, \$527,858 and \$573,791 for 1996, 1997 and 1998, respectively. Charges from AUSA for interest and bank charges were \$7,074, \$6,002 and \$2,215 for 1996, 1997 and 1998, respectively. Excluding the \$20,000 balance due from ASI at December 31, 1998 for prepaid wafer foundry service charges (see discussion below), the net amounts payable to ASI and AUSA were \$156,350 and \$8,357 at December 31, 1997 and 1998, respectively.

ASI's ability to continue to provide services to the Company will depend on ASI's financial condition and performance. ASI currently has a significant amount of debt relative to its equity, which debt the Company expects will continue to increase in the foreseeable future. The Company is advised that ASI has published its most recent annual unconsolidated financial statements as of December 31, 1998. These unconsolidated financial statements are prepared on the basis of Korean GAAP, which differs from U.S. GAAP. U.S. GAAP financial statements are not available (See Note 6). As of December 31, 1998, ASI, on an unconsolidated basis, had current liabilities of approximately W1,716 billion, including approximately W924 billion of short-term borrowings and approximately W214 billion of current maturities of long-term debt, and had long-term liabilities of approximately W1,182 billion, including approximately W448 billion of long-term debt and approximately W655 billion of long-term capital

lease obligations. As of such date, the total shareholders' equity of ASI amounted to approximately W164 billion. ASI's business has been severely affected by the economic crisis in Korea. In late 1997, the Republic of Korea began to undergo a foreign currency liquidity crisis resulting in significant adverse economic circumstances and significant depreciation in the value of the Korea Won against the U.S. dollar. ASI historically operated with a significant amount of debt relative to its equity. The economic crisis in Korea led to sharply higher interest rates and significantly reduced opportunities for refinancing maturing debts. Because ASI maintained a substantial amount of short-term debt, its inability to refinance this debt created a liquidity crisis for ASI.

As of December 31, 1998, ASI was contingently liable under guarantees in respect of debt of its non-consolidated subsidiaries and affiliates in the aggregate amount of approximately W668 billion. As of December 31, 1998, such guarantees included those in respect of all of AUSA's debt totaling approximately \$225,000. Prior to the Initial Public Offering, the Company met a significant portion of its financing needs through financing arrangements obtained by AUSA for the benefit of the Company based on guarantees provided by ASI. The Company currently does not depend on such financing arrangements. In addition, if any relevant subsidiaries or affiliates of ASI were to fail to make interest or principal payments or otherwise default under their debt obligations guaranteed by ASI, ASI could be required under its guarantees to repay such debt, which event could have a material adverse effect on its financial condition and results of operations.

In response to this situation, in October 1998, ASI announced that it had applied for and was accepted into the Korean financial restructuring program known as "Workout." The Workout program is the result of an accord among Korean financial institutions to assist in the restructuring of Korean business enterprises. This process involves negotiation between the related banks and ASI, and does not involve the judicial system. The Workout process also does not impact debts outstanding with trade creditors, including balances due to/or from the Company. ASI's operations have continued uninterrupted during the process, and we expect ASI's operations to continue uninterrupted for the duration of the process.

The Company has received the report of the meeting of ASI's creditor banks at which the principal terms of a workout plan for ASI were approved. We understand from ASI's management that many of the details of the Workout program will be contained in definitive agreements between ASI and the creditor banks and none

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of these agreements have yet been finalized. The terms of ASI's Workout set forth below are based upon the reported information provided to us by ASI's management. References to "won" or "W" are to the currency of Korea.

The Workout as approved by the creditor banks contains the following relief provisions for ASI:

N The creditor banks will allow ASI to defer repayment on principal of ordinary loans until December 31, 2003. After December 31, 2003, bank loans with repayment terms will be payable through readjustment of repayment schedules on the basis of the repayment period as of October 24, 1998. For loans without repayment terms the schedule to repay principal amounts will be determined by ASI and the creditor banks at the end of such period.

N The creditor banks will allow ASI to defer repayment of principal under

capital leases until December 31, 1999, with payments of principal to resume under a 7 year installment plan thereafter.

- N The creditor banks will allow ASI to roll over the maturity of its Won-denominated debentures held by the creditor banks for an additional three year term after currently scheduled maturity dates.
- N The creditor banks will allow ASI to make no interest payments on ordinary loans until December 31, 1999. The creditor banks will add accrued interest to the principal amounts of these loans every three months.
- N The creditor banks will reduce interest rates on ASI's remaining outstanding Won-denominated ordinary bank loans to 10% or the prime rate of each creditor bank, whichever is greater. This would reduce ASI's weighted average interest rate from 12.9% before the Workout to 10.5% after the Workout.
- N The creditor banks will give ASI a five year grace period until December 31, 2003 against enforcement of guarantees made by ASI for liabilities of ASI's affiliates. In addition, interest will not accrue on guaranteed obligations during the five year period.
- N The creditor banks will provide to ASI a short-term loan of W50 billion at the prime rate plus 1%, to be repaid with proceeds from the sale of K4.
- N The creditor banks will convert W250 billion (\$208,000, using the December 31, 1998 exchange rate of W1207 to \$1.00) of ASI debt held by the creditor banks into: (1) W122.3 billion (\$102,000 using the December 31, 1998 exchange rate) in equity shares of ASI, (2) W108.1 billion (\$90,000 using the December 31, 1998 exchange rate) in five-year non-interest bearing convertible debt and (3) W19.6 billion (\$16,000) in non-interest bearing loans. The conversion would take place in installments over four years and at a conversion rate equal to W5,000 per share, the par value of ASI's common stock. In order for the initial conversion of debt to take place in accordance with the terms of the Workout, ASI will have to undergo a series of corporate actions, including a reverse stock split to bring the fair market value of its equity shares to a price at least equal to the par value of such shares. The creditor banks would time their conversions of ASI debt to coincide with equity investments made in ASI by a third-party foreign investor company, in the aggregate amount of \$150,000 over a four year period.

The conversion of debt by the creditor banks depends upon ASI obtaining a commitment from a third party foreign investor to invest \$150,000 in ASI equity over a four-year period. We have sent a letter to ASI's creditor banks committing, subject to certain conditions, to make an investment of \$41,000 in 1999 and, assuming certain additional conditions are met, we will invest an additional \$109,000 between years 2000 and 2002. As a result of our commitment to invest, ASI agreed to reduce the K4 purchase price from \$607,000 to \$582,000. Our letter to ASI's creditor banks committing to an investment in ASI is contingent upon completion of the acquisition of K4, the continuation of the Workout plan as approved, the continued

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effectiveness of our Supply Agreements with Anam and coordination of proposed equity investments with the conversion by the creditor banks of their ASI debt to equity. Our commitment letter provides that upon meeting these conditions, we would invest \$41,000 in 1999, 2000, and 2001 with a final investment of \$27,000 in 2002. We would purchase the ASI shares at W5,000 per share. Since our commitment is in U.S. dollars, the number of shares we would purchase will vary

based on the exchange rate of Korean won to U.S. dollars. The letter has not yet been accepted by ASI's creditor banks and we cannot be certain that the banks will agree to the terms we have proposed for the investment. Our commitment to invest in ASI must be finalized before the Workout agreements will be implemented. If the Company reaches an agreement with ASI's creditor banks on the terms of Amkor's commitment, ASI has indicated that it will reduce the K4 purchase price to \$582 million from \$607 million. The Company does not believe that any other third party is considering investing in ASI.

ASI has not finalized the Workout agreement with the creditor banks. Assuming the creditor banks and ASI finalize and implement the Workout, upon completion of the first installment of the conversion of debt of the creditor banks to equity or convertible debt and the first installment of our equity investment, the relative equity of ownership of ASI among the creditor banks, the Kim family and the Company would be approximately 27%, 21% and 21%, respectively (assuming an exchange rate of W1,200 to \$1.00 and without any future sales of ASI stock by these parties). Upon completion of all debt conversions and equity investments contemplated by the Workout through 2002, the relative equity ownership of ASI among the creditor banks, the Kim family and the Company would be approximately 29%, 11% and 43%, respectively (assuming an exchange rate of W1,200 to \$1.00 and without any future sales of ASI stock by these parties.) Upon conversion of all of the convertible debt issued to creditor banks, which would be permitted beginning one year after the date of issuance of such debt, the ownership of ASI among the creditor banks, the Kim family and our company would be approximately 43%, 9% and 34%, respectively (assuming an exchange rate of W1,200 to \$1.00 and without any future sales of ASI stock by these parties).

The creditor banks have the right to terminate the Workout if ASI fails to meet the conditions of the Workout, which includes conditions related to ASI's financial performance. We believe that if the Workout is not finalized by the creditor banks and ASI or if the creditor banks subsequently terminate the Workout, the debt relief afforded to ASI pursuant to the Workout would be terminated, and the creditor banks could reinstate and enforce the original terms of ASI's debt, including accelerating ASI's obligations. If this were to occur, ASI's and our businesses could be harmed.

There can be no assurance that ASI will be able to satisfy the terms of the proposed Workout Agreement. Any inability of ASI to comply with the terms of the proposed Workout Agreement, generate cash flow from operations sufficient to fund its capital expenditures and other working capital and liquidity requirements could have a material adverse effect on ASI's ability to continue to provide services and otherwise fulfill its obligations to the Company.

As previously discussed, the Company incurs charges from ASI for assembly and test services performed on a monthly basis. Historically the Company has paid ASI for these services on net 30-day terms. On July 21, 1998 the Company entered into a prepayment agreement with ASI relating to assembly and test services. In accordance with the agreement, the Company made a \$50,000 non-interest bearing advance to ASI, representing approximately one month's charges for assembly and test services. The Company offset this advance against billings by ASI for assembly and test services provided in the fourth quarter of 1998. During the fourth quarter of 1998, the Company has reduced this advance to ASI in full by offsetting the balance against amounts due to ASI for fourth quarter packaging and test services.

In connection with its wafer foundry agreement with Texas Instruments, Inc. ("TI"), the Company and TI agreed to revise certain payment and other terms contained in the Master Purchase Agreement entered

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into during 1998 ("Master Purchase Agreement"). As part of this agreement, TI agreed to advance the Company \$20,000 in June 1998 and an additional \$20,000 in December 1998, as prepayments of wafer foundry services to be provided in the fourth quarter of 1998 and first quarter of 1999, respectively. The Company recorded these amounts in accrued expenses. The Company in turn advanced these funds to ASI as prepayments for foundry service charges. The Company has fully offset the \$20,000 advance made in June 1998 against billings by ASI in the fourth quarter of 1998. The December 1998 advance is reflected in the current portion of Due from Affiliates as of December 31, 1998. As of February 28, 1999, the December 1998 advance from TI and the related advance to ASI have both been reduced to \$6,640. The Company expects both advances to be fully repaid by the end of the first quarter of 1999.

To facilitate capacity expansion for new product lines, certain customers advanced the Company funds to purchase certain equipment to fulfill such customers forecasts. In certain cases, the customer has requested that the equipment be installed in the ASI factories. In these cases, the Company receives funds from the customer and advances the funds to ASI. ASI in turn purchases the necessary equipment. ASI repays the Company through a reduction of the monthly processing charges related to the customer product being assembled. The Company will reduce its obligation to the customer through a reduction in the accounts receivable, due from the customer, at the time services are billed. As of December 31, 1998 this amount was approximately \$2,600.

On August 1, 1997, the Company sold its equity investment in Anam Semiconductor & Technology Co., Ltd. ("AST"), an affiliate of ASI, and certain investments and notes receivable from companies unrelated to the semiconductor packaging and test business to AK Investments, Inc., at cost (\$49,740) and AK Investments, Inc. assumed \$49,740 of the Company's long-term borrowings from Anam USA, Inc. Management estimates that the fair value of these investments and notes receivable approximated the carrying value at August 1, 1997. Subsequent to the sale on August 1, 1997 the Company loaned AK Investments, Inc. \$12,800 for the purchase of additional investments. The amount outstanding on this loan at December 31, 1997 and 1998 was \$4,350 and \$59, respectively.

The Company utilizes AST as a key supplier of leadframes. Historically, the Company has paid AST for these services on net 30-day terms. Effective at the end of July 1998, the Company changed its payment policy from net 30-days, to paid-in advance. Accordingly the Company now pays for its materials before shipment. This change in payment policy resulted in an advance to AST which is reflected in the current portion of Due from Affiliate. As of December 31, 1998, the balance paid in advance to AST was approximately \$3,500. Payments to AST were approximately \$27,300, \$26,000 and \$32,500 during 1996, 1997 and 1998, respectively.

Anam Engineering and Construction, an affiliate of ASI, built the packaging facility for AAAP in the Philippines. Payments to Anam Engineering and Construction were \$22,167, \$3,844 and \$869 in 1996, 1997 and 1998, respectively. Anam Precision Equipment and Anam Instruments manufacture certain equipment used by the Philippine operations. Payments to Anam Precision Equipment and Anam Instruments were \$6,652, \$4,211 and \$10,272 in 1996, 1997 and 1998, respectively.

During 1996, the Company extended guarantees on behalf of an affiliate to vendors used by this affiliate. Outstanding guarantees as of December 31, 1996 and 1997 were \$25,100 and \$24,655 respectively. During the third quarter of 1998, the Company was released from its obligations under these guarantees. Amounts guaranteed under this agreement fluctuated due to the cyclical nature of the affiliate's retail business. Balances guaranteed at December 31 were generally the largest.

The Company had executed a surety and guarantee agreement on behalf of an affiliate. The Company had unconditionally guaranteed the affiliate's obligation under a \$17,000 line of credit and a \$9,000 term loan note. The Company had also unconditionally guaranteed another affiliate's obligation under a \$4,000 term loan

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agreement and a \$1,000 line of credit. During the third quarter of 1998, the Company was released from its obligations under these guarantees.

A principal stockholder of the Company has extended guarantees on behalf of the Company in the amount of \$91,000 at December 31, 1998. Also in 1997, a company controlled by this stockholder purchased investments in the amount of \$49,740 (see Note 6).

The Company leases office space in West Chester, PA from certain stockholders of the Company. The lease expires in 2006. The Company has the option to extend the lease for an additional 10 years through 2016. On September 11, 1997, the office previously being leased in Chandler, Arizona was purchased from certain stockholders of the Company. The total purchase price of the building (\$5,710) represented the carrying value to the stockholders. Amounts paid for these leases in 1997 and 1998 were \$1,458 and \$1,118, respectively.

At December 31, 1997 and 1998, the Company had net balances due from affiliates other than ASI and AUSA of \$36,501 and \$27,510, respectively. Realization of these balances is dependent upon the ability of the affiliates to repay the amounts due. In management's opinion, these receivables are recorded at the net realizable value.

15. FAIR VALUE OF FINANCIAL INSTRUMENTS

The estimated fair value of financial instruments has been determined by the Company using available market information and appropriate methodologies; however, considerable judgment is required in interpreting market data to develop the estimates for fair value. Accordingly, these estimates are not necessarily indicative of the amounts that the Company could realize in a current market exchange. Certain of these financial instruments are with major financial institutions and expose the Company to market and credit risks and may at times be concentrated with certain counterparties or groups of counterparties. The creditworthiness of counterparties is continually reviewed, and full performance is anticipated.

The carrying amounts reported in the balance sheet for short-term investments, due from affiliates, other accounts receivable, due to affiliates, accrued expenses and accrued income taxes approximate fair value due to the short-term nature of these instruments. The methods and assumptions used to estimate the fair value of other significant classes of financial instruments is set forth below:

Cash and Cash Equivalents. Cash and cash equivalents are due on demand or carry a maturity date of less than three months when purchased. The carrying amount of these financial instruments is a reasonable estimate of fair value.

Available for sale investments. The fair value of these financial instruments was estimated based on market quotes, recent offerings of similar securities, current and projected financial performance of the company and net asset positions.

Short-term borrowings. Short-term borrowings have variable rates that reflect currently available terms and conditions for similar borrowings. The carrying amount of this debt is a reasonable estimate of fair value.

Long-term debt. Long-term debt balances have variable rates that reflect currently available terms and conditions for similar debt. The carrying amount of this debt is a reasonable estimate of fair value.

Convertible Subordinated Notes. The fair value of these financial

instruments at December 31, 1998 is estimated to be \$199,755 based on available market quotes.

16. COMMITMENTS AND CONTINGENCIES

The Company is involved in various claims incidental to the conduct of its business. Based on consultation with legal counsel, management does not believe that any claims, either individually or in the

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aggregate, to which the Company is a party will have a material adverse effect on the Company's financial condition or results of operations.

Net future minimum lease payments under operating leases that have initial or remaining noncancelable lease terms in excess of one year at December 31, 1998, are:

1999.....	\$ 8,461
2000.....	7,676
2001.....	6,097
2002.....	4,830
2003.....	4,360
Thereafter.....	80,980

Total (net of minimum sublease income of \$4,507).....	\$112,404
	=====

Rent expense, net of sublease income of \$131, \$366 and \$575 for 1996, 1997 and 1998, respectively, amounted to \$5,520, \$6,709 and \$7,751 for 1996, 1997 and 1998, respectively.

The Company has various purchase commitments for materials, supplies and capital equipment incidental to the ordinary conduct of business. As of December 31, 1998 the Company had commitments for capital equipment of approximately \$31,000. In the aggregate, such commitments are not at prices in excess of current market.

17. ACQUISITIONS

On September 30, 1996, AEI and a principal stockholder each acquired 50% of the outstanding common stock of Amkor Anam Test Services, Inc. (AATS), formerly Navell Test Consultants, Inc., a provider of test engineering services for the semiconductor industry located in San Jose, California, for approximately \$2,860. Subsequent to September 30, 1996, AEI purchased the 50% interest owned by a principal stockholder at the stockholder's original cost. The acquisition was accounted for using the purchase method of accounting and the results of AATS' operations are included in the Company's consolidated statements of income effective October 1, 1996. Accordingly, the total purchase price was allocated to the assets and liabilities based upon their estimated respective fair values. This acquisition resulted in goodwill of approximately \$2,356, which is being amortized over 20 years.

On June 1, 1998, the Company purchased ASI's 40% interest in AAP for \$33,750. The acquisition was accounted for using the purchase method of accounting which resulted in the elimination of the minority interest liability reflected on the consolidated balance sheet and the recording of approximately

\$23,910 of goodwill which is being amortized over 10 years.

18. SEGMENT INFORMATION

The Company adopted SFAS No. 131, "Disclosures About Segments of an Enterprise and Related Information," during the fourth quarter of 1998.

The Company has identified two reportable segments (packaging and test services and wafer fabrication services) that are managed separately because the services provided by each segment require different technology and marketing strategies.

Packaging and test services: Through its three factories located in the Philippines as well as the four ASI factories in Korea, under contract, the Company offers a complete and integrated set of packaging and test

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services including IC packaging design, leadframe and substrate design, IC package assembly, final testing, burn-in, reliability testing and thermal and electrical characterization.

Wafer fabrication services: Through its wafer fabrication services division, the Company provides marketing, engineering, and support services for ASI's deep submicron CMOS foundry, under a long-term supply agreement.

During the years ended December 31, 1996, 1997 and 1998, sales to Intel Corporation accounted for approximately \$275,000, \$340,000 and \$324,000, respectively, of packaging and test revenues.

The accounting policies for segment reporting are the same as those described in Note 1 of Notes to Consolidated Financial Statements. The Company evaluates its operating segments based on operating income.

Summarized financial information concerning the Company's reportable segments is shown in the following table. The "Other" column includes the elimination of inter-segment balances and corporate assets which include cash and cash equivalents, non-operating balances due from affiliates, investment in TSTC (see Note 6) and other investments.

	PACKAGING AND TEST	WAFER FABRICATION	OTHER	TOTAL
	-----	-----	-----	-----
Year ended December 31, 1998:				
Net Revenues.....	\$1,452,285	\$115,698	\$ --	\$1,567,983
Gross Profit.....	\$ 243,479	\$17,354	\$ --	\$ 260,833
Operating Income.....	\$ 124,462	\$ 8,274	\$ --	\$ 132,736
Depreciation and Amortization.....	\$ 118,676	\$ 563	\$ --	\$ 119,239
Capital Expenditures.....	\$ 102,142	\$ 5,747	\$ --	\$ 107,889
Total Assets.....	\$ 655,695	\$65,941	\$281,961	\$1,003,597
Year ended December 31, 1997:				
Net Revenues.....	\$1,455,761	\$ --	\$ --	\$1,455,761
Gross Profit.....	\$ 213,092	\$ --	\$ --	\$ 213,092
Operating Income.....	\$ 104,903	\$ (4,062)	\$ --	\$ 100,841
Depreciation and Amortization.....	\$ 81,770	\$ 94	\$ --	\$ 81,864
Capital Expenditures.....	\$ 176,858	\$ 2,132	\$ --	\$ 178,990
Total Assets.....	\$ 703,662	\$ 2,068	\$149,862	\$ 855,592
Year ended December 31, 1996:				
Net Revenues.....	\$1,171,001	\$ --	\$ --	\$1,171,001
Gross Profit.....	\$ 148,923	\$ --	\$ --	\$ 148,923
Operating Income.....	\$ 71,368	\$ --	\$ --	\$ 71,368
Depreciation and Amortization.....	\$ 57,825	\$ --	\$ --	\$ 57,825
Capital Expenditures.....	\$ 185,112	\$ --	\$ --	\$ 185,112

Total Assets..... \$ 656,024 \$ -- \$148,840 \$ 804,864

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The following table presents net revenues by country based on the location of the customer:

	NET REVENUES		
	1996	1997	1998
United States.....	\$ 852,675	\$1,050,048	\$1,124,764
Foreign countries.....	318,326	405,713	443,219
Consolidated.....	\$1,171,001	\$1,455,761	\$1,567,983

The following table presents property, plant and equipment based on the location of the asset:

	PROPERTY, PLANT AND EQUIPMENT		
	1996	1997	1998
United States.....	10,470	37,845	48,851
Philippines.....	313,869	388,653	366,717
Other foreign countries.....	556	563	543
Consolidated.....	324,895	427,061	416,111

The following supplementary information presents net revenues allocated by product family for the packaging and test segment:

	NET REVENUES		
	1996	1997	1998
Traditional Leadframe.....	\$ 818,589	\$ 833,527	\$ 603,222
Advanced Leadframe.....	202,373	311,988	342,866
Laminates.....	108,790	251,257	438,034
Test and Other.....	41,249	58,989	68,163
Consolidated.....	\$1,171,001	\$1,455,761	\$1,452,285

Statement of Income

Pro forma adjustments are presented to reflect a provision for income taxes as if AEI had not been an S Corporation for all of the periods presented. Pro forma net income per common share is based on the weighted average number of shares outstanding as if the Reorganization had occurred at the beginning of the period presented.

20. THE ACQUISITION OF K4 AND INVESTMENT IN ASI

The Company has entered into an asset purchase agreement with ASI to purchase the assets of ASI's packaging and test facility located in Kwangju, Korea ("K4"), excluding cash and cash equivalents, notes and accounts receivables, intercompany accounts and existing claims against third parties. This purchase price would be reduced to \$582,000 if the Company signs an agreement to make an equity investment of \$150,000. The purchase price for K4 is \$607,000, including the assumption of up to \$7,000 of employee benefit liabilities in ASI over a four year period, pursuant to the proposed financial restructuring of ASI with its creditor banks, called "Workout." The Company has sent ASI's creditor banks a letter committing to make an equity investment in ASI (see Note 14). K4 provides packaging and test services for advanced leadframe and laminate packages that are used in high-performance electronic products such as cellular telephones, laptop computers, digital cameras and microprocessors. K4 began operating in October 1996 and is ASI's newest semiconductor packaging and test facility. In addition to other conditions, including the satisfactory

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completion of due diligence, the receipt of a fairness opinion and final board approval, the Company's acquisition of K4 is subject to its ability to obtain financing of the entire amount of the purchase price on reasonable terms. We cannot be certain that we will be able to obtain this financing on reasonable terms. The Company intends to finance the full purchase price of K4.

K4 is situated on approximately 100 acres and currently consists of a 1,000,000 square foot facility, including 782,000 square feet of manufacturing and administrative space. K4 provides packaging and test services for many of our most advanced packages. In addition, the K4 site has the infrastructure in place to accommodate four pre-configured modules for a total of 1,600,000 square feet of incremental capacity.

In connection with the acquisition of K4, the Company will enter into a Transition Services Agreement with ASI. Pursuant to this agreement, ASI will continue to provide many of the same non-manufacturing related services to K4 that it provided prior to the Acquisition, including transportation and shipping, human resources and accounting and general administrative services.

The Company will also enter into an Intellectual Property License Agreement with ASI that will become effective upon the closing of the acquisition.

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INDEPENDENT AUDITORS' REPORT

To the Shareholders and Board of Directors
Anam Industrial Co., Ltd.

We have audited the consolidated balance sheets of Anam Industrial Co., Ltd. and its subsidiaries (the "Company") as of December 31, 1997 and 1996, and

the related consolidated statements of operations, capital surplus and retained earnings (accumulated deficit), and cash flows for each of the three years in the period ended December 31, 1997 (which financial statements are prepared under generally accepted accounting principles in the Republic of Korea and are not included in this Annual Report on Form 10-K). 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 Anam USA, Inc. ("Anam USA"), a wholly-owned subsidiary, and Anam Engineering and Construction Co., Ltd. ("Anam Construction"), a 59.6% owned subsidiary, which statements reflect total assets of W913,721 million and W660,729 million as of December 31, 1997 and 1996, respectively, and total net income (loss) of W(10,011) million in 1997, W5,738 million in 1996 and W(2,925) million in 1995. Additionally, we did not audit the financial statements of Amkor/Anam Pilipinas, Inc. ("AAPI"), a 40% owned affiliate, the investment in which is reflected in the financial statements using the equity method of accounting. The Company's investment in AAPI was W38,612 million and W19,077 million as of December 31, 1997 and 1996, respectively, and the equity in its net income (loss) was W(44,491) million in 1997, W2,050 million in 1996 and W(1,570) million in 1995. The aforementioned financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for Anam USA, Anam Construction and AAPI, is based solely on the reports of the other auditors. The auditors of Anam Construction and AAPI expressed uncertainties in their audit reports about the respective companies' ability to continue as a going concern.

We conducted our audits in accordance with generally accepted auditing standards in the Republic of Korea, which are substantially the same as those followed in the United States of America. 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Anam Industrial Co., Ltd. and its subsidiaries as of December 31, 1997 and 1996, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1997, in conformity with generally accepted accounting principles in the Republic of Korea.

As discussed in Note 2 to the financial statements, in accordance with revised Financial Accounting Standards in the Republic of Korea effective in 1997 and 1996, respectively, the Company changed its methods of accounting for unrealized foreign currency translation gains or losses on long-term assets and liabilities denominated in foreign currencies. In 1997, such gains or losses are deferred and amortized over the lives or maturities of corresponding assets and liabilities using the straight-line method. In 1996, such gains or losses had been recorded, as a capital adjustment to shareholders' equity. Prior to 1996, such gains or losses had been recognized currently.

The financial statements referred to above have been prepared assuming that the Company, will continue as a going concern. As discussed in Note 3 to the financial statements, the operations of the Company have been significantly affected, and will continue to be affected for the foreseeable future, by Korea's unstable economy caused by currency volatility and unstable finance markets in Korea. The Company has traditionally operated with a significant amount of debt relative to its equity, has a significant working capital deficit at December 31, 1997 and has contractually guaranteed the debt obligations of certain affiliates and subsidiaries.

These significant uncertainties may affect the Company's future operations and its ability to maintain or refinance certain debt obligations as they mature, which raise substantial doubt regarding the Company's ability to continue as a going concern. Management's plans to address these matters, which are also disclosed in Note 3, include entering into the Korean financial restructuring program known as "Workout" in October 1998. The Workout program is the results of an accord among Korea financial institutions to assist in the restructuring of Korean business enterprises and does not involve the judicial system. The ultimate outcome of these uncertainties cannot be determined presently and the financial statements do not include any adjustments that might result from these uncertainties.

SAMIL ACCOUNTING CORPORATION

March 20, 1998 except for Note 3
as to which the date is October 23, 1998
Seoul, Korea

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholders
Anam Engineering & Construction Co., Ltd.

We have audited the balance sheets of Anam Engineering & Construction Co., Ltd. (the Company) as of December 31, 1997, 1996 and 1995, and the related statements of operations and accumulated deficit and cash flows for the years then ended (which financial statements are prepared under generally accepted accounting principles in the Republic of Korea and are not included in this prospectus or elsewhere in this Registration Statement). These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Anam Engineering & Construction Co., Ltd. as of December 31, 1997, 1996 and 1995, and the results of its operations and the changes in its accumulated deficit and its cash flows for the years then ended, in conformity with generally accepted accounting principles in the Republic of Korea.

The financial statements referred to above have been prepared assuming that the Company will continue as a going concern. As discussed in Note 20 to the financial statements, the operations of the Company have been significantly affected, and will continue to be affected for the foreseeable future, by Korea's unstable economy caused by currency volatility and unstable finance markets in Korea. The Company has traditionally operated with a significant amount of debt relative to its equity. Because of Korea's unstable economy and the Company's dependence on debt financing, there are significant uncertainties that may affect the Company's future operations and its abilities to maintain or regarding the Company's ability to continue as a going concern. The Company applied to the District Court of Seoul in Korea for permission to enter into the Korean debts rescheduling plan known as "court receivership" in October 24,

1998. And the Company was bankrupted in October 29, 1998. It is presently uncertain whether the application shall be approved by the court. The ultimate outcome of these uncertainties cannot be determined presently and the financial statements do not include adjustments that might result from these uncertainties.

As discussed in Note 17 to the financial statements, the Company executed a merger in which the operations of Hanyong Corporation were combined with the Company as of July 31, 1997. This merger was accounted for as a transfer of assets and liabilities under common control at historical costs in a manner similar to a pooling of interest of U.S. GAAP reporting purposes.

As discussed in Note 14 to financial statements, the Company sales its product to Anam Semiconductor Inc. (Anam Industrial Co., Ltd.) and other affiliated companies. The amounts of sales are W244,013 million, W313,894 million and W47,109 million during the year ended December 31, 1997, 1996 and 1995, and balance of account receivable are W31,844 million, W53,816 million and W79,316 million at December 31, 1997, 1996 and 1995 respectively and balances of account payable are W4,834 million, W122 million and W403 million at December 31 of 1997, 1996 and 1995 respectively.

The amounts expressed in U.S. Dollars, presented solely for the convenience of the reader, have been translated on the basis set forth in Note 3 to financial statements.

CHONG UN & COMPANY

Seoul, Korea
March 4, 1998 except for Note 20
as to which the date is October 29, 1998

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

The Stockholders and the Board of Directors
Amkor/Anam Pilipinas, Inc.
NSC Compound, Km. 22 East Service Road
South Superhighway, Muntinlupa City

We have audited the accompanying consolidated balance sheets of Amkor/Anam Pilipinas, Inc. and Subsidiary as of December 31, 1997 and December 29, 1996, and the related consolidated statements of income and retained earnings (deficit) and cash flows for each of the three years in the period ended December 31, 1997. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Amkor/Anam Pilipinas, Inc. and Subsidiary as of December 31, 1997 and December 29, 1996, and the results of their operations and their cash flows for the three years in the period ended December 31, 1997, in conformity with generally accepted accounting principles in the Philippines.

SyCip Gorres Velayo & Co

January 30, 1998 (except with respect to the Initial Public Offering discussed in Note 1 which is dated May 8, 1998).
Makati City, Philippines

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Anam USA, Inc.
West Chester, Pennsylvania

We have audited the balance sheets of Anam USA, Inc. (a Pennsylvania Corporation and a wholly-owned subsidiary of Anam Industrial Co., Ltd., Seoul, ROK) as of December 31, 1997 and 1996 and the related statements of income, stockholder's equity and cash flows for each of the three years in the period ended December 31, 1997. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Anam USA, Inc. as of December 31, 1997 and 1996 and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

SIANA CARR & O'CONNOR, LLP

Paoli, Pennsylvania
February 13, 1998

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ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CONTROL PERSONS; COMPLIANCE WITH SECTION 16(A) OF THE EXCHANGE ACT

DIRECTORS AND EXECUTIVE OFFICERS

Reference is made to the information regarding our directors and officers under the heading "Directors and Officers" in our proxy statement for the annual meeting of stockholders to be held May 18, 1999, which information is hereby incorporated by reference.

COMPLIANCE WITH SECTION 16(a) OF THE SECURITIES EXCHANGE ACT OF 1934

Section 16(a) of the Securities Exchange Act of 1934 requires the Company's officers and Directors, and persons who own more than ten percent of a registered class of the Company's equity securities, to file reports of ownership on Form 3 and changes in ownership on Form 4 or 5 with the Securities and Exchange Commission (the "SEC") and the National Association of Securities Dealers, Inc. Such officers, Directors and ten-percent stockholders are also required by SEC rules to furnish the Company with copies of all forms that they file pursuant to Section 16(a). Based solely on its review of the copies of such forms received by it, or written representations from certain reporting persons that no other reports were required for such persons, the Company believes that all Section 16(a) filing requirements applicable to its officers, Directors and ten-percent stockholders were complied with in a timely fashion.

ITEM 11. EXECUTIVE COMPENSATION

Reference is made to the information regarding executive compensation appearing under the heading "Executive Compensation" in our proxy statement for the annual meeting of stockholders to be held May 18, 1999, which information is hereby incorporated by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Reference is made to the information regarding security ownership under the heading "Security Ownership of Certain Beneficial Owners and Management" in our proxy statement for the annual meeting of stockholders to be held May 18, 1999, which information is hereby incorporated by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Reference is made to the information regarding relationships and related transactions under the heading "Certain Relationships and Related Transactions" in our proxy statement for the annual meeting of stockholders to be held May 18, 1999, which information is hereby incorporated by reference.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

- (a) Financial Statements and Financial Statement Schedules. The financial statements and schedule filed as part of this Annual Report on Form 10-K are listed in the index under Item 8.

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(b) REPORTS ON FORM 8-K

We filed the following reports on Form 8-K during the fourth quarter of the fiscal year ended December 31, 1998:

Press release issued October 15, 1998 announcing preliminary financial results for the third quarter ended September 30, 1998.

(c) EXHIBITS

- 2.1 Asset Purchase Agreement between Amkor Technology Inc. and Anam Semiconductor, Inc., dated December 30, 1998.
- 3.1 Certificate of Incorporation.**
- 3.2 Certificate of Correction to Certificate of Incorporation.***
- 3.3 Restated Bylaws.***
- 4.1 Specimen Common Stock Certificate.**
- 4.2 Form of Indenture.**

- 10.1 Form of Indemnification Agreement for directors and officers.**
- 10.2 1998 Stock Plan and form of agreement thereunder.**
- 10.3 Receivables Purchase Agreement between Amkor Electronics, Inc. and Amkor Receivables Corp., dated June 20, 1997.**
- 10.4 Form of Tax Indemnification Agreement between Amkor Technology, Inc., Amkor Electronics, Inc. and certain stockholders of Amkor Technology, Inc.**
- 10.8 Commercial Office Lease between Chandler Corporate Center Phase II, G.P. and Amkor Electronics, Inc., dated September 6, 1993.**
- 10.9 Commercial Office Lease between the 12/31/87 Trusts of Susan Y., David D. and John T. Kim and Amkor Electronics, Inc., dated October 1, 1996.**
- 10.10 Commercial Office Lease between the 12/31/87 Trusts of Susan Y., David D., and John T. Kim and Amkor Electronics, Inc., dated June 14, 1996.**
- 10.11 Contract of Lease between Corinthian Commercial Corporation and Amkor/Anam Pilipinas Inc., dated October 1, 1990.**
- 10.12 Contract of Lease between Salcedo Sunvar Realty Corporation and Automated Microelectronics, Inc., dated May 6, 1994.**
- 10.13 Lease Contract between AAP Realty Corporation and Amkor/Anam Advanced Packaging, Inc., dated November 6, 1996.**
- 10.14 Immunity Agreement between Amkor Electronics, Inc. and Motorola, Inc., dated June 30, 1993.**
- 10.15 Assembly Agreement between Amkor Electronics, Inc. and Intel Corporation, dated July 17, 1991.**
- 10.16 1998 Director Option Plan and form of agreement thereunder.**
- 10.17 1998 Employee Stock Purchase Plan.**
- 10.18 Amendment No. 1 dated December 31, 1998 to the Receivables Purchase Agreement between Amkor Electronics, Inc. and Amkor Receivables Corp., dated June 20, 1997.
- 10.19 Packaging and Test Services Agreement by and among Amkor Technology, Inc., Amkor Electronics, Inc., C.I.L. Limited, Anam USA, Inc. and Anam Industrial Co., Ltd. dated January 1, 1998.**
- 10.20 Foundry Services Agreement by and among Amkor Electronics, Inc., C.I.L. Limited, Anam Industries Co., Ltd. and Anam USA dated as of January 1, 1998.**

- 10.21 Amendment to Technical Assistance Agreement dated as of September 29, 1997 between Texas Instruments Incorporated and Anam Industrial Co., Ltd. and related portions of Technical Assistance Agreement dated as of January 28, 1997.**
- 10.22 Manufacturing and Purchase Agreement between Texas Instruments Incorporated, Anam Industrial Co., Ltd. and Amkor Electronics, Inc., dated as of January 1, 1998.**
- 10.23 1998 Stock Option Plan for French Employees.**
- 10.24 Loan Agreement between Amkor Electronics, Inc. and John Boruch dated January 30, 1998.
- 10.25 Shareholders Agreement, dated April 10, 1998, by and among Amkor Electronics, Inc., Anam Industrial Co. Ltd., Scientek International Investment Co. Ltd., Chinfon Semiconductor & Technology Co., Ltd., Taiwan Semiconductor Manufacturing Company Ltd., and Acer Incorporated.+
- 10.26 Technical Assistance Agreement, dated as of January 1, 1998 between Texas Instruments Incorporated and Anam Industrial Co., Ltd.+
- 21.1 List of Subsidiaries of the Registrant.

