AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON APRIL 8, 1998
REGISTRATION NO. 333-

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM S-1
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

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

DELAWARE	3674	23-1722724
(STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	(PRIMARY STANDARD INDUSTRIAL CLASSIFICATION CODE NUMBER)	(I.R.S. EMPLOYER IDENTIFICATION NUMBER)

AMKOR TECHNOLOGY, INC.
1345 ENTERPRISE DRIVE
WEST CHESTER, PA 19380
(610) 431-9600
(ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER, INCLUDING AREA CODE, OF REGISTRANT'S PRINCIPAL EXECUTIVE OFFICES)

FRANK J. MARCUCCI
CHIEF FINANCIAL OFFICER
AMKOR TECHNOLOGY, INC.
1345 ENTERPRISE DRIVE
WEST CHESTER, PA 19380
(610) 431-9600
(NAME, ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER, INCLUDING AREA CODE, OF AGENT FOR SERVICE)

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APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC: As soon as practicable after the effective date of this Registration Statement.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. [X]

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ]

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ]

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ]________________

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. [ ]

CALCULATION OF REGISTRATION FEE

TITLE OF EACH CLASS OF SECURITIES TO BE REGISTERED	AMOUNT TO BE REGISTERED	MAXIMUM OFFERING PRICE PER SECURITY(2)	PROPOSED MAXIMUM AGGREGATE OFFERING PRICE(2)	AMOUNT OF REGISTRATION FEE
Common Stock, $.001 par value(1).......	7,000,000 shares	$12.00	$84,000,000	$24,780

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(1) Comprises shares of Common Stock that may be loaned by James Kim and Agnes Kim to Smith Barney Inc. from time to time in connection with the market-making activities described herein.

(2) Estimated solely for the purpose of computing the amount of the registration fee pursuant to Rule 457(a) promulgated under the Securities Act of 1933, as amended, and based on the proposed maximum offering price per share in the initial public offering of the Common Stock pursuant to the Registrant's Registration Statement on Form S-1, File No. 333-37235.

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(A) OF THE SECURITIES ACT OF 1933, AS AMENDED, OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(A), MAY DETERMINE.

INFORMATION CONTAINED HEREIN IS SUBJECT TO COMPLETION OR AMENDMENT. A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION. THESE SECURITIES MAY NOT BE SOLD NOR MAY OFFERS TO BUY BE ACCEPTED PRIOR TO THE TIME THE REGISTRATION STATEMENT BECOMES EFFECTIVE. THIS PROSPECTUS SHALL NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY NOR SHALL THERE BE ANY SALE OF THESE SECURITIES IN ANY STATE IN WHICH SUCH OFFER, SOLICITATION OR SALE WOULD BE UNLAWFUL PRIOR TO THE REGISTRATION OR QUALIFICATION UNDER THE SECURITIES LAWS OF ANY SUCH STATE.

SUBJECT TO COMPLETION, DATED APRIL 8, 1998

PROSPECTUS

LOGO

AMKOR TECHNOLOGY, INC.
COMMON STOCK

This Prospectus relates to shares of common stock, par value $.001 per share (the "Common Stock"), of Amkor Technology, Inc., a Delaware corporation ("Amkor" or the "Company") which may be offered and sold by Smith Barney Inc. ("Salomon Smith Barney") in connection with market-making activities in the

Company's   % Convertible Subordinated Notes due 2003 (the "Convertible Notes").

Salomon Smith Barney may, subject to certain limitations, from time to time borrow Common Stock from certain stockholders of the Company to settle short sales of Common Stock (or to return Common Stock previously borrowed by Salomon Smith Barney to settle such short sales) entered into by Salomon Smith Barney to hedge any long position in the Convertible Notes resulting from market-making activities. Such sales by Salomon Smith Barney will be made on the Nasdaq National Market or in the over-the-counter market at market prices prevailing at the time of sale or at prices related to such market prices. Salomon Smith Barney is obligated to return such borrowed shares of Common Stock, and shares that have been so returned may be reborrowed and sold. The total number of shares borrowed at any time may not exceed 7,000,000. See "Plan of Distribution." Salomon Smith Barney is not under any obligation to engage in any market-making transactions with respect to the Convertible Notes, and any market-making in the Convertible Notes actually engaged in by Salomon Smith Barney may cease at any time.

The Common Stock is listed for trading on the Nasdaq National Market under the symbol "AMKR." The offering price of the Common Stock in the Company's initial public offering thereof, which commenced on   , 1998, was   per share.

SEE "RISK FACTORS" BEGINNING ON PAGE 8 FOR A DISCUSSION OF CERTAIN FACTORS THAT SHOULD BE CONSIDERED BY PROSPECTIVE PURCHASERS OF SHARES OF COMMON STOCK.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

          , 1998

ADDITIONAL INFORMATION

The Company has filed with the Commission a Registration Statement on Form S-1 (the "Registration Statement") under the Securities Act of 1933, as amended (the "Securities Act"), with respect to the Common Stock offered hereby. This Prospectus does not contain all of the information set forth in the Registration Statement and the exhibits and schedules filed as a part thereof, as permitted by the rules and regulations of the Commission. For further information with respect to the Company and the Common Stock, reference is hereby made to such Registration Statement, including the exhibits and schedules filed as a part thereof. Statements contained in this Prospectus as to the contents of any contract or other document referred to herein are not necessarily complete and where such contract or other document is an exhibit to the Registration Statement, each such statement is qualified in all respects by the provisions of such exhibit, to which reference is hereby made for a full statement of the provisions thereof. The Registration Statement, including the exhibits and schedules filed as a part thereof, may be inspected without charge at the public reference facilities maintained by the Commission as set forth in the preceding paragraph. Copies of these documents may be obtained at prescribed rates from the Public Reference Section of the Commission at Room 1024, Judiciary Plaza, 450 Fifth Street, N.W., Washington. D.C. 20549. The Commission maintains a World Wide Web site that contains reports, proxy and information statements and other information regarding registrants that file electronically with the Commission. The address of the Commission's Web site is http://www.sec.gov.

PowerQuad(R) and SuperBGA(R) are registered trademarks of the Company and ChipArray(TM), fleXBGA(TM) and PowerSOP(TM) are trademarks of the Company. MicroBGA(TM) is a trademark of Tessera, Inc. This Prospectus includes other trademarks and trade names of the Company and other entities.

CERTAIN PERSONS PARTICIPATING IN THE INITIAL PUBLIC OFFERING BY THE COMPANY OF THE COMMON STOCK AND THE CONVERTIBLE NOTES MAY ENGAGE IN TRANSACTIONS THAT STABILIZE, MAINTAIN OR OTHERWISE AFFECT THE PRICE OF THE COMMON STOCK OR THE CONVERTIBLE NOTES, INCLUDING PURCHASES OF SUCH SECURITIES TO STABILIZE THEIR MARKET PRICE, PURCHASES OF SUCH SECURITIES TO COVER SOME OR ALL OF A SHORT POSITION IN SUCH SECURITIES MAINTAINED BY THE UNDERWRITERS OF SUCH OFFERING AND THE IMPOSITION OF PENALTY BIDS.

PROSPECTUS SUMMARY

The following summary is qualified in its entirety by the more detailed information found elsewhere in this Prospectus, including under "Risk Factors" and the Combined Financial Statements and Notes thereto. Certain statements contained in "Prospectus Summary," "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business," including statements regarding the anticipated growth in the market for the Company's products, the Company's anticipated capital expenditures and financing needs, the Company's expected capacity utilization rates, the belief of the Company as to its future operating performance, and other statements contained in this Prospectus that are not historical facts, are "forward-looking" statements within the meaning of the U.S. federal securities laws. 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 "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business." These forward-looking statements are made as of the date of this Prospectus and the Company assumes no obligation to update such forward-looking statements or to update the reasons why actual results could differ materially from those anticipated in such forward-looking statements

THE COMPANY

Amkor is the world's largest independent provider of semiconductor packaging and test services. The Company believes that it is also one of the leading developers of advanced semiconductor packaging and test technology in the industry. The Company offers a complete and integrated set of packaging and test services including integrated circuit ("IC") package design, leadframe and substrate design, IC package assembly, final testing, burn-in, reliability testing, and thermal and electrical characterization. As of December 31, 1997, the Company had in excess of 150 customers, including many of the largest semiconductor companies in the world. Such customers include, among others, Advanced Micro Devices, Inc., International Business Machines Corp., Intel Corporation, Lucent Technologies, Inc., Motorola, Inc., National Semiconductor Corp., Philips Electronics N.V., SGS-THOMSON Microelectronics N.V., Siemens AG and Texas Instruments, Inc. ("TI").

Today, nearly all of the world's major semiconductor companies outsource some or all of their packaging and test needs. The increasing complexities, investment requirements and time to market pressures associated with IC design and production, combined with the growth in the number of ICs being produced and sold, are driving increasing demand for independent packaging and test services. According to industry estimates, independent packaging foundry revenues are expected to grow at a compound annual rate of 16% over a period of five years from $5.6 billion in 1996 to $11.6 billion in 2002.

The Company provides packaging and test services through its three factories in the Philippines as well as four factories of Anam Industrial Co., Ltd. ("AICL") in Korea pursuant to a supply agreement between the Company and AICL. The Company and AICL have had a long-standing relationship. In 1996 and 1997, approximately 72% and 68%, respectively, of the Company's revenues were derived from sales of services performed for the Company by AICL. In addition, substantially all of the revenues of AICL in 1996 and 1997 were derived from services sold by the Company. Mr. James Kim, the Company's Chairman and Chief

Executive Officer, is a director of AICL, and he and other members of his family beneficially own approximately 40.7% of AICL's outstanding common stock. The Company expects that the businesses of the Company and AICL will continue to remain highly interdependent by virtue of their supply relationship, overlaps and family ties between their respective shareholders and management, financial relationships, coordination of product and operation plans, joint research and development activities and shared intellectual property rights.

The Company recently began offering wafer fabrication services through AICL's new deep submicron CMOS foundry capable of producing 15,000 8" wafers per month. Through a strategic relationship with TI, the Company and AICL have qualified .25 micron CMOS process technology, and TI has agreed to provide to AICL .18 micron CMOS process technology during 1998. AICL's foundry will primarily manufacture DSPs, ASICs and other logic devices. By leveraging the Company's leading position in semiconductor packaging and

test services, the new wafer fabrication services have enabled the Company to become one of the first providers of a fully integrated, turnkey semiconductor fabrication, packaging and test service solution.

The Company's strategy is to: (i) maintain its product technology leadership by continuing to design and produce leading-edge packaging technology; (ii) maintain advanced manufacturing capabilities through continuous advancement and refinement of its process technology; (iii) leverage the scale and scope of its packaging and test capabilities to provide Amkor with several competitive advantages, including procurement of key materials and manufacturing equipment, the ability to capitalize on economies of scale and the ability to offer an industry-leading breadth of product offerings; (iv) establish industry packaging standards to bolster sales of leading-edge, high margin and high growth product lines; (v) enhance customer and supplier relationships; (vi) continue to focus on customer support; and (vii) provide an integrated, turnkey solution comprised of wafer fabrication, packaging and test services.

The Company was organized under the laws of Delaware in September 1997 to consolidate the ownership of several affiliated entities in the same business and under common management. See "Reorganization." The Company's principal executive offices are located at 1345 Enterprise Drive, West Chester, PA 19380 and its telephone number at that address is (610) 431-9600.

THE INITIAL PUBLIC OFFERING

On   , 1998, the Company commenced the initial public offering of 35,000,000 shares of Common Stock (5,000,000 of which are being offered by certain stockholders of the Company (the "Selling Stockholders")) and $150,000,000 aggregate principal amount of Convertible Notes (the "Initial Public Offering"). In connection with the Initial Public Offering, the Company has granted the underwriters of the Initial Public Offering (the "Underwriters") 30-day options to purchase up to 5,250,000 additional shares of Common Stock and $22,500,000 additional principal amount of Convertible Notes solely to cover over-allotments, if any. Salomon Smith Barney is a representative of the Underwriters.

The net proceeds to the Company from the Initial Public Offering are estimated to be approximately $449,950,000 (approximately $525,452,500 if the Underwriters' over-allotment options are exercised in full), assuming an Initial Public Offering price of $11.00 per share of Common Stock and after deducting the estimated underwriting discounts and estimated offering expenses. The Company will not receive any proceeds from the sale of the shares of Common Stock offered by the Selling Stockholders.

Approximately $154 million of the net proceeds to the Company from the Initial Public Offering will be used to repay the Non-Compliant Loans (as defined herein), which, following planned repayments of portions thereof prior to the Initial Public Offering, will have outstanding balances of $43 million,

$50 million and $61 million. These loans are due May 1998, October 2000 and April 2001, respectively, and accrue interest annually at rates equal to 7.16%, 6.78% and 6.68%, respectively, at December 31, 1997, which rates represent LIBOR plus a spread. The $43 million loan was incurred in August 1997 in order to redeem $40 million of Floating Rate Notes issued by Amkor/Anam Pilipinas, Inc., a subsidiary of the Company ("AAP"), and to repay certain short-term debt. The Company is not in compliance with certain covenants under the above-described loans and, as a result, the Company's obligation to repay these loans may be accelerated by the lenders at any time. These loan covenants include restrictions on the ability of one of the Company's subsidiaries to enter into transactions with affiliates, requirements that the subsidiary maintain certain debt-to-equity ratios and requirements that the subsidiary comply with certain notice requirements. As a result of such non-compliance, these loans have been classified as current liabilities in the Company's financial statements included herein, and the report of the Company's independent public accountants with respect to such financial statements contains a paragraph stating that there is substantial doubt as to the ability of the Company to continue as a going concern. Repayment of such loans from the proceeds of the Initial Public Offering will eliminate these events of non-compliance.

Approximately $63 million of the net proceeds to the Company from the Initial Public Offering will be used to repay numerous short-term bank loans incurred primarily to finance capital expenditures for the

Company's P1 factory in the Philippines and for working capital. All of these loans are due within 12 months of December 31, 1997 and bear interest at rates ranging from 8.0% to 12.2%. In addition, approximately $8 million of the net proceeds will be used to repay two term loans of approximately $3 million and $5 million. These loans are due September 1999 and January 2001, respectively, and accrue interest annually at rates equal to 9.09% and 11.88%, respectively, at December 31, 1997, which rates represent LIBOR plus a spread.

An additional approximately $34 million of the net proceeds to the Company will be used to purchase AICL's 40% interest in AAP. Approximately $106 million of the net proceeds will be used to repay all of the amounts that will remain due to Anam USA, Inc., a wholly-owned subsidiary of AICL ("AUSA"), following planned repayments of portions thereof prior to the Initial Public Offering. The remaining $85 million of such net proceeds ($160 million if the Underwriters' over-allotment options are exercised in full) will be used for capital expenditures and working capital. Pending such uses, the net proceeds to the Company of the Initial Public Offering will be invested in investment grade, interest-bearing securities.

USE OF PROCEEDS

This Prospectus relates to the offer and sale of shares of Common Stock whereby Salomon Smith Barney may, subject to certain limitations, from time to time borrow from Mr. James Kim and his wife, Mrs. Agnes Kim ("Mr. and Mrs. Kim"), to settle short sales of Common Stock (or to return Common Stock previously borrowed by Salomon Smith Barney to settle such short sales) entered into by Salomon Smith Barney to hedge any long position in the Convertible Notes resulting from its market-making activities. See "Plan of Distribution." The Company will not receive any proceeds from the sale of the Common Stock to which this Prospectus relates.

RISK FACTORS

See "Risk Factors" beginning on page 8 for a discussion of certain factors that should be considered by potential investors.

SUMMARY COMBINED FINANCIAL DATA
(IN THOUSANDS, EXCEPT PER SHARE AND RATIO DATA)

	YEAR ENDED DECEMBER 31,				
	1993	1994	1995	1996	1997
INCOME STATEMENT DATA:					
Net revenues	$442,101	$572,918	$932,382	$1,171,001	$1,455,761
Gross profit	70,778	58,270	149,047	148,923	213,092
Operating income	26,374	13,843	84,855	71,368	100,841
Net income(1)	17,236	11,574	61,932	32,922	43,281
Pro forma adjustment for income taxes(2)	2,900	200	10,400	2,900	3,613
Pro forma net income(2)	14,336	11,374	51,532	30,022	39,668
Basic and diluted pro forma net income per common share	.17	.14	.62	.36	.48
Shares used in per share calculation	82,610	82,610	82,610	82,610	82,610
OTHER DATA:					
EBITDA(3)	$ 37,437	$ 34,197	$103,434	$ 123,082	$ 175,111
Ratio of earnings to fixed charges(4)					
Actual	3.7x	2.0x	4.6x	2.4x	2.5x
Supplemental pro forma					3.1x

	DECEMBER 31, 1996	DECEMBER 31, 1997		
		ACTUAL	PRO FORMA(5)	AS ADJUSTED(6)
BALANCE SHEET DATA:				
Cash and cash equivalents	$ 49,644	$ 90,917	$ 63,217	$ 68,191
Working capital (deficit)	36,785	(196,870)	(224,570)	52,704
Total assets	804,864	855,592	827,892	864,197
Short-term borrowings and current portion of long-term debt	191,813	325,968	325,968	53,668
% Convertible Subordinated Notes due 2003	--	--	--	150,000
Due to AUSA (non-current)	234,894	149,776	149,776	--
Other long-term debt	167,444	38,283	38,283	35,283
Stockholders' equity	45,812	90,875	61,075	367,838

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(1) Net income for 1997 reflects a $17.3 million loss related primarily to the impairment of value of the Company's equity interest in AICL. This investment was sold in 1998. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Note 6 of Notes to Combined Financial Statements.

(2) Prior to the reorganization of the Company, Amkor Electronics, Inc. ("AEI"), a predecessor of the Company, 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 herein. The pro forma adjustment for income taxes reflects the additional U.S. federal income taxes which would have been recorded by the Company if AEI had not been an S Corporation during these periods. See "Reorganization" and Note 1 of Notes to Combined Financial Statements.

(3) EBITDA is defined as earnings before interest, taxes on income, depreciation and amortization. EBITDA is presented here to provide additional information about the Company's ability to meet its future debt service, capital expenditure, and working capital requirements and should not be construed as a substitute for or a better indicator of results of operations or liquidity than net income or cash flow from operating activities computed in accordance with generally accepted accounting principles.

(4) For purposes of calculating the ratio of earnings to fixed charges, earnings consist of income before income taxes less undistributed earnings in less than 50%-owned subsidiaries, plus fixed charges. Fixed charges consist of interest expense incurred and one-third of rental expense which amount is deemed by the Company to be representative of the interest factor of rental payments under operating leases. The supplemental pro forma ratio of

earnings to fixed charges reflects the effect on the ratio of earnings to fixed charges if the Initial Public Offering had been completed and the estimated net proceeds to the Company applied as described in "-- The Initial Public Offering" at the beginning of the period presented.

(5) Pro forma balance sheet data reflects (i) the termination of AEI's S Corporation status which resulted in the recording of a deferred tax liability of $2.1 million and (ii) a distribution by the Company of undistributed earnings of AEI through December 31, 1997 of $27.7 million to stockholders of AEI prior to the reorganization of the Company. The amount actually distributed by the Company to such stockholders of AEI will increase to reflect any undistributed net income earned by AEI following December 31, 1997 and prior to such reorganization. See "Reorganization -- Termination of S Corporation Status and Distributions" and Notes 1, 16 and 17 of Notes to Combined Financial Statements.