- 23.1 Consent of Arthur Andersen LLP.
- 23.2 Consent of Samil Accounting Corporation.
- 23.3 Consent of Chong Un & Company.
- 23.4 Consent of SyCip Gorres Velayo & Co.
- 23.5 Consent of Siana Carr & O'Connor, LLP.
- 27.1 Financial Data Schedule.
- 99.1 Translation of the Principle Terms of the ASI Workout.

 ** Incorporated by reference to the Company's Registration Statement on Form S-1 filed October 6, 1997, as amended (File No. 333-37235).

*** Incorporated by reference to the Company's Registration Statement on Form S-1 filed August 26, 1998, as amended (File No. 333-49645).

+ Confidential Treatment requested as to certain portions of this exhibit.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this Annual Report on Form 10-K to be signed, on its behalf by the undersigned, thereunto duly authorized.

AMKOR TECHNOLOGY, INC.

By: /s/ JAMES J. KIM

 James J. Kim
 Chairman and Chief Executive Officer

Date:

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints James J. Kim and Frank J. Marcucci, and each of them, his attorneys-in-fact, and agents, each with the power of substitution, for him and in his name, place and stead, in any and all capacities, to sign any and all amendments to this Report on Form 10-K, and all documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and conforming all that said attorneys-in-fact and agents of any of them, or his or their substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

NAME -----	TITLE -----	DATE -----
/s/ JAMES J. KIM ----- James J. Kim	Chief Executive Officer and Chairman	March 31, 1999
/s/ JOHN N. BORUCH ----- John N. Boruch	President and Director	March 31, 1999
/s/ FRANK J. MARCUCCI	Chief Financial Officer	March 31, 1999

----- Frank J. Marcucci ----- /s/ WINSTON J. CHURCHILL ----- Winston J. Churchill ----- /s/ ROBERT E. DENHAM ----- Robert E. Denham ----- /s/ THOMAS D. GEORGE ----- Thomas D. George ----- /s/ GREGORY K. HINCKLEY ----- Gregory K. Hinckley ----- /s/ JOHN B. NEFF ----- John B. Neff	(Principal Financial and Accounting Officer) Director Director Director Director Director Director	 March 31, 1999 March 31, 1999 March 31, 1999 March 31, 1999 March 31, 1999
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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Amkor Technology, Inc.:

We have audited in accordance with generally accepted auditing standards, the Consolidated Financial Statements of Amkor Technology, Inc. and its subsidiaries included in this Form 10-K and have issued our report thereon dated February 10, 1999 (except with respect to the Company's proposed investment in ASI pursuant to the financial restructuring of ASI discussed in Note 14, as to which the date is March 29, 1999). Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule listed in the index above is the responsibility of the Company's management and is presented for the purpose of complying with the Securities an Exchange Commission's rules and is not part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly states in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

Philadelphia, Pennsylvania
February 10, 1999 (except with respect to the Company's proposed investment in ASI pursuant to the financial restructuring of ASI discussed in Note 14, as to which the date is March 29, 1999)

ARTHUR ANDERSEN LLP

AMKOR TECHNOLOGY, INC. AND SUBSIDIARIES

SCHEDULE II -- VALUATION AND QUALIFYING ACCOUNTS
(IN THOUSANDS)

	BALANCE AT BEGINNING OF PERIOD -----	ADDITIONS CHARGED TO EXPENSE -----	WRITE-OFFS -----	OTHER -----	BALANCE AT END OF PERIOD -----
Year ended December 31, 1996:					
Allowance for doubtful accounts.....	\$1,043	\$ 660	\$(564)	\$40	\$1,179

Year ended December 31, 1997:					
Allowance for doubtful accounts.....	\$1,179	\$3,490	\$ (435)	--	\$4,234
Year ended December 31, 1998:					
Allowance for doubtful accounts.....	\$4,234	\$1,720	\$ (2)	--	\$5,952

EXHIBIT INDEX

EXHIBIT NUMBER	DESCRIPTION OF DOCUMENT	SEQUENTIALLY NUMBERED PAGE
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2.1	Asset Purchase Agreement between Amkor Technology Inc. and Anam Semiconductor, Inc., dated December 30, 1998.	
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3.2	Certificate of Correction to Certificate of Incorporation.***	
3.3	Restated Bylaws.***	
4.1	Specimen Common Stock Certificate.**	
4.2	Form of Indenture.**	
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10.2	1998 Stock Plan and form of agreement thereunder.**	
10.3	Receivables Purchase Agreement between Amkor Electronics, Inc. and Amkor Receivables Corp., dated June 20, 1997.**	
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10.15	Assembly Agreement between Amkor Electronics, Inc. and Intel Corporation, dated July 17, 1991.***	
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- 10.21 Amendment to Technical Assistance Agreement dated as of September 29, 1997 between Texas Instruments Incorporated and Anam Industrial Co., Ltd. and related portions of Technical Assistance Agreement dated as of January 28, 1997.***
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+ Confidential Treatment requested as to certain portions of this exhibit.

[EXECUTION COPY]

ASSET PURCHASE AGREEMENT

BY AND BETWEEN

AMKOR TECHNOLOGY, INC.

as Purchaser

AND

ANAM SEMICONDUCTOR, INC.

as Seller

Dated as of December 30, 1998

ASSET PURCHASE AGREEMENT

This is an ASSET PURCHASE AGREEMENT (the "Agreement"), dated December 30, 1998 by and between Amkor Technology, Inc., a corporation organized under the laws of the State of Delaware of the United States, ("Amkor" or "Purchaser") and Anam Semiconductor, Inc., a corporation organized under the laws of the Republic of Korea ("Seller"). Purchaser and Seller shall sometimes each be referred to as a Party and collectively as the Parties.

RECITALS:

WHEREAS, Seller is the owner and operator of four (4) semiconductor packaging and test facilities located in the Republic of Korea; and

WHEREAS, Purchaser provides semiconductor packaging and test services and is desirous of expanding its manufacturing capability; and

WHEREAS, Seller desires to sell, Purchaser desires to purchase, semiconductor packaging and test operations generally known as K4 located at Advanced Science & Industrial Complex, 2 block, Daechon-dong, Buk-gu, City of Kwangju 500-470 the Republic of Korea ("Business") upon terms and conditions set forth herein.

NOW THEREFORE, in consideration of the mutual agreements, covenants, representations and warranties contained herein, and in reliance thereon, Purchaser and Seller hereby agree as follows:

DEFINITIONS:

"Affiliate" or "Affiliates" means any Person(s) directly or indirectly controlling, controlled by or under common control with such Person. As used in this definition, "controlling" (including, with its correlative meanings, "controlled by" and "under common control with") means possession, directly or indirectly, of power to direct or cause the direction of management or policies, whether through ownership of securities, partnership or other ownership interests, by contract or otherwise.

"Ancillary Agreements" has the meaning as described in Section 1.8(a).

"Asset List" has the meaning as described in Section 1.1.

"Assigned Contracts" has the meaning as described in Section 1.1(f).

"Assumed Liabilities" has the meaning as described in Section 1.7(a).

"Authority" means any national or local or foreign governmental or regulatory entity, or any department, agency, authority or political subdivision thereof.

"Award" has the meaning as described in Section 5.11(b).

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"Balance Sheet" has the meaning as described in Section 2.4.

"Base Rate" has the meaning as described in Section 1.3(a).

"Business" has the meaning as described in Recitals Section.

"Closing" and "Closing Date" have the meanings as described in Section 1.11.

"Closing Statement" has the meaning as described in Section 1.6 (a)(i).

"Confidential Information" has the meaning as described in Section 1.13(g).

"Damages" has the meaning as described in Section 4.3(a)(iii).

"Employees" has the meaning as described in Section 2.20.

"Employee Releases" has the meaning as described in Section 4.2.

"Environmental Law" has the meaning as described in Section 2.12(a)(i).

"Environmental Liabilities" means any liabilities (including costs of re-mediation) known or unknown, foreseen or unforeseen, whether contingent or otherwise, fixed or absolute, present or future, asserted against or incurred by Purchaser or the Business arising out of or relating to (1) environmental conditions first occurring or existing prior to the Closing (whether disclosed or undisclosed) including, without limitation, the presence, Release, threat of Release, Management or exposure of or to Hazardous Substances (each as defined herein) at, on, in or under any property now or previously owned, operated or leased by Seller, the Business or any of its Affiliates or predecessors (whether into the air, soil, ground or surface waters on-site or off-site); (2) the off-site transportation, storage, treatment, recycling or disposal of Hazardous Materials Managed, Released or generated prior to the Closing by Seller or the Business or any of its Affiliates or predecessors or generated in connection with any of their operations; or (3) any violation of any Environmental Law first occurring or existing prior to the Closing (including, without limitation, costs and expenses for pollution control equipment required to bring the Business into compliance with Environmental Laws and fines, penalties and defense costs incurred for such reasonable time after the Closing as it takes

Purchaser to come into compliance).

"Environmental Permit" has the meaning as described in Section 2.12(a)(ii).

"Escrow Account", "Escrow Agent" and "Escrow Agreement" have the meanings as described in Section 1.3(d).

"Exceptions That Will Not Exist at Closing" has the meaning as described in Section 2.15(b)(i).

"Excluded Assets" has the meaning as described in Section 1.2.

"Excluded Liabilities" has the meaning as described in Section 1.7(b).

"Financial Statements" has the meaning as described in Section 2.4.

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"Hazardous Substances" means any hazardous, toxic or polluting materials, substances, wastes, pollutants or contaminants (including, without limitation, petroleum and petroleum products, PCBs, radioactive materials, asbestos or asbestos-containing materials).

"ICC Rules" has the meaning as described in Section 5.11(a).

"Indemnified Party" and "Indemnifying Party" have the meanings as described in Section 4.3(b)(iv).

"Intellectual Property" means any or all of the following and all rights relating to or otherwise necessary to the operation of the Business, whether owned by, licensed to or otherwise used by Seller, in, arising out of, or associated therewith: (i) all United States, Korean and foreign patents and utility models and applications therefor and all reissues, divisions, renewals, extensions, provisionals, continuations and continuations-in-part thereof, and equivalent or similar rights anywhere in the world in inventions and discoveries; (ii) all inventions (whether patentable or not), invention disclosures, improvements, trade secrets, proprietary information, know how, technology, technical data and customer lists, and all documentation embodying or evidencing any of the foregoing; (iii) all copyrights, copyrights registrations and applications therefor and all other rights corresponding thereto throughout the world; (iv) all mask works, mask work registrations and applications therefor, and any equivalent or similar rights in semiconductor masks, layouts, architectures or topology; (v) all industrial designs and any registrations and applications therefor throughout the world; (vi) all trade names, logos, common law trademarks and service marks, trademark and service mark registrations and applications therefor and all goodwill associated therewith throughout the world; (vii) all databases and data collections and all rights therein throughout the world; and (viii) all computer software including all source code, object code, firmware, development tools, files, records and data, all media on which any of the foregoing is recorded; (ix) all World Wide Web addresses, sites and domain names; and (x) any similar, corresponding or equivalent rights to any of the foregoing anywhere in the world.

"IP Licensing Agreements" have the meaning as described in Section 1.1(h).

"Key Employees" has the meaning as described in Section 4.2.

"Knowledge" and words of similar import mean, with respect to any Party, actual knowledge of a particular fact or other matter being possessed by any officer or other individual now or formerly having principal responsibility for a business or administrative function of such Party, including individuals servicing in such a capacity in or for the Business, and the knowledge that

reasonably could be expected to be obtained in the course of conducting a reasonably comprehensive investigation concerning the subject matter.

"Law" means all laws, statutes, ordinances, regulations, and other pronouncements having the effect of law of the Republic of Korea or any other country or territory, commonwealth, city, county, municipality, protectorate, possession, court, tribunal, agency, government, department, commission, arbitrator, board, bureau, or instrumentality thereof.

"Liability" means all debt, liabilities, losses, claims, damages, costs, expenses and obligations of every kind, whether fixed or contingent, mature or unmatured, or liquidated or

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unliquidated, including, without limitation, those arising under any law and those arising under any contract, commitment or undertaking.

"Licensed Intellectual Property" have the meanings as described in Section 2.16.

"Lien" or "Liens" means any lien, charge, claim, pledge, security interest, conditional sale agreement or other title retention agreement, lease, tenancy, ground rent, license, mortgage, security agreement, covenant, condition, restriction, right-of-way, easement, encroachment, option, judgment or of other encumbrance of matter of title.

"Loss" or "Losses" means any and all deficiencies, judgments, settlements, demands, claims, actions, assessments, liabilities, losses, damages (other than consequential damages), interest, fines, penalties, costs and expenses, including without limitation, reasonable legal, accounting and other costs and expenses incurred in connection with investigating, defending, settling or satisfying any and all demands, claims, actions, causes of action, suit, proceedings, assessment, judgments or appeals.

"Management" has the meaning as described in Section 2.12(a)(iv).
"Managed" has a similar meaning appropriate for the context.

"Material Adverse Effect" has the meaning as described in Section 1.10 (e).

"Newco" has the meaning as described in Section 1.1.

"Net Asset Value" has the meaning as described in Section 1.6(b).

"Owned Real Properties" has the meaning as described in Section 2.15(b).

"Permitted Real Property Encumbrances" has the meaning as described in Section 2.15(b).

"Person" means any individual, a corporation, a partnership, an association, a trust or other entity or organization, including an Authority.

"Personal Property Permitted Encumbrances" has the meaning as described in Section 2.14.

"Property Taxes" has the meaning as described in Section 4.8.

"Purchased Assets" has the meaning as described in Section 1.1.

"Purchase Price" has the meaning as described in Section 1.3(a).

"Real Properties" has the meaning as described in Section 2.15(a).

"Released" means released, spilled, leaked, pumped, poured, emitted, emptied, discharged, injected, escaped, leached, disposed, or dumped and other similar terms. "Release" when used as a verb has the same meaning, but in the present tense, and when used as a noun has a similar meaning appropriate for the context.

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"Schedules to be Prepared" has the meaning of such schedules to this Agreement which have not yet been attached hereto as of the date of this Agreement, but shall be prepared to Purchaser's satisfaction and delivered by Seller within a reasonable time after the date hereof.

"Taxes" and "Tax" have the meanings as described in Section 2.7.

"Tax Exemption" has the meaning as described in Section 1.10(i).

"Third Party Claim" has the meaning as described in Section 4.3(c)(i).

"Transferred Employees" has the meaning as described in Section 4.2.

"Transition Service Agreement" and "Transition Period" have the meaning as described in Section 4.7.

"U.S. GAAP" has the meaning as described in Section 1.6(a)(i).

"Workout" has the meaning as defined in the Accord Among Financial Institutions for Promotion of Restructuring of Business Enterprises dated as of June 29, 1998.

ARTICLE I THE TRANSACTION

I.1. Sale and Purchase of Assets. Prior to the Closing, Purchaser shall establish or cause its Affiliates to establish a 100% owned subsidiary ("Newco") in the Republic of Korea, and shall assign all of its rights and obligations under this Agreement to Newco without further consent of Seller. Following such assignment, all references to the Purchaser in this Agreement shall be considered references to Newco as if Newco had originally executed this Agreement and Purchaser shall be relieved of any and all liability under this Agreement except that Amkor's obligation to pay the Purchase Price and to assume the Assumed Liabilities shall be discharged when Newco pays the Purchase Price and assumes the Assumed Liabilities. The Parties also understand that certain covenants of Seller shall extend to the original Purchaser under this Agreement (i.e., Amkor Technology, Inc., "Amkor"). In such case, Newco and Amkor are collectively referred to as "Purchasing Parties".

Subject to the terms and conditions hereof, at the Closing referred to in Section 1.8 below, Seller will sell, transfer, convey and assign to Purchaser, free and clear of all Liens of every kind, nature and description, except for the Excluded Assets (as defined in Section 1.2) or as otherwise disclosed and agreed in this Agreement, and Purchaser will purchase from Seller, all of the assets as shall be listed on Schedule 1.1 (the "Asset List") and any other assets that are being used for or are substantially related to the Business including, without limitation, Seller's properties and business as a going concern and good will and assets existing on the date of Closing, wherever such assets are located and whether real, personal or mixed, tangible or intangible, and whether or not any of such assets have any value for accounting purposes or are carried or reflected on or specifically referred to in its books or Financial Statement (collectively, the "Purchased Assets"). The Purchased Assets shall include, without limitation, all of Seller's right, title and interest in and to the following, as the same may exist on the Closing Date:

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(a) the Owned Real Properties together with the buildings, fixtures, structures and other improvements erected thereon, and together with all easements, rights and privileges appurtenant thereto, as more particularly described on the Asset List;

(b) all of Seller's machinery, equipment, tooling, dies, jigs, vehicles, spare parts and supplies being used for or substantially related to the Business, including without limitation, the items listed on the Asset List;

(c) all of Seller's raw materials, work in process, parts, subassemblies, finished goods and other inventories being used for or substantially related to the Business, wherever located and whether carried on Seller's books of account;

(d) all of Seller's other tangible assets being used for or substantially related to the Business, including office furniture, office equipment and supplies, computer hardware and software and vehicles;

(e) all of Seller's books, records, manuals, documents, books of account, correspondence, sales and credit reports, customer lists, literature, brochures, advertising material and the likes that are used for or are substantially related to the Business;

(f) all of Seller's rights under leases for property, whether real or personal, used for or substantially related to the Business, and all of the Seller's rights under all other contracts, agreements and purchase and sale orders related to the Business (the "Assigned Contracts"), which Assigned Contracts will be assigned to Purchaser at or prior to the Closing and which shall be listed on Schedule 1.10;

(g) All of Seller's interest in governmental permits, licenses, registrations, orders and approval substantially relating to the Business to the extent such permits, licenses, registrations, orders and approvals are separately transferable to Purchaser; and

(h) All right, title and interest of Seller in and to the goodwill incident to the Business other than those exclusively related to the businesses of Seller which are not to be transferred hereunder.

The Parties understand that, while certain Intellectual Properties (including Licensed Intellectual Property) may be assigned to Purchaser, most of the Intellectual Properties may not be assigned to Purchaser, since they are also related to the other business of Seller which are not transferred to Purchaser hereunder. With respect to such Intellectual Properties which may be assigned to Purchaser, Seller shall sell, transfer, convey and assign to Purchaser, free and clear of all Liens of every kind, nature and description, all right, title and interest of Seller in and to such Intellectual Properties. With respect to the Intellectual Properties which may not be assigned to Purchaser, to the extent legally and/or contractually permissible, Seller hereby shall grant to Purchaser and its Affiliates, effective at the Closing Date, an irrevocable, worldwide, non-exclusive, perpetual, paid-up, royalty-free and transferable (and sub-licensable) license (or sub-license) to utilize such Intellectual Properties (including the Licensed Intellectual Property) which Seller has rights to use as of the Closing Date, after obtaining any and all consents necessary therefor for Purchaser to be able to operate the Business substantially in the manner as such Business was operated by Seller. For this

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purpose, Purchaser shall enter into one or more licensing agreements (the "IP Licensing Agreements") with the holders of relevant Intellectual Properties, including Seller itself, prior to the Closing. All costs, if any, shall be payable by Seller to any third parties in connection with the transfer, licenses or sub-licenses for the benefit of Purchaser pursuant to this Agreement. In addition, the Parties agree that such IP Licensing Agreements will contain rights of Purchaser or Amkor to acquire the Intellectual Properties developed by Seller after the Closing Date on mutually agreed and commercially reasonable terms.

To the extent that there are any tangible or intangible assets used by Seller in connection with or otherwise necessary to the operation of the Business that are not included in this Section 1.1 and are not specifically designated as Excluded Assets by Section 1.2, the Purchased Assets shall include an irrevocable, nonexclusive, perpetual, paid-up, royalty-free, transferable license, contract or lease to utilize such assets in connection with the operation of the Business after the Closing Date. To the extent that any such assets may not be licensed, contracted or leased, Seller shall take all steps required to assure that Purchaser obtains the benefit of such assets.

I.2. Excluded Assets. Notwithstanding any other provision of this Agreement, Seller shall retain all property of any nature, kind and description other than the Purchased Assets and for the avoidance of doubt the Purchased Assets shall not include the following assets of the Business (collectively, the "Excluded Assets"):

(a) all of the Seller's cash, cash in banks, certificates of deposit, cash equivalents, bank and mutual fund accounts, deposits, securities and bonds and other similar investments, deferred charges, and other cash equivalents on hand or on deposit in any financial institution on the Closing Date;

(b) all consideration received by and the rights of the Seller under or pursuant to this Agreement or any agreement, instrument or document ancillary hereto;

(c) all notes and accounts receivables owing to Seller on the Closing Date; and

(d) any claims and rights against third parties (including, without limitation, insurance carriers) arising from any event or actions first occurring after the Closing Date.

I.3. Purchase Price. The total aggregate purchase price for the Purchased Assets exclusive of VAT shall be Korean Won equivalent to US\$ 600,000,000 (the "Purchase Price") plus the Assumed Liabilities. The Korean Won equivalent of Purchase Price shall be calculated by using the exchange rate to convert U.S. dollars to Won, which shall be actually available to Seller as of the Closing Date ("Base Rate"). Seller shall exercise its best efforts to obtain the most favorable Base Rate. In no event, shall Purchaser have any obligation to deliver a specific amount of Korean Won. The Purchase Price shall be subject to adjustment as provided in Section 1.3(b) below and in Section 1.6.

(b) If Seller wishes to receive the Purchaser Price in U.S. dollars in the amount of US\$600,000,000 rather than the Korean Won equivalent thereof, Seller shall obtain any and all governmental approvals necessary therefor. If Sellers obtains such approval and provides Purchaser

with the evidence of such approval satisfactory to Purchaser, Purchaser shall pay the Purchase Price in U.S. dollars.

(c) Within 30 days from the date hereof, Seller shall apply for a ruling to a relevant Korean tax authority with respect to the issue whether VAT is payable on the transactions contemplated herein, and Seller shall obtain such ruling prior to the Closing.

(d) On or prior to the Closing Date, Seller, Purchaser and an escrow agent to be appointed by mutual consent of Seller and Purchaser ("Escrow Agent") shall enter into one or more escrow agreements ("Escrow Agreements") in such form and substance to be mutually agreed by the Parties. Such portions of the Purchase Price as provided in Sections 1.4 (b) and (c) shall be deposited with one or more escrow accounts ("Escrow Accounts") to assure the repayment of certain liabilities by Seller, the downward adjustment of the Purchase Price, and Seller's performance of its indemnifications obligation hereunder,, and released to Seller in accordance with the terms of the Escrow Agreements. Any funds in the Escrow Accounts remaining after the first anniversary of the Closing Date shall be released to Purchaser: provided, however, that Seller's indemnification obligation shall not be deemed relieved nor mitigated by such releases.

I.4. Payment of Purchase Price. The Purchase Price shall be paid by Purchaser to Seller as follows:

(a) Purchaser's payment at the Closing in Korean Won (or in case of U.S. dollar payment pursuant to Section 1.3(b)) of the amount which shall be set forth in Schedule 1.4(a), by wire transfer or delivery of a certified bank check immediately available and in accordance with the instructions of Seller;

(b) Purchaser's deposit at the Closing in Korean Won (or in case of U.S. dollar deposit pursuant to Section 1.3(b)) into an Escrow Account of the amount which shall be set forth in Schedule 1.4(b) at the Closing;

(c) Purchaser's deposit at the Closing in Korean Won (or in case of U.S. dollar deposit pursuant to Section 1.3(b)) into an additional Escrow Account to cover the downward adjustment of the Purchase Price of the amount which shall be set forth in Schedule 1.4(c) at the Closing; and

(d) Purchaser's assumption of Seller's liabilities as set forth on Section 1.7.

I.5. Allocation of Purchase Price. Purchaser and Seller agree that the Purchase Price shall be allocated among the Purchased Assets in accordance with the principles of allocation which shall be set forth in Schedule 1.5. Purchaser and Seller agree that each will report all Tax consequences of the purchase and sale contemplated hereby in a manner consistent with such allocation.

I.6. Adjustments to Purchase Price.

(a) Post-Closing Balance Sheet Adjustment.

(i) Within 60 days of the Closing Date, Seller shall prepare a statement of assets acquired and liabilities assumed relating to the Business and shall, at its expense, prepare and deliver to Purchaser a statement of the Net Asset Value of the Business, as of the Closing Date and as of the Balance Sheet Date (the "Closing Statement"), as audited by independent certified public

accountants chosen by Seller and acceptable to Purchaser (i.e., Samil). The Closing Statement shall be prepared in U.S. dollars according to the Generally Accepted Accounting Principles in the United States ("U.S. GAAP"). "Net Asset Value" shall mean the value of the assets of the Business less the liabilities assumed by Purchaser where such assets and liabilities are calculated in accordance with U.S. GAAP.

(ii) Purchaser shall fully cooperate with Seller in Seller's preparation of the list of assets and liabilities as mentioned in Section 1.6(a)(i) above, and each Party shall fully cooperate with the other Party in the other Party's preparation of its Tax returns for the relevant Tax year or years.

(iii) In the event that Purchaser disagrees with the Closing Statement, Purchaser shall hire an independent certified public accountant at its own expense, which shall prepare Seller's proposed adjustments to the Closing Statement within 60 days of Seller's receipt of the Closing Statement using U.S. GAAP. Any dispute (and only those items in dispute) concerning the Closing Statement which cannot be resolved by the parties and their respective independent certified public accountants within 60 days of Purchaser's receipt of Seller's proposed adjustments to the Closing Statement will be submitted no later than 60 days after such receipt to an independent accounting firm mutually selected by Purchaser and Seller, and the determination of such firm shall be final and binding on the Parties. The fees and expenses of such third independent accounting firm shall be borne equally by the Parties.

(b) Adjustment Formula.

If the Net Asset Value at the Closing Date is less than the Net Asset Value as of the Balance Sheet Date, then , the Purchase Price shall be reduced by the amount of such deficiency and the Escrow balance shall be reduced accordingly. If the Escrow balance is insufficient, Seller shall pay Purchaser such amount by certified or bank check within ten days after acceptance of the Closing Balance Sheet or upon resolution of any disputes described in 1.6(a). Alternatively, at the Purchaser's option, such amount may be withheld from any amount owing to Seller by Purchaser or its Affiliates to the extent permissible under Korean law.

I.7. Assumption of Liabilities.

(a) Assumed Obligations. At the Closing, Purchaser shall assume and agree to perform, pay or discharge, when due, and Seller shall be released from all obligations related to all of the following:

(i) Seller's obligations and liabilities under the Assigned Contracts solely with respect to conditions or events occurring after the Closing Date;

(ii) Seller's obligations and liabilities solely with respect to make severance payments to the Transferred Employees as listed on Schedule 1.7(a). In no event, the amount of Seller's obligations and liabilities to be assumed by Purchaser for the severance payments to the Transferred Employees shall be greater than US\$7,000,000 (or Korean Won equivalent thereof); and

(iii) The obligations and liabilities to be assumed by Purchaser pursuant to this Section 1.7 are hereinafter sometimes referred to as the "Assumed Liabilities." Except with

respect to the Assumed Liabilities, Purchaser does not hereby and shall not assume or in any way undertake to pay, perform, satisfy or discharge any liabilities or obligations of Seller, and Seller agrees to pay and satisfy when due any such liabilities and obligations not assumed by Purchaser.

(b) Excluded Liabilities. Except as expressly provided in Section 1.7(a), Seller shall retain and neither Purchasing Parties shall assume nor be liable for any liabilities and obligations of Seller and any other obligations relating to the Business (such liabilities retained by Seller are referred to as

the "Excluded Liabilities"), including without limitation the following:

(i) any liabilities or obligations of Seller, contingent or otherwise, for any indebtedness of Seller;

(ii) the liabilities or obligations of Seller to its stockholders respecting dividends, distributions to its stockholders in liquidation, redemptions of stock, or otherwise;

(iii) liabilities or obligations of Seller arising out of any transactions occurring, or obligations incurred, after the Closing;

(iv) any obligations of Seller for expenses, public dues or fees levied to Seller or deemed to be borne by Seller under relevant laws and regulations incident to or arising out of the negotiation, preparation, approval or authorization of this Agreement or the consummation of the transactions contemplated hereby, including, without limitation, all stamp duties, attorneys and accountants fees and all brokers or finders fees or commissions payable by Seller;

(v) any obligation of Seller under or arising out of this Agreement or any of the Ancillary Agreements;

(vi) any liabilities relating to claims by the insurer (or the indemnitor) that the insured (or the indemnitees) had breached its obligations under the policy of insurance (or the contract of indemnity) or had committed fraud in the insurance application;

(vii) any liability or obligation of Seller to any Affiliate unless otherwise provided for in this Agreement;

(viii) subject to the terms and conditions provided in this Agreement, any liabilities or obligations, the existence of which constitute a breach of the representations, warranties or covenants of Seller contained in this Agreement;

(ix) subject to the terms and conditions provided in this Agreement, any obligations or liabilities of Seller to indemnify its officers, directors, employees or agents;

(x) any liability or obligation in respect of the Excluded Assets;

(xi) all Taxes imposed on Seller, including (i) any Tax of any other corporation which Tax is assessed against Seller by virtue of its status, prior to the Closing Date, as a member of any consolidated group of which such other corporation was also a member and (ii) any Taxes, including all value-added, gross receipts, excise, registration, stamp duty, transfer or other

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similar taxes or governmental fees, imposed in connection with or attributable to this Agreement, or as a result of the consummation of the transaction under this Agreement;

(xii) subject to the terms and conditions provided in this Agreement, any Environmental Liabilities;

(xiii) except for the Assumed Liabilities, any obligation or liability arising under any contract, instrument or agreement (1) that is not transferred to Purchaser as part of the Purchased Assets, or (2) that is not transferred to Purchaser because of Seller's failure or inability to obtain any third party consent required for the transfer or assignment of such contract or agreement to Purchaser, or (3) that relates to any breach or default (or an

event which might, with the passing of time or the giving of notice, or both, constitute a default) under any contract, instrument or agreement or to any services to be provided by Seller under any such contract, instrument or agreement arising out of or relating to periods on or prior to the Closing Date, or (4) for which Seller received payment prior to the Closing;

(xiv) any existing or future liabilities to financial institutions, such as banks, installment financing companies and leasing companies;

(xv) any liability relating to the infringement or asserted infringement of any intellectual property by Seller; and

(xvi) any other liability or obligation of Seller or including any liability or obligation directly or indirectly arising out of or relating to the operation of the Business or ownership of the Purchased Assets on or prior to the Closing Date, whether contingent or otherwise, fixed or absolute, known or unknown, matured or unmatured, present, future or otherwise, irrespective of whether such liability or obligation is asserted before or after the Closing, except for the Assumed Liabilities.

I.8. Conditions to Each Party's Obligations. The obligations of both Purchaser and Seller to consummate the transactions contemplated hereby are subject to the fulfillment of each of the following conditions on or before the Closing Date.

(a) The Escrow Agreement, the IP Licensing Agreements, the Transition Service Agreement, the assignment agreement provided in Section 1.10(b) hereof, and any other agreements, if any, necessary to vest in Purchaser good, valid and marketable title to the Purchased Assets (collectively, the "Ancillary Agreements") have been duly executed and delivered after having been duly authorized by all necessary corporate actions by the relevant parties thereto.

(b) No provisions of any applicable law, and no judgment, injunction, order or decree shall (i) prohibit the consummation of the Closing or (ii) restrain, prohibit or otherwise interfere with the effective operation or enjoyment by Purchaser of all or any material portion of the Purchased Assets or the Business.

(c) The Purchasing Parties and Seller shall have each received all material consents, authorizations or approvals from their boards of directors, governmental agencies and third parties that are a pre-requisite to the Closing as a matter of law, in form and substance satisfactory to the other Party, and no such consent, authorization or approval shall have been revoked.

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Purchaser and Seller agree that in the event that the conditions set forth in Sections 1.8(b) and (c) herein are not satisfied on or before the Closing Date, the conditions may be satisfied on or before April 1, 1999, or a later date mutually agreed in writing between the Parties, in which case the Parties must comply with their respective obligations to consummate the transactions as provided in this Agreement.

I.9. Conditions to Seller's Obligations. The obligations of Seller to consummate the transaction contemplated hereby are subject to fulfillment of all of the following conditions on or prior to the Closing Date.

(a) Each and every material representation and warranty made by Purchaser contained in this Agreement shall have been true in all material respects as of the date when made and shall be true in all material respects at and as of the Closing Date as if originally made on and as of the Closing Date.

(b) All obligations of Purchaser to be performed on or before the Closing Date shall have been performed in all material respects.

(c) No action shall be threatened or pending before any court or governmental agency the probable outcome of which would result in the restraint or prohibition of the consummation of the transactions contemplated hereby.

I.10. Conditions to Purchaser's Obligations. The obligations of Purchaser to consummate the transactions contemplated hereby are subject to the fulfillment of all of the following conditions on or prior to the Closing Date.

(a) Each and every representation and warranty made by Seller contained in this Agreement and in any certificate or other writing delivered by Seller pursuant hereto shall be true in all material respects as of the date when made and shall be true in all material respects at and as of the Closing Date as if originally made on and as of the Closing Date.

(b) Seller shall effectively assign the Assigned Contracts (including obtaining all necessary consents). For each contract assigned under this provision, Seller shall deliver to Purchaser at the Closing an assignment agreement in such form and substance as shall be mutually agreed by the parties.

(c) All obligations of Seller to be performed hereunder on or before the Closing Date shall have been performed in all material respects.

(d) No action shall be threatened or pending before any court or governmental agency the probable outcome of which would result in (i) the restraint or prohibition of the consummation of the transactions contemplated hereby or (ii) the restraint or prohibition of, or interference with, the effective operation of enjoyment by Purchaser of all or any material portion of the Assets or the Business.

(e) On the Closing Date, there shall be no injunction, writ, preliminary restraining order or any order of any nature in effect issued by a court of competent jurisdiction directing that the transactions provided for herein, or any of them, not be consummated as herein provided and no

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suit, action, investigation, inquiry or other legal or administrative proceeding by any governmental body or other Person shall have been instituted or threatened which questions of validity or legality of the transactions contemplated hereby or which if successfully asserted might otherwise have a Material Adverse Effect. "Material Adverse Effect" means an effect that is materially adverse (i) to the properties, business, operations, earnings, assets, liabilities or financial condition, or prospects of the Business taken as a whole, (ii) the ability of Seller to perform its obligations under this Agreement, or (iii) the enforceability of this Agreement.

(f) Between the date hereof and the Closing Date, there shall have been no change which could have a Material Adverse Effect on the Business or the Purchased Assets.

(g) Any and all notices to Employees, as required under applicable employment laws, shall have been provided by Seller. Substantially all of the Transferred Employees shall have accepted employment with Purchaser and Purchaser shall have entered into arrangements with key Employees of Seller satisfactory to Purchaser in its sole discretion.

(h) After (i) Purchaser and Amkor shall have been satisfied with the results of their due diligence, (ii) Amkor shall have entered into an arrangement satisfactory to Amkor in its sole discretion, to finance the Purchase Price in full, (iii) Amkor shall have received a fairness opinion with respect to the terms of the transactions contemplated by this Agreement, (iv)

the Workout of Seller shall have been approved by the relevant authorities to Amkor's satisfaction, and Amkor shall be satisfied with the financial conditions of Seller following the Workout, and (v) Amkor shall have received a tax exemption under the Foreign Capital Promotion Law in regard to its purchase of the Business ("Tax Exemption"), the Board of Directors of Amkor shall have determined that the transactions contemplated herein are in the best interest of Amkor and Purchaser in light of all circumstances associated with Seller and the transactions contemplated hereby.

(i) Seller shall have obtained a ruling from a relevant Korean Tax authority that VAT is not payable on the transactions contemplated herein.

(j) Seller shall have obtained the approval for the transactions contemplated hereunder from a shareholders' meeting.

(k) Purchaser shall have received to its satisfaction the favorable legal opinion of the counsel for Seller in the form and substance satisfactory to Purchaser.

(l) Seller shall have delivered all of the Schedules to be Prepared, which schedules will be satisfactory to Purchaser in form and contents, and shall have obtained the consents thereto from Purchaser.