(6) As adjusted to give effect to the application of the estimated net proceeds to the Company of the Initial Public Offering based on an assumed Initial Public Offering price of $11.00 per share of Common Stock, including the purchase from AICL of its 40% interest in AAP for approximately $34 million and the related elimination of minority interest and recording of goodwill. The acquisition of the minority interest will result in additional amortization of approximately $2.5 million per year. Also reflects repayments made after December 31, 1997 and prior to the Initial Public Offering of $50.3 million of short-term borrowings and current portion of long-term debt and $30 million of amounts due to AUSA (non-current), as well as the assumption by an affiliate of the Company of $13.9 million of amounts due to AUSA (non-current), in February 1998. See "-- The Initial Public Offering," "Reorganization" and Notes 1, 6 and 16 of Notes to Combined Financial Statements.

Capitalized terms used in this summary have the meanings ascribed to such terms elsewhere in this Prospectus. Unless the context otherwise requires, all references in this Prospectus to the "Company" or "Amkor" are to Amkor Technology, Inc. and its subsidiaries. Prior to the Reorganization (as defined under "Reorganization"), such subsidiaries were under common management and were in the same business. As a result, the financial statements presented herein have been prepared on a combined basis. Unless otherwise indicated, all information in this Prospectus gives effect to (i) the Reorganization, including the issuance of 82,610,000 shares of Common Stock in connection therewith, and (ii) the Initial Public Offering and the application of the net proceeds therefrom (assuming that the Underwriters have not exercised the over-allotment options). See "-- The Initial Public Offering," "Reorganization," "Description of Capital Stock" and Note 1 of Notes to Combined Financial Statements. References in this Prospectus to "Korea" are to the Republic of Korea, and references to "won" or "W" are to the currency of the Republic of Korea. The won has depreciated significantly against the U.S. dollar and other foreign currencies in recent months. On March 24, 1998, the base rate under the market average exchange rate system, as announced by the Korea Financial Telecommunications and Clearings Institute in Seoul, Korea (the "Market Average Exchange Rate"), was W1,415 to $1.00. 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. Financial information for AICL contained in this Prospectus has been prepared on the basis of Korean generally accepted accounting principles ("GAAP"), which differ in certain significant respects from U.S. GAAP.

Certain technical terms used throughout this Prospectus are defined in the Glossary appearing immediately prior to the Combined Financial Statements at the end of this Prospectus.

RISK FACTORS

Prospective investors should consider carefully the following risk factors, in addition to the other information contained in this Prospectus concerning the Company and its business, before purchasing the shares of Common Stock or the Convertible Notes offered hereby. Certain statements contained in "Prospectus Summary," "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business," including statements regarding the anticipated growth in the market for the Company's products, the Company's anticipated capital expenditures and financing needs, the Company's expected capacity utilization rates, the belief of the Company as to its future operating performance and other statements contained in this Prospectus that are not historical facts, are "forward-looking" statements within the meaning of the U.S. federal securities laws. 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 herein and in "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business." These forward-looking statements are made as of the date of this Prospectus and the Company assumes no obligation to update such forward-looking statements or to update the reasons why actual results could differ materially from those anticipated in such forward-looking statements.

FLUCTUATIONS IN OPERATING RESULTS; DECLINES IN AVERAGE SELLING PRICES

The Company's operating results have varied significantly from period to period. A variety of factors could materially and adversely affect the Company's revenues, gross profit and operating income, or lead to significant variability of quarterly or annual operating results. These factors include, among others, the cyclical nature of both the semiconductor industry and the markets addressed by end-users of semiconductors, the short-term nature of its customers' commitments, timing and volume of orders relative to the Company's production capacity, changes in capacity utilization, evolutions in the life cycles of customers' products, rescheduling and cancellation of large orders, rapid erosion of packaging selling prices, availability of manufacturing capacity, allocation of production capacity between the Company's facilities and those of AICL, fluctuations in package and test service charges paid to AICL, changes in costs, availability and delivery times of labor, raw materials and components, effectiveness in managing production processes, fluctuations in manufacturing yields, changes in product mix, product obsolescence, timing of expenditures in anticipation of future orders, availability of financing for expansion, changes in interest expense, the ability to develop and implement new technologies on a timely basis, competitive factors, changes in effective tax rates, the loss of key personnel or the shortage of available skilled workers, international political or economic events, currency and interest rate fluctuations, environmental events, and intellectual property transactions and disputes. Unfavorable changes in any of the above factors may adversely affect the Company's business, financial condition and results of operations. In addition, the Company increases its level of operating expenses and investment in manufacturing capacity based on anticipated future growth in revenues. If the Company's revenues do not grow as anticipated and the Company is not able to decrease its expenses, the Company's business, financial condition and operating results would be materially and adversely affected. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Beginning in the third quarter of 1996, intense competition in the semiconductor industry worldwide resulted in decreases in the average selling prices of many of the Company's lead frame packages. The Company expects that average selling prices for its services will continue to decline in the future, principally due to intense competitive conditions. A decline in average selling prices of the Company's services, if not offset by reductions in the cost of producing those services or by a shift to higher margin products, would decrease the Company's gross margins and could materially and adversely affect the Company's business, financial condition and results of operations. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

DEPENDENCE ON THE HIGHLY CYCLICAL SEMICONDUCTOR AND PERSONAL COMPUTER INDUSTRIES

The Company's business is substantially affected by market conditions in the semiconductor industry, which is highly cyclical and, at various times, has been subject to significant economic downturns character-

ized by reduced product demand, rapid erosion of average selling prices and production overcapacity. In addition, the markets for semiconductors are characterized by rapid technological change, evolving industry standards, intense competition and fluctuations in end-user demand. Because the Company's business will be dependent on the requirements of semiconductor companies for independent packaging, test and wafer fabrication services for the foreseeable future, any future downturn in the semiconductor industry could have a material adverse effect on the Company's business, financial condition and results of operations. The Company's operating results for 1996 and 1997 were adversely affected by a downturn in the semiconductor market. In addition, a significant portion of the Company's net revenues from packaging and test services depends on the packaging and testing of semiconductors used in personal computer ("PC") products. The PC industry is subject to intense competition, is highly volatile and is subject to significant shifts in demand. As a result, any deterioration of business conditions in the PC industry could have a material adverse effect on the Company. See "Business -- Industry Background" and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

RISKS ASSOCIATED WITH LEVERAGE

The Company has historically operated with significant amounts of debt relative to its equity. At December 31, 1997, the Company had outstanding $514.0 million in principal amount of indebtedness, including non-current amounts due to Anam USA, Inc. ("AUSA"), a wholly-owned subsidiary of AICL, and the Company intends to incur additional bank debt prior to and following the Initial Public Offering in addition to the Convertible Notes issued as part of the Initial Public Offering. In 1996 and 1997, the Company's payments under long-term debt agreements (excluding payments to AUSA as described in Note 11 of Notes to Combined Financial Statements) were $3.1 million and $43.5 million, respectively. Following the expected application of the estimated net proceeds to the Company of the Initial Public Offering and planned repayments of debt after December 31, 1997 and prior to the Initial Public Offering, the Company will continue to have at least $239 million in principal amount of indebtedness outstanding, including $54 million of short-term borrowings and current portions of long-term debt.

The Company is not in compliance with certain covenants with respect to certain of its loans, the aggregate outstanding amount of which was $176 million at December 31, 1997 (the "Non-Compliant Loans"). Such non-compliance in turn triggered cross-defaults with respect to an additional $10 million of the Company's loans. These loan covenants include restrictions on the ability of one of the Company's subsidiaries to enter into transactions with affiliates, requirements that the subsidiary maintain certain debt-to-equity ratios and requirements that the subsidiary comply with certain notice requirements. The Company's obligation to repay these loans (including the cross-defaulted loans) may be accelerated by the lenders at any time. As a result of such non-compliance, these loans have been classified as current liabilities in the Company's financial statements included herein, and the report of the Company's independent public accountants with respect to such financial statements contains a paragraph stating that there is substantial doubt as to the ability of the Company to continue as a going concern. The Company will eliminate such non-compliance and cross-defaults by repaying such loans using part of the net proceeds to the Company from the Initial Public Offering, as well as working capital. See "Prospectus Summary -- The Initial Public Offering."

At December 31, 1997, the Company had also guaranteed borrowing facilities available to companies affiliated with James Kim and other stockholders of the Company totalling $55.7 million, of which $38.2 million was outstanding at

December 31, 1997. At December 31, 1997, the Company had $90.9 million of stockholders' equity and a working capital deficit of $196.9 million (which amounts were $61.1 million and $224.6 million, respectively, on a pro forma basis, after giving effect to the termination of AEI's S Corporation status and the distribution of undistributed net income of AEI through December 31, 1997). See "Reorganization -- Termination of S Corporation Status and Distributions."

Following the Initial Public Offering, the Company will continue to be subject to the risks associated with leverage, which risks include (i) principal and interest repayment obligations which require the expenditure of substantial amounts of cash, the availability of which will be dependent on the Company's future performance, (ii) inability to repay principal or interest when due, which could result in a default on the debt and legal actions against the Company, (iii) adverse effects of interest expense on the Company's financial condition and results of operations and (iv) potential violations of loan covenants which could lead to loans being called

by banks. In addition, a significant portion of the debt is owed to banks located in Korea or branches of such banks located outside Korea. Due to the deterioration of the Korean economy in recent months and the resulting liquidity crisis in Korea, banks in Korea and their overseas branches have been experiencing financial difficulties and are reducing their lending, in particular to companies which have significant amounts of debt relative to their equity. See "-- Dependence on International Operations and Sales; Concentration of Operations in the Philippines and Korea.

DEPENDENCE ON RELATIONSHIP WITH AICL; POTENTIAL CONFLICTS OF INTEREST

AICL was founded in 1956 by Mr. H. S. Kim, who currently serves as the honorary Chairman and a Representative Director of AICL. AICL is a member of the Anam group of companies (the "Anam Group"), consisting principally of companies in Korea in the electronics industries. The management of AICL and the other companies in the Anam Group are influenced to a significant degree by the family of H. S. Kim, which, together with the Company, collectively owned approximately 40.7% of the outstanding common stock of AICL as of December 31, 1997. A significant portion of the shares owned by the Kim family are leveraged and as a result of this, or for other reasons, the family's ownership could be substantially reduced. James Kim, the founder of the Company and currently its Chairman and Chief Executive Officer, is the eldest son of H. S. Kim. Since January 1992, in addition to his other responsibilities, James Kim has been serving as acting Chairman of the Anam Group and a director of AICL. Mr. In-Kil Hwang, the President and a Representative Director of AICL, is the brother-in-law of James Kim. In addition, four other members of Mr. Kim's family are on the 13-member Board of Directors of AICL. After the Initial Public Offering, James Kim and members of his family will beneficially own approximately 68.9% of the outstanding Common Stock of the Company, and Mr. Kim and other members of his family will continue to exercise significant control over the Company. See "-- Benefits of the Initial Public Offering to Existing Stockholders; Continued Control by Existing Stockholders" and "Principal Stockholders."

The businesses of the Company and AICL have been interdependent for many years. In 1996 and 1997, approximately 72% and 68%, respectively, of the Company's revenues were derived from sales of services performed for the Company by AICL. In addition, substantially all of the revenues of AICL in 1996 and 1997 were derived from services sold by the Company. The Company expects the proportion of its revenues derived from sales of services performed for the Company by AICL and the proportion of AICL's revenues from services sold by the Company to increase as the Company begins selling the wafer fabrication output of AICL's new wafer foundry and with the Company's assumption from AICL in January 1998 of substantially all of the marketing rights for the Japanese market. In the event the ability of AICL to supply the Company were disrupted for any reason, the Company's facilities in the Philippines would be able to fill only a small portion of the resulting shortfall in capacity. In addition, there are currently no significant third party suppliers of packaging and test services from which the Company could fill its orders. As a result, the Company's business, financial condition and operating results will continue to be significantly dependent on the ability of AICL to effectively provide contracted services on a cost-efficient and timely basis. The termination of the Company's relationship with AICL for any reason, or any material adverse change in AICL'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 has recently entered into new supply agreements with AICL (the "Supply Agreements"). Under the Supply Agreements, AICL has granted to the Company a first right to substantially all of the packaging and test services capacity of AICL and the exclusive right to all of the wafer output of its new wafer foundry. The Company expects to continue to purchase substantially all of AICL's packaging and test services, and to purchase all of AICL's wafer output, under the Supply Agreements. Under the Supply Agreements, pricing arrangements relating to packaging and test services provided by AICL to the Company are subject to quarterly review and adjustment, and such arrangements relating to the wafer output provided by AICL to the Company are subject to annual review and adjustment, in each case on the basis of factors such as changes in the semiconductor market, forecasted demand, product mix, capacity utilization and fluctuations in exchange rates, as well as the mutual long-term strategic interests of the Company and AICL. There can be no assurance

that any new pricing arrangements resulting from such review and adjustment will be favorable to the Company. Pursuant to long-standing arrangements between AICL and the Company's operating subsidiaries, sales from AICL to the Company will continue to be made through AUSA, a wholly-owned financing subsidiary of AICL. Under the Supply Agreements, the Company will continue to reimburse AUSA for the financing costs incurred by it in connection with trade financing provided to the Company. The Supply Agreements also provide that Amkor-Anam, Inc., a subsidiary of the Company, will continue to provide raw material procurement and related services to AICL on a fee basis. The Supply Agreements have a five-year term and may be terminated by any party thereto upon five years' written notice at any time after the expiration of such initial five-year term. There can be no assurance that AICL will not terminate either Supply Agreement upon the expiration of such initial term or, if it does terminate a Supply Agreement, that the Company will be able to obtain a new agreement with AICL on terms that are favorable to the Company or at all.

AICL's ability to continue to provide services to the Company will depend on AICL's financial condition and performance. AICL 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 AICL, as a public company in Korea, has published its most recent consolidated financial statements as of and for the year ended December 31, 1996, and that AICL has prepared preliminary consolidated financial statements as of and for the year ended December 31, 1997. These consolidated financial statements are prepared on the basis of Korean GAAP, which differs significantly from U.S. GAAP. U.S. GAAP financial statements are not available.

The following is a summary of 1996 and 1997 consolidated financial information pertaining to AICL prepared in accordance with Korean GAAP which differs from U.S. GAAP in certain significant respects. See Note 6 of Notes to Combined Financial Statements.

	1996	1997
	(IN MILLIONS)	

SUMMARY INCOME STATEMENT DATA:		
Sales	W1,338,718	W1,786,457
Gross profit	242,601	279,186
Operating income	164,846	176,028
Net foreign exchange loss	29,372	216,697
Net loss	(9,385)	(305,414)
SUMMARY BALANCE SHEET DATA:		
Cash and bank deposits	W 324,139	W 215,024
Accounts and notes receivable, net	368,975	393,261
Inventory	214,494	260,302
Other current assets	145,301	490,544
Total current assets	1,052,909	1,359,131
Property, plant and equipment, net	994,931	2,159,466
Investments	83,715	122,366
Other long-term assets	93,733	295,554
Total long-term assets	1,172,379	2,577,386
Total assets	W2,225,288	W3,936,517
Short-term borrowings	935,463	1,591,280
Current maturities of long-term debt	85,252	120,913
Other current liabilities	305,931	412,289
Total current liabilities	1,326,646	2,124,482
Long-term debt, net of current maturities	475,045	736,784
Long-term capital lease obligations	106,068	861,813
Other long-term liabilities and minority interest	89,272	138,305
Total long-term liabilities	670,385	1,736,902
Total liabilities	1,997,031	3,861,384
Stockholders' equity	228,257	75,133
Total liabilities and stockholders' equity	W2,225,288	W3,936,517

A significant amount of the current and long-term liabilities of AICL are denominated in U.S. dollars and other foreign currencies. At December 31, 1997, 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 W1,092 billion, W59 billion, W159 billion and W834 billion, respectively. Due in part to the significant depreciation of the won (for example, from a Market Average Exchange Rate of W884 to $1.00 on December 31, 1996 to W1,415 to $1.00 on December 31, 1997 and W1,415 to $1.00 on March 24, 1998) resulting from the recent economic crisis in Korea, AICL's liabilities in won terms and its leverage calculated in won have significantly increased in 1997. The effect of this depreciation on AICL, however, has been mitigated by the fact that substantial amounts of AICL's revenues are denominated in U.S. dollars. The increase in AICL's liabilities was also attributable in part to additional financing obtained in connection with the construction of its new wafer foundry. See "-- Risks Associated with New Wafer Fabrication Business" and Note 6 of Notes to Combined Financial Statements.

The recent economic crisis in Korea has also led to sharply higher interest rates in Korea and reduced opportunities for refinancing or refunding maturing debts as financial institutions in Korea, which are experiencing financial difficulties, are increasingly looking to limit their lending, particularly to highly leveraged companies, and to increase their reserves and provisions for non-performing assets. These developments will result in higher interest rates on loans to AICL and have otherwise made it more difficult for AICL to obtain new financing. Therefore, there can be no assurance that AICL will be able to refinance its existing loans or obtain new loans, or continue to make required interest and principal payments on such loans or otherwise comply with the terms of its loan agreements. Any inability of AICL to obtain financing or generate cash flow from operations sufficient to fund its capital expenditure, debt service and repayment and other working capital and liquidity requirements could have a material adverse effect on AICL's ability to continue to provide services and otherwise fulfill its obligations to the Company. See "-- Risks Associated with Leverage" and "-- Dependence on International Operations and Sales; Concentration of Operations in the Philippines and Korea."

As of December 31, 1997, AICL and its consolidated subsidiaries were contingently liable under guarantees in respect of debt of AICL's non-consolidated subsidiaries and affiliates in the Anam Group in the aggregate amount of approximately W857 billion. As of such date, AICL had provided guarantees for all of AUSA's debt of $319 million, the Non-Compliant Loans of $176 million and the Company's obligations under a receivables sales arrangement. The Company has 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 AICL. There can be no assurance that AUSA will be able to obtain additional guarantees, if necessary, from AICL. Further, a deterioration in AICL's financial condition could trigger defaults under AICL's guarantees, causing acceleration of such loans. In addition, as an overseas subsidiary of AICL, AUSA was formed with the approval of the Bank of Korea. If the Bank of Korea were to withdraw such approval, or if AUSA otherwise ceased operations for any reason, the Company and AICL would be required to meet their financing needs through alternative arrangements. Although the Company believes that after the Offerings alternative financing arrangements will be available, there can be no assurance that the Company or AICL will be able to obtain alternative financing on acceptable terms or at all. See "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Liquidity and Capital Resources" and Note 11 of Notes to Combined Financial Statements. In addition, if any relevant subsidiaries or affiliates of AICL, certain of which may have greater exposure to domestic Korean economic conditions than AICL, were to fail to make interest or principal payments or otherwise default under their debt obligations guaranteed by AICL, AICL 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.

Historically, AICL has undertaken capacity expansion programs and other capital expenditures primarily on the basis of forecasts of the Company and business plans prepared jointly with the Company. The Supply Agreements generally provide for continued capital investment by AICL based on the Company's forecasts and operational plans prepared jointly by the Company and AICL reflecting such forecasts. However, as a result of the recent deterioration of the Korean economy, there can be no assurance that AICL will be able to

fund future capacity expansions and other capital investments required to supply the Company with necessary packaging and test services and wafer output on a timely and cost-efficient basis.

The Company and AICL have historically cooperated on the development of new package designs and packaging and testing processes and technologies. The Supply Agreements generally provide for continued cooperation between the Company and AICL in research and development, as well as the cross-licensing of intellectual property rights between the Company and AICL. If the Company's relationship with AICL were terminated for any reason, the Company's research and development capabilities and intellectual property position could be materially and adversely affected.

After the Initial Public Offering, the Company will continue to be controlled to a significant degree by James Kim and members of his family, and Mr. Kim and other members of his family will also continue to exercise significant influence over the management of AICL and its affiliates. In addition, the Company and AICL will continue to have certain contractual and other business relationships, including under the Supply Agreements, and may engage in transactions from time to time that are material to the Company. Although any such material agreements and transactions would require approval of the Company's Board of Directors, such transactions generally will not require approval of the disinterested members of the Board of Directors and conflicts of interest may arise in certain circumstances. There can be no assurance that such conflicts will not from time to time be resolved against the interests of the Company. The Company currently has four directors, two of whom are disinterested. Under Delaware corporate law, each director owes a duty of loyalty and care to the Company, which if breached can result in personal liability for the directors. In addition, the Company may agree to certain changes in its contractual and other business relationships with AICL, including pricing, manufacturing allocation, capacity utilization and capacity expansion, among others, which in the judgment of the Company's management will result in reduced short-term profitability for the Company in favor of potential long-term benefits to the Company and AICL. There can be no assurance that the Company's business, financial condition or results of operations will not be adversely affected by any such decision.

DEPENDENCE ON INTERNATIONAL OPERATIONS AND SALES; CONCENTRATION OF OPERATIONS IN THE PHILIPPINES AND KOREA

All of the production facilities currently used to fill the Company's orders are located in the Philippines and Korea and many of the Company's customers' operations are located in countries outside of the United States. A substantial portion of the Company's revenues are derived from sales to customers located outside of the United States. In 1996 and 1997, sales to such customers accounted for 27% and 28%, respectively, of the Company's revenues. The Company expects sales outside of the United States to continue to represent a significant portion of its future revenues. As a result, the Company's business will continue to be subject to certain risks generally associated with doing business abroad, such as foreign governmental regulations, currency fluctuations, political unrest, disruptions or delays in shipments, currency controls and fluctuations, changes in local economic conditions and import and export controls, as well as changes in tax laws, tariffs and freight rates. The Company has structured its global operations to take advantage of lower tax rates in certain countries and tax incentives extended to encourage investment. The Company's tax returns through 1993 in the Philippines and through 1994 in the U.S. have been examined by the Philippine and U.S. tax authorities, respectively. The recorded provisions for subsequent open years are subject to changes upon examination by tax authorities of tax returns for these years. Changes in the mix of income from the Company's foreign subsidiaries, expiration of tax holidays and changes in tax laws and regulations could result in increased effective tax rates for the Company. See Notes 10 and 15 of Notes to Combined Financial Statements.

Philippines

The Company's results of operations and growth will be influenced by the political situation in the Philippines and by the general state of the Philippine economy. Although the political and economic situation in the Philippines has stabilized in recent years, it 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 has led to instability in the Philippine economy. Any future economic or political disruptions or instability or low economic growth in the Philippines could have a material adverse effect on the Company's business, financial

condition and results of operations. Because the functional currency of the Company's Philippine operations is the U.S. dollar, the Company has recently benefitted from cost reductions relating to peso denominated expenditures, primarily payroll costs. The Company believes that such devaluation of the Philippine peso will eventually lead to inflation in the Philippines, which could offset any savings achieved to date.

Korea

In 1996 and 1997, approximately 72% and 68%, respectively, of the Company's revenues were derived from sales of services performed for the Company by AICL. The operations of AICL are subject to certain risks. 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. No assurance can be given that the level of tensions with North Korea will not increase or change abruptly as a result of current or future events, which could have a material adverse effect on AICL's, and as a result the Company's, business, financial condition and results of operations.

Since the beginning of 1997, Korea has experienced a significant increase in the number and size of companies filing for corporate reorganization and protection from their creditors. Such failures were caused by, among other factors, excessive investments, high levels of indebtedness, weak export prices and the Korean government's greater willingness to allow troubled corporations to fail. As a result of such corporate failures, Korea's financial institutions have experienced a sharp increase in non-performing loans. In addition, declines in domestic stock prices have reduced the value of Korean banks' assets. These developments have led international credit rating agencies to downgrade the credit ratings of Korea, as well as various companies (including AICL) and financial institutions in Korea.

During the same period, the value of the won relative to the U.S. dollar has depreciated significantly. The Market Average Exchange Rate as of March 24, 1998, was W1,415 to $1.00, or approximately 60% lower than on December 31, 1996, when the Market Average Exchange Rate was W884 to $1.00. Such depreciation of the won relative to the U.S. dollar has increased the cost of imported goods and services, and 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. Korea's foreign currency reserves also have declined significantly. Such developments have also led to sharply higher domestic interest rates and reduced opportunities for refinancing or refunding maturing debts as financial institutions in Korea, which are experiencing financial difficulties, are increasingly looking to limit their lending, in particular to highly leveraged companies, and to increase their reserves and provisions for non-performing assets.

In order to address the liquidity crisis and the deteriorating economic situation in Korea, the Korean government concluded an agreement with the International Monetary Fund on December 3, 1997 pursuant to which Korea is eligible to receive loans and other financial support reported to amount to an aggregate of approximately $58 billion (the "IMF Financial Aid Package"). Because there are conditions on the availability of loans and other financial support under the IMF Financial Aid Package, there can be no assurance that such conditions will be satisfied or that such loans and other financial support will be available. In connection with the IMF Financial Aid Package, the Korean government announced a comprehensive policy package (the "Reform Policy") intended to address the structural weaknesses in the Korean economy and the financial sector. While the Reform Policy is intended to alleviate the current economic crisis in Korea and improve the Korean economy over time, the immediate effects could include, among others, slower economic growth, a reduction in the availability of credit to Korean companies, an increase in interest rates, an increase in taxes, an increased rate of inflation due to the depreciation of the won, an increase in the number of bankruptcies of Korean companies, labor unrest and labor strikes resulting from a possible increase in unemployment, and political unrest. These events could have a material adverse effect on the Korean economy. Moreover, there can be no assurance that either the IMF Financial Aid Package or the Reform Policy will be successful. In addition, there can be no assurance that political pressure will not force the Korean government to retreat from some or all of its announced Reform Policy or that the Reform Policy will be implemented as currently contemplated.

The Korean government has stated that as of December 31, 1997 the total amount of Korea's private and governmental external liabilities was $154.4 billion under IMF standards. As of December 31, 1997, the total amount of foreign currency reserves held by Korea was $20.4 billion, of which the usable portion (the total less amounts on deposit with overseas branches of Korean financial institutions and swap positions between the Korean central bank and other central banks) was $8.9 billion. Pursuant to an exchange offer concluded in March 1998, the Korean government received tenders from international creditor banks to extend the maturity of up to approximately $21.8 billion of short-term foreign currency debt incurred by Korean financial institutions. In addition, the Korean government announced in March 1998 that it intends to raise approximately $3 billion through an international offering of its debt securities. Korean financial institutions and the Korean corporate and public sectors continue to carry substantial amounts of debt denominated in currencies other than the won, including short-term debt, and there can be no assurance that there will be sufficient foreign currency reserves to repay this debt or that this debt can be extended or refinanced.

Such recent and potential future developments relating to Korea, including the continued deterioration of the Korean economy, could have a material adverse effect on AICL's and the Company's business, financial condition and results of operations. See "-- Dependence on Relationship with AICL; Potential Conflicts of Interest," "Business -- Marketing and Sales" and "-- Facilities and Manufacturing" and Note 11 of Notes to Combined Financial Statements.

CUSTOMER CONCENTRATION; ABSENCE OF BACKLOG

Due to the concentration of market share in the semiconductor industry, the Company has been largely dependent on a small group of customers for a substantial portion of its business. In 1995, 1996 and 1997, 34.1%, 39.2% and 40.1%, respectively, of the Company's net revenues were derived from sales to the Company's top five customers, with 13.3%, 23.5% and 23.4% of the Company's net revenues, respectively, derived from sales to Intel Corporation ("Intel"). The ability of the Company to maintain close, satisfactory relationships with such customers is important to the ongoing success and profitability of its business. The Company expects that it will continue to be dependent upon a relatively limited number of customers for a significant portion of its net revenues in future periods. None of the Company's customers is presently obligated to purchase any amount of packaging or test services or to provide the Company with binding forecasts of product purchases for any period. In addition, the Company's new wafer fabrication business will be significantly dependent upon TI. The reduction, delay, or cancellation of orders from one of the Company's significant customers, including Intel for packaging and test services or TI for wafer fabrication services, could materially and adversely affect the Company's business, financial condition and results of operations. Although the Company has received forecasts from TI which indicate that TI will meet its minimum purchase obligation during the second half of 1998, during the first quarter of 1998 TI's orders were below such minimum purchase commitment due to market conditions and issues encountered by TI in the transition of its products to .18 micron technology. There can be no assurance that such customers will not reduce, cancel or delay orders. See "-- Dependence on the Highly Cyclical Semiconductor and Personal Computer Industries" and "-- Risks Associated with New Wafer Fabrication Business."

All of the Company's customers operate in the cyclical semiconductor business and may vary order levels significantly from period to period. In addition, there can be no assurance that such customers or any other customers will continue to place orders with the Company in the future at the same levels as in prior periods. From time to time, semiconductor companies have experienced reduced prices for some products, as well as delays or cancellations in orders. There can be no assurance that, should these circumstances occur in the future, they will not adversely affect the Company's business, financial condition and results of operations. The loss of one or more of the Company's customers, or reduced orders by any of its key customers, could adversely affect the Company's business, financial condition and results of operations. The Company's packaging and test business does not typically operate with any material backlog, and the Company expects that in the future the Company's packaging and test revenues in any quarter will continue to be substantially dependent upon orders received in that quarter. The Company's expense levels are based in part on its expectations of future revenues and the Company may be unable to adjust costs in a timely manner to compensate for any revenue shortfall. See "Business -- Marketing and Sales."

EXPANSION OF MANUFACTURING CAPACITY; PROFITABILITY AFFECTED BY CAPACITY UTILIZATION RATES

The Company believes that its competitive position depends substantially on its ability to expand its manufacturing capacity. Accordingly, although the Company currently has available manufacturing capacity, the Company expects to continue to make significant investments to expand such capacity, particularly through the acquisition of capital equipment and the training of new personnel. There can be no assurance that the Company will be able to utilize such capacity or to continue to expand its manufacturing capacity in a timely manner, that the cost of such expansion will not exceed management's current estimates or that such capacity will not exceed the demand for the Company's services. In addition, expansion of the Company's manufacturing capacity will continue to significantly increase its fixed costs, and the Company expects to continue to incur substantial additional depreciation and other expenses in connection with the acquisition of new equipment and the construction of new facilities. Increases or decreases in capacity utilization rates can have a significant effect on gross margins since the unit cost of packaging and test services generally decreases as fixed charges are allocated over a larger number of units produced. Therefore, the Company's ability to maintain or enhance its gross margins will continue to be dependent, in part, on its ability to maintain high capacity utilization rates.

Capacity utilization rates may be affected by a number of factors and circumstances, including overall industry conditions, operating efficiencies, the level of customer orders, mechanical failure, disruption of operations due to expansion of operations or relocation of equipment, fire or natural disasters, employee strikes or work stoppages or other circumstances. Although the Company has been able to maintain a high rate of capacity utilization in recent years as a result of its close association with its customers, its knowledge of the semiconductor market conditions, and its continued improvements in operating efficiencies and equipment maintenance, there can be no assurance that this high utilization rate will be sustained in the future. The Company's inability to generate the additional orders necessary to fully utilize its capacity would have a material adverse effect on the Company's business, financial condition and results of operations. For example, in 1996 the Company's capacity utilization rates were negatively affected by an unexpected downturn in the semiconductor industry. There can be no assurance that the Company's utilization rates will not be adversely affected by future declines in the semiconductor industry or for any other reason. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business -- Manufacturing and Facilities."

LIQUIDITY AND FUTURE CAPITAL REQUIREMENTS

The Company plans to continue to incur substantial costs to fund its equipment and facilities expansion plans and its packaging technology development. The Company believes that following the application of the net proceeds from the sale of the Common Stock and the Convertible Notes in the Initial Public Offering, its existing cash balances, cash flow from operations, available equipment lease financing, bank borrowings and financing obtained through AUSA, will be sufficient to meet its projected capital expenditures, working capital and other cash requirements for at least the next twelve months. There can be no assurance, however, that lower than expected revenues, increased expenses, increased costs associated with the purchase or maintenance of capital equipment, decisions to increase planned capacity or other events will not cause the Company to seek more capital, or capital sooner than currently expected. The timing and amount of the Company's actual capital requirements cannot be precisely determined and will depend on a number of factors, including demand for the Company's services, availability of capital equipment, fluctuations in foreign currency exchange rates, changes in semiconductor industry conditions and competitive factors. There can be no assurance that additional financing will be available when needed or, if available, will be available on satisfactory terms. Failure to obtain any such financing could have a material adverse effect on the Company. In addition, if the Company obtains such financing by selling equity securities of the Company, the Company's stockholders may experience significant dilution. See "-- Risks Associated with Leverage" and "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Liquidity and Capital Resources."

RAPID TECHNOLOGICAL CHANGE; PRODUCT DEVELOPMENT

The semiconductor packaging and test industry is characterized by rapid increases in the diversity and complexity of semiconductor packaging products. As a result, the Company expects that it will need to offer, on an ongoing basis, more advanced package designs in order to respond to competitive industry conditions and customer requirements. The requirement to develop and maintain advanced packaging capabilities and equipment could require significant research and development and capital expenditures in future years. In addition, advances in technology also typically lead to rapid and significant price erosion and decreased margins for older package types and may lead to products currently being offered by the Company becoming less competitive or inventories held by the Company becoming obsolete. The failure by the Company to achieve advances in package design or to obtain access to advanced package designs developed by others could have a material adverse effect on the Company's business, results of operations and financial condition. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

The Company's success is also dependent upon the ability of it and AICL to develop and implement new manufacturing process and package design technologies. Semiconductor package design and process methodologies have become increasingly subject to technological change, requiring large expenditures for research and development. Converting to new package designs or process methodologies could result in delays in producing new package types which could adversely affect the Company's ability to meet customer orders.

MANUFACTURING RISKS; PRODUCTION YIELDS

The semiconductor packaging process is complex and involves a number of precise steps. Defective packaging can result from a number of factors, including the level of contaminants in the manufacturing environment, human error, equipment malfunction, use of defective raw materials, defective plating services and inadequate sample testing. From time to time, the Company expects to experience lower than anticipated production yields as a result of such factors, particularly in connection with any expansion of its capacity or change in its processing steps. In addition, the Company's yield on new products will be lower during the period necessary for the Company to develop the requisite expertise and experience in producing such products and using such processes. The failure of the Company or AICL to maintain high quality production standards or acceptable production yields, if significant and sustained, could result in loss of customers, delays in shipments, increased costs, cancellation of orders and product returns for rework, any of which could have a material adverse effect on the Company's business, financial condition and results of operations. See "Business -- Facilities and Manufacturing."

RISKS ASSOCIATED WITH NEW WAFER FABRICATION BUSINESS

The Company recently began providing wafer fabrication services, with delivery of the first products from AICL's new foundry in January 1998. Neither the Company nor AICL has significant experience in providing wafer fabrication services, and there can be no assurance that the Company will not experience difficulties in marketing and selling these services or that AICL will not encounter operational difficulties such as lower than expected yields or longer than anticipated production ramp-up, unexpected costs and other problems in providing these services. If the Company or AICL encounters these or similar difficulties, the Company's and AICL's businesses, financial condition and results of operations could be materially adversely affected. In addition, TI has transferred certain of its CMOS processes to AICL and AICL is dependent upon TI's assistance for developing other state-of-the-art wafer manufacturing processes. If AICL's relationship with TI is disrupted for any reason, AICL's ability to produce wafers would be adversely affected, thus negatively impacting the Company's ability to fulfill its customers' orders for fabrication services, which could materially and adversely affect the Company's business, financial condition and results of operations. In addition, AICL's technology agreements with TI (the "TI Technology Agreements") only cover .25 micron and .18 micron CMOS technology and TI is not under any obligation to transfer any next-generation technology. If AICL is not able to obtain such technology on commercially reasonable terms or at all, the Company's ability to market AICL's wafer fabrication services could be materially and adversely affected which could have a material adverse effect on the Company's and AICL's business, results of operations and financial condition.

The Company's right to the supply of wafers from AICL's foundry is subject to an agreement (the "TI Manufacturing and Purchasing Agreement") among AICL, the Company and TI, pursuant to which TI has agreed to purchase from the Company at least 40% of the capacity of this foundry and under certain circumstances has the right to purchase up to 70% of this capacity. As a result, the Company's wafer fabrication business will be significantly dependent upon TI, which may adversely affect the Company's ability to obtain additional customers. If the Company is unable to sell substantially all of the output of AICL's wafer foundry, its business, results of operations and financial condition could be materially and adversely affected. Although the Company has received forecasts from TI which indicate that TI will meet its minimum purchase obligation during the second half of 1998, during the first quarter of 1998 TI's orders were below such minimum purchase commitment due to market conditions and issues encountered by TI in the transition of its products to .18 micron technology. Accordingly, there can be no assurance that TI will place orders representing at least 40% of the capacity of this foundry during this period or in the future. A failure by TI to comply with its minimum purchase obligations or the cancellation of a significant wafer fabrication order by TI or any other customer could have a material adverse effect on AICL's and the Company's business, financial condition and results of operations. The TI Manufacturing and Purchasing Agreement terminates on December 31, 2007, unless terminated sooner. The TI Manufacturing and Purchasing Agreement may be terminated upon two years' prior notice by either AICL or TI if AICL and TI are unable to successfully negotiate prior to June 30, 2000 an amendment to the TI Technology Agreements or a new agreement with respect to AICL's use of TI's next-generation CMOS technology. During such two-year period, TI would be obligated to purchase a minimum of only 20% of the capacity of AICL's wafer fabrication facility. In addition, the TI Manufacturing and Purchasing Agreement may be terminated sooner upon, among other events, mutual written consent, material breach of the agreement by either party, the inability of either party to obtain any necessary government approvals, the failure of AICL to protect TI's intellectual property and a change of control, bankruptcy, liquidation or dissolution of AICL. See "Business -- Competition."

DEPENDENCE ON RAW MATERIALS SUPPLIERS AND SUBCONTRACTORS

The Company obtains the direct materials for the packaging and test services of its factories and for the packaging and test services provided by AICL to fill the Company's orders directly from vendors. To maintain competitive manufacturing operations, the Company must obtain from its vendors, in a timely manner, sufficient quantities of acceptable materials at expected prices. The Company sources most of its raw materials, including critical materials such as lead frames and laminate substrates, from a limited group of suppliers. The Company purchases all of its materials on a purchase order basis and has no long-term contracts with any of its suppliers. From time to time, vendors have extended lead times or limited the supply of required materials to the Company because of vendor capacity constraints and, consequently, the Company has experienced difficulty in obtaining acceptable raw materials on a timely basis. In addition, from time to time, the Company may reject materials that do not meet its specifications, resulting in declines in output or yield. There can be no assurance that the Company will be able to obtain sufficient quantities of raw materials and other supplies of an acceptable quality. The Company's business, financial condition and results of operations could be materially and adversely affected if its ability to obtain sufficient quantities of raw materials and other supplies in a timely manner were substantially diminished or if there were significant increases in the costs of raw materials that the Company could not pass on to its customers. See "Business -- Facilities and Manufacturing."