(m) Seller shall have received duly executed copies of all agreements, instruments, certificates, consents or other documents necessary or appropriate from the creditors of Seller to release any and all material encumbrances against the Purchased Assets.

I.11. Closing. The closing under this Agreement will take place at 10:00 A.M., Seoul time, on February 26, 1999 (the "Closing"), at the main office of Seller, Seoul, Korea, or at such other time, date or place as the Parties shall mutually agree. The date on which Closing occurs is sometimes referred to herein as the "Closing Date."

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I.12. Deliveries and Proceedings. At the Closing:

(a) Deliveries by Seller. Seller will deliver or cause to be delivered to Purchaser:

(i) assignments of all transferable or assignable licenses, permits and warranties relating to the Purchased Assets or the Business, duly executed and in recordable form;

(ii) title certificates to the Owned Real Properties, motor vehicles, or any other applicable assets together with title or license certificates to Intellectual Properties (including the Licensed Intellectual Property), included in the Purchased Assets right to which are transferred by registration with any Authority, duly executed by the Seller (together with any other transfer forms or other documents necessary to effectively transfer such Purchased Assets to Purchaser);

(iii) all the books of account, ledgers, payroll records, inventory and asset records and other books and documents which are used for or are substantially related to the Business (other than minute books relating to directors' and shareholders' meetings and statutory books) in whatever form and upon whatever media they may be recorded;

(iv) copies of the Employee Releases and the employment contracts with respect to the Key Employees;

(v) consent letters necessary for the valid assignment of the Assigned Contracts duly executed by the parties thereto;

(vi) certified copies of resolutions of the Seller's board of directors and shareholders meeting, both approving the sale of the Purchased Assets and the Business on the terms of this Agreement and authorizing any one of its officers to execute this Agreement for and on behalf of the Seller;

(vii) such other instruments of conveyance as shall be necessary to vest in Purchaser good, valid and marketable title to the Purchased Assets;

(viii) receipt for the portion of the Purchase Price provided in Section 1.4(a);

(ix) a certificate dated the Closing Date, from the Representative Director of Seller to the effect that Seller has fulfilled the conditions set forth in Section 1.10(c);

(x) a certificate dated the Closing Date, from the Representative Director of Seller to the effect that Seller has cleared all Liens or other types of encumbrances on the Business or the Purchased Assets; and

(xi) executed copies of the Ancillary Agreements.

(b) Deliveries by Purchaser. At the Closing, Purchaser will deliver to Seller:

(i) payment in Korean Won to be calculated at the Base Rate of the U.S. dollars as set forth in Schedule 1.4(a) (or in case of U.S. dollar payment, the amount stated in Schedule 1.4(a));

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(ii) a certificate evidencing the deposit of Korean Won amount equivalent to U.S. dollars to be calculated at the Base Rate as set forth in Schedules 1.4 (b) and (c) (or in case of U.S. dollar deposit, the amount stated in Schedules 1.4(b) and (c)) with the Escrow Accounts;

(iii) a certificate evidencing the assumption of, and consents by the creditors of, the liabilities listed on Schedule 1.7(a);

(iv) a certified copy of a resolution of Purchaser's board of directors approving the purchase of the Purchased Assets and Business on the terms of this Agreement and authorizing any one of its directors or officers to execute this Agreement for and on behalf of the Seller;

(v) a certificate dated the Closing Date, from an authorized officer of Purchaser to the effect that Purchaser has fulfilled the conditions set forth in Section 1.9(b); and

(vi) executed copies of the Ancillary Agreements.

(c) Other Deliveries. Any other documents required to be delivered pursuant to this Agreement will be exchanged.

I.13. Covenants of Seller. From and after the date hereof and until the Closing Date, Seller hereby covenant and agree that:

(a) Business in Ordinary Course. Seller will carry on the Business in the ordinary and normal course in substantially the same manner as heretofore, except as otherwise expressly provided herein, and shall notify Purchaser immediately in writing of any changes or deviations from the ordinary and normal course of business.

(b) Maintain Properties. Seller will maintain and keep the plant and equipment of or related to the Business in as good repair, working order and condition as at present, except for depreciation due to ordinary wear and tear and damage due to casualty.

(c) Insurance. Seller will keep in full force and effect insurance and bonds comparable in amount and scope of coverage to what is now covering the Business and all assets related thereto.

(d) Perform Contracts. Seller will perform in all material respects the obligations to be performed under all the contracts and documents of or relating to the Business.

(e) Maintain Organization. Seller will maintain and preserve the relationships of or related to the Business with suppliers and customers and maintain the goodwill of the Business.

(f) Approvals and Consents. As soon as practicable after the execution of this Agreement, Seller shall take all reasonable action required to obtain all waivers, consents, approvals, including an approval from the shareholders meeting; and promptly to give all notices, effect all registrations pursuant to and make all other filings with or submissions to, any third parties, including governmental authorities, necessary or advisable to authorize, approve or permit the transactions contemplated hereby.

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(g) Confidentiality. Seller hereby covenants and agrees that, except as may be required by law, rule or regulation or court order, unless this Agreement is terminated, it will not at any time reveal, divulge or make known to any Person (other than the Purchasing Parties, their Affiliates or their agents) any information that relates to this Agreement, the transactions contemplated hereby or the Business (whether now possessed by Seller or furnished by Purchaser after the Closing Date), including, but not limited to, customer lists or other customer information, trade secrets or formulae, marketing plans or proposals, financial information or any data, written material, records or documents used by or relating to the Business that are of a confidential nature (collectively, the "Confidential Information").

(h) Advice of Changes. Seller hereby covenants and agrees that it will advise the Purchasing Parties promptly in writing of any fact that, if previously known, would have been required to be set forth or disclosed in or pursuant to this Agreement, or which would result in breach in any material respect by Seller of any of its representations and warranties, covenants or agreements hereunder or which would have a Material Adverse Effect on the Business, the Purchased Assets or the transactions contemplated hereby.

(i) All Necessary Filings. Seller hereby covenants that it will make all necessary filings with the relevant government agencies which are required for the completion of the transaction contemplated in this Agreement.

(j) Access to Information; Cooperation. Seller hereby covenants and agrees that it shall give the Purchasing Parties and their representatives, counsel, accountants and consultants reasonable access, during normal business hours, to such of the properties, books, accounts, contracts and records of Seller as the Purchasing Parties deem relevant to the Purchased Assets and the Business, and furnish or otherwise make available to the Purchasing Parties all such information concerning the Purchased Assets and the Business as the Purchasing Parties may request. Seller further agrees and covenants that it shall cooperate with the Purchasing Parties and their representatives, counsel, accountants and consultants to make sure that the Closing Statement is prepared as provided in Section 1.6(a)(i).

(k) Preparation. Seller will diligently prepare and deliver to

Purchaser all of the Schedules to be Prepared as soon as practicable after the date hereof, which schedules will be satisfactory to Purchaser in form and contents, and shall obtain the consents thereto from Purchaser.

(1) No Intentional Misrepresentation. Without express written consent of Purchaser, Seller shall not take or omit any action with the intention to cause any of its representations and warranties under this Agreement to be inaccurate in material respect at, or any time prior to, the Closing.

I.14. Obligations After the Closing Date.

(a) Assistance by Seller. Seller shall cooperate with the Purchasing Parties' advisors and representatives, including its legal counsel, in connection with the preparation of any report or filing required in connection with the transactions contemplated hereby, such cooperation to be provided by Seller at no cost to the Purchasing Parties.

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(b) Further Assurances of Seller. From and after the Closing Date, Seller shall, at the request of any of the Purchasing Parties, execute, acknowledge and deliver to Purchaser, without further consideration, all such further assignments, conveyances, endorsements, deeds, special powers of attorney, consents and other documents, and take such other action, as the relevant Purchasing Party may reasonably request (i) to transfer to and vest in Purchaser, and protect its rights, title and interest in, all the Purchased Assets and (ii) otherwise to consummate the transactions contemplated by this Agreement.

(c) Further Assurances of Purchaser. From and after the Closing Date, Purchaser shall afford to Seller and its attorneys, accountants and other representatives access, during normal business hours, to such books and records relating to the Business as reasonably may be required in connection with the preparation of financial information for periods concluding on or prior to the Closing Date. Purchaser shall cooperate in all reasonable respects with Seller with respect to its former interest in the Business and in connection with financial account closing and reporting and claims and litigation asserted by or against third parties, including, but not limited to, making employees available at reasonable times to assist with, or provide information in connection with financial account closing and reporting and claims and litigation.

ARTICLE II REPRESENTATIONS AND WARRANTIES OF SELLER

Seller hereby represents, warrants and covenants to and with the Purchasing Parties as follows (as far as any of the following representations, warranties and covenants are conditioned upon the preparation of the Schedules to be Prepared, such representations, warranties and covenants shall be deemed to have been made as of the date when the relevant Schedules to be Prepared are delivered to the Purchasing Parties, and obtained their written consents thereto):

II.1. Organization. Seller is a corporation duly incorporated and validly existing under the laws of the Republic of Korea. Seller has all requisite corporate power and authority to own or lease its properties and assets as now owned or leased, to carry on its businesses as and where now being conducted and to enter into this Agreement, and perform its obligations hereunder. The copies of Seller's articles of incorporation and bylaws, as amended to date, which have been delivered to Purchaser, are correct and complete and are in full force and effect.

II.2. Authorization and Enforceability. The execution, delivery and performance of this Agreement has been, and the Ancillary Agreements shall have

been duly authorized by all necessary corporate action on the part of Seller, including the approvals by the board of directors (other than the shareholders approval which Seller shall obtain before the Closing). This Agreement has been, and at the Closing all the Ancillary Agreements shall have been duly executed and delivered by Seller, and this Agreement constitutes, and at Closing the Ancillary Agreements will constitute, the legal, valid and binding obligations of Seller, enforceable in accordance with their respective terms.

II.3. No Violation of Laws or Agreements. The execution and delivery of this Agreement do not, and the consummation of the transactions contemplated by this Agreement and the compliance with the terms, conditions and provisions of this Agreement by Seller, will not (a) contravene any provision of Seller's articles of incorporation or bylaws; (b) conflict with or result in a breach of or constitute a default (or an event which might, with the passage of time or the giving

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of notice or both, constitute a default) under any of the terms, conditions or provisions of any indenture, mortgage, loan or credit agreement or any other agreement or instrument to which Seller is a party or by which it or any of its assets may be bound or affected except as set forth on Schedule 2.10, or any judgment or order of any court or governmental department, commission, board, agency or instrumentality, domestic or foreign, or any applicable law, rule or regulation, (c) result in the creation or imposition of any lien, charge or encumbrance of any nature whatsoever upon Seller's assets or give to others any interests or rights therein, (d) result in the maturation or acceleration of any liability or obligation of Seller that will not be paid in full by Seller at Closing (or give others the right to cause such a maturation or acceleration), or (e) result in the termination of or loss of any right (or give others the right to cause such a termination or loss) under any of the Assigned Contracts except as set forth on Schedule 2.10.

II.4. Financial Statements. The books of account and related records of Seller fairly reflect in reasonable detail the assets, liabilities and transactions related to the Business and are in adequate condition for the preparation of the Financial Statement (as defined below and which shall be limited only to a balance sheet and a statement of profits and losses) of the Business in accordance with U.S. GAAP applied on a consistent basis. Seller has delivered to Purchaser the audited financial statements of the Business as of June 30, 1997, June 30, 1998, September 30, 1998, December 31, 1996, December 31, 1997, respectively and, shall deliver the unaudited financial statement as of December 31, 1998 (together with prior dated financial statements, the "Financial Statements"). The Financial Statements of the Business: (i) fairly presents the financial condition, assets and liabilities of the Business as of the dates thereof; and (ii) has been prepared in accordance with U.S. GAAP consistently applied. All references in this Agreement to the "Balance Sheet" shall mean the balance sheet of the Business as of September 30, 1998 included in the Financial Statement and all references to the "Balance Sheet Date" shall mean September 30, 1998.

II.5. Undisclosed Liabilities. The Business has no liability or obligation of any nature, whether due or to become due, absolute, contingent or otherwise, including liabilities for or in respect of national, local or foreign Taxes, customs duties and any interest or penalties related hereto, except for liabilities that are (a) fully reflected on the Balance Sheet or (b) incurred in the ordinary course of business since the Balance Sheet Date and fully reflected as liabilities on the Business's books of account, none of which individually or in the aggregate, has been materially adverse.

II.6. No Changes. Except as disclosed on Schedule 2.6, since the Balance Sheet Date and until the Closing, the Seller has conducted the Business only in the ordinary course. Without limiting the generality of the foregoing sentence, except as specifically communicated to Purchaser in writing. Except as otherwise

disclosed on Schedule 2.6, there has not been:

(a) any change in the financial condition, assets, liabilities, net worth of the Business, except changes in the ordinary course of business, none of which, individually or in the aggregate has been or could have a Material Adverse Effect;

(b) any damage, destruction or loss, whether or not covered by insurance, which could have a Material Adverse Effect;

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(c) any mortgage, pledge or subjection to lien, charge or encumbrance of any kind of the assets, tangible or intangible of the Business;

(d) any strike, walkout, labor trouble or any other new or continued event, development or condition of any character which has or could have a Material Adverse Effect;

(e) any increase in the salaries or other compensation (excluding increases in the ordinary course of business and consistent with past practice) payable or to become payable to, or any advance (excluding advances for ordinary business expenses) or loan to, any officer, director or employee of the Business, or any increase in, or any addition to, other benefits (including without limitation any bonus, profit-sharing, pension or other plan) to which any of its officers, directors or employees may be entitled, or any payments to any pension, retirement, profit-sharing, bonus or similar plan except payments in the ordinary course of business and consistent with past practice made pursuant to any employee benefit plan, or any other payment of any kind to (or on behalf of) any such officer, director or employee other than payment of base compensation and reimbursement for reasonable business expenses in the ordinary course of business;

(f) any making or authorization of any capital expenditures which are not in the ordinary course of business or in excess of 6 billion Won;

(g) any cancellation or waiver of any right material to the operation of the Business or any cancellation or waiver of any debts or claims of substantial value or any cancellation or waiver of any debts or claims against any Affiliate;

(h) any sale, transfer or other disposition of any assets of the Business, except sales of assets in the ordinary course of business;

(i) any payment, discharge or satisfaction of any liability or obligation (whether accrued, absolute, contingent or otherwise) by Seller related to or affecting the Business, other than the payment, discharge or satisfaction, in the ordinary course of business, of liabilities or obligations shown or reflected on the Balance Sheet or incurred in the ordinary course of business since the Balance Sheet Date;

(j) any adverse change or any threat of any adverse change in Seller's relations with, or any loss or threat of loss of, Seller's suppliers, clients or customers, which change or loss could have a Material Adverse Effect;

(k) any write-offs as uncollectible of any notes receivable of the Business or write-downs of the value of any assets or inventory by Seller related to the Business other than in immaterial amounts or in the ordinary course of business consistent with past practice and at a rate no greater than during the twelve months ended on the Balance Sheet Date;

(l) any change by Seller in any method of accounting or keeping its books of account or accounting practices related to or affecting the Business;

(m) any creation, incurrence, assumption or guarantee by the Business of any obligations or liabilities (whether absolute, accrued, contingent or otherwise and whether due or to

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become due), except in the ordinary course of business, or any creation, incurrence, assumption or guarantee by the Business of any indebtedness for money borrowed;

(n) any payment, loan or advance of any amount to or in respect of, or the sale, transfer or lease of any properties or assets (whether real, personal or mixed, tangible or intangible) to, or entering into of any agreement, arrangement or transaction with, any Affiliate, except for (i) compensation to the officers and employees of the Business at rates not exceeding the rates of compensation disclosed on Schedule 2.19 hereto and (ii) reimbursements of or advances for expenses incurred for business-related purposes not exceeding 1.2 billion Won outstanding in the aggregate at any given time.

(o) any disposition of or failure to keep in effect any rights in, to or for the use of Intellectual Property included in the Purchased Assets, or, to Seller's Knowledge, any disclosure to any person not an employee or other disposal of any trade secret, process or know-how relating to the Business; or

(p) any transaction, agreement or event to which Seller is a party or a participant relating to the Business outside the ordinary course of the Business or inconsistent with past practice.

(q) to Seller's Knowledge, neither the Business nor Seller has become subject to any newly enacted or adopted law which may reasonably be expected to have a Material Adverse Effect.

(r) any written up the value of any inventory or any other assets, except for write-ups in the ordinary course of business and consistent with past practices.

II.7. Taxes. Seller has (a) timely filed all national or local, payroll, withholding, VAT, excise, sales, use, customs duties, personal property, use and occupancy, business and occupation, mercantile, real estate, capital stock and franchise or other tax returns of any kind whatsoever relating to the Business (all the foregoing taxes, including interest and penalties thereon and including estimated taxes, being hereinafter collectively called "Taxes" and individually a "Tax"), (b) has paid all Taxes which are due pursuant to such returns and (c) paid all other Taxes for which a notice of assessment or demand for payment has been received. All such returns have been prepared in accordance with all applicable laws and requirements and accurately reflect the taxable income (or other measure of Tax) of the Party filing the same. The accruals for Taxes contained in the Balance Sheet are adequate to cover all liabilities for Taxes relating to the Business for all periods ending on or before the Balance Sheet Date and nothing has occurred subsequent to that date to make any of such accruals inadequate as of the Balance Sheet Date. All Taxes for periods beginning after the Balance Sheet Date have been paid or are adequately reserved against on the books of Seller. Seller has timely filed all information returns or reports which are required to be filed and has accurately reported all information required to be included on such returns or reports. To Seller's Knowledge, there are no proposed assessments of Tax against Seller or proposed adjustments to any Tax returns filed, pending against Seller. Except as disclosed on Schedule 2.7, Seller has not received notice that any Tax return is under examination by any taxing authority. Except as disclosed on Schedule 2.7 hereto, Seller has not executed a waiver or consent extending any statute of limitation for any Tax liability which remains outstanding. Except as disclosed on Schedule 2.7 hereto, since January 1,

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1998, Seller has not (a) joined in or been required to join in filing a consolidated income Tax return, or (b) entered into a closing agreement with any taxing authority.

II.8. Inventory. All of the inventories of the Business, including that reflected in the Balance Sheet, are valued at cost being determined on a weighted average basis except as disclosed in the Financial Statements. All of the inventories of the Business reflected in the Balance Sheet and all such inventories acquired since the Balance Sheet Date consist of items of a quality and quantity usable and saleable in the ordinary course of business and at normal profit margins (other than normal trade discounts regularly offered by the Business for prompt payment or quantity purchase), and all of the raw materials and work in process inventory of the Business reflected in the Balance Sheet and all such inventories acquired since the Balance Sheet Date can reasonably be expected to be consumed in the ordinary course of business within a reasonable period of time. A physical inventory shall be taken during the week prior to the Closing Date. Attached hereto is Schedule 2.8 which sets forth the value of the Business's inventory of finished goods, work in process and raw materials as of September 30, 1998 together with the period of time within which such inventories are usable and salable.

II.9. No Pending Litigation or Proceedings. Except as set forth on Schedule 2.9 hereto, there are no actions, suits, investigations, proceedings or claims pending or affecting, or to Seller's Knowledge, threatened against or the Business of Seller or Seller's agents or their assets of or related to the Business, by or before any court or governmental department, agency or instrumentality, and to Seller's Knowledge, there is no basis for any such action, suit, investigation, proceeding or claim. There are presently no outstanding judgments, decrees or orders of any court or any governmental or administrative agency, against or, to Seller's Knowledge, affecting the Business.

II.10. Contracts; Compliance. Except as listed on Schedule 2.10 hereto, Seller is not a party to nor bound by any contract or commitment, oral or written, formal or informal related to or affecting the Business, of the following types:

(a) mortgages, indentures, security agreements or other agreements and instruments relating to the borrowing of money, the extension of credit or the granting of liens or encumbrances;

(b) employment and consulting agreements;

(c) union or other collective bargaining agreements;

(d) powers of attorney;

(e) sales agency, manufacturers representative and distributorship agreements or other distribution or commission arrangements;

(f) licenses of patent, trade secrets, know-how, trademark, copyrights and other Intellectual Property;

(g) agreements, orders or commitments for the purchase of services, raw materials, supplies or finished products from any one supplier for an amount in excess of 100 million Won.

(h) agreements, orders or commitments for the sale of products or services for more than 100 million Won to any single purchaser;

(i) contracts or options relating to the sale by Seller of any asset of the Business, other than sales of inventory in the ordinary course of business;

(j) bonus, profit-sharing, compensation, stock option, pension, retirement, deferred compensation, accrued vacation pay, group insurance, welfare agreements or other plans, agreements, trusts or arrangements for the benefit of employees;

(k) agreements or commitments for capital expenditures which are not in the ordinary course of business or in excess of 6 billion Won for any single project;

(l) joint venture agreements;

(m) agreements requiring the consent of any party thereto to the consummation of the transactions contemplated hereby;

(n) agreements with any Affiliate;

(o) lease agreements under which it is either lessor or lessee;

(p) agreements, contracts or commitments for any charitable or political contribution;

(q) non-competition agreements;

(r) any foreign currency exchange or forward purchase agreements directly related to the Business;

(s) any agreements providing for indemnification or guaranty obligations of Seller with respect to the Business other than in the ordinary course of business having a potential cost in excess of 100 million Won;

(t) requirements agreements relating to obligations to purchase all or substantially all of any products as well as to supply all or substantially all of the products;

(u) any non-disclosure agreement; or

(v) other agreements, contracts and commitments which are material to the Business, or which involve payments or receipts of more than 1.2 billion Won in any single year, or which were entered into other than in the ordinary and usual course of business.

All such contracts and other commitments are in full force and effect; all parties to such contracts and other commitments have complied with the provisions thereof; no such party is in default under any of the terms thereof; and no event has occurred that with the passage of time or the giving of notice or both would constitute a default by any party under any provision thereof.

II.11. Compliance with Laws. Schedule 2.11 hereto sets forth a list of all material permits, certificates, licenses, orders, registrations, franchises, authorizations and other approvals from all national, local and foreign governmental and regulatory bodies held by Seller that relate to or effect the Business or the Purchased Assets. The Seller holds and is in compliance with all material permits, certificates, licenses, orders, approvals, registrations,

franchises and authorizations required under all laws in connection with the Business and the Purchased Assets, and, to Seller's Knowledge, all of such permits, certificates, licenses, orders, approvals, registrations, franchises and authorizations are in full force and effect. The Seller has complied with all applicable statutes, rules, regulations and orders, national and local, which, if not complied with, would have a Material Adverse Effect on the Business or the Purchased Assets. No notice, citation, summons or order has been issued, no complaint has been filed, no penalty has been assessed and, to Seller's Knowledge, no investigation or review is pending or threatened by any governmental or other entity (a) with respect to any alleged violation by Seller of any law of any governmental entity relating to or affecting the Business or the Purchased Assets (b) with respect to any alleged failure by Seller to have any permit, certificate, license, approval, registration or authorization required in connection with the Business or the Purchased Assets.

II.12. Environmental Matters.

(a) Except as disclosed on Schedule 2.12 hereto or in the site assessments of the Owned Real Properties performed by or on behalf of Purchaser (true and complete copies of which Purchaser has delivered to Seller):

(i) The Business is in compliance with and are not in violation of any national or local statutory or regulation, rule, order, ordinance, guideline, direction, or notice, relating to the environment, public health and safety, and employee health and safety, including those relating to Hazardous Substances ("Environmental Laws").

(ii) Seller holds and is in compliance with all necessary or required environmental permits, certificates, consent or other settlement agreements, licenses, approvals, registrations and authorizations required under all Environmental Laws that relate to or affect the Business ("Environmental Permits") as being used as of the date of this Agreement, and all of such Environmental Permits are valid and in full force and effect. All such Environmental Permits held by Seller are listed on Schedule 2.12 hereto and any that are not transferable are so designated. Seller has made or will make before the Closing timely application for renewals of all such Environmental Permits for which Environmental Laws require that applications must be filed on or before the Closing to maintain the Environmental Permits in full force and effect after the Closing Date. Purchaser shall bear any fees, cost or other expenses incurred in making such filings or applications to the extent to which Purchaser receives a benefit from the Environmental Permit obtained as a result of such filing or application.

(iii) No consent, approval or authorization of, or registration or filing with any Person, including any environmental governmental Authority or regulatory agency, is required in connection with the execution and delivery of this Agreement or the consummation of the transactions contemplated hereby. Seller (with Purchaser's reasonable assistance) has or will prepare and file all applications for the transfer of all Environmental Permits, at Purchaser's expense, that

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must be transferred as a result of the consummation of the transactions contemplated by this Agreement.

(iv) No notice, citation, summons or order has been issued or served upon, no complaint has been filed, no penalty has been assessed and, to Seller's Knowledge, no investigation or review is pending or threatened by any Authority or Person: (a) with respect to any alleged violation by Seller of any Environmental Law relating to or affecting the Business; or (b) with respect to any alleged failure by Seller to have any Environmental Permit relating to or affecting the Business; or (c) with respect to any use, possession, generation, treatment, storage, recycling, transportation or disposal (collectively

"Management") of any Hazardous Substances by or on behalf of Seller or, to Seller's knowledge, its predecessors relating to or affecting the Business.

(v) Seller has not received any request for information, notice of claim, demand, order or notification for which it or any of its predecessors are or may be potentially responsible with respect to any investigation or clean-up of any threatened or actual Release of any Hazardous Substance relating to or affecting the Business.

(vi) Except for Hazardous Substances stored or used in the ordinary course of their manufacturing processes, in quantities and in a manner (1) not in violation of any applicable law, or (2) which has not or is not reasonably likely to create a condition which requires investigation, re-mediation or other responsive action or responsibility or liability under Environmental Laws, to Seller's Knowledge neither the Seller nor any Affiliate of Seller has used, generated, treated, stored for more than 90 days, recycled or disposed of any Hazardous Substances on any property now owned, operated or leased by Seller or any Affiliate of Seller or on any formerly owned, operated or leased property that is related in any way to the Business, nor has anyone else during the period that such property has been owned, operated or leased by Seller or, to Seller's Knowledge, during any other period, treated, stored for more than 90 days, recycled or disposed of any Hazardous Substances on any property now owned, operated or leased by Seller or Affiliate of Seller or on any formerly owned, operated or leased property.

(vii) No Hazardous Substance generated by Seller or any Affiliate of Seller that is in any way related to the Business has been recycled, treated, stored, disposed of or transported by any entity in violation of any Environmental Law or in a manner which has created or is reasonably likely to create any liability or responsibility under any Environmental Law.

(viii) No Hazardous Substance has been Released at, on, about or under by Seller or, to Seller's Knowledge is present in the Purchased Assets or in any property now owned, operated or leased by Seller or any Affiliate of Seller that is in any way related to the Business which requires investigation, re-mediation or other response action.

(ix) There are no environmental Liens on the Purchased Assets or on any properties owned or leased by Seller or any Affiliate of Seller which would materially impair Purchaser's ability to lawfully operate the Business as such Business was operated prior to the Closing Date and, to Seller's Knowledge, no government actions have been taken or are in process or pending which could subject any of such properties to such Liens.

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(x) No deed or other instrument of conveyance of real property to Seller or any Affiliate of Seller with respect to the Real Properties contains a restriction relating to the actual or suspected presence of Hazardous Substances, which restriction would materially impair Purchaser's ability to lawfully operate the Business as such Business was operated prior to the Closing Date.

(xi) To Seller's Knowledge, there are no facts or circumstances related to environmental matters concerning the Purchased Assets that could reasonably be expected to lead to any future environmental claims against Seller, or Purchaser under current law.

(xii) There have been no environmental inspections, investigations, studies, audits, tests, reviews or other analyses conducted by or at the direction of Seller or, in the possession of Seller indicating the presence of any Hazardous Substance in or on any property or business now or previously owned, operated, or leased by Seller or any Affiliate of Seller in any way related to the Business in material violation of any Environmental Law

or which has created a condition which requires investigation, re-remediation or other response action under Environmental Law which have not been provided to Purchaser prior to the date hereof.

II.13. Consents. Except as set forth on Schedule 2.10, no consent, approval or authorization of, or registration or filing with, any Person, is required in connection with the execution and delivery of this Agreement or the consummation of the transactions contemplated hereby.

II.14. Personal Property. The Seller owns all of its tangible personal property and assets substantially relating to or affecting the Business, including the properties and assets reflected in the Balance Sheet (except those disposed of in the ordinary course of business since the Balance Sheet Date); and at the Closing none of such properties or assets will be subject to any mortgage, pledge, lien, restriction, encumbrance, claim, security interest, charge or any other matter affecting title, except, (a) minor imperfections of title, none of which, individually or in the aggregate, materially detracts from the value of or impairs the use of the affected properties or impairs any operations of the Seller, (b) liens for current Taxes not yet due and payable, or (c) as disclosed on Schedule 2.14 hereto (the "Personal Property Permitted Encumbrances"). All tangible personal property, assets, equipment or other personal property consigned or leased to Seller, whether used exclusively in the operation of the Business are listed on Schedule 2.14.

II.15. Real Estate.

(a) Schedule 2.15 hereto contains a true, correct and complete list of all real properties owned, leased, subleased, licensed or otherwise occupied by Seller substantially relating to or affecting the Business including the real property that the Purchaser purchases under this Agreement (collectively, the "Real Properties") separately indicating the nature of Seller's interest therein. Except as set forth on Schedule 2.15 hereto, no other Person has any oral or written right, agreement or option to acquire, lease, sublease or otherwise occupy all or any portion of such Real Properties. Seller has not received any written or oral notice for assessment for public improvements against any of the Real Properties which remains unpaid and, to Seller's Knowledge, no such assessment has been proposed. There is no pending condemnation, expropriation, eminent domain or similar proceeding affecting all or any portion of any of the Real Properties and, to Seller's Knowledge, no such proceeding is contemplated.

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(b) Except as disclosed on Schedule 2.15 hereto,

(i) Seller has (1) good and marketable title to the Real Properties owned by Seller (the "Owned Real Properties"). The Owned Real Property is free and clear of any and all Liens, exceptions, items, encumbrances, easements, restrictions and other matters either of record or not of record which either individually or in the aggregate, could prohibit or adversely interfere with Purchaser's use of such property except (a) matters set forth on Schedule 2.15 and referred to as the "Exceptions that will not exist at Closing" (the "Exceptions That Will Not Exist at Closing"), (b) matters set forth on Schedule 2.15, none of which is material in amount and none of which, individually or in the aggregate, impairs, or grants or evidences rights which if exercised would impair, the use of the affected property in the manner such property is currently being used, or impairs the current operations of the Business, (c) defects of title, conditions, easements, encroachments, covenants or restrictions, if any, none of which is material in amount and none of which, individually or in the aggregate, materially impairs, or grants or evidences rights which if exercised would materially impair, the use of the affected property in the manner such property is currently being used, or impairs the current operations of the Business, and (d) zoning or land use ordinances, none of which, individually or in the aggregate, impairs the use of the affected

property in the manner such property is currently being used or impairs the current operations of the Business (collectively, the "Permitted Real Property Encumbrances"). No material default or breach exists under any of the covenants, conditions, restrictions, rights-of-way or easements, if any, affecting all or any portion of the Owned Real Properties.

(ii) The current zoning of each of the Real Properties permits the operator of such property to use such property for the Purchaser's intended use thereof, provided that such use is similar to Seller's use thereof or otherwise disclosed to Seller. Seller has not made any application for a rezoning of any of the Owned Real Properties. To Seller's Knowledge, there are no proposed or pending changes to any zoning affecting any of the Owned Real Properties.

(iii) All utilities, including without limitation, potable water, sewer, gas, electric, telephone, and other public utilities and all storm water drainage required by law or necessary for the operation of the Real Properties, (1) either enter the Real Properties through open public streets adjoining the Real Properties, or, if they pass through adjoining private land, do so in accordance with valid public or private easements or rights of way which will inure to the benefit of Purchaser, (2) are installed, connected, operating and adequate for the operation of the Business as it has been previously conducted by Seller, with all installation and connection charges paid in full, including, without limitation, connection and the right to discharge sanitary waste into the collector system of the appropriate sewer utility, and (3) are adequate (in both quality and quantity) to service the Real Properties for their respective use in the business as presently conducted thereon.

(iv) Each of the Real Properties is located along one or more dedicated public streets or has access thereto. All curb-cut and street-opening permits or licenses required for vehicular access to and from the Real Properties to any adjoining public street or to any parking spaces utilized in connection with the Real Property have been obtained and paid for, are in full force and effect and shall inure to the benefit of Purchaser.

(v) The improvements located on the Real Properties, including the roof, structure, soil, elevators, walls, heating, ventilation, air conditioning, plumbing, electrical, drainage,

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fire alarm, communications, security and exhaust systems and their component parts, or other improvements on or forming a part of the Real Properties, are adequate for the operation of the Business as it has been previously conducted by Seller. Seller has not received any notification of and there are no outstanding or incomplete work orders in respect of any of the buildings, improvements or other structures constructed on the Real Properties or of any current non-compliance with applicable statutes and regulations or building and zoning by-laws and regulations.

(c) Except as set forth on Schedule 2.15 hereto, there are no deeds of trust or mortgages which are a Lien upon the Real Properties.

II.16. Intellectual Properties

(a) Attached hereto as Schedule 2.16 is a correct list of all Intellectual Property.

(b) Except as set forth on Schedule 2.16, to Seller's Knowledge, neither the manufacture, sale, use of any products now or heretofore manufactured or sold by Seller nor the operation of the Business did and does infringe (nor has any claim been made that any such action infringes) the patents or other Intellectual Property rights of others.

(c) With respect to the portion of the Intellectual Property that is not owned by Seller ("Licensed Intellectual Property"), the Seller owns or possesses adequate licenses or other rights at reasonable market costs to use the same as necessary to conduct the Business as now conducted. Except as set forth on Schedule 2.16, there is no agreement to which Seller is a party or to which Seller is legally bound and no restriction or Liens, materially and adversely affecting the use by Seller and, after the Closing, the use by Purchaser, of any of the Licensed Intellectual Properties.

There is no pending litigation or other legal action with respect to any of the Intellectual Properties, and no order, holding, decision or judgment has been rendered by any Authority, and no agreement, consent or stipulation exists to which, in any such event, Seller is a party or of which Seller has knowledge, which would prevent Seller, or after the Closing, Purchaser, from using any of the Intellectual Properties.

(d) The operation of the Business by Purchaser will not result in Purchaser being required either (i) to pay any royalties, other payments or consideration, or (ii) to grant any right, to any third parties, either directly or indirectly or through Seller, with respect to the Intellectual Property rights of such third parties.

(e) Schedule 2.16 (e) sets forth a true and correct description of Seller's Year 2000 plan together with a description of the current status of the execution of the plan. Seller has, as of the date hereof, taken all reasonable steps, and made every reasonable effort, to substantially comply with, implement, carry out and effectuate all of the requirements, steps, measures and procedures, and meet all the guidelines and deadline, as set forth in such plan. Seller has no knowledge of any event, occurrence, condition or reason that would prevent, or interfere with, the implementation of the plan substantially in accordance with the guidelines and deadlines set forth in such plan.

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(f) Schedule 2.16 lists all actions that must be taken by Purchaser within sixty (60) days of the Closing Date, including the payment of any registration, maintenance or renewal fees or the filing of any documents, applications or certificates for the purposes of maintaining, perfecting or preserving or renewing any of the Intellectual Property.

II.17. Transactions with Related Parties. Except as disclosed on Schedule 2.17, no Affiliate has:

(a) borrowed money or loaned money to the Seller in connection with the Business or the Purchased Assets which remains outstanding;

(b) any contractual or other claims, express or implied, of any kind whatsoever against Seller in connection with the Business or the Purchased Assets;

(c) any interest in any property or assets used by Seller in connection with the Business or the Purchased Assets; or

(d) is engaged in any other transaction with Seller relating to or affecting the Business or the Purchased Assets (other than employment relationships at the salaries disclosed in Schedule 2.19 hereto).

II.18. Condition of Assets. The buildings, machinery, equipment, tools, furniture, improvements and other fixed assets of the Seller used in or related to or affecting the Business, including those reflected in the Balance Sheet, are adequate for the operation of the Business as it has been previously conducted by the Seller.

II.19. Compensation Arrangements; Officers and Directors. Schedule 2.19 hereto sets forth the following information:

(a) The names and current annual salary, including any bonus, if applicable, of all present directors, officers and employees of Seller at the rank of "Kwa Jang" or higher who work in connection with the Business together with a statement of the full amount of all remuneration paid by Seller to each such person during the 12 month period preceding the date hereof.

(b) the names and titles of each trustee, fiduciary or plan administrator of each employee benefit plan of the Seller.

II.20. Labor Relations.

(a) Schedule 2.20 hereto contains a true and complete list of all current employees of Seller that Seller asserts are necessary to the operation of the Business ("Employees"), together with their respective job titles and current annual compensation and bonuses or bonus eligibility (if any), as of the date hereof. Schedule 2.20 shall have been updated as of the Closing, if necessary. Except for those individuals identified on Schedule 2.20, there are no employees hired by and currently working for Seller necessary to the operation of the Business.