INABILITY TO OBTAIN PACKAGING AND TEST EQUIPMENT IN A TIMELY FASHION

In connection with its future expansion plans, the Company and AICL expect to purchase a significant amount of new packaging and test equipment. From time to time, increased demand for some of this equipment causes lead times to extend beyond those normally met by the equipment vendors. The unavailability of such equipment or the failure of such equipment, or other equipment acquired by the Company or AICL, to operate in accordance with the Company's or AICL's specifications or requirements, or delays in the delivery of such equipment could delay implementation of the Company's or AICL's expansion plans and impair the ability of the Company to meet customer orders or otherwise have a material adverse effect on the Company's business, results of operations and financial condition. See "Management's

Discussion and Analysis of Financial Condition and Results of Operations" and "Business -- Facilities and Manufacturing."

MANAGEMENT OF GROWTH

The Company has experienced and may continue to experience growth in the scope and complexity of its operations and in the number of its employees. For example, the Company is expanding its scope of operations to include wafer fabrication services and is hiring new personnel in connection with such expansion. This growth is expected to continue to strain the Company's managerial, financial, manufacturing and other resources. In addition, although the Company believes its current controls are adequate, in order to manage its growth, the Company must continue to implement additional operating and financial controls and hire and train additional personnel. Although the Company has been successful in hiring and properly training sufficient numbers of qualified personnel and in effectively managing its growth in the past, there can be no assurance that the Company will be able to do so in the future, and its failure to do so could have a material adverse effect on the Company's business, financial condition and results of operations. In addition, any failure to improve the Company's operational, financial and management systems could have a material adverse effect on the Company's business, financial condition and results of operations. See "-- Risks Associated with New Wafer Fabrication Business," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business -- Employees."

COMPETITION

The independent semiconductor packaging and test industry is very competitive, being comprised of approximately 50 companies with about 15 of those companies having sales of $100 million per year or more. The Company faces substantial competition from established packaging companies primarily located in Asia, such as Advanced Semiconductor Engineering, Inc. (Taiwan), ASE Test Limited (Taiwan and Malaysia), ASAT, Ltd. (Hong Kong), Hana Microelectronics Public Co. Ltd. (Hong Kong and Thailand), Astra International (Indonesia), Carsem Bhd. (Malaysia), ChipPAC Incorporated (Korea), Siliconware Precision

Industries Co., Ltd. (Taiwan), and Shinko Electric Industries Co., Ltd. (Japan). Each of these companies has significant manufacturing capacity, financial resources, research and development operations, marketing and other capabilities, and have been operating for some time. Such companies have also established relationships with many large semiconductor companies which are current or potential customers of the Company. The principal elements of competition in the independent semiconductor packaging market include time to market, breadth of package offering, technical competence, design services, quality, production yields, responsiveness and customer service and price. On a larger scale, the Company also competes with the internal manufacturing capabilities of many of its largest customers. There can be no assurance that the Company will be able to compete successfully in the future against existing or potential competitors or that the Company's operating results will not be adversely affected by increased price competition.

The independent wafer fabrication business is also highly competitive. The Company expects its wafer fabrication services to compete primarily with independent wafer foundries such as Chartered Semiconductor Manufacturing Ltd., Taiwan Semiconductor Manufacturing Company Ltd. and United Microelectronics Corporation, as well as with integrated device manufacturers such as LG Semicon Co., Ltd., Hitachi, Ltd., Toshiba Corp. and Winbond Electronics Corporation, which provide foundry services for other semiconductor companies. Each of these companies has significant manufacturing capacity, financial resources, research and development operations, marketing and other capabilities and have been operating for some time. Many of these companies have also established relationships with many large semiconductor companies which are current or potential customers of the Company. The principal elements of competition in the wafer foundry market include technology, delivery cycle times, price, product performance, quality, production yield, responsiveness and flexibility, reliability and the ability to design and incorporate product improvements. There can be no assurance that the Company will be able to compete successfully in the future against such companies. See "Business -- Competition."

DEPENDENCE ON KEY PERSONNEL AND AVAILABILITY OF SKILLED WORKFORCE

The Company's success depends to a significant extent upon the continued service of its key senior management and its technical personnel, each of whom would be difficult to replace. Competition for qualified employees is intense, and the loss of the services of any of its existing key personnel without adequate replacement, or the inability to attract, retain and motivate qualified new personnel could have a material adverse effect on the Company's business, financial condition and results of operations. In addition, in connection with its expansion plans, the Company and AICL will be required to increase the number of qualified engineers and other employees at their respective facilities in the Philippines and Korea. Competition for such employees in the Philippines and Korea is intense and the inability to attract new qualified personnel or to retain such personnel could have a material adverse effect on the Company's results of operations and financial condition. See "Management."

ENVIRONMENTAL REGULATIONS

The semiconductor packaging process involves a significant amount of chemicals and gases which are subject to extensive governmental regulations. For example, liquid waste is produced at the stage at which silicon wafers are diced into chips with the aid of diamond saws and cooled with running water. In addition, excess materials on leads and moldings are removed from packaged semiconductors in the trim and form process. The Company has installed equipment to collect certain solvents used in connection with its manufacturing process and has contracted with independent waste disposal companies to remove such hazardous material.

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 the

Company's and AICL's manufacturing process and on the facilities occupied by the Company and AICL. The Company believes that its activities, as well as those of AICL, conform to present environmental and land use regulations applicable to their respective operations and current facilities. Increasing public attention has, however, been focused on the environmental impact of semiconductor manufacturing operations and the risk to neighbors of chemical releases from such operations. There can be no assurance that applicable land use and environmental regulations will not in the future impose the need for additional capital equipment or other process requirements upon the Company or AICL or restrict the Company's or AICL's ability to expand their respective operations. The adoption of new ordinances or similar measures or any failure by the Company or AICL to comply with applicable environmental and land use regulations or to restrict the discharge of hazardous substances could subject the Company or AICL to future liability or cause their respective manufacturing operations to be curtailed or suspended.

INTELLECTUAL PROPERTY

The Company currently holds 24 United States patents, five of which are jointly held with AICL, related to various IC packaging technologies, in addition to other pending patents. These patents will expire at various dates from 2012 through 2016. With respect to development work undertaken jointly with AICL, the Company and AICL share intellectual property rights under the terms of the Supply Agreements between the Company and AICL. Such Supply Agreements also provide for the cross-licensing of intellectual property rights between the Company and AICL. In addition, the Company enters into agreements with other developers of packaging technology to license or otherwise obtain certain process or package technologies.

The Company expects to continue to file patent applications when appropriate to protect its proprietary technologies; however, the Company believes that its continued success depends primarily on factors such as the technological skills and innovation of its personnel rather than on its patents. The process of seeking patent protection can be expensive and time consuming. There can be no assurance that patents will be issued from pending or future applications or that, if patents are issued, they will not be challenged, invalidated or circumvented, or that rights granted thereunder will provide meaningful protection or other commercial advantage to the Company. Moreover, there can be no assurance that any patent rights will be upheld in the future or that the Company will be able to preserve any of its other intellectual property rights.

Although the Company is not currently a party to any material litigation, the semiconductor industry is characterized by frequent claims regarding patent and other intellectual property rights. As is typical in the semiconductor industry, the Company may receive communications from third parties asserting patents on certain of the Company's technologies. In the event any third party were to make a valid claim against the Company or AICL, the Company or AICL could be required to discontinue the use of certain processes or cease the manufacture, use, import and sale of infringing products, to pay substantial damages and to develop non-infringing technologies or to acquire licenses to the alleged infringed technology. The Company's business, financial condition and results of operations could be materially and adversely affected by such developments. Litigation, which could result in substantial cost to and diversion of resources of the Company, may also be necessary to enforce patents or other intellectual property rights of the Company or to defend the Company against claimed infringement of the rights of others. The failure to obtain necessary licenses or the occurrence of litigation relating to patent infringement or other intellectual property matters could have a material adverse effect on the Company's business, financial condition and results of operations. In addition, AICL has obtained intellectual property for wafer manufacturing primarily from TI. The licenses granted to AICL by TI under the TI Technology Agreements are very limited. Although TI has granted to AICL a license under TI's trade secret rights to use TI's technology in connection with

AICL's provision of wafer fabrication services, TI has not granted AICL a license under its patents, copyrights and mask works to manufacture semiconductors for third parties. Although TI has agreed that TI will not assert a claim for patent, copyright or mask work right infringement against AICL or the Company in connection with AICL's manufacture of semiconductor products for third parties, TI has reserved the right to bring such infringement claims against AICL's or the Company's customers with respect to semiconductor products purchased from AICL or the Company. As a result, AICL's and the Company's customers could be subject to patent litigation by TI and others, and AICL and the Company could in turn be subject to litigation by such customers and others, in connection with the sale of wafers produced by AICL. Any such litigation could materially and adversely affect AICL's ability to continue to manufacture wafers and AICL's and the Company's business, financial condition and results of operations.

NO PRIOR MARKET; LIQUIDITY; STOCK PRICE VOLATILITY

Prior to the Initial Public Offering, there had been no public market for the Common Stock. Although the Underwriters for the Initial Public Offering have advised the Company that they intended to make a market in the Common Stock, they are not obligated to do so and may discontinue such market-making at any time without notice. There can be no assurance that an active public market for the Common Stock will develop or be sustained after the Initial Public Offering or that the market price of the Common Stock will not decline. The trading price of the Common Stock could be subject to wide fluctuations in response to quarter-to-quarter variations in operating results, announcements of technological innovations or new products by the Company or its competitors, general conditions in the semiconductor industry, changes in earnings estimates or recommendations by analysts, or other events or factors. In addition, the public stock markets have experienced extreme price and trading volume volatility in recent months. This volatility has significantly affected the market prices of securities of many high technology companies for reasons frequently unrelated to the operating performance of the specific companies. These broad market fluctuations may adversely affect the market price of the Common Stock.

BENEFITS OF THE INITIAL PUBLIC OFFERING TO EXISTING STOCKHOLDERS; CONTINUED CONTROL BY EXISTING STOCKHOLDERS

Immediately after the closing of the Initial Public Offering, based upon shares outstanding as of the date hereof, James Kim and members of his family will, in the aggregate, beneficially own 77,610,000 shares of Common Stock, which shares represent all of the outstanding Common Stock not offered hereby and approximately 68.9% of the total number of shares of Common Stock outstanding following the Initial Public Offering. The Initial Public Offering will create a public market for the resale of shares held by these existing stockholders. Such stockholders, acting together, will be able to effectively control substantially all matters requiring approval by the stockholders of the Company. Such matters could include the election of a majority

of the members of the Board of Directors, proxy contests, mergers involving the Company, tender offers, open market purchase programs or other purchases of Common Stock that could give stockholders of the Company the opportunity to realize a premium over the then prevailing market price for their shares of Common Stock. In addition, such continued control could also have the effect of delaying, deferring or preventing a change in control of the Company, may discourage bids for the Common Stock at a premium over the market price and may adversely affect the market price of the Common Stock. See "Principal Stockholders."

ANTI-TAKEOVER EFFECTS OF DELAWARE LAW AND CERTAIN CHARTER PROVISIONS

The Company's Board of Directors has the authority to issue up to 10,000,000 shares of preferred stock $.001 par value ("Preferred Stock") and to determine the price, rights, preferences and privileges of those shares without any further vote or action by the Company's stockholders. The rights of the holders of Common Stock will be subject to, and may be adversely affected by, the rights of the holders of any Preferred Stock that may be issued in the future. While the Company has no present intention to issue shares of Preferred Stock, such issuance, while providing desirable flexibility in connection with possible acquisitions and other corporate purposes, could have the effect of making it more difficult for a third party to acquire a majority of the outstanding voting stock of the Company. In addition, the Company is subject to the anti-takeover provisions of Section 203 of the Delaware General Corporation Law, which prohibits the Company from engaging in a "business combination" with an "interested stockholder" for a period of three years after the date of the transaction in which the person became an interested stockholder, unless the business combination is approved in a prescribed manner. The application of Section 203 could have the effect of delaying or preventing a change of control of the Company. The Company's Certificate of Incorporation (the "Certificate of Incorporation") does not permit cumulative voting. This provision, and other provisions of the Certificate of Incorporation, the Company's bylaws (the "Bylaws") and Delaware corporate law, may have the effect of deterring hostile takeovers or delaying or preventing changes in control or management of the Company, including transactions in which stockholders might otherwise receive a premium for their shares over then current market prices.

SHARES ELIGIBLE FOR FUTURE SALE

Sales of substantial amounts of Common Stock into the public market could adversely affect the prevailing market price of the Common Stock. In addition to the up to 7,000,000 shares of Common Stock that may be offered hereby from time to time, there are an additional 35,000,000 shares of Common Stock which are expected to be sold to the public in the Initial Public Offering (assuming no exercise of the Underwriters' over-allotment options), and there will be shares issuable upon conversion of the Convertible Notes, all of which shares are freely tradeable. Excluding the shares described above, there will be approximately 70,610,000 additional shares of Common Stock outstanding, all of which are "restricted" shares (the "Restricted Shares") under the Securities Act of 1933, as amended (the "Securities Act"). Beginning one year after the Reorganization, all such Restricted Shares will first become eligible for sale in the public market pursuant to Rule 144 promulgated under the Securities Act, subject to certain volume and other resale restrictions pursuant to Rule 144. See "Shares Eligible for Future Sale."

REORGANIZATION

In March 1970, Amkor Electronics, Inc. ("AEI") was incorporated in Pennsylvania to design semiconductor packages and provide semiconductor packaging services through a supply relationship with AICL. Since that time, Mr. James Kim (the founder of AEI) and members of his family have acquired a majority interest in a number of other companies which support or engage in various aspects of the semiconductor packaging and test business (the "Amkor Companies"). Prior to the reorganization described below, the Amkor Companies consisted of:

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

- T.L. Limited ("TLL") and its subsidiary C.I.L. Limited ("CIL"), which markets the Company's services to semiconductor companies in Europe and Asia;

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

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

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

All of the Amkor Companies are substantially wholly owned beneficially by Mr. and Mrs. Kim or entities beneficially owned by members of Mr. James Kim's immediate family (the "Founding Stockholders"), except for 40% of AAP owned by AICL and one-third of AEI and all of AKI which are owned by certain trusts established for the benefit of other members of Mr. Kim's family (the "Kim Family Trusts"). The Company (Amkor Technology, Inc.) was formed in September 1997 to consolidate the ownership of the Amkor Companies. Prior to the reorganization described below, Amkor Technology, Inc. will conduct no business and hold no assets or liabilities.

Prior to the Initial Public Offering, the following transactions will be effected to consolidate the operations of the Amkor Companies under the Company, (such transactions are referred to collectively as the "Reorganization"):

- AEI will be merged into Amkor Technology, Inc.

- Amkor International Holdings ("AIH"), a newly formed Cayman Islands holding company, will become a wholly-owned subsidiary of Amkor Technology, Inc. and will hold the following entities:
  - First Amkor Cayman Islands, Ltd., a newly formed Cayman Islands holding company, and its subsidiaries AAAP, AAP and AMI;
  - TLL and its subsidiary CIL; and
  - AAES.

- In addition, the Company will acquire all of the stock of AKI from the Kim Family Trusts for $3 million.

Except for the acquisition of AKI which will be accounted for as a purchase transaction, the accounting for the Reorganization will be similar to the accounting for a pooling of interests as it represents an exchange of equity interests among companies under common control. Following the Reorganization, all of the Amkor Companies will be wholly owned, directly or indirectly, by the Company (except for AAP, which will be 40% owned by AICL). An aggregate of 82,610,000 shares of Common Stock will be issued by the Company in connection with the Reorganization. The relative number of shares of Common Stock issued by the Company in connection with each of the transactions comprising the Reorganization is based upon relative amounts of stockholders' equity of each of the Amkor Companies as of December 31, 1997. Accordingly, the Company

will issue an aggregate of 14,620,149 shares of Common Stock in connection with the merger of AEI into Amkor Technology, Inc., 9,746,766 of which shares will be received by Mr. and Mrs. Kim and 4,873,383 shares will be received by the Kim Family Trusts. In addition, the Company will issue an aggregate of 67,989,851 shares of Common Stock in exchange for all of the outstanding shares of AIH and its subsidiaries. Of such shares, 19,328,234 shares, 36,376,617 shares and 8,200,000 shares will be gifted to Mr. and Mrs. Kim, the Kim Family Trusts and other members of Mr. Kim's immediate family, respectively. Following the Reorganization, the Founding Stockholders and such other members of Mr. Kim's immediate family will beneficially own a majority of the outstanding shares of Common Stock. Following the Initial Public Offering, the Founding Stockholders, such other members of Mr. Kim's immediate family and the Kim Family Trusts will beneficially own 77,610,000 shares of Common Stock, representing approximately 68.9% of the outstanding shares of Common Stock. See "Certain Transactions" and "Principal Stockholders."

The Company has entered into an agreement with AICL pursuant to which the

Company will purchase, immediately following the Initial Public Offering, AICL's 40% interest in AAP for approximately $34 million. See "Prospectus Summary -- The Initial Public Offering."

The Initial Public Offering is conditioned upon, among other things, the consummation of the Reorganization.

TERMINATION OF S CORPORATION STATUS AND DISTRIBUTIONS

Prior to the consummation of the Reorganization, AEI had elected to be treated for U.S. federal and certain state tax purposes as an S Corporation under the Internal Revenue Code of 1986 and comparable state tax laws. As a result, AEI did not recognize federal corporate income taxes. Instead, up until the termination of AEI's S Corporation status (the "Termination Date"), Mr. and Mrs. Kim and the Kim Family Trusts have been obligated to pay U.S. federal and certain state income taxes on their allocable portion of the income of AEI. The Company, Mr. and Mrs. Kim and the Kim Family Trusts will enter into tax indemnification agreements providing that the Company will be 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 the Termination Date. The tax indemnification agreements will also provide that the Company will indemnify Mr. and Mrs. Kim and the Kim Family Trusts if such stockholders are required to pay additional taxes or other amounts attributable to taxable years on or before the Termination Date as to which AEI filed or files tax returns claiming status as an S Corporation. AEI has made various distributions to such stockholders which have enabled them to pay their income taxes on their allocable portions of the income of AEI. Such distributions totaled approximately $19.8 million, $13.0 million and $5.0 million in 1995, 1996 and 1997, respectively. The Company expects to make additional distributions to such stockholders prior to the consummation of the Reorganization, which distributions will represent AEI's cumulative net income in all periods prior to the Termination Date less the aggregate amount of distributions previously made to such stockholders. These final distributions are intended to provide such stockholders with the balance of AEI's net income for which they have already recognized income taxes. Through December 31, 1997, the amount of such undistributed net earnings was $27.7 million. See Notes 1, 10 and 17 of Notes to Combined Financial Statements.

RELATIONSHIP WITH ANAM INDUSTRIAL CO., LTD.

AICL is a Korean company engaged primarily in providing semiconductor packaging and test services to the Company, which in turn sells such services to its customers. AICL also currently markets its services directly in Korea. In addition, AICL manufactures and sells electric wiring devices and watches. AICL operates four semiconductor packaging and test facilities in Korea, and has recently qualified a new deep submicron CMOS wafer foundry in Korea which is currently capable of producing 15,000 8" wafers per month. In March 1998, AICL changed its name to Anam Semiconductor, Inc.