(b) Schedule 2.20 contains a list of all written employment policies, practices, manuals, handbooks, procedures, and terms and conditions of employment of Seller, including

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wages, pension benefit plan, an employee welfare benefit plan or any bonus, incentive compensation, profit sharing, retirement, pension, group insurance, death benefit, health, cafeteria, flexible benefit, medical expense reimbursement, dependent care, stock option, stock purchase, stock appreciation rights, savings, deferred compensation, consulting, severance pay or termination pay, vacation pay, life insurance, welfare or other employee benefit or fringe benefit plan, program or arrangement, or any other similar things that are applicable to Employees. Except as listed on Schedule 2.20, there are no employment policies, practices, manuals, handbooks, procedures or terms or conditions of employment that are applicable to Employees.

(c) Schedule 2.20 contains a list of all current, or if expired and not renewed, the most recent, employment, labor or collective bargaining agreements with any of the Employees. Except as listed on Schedule 2.20, there are no employment, labor or collective bargaining agreement, or governmental or administrative charges, affecting or concerning the Employees, pending or to Seller's knowledge threatened against Seller.

(d) Except as set forth on Schedule 2.20, there are no consulting, contracting or independent contracting agreements with any person retained or employed in connection with the Assets or the Business.

(e) The overall relations of Seller with its employees are good. There are no unfair labor practice complaints against Seller pending or, to Seller's Knowledge, threatened. There is no labor strike, dispute, slow down or stoppage actually pending or, to Seller's Knowledge, threatened against or involving Seller. No employee grievance which might to Seller's Knowledge have an adverse effect on Seller or the conduct of the Business is pending. No private agreement restricts Seller from relocating, closing or terminating any of its operations or facilities. Except as disclosed in Schedule 2.20, Seller has not in the past twelve (12) months experienced any work stoppage or slow down or, to the best of Seller's Knowledge committed any unfair labor practice.

II.21. Products Liability. Except for lawsuits, claims, damages and

expenses adequately covered by the Seller's insurance, there are no (a) liabilities of Seller, fixed or contingent, asserted or, to Seller's Knowledge, unasserted, with respect to any product liability or any similar claim that relates to any product manufactured and sold by Seller to others in connection with the Business, or (b) liabilities of Seller, fixed or contingent, asserted or, to Seller's Knowledge, unasserted, with respect to any claim for the breach of any express or implied product warranty or any other similar claim with respect to any product manufactured and sold by Seller to others other than standard warranty obligations (to replace, repair or refund) made by the Seller in the ordinary course of business to purchasers of its products in connection with the Business.

II.22. Insurance. Attached hereto as Schedule 2.22 is a complete and correct list of all policies of insurance relating to the Business or the Purchased Assets of which Seller is the owner, insured or beneficiary, or covering any of the property of the Business, true, correct and complete copies of which have been delivered to Purchaser, indicating for each policy the carrier, the insured, type of coverage, the amounts of coverage, deductible, premium rate, cash value if any, expiration date and any pending claims thereunder. All such policies are in full force and effect. The coverage provided by such policies are reasonable, in both scope and amount, in light of the risks attendant to the Business and the Purchased Assets. Seller has paid-in-full all premiums due on such policies as of the Closing Date. There is no default with respect to any provision contained in any such policy,

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nor has there been any failure to give any notice or present any claim under any such policy in a timely fashion or in the manner or detail required by the policy. Except as set forth on Schedule 2.22, there are no outstanding unpaid premiums or claims under such policies. No notice of cancellation or non-renewal with respect to, or disallowance of any claim under, any such policy has been received by Seller. Except as set forth on Schedule 2.22, Seller has not been refused any insurance, nor has its coverage been limited by any insurance carrier to which it has applied for insurance or with which it has carried insurance during the last five years. Except as set forth on Schedule 2.22, all products liability and general liability policies maintained by or for the benefit of the Seller during the last five (5) years have been "occurrence" policies and not "claims made" policies. All product liability and general liability policies relating to the manufacture and sale of the products and components manufactured and sold by Seller prior to the Closing Date shall remain in place for at least five (5) years from the Closing Date.

II.23. Brokerage. Seller has not made any agreement or taken any other action which might cause anyone to become entitled to a broker's fee or commission as a result of the transaction contemplated hereunder.

II.24. Disclosure. No representation or warranty by Seller in this Agreement, and no exhibit, certificate or schedule furnished or to be furnished to Purchaser pursuant hereto, or in connection with the transactions contemplated hereby, contains or will contain any untrue statement of a material fact, or omits or will omit to state a material fact necessary to make the statements or facts contained herein or therein not misleading or necessary to provide Purchaser with proper information as to the Seller and the Purchased Assets. Seller shall disclose to Purchaser at Closing any information then in the possession of Seller that indicates that Purchaser is in breach of this Agreement or which may provide the basis for a claim by Seller that Purchaser has breached this Agreement.

II.25. Mitigation. The Parties acknowledge that the representations and warranties set forth above shall, in any case not be interpreted as limiting or restricting Purchaser's general obligation at law, if any, to prevent and/or mitigate any loss or damages which it may incur after the Closing in connection with or involving the Business or the Purchased Assets to be transferred under

this Agreement.

ARTICLE III
REPRESENTATIONS AND WARRANTIES OF PURCHASER

Purchaser represents and warrants to Seller as follows:

III.1. Organization and Good Standing. Purchaser is a corporation duly incorporated, validly existing and in good standing under the applicable laws of its home jurisdiction, in the case of Amkor Technology, Inc., the laws of State of Delaware, U.S.A. and in the case of Newco, the laws of the Republic of Korea.

III.2. Corporate Power and Authority. Purchaser has all requisite corporate power and authority to make, execute, deliver and perform this Agreement and all other agreements, documents and instruments to which it is a party or is otherwise obligated which are executed, delivered or performed pursuant to this Agreement.

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III.3. Due Authorization. Other than the approval for the Closing hereunder from Purchaser's board of directors, which is made as one of the conditions to Purchaser's obligations under Section 1.10(h), the execution, delivery and performance of this Agreement and all other agreements, documents and instruments to which Purchaser is a party or is otherwise obligated which are to be executed, delivered or performed pursuant to this Agreement have been duly authorized by all necessary corporate action on the part of Purchaser, and this Agreement constitutes and any other instruments to be delivered by Purchaser at Closing, when executed and delivered at Closing, will constitute, the legal, valid and binding obligations of Purchaser, enforceable against it in accordance with their respective terms.

III.4. Brokerage. Purchaser has not made any agreement or taken any other action which might cause anyone to become entitled to a broker's fee or commission as a result of the transactions contemplated hereunder.

III.5. No Breaches; Etc. The execution, delivery and performance of this Agreement and the other agreements contemplated by this Agreement and the consummation of the transactions contemplated by this Agreement do not and will not result in any breach or acceleration of any of the terms or conditions of its articles of incorporation or bylaws, or of any mortgage, bond, indenture, contract, agreement, license or other instrument or obligation to which Purchaser is a party. The execution, delivery and performance of this Agreement or the other agreements contemplated by this Agreement will not result in the material violation of any statute, regulation, judgment, writ, injunction or decree of any court, threatened or entered in a proceeding or action in which Purchaser is, was or may be bound.

III.6. Disclosure. No representation or warranty by Purchaser in this Agreement, and no exhibit, certificate or schedule furnished or to be furnished to Seller pursuant hereto, or in connection with the transactions contemplated hereby, contains or will contain any untrue statement of a material fact, or omits or will omit to state a material fact necessary to make the statements or facts contained herein or therein not misleading or necessary to provide Seller with proper information as to the Purchaser and the Purchase Assets. Purchaser shall disclose to Seller at Closing any information then in the possession of Purchaser that indicates that Seller is in breach of this Agreement or which may provide the basis for a claim by Purchaser that Seller has breached this Agreement.

III.7. Litigation. There is no action, suit, proceeding or investigation pending, or, to Purchaser's knowledge, threatened, against or related to Purchaser or its respective properties or business which would be reasonably likely to adversely affect or restrict Purchaser's ability to consummate the

transactions contemplated by this Agreement, and there is no reasonable basis known to Purchaser for any such action that may result in such effect and is probable of assertion.

III.8. Mitigation. The Parties acknowledge that the representations and warranties set forth above shall, in any case not be interpreted as limiting or restricting Seller's general obligation at law, if any, to prevent and/or mitigate any loss or damages which it may incur after the Closing in connection with the transfer of the Business or the Purchased Assets to Purchaser under this Agreement.

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ARTICLE IV CERTAIN ADDITIONAL COVENANTS

IV.1. Costs, Expenses and Taxes. Unless otherwise provided for herein, Purchaser and Seller will each pay all their own expenses incurred in connection with this Agreement and the transactions contemplated hereby, including (a) all costs, expenses and Taxes to the extent levied to each Party, and (b) all accounting, legal and appraisal fees and settlement charges.

IV.2. Employees of the Business. Not later than one week prior to the Closing, the Parties shall finalize a list of employees to be transferred from Seller to Purchaser (the "Transferred Employees"). Further, the Transferred Employees shall include certain employees as shall be identified in Schedule 4.2 ("Key Employees"). The transfer from Seller to Purchaser of the Transferred Employees shall be subject to the following basic principles:

(a) All of the Transferred Employees shall have the right to elect to be (i) formally terminated as employees of Seller and commence new employment relation with Purchaser or (ii) transferred to Purchaser as a continuation of their current employment.

(b) With respect to the Transferred Employees who elect to terminate their employment with Seller and commence new employment relation with Purchaser, Seller shall pay, in a timely manner in accordance with the requirements of the Labor Standards Act and current company practices, all salary, bonuses, allowances, severance, unused leave (including the pro rata portion of accrued but unused leave attributable to the portion of the 1998 calendar year prior to closing) and any other monetary obligations or claims relating to the Transferred Employees' employment with Seller or its Affiliates that may have accrued to those personnel prior to their separation. Seller represents and warrants that the amount paid by it to such personnel will be adequate to fully satisfy all of their claims relating to each of their terms of employment at Seller or any Affiliate of Seller. For the portion of the 1999 calendar year after the Closing Date, each of the Transferred Employees who have elected to terminate shall receive the pro rata portion of paid leave days that are attributable to this portion of the 1999 Calendar Year. For subsequent years, each of the Transferred Employees who have elected to terminate shall receive the same number of paid leave days that they would have received had they continued to be employees of Purchaser, provided that Purchaser's agreement to this provision shall in no way be interpreted as obligating Purchaser to pay any severance to the Transferred Employees relating to their years of service at any company other than Purchaser.

The Parties agree that the liabilities set forth in Schedule 1.7(a) as part of the Assumed Liabilities shall represent the liabilities of Seller to pay severance payments to the Transferred Employees who elect to terminate their employment with Seller. Therefore, if and to the extent that Seller pays the severance payments to the Transferred Employees who elect to terminate their employment with Seller, the Parties agree that the Assumed Liabilities shall be correspondingly reduced. In such event, within ten (10) days from the Closing Date, Purchaser shall pay in cash to Seller the amount by

which the Assumed Liabilities were so reduced.

(c) With respect to the Transferred Employees who elect to carry over their employment into Purchaser, Purchaser shall be responsible for the severance payments to the extent that such liabilities are included in the Assumed Liabilities as set forth in Schedule 1.7(a). With

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respect to any other liabilities of Seller relating to those employees, as part of the Purchase Price adjustment under Section 1.6, the Purchase Price shall be adjusted to reflect the increased liability for any and all unpaid wages, unused leave and other rights, if any, that have accrued to such personnel prior to commencement of their employment with Purchaser, whether or not under any existing employment, labor or collective bargaining agreement or under any such agreements entered into after the Closing Date but with retroactive application extending to before the Closing Date. Purchaser shall be responsible for the full amount of severance and other benefits of such employees from the commencement of their employment with Purchaser. Seller represents and warrants that the amount so adjusted under this Section 4.2(c) will be adequate to fully satisfy all claims of these employees relating to each of their terms of employment at Seller or any Affiliates of Seller.

(d) Prior to the Closing, Seller shall deliver to Purchaser a list indicating the election of each Transferred Employee as described in Section 4.2(a) above. Further, prior to the Closing, Seller shall obtain releases from the Transferred Employees who elect to terminate their employment with Seller and commence new employment relation with Purchaser, to the effect that they will waive any right, if any, against Purchaser regarding any severance, unused leave and other obligations or claims arising from their employment relation with Seller before the Closing ("Employee Releases").

IV.3. Indemnification.

(a) General Indemnification Obligations.

(i) Indemnification by Seller. Seller hereby agrees to indemnify and hold harmless Purchaser from and against:

(1) any and all Damages arising out of or resulting from any misrepresentation, breach of warranty or nonfulfillment of any agreement on the part of Seller contained in this Agreement or in any certificate, instrument, agreement or other document furnished or to be furnished to Purchaser pursuant hereto or in connection with the transactions contemplated hereby;

(2) any and all Damages arising out of or resulting from any liabilities of Seller of any nature, whether due or to become due, whether accrued, absolute, contingent or otherwise existing on the Closing Date or arising out of any transactions entered into, or any state of facts existing, prior to such date, except the Assumed Liabilities;

(3) any Damages arising out of or resulting from any claim asserted against Purchaser with respect to Excluded Liabilities;

(4) any and all Damages arising from claims brought by Transferred Employees who have elected to terminate their employment with Seller in relation to these employees' terms of employment with Seller or any Affiliate of Seller, including but not limited to claims resulting from the increase in any employee's wage during his or her period of employment with Seller; and

(5) any secondary Tax liability of the Purchaser under the National Tax Basic Law and the Local Tax Law for the Taxes of Seller that have accrued prior to the Closing Date.

(ii) Indemnification by Purchaser. Purchaser hereby agrees to indemnify and hold harmless Seller from and against:

(1) any Damages arising out of or resulting from any misrepresentation, breach of warranty or nonfulfillment of any agreement on the part of Purchaser contained in this Agreement or in any certificate, instrument, agreement or other document furnished or to be furnished to Seller in connection with the transactions contemplated hereby;

(2) any Damages resulting from or arising out of the failure by Purchaser to pay or discharge, or cause to be paid or discharged, any of the Assumed Liabilities; and

(3) any Damages arising out of or resulting from any claim asserted against Seller with respect to Assumed Liabilities.

(iii) For purposes of this Agreement, "Damages" means the aggregate amount of all damages, claims, losses, obligations, liabilities (including any governmental penalty, fines or punitive damages), deficiencies, interest, costs and expenses arising out of or relating to a matter and any actions, judgments, costs and expenses (including reasonable attorneys' fees and all other expenses incurred in investigating, preparing or defending any litigation or proceeding, commenced or threatened) incident to such matter or to the enforcement of this Agreement, including, but not limited to, reasonable legal fees incurred by the Party entitled to indemnification under this Agreement.

(b) Indemnification Cap. The maximum aggregate liability of Seller or Purchaser in respect of all claims shall not exceed the Purchase Price.

(c) General Indemnification Procedures.

(i) Purchaser and Seller shall cooperate in the defense or prosecution of any claim, action, suit or proceeding asserted against either of them by a party other than a Party hereto or an Affiliate of any Party hereto in respect of which indemnity may be sought hereunder (a "Third Party Claim") and shall furnish such records, information and testimony, and attend such conferences, discovery proceedings, hearings, trials and appeals, as may be reasonably requested in connection therewith.

(ii) Except as otherwise provided in this Agreement, no action or claim for Damages resulting from breaches of the representations and warranties of Seller or Purchaser shall be brought or made after 24 months following the Closing, except that such time limitation shall not apply to (i) claims for misrepresentations or breaches of warranty relating to Section 2.7 (relating to Taxes) which may be asserted until 180 days after the running of the applicable statute of limitations with respect to the taxable period to which the particular claims relates, (ii) claims relating to Environmental Liabilities that have been brought against Purchaser by third parties within five years following the Closing Date and (iii) any claims which have been the subject of a written notice from

Purchaser to Seller prior to the expiration of the applicable period under this

Section 4.3(c)(vi), which notice specifies in reasonable detail the nature of the claim.

(iii) Notwithstanding anything to the contrary in this Section 4.3, no limitation or condition of liability provided in this Section shall apply to the breach of any of the representations and warranties contained herein if such representation or warranty was made with actual knowledge that it contained an untrue statement of a material fact or omitted to state a material fact necessary to make the statements or facts contained therein not misleading.

(iv) If there shall be a judicial determination that any Party (the "Indemnified Party") seeking indemnification from another Party (the "Indemnifying Party") under this Agreement is not entitled to such indemnification in the amount originally claimed by a third party, then the Indemnifying Party shall be entitled to reimbursement from the Indemnified Party for its costs and expenses, including reasonable attorneys' fees, incurred in the defense of the claim for such indemnity pro rata, to the extent that the amount awarded is less than the amount originally claimed.

(v) Following the receipt by either Party of a complaint initiating a lawsuit in respect of a Third Party Claim in respect of which indemnity may be sought from either Party hereunder, within a reasonable time after such receipt, the receiving Party shall give the other Party notice of such Third Party Claim.

(vi) Purchaser shall notify Seller and Seller shall notify Purchaser of any claim for Damages. Such notice shall describe, to the extent reasonably available, the nature of the claim, the proposed remedy and the cost to remedy or to satisfy the claim. Purchaser and Seller shall, in good faith, consult with the other Party and give the other Party a reasonable opportunity to propose an alternative method to remedy or satisfy the claim. Provided, however, that if the nature of the claim is such that, in Purchaser and Seller's judgment, the above notice and opportunity provisions could reasonably be expected to cause further Damages or would otherwise not be appropriate under the circumstances, then the prior notice and opportunity shall not be required. Neither Purchaser nor Seller shall be required in any event to adopt the method proposed by the other Party. Purchaser and Seller's failure to give the other Party the prior notice and opportunity or to adopt the method proposed, shall not bar in any event either Party from asserting an indemnification claim against the other under and subject to the terms and conditions described in this Section 4.3, but, in any such claim, the failure of either Party to give prior notice and opportunity, or to adopt the method proposed shall be admissible evidence if either Party shall contest the reasonableness of the amount of the Damages that it may recover from the other Party.

(vii) Any amounts due to Purchaser or its Affiliates as a result of Seller's indemnification obligations under this Agreement, arising from the transactions contemplated hereby, arising from any breach of any representation or warranty of Seller or otherwise may be set off by Purchaser or any of its affiliates from any amounts owed at any time to Seller or its affiliates to the extent permissible under Korean law.

IV.4. Confidentiality. From and after the Closing, Seller shall, and shall cause its Affiliates and representatives to, keep confidential and not disclose to any other Person or use for his or its own benefit or the benefit of any other Person any trade secrets or other confidential proprietary

information in its possession or control regarding Seller or their respective businesses and operations. The obligations of the Seller under this Section 4.4 shall not apply to information which (i) is or becomes generally available to the public without breach of the commitment provided for in this Section; or (ii) is required to be disclosed by law, order or regulation of a court or

tribunal or governmental authority; provided, however, that, in any such case, Seller shall notify Purchaser as early as reasonably practicable prior to disclosure to allow Purchaser to take appropriate measures to preserve the confidentiality of such information.

IV.5. Access to Information. Seller and Purchaser shall reasonably cooperate with each other after the Closing so that (subject to any limitations that are reasonably required to preserve any applicable attorney-client privilege) each Party has access without causing excessive hardship to normal operations to the business records, contracts and other information existing at the Closing Date and relating to Seller (whether in the possession of Seller or Purchaser) (including copies thereof) as is reasonably necessary for the (a) preparation for or the prosecution or defense of any suit, action, litigation or administrative, arbitration or other proceeding or investigation (other than one by or on behalf of a Party to this Agreement) by or against Purchaser or Seller (b) preparation and filing of any Tax return or election relating to Seller and any audit by any taxing authority of any returns of Purchaser or Seller relating thereto, (c) preparation and filing of any other documents required by governmental or regulatory bodies, (d) transfer of data to Purchaser relating to the Seller and (e) the preparation of any reports necessary for their financial reporting purposes including that required in connection with any registration statement or report filed by the Purchasing Parties with any governmental agency. The Party requesting such information and assistance shall reimburse the other Party for all out-of-pocket costs and expenses incurred by such Party in providing such information and in rendering such assistance. The access to files, books and records contemplated by this Section 4.5 shall be during normal business hours and upon not less than two (2) business days prior written request, and shall identify the scope of the information to be reviewed and shall be subject to such further reasonable limitations as the Party having custody or control thereof may impose to preserve the confidentiality of information contained therein, and shall not extend to material subject to a claim of privilege unless expressly waived by the Party entitled to claim the same. The Parties mutually agree to use their commercially reasonable efforts to cause their independent public accountants to provide each other with any necessary or required consents in connection with audit of the Business.

IV.6. Cooperation.

(a) With respect to the Excluded Liabilities, Purchaser agrees to reasonably cooperate with Seller, at no cost to Purchaser, in connection with Seller's defense of any claims or lawsuit relating thereto, including, without limitation, making available to Seller for inspection and copying business records of the Purchaser pertaining to such claims or lawsuits and making employees of the Purchaser available as needed from time to time for interviews, trial testimony and similar appearances.

(b) Seller agrees to cooperate with Purchaser in Purchaser's efforts to obtain the Tax Exemptions, provided that Seller shall not be obligated to bear any costs in relation to such cooperation.

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IV.7. Transition Services.

(a) During a period of not less than sixty-days from the Closing Date but less than one-year therefrom (the "Transition Period") to be separately agreed by the Parties, Seller shall ensure that the Business is continued to be provided with all of the services and parts and components currently provided to the Business by Seller or any Person affiliated with Seller including, among other things, the research and development, accounting, data processing, materials procurement, electronic data processing, administrative services and all other such support services as are reasonably required in connection with the operation of the Business, on the terms and conditions not less favorable than the terms and conditions pursuant to which such services and parts and

components are now being provided to the Business. Purchaser shall not bear any costs for the services to be provided by Seller during the Transition Period. Prior to the Closing, Seller and Purchaser shall enter into a service agreement ("Transition Service Agreement") to ensure such continued services during the Transition Period and the period thereafter until the Parties shall separately agree, in such form and substance as attached hereto as Schedule 4.7.

(b) During the Transition Period, Seller shall ensure that all services currently made available to the employees of the Business including, without limitation, cafeteria, clinic and human welfare services continue to be provided to the Transferred Employees on the same terms and conditions as such services are now being provided to them.

IV.8. Property Taxes. Any and all Taxes, charges, public imposts, fees, and the like (collectively "Property Taxes") which are assessed on or are required to be paid by Purchaser for the first time after the Closing but prior to the end of the calendar year in which the Closing occurs, in relation to, or as a result of, ownership of the real properties (including land and buildings) acquired from Seller or the operation of business at the place(s) acquired from Seller shall be shared by Seller and Purchaser on the basis of the number of days of their respective holding of the real properties or operation of business during the calendar year in which Property Taxes are assessed. Property Taxes shall include, but not be limited to, property tax on buildings, global land tax on land, business place tax, and any and all surtaxes on these taxes.

IV.9. Repayment of Debt. Seller agrees to use that portion of the Purchase Price set forth in Section 1.4(b) hereto, together with any of its funds, necessary to repay in full those obligations of Seller set forth on Schedule 1.4(b).

IV.10. Assignment of Contracts

(a) Notwithstanding anything to the contrary in this Agreement or any Ancillary Agreements, this Agreement shall not constitute an agreement to assign any contract which is to be an Purchased Asset or any benefit arising thereunder or resulting therefrom, if an attempted assignment thereof, without the consent of a party thereto other than the Seller, would constitute a breach or other contravention thereof or in any way adversely affect the rights of Purchaser, or its designees, thereunder (a "Non-Assignable Contract"). Seller shall use prior to the Closing all commercially reasonable efforts to obtain the consent of the other Persons for the assignment thereof to Purchaser or its designees. If such consent is not obtained prior to the Closing, or if an attempted assignment thereof would be ineffective or would adversely affect the rights thereunder so that Purchaser would not receive substantially all such rights, (x) Seller shall continue to use all

commercially reasonable efforts to obtain the consent of the other Persons for the assignment thereof to Purchaser or its designees, and (y) Seller and Purchaser shall cooperate in a mutually agreeable arrangement under which Purchaser would obtain the benefits and assume the obligations thereunder in accordance with Agreement, including subcontracting, sub-licensing or sub-leasing to Purchaser, or under which Seller would enforce for the benefit of Purchaser, with Purchaser assuming Seller's obligations, any and all rights of Seller against a third party thereto. Seller shall promptly pay to Purchaser when received all monies received by Seller in respect of such Non-Assignable Contracts or any benefit arising thereunder, except to the extent the same represents and Excluded Asset. To the extent the benefits therefrom and obligations thereunder have been provided by alternative arrangements as provided above, any such Non-Assignable Contract shall be deemed a Purchased Asset, provided that Purchaser shall not be responsible for any liabilities (i) arising out of a claim of breach of such Non-Assignable Contract due to the establishment of the alternative arrangements, or (ii) arising out of such

Non-Assignable Contract as a result of Seller's action without Purchaser's approval in a manner inconsistent with the alternative arrangements.

(b) In furtherance, and not in limitation of the foregoing subsection (a), in the event that Seller is unable to obtain any required consent to the transfer at Closing to the Purchaser of any Non-Assignable Contract and Seller and Purchaser have failed to agree on alternate arrangements to an assignment reasonably satisfactory to Purchaser, then (i) Seller shall remain a party to and shall continue to be bound by such Non-Assignable Contract, (ii) Purchaser shall pay, perform and discharge fully all of the obligations of Seller thereunder from and after the Closing Date, upon the terms and subject to the conditions of such Non-Assignable Contract, (iii) Seller shall, without further consideration received in respect of such Non-Assignable Contract on and after the Closing Date, and (vi) Seller shall, without further consideration therefor, exercise and exploit its rights and options under such Non-Assignable Contract in the manner and only to the extent directed by Purchaser. If and when any consent shall be obtained following the Closing Date with respect to the transfer by Seller to Purchaser of any such Non-Assignable Contract or such Non-Assignable Contract shall otherwise become assignable following the Closing Date, Seller shall promptly assign all of its rights and obligations thereunder to Purchaser, without further consideration therefor, and Purchaser shall, without further consideration therefor, assume such rights and obligations, to the fullest extent permitted. The existence of the provisions of this Section 4.10 shall not reduce or otherwise adversely affect any Party's ability to enforce any of its rights under this Agreement.

IV.11. Notices of Certain Events. Seller shall promptly notify Purchaser of (i) any notice or other communication from any person alleging that the consent of such person is or may be required in connection with the transactions contemplated by this Agreement, (ii) any notice or other communication from any governmental agency in connection with the transactions contemplated by this Agreement, and (iii) any claims commenced or, to Seller's Knowledge, threatened against, relating to or involving or otherwise affecting the Business or the Purchased Assets that, if pending on the date of this Agreement, would have been required to have been disclosed pursuant to this Agreement or that relate to the consummation of the transactions contemplated by this Agreement.

IV.12. Purchaser agrees that it will use its reasonable commercial efforts to ensure that the Business will continue to be subject to the capacity allocation procedures set forth in the Packaging and Test Services Agreement dated January 1, 1998 (the "Packaging Agreement") and shall use reasonable commercial efforts to ensure that capacity is allocated equitably, consistent with customer requirements and the terms of the Packaging Agreement, between the Business, any other

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semiconductor packaging and test facilities held by Purchaser or its Affiliates and any semiconductor packaging and test facilities owned by Seller, including, but not limited to, Seller's "K2" plant located in Buchon, Korea.

ARTICLE V MISCELLANEOUS

V.1. Further Assurances; Cooperation. At and after the Closing, Seller will execute and deliver such further instruments of conveyance and transfer as Purchaser may reasonably request to convey and transfer effectively to Purchaser the Purchased Assets or to put Purchaser in actual possession and control of the business of the Seller.

V.2. Nature and Survival of Representations. The representations, warranties, covenants and agreements of Purchaser and Seller contained in this

Agreement, and all statements contained in this Agreement or any Exhibit or Schedule hereto or any certificate delivered pursuant to this Agreement or in connection with the transactions contemplated hereby, shall be deemed to constitute representations, warranties, covenants and agreements of the respective Party delivering the same. All such representations, warranties, covenants and agreements shall survive the Closing hereunder subject to Section 4.3 hereof. Except for the representation and warranties expressly contained in this Agreement, the Parties make no other representations or warranties and no additional representations and warranties may be implied.

V.3. Notices. All notices, requests, demands elections and other communications which either Party to this Agreement may desire or be required to give hereunder shall be in writing and shall be deemed to have been duly given if delivered personally, by a reputable courier service which requires a signature upon delivery, by mailing the same by registered or certified first class mail, postage prepaid, return receipt requested, or by telecopying with receipt confirmation (followed by a first class mailing of the same) to the Party to whom the same is so given or made. Such notice, request, demand, waiver, election or other communication will be deemed to have been given as of the date so delivered or electronically transmitted or seven days after mailing thereof.

If to Seller, to: Anam Semiconductor, Inc.
280-8, 2-ga Sungsu-dong
Sungdong-gu, Seoul 133-706 Korea
Attn: Kyu-Hyun Kim

If to Purchaser, to: Amkor Technology, Inc.
1345 Enterprise Drive
West Chester, PA 19380
Attn: Kevin J. Heron

or to such other address as such Party shall have specified by notice to the other Party hereto.

V.4. Successors and Assigns. This Agreement, and all rights and powers granted hereby, will bind and inure to the benefit of the Parties hereto and their respective successors and assigns.

V.5. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the Republic of Korea, without regard to its conflict of law provisions.

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V.6. Headings. The headings preceding the text of the sections and subsections hereof are inserted solely for convenience of reference, and shall not constitute a part of this Agreement, nor shall they affect its meaning, construction or effect.

V.7. Amendment and Waiver. The Parties may by mutual agreement amend this Agreement in any respect, and any Party, as to such Party, may (a) extend the time for the performance of any of the obligations of any other Party, (b) waive any inaccuracies in representations by any other Party, (c) waive compliance by any other Party with any of the agreements contained herein and performance of any obligations by such other Party, and (d) waive the fulfillment of any condition that is precedent to the performance by such Party of any of its obligations under this Agreement. To be effective, any such amendment or waiver must be in writing and be signed by the Party against whom enforcement of the same is sought.

V.8. Entire Agreement. This Agreement and the Schedules hereto, each of

which is hereby incorporated herein, set forth all of the promises, covenants, agreements, conditions and undertakings between the Parties hereto with respect to the subject matter hereof, and supersede all prior and contemporaneous agreements and understandings, inducements or conditions, express or implied, oral or written.

V.9. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but which together shall constitute one and the same instrument.

V.10. Governing Language. The English language text of the Agreement shall prevail over any translation thereof.

V.11. Arbitration.

(a) Any dispute arising under this Agreement which is not settled after good faith attempts by the Parties to amicably resolve such dispute shall be resolved by final and binding arbitration. The arbitration shall be held in Seoul, Korea if the arbitration is brought by Purchaser and Amkor if the arbitration is brought by Seller in accordance with the Rules of Conciliation and Arbitration of the International Chamber of Commerce ("ICC Rules") as then existing and shall be heard and determined by an arbitral tribunal composed of three (3) arbitrators. Each of the Parties shall appoint one arbitrator each, and both of such arbitrators shall appoint a third arbitrator who shall serve as the Chairman of such arbitral tribunal, provided that such third arbitrator is not a citizen of the U.S.A. or Korea. If either Party fails or decides against appointing an arbitrator within a period of thirty (30) days of the appointment of the first arbitrator, or if the arbitrators designated by the Parties fail or otherwise are unable to appoint the third arbitrator within (30) days of the appointment of the second arbitrator, then the remaining arbitrator(s) shall be selected by the President of the International Chamber of Commerce, U.S.A., which shall act as the appointing authority.

(b) All arbitration proceedings shall be conducted in the English language and the arbitral award (the "Award") shall be rendered no later than six (6) months from the commencement of the arbitration or as otherwise provided by the ICC Rules, unless otherwise extended by the arbitral tribunal for no more than an additional six (6) months for reasons that are just and equitable.

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(c) The Parties expressly understand and agree that the Award shall be the sole, exclusive, final and binding remedy between them regarding any and all Disputes presented to the arbitral tribunal. Each Party hereby expressly waives any and all rights that such Party may have with respect to a judicial review of the Award in the courts of any country. Application shall be made to any court having jurisdiction over the Party (or its assets) against whom the Award is rendered for a judicial acceptance of the Award and an order of enforcement.

(d) Notwithstanding any other provision of this Agreement, either Party shall be entitled to seek preliminary injunctive relief from any court of competent jurisdiction pending the final decision or award of the arbitrators.

V.12. Termination. This Agreement may be terminated upon the occurrence of any of the following events:

- (a) the mutual agreement of all the Parties to terminate the Agreement;
- (b) if the Closing does not take place prior to June 1, 1999, provided that the right of any Party to terminate this Agreement under this Clause (b) shall not be available to any Party whose failure to fulfil any

obligation under this Agreement has been the cause of, or resulted in, the failure of the Closing Date to occur on or before such date;

- (c) By any Party upon notice to the other if any of the conditions set forth in Sections 1.8, 1.9 and 1.10 hereof become impossible to satisfy (other than by reason of the failure of each Party to fulfill its obligations under this Agreement); or
- (d) by any Party if any court of competent jurisdiction shall have issued an order, decree or ruling or taken any other action enjoining or otherwise prohibiting the transactions contemplated under this Agreement and such order, decree or ruling or other action has become final and nonappealable.

V.13. Consequences of Termination. If this Agreement is terminated by Seller or Purchaser as permitted under Section 5.12 and not as a result of a breach of a representation or warranty or the failure of any Party to perform its obligations hereunder, such termination shall be without liability of any Party. If a Party terminates this Agreement as a result of a breach of a representation or warranty by the other Party or the failure of the other Party to perform its obligations hereunder, the non-breaching Party, in addition to any other legal remedies that may be available, shall be entitled to reimbursement from the breaching Party for all expenses incurred by the non-breaching Party in connection with this Agreement and the transactions contemplated hereby.

V.14. Enforcement and Damages. Purchaser and Seller agree that irreparable damage would occur in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that each of Purchaser and Seller shall be entitled to an injunction or injunctions to prevent breaches of this Agreement and to enforce specifically the terms and provisions of this Agreement, this being in

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addition to any other remedy, including without limitation damages, to which it is entitled at law or in equity.

V.15. Severability. If at any time subsequent to the date hereof, any term or provision of this Agreement shall be determined by any court of competent jurisdiction to be partially or wholly illegal, void or unenforceable, such provision shall be of no force and effect to the extent so determined, but the illegality or unenforceability of such term or provision shall have no effect upon and shall not impair the legality or enforceability of any other term or provision of this Agreement.

V.16. Construction. The Parties acknowledge that each Party and its counsel have reviewed and revised this Agreement and that any rule of construction to the effect that any ambiguities are to be resolved against the drafting Party shall not be employed in the interpretation of this Agreement or any amendments, schedules or exhibits hereto.

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IN WITNESS WHEREOF, the Parties have caused this Agreement to be signed in their respective names by an officer thereof duly authorized as of the date

first above written.

Amkor Technology, Inc.

By: _____

Name:

Title:

Anam Semiconductor, Inc.

By: _____

Name:

Title:

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LIST OF SCHEDULES

Schedule 1.1	Asset List
Schedule 1.4(a)	Purchase Price
Schedule 1.4(b)	Liabilities of Seller to be Repaid
Schedule 1.4(c)	Downward Adjustment
Schedule 1.5	Allocation of Purchase Price
Schedule 1.6	Restrictions on Adjustment
Schedule 1.7(a)	List of Assumed Liabilities
Schedule 1.10	Contracts to be Assigned
Schedule 2.6	Changes Since Balance Sheet Date
Schedule 2.7	Taxes
Schedule 2.8	Inventory
Schedule 2.9	Pending Litigations
Schedule 2.10	Contracts
Schedule 2.11	Permits
Schedule 2.12	Environmental Matters
Schedule 2.14	Personal Property Permitted Encumbrances
Schedule 2.15	Real Estate
Schedule 2.16	Intellectual Properties
Schedule 2.16(e)	Year 2000 Plan
Schedule 2.17	Transactions With Related Parties
Schedule 2.19	Compensation Arrangements; Officers and Directors
Schedule 2.20	Employees

Schedule 2.22	Insurance
Schedule 4.2	Key Employees
Schedule 4.7	Transition Service Agreement

AMENDMENT NO. 1
Dated as of December 31, 1998
to
RECEIVABLES PURCHASE AGREEMENT
Dated as of June 20, 1997

THIS AMENDMENT NO. 1 TO RECEIVABLES PURCHASE AGREEMENT ("Amendment") dated as of December 31, 1998 is entered into among Amkor Technology, Inc., successor by merger to Amkor Electronics, Inc. (the "Originator"), and Amkor Receivables Corp., a Delaware corporation (the "Buyer").

PRELIMINARY STATEMENTS

(1) The Originator and the Buyer have entered into a Receivables Purchase Agreement dated as of June 20, 1997 (as the same may be amended, restated, supplemented or otherwise modified from time to time, the "Purchase Agreement"), that the Buyer, Falcon Asset Securitization Corporation ("Falcon"), certain financial institutions party thereto (the "Investors"), and The First National Bank of Chicago (the "Agent") have entered into an Investor Agreement dated as of June 20, 1997, as amended (as the same may be amended, restated, supplemented or otherwise modified from time to time, the "Investor Agreement").

(2) In accordance with Section 8.1(b) of the Purchase Agreement, the Originator and Buyer, and, as required under the Investor Agreement, Falcon, the Investors and the Agent have agreed to amend the Purchase Agreement on the terms and conditions hereinafter set forth.

NOW, THEREFORE, the parties agree as follows:

Section 1. Defined Terms. Capitalized terms used herein and not otherwise defined herein shall have their meanings as attributed to such terms in the Purchase Agreement.

Section 2. Amendment to the Purchase Agreement. Subject to the Satisfaction of the conditions precedent set forth in Section 3 hereof, the Purchase Agreement is hereby amended as follows:

2.1 Section 4.1 of the Purchase Agreement is hereby amended to add the following paragraphs to the end of such Section:

"(l) Leverage Ratio. The ratio of the Total Liabilities to Tangible Net Worth in respect of the Originator as of the end of any fiscal quarter to not exceed 6.5 to 1 at any time."

"(m) Minimum Interest Coverage Ratio. The ratio of EBIT to Interest Expense in respect of the Originator, as of the end of any fiscal quarter and calculated in respect of the 12 month period then ended, to equal or exceed 2.0 to 1 at all times."

2.2 Section 4.2 of the Purchase Agreement is hereby amended to add the following paragraph to the end of such Section:

"(f) Restrictions on the Indebtedness of Subsidiaries. The Originator shall not permit its Subsidiaries, individually or in the aggregate, to incur or, at any time, be obligated with respect to Indebtedness to third parties in an aggregate principal amount greater

than \$50,000,000 (if such amount is denominated in other than U.S. dollars, such amount shall be converted to U.S. dollars on the date such Indebtedness is incurred with respect to the exchange rate set forth in the Wall Street Journal on such date)."

2.3 The Purchase Agreement is hereby amended to delete all references to the words "Performance Undertaking" contained therein.

2.4 Exhibit I to the Purchase Agreement is hereby amended to add the following defined terms thereto (in the appropriate alphabetical order):

"EBIT" means, with respect to any entity for any accounting period, net income (or net loss) (excluding extraordinary items) plus any amount which, in the determination of net income (or net loss) for such period, has been deducted for (a) interest expense and (b) income tax expense, in each case determined in accordance with generally accepted accounting principles consistently applied.

"Interest Expense" means, with respect to any entity for any accounting period, the gross interest expense of such entity during such accounting period, determined in accordance with generally accepted accounting principles consistently applied.

"Tangible Net Worth" means, with respect to any entity, the excess of total assets over total liabilities, total assets and total liabilities each to be determined in accordance with generally accepted accounting principles, excluding, however, from the determination of total assets goodwill, organizational expenses, research and development expenses, trademarks, trade names, copyrights, patents, patent applications, licenses and rights in any thereof, unrealized gains (losses) on marketable securities, and equity adjustments from foreign currency translation and other items which are treated as intangibles in conformity with generally accepted accounting principles.

"Total Liabilities" means, with respect to any entity, all obligations which in accordance with generally accepted accounting principles would be included in determining total liabilities as shown on the liabilities side of a balance sheet of such entity, including, without limitation, all indebtedness for borrowed money.

2.5 Exhibit I to the Purchase Agreement is hereby amended to delete clause (ii) of the defined term "Eligible Receivable" contained therein in its entirety and to substitute the following therefor:

"(ii) the Obligor of which is not (a) both (1) an Obligor, together with its Affiliates, on Receivables having an aggregate Outstanding Balance of \$1,000,000 or

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more and (2) an Obligor in respect of which 25% or more of the aggregate Outstanding Balance of its Receivables remain unpaid for 116 days or more after the original invoice date or is identified on the Seller's books and records as being disputed, or (b) an Obligor, together with its Affiliates, in respect of which \$3,000,000 or more of the aggregate Outstanding Balance of its Receivables remain unpaid for 116 days or more after the original invoice date or is identified on the Originator's books and records as being disputed,"

2.6 Exhibit I to the Purchase Agreement is hereby amended to delete the defined term "Performance Undertaking" contained therein in its entirety.

Section 3. Conditions Precedent. This Amendment shall become effective and be deemed effective as of December 31, 1998 (the "Effective

Date") subject to the condition precedent that the Agent shall have received four (4) counterparts of this Amendment duly executed by the Originator, the Buyer, Falcon, the Investors and the Agent.

Section 4. Covenants, Representations and Warranties of the Originator.

4.1 Upon the effectiveness of this Amendment, the Originator hereby reaffirms all covenants, representations and warranties made in the Purchase Agreement to the extent the same are not amended hereby and agrees that all such covenants, representations and warranties shall be deemed to have been remade as of the Effective Date.

4.2 The Originator represents and warrants that this Amendment has been duly authorized, executed and delivered by it pursuant to its corporate powers and constitutes a legal, valid and binding obligation of such party, enforceable against it in accordance with its terms.

4.3 Neither the execution and delivery by the Originator of this Amendment, nor the consummation of the transactions herein contemplated, nor compliance with the provisions hereof will violate any law, rule, regulation, order, writ, judgment, injunction, decree or award binding on the Originator or the Originator's articles of incorporation or by-laws or the provisions of any indenture, instrument or agreement to which the Originator is a party or is subject, or by which its or its property, is bound, or conflict with or constitute a default thereunder.

Section 5. Reference to and Effect on the Purchase Agreement.

5.1 As of the Effective Date, each reference in the Purchase Agreement to "this Agreement", "hereunder", "hereof", "herein", or words of like import shall mean and be a reference to the Purchase Agreement as amended hereby, and each reference to the Purchase Agreement in any other document, instrument or agreement executed and/or delivered in connection with the Purchase Agreement shall mean and be a reference to the Purchase Agreement as amended hereby.

5.2 Except as specifically amended above and in connection herewith, the Purchase Agreement and all other documents, instruments and agreements executed and/or

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delivered in connection therewith shall remain in full force and effect and are hereby ratified and confirmed.

5.3 The execution, delivery and effectiveness of this Amendment shall not operate as a waiver of any right, power or remedy of the Buyer, or the Agent (as its assignee) under the Purchase Agreement or any other document, instrument or agreement executed in connection therewith, nor constitute a waiver of any provision contained therein, except as specifically set forth herein.

Section 6. Costs and Expenses. The Originator hereby agrees to pay all costs, fees and out-of-pocket expenses (including, without limitation, the attorneys' fees and time charges of attorneys for the Agent (as the Buyer's assignee), which attorneys may be employees of the Agent) incurred by the Agent in connection with the preparation, execution and enforcement of this Amendment.

Section 7. Execution in Counterparts. This Amendment may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.

SECTION 8. GOVERNING LAW. THIS AMENDMENT SHALL BE CONSTRUED IN ACCORDANCE WITH THE INTERNAL LAWS (AND NOT THE LAW OF CONFLICTS) OF THE STATE OF ILLINOIS.

Section 9. Headings. The headings in the Sections and clauses of this Amendment are for convenience of reference only and shall not limit or otherwise affect any of the terms hereof.

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IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed by their respective officers thereunto duly authorized as of the date first above written.

AMKOR TECHNOLOGY, INC., successor
by merger to Amkor Electronics, Inc.

By: /s/ KENNETH JOYCE

Name: Kenneth Joyce
Title: Vice President

AMKOR RECEIVABLES CORP.

By: /s/ DANIEL A. BALKIT

Name: Daniel A. Balkit
Title: Vice President

Consented to this 31st day of
December, 1998 by:

FALCON ASSET SECURITIZATION
CORPORATION

By:

Name:
Title:

THE FIRST NATIONAL BANK
OF CHICAGO, as an Investor and as Agent

By:

Name:
Title:

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IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed by their respective officers thereunto duly authorized as of the date first above written.

AMKOR TECHNOLOGY, INC., successor
by merger to Amkor Electronics, Inc.

By:

Name:
Title:

AMKOR RECEIVABLES CORP.

By: _____

Name:
Title:

Consented to this 31st day of
December, 1998 by:

FALCON ASSET SECURITIZATION
CORPORATION

By: /s/ YUTI HAMA

Name: Yuti Hama
Title: Authorized Signer

THE FIRST NATIONAL BANK
OF CHICAGO, as an Investor and as Agent

By: /s/ YUTI HAMA

Name: Yuti Hama
Title: Authorized Signer

LOAN AGREEMENT

This Loan Agreement ("Agreement") is made and entered into this 30th day of January 1998 by and between Amkor Electronics, Inc. ("Amkor"), 1345 Enterprise Drive, West Chester, Pennsylvania 19380 and Mr. John Boruch, c/o 1900 South Price Road, Chandler, Arizona 85248 ("Borrower").

1. LOAN

Subject to and in accordance with this Agreement, its terms, conditions, and covenants, Amkor agrees to lend to Borrower the principal amount of One Hundred Twenty Thousand Dollars (\$120,000.00) ("Loan").

2. INTEREST

The Loan will bear interest on the unpaid principal at an annual rate of seven percent (7%). In the event of a default in payment, the aforesaid interest rate shall apply to the total of principal and interest due at the time of default.

3. PAYMENT

Payments on the Loan will be made annually in the amount of Twenty-Nine Thousand Two Hundred Sixty-Six Dollars and Eighty-Eight Cents (\$29,266.88). (See payment schedule attached hereto as Exhibit A.) The Loan may, at any time and from time to time, be paid or prepaid, in whole or in part, without premium or penalty. Upon the payment of the outstanding principal in full or all of the installments, if any, the interest on the Loan shall be computed and a final adjustment and payment of interest shall be made within five (5) days of the receipt of notice. Interest shall be calculated on the basis of a three hundred sixty (360) day year and the actual number of days elapsed.

4. NOTE

The Loan shall be evidenced by a Note in the form attached hereto as Exhibit B (the "Note") executed by the Borrower and delivered to Amkor upon execution of this Agreement.

5. INDEMNITY

Borrower shall fully indemnify Amkor from and against any commercially reasonable expense, loss, damage, or liability which it may suffer or incur as a consequence of any event of default or in seeking to enforce this Agreement. This shall include, but not be limited to, attorney's fees.

6. DEFAULT

Borrower shall be in default: (i) if any payment due hereunder is not made within thirty (30) days of the date due; (ii) in the event of assignment by Borrower for the benefit of

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creditors; or (iii) upon the filing of any voluntary or involuntary petition in bankruptcy by or against Borrower.

7. GOVERNING LAW

This Agreement shall be governed by and interpreted in accordance with the laws of the Commonwealth of Pennsylvania, USA. Borrower hereby consents and submits to the personal jurisdiction of the courts located in the Commonwealth of Pennsylvania and waives any other venue to which Borrower might in any way be entitled, by virtue of domicile or otherwise. Borrower agrees that the federal and state courts of the Commonwealth of

Pennsylvania shall exclusively have jurisdiction in regard to any dispute arising under this Agreement.

8. MISCELLANEOUS

8.1 No amendment to this Agreement shall be effective unless and until reduced to a writing and duly executed for and on behalf of the parties hereto.

8.2 If any provisions of this Agreement become invalid, illegal, or unenforceable in any respect under any law, the validity, legality, and enforceability of the remaining provisions shall not in any way be affected or impaired.

INTENDING TO BE LEGALLY BOUND, the parties hereto have caused this Agreement to be executed as of the date first above written.

Amkor Electronics, Inc.

By: [SIG]

John Boruch

By: [SIG]

Frank J. Marcucci
Executive Vice President

PROMISSORY NOTE

\$120,000.00

7% Interest Per Annum
January 30, 1998

In installments, as set forth, for value received, the undersigned, John Boruch promises to pay Amkor Electronics, Inc., a Pennsylvania corporation, 1345 Enterprise Drive, West Chester, Pennsylvania 19380, the sum of One Hundred Twenty Thousand Dollars (\$120,000.00), together with interest from the date above on the unpaid principal balance due at the rate of seven percent (7%) per annum. Principal and interest shall be payable yearly in installments of Twenty-Nine Thousand Two Hundred Sixty-Six Dollars and Eighty-Eight Cents (\$29,266.88) beginning on December 31, 1998 and continuing each December 31 until the loan amount and interest have been paid in full.

Should interest not be paid when due it shall thereafter bear interest at the same rate as the principal, but such unpaid interest so compounded shall not exceed an amount equal to the maximum rate of interest permitted by law computed on the unpaid principal balance. All payments shall be payable in lawful currency of the United States of America. The undersigned agrees to pay all costs of collection including reasonable attorneys' fees.

This Note may be prepaid at any time or from time to time in whole or in part without penalty, premium or permission. Any partial payment under this section shall be applied to the installments of the Note in the inverse order of their maturities.

This Note is the Note referred to in a certain Loan Agreement between John Boruch and Amkor Electronics, Inc. dated the 30 day of January 1998 and is subject to all of the terms and provisions of the Agreement.

[SIG]

John Boruch

PRINCIPAL 120,000.00

INTEREST 7%
TERM (YEARS) 5

ANNUAL PAYMENT 29,266.88

YEAR	PRINCIPAL BEGINNING	PAYMENT	INTEREST	PRINCIPAL REDUCTION	PRINCIPAL ENDING
1	120,000.00	29,266.88	8,400.00	20,866.88	99,133.12
2	99,133.12	29,266.88	6,939.32	22,327.57	76,805.55
3	76,805.55	29,266.88	5,376.39	23,890.49	52,915.06
4	52,915.06	29,266.88	3,704.05	25,562.83	27,352.23
5	27,352.23	29,266.88	1,914.66	27,352.23	0.00

SHAREHOLDERS' AGREEMENT

This Shareholders' Agreement is made as of this date of April 10, 1998
by and among

(1) Acer Incorporated, a corporation duly incorporated and existing under the laws of the Republic of China, having its registered office at No. 7, Shin-An Road, Science-Based Industrial Park, Shin-Chu, Taiwan, Republic of China (hereinafter referred to as ("Acer")).

(2) Taiwan Semiconductor Manufacturing Company Ltd, a corporation duly incorporated and existing under the laws of the Republic of China, having its registered office at No. 121, Park Ave., 3, Science-Based Industrial Park, Shin-Chu, Taiwan, Republic of China (hereinafter referred to as ("TSMC"));

(3) Chinfon Semiconductor & Technology Co., Ltd., a corporation duly incorporated and existing under the laws of the Republic of China, having its registered office at No. 11 Jung Yeh 1st Rd., Ping Chen Industrial Zone, Taoyuan, Taiwan, Republic of China (hereinafter referred to as ("CHINFON"));

(4) Scientek International Investment Co. Ltd, a corporation duly incorporated and existing under the laws of the Republic of China, having its registered office at 14F, #307, Pei-Da Road, Hsin-Chu, Taiwan, Republic of China (hereinafter referred to as ("UTC"));

(5) Anam Industrial Co Ltd, a corporation duly incorporated and existing under the laws of the Republic of Korea, having its registered office at 280-8 Sungsu 2ga, Sungdong-Ku, Seoul 133-120, Korea ("AICL"); and

(6) Amkor Electronics Inc., a company organized and existing under the laws of the State of Delaware, United States of America, having its main office located at 1345 Enterprise Drive, Westchester, Pennsylvania 19380, USA ("AMKOR") (AICL and AMKOR hereinafter collectively referred to as "ANAM").

WITNESSETH

WHEREAS, the parties hereto intend to incorporate, through joint venture arrangement, a company limited by shares in the Republic of China to engage in manufacturing of integrated circuit structure housing packages and other related business.

NOW, THEREFORE, in consideration of the premises hereinabove made, the parties hereto agree as follows:

ARTICLE 1

Formation and Purpose of the JV Company

1.1 The parties hereto shall, in accordance with the Company Law and applicable laws and regulations of the Republic of China, jointly incorporate a company limited by shares (the "JV Company") to be engaged in manufacturing of integrated circuit structure housing packages and other related business (the "Business Objective"). The JV Company shall have the Chinese name [CHINESE LANGUAGE] and the English name "Taiwan Semiconductor Technology Corporation" and shall be located in the Republic of China or any other location as decided by the Board of Directors of the JV Company. All the parties hereto agree that they shall not cause or allow the JV Company to engage in any business other than the Business Objective as set forth herein without (a) an amendment to this Agreement as agreed to by all the parties hereto; (b) the resolution of the

shareholders meeting of the JV Company, if necessary; and (c) all appropriate governmental or other approvals, if necessary.

1.2 The Articles of Incorporation of the JV Company shall be in the form and with the content as stated in Exhibit 1 hereof and shall constitute a part of this Agreement. In the event of a conflict between the terms of this Agreement and those of the Articles of Incorporation, the parties hereto, intend that the terms of this Agreement shall prevail and the parties agree to vote their shares in a shareholders meeting of the JV Company to eliminate such conflict or inconsistency by amendment of the Articles of Incorporation to the fullest extent permitted by the Company Law and the competent government authority.

1.3 Subject to the Business Objective of the JV Company as specified in Section 1.1 hereinabove, the JV Company's business activities as registered with the competent government authority shall be as follows:

(1) Housing packages of integrated circuit structures; as well as research, development, manufacturing, assembling, processing, testing and sale of materials and equipment relating thereto.

(2) Import and export of materials or equipment for housing packages of integrated circuit structures, and other related import and export business; and

(3) Maintenance of equipment for housing packages of integrated circuit structures.

ARTICLE 2

Authorized Capital; Issuance of Shares

2.1 The JV Company shall only issue common shares that shall be represented by registered share certificates. Each share shall have a par value of Ten New Taiwan Dollars (NT\$10), and unless otherwise specified by relevant laws or articles of incorporation of the JV Company, shall have a full voting power.

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2.2 The total number of authorized shares to be issued by the JV Company shall be 500,000,000 shares (each a "Share", collectively, the "Shares") representing a total equity capital in the amount of NT\$5,000,000,000. The total 500,000,000 shares representing a total paid-in capital in the amount of NT\$5,000,000,000 to be issued by installments, 125,000,000 shares representing a total paid-in capital in the amount of NT\$1,250,000,000 shall be issued at the time of incorporation of the JV Company ("Initial Capitalization").

2.3 The parties hereto agree to subscribe and pay in cash for the 500,000,000 shares to be issued by the JV Company in accordance with the following percentages to incorporate and make capital contributions to the JV Company:

Name of Subscriber -----	Number of Shares -----	Capital Contribution -----	Shareholding (in %) -----
-----------------------------	------------------------------	----------------------------------	---------------------------------

Acer Group
TSMC
CHINFON
UTC
ANAM

[*]

It is agreed that capital contributions allocated to be made by Acer Group pursuant to this Section 2.3 shall be made by Acer or its subsidiaries.

2.4 Within seven (7) days after the execution of this Agreement (the "Payment Period"), each party shall deposit its capital contribution for the Initial Capitalization into the bank account opened in the name of the preparatory office of the JV Company to subscribe to the shares of the JV Company pursuant to Article 2.2 and 2.3 hereof. In the event that any party fails to pay its capital contribution for the shares subscribed by it for the Initial Capitalization before the expiration of the Payment Period, the remaining parties shall negotiate and consequently reach an agreement to have such unsubscribe Shares of the defaulting party to be subscribed, within 15 days following the close of the Payment Period, by the remaining parties or agreed third parties. Otherwise the remaining parties shall be entitled to recover their capital contribution made to the JV Company within 30 days after the expiration of the Payment Period.

Capital contributions other than those for the Initial Capitalization shall be made by each party in accordance with resolutions of the board of directors of the JV Company.

Except as otherwise stipulated herein, at each stage of capital increases after the incorporation of the JV Company, a certain percentage of the newly issued shares of the JV Company shall be reserved for subscription by the employees of the JV Company in accordance with the Company Law. In case the employees waive the rights to subscribe, or fail to subscribe the full amount of such reserved shares at the rights offering of the JV Company, the parties hereto shall be entitled to subscribe such unsubscribe shares in proportion to their then respective shareholdings.

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* CERTAIN INFORMATION ON THIS PAGE HAS BEEN OMITTED AND FILED SEPARATELY WITH THE COMMISSION. CONFIDENTIAL TREATMENT HAS BEEN REQUESTED WITH RESPECT TO THE OMITTED PORTIONS.

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With respect to the shares of the JV company not so subscribed by the employees and the shareholders of the JV Company, the Board of Directors of the JV Company may directly negotiate with third party for subscription, provided, however, that (i) the JV Company shall cause the third party so subscribe to the shares of the JV Company execute a counterpart of this Agreement and become a party of this Agreement and that (ii) such third party cannot be engaged in the business of manufacturing, assembling or testing semiconductor device.

ARTICLE 3

Structure and Management of the JV Company

3.1 The JV Company shall have a Board of Directors composed of Seven (7) Directors and shall have Two (2) Supervisors all to be designated by parties hereto according to the following members:

Name of Party	Number of Directors to be Designated	Number of Supervisors to be Designated
ACER	Two (2)	One (1)
TSMC	Two (2)	One (1)
CHINFON	One (1)	

UTC	One (1)
ANAM	One (1)

3.2 The Director and Supervisor of the JV Company may serve a term of three (3) years and may be re-elected.

3.3 Before completion of the term of office of a Director or Supervisor, the party that designated the early discharged Director or Supervisor shall re-designate a successor to complete the remaining time of term of his or her predecessor.

3.4 The day-to day management of the JV Company including the formulation of all pricing, sales, marketing, budgeting and operating plans and policies shall be the responsibility of the General Manager. The General Manager shall be nominated by and approved by the Board of Directors of the JV Company. The General Manager shall report to the Board of Directors of the JV Company.

3.4.1 The General Manager shall:

(1) be responsible to the Board of Directors for management of the day-to-day operation of the JV Company in accordance with resolutions of meetings of the Board of Directors and the Meetings of Shareholders,

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(2) be responsible for preparation of the JV Companys' financial statements and annual business plan and budget for the next fiscal year in accordance with the Articles of Corporation of the JV Company.

(3) supervise and administer personnel employment, discharge, dispatch and remuneration and execution of personnel policies, and

(4) have such other powers and duties in connection with management and operation of the JV Company as delegated by the resolutions of the Board of Directors and the Meetings of Shareholders from time to time.

3.4.2 The General Manager shall submit the annual business plan and budget for the next fiscal year to the Board of Directors for examination and approval each year. The annual business plan and budget shall include comprehensive information in detail with respect to operation and management and the estimated income and expenditures of the JV Company for the next fiscal year.

3.4.3 The General Manager shall keep the Board of Directors advised of the current status of material developments relating to the business operation of the JV Company of which he is aware.

3.5 The JV Company shall have a Chief Financial Officer to be approved by the Board of Directors of the JV Company.

3.6 Chairman of the Board of Directors of the JV Company shall be designated by ACER to be elected by the Directors at the Board Meeting, who shall externally represent the JV Company and preside at meetings of the Board of Directors and Shareholders. When the Chairman is absent, provided that there is not a Vice Chairman having been elected, he will designate a Director to preside at such meetings in his place and in the absence of such a designation, the Directors shall elect one from among themselves to act on behalf of the Chairman.

3.7 The authority of the Chairman of the Board or any officer of the JV Company shall be subject to any applicable resolutions of the Board of Directors and Meetings of Shareholders defining or limiting the authority thereof.

Board of Directors

4.1 Meeting of the Board of Directors shall be convened at least once every three months. However, the Chairman of the Board of Directors may convene the meeting whenever it is deemed necessary.

Unless otherwise provided for herein or in the Company Law, resolutions of the Board of Directors shall be adopted by majority of votes of the Directors present at a meeting attended by majority of Directors of the JV Company.

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ARTICLE 5

Fiduciary Duties

Each of the parties acknowledges that the JV Company has been formed as a corporation in order to take advantage of certain attributes of the corporate form in operating the joint venture. The parties shall be in good faith and under fiduciary duties pursuant to Company Law and other competent laws, to act as shareholders, directors or supervisors of the JV Company.

ARTICLE 6

Shareholders' Meeting

6.1 Unless otherwise provided for herein or in the Company Law, the resolutions of the Shareholders' Meeting of the JV Company shall be adopted by majority votes of the shareholders present at a meeting attended by shareholders representing 51% or more of the total shares issued by the JV Company.

ARTICLE 7

Dispositions of Shares, Restrictions

7.1 Unless otherwise agreed by prior written consents of all the other parties, or to the extent allowed by other articles in this Agreement, the parties hereto agree that within three years after incorporation of the JV Company, they shall not sell, dispose of, assign, pledge or create any encumbrance on the Shares then held by them, and shall not waive, or dispose of rights of Shares, or take any action which results in the dilution of the shareholding ratios for each party pursuant to Section 2.3.

7.2 Subject to the provisions of the preceding paragraph, if any Subscriber (the "Selling Party") desires to sell all or part of its shares (the "Offered Shares") in the Company, the Selling Party shall first obtain a bona fide written offer (which offer shall be accompanied by a good faith deposit in the form of a certified check equal to at least ten percent of the purchase price) from the party desiring to purchase the Offered Shares, which offer shall set forth the name and address of the prospective purchaser, the number of the Offered Shares, the prospective purchase price and the other terms and conditions of such offer, and the Selling Party shall first offer to the other parties hereto on a pro rata basis in writing to sell the Offered Shares. After receipt of the written notice, each of the other parties shall have thirty (30) days (the "Exercising Period") to elect, by a written notice to the Selling Party, that it will purchase all or part of the Offered Shares in proportion to its shareholding. If any of the other parties fails to purchase the Offered Shares purchasable by such a party within the Exercising Period, the Offered Shares purchasable by it may be purchased within thirty days after the expiration of the Exercising Period by other parties hereto willing to make such purchase in proportion to their respective shareholdings.

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7.3 In case any of the other parties elects to purchase the Offered Shares within the Exercising Period, the purchase shall be completed within thirty (30) days (the "Closing Period") after the written notice has been given to the Selling Party.

7.4 If all the other parties fail to notify the Selling Party of their willingness to purchase all of the Offered Shares within the Exercising Period or thirty (30) days subsequent to the Exercising Period, as the case may be, or if the purchase has not been completed within the Closing Period, the Selling Party may offer the unsold Offered Shares to any bona fide third person provided, however, that (i) the purchase price and terms offered by the bona fide third party shall not be more favorable than those offered to the other parties hereto; (ii) any such purchase must be completed within thirty (30) days ("30-day period") following the expiration of the Closing Period; and that (iii) the bona fide third person cannot be engaged directly or indirectly in the business of manufacturing, assembling or testing semiconductor devices. If there are any Offered Shares left undisposed by the end of the 30-day period, the Selling Party may reduce the purchase price or change the selling terms and offered to sell such unsold Offered Shares provided, however, that the sale shall first be offered to the other parties hereto in accordance with the foregoing procedures.

7.5 If any the other parties (the "Purchasing Party") elects to purchase the Offered Shares within the Exercising Period, the Purchasing Party shall have the option to designate one of its affiliated companies to subscribe all or part of the Offered Shares the Purchasing Party elects to purchase.

7.6 The selling party shall cause the bona fide third party to whom any Share of the Company is transferred pursuant to this Agreement to execute a counterpart hereof so as to enable the transferee to become a party to this Agreement and be entitled to the same rights and subject to the same obligations as a party to this Agreement.

7.7 If any party hereto violates any of the provisions of this Agreement, in addition to compensating the non-defaulting parties all losses and damages and expenses incurred therefrom (including arbitration fee, legal expenses and counsel fee), it shall be liable for payment of punitive damages to the non-defaulting parties (to be allocated among the non-defaulting parties in proportion to their respective shareholding ratio) in an amount equivalent to ten times as much as the par value of the shares which have been arbitrarily transferred or otherwise encumbered.

7.8 It is understood and agreed that the restriction on transfer of Shares stipulated in this Article 7 shall be terminated immediately upon listing of the Shares on any stock exchange, or any other-the-counter trading system (Such as the Taiwan OTC).

7.9 For all the purposes contemplated in this Article 7, Shares referred herein shall include such shares issued by the Company upon incorporation for its Initial Capitalization, and those Shares issued thereafter for any capital increase of cash contributions and reserves of the JV Company.

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ARTICLE 8

Preferred Vendor

8.1 Each of the parties agrees in principle to grant priority to the JV Company as its vendor subject to terms to be agreed upon.

ARTICLE 9

Fiscal Methods and Procedures

9.1 The JV Company shall maintain its books and records, and prepare its periodic statements, of accounts in accordance with accounting practices and procedures established by the Board, which shall be in accordance with generally accepted accounting standards and practices and with applicable requirements of ROC law.

9.2 The JV Company shall submit the financial and other operating reports on a quarterly basis to each party. The fiscal year of the JV Company shall begin on the first day of January and end on the last day of December of each year.

9.3 An internationally recognized auditor to be appointed by the Board of Directors of the JV Company shall be engaged as the independent public accountant of the JV company to perform an annual audit of the financial records of the JV Company at its expense. In addition, each party hereto may, at its own expense, assign its independent accountants to make financial reviews, audits and other investigations on the books of the JV Company and to report thereon to all the parties and the JV Company cooperate fully in any such review, audit or other investigation.

ARTICLE 10

Initial Public Offerings

It is the objective of the parties to the Agreement to work toward a public listing of the JV Company on the Taiwan Stock Exchange ("TSE"), or any other recognized stock exchange or the Taiwan over-the-counter trading system ("OTC") (each, a "Recognized Stock Exchange") within five (5) years after incorporation of the JV Company. The parties hereto agree to use their commercially reasonable efforts to cause the JV Company to apply for initial public offering and listing of the Shares on a Recognized Stock Exchange subject to maintenance of the material rights of the parties under this Agreement. Notwithstanding the provision of Article 7, if it is required that certain Shares should be offered for sale to the public/third parties during an Initial Public Offering, the parties agree to offer Shares in proportion to their respective shareholdings.

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ARTICLE 11

Representations, Warranties and Authorization

11.1 Each of the parties hereby represents and warrants that in case it is a juristic person, it has been organized and incorporated and is existing in accordance with applicable laws and has been authorized by its respective Board of Directors or meeting of Shareholders to sign and perform this Agreement, in case any of the parties is a natural person, he or she has the complete power, legal right, and any other necessary legal capacity to sign and perform this Agreement.

11.2 Each of the parties hereby represents and warrants respectively that nothing may bar the party from executing this Agreement or performing any obligation under this Agreement or may impede the JV Company's executing other agreements contemplated to be executed under this Agreement or performing any obligation under such agreement.

11.3 Each of the parties hereby represents that each of them has had the opportunity to raise inquiries and has the ability to make its own determination about the wisdom of investing in the JV Company and to withstand, the loss of its investment in the JV Company.

11.4 Each party represents and warrants that no person has or will have, as a result of the transactions contemplated by this Agreement, any rights, interest or valid claim against or upon the JV Company or any other party hereto for any commission, fee or other compensation as a finder or broker

because of any act or omission by such party or any agent of such party. Each party agrees to indemnify and hold the JV Company and each other party hereto harmless against any and all costs and liabilities as a result of any such claim arising from any such act or omission by such party.

ARTICLE 12

Confidentiality

Except for business requirement or unless otherwise required by applicable laws and regulations, no parties hereto shall disclose to any third person any confidential document, information, trade secrets or other matters relating to the business operation of the JV Company and shall not, by making use of the aforesaid information, conduct any de factor or de jury activity which leads to any competition against the interest of the JV Company. Each party hereto shall still have the obligation of non-disclosure within five years after it has ceased being a party to this Agreement or after the termination of this Agreement.

ARTICLE 13

Term and Termination

13.1 This Agreement shall continue in full force and effect from the date of execution until the dissolution of the JV Company or sooner terminated in accordance with this Agreement.

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13.2 Except as otherwise provided for herein, this Agreement may be terminated upon occurrence of any of the following events.

(1) In the event that any party is insolvent, bankrupt or placed in the hand of a receiver, transferee, other custodian or liquidator, or becomes unable to perform its obligation under this Agreement, the other parties may agree to terminate this Agreement; or

(2) If any party breaches any of the covenants and stipulations herein contained, any other parties may serve on the defaulting party a written notice specifying the breach and requiring the defaulting party within thirty (30) days to cure the same. If the defaulting party has not within the said period of thirty (30) days complied with the notice to cure the breaches, this Agreement, may be terminated by agreement by all of the non-defaulting parties upon the expiration of the thirty (30) days period.

13.3 Unless otherwise agreed upon by all the parties in writing, the parties terminating the Agreement pursuant to Article 13.2(2) above shall be entitled to the following in order of preference.

(1) offer to purchase, or sell, the Shares in the JV Company (pro rata among themselves unless they otherwise agree in the case of purchase of, the Shares) from, or to, the defaulting party at a price to be negotiated in good faith by the parties. In attempting to reach a fair price of the Shares, the parties shall utilize all then available resources in arriving at such price, including but not limited to, use of generally accepted valuation methodologies and such other assistance and practices commonly used in the Republic of China for this purpose. If, after exhausting all, available resources, the parties still cannot agree on a price for the Shares, the non-defaulting parties as a group and the defaulting party shall each appoint one investment banker/appraiser in the Republic of China to determine a fair price. If the prices of the Shares so determined by said investment bankers/appraisers vary (as measured by the higher price) by more than 20%, a third investment banker/appraiser shall be selected by the investment bankers/appraisers initially selected by the Parties. The opinion of the third investment banker/appraiser shall be final. In the case where the prices so determined by the initially selected investment bankers/appraisers vary by less

than 20%, the parties shall attempt to negotiate the difference, otherwise, the midpoint of the two prices shall be deemed the final price of the Shares (the "Transferred Price"). The non-defaulting parties as a group and the defaulting party shall each pay the fees and expenses of its respective investment banker/appraiser and the third investment banker/appraiser equally.

(2) dissolve and liquidate the JV Company in accordance with the Company Law

13.4 The termination of this Agreement shall not release any party from any liability which at the time of termination has already accrued, and such termination shall not affect such of the provisions of this Agreement as are expressed or intended to survive, operate or have effect thereafter.

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ARTICLE 14

Non-competition

Neither of the parties shall be under any obligation to the other parties hereto for non-competition in the business as operated by the JV Company. In case any of the parties is subsequently selected to be a director of the JV Company and the approval therefor given by the shareholders of the JV Company is required in accordance with Article 209 of the Company Law, the other parties shall exercise their voting powers to cause the shareholders' meeting to adopt such approval.

ARTICLE 15

Notices

15.1 Written notice and other communication required or permitted to be given under this Agreement shall be delivered by hand, or sent by registered mail with acknowledged receipt, and shall be considered to be duly served when delivered to the parties at the addresses given above or at such other address as either party shall have specified in a written notice to the other party.

ARTICLE 16

Assignment

16.1 Unless otherwise provided for herein, any right and obligation set forth in this Agreement shall not be assigned by any party hereto to any third party without written consent of the other parties.

ARTICLE 17

Amendment

17.1 Unless otherwise provided for herein, any amendment or addition to this Agreement must be made in writing and signed by the parties hereto.

17.2 After the JV Company's Board of Directors has approved the submission of applications for trading the Shares on any Recognized Stock Exchange the parties hereto agree to review the terms and conditions of this Agreement and negotiate in good faith in concluding an amendment to this Agreement to be in compliance with the applicable trading requirements, subject to maintenance of the material rights of the parties under this Agreement.

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ARTICLE 18

Implementation of Agreement

18.1 The parties hereto undertake to perform this Agreement in good faith and to respect the spirit and intent of the terms and conditions of this Agreement.

18.2 Each party hereto undertakes to, exercise its voting power at the shareholders meeting of the JV Company, to cause its representatives acting as directors or supervisors of the JV Company to exercise their powers and voting power as directors or supervisor, and to cause its nominee officers, or managers of the JV Company to act in such manner as willfully enable the performance of the terms and conditions of this Agreement.

18.3 AICL and AMKOR hereby agree to jointly and separately have rights and undertake liabilities accrued to ANAM in accordance with terms and conditions of this Shareholders' Agreement.

ARTICLE 19

Governing Law

This Agreement will be construed and performed in accordance with the laws of the Republic of China.

ARTICLE 20

Arbitration

In case of any dispute relating to or arising from this Agreement, the parties hereto through discussions and negotiation in good faith shall settle it. Failure to settle the dispute accordingly, the parties hereto agree to submit to the arbitration to be held in Taipei in accordance with the provisions of the Commercial Arbitration Act of the Republic of China.

ARTICLE 21

Disclaimer of Agency, Partnership, Etc.

This Agreement is not intended and shall not be deemed to constitute any parties hereto as the legal representative, agent or partner of the other parties, nor shall any shareholders have the right or authority to assume, create or incur any liability or any obligation of any kind, expressed or implied, against or on behalf of the other parties.

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Acer Incorporated

By /s/ George Huang

George Huang
Corporate General Contoller

Taiwan Semiconductor Manufacturing Company Ltd.