AICL was founded in 1956 by Mr. H. S. Kim, who currently serves as the honorary Chairman and a Representative Director of AICL. AICL is a member of the Anam Group, consisting principally of companies in Korea in the electronics industries. The businesses of AICL and the other companies in the Anam Group are influenced to a significant degree by the family of H. S. Kim, which, together with the Company, collectively owned approximately 40.7% of the outstanding common stock of AICL as of December 31, 1997. A significant portion of the shares owned by the Kim family are leveraged and as a result of this, or for other reasons, the family's ownership could be substantially reduced. James Kim, the founder of the Company and currently its Chairman and Chief Executive Officer, is the eldest son of H. S. Kim. Since January 1992, in addition to his other responsibilities, James Kim has been serving as acting Chairman of the Anam Group and a director of AICL. Mr. In-Kil Hwang, the President and a Representative Director of AICL, is the brother-in-law of James Kim. In addition, four other members of Mr. Kim's family are on the 13 member Board of Directors of AICL. After the Initial Public Offering, James Kim and members of his family will beneficially own approximately 68.9% of the outstanding Common Stock of the Company, and Mr. Kim and other members of his family will continue to exercise significant control over the Company. See "Risk Factors -- Benefits of the Initial Public Offering to Existing Stockholders; Continued Control by Existing Stockholders" and "Principal Stockholders."

The businesses of the Company and AICL have been interdependent for many years. In 1996 and 1997, approximately 72% and 68%, respectively, of the Company's revenues were derived from sales of services performed for the Company by AICL. In addition, substantially all of the revenues of AICL in 1996 and 1997 were derived from services sold by the Company. The Company expects the proportion of its revenues derived from sales of services performed for the Company by AICL and the proportion of AICL's revenues from services sold by the Company to increase as the Company begins selling the wafer fabrication output of AICL's new wafer foundry and with the Company's assumption from AICL in January 1998 of substantially all of the marketing rights for the Japanese market. In the event the ability of AICL to supply the Company were disrupted for any reason, the Company's facilities in the Philippines would be able to fill only a small portion of the resulting shortfall in capacity. In addition, there are currently no significant third party suppliers of packaging and test services from which the Company could fill its orders. As a result, the Company's business, financial condition and operating results will continue to be significantly dependent on the ability of AICL to effectively provide contracted services on a cost-efficient and timely basis. The Company expects that the businesses of the Company and AICL will continue to remain highly interdependent by virtue of their supply relationship, family ties between their respective shareholders and management, financial relationships, coordination of product and operation plans, joint research and development activities and shared intellectual property rights. The termination of the Company's relationship with AICL for any reason, or any material adverse change in AICL'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 has recently entered into the Supply Agreements with AICL. Under the Supply Agreements, AICL has granted to the Company a first right to substantially all of the packaging and test services of AICL and the exclusive right to all of the wafer output of its new wafer foundry. The Company expects to continue to purchase substantially all of AICL's packaging and test services, and to purchase all of AICL's wafer output, under the Supply Agreements. Under the Supply Agreements, pricing arrangements relating to packaging and test services provided by AICL to the Company are subject to quarterly review and adjustment, and such arrangements relating to the wafer output provided by AICL to the Company are

subject to annual review and adjustment, in each case on the basis of factors such as changes in the semiconductor market, forecasted demand, product mix and capacity utilization and fluctuations in exchange rates, as well as the mutual long-term strategic interests of the Company and AICL. There can be no assurance that any new pricing arrangements resulting from such review and adjustment will be favorable to the Company. Pursuant to long-standing arrangements between AICL and the Company's operating subsidiaries, sales from AICL to the Company will continue to be made through AUSA, a wholly-owned financing subsidiary of AICL. Under the Supply Agreements, the Company will continue to reimburse AUSA for the financing costs incurred by it in connection with trade financing provided to the Company. The Supply Agreements also provide that Amkor-Anam, Inc., a subsidiary of the Company, will continue to provide raw material procurement and related services to AICL on a fee basis. The Supply Agreements have a five-year term, and may be terminated by any party thereto upon five years' written notice at any time after the expiration of such initial five-year term. There can be no assurance that AICL will not terminate either Supply Agreement upon the expiration of such initial term or that if it does terminate a Supply Agreement, that the Company will be able to obtain a new agreement with AICL on terms that are favorable to the Company or at all.

AICL's ability to continue to provide services to the Company will depend on AICL's financial condition and performance. AICL 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 AICL, as a public company in Korea, has published its most recent consolidated financial statements as of and for the year ended December 31, 1996, and that AICL has prepared preliminary consolidated financial statements as of and for the year ended December 31, 1997. These consolidated financial statements are prepared on the basis of Korean GAAP, which differs significantly from U.S. GAAP. U.S. GAAP financial statements are not available.

The following is a summary of 1996 and 1997 consolidated financial information pertaining to AICL prepared in accordance with Korean GAAP which differs from U.S. GAAP. See Note 6 of Notes to Combined Financial Statements.

	1996	1997
	(IN MILLIONS)	
SUMMARY INCOME STATEMENT DATA:		
Sales	W1,338,718	W1,786,457
Gross profit	242,601	279,186
Operating income	164,846	176,028
Net foreign exchange loss	29,372	216,697
Net loss	(9,385)	(305,414)
SUMMARY BALANCE SHEET DATA:		
Cash and bank deposits	W 324,139	W 215,024
Accounts and notes receivable, net	368,975	393,261
Inventory	214,494	260,302
Other current assets	145,301	490,544
Total current assets	1,052,909	1,359,131
Property, plant and equipment, net	994,931	2,159,466
Investments	83,715	122,366
Other long-term assets	93,733	295,554
Total long-term assets	1,172,379	2,577,386
Total assets	W2,225,288	W3,936,517
Short-term borrowings	935,463	1,591,280
Current maturities of long-term debt	85,252	120,913
Other current liabilities	305,931	412,289
Total current liabilities	1,326,646	2,124,482
Long-term debt, net of current maturities	475,045	736,784
Long-term capital lease obligations	106,068	861,813
Other long-term liabilities and minority interest	89,272	138,305
Total long-term liabilities	670,385	1,736,902
Total liabilities	1,997,031	3,861,384
Stockholders' equity	228,257	75,133
Total liabilities and stockholders' equity	W2,225,288	W3,936,517

A significant amount of the current and long-term liabilities of AICL are denominated in U.S. dollars and other foreign currencies. At December 31, 1997, 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 W1,092 billion, W59 billion, W159 billion and W834 billion, respectively. Due in part to the significant depreciation of the won (for example, from a Market Average Exchange Rate of W884 to $1.00 on December 31, 1996 to W1,415 to $1.00 on December 31, 1997 and W1,415 to $1.00 on March 24, 1998) resulting from the recent economic crisis in Korea, AICL's liabilities in won terms and its leverage calculated in won have significantly increased in 1997. The effect of this depreciation on AICL, however, has been mitigated by the fact that substantial amounts of AICL's revenues are denominated in U.S. dollars. The increase in AICL's liabilities was also attributable in part to additional financing obtained in connection with the constitution of its new wafer foundry. See "-- Risks Associated with New Wafer Fabrication Business" and Note 6 of Notes to Combined Financial Statements.

The recent economic crisis in Korea has also led to sharply higher domestic interest rates in Korea and reduced opportunities for refinancing or refunding maturing debts as financial institutions in Korea, which are

experiencing financial difficulties, are increasingly looking to limit their lending, particularly to highly leveraged companies, and to increase their reserves and provisions for non-performing assets. These developments will result in higher interest rates on loans to AICL and have otherwise made it more difficult for AICL to obtain new financing. Therefore, there can be no assurance that AICL will be able to refinance its existing loans or obtain new loans, or continue to make required interest and principal payments on such loans or otherwise comply with the terms of its loan agreements. Any inability of AICL to obtain financing or generate cash flow from operations sufficient to fund its capital expenditure, debt service and repayment and other working capital and liquidity requirements could have a material adverse effect on AICL's ability to continue to provide services and otherwise fulfill its obligations to the Company. See "Risk Factors -- Risks Associated With Leverage" and " -- Dependence On International Operations and Sales; Concentration of Operations in the Philippines and Korea."

As of December 31, 1997, AICL and its consolidated subsidiaries were contingently liable under guarantees in respect of debt of AICL's non-consolidated subsidiaries and affiliates in the Anam Group in the aggregate amount of approximately W857 billion. As of such date, AICL had provided guarantees for all of AUSA's debt of $319 million, the Non-Compliant Loans of $176 million and the Company's obligations under a receivables sales arrangement. The Company has 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 AICL. There can be no assurance that AUSA will be able to obtain additional guarantees, if necessary, from AICL. Further, a deterioration in AICL's financial condition could trigger defaults under AICL's guarantees, causing acceleration of such loans. In addition, as an overseas subsidiary of AICL, AUSA was formed with the approval of the Bank of Korea. If the Bank of Korea were to withdraw such approval, or if AUSA otherwise ceased operations for any reason, the Company and AICL would be required to meet their financing needs through alternative arrangements. Although the Company believes that after the Offerings alternative financing arrangements will be available, there can be no assurance that the Company or AICL will be able to obtain alternative financing on acceptable terms or at all. See "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Liquidity and Capital Resources" and Note 11 of Notes to Combined Fianacial Statements. In addition, if any relevant subsidiaries or affiliates of AICL, certain of which may have greater exposure to domestic Korean economic conditions than AICL, were to fail to make interest or principal payments or otherwise default under their debt obligations guaranteed by AICL, AICL 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.

Historically, AICL has undertaken capacity expansion programs and other capital expenditures primarily on the basis of forecasts of the Company and business plans prepared jointly with the Company. The Supply Agreements generally provide for continued capital investment by AICL based on the Company's forecasts and operational plans prepared jointly by the Company and AICL reflecting such forecasts. However, as a result of the recent deterioration of the Korean economy, there can be no assurance that AICL will be able to fund future capacity expansions and other capital investments required to supply the Company with necessary packaging and test services and wafer output on a timely and cost-efficient basis.

The Company and AICL have historically cooperated on the development of new package designs and packaging and testing processes and technologies. The Supply Agreements generally provide for continued cooperation between the Company and AICL in research and development, as well as the cross-licensing of intellectual property rights between the Company and AICL. If the Company's relationship with AICL were terminated for any reason, the Company's research and development capabilities and intellectual property position could be materially and adversely affected.

After the Initial Public Offering, the Company will continue to be controlled to a significant degree by James Kim and members of his family, and Mr. Kim and other members of his family will continue to exercise significant influence over the management of AICL and its affiliates. In addition, the Company and AICL will continue to have certain contractual and other business relationships, including under the Supply

Agreements, and may engage in transactions from time to time that are material to the Company. Although any such material agreements and transactions would require approval of the Company's Board of Directors, such transactions generally will not require approval of the disinterested members of the Board of Directors and conflicts of interest may arise in certain circumstances. There can be no assurance that such conflicts will not from time to time be resolved against the interests of the Company. The Company currently has four directors, two of whom are disinterested. Under Delaware corporate law, each director owes a duty of loyalty and care to the Company, which if breached can result in personal liability for the directors. In addition, the Company may agree to certain changes in its contractual and other business relationships with AICL, including pricing, manufacturing allocation, capacity utilization and capacity expansion, among others, which in the judgment of the Company's management will result in reduced short-term profitability for the Company in favor of potential long-term benefits to the Company and AICL. There can be no assurance that the Company's business, financial condition or results of operations will not be adversely affected by any such decision.

USE OF PROCEEDS

This Prospectus relates to the shares of Common Stock which Salomon Smith Barney may, subject to certain limitations, from time to time, borrow from Mr. and Mrs. Kim to settle short sales of Common Stock (or to return Common Stock previously borrowed by Salomon Smith Barney to settle such short sales) entered into by Salomon Smith Barney to hedge any long position in the Convertible Notes resulting from its market-making activities. See "Plan of Distribution." The Company will not receive any proceeds from the sale of the Common Stock to which this Prospectus relates.

DIVIDEND POLICY

The Company currently anticipates that all future earnings will be retained for use in the Company's business and that the Company will not pay any cash dividends on its Common Stock in the foreseeable future. The payment of any future dividends will be at the discretion of the Company's Board of Directors and will depend upon, among other things, future earnings, operations, capital requirements, the general financial condition of the Company and general business conditions. As an S Corporation, AEI made substantial cash distributions to its stockholders to pay income taxes on their allocable portions of AEI's net income. The Company plans to make additional distributions to such stockholders prior to the Termination Date. See "Reorganization."

CAPITALIZATION

The following table sets forth as of December 31, 1997 (i) the actual capitalization of the Company derived from the Combined Financial Statements after giving effect to the Reorganization, (ii) the pro forma capitalization of the Company reflecting the termination of AEI's S Corporation status which will occur in connection with the Reorganization, and (iii) the pro forma capitalization of the Company as adjusted principally to reflect the sale by the Company, pursuant to the Initial Public Offering, of 30,000,000 shares of Common Stock and $150.0 million of the Convertible Notes, and the receipt and application by the Company of the estimated net proceeds to it therefrom (after deducting the underwriting discount and estimated offering expenses), as well as debt repayments by the Company after December 31, 1997 and prior to the Initial Public Offering. The capitalization information set forth in the table below is qualified by the more detailed Combined Financial Statements and Notes thereto included elsewhere in this Prospectus and should be read in conjunction with such Combined Financial Statements and the Notes thereto.

	DECEMBER 31, 1997		
	ACTUAL	PRO FORMA(1)	PRO FORMA AS ADJUSTED(2)
	(IN THOUSANDS)		
Short term borrowings and current portion of long-term debt	$325,968	$325,968	$ 53,668
Long-term debt:			
% Convertible Subordinated Notes due 2003	--	--	150,000
Due to AUSA (non-current)(3)	149,776	149,776	--
Other long-term debt	38,283	38,283	35,283
Total long-term debt	188,059	188,059	185,283
Stockholders' equity:			
Common Stock, $.001 par value; 500,000,000 shares authorized; 82,610,000 shares issued and outstanding, actual and pro forma; 112,610,000 shares issued and outstanding, pro forma as adjusted(4)	46	46	76
Additional paid-in capital	20,871	20,871	327,604
Retained earnings	70,621	40,821	40,821
Cumulative translation adjustment	(663)	(663)	(663)
Total stockholders' equity	90,875	61,075	367,838
Total capitalization	$278,934	$249,134	$553,121

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(1) Pro forma balance sheet data reflects (i) the termination of AEI's S Corporation status which resulted in the recording of a deferred tax liability of $2.1 million and (ii) a distribution by the Company of undistributed earnings of AEI through December 31, 1997 of $27.7 million to stockholders of AEI prior to the Reorganization. The amount actually distributed by the Company to such stockholders of AEI will increase to reflect any undistributed net income earned by AEI following December 31, 1997 and prior to the Reorganization. See "Reorganization -- Termination of S Corporation Status and Distributions" and Notes 1, 16 and 17 of Notes to

Combined Financial Statements.

(2) As adjusted to give effect to the application of the estimated net proceeds to the Company of the Initial Public Offering based on an assumed Initial Public Offering price of $11.00 per share of Common Stock, including the purchase from AICL of its 40% interest in AAP for approximately $34 million and the related elimination of minority interest and recording of goodwill. The acquisition of the minority interest will result in additional amortization of approximately $2.5 million per year. Also reflects repayments made after December 31, 1997 and prior to the Initial Public Offering of $50.3 million of short-term borrowings and current portion of long-term debt and $30 million of amounts due to AUSA (non-current), as well as the assumption by an affiliate of the Company of $13.9 million of amounts due to

AUSA (non-current) in February 1998. See "Prospectus Summary -- The Initial Public Offering," "Reorganization" and Notes 1, 6 and 16 of Notes to Combined Financial Statements.

(3) See "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Liquidity and Capital Resources."

(4) Excludes 2,730,000 shares of Common Stock issuable upon exercise of options to be granted immediately prior to the Initial Public Offering under the Company's 1998 Stock Plan and 1998 Director Option Plan. Also excludes an aggregate of shares reserved for issuance upon conversion of the Convertible Notes and an additional 3,570,000 shares reserved for issuance under the Company's 1998 Stock Plan, 1998 Director Option Plan and 1998 Employee Stock Purchase Plan. See "Management" and "Description of Capital Stock" and Notes 1 and 16 of Notes to Combined Financial Statements.

SELECTED COMBINED FINANCIAL DATA

The selected combined financial data presented below for, and as of the end of, each of the years in the five-year period ended December 31, 1997 are derived from the combined financial statements of Amkor. The combined financial statements as of December 31, 1995, 1996 and 1997 and for each of the years in the three-year period ended December 31, 1997 have been audited by Arthur Andersen LLP, independent public accountants, and their report thereon, together with such combined financial statements, are included elsewhere in this Prospectus. Reference is made to said report which includes an explanatory paragraph with respect to the ability of the Company to continue as a going concern as discussed in Note 1 of the Notes to the Combined Financial Statements. Reference is made to said reports which include an explanatory paragraph with respect to the ability of the Company to continue as a going concern as discussed in Note 1 of Notes to the Combined Financial Statements. The selected combined financial data presented below as of and for the year ended December 31, 1994 are derived from audited financial statements which are not presented herein. The selected combined financial data presented below as of and for the year ended December 31, 1993 are derived from unaudited combined financial statements. In the opinion of management, the unaudited combined financial statements have been prepared on the same basis as the audited combined financial statements and contain all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the Company's results of operations for such period and financial condition at such date. The selected combined financial data set forth below is qualified in its entirety by, and should be read in conjunction with, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Combined Financial Statements and Notes thereto.

	YEAR ENDED DECEMBER 31,				
	1993	1994	1995	1996	1997
	(IN THOUSANDS, EXCEPT PER SHARE AND RATIO DATA)				
INCOME STATEMENT DATA:					
Net revenues	$ 442,101	$ 572,918	$ 932,382	$ 1,171,001	$ 1,455,761
Cost of revenues	371,323	514,648	783,335	1,022,078	1,242,669
Gross profit	70,778	58,270	149,047	148,923	213,092
Operating expenses:					
Selling, general and administrative	42,649	41,337	55,459	66,625	103,726
Research and development	1,755	3,090	8,733	10,930	8,525
Total operating expenses	44,404	44,427	64,192	77,555	112,251
Operating income	26,374	13,843	84,855	71,368	100,841
Other (income) expense:					
Interest expense, net	5,116	5,752	9,797	22,245	32,241
Foreign currency (gain) loss	2,809	(4,865)	1,512	2,961	(835)
Other (income) expense, net	(1,725)	(877)	6,523	3,150	8,429
Total other expense	6,200	10	17,832	28,356	39,835
Income before income taxes, equity in income (loss) of AICL and minority interest	20,174	13,833	67,023	43,012	61,006
Provision for income taxes	2,445	2,977	6,384	7,876	7,078
Equity in income (loss) of AICL	1,776	1,762	2,808	(1,266)	(17,291)
Minority interest	2,269	1,044	1,515	948	(6,644)
Net income	$ 17,236	$ 11,574	$ 61,932	$ 32,922	$ 43,281
PRO FORMA DATA (UNAUDITED):					
Historical income before income taxes, equity in income (loss) of AICL and minority interest	$ 20,174	$ 13,833	$ 67,023	$ 43,012	$ 61,006
Pro forma provision for income taxes(1)	5,345	3,177	16,784	10,776	10,691
Pro forma income before equity in income (loss) of AICL and minority interest(1)	14,829	10,656	50,239	32,236	50,315
Historical equity in income (loss) of AICL	1,776	1,762	2,808	(1,266)	(17,291)
Historical minority interest	2,269	1,044	1,515	948	(6,644)
Pro forma net income (1)	$ 14,336	$ 11,374	$ 51,532	$ 30,022	$ 39,668
Basic and diluted pro forma net income per common share(1)	$ .17	$ .14	$ .62	$ .36	$ .48
Shares used in computing pro forma net income per common share	82,610	82,610	82,610	82,610	82,610
OTHER DATA:					
EBITDA(2)	$ 37,437	$ 34,197	$ 103,434	$ 123,082	$ 175,111
Ratio of earnings to fixed charges(3):					
Actual	3.7x	2.0x	4.6x	2.4x	2.5x
Supplemental pro forma					3.1x

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(1) Prior to the Reorganization, AEI, a predecessor of the Company, 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 additional U.S. federal income taxes which would have been recorded if AEI had not been an S Corporation during these periods. See "Reorganization" and Note 1 of Notes to Combined Financial Statements.