By /s/ Fing-Chuprns Wang

Fing-Chuprns Wang
President

Chinfon Semiconductor & Technology Co., Ltd.

By /s/ Alex K.Y. Tsai

Alex K.Y. Tsai
President

Scientek International Investment Co., Ltd.

By /s/ C.C. Tsai

C.C. Tsai
Chairman

Anam Industrial Co. Ltd.

By /s/ Steven M. Kim

Steven M. Kim, Attorney-in-fact for James J. Kim

Amkor Electronics, Inc.

By /s/ Steven M. Kim

Steven M. Kim, Attorney-in-fact for James J. Kim

PHASE 2 TECHNICAL ASSISTANCE AGREEMENT

This Technical Assistance Agreement, including the attachments hereto (this "Agreement"), dated as of January 1, 1998 is made by and between TEXAS INSTRUMENTS INCORPORATED, a Delaware, U.S.A. corporation, with its principal place of business at 13500 North Central Expressway, Dallas, Texas 75265, U.S.A. ("TI"), and ANAM INDUSTRIAL CO., LTD., a corporation of the Republic of Korea, with its principal place of business at Seoul, Republic of Korea ("Anam"). TI and Anam are hereinafter referred to individually by their respective names or as Party and collectively as Parties.

RECITALS

WHEREAS, TI, a global merchant-market semiconductor company, owns or possesses certain rights, title and interests in and to valuable Advanced Available Technology, Associated Technical Information, Trade and Industrial Secrets and other Technical Information, which relate to the manufacture of the Products (each term as hereinafter defined);

WHEREAS, Anam desires to obtain from TI certain Technical Assistance (as hereinafter defined) with respect to the manufacture of Products;

WHEREAS, TI is willing to provide to Anam certain Technical Assistance using Advanced Available Technology and Future Technology Nodes on the terms and conditions set forth below;

WHEREAS, TI desires to obtain a reliable, competitive, long-term source of TI Products (as hereinafter defined);

WHEREAS, Anam has made a considerable investment to construct and operate its Facility based in significant part on the expectation that it will receive the Technical Assistance using Advanced Available Technology and Future Technology Nodes from TI so as to establish Anam as a leading supplier of advanced foundry services, directly and through Amkor Electronics Inc. ("Amkor") and their Affiliates;

WHEREAS, TI has made a significant investment in the research and development of technology and has agreed to the transfer of technology based in significant part on the expectation that Anam will maintain the confidentiality of TI's Technical Information, Associated Technical Information and Technical Data provided hereunder and on the expectation that Anam and Amkor can provide a reliable, competitive, long-term source of TI Products.

WHEREAS, TI and Anam desire to establish a long-term, strategic relationship to accomplish the above stated objectives;

WHEREAS, TI and Anam entered into a Technical Assistance Agreement having an effective date of January 28, 1997 for Phase 1 of the Facility, as defined herein (the "Phase 1 TAA"); and

WHEREAS, Anam contemplates equipping Phase 2 of the Facility, as defined herein, in a manner compatible with TI's C07 process technology, and in such a manner as to meet the needs of the merchant foundry market, provided the Parties enter into this Agreement providing for, among other things, TI's transfer of such technology;

NOW, THEREFORE, for and in consideration of the mutual promises and covenants contained herein, the Parties, intending to be legally bound, hereby

agree as follows:

ARTICLE 1
DEFINITIONS

For purposes of this Agreement, the following words, terms and phrases shall have the meanings assigned to them in this Article 1 unless specifically otherwise stated. Furthermore, any defined term herein shall have a constant meaning regardless of whether it is used in its singular or plural form.

1.01 ADVANCED AVAILABLE TECHNOLOGY.

1.01.01 Advanced Available Technology shall consist of such CMOS logic process, Technical Information and Technical Data of TI which is within the technology set referred to within TI as "18C07, technology and which TI either has used or uses in commercial production of logic semiconductor devices or, following completion of TI's then-current productization process, considers usable in commercial production of TI Products and which TI may disclose or convey to Anam; Advanced Available Technology shall also include improvements and derivatives of the 18C07 core process, related split gate processes and future transistor improvements; provided, however, Advanced Available Technology shall not include, inter alia any DRAM, Flash, EPROM, and other merged technologies.

1.01.02 Advanced Available Technology shall not include any Technical Information relating to any product, device, apparatus, equipment, system, mask, computer program, hardware, or software other than that which directly relates to wafer fabrication and wafer test of TI Products.

1.02 AFFILIATE.

1.02.01 Any individual, corporation, partnership, joint venture, trust, unincorporated organization, or other business enterprise which, directly or indirectly, controls or is controlled by, or is under common control a Party, but only so long as such relationship is maintained. Notwithstanding the foregoing, Anam and Amkor and their respective Affiliates shall be deemed Affiliates for the purposes of this Agreement.

1.02.02 For purposes of Articles 2, 3 and Section 10.01.01 only of this Agreement, Texas Instruments - Acer Incorporated, KTI Semiconductor Limited, and TECH Semiconductor Singapore Pte. Ltd. each shall be deemed to be an Affiliate of TI only to the extent that (i) TI in its sole discretion elects to utilize any of those companies to carry out any of TI's duties under Articles 2, 3 and Section 10.01.01, or selects any of those companies to receive

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any of the rights of an Affiliate, and (ii) each abides by the confidentiality provisions of Article 10. TI shall have the right to amend this list of Affiliates, provided such entities satisfy the requirements of Section 1.02.01, from time to time upon notice to Anam.

1.03 ASSOCIATED TECHNICAL INFORMATION. Information of TI, other than Technical Information, relating to 25C10 and 18C07 CMOS logic processes, associated with TI Products and comparable products manufactured at TI, which processes are no longer on an active TI product or process roadmap and the development of which TI has discontinued.

1.04 CAPACITY. As defined in the Manufacturing and Purchase Agreement.

1.05 COPYRIGHTS. Rights under the U.S. copyright laws, as amended from time to time, and under any similar laws in countries other than the U.S.

1.06 EFFECTIVE DATE. The later of the date of execution by each Party

and the date on which is received all government approvals necessary for the performance of this Agreement.

1.07 FACILITY.

1.07.01 The completed wafer fabrication plant known as Anam Fabrication Buchon (AFB) 1, located at 222, Dodang-dong, Wonmi-gu, Buchon, Kyunggi-do, Korea 420-130, which Anam constructed in Buchon, Republic of Korea, in connection with the Phase 1 TAA, which Facility includes only a single 60 meter by 100 meter clean room.

1.07.02 The term Facility includes a wafer fabrication facility and equipment only, and shall not include facilities or equipment for assembly and testing of assembled Products.

1.08 FUTURE TECHNOLOGY NODES. Advanced Available Technology of TI's next node (anticipated to be 0.18 micron, 15C05) of CMOS logic processes or comparable processes that TI may develop and intends to qualify for TI's own use.

1.09 KOREAN LAWS. The laws, regulations, decrees and rules of the Republic of Korea.

1.10 MANUFACTURING AND PURCHASE AGREEMENT (MPA). The Manufacturing and Purchase Agreement of even date herewith between TI, Amkor and Anam.

1.11 MASKWORK RIGHTS. Rights under the U.S. Semiconductor Chip Protection Act of 1984, as amended from time to time, and under any similar laws in countries other than the U.S.

1.12 NON-TI PRODUCTS. Semiconductor wafers manufactured using 18C07 CMOS Advanced Available Technology, intended for sale and shipment to parties other than TI or its Affiliates.

1.13 PATENTS. (i) Patents, utility models and design patents under the laws of any country, (ii) any applications for patents, utility models and design patents that, when issued, will be comprehended by the foregoing, and (iii) any amendments, renewals or extensions of any of the foregoing.

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1.14 PHASE 1. That portion of the clean room within the Facility, the process capability of which, as currently contemplated by the Parties, is sufficient to manufacture approximately 15,000 wafer starts per month under the provisions of the Phase 1 TAA.

1.15 PHASE 2. That portion of the clean room within the Facility, the process capability of which, as currently contemplated by the Parties, is sufficient to manufacture approximately 10,000 wafer starts per month under the provisions of this Agreement.

1.16 PRODUCTS. TI Products and Non-TI Products.

1.17 PRODUCT QUALIFICATION. TI's written certification that TI Products and their manufacture have achieved a level of quality, consistency and reliability that meets or exceeds the Specifications in accordance with this Agreement.

1.18 RELATED FACILITY. As defined in Section 10.03 below.

1.19 SPECIFICATIONS. Such specifications relating to specific process flows which are supplied to Anam in writing by TI to describe, characterize, circumscribe and define the design characteristics, quality and performance of TI Products, manufacturing processes, manufacturing equipment or Product

Qualification and which are consistent with specifications which are applicable to the same process flows used in a TI facility comparable to the Facility.

1.20 SUBSIDIARY. Any corporation, other juridical enterprise, partnership or other business enterprise the majority of the voting shares of which is owned by a Party.

1.21 TECHNICAL ASSISTANCE. With respect to TI's performance of this Agreement, any and all consultation, advice, training or meetings relative to providing any Technical Information, Associated Technical Information or Technical Data.

1.22 TECHNICAL DATA. Any Technical Information embodied in or set forth on any tangible medium and including, without limitation, reports, memoranda, plans, prints, Specifications, material lists, machine drawings, software and instructions (whether in human or machine readable form).

1.23 TECHNICAL INFORMATION. Any information of TI which relates specifically to the manufacture, fabrication, and testing of TI Products and which is owned, developed, discovered or otherwise acquired by TI at any time prior to the expiration or termination of the Term of this Agreement.

1.24 TERM. The period during which this Agreement is in effect, as more specifically set forth in Article 15 of this Agreement.

1.25 TI COPYRIGHTS. All rights of TI under Copyrights, which rights are or were acquired by TI at any time prior to the expiration or termination -of this Agreement.

1.26 TI JOINT VENTURE. Any corporation, other juridical entity, partnership or other business enterprise, other than a Subsidiary, of which TI controls a minimum of ten percent (10%) of the voting rights with respect to the election of directors.

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1.27 TI MASKWORK RIGHTS. All rights of TI under Maskwork Rights, which rights are or were acquired by TI at any time prior to the expiration or termination of this Agreement.

1.28 TI PATENTS. All rights of TI under Patents, which rights are or were acquired at any time prior to the expiration or termination of this Agreement.

1.29 TI PRODUCTS. 18C07 CMOS logic semiconductor wafers manufactured by Anam using Advanced Available Technology intended for sale and shipment to TI based upon TI's design specifications in accordance with this Agreement and the MPA.

1.30 TRADE AND INDUSTRIAL SECRETS. Information including Technical Information and Associated Technical Information which (i) is treated as secret and confidential by a Party hereunder, and (ii) can be disclosed by a Party (the "Disclosing Party") to the other (the "Receiving Party") without violating obligations to third parties. The term Trade and Industrial Secrets includes, but is not limited to, any and all information supplied by TI under a certain nondisclosure agreement executed by TI and Anam and all future nondisclosure agreements of TI and Anam which are entered into pursuant to this Agreement or amendments to such nondisclosure agreements (hereinafter collectively "NDA").

ARTICLE 2

DELIVERY OF TI TECHNICAL INFORMATION AND ASSOCIATED TECHNICAL INFORMATION

2.01 GENERAL OBLIGATION TO PROVIDE TECHNICAL INFORMATION.

2.01.01 TI shall, from time-to-time during the Term, furnish to Anam, in the manner provided in Articles 2, 3, and 4 hereof, Technical Information, including Advanced Available Technology, which is reasonably necessary to allow Anam to carry out the wafer fabrication and wafer test of TI Products in Phase 2.

2.01.02 Such Technical Information and Advanced Available Technology shall consist of, to the extent applicable, all of the following:

(a) The TI Technical Information, Technical Data and such other technical assistance deliverables identified in Schedule "1", which schedule is attached hereto and incorporated herein by this reference.

(b) Preparation and interpretation of drawings, blueprints, Specifications for materials, and Specifications for parts and devices;

(c) Preparation of reports or reproducible data used for conveying Technical Information or Advanced Available Technology,

(d) Planning and conducting training programs for employees engaged in the engineering and production of the TI Products in Phase 2;

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(e) Assistance in obtaining such special tooling and equipment as may be necessary;

(f) Inspection and testing of tools, molds and dies;

(g) Quality control of parts and materials offered by suppliers of Anam;

(h) Providing equipment lists; and

(i) Any other assistance which may be reasonably required to the manufacture of TI Products in Phase 2.

2.01.03 From time to time TI will provide Anam with its current TI product or process roadmap associated with the TI Products and the 18C07 process hereunder. Upon Anam's reasonable request, following a meeting in accordance with Section 16.06, TI shall deliver Associated Technical Information in the possession of TI. Notwithstanding anything to the contrary contained herein, TI shall be under no obligation to further develop or to assist Anam in further development of such Associated Technical Information. Anam assumes all risks associated with its use of any Associated Technical Information delivered hereunder.

2.02 PERSON-MONTH COMMITMENT.

2.02.01 Notwithstanding anything to the contrary contained herein, the total person-month commitment for all Technical Assistance under this Agreement shall be, in the aggregate:

(a) 100 person months of TI personnel in Korea;

(b) 100 person months of Anam personnel to be trained by TI.

2.02.02 After Product Qualification, in the event that Anam should request Technical Assistance from TI additional to the person-month commitment set forth in Section 2.02.01, TI shall provide such Technical Assistance that is reasonable and for which TI has then-current capability to

perform, provided that the Parties mutually and reasonably agree to the terms and conditions, including but not limited to scope, duration, number of personnel and fees, under which such additional Technical Assistance may be provided.

2.03 LIMITATION ON OBLIGATION TO DISCLOSE. Anything to the contrary in this Agreement notwithstanding, TI shall neither be obligated nor required to disclose to Anam any Technical Information, Advanced Available Technology, Associated Technical Information or Technical Data with respect to which there is imposed on TI legal or contractual obligations not to disclose to Anam or which would trigger any obligation of TI to an unrelated third party; provided, however, TI represents that (i) the Technical Information, Advanced Available Technology and Technical Data TI furnishes to Anam under this Agreement is or will be the same as used by TI in its own process of C07 products comparable to TI Products and (ii) Anam may use such information in the manufacture of TI Products.

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2.04 PROGRAM COORDINATOR. Each Party shall appoint, within thirty (30) days of the Effective Date, a person who shall be responsible for the implementation of this Agreement and who shall provide coordination of the Parties under this Agreement (hereinafter the "Program Coordinator").

2.05 LIMITATION ON TI'S OBLIGATIONS. Notwithstanding anything to the contrary contained herein, TI's affirmative obligations hereunder, including but not limited to those under Articles 2, 3 and 4, shall relate solely to TI Products, except with respect to Sections 2.01.03, 2.06 and 3.05.

2.06 STACKED VIAS. At no additional charge to Anam, TI shall provide Anam with timely assistance and know-how for C07 stacked VIAS and metalization for use in backfitting to TI's 25C10 node.

2.07 CONSIDERATION. The consideration for Technical Assistance to be provided by TI to Anam under this Agreement includes but is not limited to the mutual exchange of promises in this Agreement and the MPA, and the Technical Assistance Fee expressly set forth in Annex A, Section II of this Agreement, which Annex is incorporated herein by this reference.

ARTICLE 3 TECHNICAL ASSISTANCE OUTSIDE KOREA

3.01 VISITS TO PLANTS AND TRAINING OUTSIDE KOREA. When reasonably required by Anam, TI shall arrange for a reasonable number of technical personnel in the sole and exclusive permanent employ of Anam to visit, at TI's reasonable discretion, plants and offices of TI or Affiliates of TI, so that such technical personnel may observe and become familiar with the Technical Information or Advanced Available Technology, and in particular with the engineering and manufacturing methods and techniques used in such plants in producing comparable products. Such visits will include training in the utilization of the manufacturing equipment, tools and techniques being used in the plants of TI or of Affiliates of TI. Upon reasonable request by Anam, TI shall arrange for a reasonable number of personnel of Amkor or Amkor Affiliates to visit, at TI's reasonable discretion, plants and offices of TI or Affiliates of TI for the limited purpose of fulfilling Amkor's marketing and sales obligations under the MPA and Amkor's marketing and sales function with respect to Non-TI Products, and otherwise subject to Article 10 hereof.

3.02 MANNER OF ARRANGING TECHNICAL ASSISTANCE. The number of personnel of Anam and Amkor or their Affiliates which may be sent to the plants and offices of TI or of Affiliates of TI pursuant to Section 3.01 hereof and the schedules, and the particular purposes of all such visits, shall be agreed upon in advance in writing between TI and Anam from time-to-time.

3.03 EXECUTION OF SECRECY AGREEMENTS. Anything to the contrary in this Article 3 notwithstanding, each and every personnel of Anam, Amkor or Affiliates of either who shall be sent to the TI plants pursuant to Section 3.01 and Section 3.02, shall execute a nondisclosure agreement as a condition precedent to admission or access to such plant or receipt of technical

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training pursuant to Section 3.02 hereof. All such personnel shall fully abide by all plant rules and regulations of TI or TI Affiliates. Anam shall be fully liable for any personal injury losses or property damages incurred by TI or TI Affiliates as a result of any act or omission of Anam personnel while on the premises of TI or its Affiliates.

3.04 EXPENSES. Anam shall pay the expenses to cover the living and business travel costs (TI Anam personnel visiting TI plants or offices for the full period of their visit. TI agrees to use reasonable commercial efforts to assist in minimizing any such expenses to Anam. Further, TI agrees to provide reasonable office space, supplies, and secretarial support at no charge to Anam during the period of stay.

3.05 CONSULTATION AND ADVICE BY CORRESPONDENCE. After the fulfillment of Section 2.02.0i-and from time-to-time during the Term, TI will consult with and advise Anam personnel concerning any difficulties encountered by Anam in the operation of the Facility in the manufacture of Products; provided, however, that such TI consultation and rendering of advice shall take place only by correspondence or telephone between TI and Anam, except as otherwise agreed.

3.06 TECHNICAL ASSISTANCE IN TI FACILITIES. Should it prove uneconomical for Anam to duplicate some of the facilities available to TI or Affiliates of TI shall, from time-to-time during the Term, when reasonably agreed to by the Parties, make available, or have made available, to Anam certain of the similar facilities of TI to perform, or have performed, certain testing and analysis of the TI Products manufactured by Anam, for the purpose of advising Anam as to the suitability of available raw materials and of means of improving TI Products. Such facilities may include TI laboratories and pilot plants which are engaged in the same or similar activities. Anam shall reimburse TI for all of the costs and expenses incurred by TI as a result of such testing, analysis and use of TI facilities.

3.07 PROVISIO. Nothing in this Article 3 shall be construed to obligate Anam to assign to the temporary or permanent employ of TI any personnel of Anam. Arrangements for any such temporary or permanent assignments shall be separately made between Anam and TI on a case-by-case basis.

ARTICLE 4 TECHNICAL ASSISTANCE IN KOREA

4.01 TECHNICAL ASSISTANCE DURING THE TERM. With respect to Technical Information, from time-to-time during the Term, Anam may request TI to make available to Anam the services of TI personnel for reasonable periods of time and at mutually prearranged dates, to perform certain specific tasks and furnish specific advice and guidance. TI and Anam shall determine, by mutual agreement in each such case, the number, time of dispatch and duration of stay in Korea of any such personnel or other qualified personnel of TI to be made available to Anam in Korea pursuant to this Section 4.01.

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4.02 TRAVEL EXPENSES. TI shall provide directly to each TI personnel who

shall be made available to Anam pursuant to the provisions of Section 4.01 hereof, prepaid, round-trip transportation from their place of normal employment to the Facility in Korea.

4.03 LIVING EXPENSES. TI shall pay to each of its personnel who shall be made available to Anam pursuant to the provisions of Section 4.01 hereof, sums sufficient to cover the living and business travel expenses of each such personnel for the period of absence from the usual place of employment; provided however, Anam agrees to use reasonable commercial efforts to assist in minimizing any such expenses. Further, Anam agrees to provide reasonable office space, supplies and secretarial support at no charge to TI.

4.04 PROVISIO. Nothing in this Article 4 shall be construed to obligate TI to assign to the temporary or permanent employ of Anam any personnel of TI. Arrangements for any such temporary or permanent assignments shall be separately made between Anam and TI on a case-by-case basis. Nothing in this Article 4 shall be construed to obligate TI to continue to make available for an uninterrupted period of more than one hundred seventy (170) days the services of any one person to Anam in Korea.

4.05 EXECUTION OF SECRECY AGREEMENTS. Anything to the contrary in this Article 4 notwithstanding, each and every personnel of TI who shall be sent to the Anam plants or offices pursuant to Section 4.01 shall execute a nondisclosure agreement as a condition precedent to admission or access to such plant. All of such personnel shall fully abide by all of the plant rules and regulations of Anam. TI shall be fully liable for any personal injury losses or property damages incurred by Anam, Amkor or their Affiliates as a result of any act or omission of TI personnel while on the premises of Anam or Amkor.

ARTICLE 5 INTELLECTUAL PROPERTY RIGHTS

5.01 GRANT OF RIGHTS RELATING TO TI PRODUCTS.

5.01.01 RIGHT TO USE TI PATENTS, MASKWORK RIGHTS AND COPYRIGHTS FOR TI PRODUCTS. For the term of this Agreement, TI hereby grants and agrees to grant to Anam nonexclusive rights, under TI Patents, TI Maskwork Rights and TI Copyrights, to make TI Products in the Facility or in any Related Facility (as defined in Section 10.03 below) for sale exclusively to TI or a TI Affiliate.

5.01.02 RIGHT TO USE THIRD PARTY PATENTS, MASKWORK RIGHTS AND COPYRIGHTS FOR TI PRODUCTS. As the present and potential licensee under agreements with third parties, for the term of this Agreement, TI hereby grants and agrees to grant to Anam, to the extent that any such agreement permits TI to do so, a nonexclusive right, under the Patents, Maskwork Rights and Copyrights of such third parties, to make TI Products in the Facility or in any Related Facility for sale exclusively to TI or a TI Affiliate; provided, however, that the grant of rights under this Section 5.01.02 shall be subject to the provisions of the licenses under which TI has the right to grant such rights.

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5.01.03 RIGHT TO USE TRADE SECRET RIGHTS FOR TI PRODUCTS. TI hereby grants and agrees to grant to Anam, insofar as TI has the right to do so, nonexclusive rights to use Trade and Industrial Secrets, Advanced Available Technology and Technical Information that TI may now or hereafter own or possess for or in connection with the manufacture in the Facility or in any Related Facility of TI Products for sale exclusively to TI or a TI Affiliate.

5.02 GRANT OF RIGHTS RELATING TO NON-TI PRODUCTS.

[Pursuant to Section 14.04 hereof the parties to this agreement have not consented to disclosure of the omitted material.]

5.03 ROYALTY.

5.03.01 In consideration of the rights granted under Section 5.02.01 above, Anam agrees to pay TI a royalty equal to [*]

5.03.02 Anam shall pay all amounts owed under Section 5.03.01 above for each calendar quarter within 30 days of the end of such quarter. All payments shall be in U.S. Dollars.

5.03.03 In consideration of the rights granted to Anam under Section 5.02.04 above, Anam's obligation to pay the foregoing royalty shall continue after the expiration or termination of this Agreement for so long as the Parties' rights and obligations under Section 5.02 above survive.

ARTICLE 6

USE OF NON-TI TECHNOLOGY

6.01 USE OF NON-TI TECHNOLOGY. Except as otherwise expressly provided for in this Article 6, Anam may not use any proprietary process technology or know-how directly in the manufacture of Products other than Technical Information or Associated Technical Information delivered hereunder by TI.

6.02 TECHNOLOGY DEVELOPED BY ANAM.

(a) Anam may not use any technology conceived or developed by Anam in the manufacture of Products, unless:

(i) With respect to the manufacture of TI Products, Anam has obtained the prior written consent of TI; and

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* Certain information on this page has been omitted and filed separately with the Commission. Confidential treatment has been requested with respect to the omitted portions.

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(ii) With respect to Non-TI Products, either (A) Anam has obtained the prior written consent of TI or (B) Anam's use thereof would not (1) impact the quality and/or Specifications of TI Products or (2) require TI to provide to Anam any assistance not contemplated by this Agreement;

(b) If Anam or Amkor receives a written notice of an alleged infringement from a third party relating to Non-TI Products, and after reasonable investigation, Anam concludes in its reasonable business judgment to change its process technology in light of such notice, and notwithstanding TI's position in respect of such infringement claim, Anam may make such necessary changes to its process for manufacturing Non-TI Products to such extent as may be required in Anam/Amkor's reasonable judgment to avoid the alleged infringement; provided, however, that any action taken by Anam in this regard is entirely at its own choice and shall not be construed as any acquiescence or admission on TI's part as to such alleged infringement and neither shall such action be construed as an admission on Anam's or Amkor's part as to such alleged infringement.

(c) In the event, and to the extent that, Anam develops or creates any process or manufacturing technology derived from the TI Technical Information or Associated Technical Information provided to Anam hereunder, to the extent it is permitted to do, so, Anam hereby grants and agrees to grant to TI, under any Anam intellectual property rights, except with respect to any Patents that Anam may acquire, a royalty-free, worldwide, perpetual,

sublicensable license to use such technology to make, have made, sell and import TI semiconductor devices. With respect to any such Patents, Anam hereby grants and agrees to grant to TI a royalty-free, worldwide, perpetual, non-sublicensable license to use such patents to make, have made, sell and import TI semiconductor devices. Nothing set forth herein shall in any way limit Anam's rights to (including the rights to practice and license) any technology, or any rights in any technology, developed or acquired independently by Anam.

(d) Anam shall disclose the technology referred to in 6.02(c) in accordance with Section 16.06.

(e) So as to avoid unauthorized disclosure of TI technology, Anam shall not file any patent application where such filing would require the disclosure of any TI trade secrets.

(f) TI or Anam may propose from time to time that Anam or TI employees participate in joint development teams. Such participation shall be considered on a case-by-case basis and shall be subject to the execution of a separate written agreement.

(g) In no event shall the royalty owed TI under Section 5.03(a) above be reduced or otherwise affected by any use by Anam of technology conceived or developed by Anam in the manufacture of Products.

6.03 TECHNOLOGY DEVELOPED BY THIRD PARTIES.

(a) In no case shall Anam use proprietary process technology or know-how developed by third parties in any respect for the manufacture of Products without the prior written consent of TI, which consent shall not unreasonably be withheld or delayed. Anam recognizes that TI's consideration of any such proposal shall take into account the possibility of contaminating TI

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technology resident at the Facility with such third party technology, the impact on Anam's manufacture of TI Products and other relevant factors.

(b) In no event shall the royalty owed TI under Section 5.03(a) above be reduced or otherwise affected by any use by Anam of technology conceived or developed by a third party in the manufacture of Products.

ARTICLE 7 TRADEMARKS

7.01 NO USE OF TI TRADEMARKS. Except as provided in Section 7.02, neither Anam nor any of its third party customers shall, at any time, in any place or in any manner, utilize the trademarks of TI, or its Affiliates or any name, mark, device or logo confusingly similar thereto, in connection with Anam, the business activities of Anam or the manufacture, use, lease, sale or other disposition of Non-TI Products in any other way.

7.02 LIMITED TRADEMARK USE. Only with respect to TI Products and, then, only to the extent authorized in writing by TI, Anam may symbolize or otherwise mark such TI Products with TI trademarks, trade names, devices or other TI proprietary logos. Except as authorized pursuant to this Section 7.02, the provisions of Section 7.01 shall govern.

ARTICLE 8 DISCLAIMERS AND LIMITATIONS OF LIABILITY

8.01 INDEMNITY BY ANAM. Anam shall defend any suit or proceeding brought against TI insofar as such suit or proceeding is based upon a claim (i) that Non-TI Products manufactured by Anam, or any process carried out on Non-TI Products or any process used in the manufacture of Non-TI Products, constitutes

direct infringement of any duly issued Patent, or any Maskwork Right, Copyright or trade secret, unless and to the extent that said infringement (excluding Patent or Maskwork Right infringement) resulted from Anam's implementation or utilization of Advanced Available Technology or Technical Information provided by TI to Anam hereunder, or (ii) that TI Products manufactured by Anam or any process carried out by TI Products or any process used in the manufacture of TI Products constitutes direct infringement of any duly issued Patent or any Maskwork Right, Copyright or trade secret where such infringement results from Anam's implementation or utilization of technology other than Advanced Available Technology or Technical Information provided by TI hereunder, or (iii) that the transfer, disclosure or licensing to TI of Anam technology as contemplated by this Agreement, or the entering into by Anam of this Agreement or any of the agreements contemplated by this Agreement, constitutes a breach of any contract, obligation or law to which Anam is bound, and Anam shall pay all damages and costs finally awarded therein against TI, provided however, Anam will not be obligated to indemnify and hold TI harmless against any claim unless Anam is promptly informed of each communication notice or other action relating to such claim and is given authority, information and assistance necessary to defend or settle said suit or proceeding.

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8.02 INDEMNITY BY TI. TI shall defend any suit or proceeding brought against Anam or Amkor insofar as such suit or proceeding is based upon a claim that (i) TI Products manufactured by Anam, or any process supplied by TI and as practiced by Anam in the manufacture of TI Products, constitutes direct infringement of any duly issued Patent, or any Maskwork Right, Copyright or trade secret, or (ii) the transfer, disclosure or licensing to Anam of the TI technology as contemplated by this Agreement, or the entering into by TI of this Agreement or any of the agreements contemplated by this Agreement, constitutes a breach of any contract, obligation or law to which TI is bound, and TI shall pay all damages and costs finally awarded therein against Anam or Amkor, provided, however, that TI is promptly informed of each communication notice or other action relating to the alleged infringement and is given authority, information and assistance necessary to defend or settle said suit or proceeding, and provided further that TI will not be obligated to indemnify and hold Anam and Amkor harmless to the extent that such liability results from either (i) Anam's implementation or utilization of technology other than Advanced Available Technology or Technical Information provided by TI to Anam hereunder; (ii) or Anam's breach of this Agreement.

8.03 HOLD HARMLESS. Except with respect to the subject matter of the indemnities in Article 8.01 and the MPA, Anam will hold TI harmless from and indemnify it against all claims made by third parties, including but not limited to vendors, contractors and customers of Anam, arising out of the operations of Anam, the manufacture and sale of Non-TI Products by Anam and the acts or omissions of Anam's personnel (whether or not such personnel are direct employees of Anam or have been obtained from TI on a seconding or contractual basis), whether such claims are based in contract, tort or otherwise.

8.04 LIMITATION OF LIABILITY.

(a) EXCEPT FOR WARRANTIES EXPRESSLY SET FORTH IN THIS AGREEMENT AND THE MANUFACTURING AND PURCHASE AGREEMENT, TI AND ANAM DISCLAIM ALL WARRANTIES, WHETHER EXPRESS, STATUTORY, OR IMPLIED, FOR ANY TECHNICAL INFORMATION AND ASSOCIATED TECHNICAL INFORMATION PROVIDED TO EACH OTHER HEREUNDER, INCLUDING BUT NOT LIMITED TO, WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE OR NON-INFRINGEMENT. TI AND ANAM EXPRESSLY DISCLAIM ANY WARRANTY-THAT THE OTHER PARTY'S USE OF TECHNOLOGY WILL NOT INFRINGE ANY THIRD PARTY'S INTELLECTUAL PROPERTY RIGHTS. NEITHER TI NOR ANAM AUTHORIZE ANY PERSON TO ASSUME FOR EITHER OF THEM ANY OTHER LIABILITIES IN CONNECTION WITH THE MANUFACTURE OR SALE OF THE PRODUCTS.

(b) IN NO EVENT SHALL EITHER PARTY BE LIABLE TO THE OTHER

HEREUNDER FOR ANY INDIRECT, SPECIAL, INCIDENTAL OR CONSEQUENTIAL DAMAGES, WHETHER BASED ON BREACH OF CONTRACT, TORT (INCLUDING NEGLIGENCE), PRODUCT LIABILITY, OR OTHERWISE.

(c) THE FOREGOING LIMITATIONS SHALL APPLY REGARDLESS OF WHETHER THE PARTY AGAINST WHOM LIABILITY IS ASSERTED HAS BEEN

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ADVISED OF THE POSSIBILITY OF SUCH DAMAGES AND NOTWITHSTANDING THE FAILURE OF ESSENTIAL PURPOSE OF ANY LIMITED REMEDY.

(d) THE TOTAL AGGREGATE LIABILITY OF EITHER PARTY ARISING OUT OF OR RELATING TO THIS AGREEMENT SHALL NOT EXCEED THE AGGREGATE AMOUNTS PAID BY ANAM TO TI HEREUNDER.

8.05 NOTICE OF CLAIMS. Any provision herein to the contrary notwithstanding, both Anam and TI shall promptly advise the other whenever it shall become apprised of any claim which is of a nature comprehended by this Article 8.

ARTICLE 9 EXPORT CONTROLS

9.01 Anam understands and acknowledges that technology (regardless of the form in which it is provided), including software, received from TI under this Agreement may be under validated export license control of the United States or other countries. Anam agrees to comply with applicable export control laws, and shall be responsible for obtaining all Anam's export, import and other licenses related to export, re-export or import of Non-TI Products, software or information by it. Anam specifically assures TI that without prior authorization from the U.S. Department of Commerce, it shall not knowingly sell, transfer, release, export or re-export, directly or indirectly, any technology (including software) received from TI, or any direct product or such technology or any Product, to any recipient, destination or country to which such export or re-export is restricted or prohibited by U.S. law, including, but not limited to the Democratic People's Republic of North Korea. The granting of all required import and export licenses shall be a condition precedent to TI's obligations under this Agreement. TI shall have no liability to Anam if any licenses or approvals are denied.

9.02 Anam agrees to comply with applicable Korean export and import control laws, and shall be responsible for obtaining all export, import and other licenses related to import, export, re-export of Non-TI Products, software or information by Anam, Amkor or any Affiliate.

9.03 TI shall comply with applicable U.S. and other export control laws, and, except as provided for in the preceding sentence, TI shall be responsible for obtaining all export and other licenses related to export of such technology and all import and other licenses related to the import into any country of TI Products by TI or its Affiliates, provided that such a license is required and further provided that Anam and Amkor have taken all necessary actions for TI to obtain such license and is in compliance with all U.S. export control laws.

9.04 Anam further agrees to obtain any necessary export license or other documentation prior to exportation of any product or technical data, including software, acquired from TI or any product of such technical data. Accordingly, Anam shall not sell, transfer, release, export, re-export, divert or otherwise dispose of any such product or technical data directly or indirectly to any person, firm or entity, or country or countries, prohibited by United States or non-U.S. laws or regulations. Further, Anam shall give notice of the need to comply with such

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laws and regulations to any person, firm or entity which it has reason to believe is obtaining any such technical data or product from Anam with the intention of exportation. Each Party shall secure, at its sole expense, such licenses and export and import documents as are necessary for each of them to fulfill its obligations under the Agreement.

9.05 The terms of this Article 9 shall survive termination or expiration of this Agreement.

ARTICLE 10
CONFIDENTIALITY

10.01 TI CONFIDENTIAL INFORMATION.

10.01.01 ANAM'S GENERAL OBLIGATION OF CONFIDENTIALITY AND NONDISCLOSURE. Anam hereby recognizes that the value of the Technical Information, Technical Data, Advanced Available Technology, Associated Technical Information and Trade and Industrial Secrets and proprietary information of TI's customers (collectively the "TI Confidential Information") is attributable substantially to the fact that the said information, know-how and technologies of TI are maintained by TI, its Affiliates and TI Joint Ventures in the strictest confidentiality and secrecy and generally are unavailable to others in Korea and elsewhere without the expenditure of substantial time, effort or money.

Anam therefore covenants and agrees to keep strictly secret and confidential the TI Confidential Information, whether disclosed by TI, a TI Affiliate or TI Joint Venture, in accordance with the following provisions of this Agreement. Anam agrees that the Confidential Information which it receives pursuant to this Agreement is received only for use by Anam and not by any Affiliate and only in the Facility and to the extent provided in this Agreement. Notwithstanding the foregoing, Anam may disclose TI Confidential Information to Amkor and certain of Anam's and Amkor's respective Affiliates, but only to the extent permitted under Section 10.01.02.

Except as provided in Section 10.01.06 of this Agreement, Anam agrees to keep the TI Confidential Information confidential until ten (10) years after the expiration or termination of this Agreement; provided however that TI Confidential Information in the form of source code for any software or microcode will be kept confidential for an indefinite period; further provided that all TI Confidential Information is and shall remain exclusively owned by TI, and the grant in this Agreement of rights therein or access thereto does not transfer to Anam any present or future ownership rights in the TI Confidential Information.

10.01.02 DISCLOSURE TO THIRD PARTIES. Except as otherwise permitted in this Section 10.01.02, Anam and Amkor hereby covenant and agree not to disclose all or any portion of the TI Confidential Information to any third party under any circumstances whatsoever, except to those limited few persons for whom such disclosure is necessary for (1) the effective performance of evaluation of the manufacturing capability of Anam, (2) the effective management of supply and, in each case, only to the extent required for such effective

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performance, and only if such third party executes a nondisclosure agreement. Anam and Amkor agree to indemnify TI jointly and severally for all losses, costs or damages resulting from any breach by a customer or potential customer of such non-disclosure agreement executed pursuant to this Agreement.

TI releases Anam to disclose to Amkor TI proprietary information described in Annex B for the sole purpose of allowing Amkor to market foundry services to potential customers.

TI releases Amkor to disclose to customers or potential customers the TI proprietary information described in Annex B for the sole purpose of marketing and providing foundry services to those customers or potential customers, provided, that prior to transmitting any such TI proprietary information to such customers or potential customers, Amkor will require such customers and potential customers to execute a non-disclosure agreement in the form attached hereto as Annex C or an agreement that is in substance substantially equivalent thereto. TI releases Anam from the provision in Section 12.02 of the Phase 1 TAA requiring TI to be named a third party beneficiary of any such non-disclosure agreement; provided, however, that Anam and Amkor agree to indemnify TI jointly and severally for all losses, costs or damages resulting from any breach by a customer or potential customer of such non-disclosure agreement executed pursuant to this Agreement. The release contained in this Subsection 10.01.02 applies only to the TI proprietary information described in Annex B.

10.01.03 EXECUTION OF CONFIDENTIALITY AND SECRECY AGREEMENTS.

Anything to the contrary in this Article 10 notwithstanding, Anam shall not disclose any TI Confidential Information to any of its respective employees or other personnel unless and until such employees or other personnel have, prior to such disclosure, executed a written nondisclosure agreement, with respect to the use, disposition and disclosure of confidential information to be disclosed to each such employee or other personnel of Anam pursuant to Section 10.01.03 hereof.

10.01.04 MARKING OF TECHNICAL DATA EMBODYING TRADE AND INDUSTRIAL SECRETS. To implement the covenants and obligations of Anam pursuant to this Section 10.01, Anam shall cause all Technical Information, Associated Technical Information and Technical Data relating to or containing information concerning the Trade and Industrial Secrets, including, but not limited to sketches, drawings, reports, memoranda, blueprints, photographs, recording media and notes, and all copies, reproductions, reprints and translations thereof, created by Anam to be plainly marked to indicate the secret and confidential nature thereof and to prevent unauthorized access thereto and unauthorized use or reproduction thereof. Any materials constituting Technical Information, Associated Technical information and Technical Data relating to or containing information concerning the Trade and Industrial Secrets provided by TI to Anam and customer proprietary information that TI considers TI Confidential Information shall be marked as such. Notwithstanding the foregoing, any materials disclosed by TI to Anam under circumstances that indicate the confidential nature of such information shall also be treated as confidential hereunder.

10.01.05 MEASURES TO COMPEL COMPLIANCE. To further implement the covenants and obligations of Anam pursuant to this Section 10.01, Anam shall take all

commercially reasonable efforts, including, but not limited to court proceedings at its own expense, to compel compliance by its respective employees, other persons and any third party.

10.01.06 LIMITATION AND SURVIVAL OF OBLIGATIONS. The covenants and obligations undertaken by Anam pursuant to this Section 10.01 shall not apply to, and TI Confidential Information shall not include, any information which Anam can establish (i) was independently developed by Anam without any use of TI Confidential Information or by Anam's employees or other agents (or independent contractors hired by Anam) who have not been exposed to the TI Confidential Information; (ii) becomes known to Anam, without restriction, from

a source other than TI that had a right to disclose it and without breach of this Agreement; (iii) was in the public domain at the time it was disclosed or becomes in the public domain through no act or omission of Anam; or (iv) was rightfully known to Anam, without restriction, at the time of disclosure.

10.01.07 ANAM PROCEDURES. As soon as practicable hereafter, Anam shall establish and implement rules and procedures with the cooperation of TI which are not inconsistent herewith and which are sufficient to comply with Anam's obligations set forth in this Section 10.01 as well as for the protection of the Confidential Information of TI and TI customers.

10.01.08 RIGHT OF INSPECTION, AUDIT AND RECOMMENDATION. At any time upon TI's written request and reasonable notice, Anam shall permit representatives of TI or any TI customer to inspect the Facility and to review and audit the rules and procedures established by Anam as required by Section 10.01.07 above for purposes of determining the sufficiency of such rules and procedures and their implementation. Furthermore, TI shall have the right to make recommendations on behalf of itself and any TI customer, not inconsistent with TI practices in like TI facilities, to Anam for complying with Anam's obligations set forth in this Agreement. Anam shall implement all such reasonable recommendations within a reasonable time after written request by TI. Anything to the contrary in this Article 10 notwithstanding, each and every personnel of TI who shall be sent to the Anam plants or offices pursuant to this Section 10.01.08 shall execute a nondisclosure agreement containing reasonable terms as a condition precedent to admission or access to such plant. All of such personnel shall fully abide by all of the plant rules and regulations of Anam or Anam Affiliates.

10.02 TI RIGHT TO SUSPEND DELIVERY OF TECHNICAL INFORMATION OF TI. If Anam materially breaches this Agreement, or unreasonably fails to implement any recommendations made by TI pursuant to Section 10.01, then, TI shall have the right to suspend its obligations under this Agreement with respect to delivery of Technical Information, Associated Technical Information and Technical Data without being in breach of this Agreement. Nothing in this Section 10.02 shall limit TI's right to pursue other available remedies for such failure to implement TI recommendations.

10.03 ANAM'S RIGHT TO TRANSFER TECHNICAL INFORMATION TO ANOTHER FACILITY. Notwithstanding anything to the contrary contained herein, Anam may transfer TI Technical Information and Associated Technical Information to a wafer fabrication facility other than the Facility for purposes of allowing such other facility to engage in wafer fabrication of Products, provided such other facility is wholly-owned by Anam or by a wholly-owned Anam Subsidiary,

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and provided further such facility is located on the same Buchon, ROK site owned by Anam as is located the Facility (such other facility herein referred to as a "Related Facility"). As a condition to any such transfer to such Anam Subsidiary, Anam shall cause such Subsidiary to execute a confidentiality agreement with TI containing terms substantially similar to those contained in this Article 10. Upon any such transfer, the term "Facility" as used herein shall be deemed to include any such other Related Facility.

10.04 ANAM CONFIDENTIAL INFORMATION.

10.04.01 TI'S GENERAL OBLIGATION OF CONFIDENTIALITY AND NONDISCLOSURE. TI hereby recognizes that the value of the technical and business information and data of Anam, Amkor and their Affiliates (collectively the "Anam Confidential Information") is attributable substantially to the fact that the said information, know-how and technologies of Anam are maintained by Anam, Amkor and their Affiliates in the strictest confidentiality and secrecy and generally are unavailable to others without the expenditure of substantial time, effort or money.

TI therefore covenants and agrees to keep strictly secret and confidential the Anam Confidential Information, whether disclosed by Anam, Amkor or their Affiliates, in accordance with the following provisions of this Agreement. TI agrees that the Anam Confidential Information which it receives pursuant to this Agreement is received only for use by TI and its Affiliates and only to the extent provided in this Agreement.

Except as provided in Section 10.04.06 of this Agreement, TI agrees to keep the Anam Confidential Information confidential until ten (10) years after the expiration or termination of this Agreement, provided however that Anam Confidential Information in the form of source code for any software or microcode will be kept confidential for an indefinite period, and further provided that nothing in this Article 10 shall grant TI any license or ownership of Anam Confidential Information.

10.04.02 DISCLOSURE TO THIRD PARTIES. Except and only to the limited extent necessary to market TI Products, to third parties and as otherwise provided herein, TI hereby covenants and agrees not to disclose all or any portion of the Anam Confidential Information to any third party under any circumstances whatsoever, except to those limited few persons for whom such disclosure is necessary for the effective performance of evaluation of the manufacturing capability of Anam, and, in each case, only to the extent required for such effective performance, and only if such third party executes a nondisclosure agreement. TI agrees to indemnify Anam for all losses, costs or damages resulting from any breach by a customer or potential customer of such non-disclosure agreement executed pursuant to this Agreement.

10.04.03 EXECUTION OF CONFIDENTIALITY AND SECRECY AGREEMENTS. Anything to the contrary in this Article 10 notwithstanding, TI shall not disclose any Anam Confidential Information to any of its respective employees or other personnel unless and until such employees or other personnel have, prior to such disclosure, executed a written nondisclosure agreement with respect to the use, disposition and disclosure of confidential information to be disclosed to each such employee or other personnel of TI pursuant to Section 10.04.03 hereof.

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10.04.04 MARKING OF TECHNICAL DATA EMBODYING CONFIDENTIAL INFORMATION. To implement the covenants and obligations of TI pursuant to this Section 10.04, TI shall cause all materials, including, but not limited to sketches, drawings, reports, memoranda, blueprints, photographs, recording media and notes, and all copies, reproductions, reprints and translations thereof, created by TI, relating to or containing Anam Confidential Information to be plainly marked to indicate the secret and confidential nature thereof and to prevent unauthorized access thereto and unauthorized use or reproduction thereof. Any materials containing Anam Confidential Information provided by Anam to TI that Anam considers TI Confidential Information shall be marked as such. Notwithstanding the foregoing, any materials disclosed by Anam to TI under circumstances that indicate the confidential nature of such information shall also be treated as confidential hereunder.

10.04.05 MEASURES TO COMPEL COMPLIANCE. To further implement the covenants and obligations of TI pursuant to this Section 10.04, TI shall take all commercially reasonable efforts, including, but not limited to court proceedings at its own expense, to compel compliance by its respective employees, other persons and any third party.

10.04.06 LIMITATION AND SURVIVAL OF OBLIGATIONS. The covenants and obligations undertaken by TI pursuant to this Section 10.04 shall not apply to, and Anam Confidential Information shall not include, any information which TI can establish (i) was independently developed by TI without any use of Anam Confidential Information or by TI's employees or other agents (or independent

contractors hired by TI) who have not been exposed to the Anam Confidential Information; (ii) becomes known to TI without restriction, from a source other than Anam that had a right to disclose it and without breach of this Agreement; (iii) was in the public domain at the time it was disclosed or becomes in the public domain through no act or omission of TI; or (iv) was rightfully known to TI, without restriction, at the time of disclosure.

ARTICLE 11
TERMINATION, CURE OF BREACH, CONCILIATION, AND REMEDIES

11.01 TERMINATION OF AGREEMENT. Where the following grants to a Party the right to terminate this Agreement, such Party may exercise such right by furnishing the other Party written notice to that effect, and such termination shall take effect upon the other Party's receipt thereof, subject to any cure or transition period that may otherwise apply hereunder.

11.01.01 EXPIRATION OF THE TERM. Unless extended, upon the expiration of the Term, this Agreement shall terminate automatically;

11.01.02 NO NEW TECHNICAL ASSISTANCE AGREEMENT. Either Party may terminate this Agreement, in accordance with Section 15.02, if the Parties fail to negotiate a new technical assistance agreement or an amendment to this Agreement for Future Technology Nodes; or

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11.01.03 MUTUAL AGREEMENT OF THE PARTIES. The Parties may mutually agree to terminate this Agreement, in which event the future relationship of the Parties shall be determined by the Parties; or

11.01.04 AN UNCURED MATERIAL BREACH. Subject to Sections 11.02, 11.03 and 11.04 of this Agreement, a Party may terminate this Agreement and the MPA in the event of a material breach of the other Party. A material breach includes without limitation (i) a curable breach that is not cured in accordance with Section 11.03, and (ii) a material breach of Article 10 of this Agreement.

11.01.05 FAILURE TO SATISFY CERTAIN CONDITIONS PRECEDENT OR SUBSEQUENT. If any event described in this subsection 11.01.05 occurs, with the result that the purposes of this Agreement are substantially frustrated, the Parties shall enter into good faith negotiations with the objective of restructuring the relationship between them such that the effects of such occurrence shall be minimized. If the Parties cannot agree on a mutually agreeable restructuring or modification of this Agreement within six (6) months of either Party's request for such negotiations, either Party shall have the right to terminate this Agreement forthwith in its entirety under this Article 11 (except for the obligations under Articles 8, 10, 11 and Section 16.01.04 and any non-disclosure agreements, which shall survive such termination) by giving written notice to that effect to the other Party. The conditions covered by this subsection 11.01.05 are:

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11.01.06 CHANGE IN CONTROL, LIQUIDATION, BANKRUPTCY, ETC. Upon the change in control of a Party or its parent company the other Party may terminate this Agreement. For the purposes of the foregoing a "change of control" of a party shall mean the sale of more than fifty percent of the stock of a Party in a single transaction or a series of related transactions, the merger of a Party with another entity where the Party is not the surviving entity or a sale of all or substantially all of the assets of a Party to which this Agreement relates. Notwithstanding the foregoing, a merger of Anam and Amkor, the acquisition by Amkor of Anam's assets or stock, or the acquisition by Anam of Amkor's assets or stock, shall not constitute a change of control. Either Party may terminate this Agreement upon the liquidation, bankruptcy, receivership, custodianship or dissolution of the other Party (whether

voluntarily or involuntarily).

11.01.07 ADVERSE GOVERNMENT INTERVENTION. At any time during the Term, should any government or government agency take any action or inaction adverse to any Party, including, but not limited to any refusal to grant the benefits of the Foreign Capital Inducement Law of the Republic of Korea or any other necessary government approval, or make recommendations to the Parties or any of them requiring directly or indirectly, formally or informally, alteration or modification of any term or condition of this Agreement or the MPA, in a manner that is material and adverse to one Party, within sixty (60) days from said action, inaction or recommendation of the government or government agency, the Parties hereto shall enter into good faith negotiations with the objective of restructuring the relationship between the

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* Certain information on this page has been omitted and filed separately with the Commission. Confidential treatment has been requested with respect to the omitted portions.

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Parties hereto in a manner such that the adverse effect of said alteration or modification of this Agreement and the MPA will be minimized. If the Parties cannot reach an acceptable modification to such agreements within three (3) months from the date of dispatch of said written request, or within such longer period of time as mutually agreed upon, either Party shall have the right to terminate this Agreement and the MPA by giving written notice to that effect to the other Party. In the event this Agreement and the MPA is terminated pursuant to this Section 11.01.07, all rights under this Agreement and the MPA granted by either Party shall cease and terminate. It is expressly understood and agreed by the Parties hereto that in the event of such termination, neither Party will incur any liability to the other Party for any alleged default or breach in the performance of this Agreement or the MPA arising from the exercise of the right herein provided to terminate this Agreement and the MPA as the case may be unless it can be established by a Party that the other Party acted in conjunction with said government body or agency to bring about the intended result. Except as provided in the previous sentence, compliance by either Party with this Section 11.01.07, shall not be deemed a breach under any provision of this Agreement or the MPA. In event of a conflict between this Section 11.01.07 and Article 12, this Section shall prevail.

Upon a termination of this Agreement based on the occurrence of the event described in this Section 11.01.07, TI shall reimburse Anam the Technical Assistance Fee to the extent TI has failed to incur costs in performing its obligations hereunder due to such termination.

11.02 RESOLUTION OF DISPUTES. It is the intent of the Parties that any breach of this Agreement be resolved in an amicable manner, to the fullest extent possible, and that any such resolution be reasonable in light of the rights and obligations of the Parties. If any breach should arise which cannot be resolved by the personnel of each Party directly involved, the following procedures of Sections 11.03 through 11.05 inclusive shall apply in each of the circumstances described below.

11.03 CURE. If either Party (the "Breaching Party") shall at any time breach this Agreement, without any material causative fault on the part of the other Party (the "Non-Breaching Party"), by failing to perform any provision of this Agreement, the Non-Breaching Party may advise of its intention to terminate this Agreement in accordance with Section 11.01.04 and this Section 11.03 by providing formal written notice of breach pursuant to Section 14.10 to the Breaching Party specifying the breach. Notice for purposes of the foregoing provided other than in strict accordance with Section 14.10 will not be effective. Notwithstanding the foregoing, this Agreement will not be terminated if (i) the breach specified in the notice is remedied within the sixty (60) day

period following receipt of the notice by the Breaching Party or (ii) if the breach reasonably requires more than sixty (60) days to correct, the Breaching Party has, within thirty (30) days from receipt of the notice of breach, begun substantial corrective action to cure the breach and submitted a written remediation plan to the Non-Breaching Party's Program Coordinator providing a detailed explanation of the steps to be taken to cure the breach as quickly as practicable, the Breaching Party diligently pursues such corrective action, and such breach is actually cured within ninety (90) days following receipt of the notice of breach. If any breach is not cured within the time permitted, the Non-Breaching Party shall have the right to issue a notice of termination of this Agreement within 90 days of the expiration of the foregoing cure period by giving written notice thereof to the Breaching Party.

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The Non-Breaching Party shall state in its notice of termination whether it intends to exercise its option to terminate the MPA. Upon the giving of such notice of termination this Agreement shall terminate in accordance with Section 11.06. The Party receiving notice shall have the right to cure any such breach up to the date of termination. In the event of a material breach, the Non-Breaching Party shall have the right to suspend further implementation or effectuation of its obligations under this Agreement, and shall not be obligated to resume such activities until such breach has been cured. This Section 11.03 shall run concurrently with the conciliation process set forth in Section 11.04 below.

11.04 CONCILIATION PROCESS. At any time during the Term, upon the occurrence of one or more breaches under this Agreement, the Non-Breaching Party shall promptly deliver written notification to the alleged Breaching Party setting out in reasonable detail and in clear and concise language the good faith basis for and the specifics of such breach. Within the applicable cure period provided in Section 11.03, either Party has the right to demand the following meetings:

(a) Upon fourteen (14) calendar days' notice, a meeting of the Program Coordinators for the purposes of, among other things:

(i) assessing the good faith basis for the claimed breach;

(ii) defining, assessing and prioritizing the alternatives reasonably available to cure such breach or to correct the circumstances or situations that gave rise to such breach so as to make its reoccurrence unlikely; and

(iii) adopting by unanimous vote, one or more curative or corrective courses of action.

(b) If, after meeting in accordance with Section 11.04(a), the Program Coordinators are unable to resolve the breach, a meeting of an advisory committee consisting of the President of Anam and the TI Executive Vice President responsible for the Semiconductor Group and two additional personnel of their choice, one of each from TI and Anam or Amkor for further attempts at resolution, upon fourteen (14) calendar days' notice.

(c) If, after meeting in accordance with Section 11.04(b), such advisory committee is unable to resolve the dispute, a meeting of the respective Chief Executive Officer of each of TI and Anam for the purpose of attempting to resolve the breach, upon fourteen calendar days' notice.

11.05 REMEDIES, INJUNCTIVE AND OTHER EQUITABLE RELIEF.

11.05.01 REMEDIES. Upon the failure to cure a material breach by either Party of any provision of this Agreement, the Non-Breaching Party shall have the right to pursue all available remedies at law or in equity that it may elect, including but not limited to specific performance or injunctive relief,

in order to obtain the benefits which have been provided pursuant to this Agreement and the MPA, or to obtain adequate recourse or compensation in the event the same are not so provided.

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11.05.02 INJUNCTIVE RELIEF FOR CONFIDENTIAL INFORMATION, TRADE AND INDUSTRIAL SECRETS, ETC. The Parties agree that unauthorized use or disclosure of a Party's Confidential Information or failure to adequately protect a Party's technologies or intellectual property will diminish the value of such Confidential Information or technology (including in the case of TI the Advanced Available Technology, Technical Information, Associated Technical Information, Technical Data, Trade and Industrial Secrets), and such Party's intellectual property rights and that monetary damages alone will not provide an adequate remedy. Therefore, if a Party breaches (or a Party has reason to believe that the other Party may be about to breach) any of its related obligations hereunder, the relevant Party shall be entitled to immediate equitable relief to protect its technologies and intellectual property rights, including but not limited to injunctive relief, as well as monetary damages.

11.05.03 RIGHT TO USE ADVANCED AVAILABLE TECHNOLOGY.

(i) In the event of termination of this Agreement for a reason other than a material breach by Anam, Anam shall be permitted to continue to use the delivered Technical Information and Associated Technical Information only in the Facility and any Related Facility, with no right to use, transfer, assign or otherwise provide directly or indirectly any Technical Information or Associated Technical Information to any other facility, Affiliate, third party, person, etc.

(ii) In the event Section 11.05.03(i) is implemented, Anam agrees to continue to pay to TI the royalty set forth in Section 5.03.

(iii) Nothing in this Section 11.05.03 shall be deemed to be a waiver or an abrogation of any other right or remedy of any Party under Article 11 of this Agreement.

11.06 TERMINATION PROCEDURE. Following the issuance of a notice of termination by the Non-Breaching Party in accordance with Section 11.03, the Parties shall promptly meet and establish, in good faith, a reasonable transition plan that will permit for a period not to exceed two years: (i) Anam, subject to the payment of royalties under any TAA (including Section 5.03.01 of the Phase 2 TAA), to continue to use the technology provided to it under such TAA so that it will have the ability to continue in the foundry business using TI technology and at the same time transition to another process technology by the end of such period, and (ii) TI to continue to purchase TI Products from Amkor in the manner provided in this Agreement so that TI's supply of products will not be interrupted in such period while TI transitions to another source for such products. If during the transition period, Amkor or Anam repeatedly and materially fail to fulfill TI's reasonable requirements for TI Products, TI may terminate the transition period upon sixty days' notice.

ARTICLE 12
FORCE MAJEURE

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12.01 Should either Party be prevented from performing its contractual obligations under this Agreement due to the cause or causes of force majeure such as new acts of war or aggression (declared or undeclared) by North Korea or

other third country or economy, fire, storm, flood, typhoon or other severe weather conditions, earthquake, strike, student unrest, legal restraints, government or like interference, judicial action, accidental damage to equipment, as well as any other cause outside the control of that Party, that Party shall not be liable to the other Party for any delay or failure of performance caused by any of the above events. "Force majeure" shall include the failure to obtain such license(s) and other approvals, including export licenses, as are required by U.S. law or other applicable law for the equipment, software, technology and Products to be provided pursuant to the terms of this Agreement, except where such failure is due to a Party's breach of this Agreement.

12.02 In addition to providing notice in the manner set out in Section 14.10, the Party affected by Force Majeure shall notify the other Party of the occurrence of any of the events set out in Section 12.01 in writing by cable, telex, facsimile, or electronic mail within the shortest possible time.

12.03 Should the delay caused by any of the above events continue for more than ninety (90) days, the Parties shall settle the problem of further performance of the Agreement through friendly negotiations as soon as possible with the objective of restructuring the relationship among them such that the effects of such delay are minimized. If the Parties cannot agree on a mutually acceptable solution within six (6) months of any Party request for such negotiations either Party may terminate this Agreement and the MPA by prior written notice to the other Party.

ARTICLE 13
APPLICABLE LAWS

13.01 This Agreement shall be governed by, construed and enforced in accordance with the laws of Texas, U.S.A., as applicable to contracts made and fully performed in Texas. Anam hereby irrevocably consents to the jurisdiction of the courts of the State of Texas and of Federal courts of the U.S.A. located in the State of Texas.

13.02 Anam shall comply with all applicable U.S. Laws, Korean Laws and all other applicable laws. Anam, its officers, employees or agents will not participate in or provide any information in furtherance of any boycott in violation of U.S. law or offer to pay or receive any bribe to/from any individual or corporation. When other individuals or organizations are required to participate in programs of Anam, they shall be compensated fairly based on the task performed. In no circumstances are public servants or other holders of public offices to be offered or paid any bribe or other benefits, directly or indirectly.

13.03 TI shall comply with all applicable U.S. Laws, Korean Laws and all other applicable laws. TI, its officers, employees or agents will not participate in or provide any information in furtherance of any boycott in violation of U.S. law or offer to pay or receive any bribe to/from any individual or corporation. When other individuals or organizations are required

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to participate in programs of TI, they shall be compensated fairly based on the task performed. In no circumstances are public servants or other holders of public offices to be offered or paid any bribe or other benefits, directly or indirectly.

ARTICLE 14
MISCELLANEOUS

14.01 ANNEXES AND SCHEDULE. Annexes A, B and C and Schedule 1 to this Agreement are integral parts thereof. Subject to Section 14.08, all amendments, supplements and alterations to this Agreement shall be made in written form and

signed by the authorized representative of the Parties, and such shall thereafter form an integral part of this Agreement.

14.02 OFFSET REQUIREMENTS. In the event the government of the Republic of Korea imposes on TI or TI Affiliates offset requirements in other TI projects or investments in the Republic of Korea, then Anam agrees to use reasonable commercial efforts, upon TI request, to convince the government that the transfer of Advanced Available Technology by TI and sales of TI Products to TI hereunder should be credited for offset purposes.

14.03 SEVERABILITY. In the event that any of the provisions of this Agreement, or portions thereof, or documents referenced herein are held to be unenforceable or invalid by any court of competent jurisdiction, the validity and enforceability of the remaining provisions, or portions thereof, shall not be affected thereby. If the purposes of this Agreement are substantially frustrated by any events contemplated by this Section 14.03 any Party may terminate this Agreement in the manner as if the conditions of Section 11.01 (iii) existed.

14.04 CONFIDENTIALITY OF THIS AGREEMENT. No Party, without the prior written consent of the other, shall either issue or cause the issuance of a press release or public announcement or disclose to any third party the contents of this Agreement or the transactions contemplated hereby. Under this requirement a Party shall be permitted to disclose, under confidentiality and use restrictions, such terms of this Agreement as are reasonably required to be disclosed in response to reasonable requests made by governmental authorities or potential investors or lenders not affiliated with any semiconductor developer or manufacturer in the ordinary course of seeking governmental approvals (including in connection with the requirements of the U.S. Securities and Exchange Commission or similar authorities) or for obtaining debt or equity financing, bank credit or the like.

Notwithstanding the foregoing or anything to the contrary set forth in the Phase I TAA, each party may disclose the existence of this Agreement and the general fact that the Parties have entered into the Manufacturing and Purchase Agreement and this Agreement.

14.05 HEADINGS. The headings of the Articles and Sections of this Agreement are for reference purposes only and shall not be deemed to affect in any way the meaning or interpretation of the Articles to which they refer.

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14.06 WAIVER. The failure on the part of any Party to exercise or enforce any rights conferred on it hereunder shall not be deemed to constitute a waiver of any rights nor operate to bar the exercise or enforcement of any rights at any time or at times thereafter.

14.07 FURTHER ACTIONS. The Parties agree to execute and deliver to each other all additional instruments, to provide all information, and to do or refrain from doing all further acts and things as may be necessary or as may be reasonably requested by any Party hereto, more fully to vest in, and to assure each Party of, all rights, powers, privileges, and remedies herein intended to be granted to or conferred upon such Party.

14.08 ASSIGNMENT. A Party shall not, without the prior written consent of the other Party, assign, transfer or delegate this Agreement or any right or duty under this Agreement or portion thereof (including an assignment or delegation by operation of law), other than in connection with (a) a reincorporation as a result of which substantially all the assets of the original reincorporating Party are owned by the reincorporated entity to which such assignment is made, or (b) a merger between Anam and Amkor, or (c) the acquisition by Amkor of all or substantially all of Anam's assets or stock, or (d) the acquisition by Anam of all or substantially all of Amkor's assets or

stock. Notwithstanding the foregoing, TI may assign or delegate this Agreement or any obligation hereunder to any Subsidiary of TI upon written notice to Anam. In such event, TI shall guarantee such Subsidiary's performance of its obligations under this Agreement and such assignment shall not release TI of any of its obligations hereunder. Any attempted assignment or delegation, other than as expressly permitted in this Section 14.08, shall be null and void.

14.09 NO THIRD PARTY BENEFICIARIES. Except as specifically set forth or referred to herein nothing express or implied in this Agreement is intended to or shall be construed to confer upon or to give any person other than the Parties hereto and their successors or assigns, any rights or remedies under or by reason of this Agreement.

14.10 NOTICES. All notices and formal communications required under Article 8, 11, 12 or 15 of this Agreement, or relating to any other condition, act or event that may materially affect the, performance or rights of either Party or a Party's Affiliate hereunder, shall be served on each Party in writing via facsimile transmission (confirmed by registered letter), registered letter, telex or prepaid cable, to the following persons at the following addresses and fax numbers:

if to TI:

Mr. Kevin Ritchie
13353 Floyd Road, M/S 344
Dallas, Texas 75243
Fax: 972/995-5086

with a copy to:

General Counsel
7839 Churchill Way, M/S 3999
Dallas, Texas 75251
Fax: 972/917-4418

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if to Anam:

Mr. Kwang O. Park
222, Dodang-dong
Wonmi-gu, Buchon
Kyunggi-do, Korea 420-130
Fax: 032-683-8104

with copies to:

Mr. Eric R. Larson
MK Plaza
720 Park Boulevard #230
Boise, ID 83706
Fax: 208/345-8199

Kevin Heron, Esq.
General Counsel
Amkor Technology, Inc.
1345 Enterprise Drive
West Chester, Pa 19380
Fax: 610/431-7189

Mr. Ki Chang Lee, Esq.
Hanol Law Offices
14th Floor, Oriental Chemical Building
50 Sokong-Dong, Chung-Ku
Seoul, Korea 100-718

Either Party may change the above addresses by furnishing notice to that effect in the manner provided above.

14.11 ENGLISH. All correspondence of which TI is a recipient or sender shall be in English. All documents which are issued in Korea pursuant to the Agreement shall be provided to TI in English translation.

14.12 COUNTERPARTS. This Agreement may be executed in one or more counterparts, in English, each of which shall be enforceable by or against the Parties executing such counterparts, and all of which together shall constitute one instrument.

14.13 INSURANCE. Anam and TI shall obtain and maintain throughout the Term such kinds and amounts of insurance as are reasonable and customary in the trade, including but not limited to insurance covering product liability, theft, fire, worker's compensation, etc.

14.14 UNFAIR COMPETITION. During the Term, no Party nor any Affiliate shall solicit, whether directly or indirectly, for employment or hire, employ any employee of the other Party

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with whom they have come into direct contact in connection with the transactions contemplated by this Agreement without the prior written consent of the other Party.

14.15 SURVIVAL. Notwithstanding anything to the contrary herein, Articles 5, 7, 8, 9, 10, 13 and Section 11.05.03 shall survive the cancellation, termination or expiration of this Agreement.

ARTICLE 15 TERM

15.01 TERM. The Term shall commence on the Effective Date and shall continue through December 31, 2007, unless (i) terminated under Article 13.00 or otherwise according to this Agreement, or (ii) terminated in accordance with Section 15.02 below if the Parties fail to negotiate in good faith and execute either a new technical assistance agreement or an amendment to this Agreement for Future Technology Nodes on or before June 30, 2000.

15.02 MODIFIED TERM. If, following a meeting of the Chief Executive Officers of the Parties, the Parties are unable successfully to negotiate in good faith and execute a new technical assistance agreement or amendment by June 30, 2000, then either Party may give the other Party a two-year notice of termination, whereupon the Parties shall agree (i) on a transition schedule, provided, however, that to the extent that the Parties cannot agree on a reasonable transition schedule, TI's minimum loading commitment during said remainder two-year period shall be lowered to twenty percent (20%), and (ii) on a modification of the TAA to permit Anam to obtain a new technology provider, or otherwise introduce new technology, during such two-year period.

ARTICLE 16 ADDITIONAL REPRESENTATIONS, WARRANTIES, AND COVENANTS

16.01 ADDITIONAL REPRESENTATIONS AND WARRANTIES OF ANAM TO TI. Anam additionally represents and warrants to TI as follows:

16.01.01 ENFORCEABLE OBLIGATIONS. Anam will be at the time of execution a corporate citizen of the Republic of Korea in good standing and not subject to any criminal penalty, criminal charges, disciplinary proceedings or criminal proceedings under the Korean Laws or the laws of any other country that

would materially and adversely affect the performance of Anam hereunder. With respect to this Agreement Anam will have the authority and legal right to execute and deliver such Agreement and to perform its obligations hereunder and to consummate the transactions contemplated hereby, except where the performance of TI is a condition precedent to Anam's performance. This Agreement will constitute, when executed and delivered, the valid, legal and binding obligations of Anam, enforceable against Anam, in accordance with its respective terms, except (a) as such enforcement may be subject to bankruptcy, insolvency, reorganization, moratorium or other similar laws now or thereafter in

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effect relating to creditors' rights; and (b) as the remedy of specific performance and injunctive and other forms of equitable relief may be subject to equitable defenses and to the discretion of the court before which any proceeding therefor may be brought.

16.01.02 VALIDITY OF CONTEMPLATED TRANSACTIONS. The execution, delivery and performance of this Agreement by Anam does not and will not (i) violate, conflict with or result in the breach (collectively, "Breach") of any term, condition or provision of, or result in the creation of any encumbrance under, (a) any existing law, ordinance, or governmental rule or regulation to which Anam is subject, (b) any judgment, order, writ, injunction, decree or award of any governmental entity which is applicable to Anam, (c) the charter documents of Anam or any securities issued by Anam; or (d) any mortgage, indenture, agreement, contract, commitment, lease, plan, authorization, or other instrument, document or understanding, oral or written, to which Anam is a party or by which Anam may have rights, except, as to such performance, such Breaches and encumbrances as would, if occurred or created, not have a material adverse effect on the ability of Anam to perform its obligations hereunder and thereunder, or (ii) give any party with rights thereunder the right to terminate, modify, accelerate or otherwise change the existing rights or obligations of Anam.

16.01.03 RESTRICTIONS. Anam neither is nor will be a party to any indenture, agreement, contract, commitment, lease, license, permit, authorization or other instrument, document or understanding, oral or written, nor subject to any restriction in any charter document or other corporate restriction or any judgment, order, writ, injunction, decree or award, which materially adversely affects or materially restricts or, to the knowledge of Anam, may in the future materially adversely affect or materially restrict the performance by Anam of its obligations hereunder.

16.01.04 CONSENT. No consent or approval by, or notification of, or filing with, any person is required which has not been obtained in connection with the execution, delivery and performance by Anam of this Agreement, or the consummation of the transactions contemplated hereby, other than such consents or approvals as would, if not obtained, not have a material adverse effect on the ability of Anam to perform its obligations hereunder.

16.02 ADDITIONAL REPRESENTATIONS AND WARRANTIES OF TI TO ANAM. TI additionally represents and warrants to Anam as follows:

16.02.01 ENFORCEABLE OBLIGATIONS. TI will be at the time of execution a corporate citizen of the United States of America in good standing and not subject to any criminal penalty, criminal charges, disciplinary proceedings or criminal proceedings under the U.S. laws or the laws of any other country that would materially and adversely affect the performance of TI hereunder. With respect to this Agreement, TI will have the authority and legal right to execute and deliver such Agreement and to perform its obligations hereunder and to consummate the transactions contemplated hereby, except where the performance of Anam is a condition precedent to TI's performance. This Agreement will constitute, when executed and delivered, the valid, legal and binding obligations of TI, enforceable against TI, in accordance with its respective terms, except (a) as such enforcement may be subject to bankruptcy,

insolvency, reorganization, moratorium or other similar laws now or thereafter in effect relating to creditors' rights; and (b) as the remedy of specific performance and injunctive and other forms

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of equitable relief may be subject to equitable defenses and to the discretion of the court before which any proceeding therefor may be brought.

16.02.02 VALIDITY OF CONTEMPLATED TRANSACTIONS. The execution, delivery and performance of this Agreement by TI does not and will not (i) violate, conflict with or result in the Breach of any term, condition or provision of, or result in the creation of any encumbrance under, (a) any existing law, ordinance, or governmental rule or regulation to which TI is subject, (b) any judgment, order, writ, injunction, decree or award of any governmental entity which is applicable to TI, (c) the charter documents of TI or any securities issued by TI, (d) any agreement or understanding to which TI is a party; or (e) any mortgage, indenture, agreement, contract, commitment, lease, plan, authorization, or other instrument, document or understanding, oral or written, to which TI is a party or by which TI may have rights, except, as to such performance, such Breaches and encumbrances as would, if occurred or created, not have a material adverse effect on the ability of TI to perform its obligations hereunder and thereunder, or (ii) give any party with rights thereunder the right to terminate, modify, accelerate or otherwise change the existing rights or obligations of TI.

16.02.03 RESTRICTIONS. TI neither is nor will be a party to any indenture, agreement, contract, commitment, lease, license, permit, authorization or other instrument, document or understanding, oral or written, nor subject to any restriction in any charter document or other corporate restriction or any judgment, order, writ, injunction, decree or award, which materially adversely affects or materially restricts or, to the knowledge of TI, may in the future materially adversely affect or materially restrict the performance by TI of its obligations hereunder.

16.02.04 CONSENT. No consent or approval by, or notification of, or filing with, any person is required which has not been obtained in connection with the execution, delivery and performance by TI of this Agreement, or the consummation of the transactions contemplated hereby, other than such consents or approvals as would, if not obtained, not have a material adverse effect on the ability of TI to perform its obligations hereunder.