(2) EBITDA is defined as earnings before interest income, interest expense, taxes on income, depreciation and amortization. EBITDA is presented here to provide additional information about the Company's ability to meet its future debt service, capital expenditure, and working capital requirements and should not be construed as a substitute for or a better indicator of results of operations or liquidity than net income or cash flow from operating activities computed in accordance with generally accepted accounting principles.

(3) For purposes of computing the ratio of earnings to fixed charges, earnings consist of income before income taxes less undistributed earnings in less than 50%-owned subsidiaries, plus fixed charges. Fixed charges consist of interest expense incurred and one-third of rental expense which amount is

deemed by the Company to be representative of the interest factor of rental payments under operating leases. The supplemental pro forma ratio of earnings to fixed charges reflects the effect on the ratio of earnings to fixed charges if the Initial Public Offering had been completed and the estimated net proceeds to the Company applied as described in "Prospectus Summary -- The Initial Public Offering" at the beginning of the period presented.

	DECEMBER 31,				DECEMBER 31, 1997		
	1993	1994	1995	1996	ACTUAL	PRO FORMA(1)	AS ADJUSTED(2)
	(IN THOUSANDS)						
BALANCE SHEET DATA:							
Cash and cash equivalents...	$ 8,929	$114,930	$91,151	$49,664	$ 90,917	$ 63,217	$ 68,191
Working capital (deficit)...	(13,073)	134,798	111,192	36,785	(196,870)	(224,570)	52,704
Total assets................	191,754	426,522	626,379	804,864	855,592	827,892	864,197
Short-term borrowings and current portion of long-term debt...........	76,051	52,526	85,120	191,813	325,968	325,968	53,668
% Convertible Subordinated Notes due 2003....................	--	--	--	--	--	--	150,000
Due to AUSA (non-current)...	18,823	211,693	219,037	234,894	149,776	149,776	--
Other long-term debt........	29,917	62,215	107,385	167,444	38,283	38,283	35,283
Stockholders' equity........	8,070	9,617	45,289	45,812	90,875	61,075	367,838

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(1) Pro forma balance sheet data reflects (i) the termination of AEI's S Corporation status which resulted in the recording of a deferred tax liability of $2.1 million and (ii) a distribution by the Company of undistributed earnings of AEI through December 31, 1997 of $27.7 million to stockholders of AEI prior to the Reorganization. The amount actually distributed by the Company to such stockholders of AEI will increase to reflect any undistributed net income earned by AEI following December 31, 1997 and prior to the Reorganization. See "Reorganization -- Termination of S Corporation Status and Distributions" and Notes 1, 16 and 17 of Notes to Combined Financial Statements.

(2) As adjusted to give effect to the application of the estimated net proceeds to the Company of the Initial Public Offering based on an assumed Initial Public Offering price of $11.00 per share of Common Stock, including the purchase from AICL of its 40% interest in AAP for approximately $34 million and the related elimination of minority interest and recording of goodwill. The acquisition of the minority interest will result in additional amortization of approximately $2.5 million per year. Also reflects repayments made after December 31, 1997 and prior to the Initial Public Offering of $50.3 million of short-term borrowings and current portion of long-term debt and $30 million of amounts due to AUSA (non-current), as well as the assumption by an affiliate of the Company of $13.9 million of amounts due to AUSA (non-current) in February 1998. See "Prospectus Summary -- The Initial Public Offering," "Reorganization" and Notes 1, 6 and 16 of Notes to Combined Financial Statements.

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 statements regarding the anticipated growth in the market for the Company's products, the Company's anticipated capital expenditures and financing needs, the Company's expected capacity utilization rates, the belief of the Company as to its future operating performance and 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" and "Business." The following discussion provides information and analysis of the Company's results of operations from 1995 through 1997 and its liquidity and capital resources and should be read in conjunction with the Combined Financial Statements and Notes thereto and the selected combined financial data included elsewhere in this Prospectus. The operating results for interim periods are not necessarily indicative of results for any subsequent period.

OVERVIEW

Background. The Company is the world's largest independent provider of semiconductor packaging and test services. The Company believes that it is also one of the leading developers of advanced semiconductor packaging and test technology in the industry. The Company offers a complete and integrated set of packaging and test services including IC package design, leadframe and substrate design, IC package assembly, final testing, burn-in, reliability testing, and thermal and electrical characterization. The Company recently began offering wafer fabrication services. The Company provides packaging and test services through its three factories in the Philippines (P1, P2 and P3) as well as the four factories of AICL in Korea, and wafer fabrication services through AICL's new wafer foundry, pursuant to the Supply Agreements between the Company and AICL. As of December 31, 1997, the Company had in excess of 150 customers, including many of the largest semiconductor companies in the world.

The Company was formed in September 1997 to consolidate the operations of the Amkor Companies, including AEI which was incorporated in 1970. These companies were under common management and in the same business prior to the Company's formation. As a result of the Reorganization, the financial statements included in this Prospectus are presented on a combined basis. See "Reorganization" and "Certain Transactions" and Notes 1 and 16 of Notes to Combined Financial Statements. Prior to the Reorganization, 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 in the Combined Financial Statements. The Combined Financial Statements include a pro forma provision for income taxes which reflects the U.S. federal income taxes which would have been recorded by the Company if AEI had not been an S Corporation during these periods. See Notes 1, 10 and 17 of Notes to Combined Financial Statements.

General. From 1995 to 1997, the Company's revenues increased from approximately $932.4 million to $1.456 billion. This increase occurred primarily as a result of increases in unit volumes, together with the shift in the Company's product mix from traditional leadframe products to advanced leadframe and laminate products, which were offset in part by decreasing average selling prices. See "Business -- Products." In order to meet customer demand, the Company has invested significant resources to expand its capacity in the Philippines. In 1996 and the first six months of 1997, the Company 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 its newest factory, P3, in the Philippines. This facility operated at substantially less than full capacity during these periods while customers were completing qualification procedures for BGA packages to be produced at the facility. The Company significantly increased utilization of P3 during the last six months of 1997 and expects to operate the facility with positive gross margins during 1998. See "Risk Factors -- Expansion of Manufacturing Capacity; Profitability Affected by Capacity Utilization Rates" and "Business -- Facilities and Manufacturing."

The Company's results of operations are generally affected by the capital-intensive nature of its business. In 1995, 1996 and 1997, the Company invested $123.6 million, $185.1 million and $179.0 million, respectively, in property, plant and equipment. Increases or decreases in capacity utilization rates can have a significant effect on gross margins since the unit cost of packaging and test services generally decrease as fixed charges, such as depreciation expense for the equipment, are allocated over a larger number of units produced. In addition, the Company's gross margin is significantly affected by fluctuations in service charges paid to AICL pursuant to the Supply Agreements. Pricing arrangements relating to packaging and test services provided by AICL to the Company are subject to quarterly review and adjustment, and pricing arrangements relating to wafer fabrication services provided by AICL are subject to annual review and adjustment, in each case on the basis of factors such as changes in the semiconductor market, forecasted demand, product mix and capacity utilization and fluctuations in exchange rates, as well as the mutual long-term strategic interest of the Company and AICL. The Company's results of operations are also affected by declines over time in the average selling prices for particular products. At times in the past the Company has been able to offset, at least in part, the effect of such decline on its margins by successfully developing and marketing new products with higher margins, such as advanced leadframe and laminate products, and by taking advantage of economies of scale and higher productivity resulting from volume production. However, there can be no assurance that the Company will be successful at offsetting any such declines in the future. See "Risk Factors -- Expansion of Manufacturing Capacity; Profitability Affected by Capacity Utilization Rates" and "-- Competition."

Due to the concentration of market share in the semiconductor industry, the Company has been largely dependent upon a small group of customers for a substantial portion of its business. In 1995, 1996 and 1997, 34.1%, 39.2% and 40.1%, respectively, of the Company's net revenues were derived from sales to the Company's top five customers, with 13.3%, 23.5% and 23.4%, respectively, derived from sales to Intel. See "Risk Factors -- Customer Concentration; Absence of Backlog."

Relationship with AICL. In 1996 and 1997, approximately 72% and 68%, respectively, of the Company's revenues were derived from sales of services performed for the Company by AICL. In addition, substantially all of the revenues of AICL in 1996 and 1997 were derived from services sold by the Company. Historically, AICL has directly sold packaging and test services in Japan and Korea. The Company assumed substantially all of the marketing rights for services in Japan in January 1998. Also, the Company recently began offering wafer fabrication services through AICL's new deep submicron CMOS foundry which is capable of producing up to 15,000 8" wafers per month. See "Risk Factors -- Risks Associated with New Wafer Fabrication Business." The Company expects the proportion of its net revenues derived from sales of services performed for the Company by AICL and the percentage of AICL's revenues from services sold by the Company to increase as the Company begins selling the wafer fabrication output of AICL's new wafer foundry and with the Company's assumption from AICL of substantially all of the marketing rights for Japan. The Company has a first right to substantially all of the packaging and test service capacity of AICL and the exclusive right to all of the wafer output of AICL's new wafer foundry.

The Supply Agreements between the Company and AICL generally provide, among other things, for periodic price reviews and adjustments and coordination of research and development efforts regarding package design and packaging and testing processes and technologies. The Supply Agreements have a five year initial term and thereafter may be terminated upon five years' notice. There can be no assurance that AICL will not terminate either Supply Agreement upon the expiration of such initial term, or that if it does terminate a Supply Agreement, that the Company will be able to enter into a new agreement with AICL on terms favorable to the Company or at all. See "Relationship with Anam Industrial Co., Ltd."

The Company expects that the businesses of the Company and AICL will continue to remain highly interdependent by virtue of their supply relationship, overlaps and family ties between their respective shareholders and management, financial relationships, coordination of product and operation plans, joint research and development activities and shared intellectual property rights. As a result, the Company's business, financial condition and operating results will continue to be significantly dependent on AICL, including without limitation AICL's ability to effectively provide the contracted services on a cost-efficient and timely basis as well as AICL's financial condition and results of operations. The Company will continue to be controlled to a significant degree by James Kim and members of his family, and Mr. Kim and other

members of his family will also continue to exercise significant influence over the management of AICL and its affiliates. In addition, the Company and AICL will continue to have certain contractual and other business relationships and may engage in transactions from time to time that are material to the Company. Although any such material agreements and transactions would require approval of the Company's Board of Directors, such transactions will generally not require approval of the disinterested members of the Board of Directors and conflicts of interest may arise in certain circumstances. There can be no assurance that such conflicts will not from time to time be resolved against the interests of the Company. The Company currently has four directors, two of whom are disinterested. Under Delaware corporate law, each director owes a duty of loyalty and care to the Company, which if breached can result in personal liability for the directors. In addition, the Company may agree to certain changes in its contractual and other business relationships with AICL, including pricing, manufacturing allocation, capacity utilization and capacity expansion, among others, which in the judgment of the Company's management will result in reduced short-term profitability for the Company in favor of potential long-term benefits to the Company and AICL. There can be no assurance that the Company's business, financial condition or results of operations will not be adversely affected by any such decision. See "-- Liquidity and Capital Resources" and "Risk Factors -- Dependence on Relationship with AICL; Potential Conflicts of Interest."

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,		
	1995	1996	1997
Net revenues	100.0%	100.0%	100.0%
Cost of revenues	84.0	87.3	85.4
Gross profit	16.0	12.7	14.6
Operating expenses:			
Selling, general and administrative	6.0	5.7	7.1
Research and development	0.9	0.9	0.6
Total operating expenses	6.9	6.6	7.7
Operating income	9.1	6.1	6.9
Other (income) expense:			
Interest expense, net	1.0	1.9	2.2
Foreign currency (gain) loss	0.2	0.2	(0.1)
Other expense, net	0.7	0.3	0.6
Total other expense	1.9	2.4	2.7
Income before income taxes, equity in income (loss) of AICL and minority interest	7.2	3.7	4.2
Provision for income taxes	0.7	0.7	0.5
Equity in income (loss) of AICL	0.3	(0.1)	(1.2)
Minority interest	0.2	0.1	(0.5)
Net income	6.6	2.8	3.0

Pro forma provision for income taxes	1.1	0.2	0.3
Pro forma net income..............................	5.5%	2.6%	2.7%

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

Net Revenues. The Company's net revenues consist of fees for the packaging and testing of ICs which are consigned by customers to the Company's or AICL's factories. Net revenues for 1997 increased 24.3% to $1,455.8 million from $1,171.0 million for 1996 primarily due to an increase in unit volumes of semiconductors packaged and tested by the Company, offset in part by declines in average selling prices for many of the

Company's leadframe products. In addition, the opening of P3, the Company's newest factory, and K4, AICL's newest factory, in September 1996 enabled the Company to begin to expand sales of BGA packages in 1997.

Gross Profit. Gross profit increased 43.1% to $213.1 million in 1997 from $148.9 million in 1996, resulting in a gross margin of 14.6% for 1997 as compared to 12.7% for 1996. Cost of revenues consists principally of packaging and test service charges from AICL, costs of direct material for both the Philippine factories and AICL and labor and other costs at the Philippine factories. Gross margin increased primarily due to improved operating results at P1 and P2 during the second half of 1997, which more than offset initial operating losses and start-up costs incurred in connection with P3 during the first half of 1997. Product mix changes toward more profitable product lines and decreased labor costs from the devaluation of the Philippine peso were the primary factors resulting in improved margins at the P1 and P2 factories.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased 55.7% to $103.7 million, or 7.1% of net revenues, in 1997 from $66.6 million, or 5.7% of net revenues, in 1996 primarily due to increases in personnel in marketing and support to sustain the Company's growth. The number of employees in the Company's marketing and sales support groups increased during 1997 by approximately 21% over 1996. Such increase resulted in an overall increase in personnel-related costs including salaries, benefits and payroll taxes. The Company also incurred increased costs for office rental, depreciation and other occupancy-related expenses. The Company does not expect this level of growth in employees to continue in 1998. In addition to the increased costs from its marketing and sales support groups, the Company incurred approximately $8.0 million and $3.6 million in general and administrative expenses in connection with its P3 operations and wafer fabrication services group, respectively, during 1997. No similar costs were incurred in 1996 as these groups represented start-up operations in 1997.

Research and Development Expenses. Research and development expenses decreased 22.0% to $8.5 million, or 0.6% of net revenues, in 1997, from $10.9 million, or 0.9% of net revenues, in 1996. The decrease in research and development costs principally reflected the termination in late 1996 of the Company's efforts to develop its own laminate substrate manufacturing capability.

Other (Income) Expense. Other (income) expense consists of interest expense, net, foreign currency (gain) loss and other (income) expense, net. Other expense increased 40.5% to $39.8 million in 1997 from $28.4 million in 1996 primarily as a result of increased interest expense and increased other expenses. Interest expense for 1997 increased to $38.6 million from $27.7 million in 1996 as the Company significantly increased its borrowing to finance capacity expansion. See "-- Liquidity and Capital Resources." Interest expense in each of the periods was offset in part by interest income of $6.4 million and $5.5 million, respectively. Other expenses increased primarily due to $2.4 million in costs relating to the Company's trade receivables securitization transactions. See "-- Liquidity and Capital Resources" and Note 2 of Notes to Combined Financial Statements.

Income Taxes. The Company's effective tax rate (after giving effect to the pro forma adjustment for income taxes) for 1997 was 18% as compared to 25% for 1996. The decrease in the Company's effective tax rate in 1997 compared to 1996 was primarily attributable to income not taxed due to a tax holiday and foreign exchange effects described below. The Company's subsidiary that owns P3 operates under a tax holiday from Philippine income taxes until the end of 2002. To the extent P3 is profitable, the Company's effective tax rate related to its Philippine operations during the tax holiday will be less than the Philippine statutory rate of 35%. Additionally, the Company recognized deferred tax benefits for unrealized foreign exchange losses in 1997 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. See Note 10 of Notes to Combined Financial Statements. These losses are not recognized for financial reporting purposes as the U.S. dollar is the functional currency. These losses will be realized for Philippine tax reporting purposes 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 as the Company concluded that it was more likely than not that their tax benefits could be realized in the Philippines within the three year loss carryforward period. The Company has structured its global operations to take advantage of lower tax rates in certain

countries and tax incentives extended to encourage investment. The recorded provisions for income taxes are subject to changes upon examination of the Company's tax returns by tax authorities in the United States, the Philippines and elsewhere. Changes in the mix of income from the Company's foreign subsidiaries, expiration of tax holidays and changes in tax laws and regulations could result in increased effective tax rates for the Company.

Equity in Income (Loss) of AICL. Equity in income (loss) of AICL represents the Company's ownership interest in AICL during the periods presented. In 1997, the Company recognized a loss of $17.3 million resulting principally from the impairment of value in its investment in AICL. In February 1998, the Company disposed of its investment in AICL's common stock. See "Certain Transactions" and Note 6 of Notes to Combined Financial Statements.

Minority Interest. Minority interest represents AICL's ownership interest in the consolidated net income of AAP. During 1997, as a result of a settlement of an intercompany loan, which otherwise had no effect on the combined pretax income of the Company, AAP reported a net loss as a separate entity. Accordingly, the Company recorded a minority interest benefit in its combined financial statements relating to the minority interest in the net loss. Following the Offerings, the Company intends to purchase AICL's 40% interest in AAP and, as a result, the Company will own substantially all of the common stock of AAP. See "Use of Proceeds." The acquisition of the minority interest will result in the elimination of the minority interest liability and additional amortization of approximately $2.5 million per year.

YEAR ENDED DECEMBER 31, 1996 COMPARED TO YEAR ENDED DECEMBER 31, 1995

Net Revenues. Net revenues in 1996 increased 25.6% to $1.17 billion from $932.4 million in 1995. The increase was primarily due to an increase in units sold together with an increase in sales of newer products, such as advanced leadframe and laminate packages. This increase in sales of newer products offset declines in average selling prices for many of the Company's other products.

Gross Profit. Gross profit in 1996 and 1995 was approximately $149 million representing a decrease in gross margin to 12.7% in 1996 from 16.0% in 1995. The decrease in gross margin was primarily attributable to increases in cost of revenues due to $15.5 million in pre-operating and start-up costs associated with P3, as well as increased packaging and test service charges paid to AICL.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased 20.1% to $66.6 million, or 5.7% of net revenues, in 1996 from $55.5 million, or 6.0% of net revenues, in 1995 as a result of the addition of personnel and infrastructure to service increases in customer demand. In addition, the Company continued its investments in new information systems in order to enhance operating efficiencies and improve customer service and support.

Research and Development Expenses. Research and development expenses increased 25.2% to $10.9 million, or 0.9% of net revenues, in 1996 from $8.7 million, or 0.9% of net revenues, in 1995 as a result of increased staffing and funding for the Company's efforts to develop laminate substrate manufacturing capabilities, prior to termination of such efforts in late 1996.

Other (Income) Expense. Other expense increased 59.0% to $28.4 million in 1996 from $17.8 million in 1995 primarily as a result of increases in interest expense, net, offset in part by a decrease in other expense, net. Interest expense, net in 1996 increased to $22.2 million from $9.8 million in 1995 as the Company significantly increased its borrowing to finance capacity expansion. See "-- Liquidity and Capital Resources." As a result of this increase in debt, the Company's interest expense increased to $27.7 million in 1996 from $17.3 million in 1995.

Income Taxes. The Company's effective tax rate (after giving effect to the pro forma provision for income taxes) for 1996 and 1995 was 25%. These rates were different from the United States statutory rate primarily due to the impact of lower tax rates, including tax holidays, in certain of the countries in which the Company's subsidiaries are located. See Note 10 of Notes to Combined Financial Statements.

QUARTERLY RESULTS

The following table sets forth certain unaudited combined financial information, including as a percentage of net revenues, for the eight fiscal quarters ended December 31, 1997. The Company disposed of its investment in AICL common stock in February 1998. Also, the Company has entered into an agreement with AICL pursuant to which the Company will purchase, immediately following the Initial Public Offering, AICL's 40% interest in AAP. After the Initial Public Offering, there will be no equity in income (loss) of AICL and minority interest related to AAP. Consequently, this information is not presented below. The amounts of equity in income (loss) of AICL and minority interest have historically varied significantly by quarter depending on the income (loss) of AICL and AAP. See "Reorganization" and Note 6 of Notes to Combined Financial Statements. The Company believes that all necessary adjustments, consisting only of normal recurring adjustments, have been included in the amounts stated below to present fairly the selected quarterly information when read in conjunction with the Combined Financial Statements and the Notes thereto included elsewhere herein. The Company's results of operations have varied and may continue to vary significantly from quarter to quarter and are not necessarily indicative of the results of any future period. In addition, in light of the Company's recent growth, the Company believes that period-to-period comparisons should not be relied upon as an indication of future performance.

	QUARTER ENDED							
	MAR. 31, 1996	JUNE 30, 1996	SEPT. 30, 1996	DEC. 31, 1996	MAR. 31, 1997	JUNE 30, 1997	SEPT. 30, 1997	DEC. 31, 1997
	(IN THOUSANDS)							
Net revenues	$270,327	$272,262	$285,784	$342,628	$313,019	$350,471	$380,130	$412,141
Cost of revenues	230,387	231,959	250,898	308,834	287,449	299,093	314,246	341,881
Gross profit	39,940	40,303	34,886	33,794	25,570	51,378	65,884	70,260
Operating expenses:								
Selling, general and administrative	13,752	15,948	16,716	20,209	20,608	26,657	26,829	29,632

Research and development	2,100	2,757	3,071	3,002	1,485	2,030	2,236	2,774
Total operating expenses	15,852	18,705	19,787	23,211	22,093	28,687	29,065	32,406
Operating income	24,088	21,598	15,099	10,583	3,477	22,691	36,819	37,854
Total other expense, net	3,316	6,052	9,853	9,135	8,165	9,577	11,242	10,851
Income before income taxes, equity in income (loss) of AICL and minority interest	20,772	15,546	5,246	1,448	(4,688)	13,114	25,577	27,003
Provision for income taxes	3,803	2,847	961	265	(1,497)	4,186	842	3,547
Income before equity in income (loss) of AICL and minority interest	$ 16,969	$ 12,699	$ 4,285	$ 1,183	$ (3,191)	$ 8,928	$ 24,735	$ 23,456

	QUARTER ENDED					
	MAR. 31, 1996	JUNE 30, 1996	SEPT. 30, 1996	DEC. 31, 1996	MAR. 31, 1997	JUNE 30, 1997
Net revenues	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of revenues	85.2	85.2	87.8	90.1	91.8	85.3
Gross profit	14.8	14.8	12.2	9.9	8.2	14.7
Operating expenses:						
Selling, general and administrative	5.1	5.9	5.8	5.9	6.6	7.6
Research and development	0.8	1.0	1.1	0.9	0.5	0.6
Total operating expenses	5.9	6.9	6.9	6.8	7.1	8.2
Operating income	8.9	7.9	5.3	3.1	1.1	6.5
Total other expense, net	1.2	2.2	3.5	2.7	2.6	2.8
Income before income taxes, equity in income (loss) of AICL and minority interest	7.7	5.7	1.8	0.4	(1.5)	3.7
Provision for income taxes	1.4	1.0	0.3	0.1	(0.5)	1.2
Income before equity in income (loss) of AICL and minority interest	6.3%	4.7%	1.5%	0.3%	(1.0)%	2.5%

	QUARTER ENDED	
	SEPT. 30, 1997	DEC. 31, 1997
Net revenues	100.0%	100.0%
Cost of revenues	82.7	83.0
Gross profit	17.3	17.0
Operating expenses:		
Selling, general and administrative	7.1	7.2
Research and development	0.5	0.6
Total operating expenses	7.6	7.8
Operating income	9.7	9.2
Total other expense, net	3.0	2.6
Income before income taxes, equity in income (loss) of AICL and minority interest	6.7	6.6
Provision for income taxes	0.2	0.9
Income before equity in income (loss) of AICL and minority interest	6.5%	5.7%

The Company's revenues, gross profit and operating profit 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 United States, the Philippines and Korea. Semiconductor companies in the United States generally reduce their production during the holidays at the end of December which results in a significant decrease in orders for packaging and testing services during the first two weeks of January. In addition, the Company typically closes its factories in the Philippines for holidays in January, and AICL closes its factories in Korea for holidays in February. As a result of these factors, the Company's net revenues are significantly reduced during the months of January and February. The Company currently anticipates that its operating results for the first quarter of 1998 will follow its historical seasonality, with revenues, gross profit and operating profit declining as compared to the fourth quarter of 1997.

Beginning in the third quarter of 1996, intense competition in the semiconductor industry worldwide led to decreases in the average selling prices of many of the Company's leadframe packages. These decreases were partially offset by increases in sales of advanced leadframe and laminate packages, which carry higher prices and gross margins. In addition, the Company's cost of revenues as a percentage of revenues increased significantly during the three quarters ended March 31, 1997 primarily as a result of initial operating losses and start-up costs associated with P3. Cost of revenues was also affected in the two quarters ended June 30, 1997, as the Company recognized a $2.2 million write-off for custom laminate raw materials which were purchased to meet customer orders which were subsequently cancelled. The combined effect of these factors was to decrease the levels of profitability in the third and fourth quarters of 1996 and the first quarter of 1997.

Selling, general and administrative expenses increased during the second, third and fourth quarters of 1997 primarily due to increased staffing levels at the Company's marketing and sales support groups, as well as at its P3 factory and wafer fabrication services group, which resulted in increased employee-related costs. See "-- Results of Operations -- Year Ended December 31, 1997 Compared to Year Ended December 31, 1996 -- Selling, General and Administrative Expenses."

Income tax rates in the third quarter of 1997 were lower compared to prior periods as the Company recognized deferred tax benefits for unrealized foreign exchange losses during the quarter, which are recognized for Philippine tax reporting purposes but are not recognized for financial reporting purposes since the U.S. dollar is the functional currency. Although similar circumstances during the fourth quarter of 1997 resulted in the recognition of additional deferred tax assets, their effect on the overall tax rates were mitigated by a valuation allowance also recorded during the fourth quarter of approximately $22 million. See "-- Results of Operations -- Year End December 31, 1997 Compared to Year Ended December 31, 1996 -- Income Taxes." As the majority of these tax assets relate to fluctuations in the value of the Philippine peso, management is unable to determine the impact to the effective tax rates which may occur as a result of future exchange rate fluctuations.

The Company's quarterly operating results may vary significantly due to a variety of factors including, among others, the cyclical nature of both the semiconductor industry and the markets addressed by end-users of semiconductors, the short-term nature of its customers' commitments, timing and volume of orders relative to the Company's production capacity, changes in capacity utilization, evolutions in the life cycles of customers' products, rescheduling and cancellation of large orders, rapid erosion of packaging selling prices, availability of manufacturing capacity, allocation of production capacity between the Company's facilities and AICL's facilities, fluctuations in packaging and test service charges paid to AICL, changes in costs, availability and delivery times of labor, raw materials and components, effectiveness in managing production processes, fluctuations in manufacturing yields, changes in product mix, product obsolescence, timing of expenditures in anticipation of future orders, availability of financing for expansion, changes in interest expense, the ability to develop and implement new technologies, competitive factors, changes in effective tax rates, the loss of key personnel or the shortage of available skilled workers, international political or economic events, currency and interest rate fluctuations, environmental events, and intellectual property transactions and disputes. Unfavorable changes in any of the above factors may adversely affect the Company's business, financial condition and results of operations. In addition, the Company increases its level of operating expenses and investment in manufacturing capacity in anticipation of future growth in revenues. To the extent the Company's revenues do not grow as anticipated, the Company's financial condition and operating results may be materially adversely affected. See "Risk Factors -- Fluctuations in Operating Results; Declines in Average Selling Price."

LIQUIDITY AND CAPITAL RESOURCES

At December 31, 1997, the Company had cash and cash equivalents of $90.9 million and a working capital deficit of $196.9 million ($63.2 and $224.6 million, respectively, on a pro forma basis, after giving effect to the termination of AEI's S Corporation status and the distribution of undistributed earnings through December 31, 1997). The Company's working capital deficit resulted primarily from the significant amount of its short-term debt, primarily incurred in connection with the expansion of its Philippine operations, together with approximately $105 million of term loans which have been reclassified as current liabilities as a result of the non-compliance by the Company with certain covenants thereunder. The Company's non-compliance with certain covenants with respect to the Non-Compliant Loans, the aggregate outstanding amount of which was $176 million as of December 31, 1997, triggered cross-defaults with respect to an additional $10 million of the Company's loans. These loan covenants include restrictions on the ability of one of the Company's subsidiaries to enter into transactions with affiliates, requirements that the subsidiary maintain certain debt-to-equity ratios and requirements that the subsidiary comply with certain notice requirements. The Company's obligation to repay these loans (including the cross-defaulted loans) may be accelerated by the lenders at any time. As a result of such non-compliance, the report of the Company's independent public accountants with respect to the Company's financial statements included herein contains a paragraph stating that there is substantial doubt as to the ability of the Company to continue as a going concern. The Company will eliminate such non-compliance and cross-defaults by repaying such loans using part of the net proceeds to the Company from the Initial Public Offering as well as working capital. See "Prospectus Summary -- The Initial Public Offering" and "Risk Factors -- Risks Associated with Leverage."

The Company will use the net proceeds received from the Initial Public Offering primarily to repay an aggregate of approximately $331 million of short-term and long-term debt, including the Non-Compliant Loans (which, following planned repayments of portions thereof prior to the Initial Public Offering, will have an aggregate outstanding balance of $154 million), $63 million of short-term loans, $8 million of term loans and $106 million of amounts due to AUSA. In addition, the Company will use approximately $34 million of such net proceeds to repurchase AICL's 40% interest in AAP. See "Prospectus Summary -- The Initial Public Offering." Following the expected application of the estimated net proceeds of the Initial Public Offering to the Company together with planned repayments of debt prior to the Initial Public Offering, the Company will have $54 million of short-term borrowing and current portion of long-term debt, $185 million of long-term debt and no amounts then due to AUSA. In addition, the remaining $85 million of such net proceeds will be available for capital expenditures and working capital.

The Company has been investing significant amounts of capital to increase its packaging and test services capacity, including the construction of P3, the addition of capacity in the Company's other Philippine facilities and the construction of a new manufacturing facility in the United States. Advanced packaging processes are being developed at the U.S. facility and full scale operations are expected to begin in 1999. In 1995, 1996, and 1997, the Company made capital expenditures of $123.6 million, $185.1 million and $179.0 million, respectively. Because the Company and AICL have added a significant amount of packaging and test capacity in recent years, the Company intends to decrease its level of capital expenditures in 1998. The Company currently intends to spend approximately $60 million in capital expenditures in 1998, including for the new factory in the U.S. and moderate capacity expansion at the Company's existing facilities in the Philippines to meet expected demand. The Company believes that expenditure levels could increase substantially in 1999 to provide the Company with adequate capacity.

The Company believes that following the application of the net proceeds from the Initial Public Offering, its existing cash balances, cash flow from operations, available equipment lease financing, bank borrowings and financing obtained through AUSA will be sufficient to meet its anticipated cash requirements including working capital and capital expenditures, for at least the next 12 months. In addition, the Company intends to seek out strategic long-term financing arrangements to fund part of its capital expansion plans in 1998. There can be no assurance, however, that lower than expected revenues, increased expenses, increased costs associated with the purchase or maintenance of capital equipment, decisions to increase planned capacity or other events will not cause the Company to seek more capital, or to seek capital sooner than currently expected. The timing and amount of the Company's actual capital requirements cannot be precisely

determined and will depend on a number of factors, including demand for the Company's services, availability of capital equipment, fluctuations in foreign currency exchange rates, changes in semiconductor industry conditions and competitive factors. There can be no assurance that such additional financing will be available when needed or, if available, will be available on satisfactory terms. Failure to obtain any such financing could have a material adverse effect on the Company. In addition, if the Company obtains such financing by selling equity securities of the Company, the Company's stockholders may experience significant dilution.

The Company historically has met a significant portion of its cash requirements for working capital and capital expenditures from a combination of cash from operating activities, short-term and long-term bank loans and financing obtained for the benefit of the Company by AUSA, a wholly-owned financing subsidiary of AICL, as well as financing from a trade receivables securitization agreement. Cash provided by operating activities in 1995, 1996 and 1997 was $53.3 million, $8.6 million, and $250.1 million, respectively. Cash provided (used) by financing activities was $71.2 million, $148.0 million and $(16.0) million for 1995, 1996 and 1997, respectively.

At December 31, 1997, the Company's debt consisted of $326.0 million of borrowings classified as current liabilities, $38.3 million of long-term debt and capital lease obligations and $149.8 million of amounts due to AUSA. The Company plans to repay prior to the Initial Public Offering approximately $50.3 million of its short-term debt and $30 million of amounts due to AUSA. In addition, $13.9 million of amounts due to AUSA was assumed by AK Investments, Inc., an affiliate of the Company, in February 1998. As of December 31, 1997, the Company had extended guarantees in respect of bank debt of affiliates in the amount of $31 million and in respect of vendor obligations of an affiliate in the amount of $24.7 million, which amount may vary over time. At December 31, 1997, the Company had $223.9 million in borrowing facilities with a number of domestic and foreign banks, of which $36.2 million remained unused. Certain of these agreements require compliance with certain financial covenants and restrictions, and are collateralized by assets of the Company. These facilities are typically revolving lines of credit and working capital facilities for one-year renewable periods and generally bear interest at rates ranging from 7.2% to 13%. Long-term debt and capital lease obligations outstanding at December 31, 1997 have various expiration dates through April 2004, and accrue interest at rates ranging from 6.7% to 12.5%. See Note 11 of Notes to Combined Financial Statements.

The Company has met a significant portion of its financing needs through financing arrangements obtained by AUSA, AICL's wholly-owned financing subsidiary. A majority of the amount due to AUSA represents outstanding amounts under financing obtained by AUSA for the benefit of the Company, with the balance representing payables to AUSA for packaging and service charges paid to AICL. Based on guarantees provided by AICL, AUSA obtains for the benefit of the Company a continuous series of short-term financing arrangements which generally are less than six months in duration, and typically are 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 are significant. At December 31, 1997, the Company had fully utilized $149.8 million of the credit facilities available to the Company through AUSA. These credit facilities are with U.S. branches of a number of banks located in Korea and have interest rates ranging from approximately 6.9% to prime plus 8.5% (17% at December 31, 1997). Because of the recent deterioration of the Korean economy, Korean banks have begun to raise interest rates applicable to their lending. See "Risk Factors -- Dependence on International Operations and Sales; Concentration of Operations in the Philippines and Korea -- Korea." As its credit lines have been renewed, AUSA has experienced a significant increase in interest rates, and there can be no assurance that such increases will not continue. The Company reimburses AUSA for certain of the interest charges incurred by AUSA under these credit facilities. As an overseas subsidiary of AICL, AUSA was formed with the approval of the Bank of Korea. If the Bank of Korea were to withdraw such approval, or if AUSA otherwise ceased operations for any reason, the Company and AICL would be required to meet their financing needs through alternative arrangements. Although the Company believes that after the Initial Public Offering alternative financing arrangements will be available, there can be no assurance that the Company or AICL will be able to obtain alternative financing on acceptable terms or at all. AUSA has received commitments from its banks indicating that they intend to renew the facilities when they expire through at least April 1, 1999. AUSA has extended similar terms to the Company with respect to amounts due to AUSA by the Company. Accordingly, amounts

due to AUSA are classified as non-current liabilities on the Company's balance sheet at December 31, 1997. See Notes 2 and 6 of Notes to Combined Financial Statements.

At December 31, 1997, all of AUSA's debt of $319 million, the Non-Compliant Loans of $176 million and the Company's obligations under the Receivables Sale (as defined below) were guaranteed by AICL. AICL currently has a significant amount of debt relative to its equity and is contingently liable under guarantees in respect of debt of its subsidiaries and affiliates, including AUSA. As of December 31, 1997, AICL and its consolidated subsidiaries had guarantees outstanding in respect of debt of its non-consolidated subsidiaries and affiliates in the Anam Group in the aggregate amount of approximately W857 billion, including the guarantees of the Company's loans. As a result of its relationship with AICL, the Company's business, financial condition and operating results are significantly dependent on AICL. There can be no assurance that AUSA will be able to obtain additional guarantees, if necessary, from AICL. In addition, a deterioration in AICL's financial condition could trigger defaults under AICL's guarantees, causing acceleration of such loans. See "-- Overview -- Relationship with AICL," "Risk Factors -- Dependence on Relationship with AICL; Potential Conflicts of Interest" and "Relationship with Anam Industrial Co., Ltd."

In July 1997, the Company entered into a trade receivables securitization agreement with a commercial financial institution. Under the terms of the agreement, the financial institution has committed to purchase, with limited recourse, all right, title and interest in eligible receivables, as defined in the agreement, up to $100 million (the "Receivables Sale"). Funds received pursuant to the agreement reflect a discount of LIBOR plus 0.375% from accounts receivable sold. The Company applied approximately $83.4 million of the initial Receivables Sale proceeds together with approximately $17 million 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. See Note 2 of Notes to Combined Financial Statements.

Prior to the consummation of the Reorganization, AEI was treated for U.S. federal and certain state tax purposes as an S Corporation under the Internal Revenue Code of 1986 and comparable state tax laws. As a result, AEI did not recognize U.S. federal corporate income taxes. Instead, up until the Termination Date, Mr. and Mrs. Kim and the Kim Family Trusts have been obligated to pay U.S. federal and certain state income taxes on their allocable portion of the income of AEI. The Company, Mr. and Mrs. Kim and the Kim Family Trusts will enter into tax indemnification agreements providing that the Company will be 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 the Termination Date. The tax indemnification agreements will also provide that the Company will indemnify Mr. and Mrs. Kim and the Kim Family Trusts if such stockholders are required to pay additional taxes or other amounts attributable to taxable years on or before the Termination Date as to which AEI filed or files 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 $19.8 million, $13.0 million and $5.0 million in 1995, 1996 and 1997, respectively. The Company expects to make additional distributions to such stockholders prior to the consummation of the Reorganization, which distributions will represent AEI's cumulative net income in all periods prior to the Termination Date less the aggregate amount of distributions previously made to such stockholders. These final distributions are intended to provide such stockholders with the balance of AEI's net income for which they have already recognized income taxes. Through December 31, 1997, the amount of such undistributed net earnings was $27.7 million. See "Reorganization" and Notes 1, 10 and 17 of Notes to Combined Financial Statements.