16.03 FUTURE TECHNOLOGY NODES. In accordance with Article 15, the Parties agree to negotiate an agreement for Future Technology Nodes. Notwithstanding the foregoing, until the consummation of any such agreements, TI shall be under no obligation to provide to Anam any Future Technology Nodes. In consideration of the foregoing, Anam agrees that neither it, Amkor, nor any Affiliate shall engage in any semiconductor wafer fabrication at the Facility other than through the use of TI process technology in accordance with the Phase 1 TAA, this Agreement or other agreement with TI covering one or more Future Technology Nodes, except as provided in Section 15.02(ii).

16.04 FACILITY EXPANSION.

16.04.01 Anam agrees that neither it, Amkor, nor any other Anam Affiliate will expand the Facility or the Capacity, or construct or operate a Related Facility, without advanced prior written notification to TI.

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16.04.02 Should the Facility's capacity exceed 25,000 wafer

starts per month, or should Anam, Amkor or another Anam Affiliate constrict or operate a Related Facility, Anam shall cause TI to have the right of first refusal to any such additional capacity; provided however, TI shall have the right not to load such additional capacity, in part or in whole, in which such case, Anam shall be responsible solely for filling any such additional capacity; and further provided, all other terms and conditions of the MPA and this Agreement shall apply to such additional manufacturing availability.

16.05 FOUNDRY ONLY. Anam agrees that, other than for the manufacture of TI Products, only foundry manufacturing services for independent merchant market semiconductor companies shall be undertaken at the Facility or any other wafer fabrication facility owned or controlled by Anam, Amkor or any other Anam Affiliate, and that in no event shall Anam, Amkor, or any other Anam Affiliate produce or sell Anam proprietary semiconductors.

16.06 TECHNOLOGY REVIEWS. On a semi-annual basis, alternating between Dallas and Korea, the Parties shall meet to exchange information to implement the technology transfers pursuant to Sections 2.01.03(c) and 6.02(c).

ARTICLE 17 OTHER AGREEMENTS

17.01 AGREEMENT PRECEDENCE. In the event of any conflict between this Agreement and the Phase 1 TAA, this Agreement shall prevail.

17.02 AMENDMENT OF THE PHASE 1 TAA. The Parties agree that, in accordance with the Section 17.02, the following articles and sections of this Agreement shall supersede and replace the corresponding terms and conditions of the Phase 1 TAA and shall apply mutatis mutandis to the Phase 1 TAA which is hereby amended in accordance with this Section 17.02. Except as stated in this Section the Phase 1 TAA shall not be considered revised or amended in any way by this Agreement.

17.02.01 LICENSES. Section 2.09 of the Phase 1 TAA is replaced and superseded by Article 5 of this Agreement.

17.02.02 TECHNICAL ASSISTANCE. Articles 3 and 4 of the Phase 1 TAA are replaced and superseded by Articles 3 and 4 of this Agreement.

17.02.03 DISCLAIMERS AND LIMITATIONS OF LIABILITY. Article 10 of the Phase 1 TAA is replaced and superseded by Article 8 of this Agreement.

17.02.04 CONFIDENTIALITY. Article 12 of the Phase 1 TAA is replaced and superseded by Article 10 of this Agreement.

17.02.05 TERMINATION, CURE OF BREACH, CONCILIATION, AND REMEDIES. Article 13 of the Phase 1 TAA is replaced and superseded by Article 11 of this Agreement.

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17.02.06 MISCELLANEOUS. Article 16 of the Phase 1 TAA is replaced and superseded by Article 14 of this Agreement.

17.02.07 ADDITIONAL REPRESENTATIONS, WARRANTIES, AND COVENANTS. Article 18 of the Phase 1 TAA is replaced and superseded by Article 16 of this Agreement.

17.03 INTEGRATION. This Agreement and the Manufacturing and Purchase Agreement contain the entire understanding and agreement among the Parties with respect to the subject matter hereof and supersedes all prior oral and written understandings and agreements relating thereto, and may not be modified, discharged or terminated except by the written consent of the Parties.

IN WITNESS WHEREOF, and intending to be legally bound hereby, TI and Anam have caused their duly authorized representatives to execute this Agreement.

ANAM INDUSTRIAL CO., LTD.

TEXAS INSTRUMENTS INCORPORATED

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

Date: _____

Date: _____

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ANNEX A

I. DEFINITIONS: All defined terms in this Annex A will have the same definitions as defined in Article 1 of the Agreement.

II. TECHNICAL ASSISTANCE FEE:

[*]

* Certain information on this page has been omitted and filed separately with the Commission. Confidential treatment has been requested with respect to the omitted portions.

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ANNEX B

Technical Documentation List for Coverage Under NDA

1. Customer Technical Sales Presentations which may include the following information:

(a) XXXXC10 physical layout rule overview (dimensions, pitches, etc.)

(b) Electrical performance specifications

- Transistor electrical specifications

- Figure of merit

- Delay specs (circuit, interconnect)

- Interconnect capacitance, inductance

(c) Top level process flow

- Cross sections

- List of mask layers

(d) Overview of process characteristics

- Substrate & well type
 - Isolation method
 - Gate oxide type & thickness
 - Type of lithography
 - Metalization type and contact, etc.
 - Etch type (generic, not recipe specific)
 - Planarization overview
- (e) Quality and reliability specifications
- Pass/fail criteria
 - Tests and test conditions
 - Quality plans and results
- (f) Top Level Equipment Lists
- Not to include written lists of equipment models, options, etc (e.g. TI's AEL-Approved Equipment List)
 - Not to include any equipment specific models or options for etch processes.
 - Can include verbal responses to a minimum set of specific questions relating to the state of the art of the equipment set used in the facility, this is not expected to exceed approximately 6-8 specific details.

2. Physical/electrical process specification document for 25C10.C. process family (Anam/Amkor Semiconductor version of TI EPIC 0.35 PDE)

- (a) Process information, description, flow outline with cross sections
- (b) Layout rules

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- (c) Temperature coefficients of resistivity
 - (d) Maximum current densities
 - (e) Capacitance
 - (f) Direct memory access spec
 - (g) Die ID spec
3. Spice Model Parameters for XXXXC10.
- (a) BSIM3V3
 - (b) Machine readable decks & paper copies
4. DRC, LVS Scripts for XXXXC10
5. Quality and Reliability Specifications Document for XXXXC10
- (a) Pass/Fail criteria

(b) Tests and test conditions

6. Quality and Reliability Test Results Documentation

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ANNEX C

CONFIDENTIAL INFORMATION AGREEMENT

This Confidential Information Agreement ("Agreement"), is made and entered into as of this _____ day of _____, 199__ ("Effective Date"), by and between ("Customer") and Amkor Electronics, Inc., 1345 Enterprise Drive, West Chester, PA 19380.

WHEREAS, the parties hereto acknowledge that certain Confidential Information shall be disclosed between them which they regard as proprietary or confidential relating to semiconductor wafer fabrication and device technology.

WHEREAS, the parties wish to protect their rights relative to such Confidential Information;

THEREFORE, in consideration of the premises and covenants contained herein, the parties hereto agree as follows:

1. Definitions

(a) "Recipient" shall mean the party receiving the Confidential Information

(b) "Disclosing Party" shall mean the party revealing or disclosing the Confidential Information.

(c) "Confidential Information" shall generally mean any proprietary or non-public Confidential Information or materials which are owned or controlled by the Disclosing Party, both of which are disclosed under the following terms and conditions.

2. Term

This Agreement shall become effective on the date first set forth above ("Effective Date") and shall terminate either at the end of three (3) years from the Effective Date hereof, upon completion of the Activity, or upon the written election to terminate by either party delivered to the other. The obligations regarding confidentiality shall continue for a period of five (5) years from disclosure of Confidential Information, notwithstanding any termination of this Agreement.

3. Form; Use; Nondisclosure Obligations

(a) Customer may use Confidential Information delivered hereunder solely for the purpose of evaluating Customers possible use of Anam Industrial Co., Ltd. ("Anam") as a semiconductor wafer fabrication foundry and of designing Customer's semiconductor devices such that they may be manufactured with the process used by Anam.

(b) Confidential Information may be furnished in any tangible or intangible form, including but not limited to writings, drawings, computer tapes and other electronic media, samples and verbal communications. Any Confidential Information furnished in tangible form

shall be conspicuously marked as such and the content of any verbal communication will be reduced to a writing that identifies the Confidential Information within thirty (30) days of the disclosure with a copy of such writing furnished to the Recipient.

(c) The parties shall not disclose or divulge to any person or entity, except those of its employees who have a need to know, any Confidential Information which either party or their affiliated companies, including, but not limited to, Anam, may reveal under this Agreement and shall not use said Confidential Information in any manner whatsoever, directly or indirectly, except as expressly permitted herein. The parties shall protect the confidentiality of and take all reasonable steps to prevent disclosure or unauthorized use of the Confidential Information, and shall use at least as much care in preventing disclosure of Confidential Information as it uses with respect to its own proprietary information of like importance.

(d) The Disclosing Party retains all right, title, and interest in and to the Confidential Information it furnishes hereunder.

(e) The Recipient shall advise the Disclosing Party in writing in the event the Recipient becomes aware of any unauthorized dissemination, misappropriation, or misuse of Confidential Information by any person and provide assistance to Disclosing Party to mitigate any damages caused thereby and to limit any further dissemination or misuse of the Confidential Information.

4. Exclusions

Nothing in this Agreement shall apply to any Confidential Information

(a) which is now generally known or readily available to the trade or public or which becomes so known or readily available without fault of Recipient;

(b) which is possessed by Recipient without restriction as to disclosure or use prior to its disclosure hereunder.

(c) which is required as part of any court order or government regulation (provided that the Disclosing Party has been given sufficient written notice of such order or regulation to contest it); or,

(d) which is developed by Recipient independent of any Confidential Information of Disclosing Party and which can be proven by written records.

5. Warranties/Representations

Neither party makes any warranty or representation, whatsoever, as to the sufficiency or accuracy of any Confidential Information it has disclosed hereunder or as to the results to be obtained therefrom and assumes no responsibility arising from any use or misuse thereof.

6. Equitable Relief

Each party acknowledges that its breach of this Agreement may result in

immediate and irreparable harm to the Disclosing Party, for which there will be no adequate remedy at law, and the Disclosing Party shall be entitled to equitable relief to compel the Recipient to cease and desist all unauthorized use and disclosure of the Disclosing Party's Confidential Information. In the event that either party shall bring any action to enforce or protect any rights, obligations or duties under this Agreement, then the prevailing party shall be entitled to recover, in addition to its damages, reasonable attorneys' fees and costs.

7. No Commitment

Confidential Information provided by one party to the other does not, and is not intended to represent a commitment by either party to enter into any business relationship with the Recipient or with any other entity. If the parties desire to pursue business opportunities, the parties will execute a separate written agreement to govern such business relationship.

8. Export Regulations

Notwithstanding any other provision of this Agreement, neither party shall export any technical Confidential Information acquired under this Agreement or any commodities using such Confidential Information to any country to which the United States government forbids export, or at the time of export, requires an export license or approval, without first obtaining such license or approval.

9. No License

No license, copyright or other interest is granted directly or indirectly by either party as a result of conveying Confidential Information to the Recipient, except the limited rights specifically provided herein.

10. Return of Confidential Information

Upon termination of this Agreement, each party shall, upon written request of the other party, promptly destroy or return to the other party all Confidential Information received under this Agreement, and will not retain any copies of Confidential Information, except as otherwise expressly permitted by the Disclosing Party.

11. Recipient may not assign this Agreement without the prior written approval of the Disclosing Party. Any purported assignment without such prior approval shall be null and void.

12. Binding Effect

This Agreement shall benefit and be binding upon the parties to this Agreement and their respective successors and assigns.

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13. Entire Agreement

This Agreement embodies the entire understanding between the parties respecting the subject matter of this Agreement and supersedes any and all prior negotiations, correspondence, understandings and agreements between the parties respecting the subject matter of this Agreement. This Agreement shall not be modified except by a writing duly executed on behalf of the party against whom such modification is sought to be enforced.

14. Governing Law

This Agreement shall be construed, interpreted, and governed by the laws of the state of _____.

IN WITNESS WHEREOF, the parties have hereto set their respective signatures to the Agreement:

Amkor Electronics, Inc.

Customer

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

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SCHEDULE 1

TECHNOLOGY TO BE TRANSFERRED

[*]

* Certain information on this page has been omitted and filed separately with the Commission. Confidential treatment has been requested with respect to the omitted portions.

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A LIST OF OUR SUBSIDIARIES

- A. Amkor Receivables Corp., a Delaware corporation;
- B. Wafer Fabrication Services SARL, a corporation organized under the laws of France;
- C. Guardian Assets, Inc., a Delaware corporation, and its wholly owned subsidiaries:
 - 1. Amkor Technology Euroservices SARL, a corporation organized under the laws of France;
 - 2. AK Industries, Inc., and its wholly owned subsidiary, Amkor Technology Inventory Co., each a Texas corporation;
 - 3. Amkor International Holdings, a corporation organized under the laws of the British Cayman Islands, and its wholly owned subsidiary:
 - (a) First Amkor Caymans, Inc., a corporation organized under the laws of the British Cayman Islands, and its wholly owned subsidiaries:
 - (i) Second Amkor Caymans, Inc., a corporation organized under the laws of the British Cayman Islands;
 - (ii) Amkor/Anam Pilipinas, Inc., a corporation organized under the laws of the Philippines;
 - (iii) P-Four, Inc., and its subsidiary (60% ownership) Amkor/Anam Advanced Packaging, Inc., both of which are corporations organized under the laws of the Philippines;
 - (iv) T.L. Limited, a corporation organized under the laws of the British Cayman Islands, and its subsidiaries:
 - 1. C.I.L. Limited (100% wholly owned), a corporation organized under the laws of the British Cayman Islands;
 - (a) AT Korea (100% wholly owned), a corporation organized under the laws of the Republic of Korea;
 - (b) Amkor/Anam Advanced Packaging, Inc. (40% ownership by Amkor/Anam Advanced Packaging, Inc. and 60% ownership by P-Four, Inc.) a corporation organized under the laws of the Philippines.

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our reports dated February 10, 1999 (except with respect to the Company's proposed investment in ASI pursuant to the financial restructuring of ASI discussed in Note 14, as to which the date is March 29, 1999) included in this Form 10-K, into the Company's previously filed Form S-8 Registration Statement File No. 333-62891.

ARTHUR ANDERSEN LLP

Philadelphia, Pennsylvania
March 29, 1999

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

We hereby consent to the inclusion in this Annual Report on Form 10-K of Amkor Technology, Inc. (the "Company") of our report dated March 20, 1998 except for Note 3 as to which the date is October 28, 1998 (the "Report"), which contains explanatory paragraphs on the change in the method of accounting for unrealized foreign currency translation gains or losses on long-term assets and liabilities denominated in foreign currencies and, the Company's ability to continue as a going concern on our audits of the consolidated financial statements of Anam Industrial Co., Ltd. and its subsidiaries. We also hereby consent to the incorporation of our Report included in this Form 10-K into the Company's previously filed Registration Statement No. 333-62891 on Form S-8 filed on September 4, 1998.

SAMIL ACCOUNTING CORPORATION

Seoul, Korea
March 25, 1999

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the use of our report and to all references to our Firm included in or made a part of this Amkor Technology, Inc. (the "Company") Annual Report on Form 10-K and we hereby consent to the incorporation of our reports dated March 4, 1998 included in this Form 10-K into the Company's previously filed Registration Statement No. 333-62891 on Form S-8 filed on September 4, 1998. It should be noted that we have not audited any financial statements of Anam Engineering & Construction Co., Ltd. subsequent to December 31, 1997 or performed any audit procedures subsequent to the date of our report except with respect to Anam Engineering & Construction Co., Ltd.'s ability to continue as a going concern, as to which the date is October 29, 1998.

Chong Un & Company

Seoul, Korea
March 25, 1999

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the use of our report dated January 30, 1998 (except with respect to the Initial Public Offering discussed in Note 2 which is dated May 8, 1998) and to all references to our Firm included in or made a part of this Amkor Technology, Inc. (the "Company") Form 10-K and we hereby consent to the incorporation of the same reports included in this Form 10-K, into the Company's previously filed Form S-8 Registration Statement File No. 333-62891.

SyCip Gorres Velayo & Co

Makati City, Philippines
March 25, 1999

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the use of our report and to all references to our Firm included in or made a part of this Amkor Technology, Inc. (the "Company") Annual Report on Form 10-K and we hereby consent to the incorporation of our reports dated February 13, 1998 included in this Form 10-K into the Company's previously filed Registration Statement No. 333-62891 on Form S-8 filed on September 4, 1998.

SIANA CARR & O'CONNOR, LLP

Paoli, Pennsylvania
March 25, 1999

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[As translated from Korean to English]

ANAM SEMICONDUCTOR, INC.

7th Meeting of the Council of
Creditor Financial Institutions

Time: February 23, 1999 (Tuesday)
3:00 P.M.

Place: Conference Room on the 3rd Floor
of Cho Hung Bank

Presiding Bank: Cho Hung Bank

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AGENDA I. DEFERMENT OF REPAYMENT OF DEBT

1. Deferment of Repayment of Debt

(1) Subject Credits

1) Any and all credits subject to the deferment of repayments which are resolved by the 1st Councils of Creditors Financial Institutions pursuant to Article 2, Item 4 of Accord, with the exception of credits resourced from special policy funds and overseas securities (CB, FRN).

2) Claims for discharge of guarantee obligations

(2) Period of Suspension of Collection: December 31, 2003

provided that,

1) Leases repayment shall be deferred until 12/31/99

2) Repayment of the credit of Hanareum Merchant Banking Corp. (excluding lease) shall be deferred until termination of existence of Hanareum Merchant Banking Corp.

(3) Method of Collection of Credits after Expiry of Deferment of Repayment

1) Bank Loans with Installment Repayment Agreements payable through readjustment of repayment schedule on the basis of the repayment period as of October 24, 1998

2) Leases with Installment Repayment Agreements

The debt outstanding as of October 24, 1998 shall be repaid in installments for 7 years.

3) Other Credits

The Council of the Creditor Financial Institutions

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shall determine the credit to be repaid and method for such repayment based on a specific repayment schedule to be established three months prior to the expiry of the period of deferment upon recommendation by the Management Administrator taking into account the cash flow of operating activities of Anam.

2. Adjustment of Applicable Interest Rates

- (1) Subject Credit: all credit subject to deferment of repayment
- (2) Applicable Interest Rate
 - 1) Ordinary Loans in Won
 - i) Bank Account: bank account prime rate of each creditor bank (however, the normal interest rate shall be applied for overdraft)
 - ii) Trust Account and other financial institutions
 - . Trust account: trust account prime rate of each creditor bank
 - . Other financial institution: trust account prime rate of Cho Hung Bank
 - iii) Leases in Won: Originally agreed interest rates.
 - iv) Guarantees: trust account prime rate of each creditor bank (other financial institution: trust account prime rate posted by Cho Hung Bank)

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- 2) Purchased foreign exchange in payment default: trust account prime rate of by each creditor bank
 - 3) Foreign currency lease and foreign currency loan: Originally agreed interest rates.
 - 4) Guarantee fee (including guarantee on payment of bond): Originally agreed interest rates (but not more than 1% when the fee is more than 1% per year.)
 - 5) If the originally agreed interest rate is less than the prime rate applicable to Won loan the agreed interest rate shall prevail, provided that such interest shall not go below 10%.
 - 6) The interest rate applicable to foreign currency credit may be increased to the extent of 0.85% as a result of any factor that increases such interest rate.
- (3) Application Period

The adjusted interest rate shall apply from and before the date

of filing of application for Workout until December 31, 2003. The interest rate with respect to lease shall apply until the installment repayment date; provided, however, that the Steering Committee shall determine whether to increase the applicable interest rate taking into account cash flow, etc. after three years when the Workout Plan is determined. However, if governmental approval is required for exemption of interest, the originally agreed interest rate may apply for the time being prior to the change of such governmental approval and applicable laws and regulations.

(4) Method of Collection of Interest

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Except for such cases where governmental approval is required, interest on lease credits and guarantee fee shall be collected by applying the interest rate set forth in Clause (2) above from the date of determination of this Agenda. The interest on credit except for lease credit shall be counted in the principal on a quarterly basis during 1999 and thereafter, from the year 2000, shall be collected in the normal way.

3. Treatment of Accrued Interest

(1) Subject Credit & Period

- interest payable by Anam (including default interest) for the period from and before the date of filing of application for Workout (October 24, 1998) until the date of resolution of this Agenda

(2) Applicable Interest Rate & Method

- Notwithstanding default in loan or payment by guarantee, the interest rate stated in Clause (2) "Adjustment of Applicable Interest Rates" shall apply. The interest on credit other than lease credits shall be added to the principal, and interest on lease credits shall be collected within fifteen (15) days after the date of resolution of this Agenda.

4. Treatment of Existing Credit

(1) Guarantee Payment & Overdraft

1) Subject Credit: credit for guarantee obligations (including future guarantee payments) and

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overdraft

2) Period: until December 31, 2003

3) Applicable Interest Rate: The interest in Clause (2) in "2. Adjustment of Applicable Interest Rates" shall apply.

- 4) Method of Treatment: The interest shall be counted in the principal within fifteen (15) days after the date of the resolution of this Agenda and shall be converted into middle and long term credit such as a general working capital loan (future guarantee amount shall be converted upon occurrence).
- (2) Import Financing Secured by Payment Guarantee
 - With respect to the import usance payment in connection with the guarantee issued by Korea Credit Guarantee Fund, presently occurred or to be occurred in the future, the Credit Guarantee Fund shall transfer such import usance payment into payment guarantee for loan (on a quarterly basis). The financial institution which opened import usance-L/C shall convert the debts into general loan until December 31, 2003. The interest shall be calculated at general interest rate.
 - (3) Secured Payment Guarantee
 - The secured guarantee executed by Korea Credit Guarantee Fund pursuant to the Basic Agreement on Operation of Secured Guarantee shall be governed by such Basic Agreement.
 - (4) Treatment of Bond
 - 1) The bond guaranteed by an insolvent financial

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institution (including future insolvent financial institution) shall be extended or refund shall be made by the institution holding such bond (the "Holder").

- 2) Upon maturity of the principal of guaranteed bond, the maturity shall be extended by the guaranteeing institution and the Holder (including refunding).
- 3) The bond issued in private placement shall be extended or converted into loan upon maturity.
- 4) Any extension of maturity or refund of bonds matured shall be made in accordance with the original conditions (except for interest rate) only for one time. However, the maturity exceeding three years shall be determined as three years.
- 5) The bond already issued shall be applied by the originally agreed interest rate until maturity. In case of refunding, the prevailing market rate as of the date of refunding shall apply. The guarantee fee shall be calculated at the originally agreed rate (but not more than 1% p.a. of the guarantees extended)
- 6) If it is impossible to extend the maturity of the bond, the guaranteeing institution shall pay the bond on behalf of Anam. In this case, the relevant guaranteeing institution shall convert the guarantee payment amount into loan by applying market interest rate, or shall assume such guarantee liabilities.
- 7) Payment of the amount of guarantee payment and loan stated

under Clause 6) above shall be deferred until December 31, 2003. The interest rate shall be determined after the yield on

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corporate bonds as of the payment of guarantee obligation plus guarantee fee rate.

- 8) The interest on the guarantee of bond payment and guarantee fee shall be paid by Anam.

5. Loosening of Financing Condition

- - The Steering Committee shall be delegated to loosen financial conditions, in case the cash flow based on operating results of Anam is improved.

6. Others

- 1) The details of loosening of the financing condition shall be applied in the following order of priority, conversion of loan into equity, interest-exempt payment, preferential interest rate (in case of future guarantee payment, such order of priority shall apply).

2) Unreported Credit

Any financial institution that has not filed its credits by the date of resolution of this agenda shall be deemed to have agreed hereto.

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AGENDA II. EXTENSION OF ADDITIONAL CREDIT OF 50 BILLION WON

1. Provision of New Credit

Type	Working Capital Loan
Size	50 Billion Won
Applicable Interest	Bank: Prime rate of each bank + 1% Other financial institution: trust account prime rate posted by Cho Hung Bank + 1%
Interest Payment Date	Normal payment method
Maturity	At the time of allocation of the proceeds from the sale of Kwangju Factory.

- - Any financial institution which cannot provide working capital loan shall provide the trust loan (interest rate: trust account prime rate of each bank + 1%).

2. Standard of Ratable Share

- The ratable share of additional credit provided by each eligible creditor bank such as bank, merchant banks shall be determined in proportion to the principal amount of the existing credits of such creditor bank as of December 31, 1998.

[Attachment 2: refer to Ratable Share of New Loan by Each Financial Institution]

3. Draw-down of New Loan

- To be disbursed by the creditor financial institutions within fifteen (15) days from the receipt of the notice

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from Cho Hung Bank.

- The new loan shall be repaid with the proceeds from the sale of Kwangju factory, or from the self-rescue plan or operating profit (surplus cash flow)

<Priority in Receiving Payments under the Self-Rescue Plan>

- The funds made available in accordance with the Company's self-rescue plan, such as the proceeds from the sale of real property and the business transfer, shall be allocated in the following order:

- 1) Secured credits;
- 2) Credits which will be newly extended in accordance with the Workout Plan;
- 3) Ratio of the remaining credits.

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AGENDA III. CONVERSION OF DEBT TO EQUITY

1. Conversion of Debt to Equity (Debt/ Equity Swap, Subscription of Convertible Bonds and Conversion into Interest-exempt Credits)

- 1) The debt/equity swap by the creditor financial institutions in the amount of 250 billion Won (the "Debt/ Equity Swap") shall be made after Anam's reduction of capital in accordance with the Workout Plan.

Initially, the Debt/Equity Swap of 100 billion Won will be conditioned upon the capital contribution of 50 billion Won by the "Owner (Mr. James Kim)" and a foreign investor company within the first half of 1999.

- 2) The remaining balance of the Debt/Equity Swap of 150 billion Won will be made in parallel with the consecutive capital increases by the Owner and the foreign investor company in accordance with their schedule as required under Agenda 8 (7) below (Owner's

Self-rescue Plan of Foreign Capital Inducement in Connection with the Workout Plan). The Debt/Equity Swap shall be made in accordance with the proportion set forth in Clause 3.(2) hereunder.

- 3) The method of conversion (Debt/Equity Swap, subscription of convertible bonds and conversion into interest-exempt credits) which was adopted at the first conversion shall also be applied for every conversion into equity.

2. Size

- 1) Total: 250 billion Won
- 2) Common Shares:122.3 billion Won

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- 3) Convertible Bonds: 108.1 billion Won
- 4) Conversion into Interest-exempt Credits:
19.6 billion Won

However, each amount may be subject to change in accordance with the method and proportion.

3. Method and Proportion

(1) Method of Allotment

- 1) Debt/Equity Swap shall be made into share in principle. However, any financial institution which is restricted to convert its credit into shares shall subscribe for convertible bonds.
- 2) Any financial institution that is restricted to effect the Debt/Equity Swap or subscription for convertible bonds shall convert its credit into interest-exempt credit until disposal of share or convertible bonds. At such time when it is permitted to effect conversion into equity, it may effect the Debt Equity Swap or underwrite convertible bonds in the same method.
- 3) The subscription for convertible bonds and conversion into interest-exempt credits may be made by each financial institution with any possible method.

(2) Ratable Share

The ratable share of each creditor financial institution shall be determined based in proportion to unsecured credits as of the filing of credit (as of December 31, 1998) (primary credit - liquidated value of security)

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- * See [Attachment 3-1] Table of Ratable Share by Each Financial Institution(250 billion won),
- * See [Attachment 3-2] Table of Ratable Share by Each

4. Conditions of the Debt/ Equity Swap

- (1) Common Shares: 5,000 Won per share
- (2) Convertible Bonds ("CB"s):
 - 1) Interest rate: 0%
 - 2) Maturity: 5 years
 - 3) Conversion Period: after one year from issue date to one month prior to the maturity
 - 4) Shares issued upon conversion: common share
 - 5) Conversion Ratio: 100%
 - 6) Conversion Price: 5,000 Won per share
 - 7) Yield to maturity: 1.0% p.a.
- (3) Before the issuance of new shares or CBs for the Debt/ Equity Swap, Anam is required to reduce its capital at the average closing price of the shares for the one month period prior to Anam's application for the Workout.
- (4) The interest accrued on credits except for lease credits, until the Debt/Equity Swap shall be counted in the principal or may convert into a general working capital loan.
- (5) The paid in capital amount and subscription amount of CBs shall be set off against the loan. However, if unavoidable, the share proceeds and the subscription amount shall be settled or set-off after payment with the creditor financial institution's own funds.
- (6) The new shares or CBs shall be allotted only to

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financial institutions by third party allotment method.

5. Disposal of Share or CBs and Repayment of Interest-Exempt Credits

- (1) The creditor financial institutions are prohibited from the sale of the swapped shares or CBs until December 31, 2003 unless the Steering Committee makes a decision to sell such securities.
- (2) The amount and method of repayment of interest-exempt credits shall be decided by the Steering Committee.

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AGENDA IV. TREATMENT OF INTER-COMPANY LOANS

1. In the event that the Workout program of Anam Electronics is commenced, the inter-company loan by Anam Semiconductor to Anam Electronics in the amount of 147.2 billion Won shall be converted into equity after the reduction of capital by Anam Electronics at the average closing price of the shares for the one month period prior to Anam Electronics' filing of application for the Workout; provided that the interest shall be exempted with respect to such inter-company loans.

- (1) Method of Debt/ Equity Swap: conversion into common shares

- (2) Amount: 147.2 billion Won
- (3) Share Price: par value (per 5,000 Won)
- (4) Time of Issuance: within the first half of 1999
- (5) Share Assignment: The Steering Committee shall determine assignment to a third party or granting of preemptive rights to the largest shareholder, and sale in market.

2. The inter-company loan by Anam Semiconductor to Anam Environment in the amount of 15.3 billion Won shall be converted into CBs; provided that the interest shall be exempted with respect to such inter-company loans.

- Conditions for Issuance

- (1) Interest Rate: 0%
- (2) Maturity: 10 years
- (3) Shares issued upon conversion: common share
- (4) Yield to maturity: 0%

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- (5) Conversion Price: par value (5,000 Won)
- (6) Time of Issuance: within the first half of 1999

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AGENDA V. MEASURE TO CLEAR INTER-COMPANY GUARANTEES

- 1. Claims for Request for Discharge of Guarantee Liabilities
 - The claiming amount for discharge of guarantee liabilities under Workout of Anam shall be the credit amount of the guaranteed debtor (outstanding actual loan - value of liquidated security).

2. Granting of Voting Rights

- (1) Regarding the whole amount of claims for discharge of guarantee obligation, voting rights shall be bestowed with respect to all Agenda (from Agenda No.I to Agenda No.VIII).
- (2) The voting right held by an overseas subsidiary of a domestic financial institution, which is a member of the Accord, shall be exercised by a domestic financial institution on behalf of the relevant overseas subsidiary.

3. Treatment of Claims for Discharge of Guarantee Obligations

- (1) Cross-guarantee on domestic affiliated companies including target companies subject to Workout : Suspended
 - 1) The right to request discharge of guarantee obligations may be exercised at the time when the guarantee obligation amount is fixed due to the extinction of the primary debtor's legal entity as a result of bankruptcy or liquidation, and the payment of the principal of the

guarantee obligation shall be suspended until December 31, 2003. Interest (accrued interest and interest during suspension period) shall be exempted.

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2) Any creditor financial institution holding claims for discharge of guarantee obligation against three affiliated companies of Anam shall not demand its primary debtors to prepay or provide additional security on the grounds for suspension of repayment.

(2) Guarantee Obligation related to Offshore Subsidiary or Overseas Guarantee: suspended

The right to request discharge of guarantee obligations related to loans provided to an overseas subsidiary affiliated to Anam (trade finance, offshore loan, foreign currency loans) and overseas guarantee may be exercised at the time when the guarantee obligation amount is fixed due to the extinction of the primary debtor's legal personality as a result of a bankruptcy or liquidation, and the payment of guarantee obligation shall be suspended until December 31, 2000. Interest (accrued interest and interest during suspension period) shall be exempted.

(3) The claims for discharge of guarantee obligation which have not filed shall be treated in accordance with this resolution.

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AGENDA VIII: DISPATCH OF MANAGEMENT ADMINISTRATORS AND OTHER MATTERS

1. Dispatch of Management Administrators

(1) The creditors financial institutions shall dispatch the Management Administrators as follows:

----- Subject Company -----	Anam Semiconductor
Number of Administrators	Four administrators from Cho Hung Bank and one from The Korea Development Bank (total:5) If necessary, one non-standing employee shall be dispatched on behalf of the financial institution holding lease credits.
Period	until Anam Semiconductor is deemed to have been normalized by the creditor financial institutions, as determined by the Steering Committee -----

(2) The administrators shall establish the operating rules for Management Administrators for the purpose of efficient business operation and shall execute the management agreement with the

relevant company.

- (Attachments) 1. Operating Rules for Management Administrator (draft)
2. Management Agreement (draft)

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2. Matters relating to Execution of Workout Agreement

- (1) For the efficient implementation of the Workout Plan, the Presiding Bank shall execute a "Workout Agreement" with Anam on behalf of the creditor financial institutions, and each of other financial institutions shall delegate its power and authority relating to the execution of such Workout Agreement to the Presiding Bank.
- (2) The contents to be included in the Workout Agreement shall be determined by the Steering Committee of the Council of Financial Institution Creditors and shall include the following matters:
- i) Management targets to be represented by James Kim and the management of Anam (including, but not limited to net income and debt-to-equity ratio); and
 - ii) Sanctions in case of failure to achieve the foregoing management targets.

3. Management of Kun-mortgagees upon Sale of Real Property

In the event that the disposal of real property is made in connection with the efficient implementation of the self-rescue plan of Anam, the Kun-mortgagee attached to such real property shall agree to be lifted by the creditor financial institutions as security holders regardless of the actual amounts of the proceed to be allocated to such financial institutions.

4. Contingency Plan

- (1) In the Event of Failure in the Implementation of Self-rescue Plan
- 1) If it is deemed inevitable that the Anam's self-

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rescue plan has failed to be implemented due to causes other than the following causes, the Steering Committee may be delegated with the authority to dispose of the relevant property at such price and time which are deemed appropriate for the Steering Committee, and may appropriate such proceeds from the disposal to the payment of the obligations of Anam.

- i) if the self-rescue plan fails to be implemented due to Acts of God or any other circumstance equivalent thereto; or
 - ii) if the self-rescue plan fails to be implemented due to causes other than management-related factors.
- 2) In the event that: (a) the implementation of the

self-rescue plan is deemed not to be going through successfully due to the causes set forth in the above sub-paragraph i), Items 1) and 2); (b) the amount of funds expected to be induced through the implementation of the self-rescue plan is so much considerably smaller than it was expected under the self-rescue plan that the shortage of funds is otherwise apparent, the Council may further loosen the financial terms and conditions of the existing workout conditions through consultation with the Steering Committee.

- (2) Handling of Shortage (or Surplus) of the Funds Due to Change of the Economic Conditions In cases where the shortage of funds is expected due to the abrupt depreciation of foreign exchange rates, changes of interest rates or continuation of stagnation of business condition, or in cases where the cash flow improves due to the improvement in the operating results of Anam or a merger, the Council may change the

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financial terms and conditions for the existing credits through consultation with the Steering Committee.

5. Delegation of Business to the Presiding Bank

- (1) Details on the handling of the Workout Plans for the other three (3) affiliates of Anam which have not been specified by the Council or the Steering Committee shall be delegated to the Presiding Bank.
- (2) The Presiding Bank shall notify the actual results of the handling of business in Paragraph (1) above to the Steering Committee.

6. Priority Application of the Workout Plan

In cases where there are any inconsistencies arising among any previously executed agreements in connection with any credits and the details of the Workout Plan, the Workout Plan shall prevail.

7. Owner's Self-rescue Plan of Foreign Capital Inducement in Connection with the Workout Plan

- (1) In connection with the Workout Plan, James Kim and the foreign investor company shall contribute capital at PAR VALUE of Anam shares in the aggregate amount of US\$150 million through rights offering in accordance with the following schedule, and shall contribute 50 billion Won within the first half of 1999.
- (2) Interest-exempt credits which the Steering Committee shall designate for reimbursement shall be repaid first with the funds to be brought in through the above rights issue from the year 2000 to 2002 in accordance with the ratio of such interest free loans.
- (3) Upon the decision by the Steering Committee, the common shares and CBS to be held by the creditors financial

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institutions through the Debt/Equity Swap may be sold at the market.

TIMING AND AMOUNT OF CAPITAL CONTRIBUTION

Date of Capital Contribution	Amount of Capital Contribution	Investors
First half of 1999	41 million US dollars	Foreign investor company and Chairman Ju Jin Kim
Year 2000 - Year 2002	109 million US dollars	Foreign investor company: 100 million US dollars
Total	150 million US dollars	Chairman Ju Jin Kim: 50 million US dollars

- (4) The capital contribution of US\$150 million in Paragraph (1) above shall be performed in accordance with a letter of commitment which shall be provided to the creditor financial institutions after having been notarized in Korea and the United States. In case of failure to perform, the Council shall decide whether or not to terminate the Workout Plan.