FOREIGN CURRENCY TRANSLATION GAINS AND LOSSES

The Company's subsidiaries in the Philippines maintain their accounting records in U.S. dollars. This is due to the fact that 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 Philippine subsidiaries' exposure 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 its foreign exchange risk, the Company selectively hedges its net foreign currency exposure through short-term (generally not more than 30 to 60 days) forward exchange contracts. To date, the Company's hedging activity has been immaterial.

BUSINESS

The following discussion contains forward-looking statements within the meaning of the U.S. federal securities laws, including statements regarding the anticipated growth in the market for the Company's products, the Company's anticipated capital expenditures and financing needs, the Company's expected capacity utilization rates, the belief of the Company as to its future operating performance and 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 herein, in "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Amkor is the world's largest independent provider of semiconductor packaging and test services. The Company believes that it is also one of the leading developers of advanced semiconductor packaging and test technology in the industry. The Company offers a complete and integrated set of packaging and test services including IC package design, leadframe and substrate design, IC package assembly, final testing, burn-in, reliability testing, and thermal and electrical characterization. As of December 31, 1997, the Company had in excess of 150 customers, including many of the largest semiconductor companies in the world. Such customers include, among others, Advanced Micro Devices, Inc., International Business Machines Corp., Intel, Lucent Technologies, Inc., Motorola, Inc., National Semiconductor Corp., Philips Electronics N.V., SGS-THOMSON Microelectronics N.V., Siemens AG and TI.

The Company recently began offering wafer fabrication services through AICL's new deep submicron CMOS foundry. This foundry is currently capable of producing up to 15,000 8" wafers per month. Through a strategic relationship with TI, the Company and AICL have qualified .25 micron CMOS process technology, and TI has agreed to provide to AICL .18 micron CMOS process technology during 1998. This foundry will primarily manufacture digital signal processors

("DSPs"), application specific integrated circuits ("ASICs") and other logic devices. By leveraging the Company's leading position in semiconductor packaging and test services, the new wafer fabrication services have enabled the Company to become one of the first providers of a fully integrated, turnkey semiconductor fabrication, packaging and test service solution.

The Company provides packaging and test services through its three factories in the Philippines as well as the four factories of AICL in Korea pursuant to a Supply Agreement between the Company and AICL, under which AICL provides packaging and test services to the Company. In 1996 and 1997, AICL provided packaging and test services representing approximately 72% and 68%, respectively, of the Company's net revenues.

INDUSTRY BACKGROUND

Manufacturing Process

The production of a semiconductor is a complex process that requires increasingly sophisticated engineering and manufacturing expertise. The production process can be broadly divided into three primary stages: (i) wafer fabrication, (ii) assembly of die into finished devices (referred to as "packaging") and (iii) testing of finished devices and other back-end processes.

[ORGANIZATIONAL CHART]

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 a photosensitive material is first deposited on the wafer, the material is exposed to light through the mask in a photolithography process, and finally, the unwanted material is etched away, leaving only the desired circuit pattern on the wafer. By stacking up the 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 in a wafer probe process in order to identify the good chip for packaging.

The fabricated wafers are then transferred to packaging facilities. Semiconductor packaging serves to protect the chip, facilitate integration into electronic systems, and enable the dissipation of heat from the devices. 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 ("I/O") terminals on the chips through the use of automated machines known as "wire bonders". 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.

Following packaging, each packaged device is then tested utilizing a sophisticated test platform and program which tests the many different operating specifications of the IC, 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 manufactured semiconductors primarily in their own factories. Independent packagers of semiconductors were used solely to handle the overflow volume requirements of semiconductor companies. Outsourcing of final testing and wafer fabrication was virtually non-existent in the early days of the industry. Over the past fifteen years, however, the need for independent semiconductor packaging and test services has grown dramatically for several reasons.

First, semiconductor companies are facing ever-increasing demands for miniaturization, higher lead counts and improved thermal and electrical performance in IC packages. As a result of this trend, semiconductor packaging is now viewed as an enabling technology requiring sophisticated expertise and technological innovation. Independent providers of packaging and test services have developed substantial expertise in packaging and test technology and new package innovation. Semiconductor companies, having found it difficult to keep pace using their internal resources, have come to rely increasingly on the independent packaging and test services providers as a key source for new technology development and innovation.

Second, semiconductor companies are increasingly seeking to shorten their time to market for new products. Having the right packaging technology and capacity in place is a critical factor in reducing time to market. As packaging solutions are identified for a specific product, semiconductor companies frequently do not have the equipment or expertise to implement such solutions in the volumes required, nor sufficient time to develop these capabilities before introducing a new product into the market. For this reason, semiconductor companies are increasingly leveraging the resources and capabilities of independent packaging and test companies to deliver their new products to market more quickly.

Third, the packaging and testing of ICs has evolved into an increasingly complex process that requires substantial investment in specialized equipment and facilities. For example, the investment in facilities and equipment necessary for a processing line capable of packaging 100 million ball grid array ("BGA") packages per year can be as much as $200 million. As a result of the substantial cost of this manufacturing equipment, the equipment must be utilized at a high capacity level for an extended period of time in order to be cost effective. With semiconductor companies facing increasingly shorter product life cycles, faster new product introductions and the need to continuously update or replace packaging equipment to accommodate new products, it has become increasingly difficult for semiconductor companies to sustain such high levels of capacity utilization. Independent providers of packaging and test services, on the other hand, can use existing equipment at high utilization levels over a longer period of time for a broad range of customers, effectively extending the life of the equipment.

Fourth, as the cost to build a new wafer fabrication facility has increased to over $1 billion, semiconductor companies have been forced to concentrate their capital resources on core wafer manufacturing activities. As a result, semiconductor companies are increasingly seeking to use independent packaging and test providers who have the ability to invest the capital to develop new packaging and test capacity. The Company believes that as the cost to construct new wafer fabrication facilities continues to increase, semiconductor manufacturers will increasingly seek to outsource packaging and test services.

Fifth, there has been a recent growth of "fabless" semiconductor companies whose core competency and focus is entirely on the semiconductor design process. According to industry estimates, sales by fabless semiconductor companies have grown from $3.2 billion in 1993 to $6.8 billion in 1996, representing 3.7% and 4.8%, respectively, of the worldwide market for semiconductors. The significant growth in the number of fabless semiconductor companies has been driven in large part by the ability of such companies to effectively outsource virtually every significant step of the semiconductor manufacturing process. This development has allowed fabless semiconductor companies to introduce new semiconductors very quickly without committing significant amounts of capital and other resources. The Company believes that increases in the number of fabless semiconductor companies will continue to be a significant driver of growth in the independent semiconductor manufacturing industry.

These trends, combined with the growth in the number of ICs being produced and sold, are driving increasing demand for independent packaging and test services. According to industry estimates, independent packaging revenues are expected to grow at a compound annual rate of approximately 16% over a period of five years from $5.6 billion in 1997 to $11.6 billion in 2002. 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.

Many of the same forces that have driven the growth of independent packaging and test have also been driving increasing demand for independent wafer fabrication services. Moreover, because the cost of new wafer fabrication facilities has been rising steadily, many semiconductor companies are seeking to leverage their capital resources by outsourcing some or all of their wafer fabrication needs. This is particularly true for newer, smaller geometry technologies that are necessary for producing the newest, leading edge ICs, because they cannot be produced in many semiconductor companies' existing wafer fabrication facilities. As the demand for ICs with smaller geometries increases, the Company believes semiconductor companies will increasingly utilize independent wafer manufacturers.

The Need for Turnkey Solutions

The growing demand for independent wafer fabrication, packaging, and test services has generally been served by separate wafer fabrication, packaging or test companies. This creates inefficiencies for semiconductor companies which must manage the delays, complex logistics and uncertainty inherent in utilizing a different service provider for each step of the semiconductor manufacturing process. Only a very few, if any, independent service providers have the capability of providing a combination of wafer fabrication, packaging and test services.

THE AMKOR SOLUTION

Amkor is the largest independent provider of semiconductor packaging and test services in the world. With its leading edge process technology and package design expertise, the Company is able to provide its customers with a broad range of new packaging solutions that enable faster, smaller and more powerful ICs. Due to its size and industry-leading position, the Company is capable of implementing and utilizing the capital equipment necessary for both new and mature packages, thereby affording its customers an attractive alternative in their capital allocation decisions. In addition, with AICL's new wafer fabrication capabilities, the Company is able to offer a fully integrated, turnkey semiconductor manufacturing solution.

STRATEGY

Principal elements of the Company's strategy include:

Maintain Product Technology Leadership. The Company believes that it is one of the world's leading designers and developers of new semiconductor packaging technology. The Company has designed and developed such leading edge leadframe and laminate products as its PowerQuad(R), SuperBGA(R), fleXBGA(TM) and ChipArray(TM) BGA packages. The Company is focusing additional design and development efforts on new generations of the BGA packaging format and on "flip chip" die attach technologies where the I/O pads on the chip are attached directly to the package's substrate rather than with wire-bonded connections. The Company employs a staff of leading semiconductor packaging technologists and undertakes significant research and development activities in its Chandler, Arizona and Philippines locations, as well as through joint development activities with AICL's development staff in Korea. The Company intends to continue to maintain its leading packaging technology position.

Maintain Advanced Manufacturing Capabilities. The Company believes that its tradition of manufacturing excellence has been a key factor in its success in attracting and retaining customers, and it is committed to maintaining that high level of excellence. Key to this effort is the Company's commitment to continuous advancement of its process technology. The Company's development teams work with its customers, suppliers, and others to develop new processing technologies as well as pursue continuous improvements in the Company's existing processing capabilities. These efforts have directly resulted in reduced time to market, increased quality, and lower manufacturing costs.

Leverage Scale and Scope of the Company's Packaging and Test Capabilities. The Company believes that its scale of operations and its breadth of product offerings provide it with several competitive advantages. First, the Company believes that its size and position in the industry allow it certain advantages in procuring key materials and manufacturing equipment. Second, the Company is able to capitalize on the substantial economies of scale that result from high utilization rates of its capital equipment, thereby lowering the

Company's per unit manufacturing costs and facilitating cost-effective solutions for its customers. The Company's scale also allows it to offer an industry-leading breadth of product offerings and to be a single source for many of its customers' packaging requirements. The Company offers over 450 different package formats and sizes with a variety of processing and materials options. The Company added 175 and 139 new packaging options, respectively, in 1996 and 1997. The Company is committed to continued expansion of both its size of operations and its scope of product and service offerings.

Establish Industry Packaging Standards. The Company believes that by bringing new package designs to market early, its designs are more likely to become industry standards, which in turn will allow the Company to obtain higher margins than its competitors for such new designs. The Company also seeks to capture substantial market share and to spur the industry-wide adoption of its new packages by investing aggressively in expanding its manufacturing capacity for these packages. As a result, it is one of the leading providers of advanced packaging solutions such as thin package formats and BGA packages. The Company believes these package types will comprise some of the highest growth and more profitable segments of the packaging market in coming years.

Enhance Customer and Supplier Relationships. As the world's largest independent provider of semiconductor packaging and test services, the Company has developed long-standing strategic relationships with leading semiconductor and electronics companies, its suppliers, and other developers of new semiconductor technologies. The Company believes that these relationships have allowed it to stay ahead of the constantly advancing demand curve for independent packaging services. The Company has repeatedly developed leading-edge packaging technologies that have met the requirements of newer IC devices and that have been quickly accepted in the marketplace. The Company's alliances with certain of its key equipment and material suppliers have enabled the Company to achieve packaging and manufacturing process innovation and cost reduction. Developing and maintaining these relationships within the industry will continue to be an integral part of the Company's overall strategic direction.

Focus on Customer Service and Support. The Company believes that its focus on customer service and support has been crucial in attracting and retaining leading semiconductor companies as its customers. The Company has a firmly established customer-oriented culture. To provide a dedicated customer support infrastructure and to stay abreast of customers' expectations, the Company has strategically established technical and sales teams near major customer facilities and in acknowledged technology centers. In addition, the Company has implemented direct electronic links with its customers to enhance communication and facilitate real-time engineering data and order information flow.

Provide an Integrated, Turnkey Solution. The Company seeks to provide a complete turnkey solution comprising wafer fabrication, packaging and test services. The Company recently began providing wafer fabrication services through AICL's new deep submicron CMOS foundry. With the addition of wafer fabrication, the Company is able to provide all stages of IC production for its customers from the fabrication of wafers through the shipment of finished ICs. The Company believes this integration will enable customers to improve the cost and performance of their ICs and achieve faster time to market for both new product introductions and production lead times.

PRODUCTS

Packaging

The Company offers a broad range of package formats designed to provide customers with a full array of packaging solutions for both commodity and advanced products. The Company's products are divided into three product families: traditional leadframe, advanced leadframe, and laminate products as shown in the following tables.

TRADITIONAL LEADFRAME PRODUCTS

PACKAGE TYPE	NUMBER OF LEADS	APPLICATIONS
PDIP (Plastic Dual In-line Packages) SPDIP (Shrink DIP)	8-48 28-64	General purpose plastic IC package for consumer electronic products such as games, telephones, TV, audio equipment and computer peripherals.
Hermetic	Custom	A line of mature, ceramic predominant packages used especially for high-reliability applications (military, space and commercial aviation).
PLCC (Plastic Leaded Chip Carrier)	20-84	Used for logic, gate arrays, DAC, processors and chip sets used in larger form-factor items (copiers, printers, scanners, desktop PCs, electronic games and monitors).
SOIC (Small Outline Integrated Circuit)	8-44	Designed for needs of lower lead devices. End uses include consumer audio/video and entertainment products, pagers, cordless telephones, fax machines, copiers, printers, PC peripherals and automotive parts.
MQFP (Metric Quad Flat Package)	44-304	Adapted to meet the increasing challenges of advanced processors/controllers, DSPs, ASICs, video-DAC, PC chip sets, gate arrays, logic devices, multimedia and other technologies for consumer, commercial, office, automotive, PC and industrial products.
PowerQuad(R)	100-304	Higher performance thermally enhanced QFP package. Used for DSPs, programmable logic devices, microprocessors and micro-controllers, high-speed and field programmable gate array logic devices, ASIC and other technologies requiring more thermal performance than offered by standard QFP packages.
PowerSOP(TM)	8-36	Higher performance thermally enhanced SOIC package. Used for wireless RF telecom devices, automotive, industrial, disk drive, pagers, and other technologies requiring more

thermal performance than offered by standard SOIC packages.

ADVANCED LEADFRAME PRODUCTS

PACKAGE TYPE	NUMBER OF LEADS	APPLICATIONS
TQFP (Thin Quad Flat Package)	32-256	Designed for lightweight, portable electronics requiring broad performance characteristics, including notebook computers, desktop PCs, audio/video and telecommunications products, cordless/RF devices, office equipment, disk drives and communication boards (e.g., Ethernet and ISDN).
TSOP (Thin Small Outline Package)	32-48	Primary application is for SRAM, DRAM, FLASH and FSRAM memory devices. End uses include PC cards, PCMCIA form-factor products, cameras (still/video) and notebook computers.
TSSOP (Thin Shrink Small Outline Package)	8-80	Designed for gate drivers, controllers, logic, analog, memory (SRAM, DRAM, EPROM, E2PROM), comparators and optoelectronics.
SSOP (Shrink Small Outline Package)	8-64	Designed to enable end-products such as pagers, portable audio/video products, disk drives, and wireless applications to be reduced in size and weight.

LAMINATE PRODUCTS

PACKAGE TYPE	NUMBER OF BALLS	APPLICATIONS
PBGA (Plastic Ball Grid Array)	119-544	Semiconductors for end users which require the enhanced performance provided by the integrated design of PBGA, including microprocessors/ controllers, ASICs, gate arrays, memory, DSPs and PC chip sets. Designed for applications where improved portability, form-factor and high-performance are necessary, including wireless products, cellular, GPS, notebook computers, video cameras and disk drives.
SuperBGA(R)	64-600	Designed for high-speed, high-power semiconductors such as ASICs, microprocessors, gate arrays, and DSPs. Applications include wireless products, notebook computers, PDAs, video GUI and CPU/BUS boards.

fleXBGA(TM)	133-412	Higher performance, lower profile package than PBGA due to size reduction made possible by denser substrate. Ideal for high performance disk drives, cellular phones, pagers, wireless communications, DSPs and micro-controller applications.
MicroBGA(TM)	8-200	Especially suited for memory devices such as FLASH, SRAM, DRAM and FSRAM technologies, microprocessors/ controllers and high value ASICs requiring a low height, weight and size packaging. End uses include cellular and other telecommunications products, disk drives, notebooks/sub-notebooks, PDAs, wireless and consumer systems and memory boards.
ChipArray(TM)	36-128	Designed for semiconductors such as memory, analog, ASICs and PLDs requiring a smaller package than conventional PBGAs. Applications include cellular and other telecommunications, notebooks/sub-notebooks, PDAs, wireless systems and GPS.
FlipChip	N/A	An enabling interconnect technology which can be utilized in advanced IC packages such as PBGA, chip scale and flex circuit solutions to support improved electrical requirements and very high semiconductor density in very small systems.

Traditional Leadframe Products. Traditional leadframe products are the most widely recognized package types and are characterized by a chip encapsulated in a plastic mold compound with metal leads surrounding the perimeter. This package type has evolved from packages designed to be plugged into the circuit board by inserting the leads into holes on the circuit board to the more modern surface-mount design, in which the leads are soldered to the surface of the circuit board. Specific package customization and evolutionary improvements are continually being engineered to enable improved electrical performance and multi-chip capability, as well as smaller printed circuit board footprints. The Company offers a wide range of lead counts and body sizes within this product group to satisfy customer die size variations. In addition, the Company offers power versions of the SOP, PLCC, and MQFP package types which are specially designed to handle today's high power ICs that need with enhanced heat dissipation characteristics.

Advanced Leadframe Products. The Company's customers are seeking increasingly thinner packages, which has led the Company to develop newer, more advanced leadframe products. The Company's advanced leadframe products are similar in design to its traditional leadframe products. However, the advanced leadframe products generally are thinner and smaller, have more leads, and have advanced thermal and electrical characteristics which are necessary for many of today's more advanced semiconductor applications. The TSOP, TSSOP and SSOP packages are significantly smaller than the Company's traditional SOIC products, while the TQFP package is a smaller version of the MQFP package. The Company also offers power versions of these package types. The Company plans to continue to develop increasingly smaller versions of these products to keep pace with continually shrinking die sizes and increasing demands for miniaturization.

Laminate Products. The laminate product family represents the newest and fastest growth area for the Company and consists of products employing the BGA format which utilize a laminate (plastic or tape) substrate rather than a leadframe substrate. BGA technology was first introduced in the industry as a solution to problems associated with the increasingly high lead counts required for advanced semiconductors. As the number of leads surrounding the IC increased, packagers attempted to maintain the size of the package by increasing the proximity of the leads to one another. As a result, however, these high lead count packages experienced significant electrical shorting problems and required the development of increasingly sophisticated and expensive techniques for producing circuit boards to accommodate the density of the leads. The BGA methodology 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. The Company's first product in this family was the plastic BGA. The Company has subsequently designed additional BGA type packages which include features that enable low cost, high volume manufacturing methods as well as higher performance packages. These new laminate products include: SuperBGA(R), which includes a copper heat-sink for heat dissipation and is designed for very low profile, high power applications; ChipArray(TM), which allows the package to be as small as 1.5 mm larger than the chip itself; and MicroBGA(TM), which is designed to be approximately the same size as the chip and uses a tape substrate rather than a plastic laminate. The Company is currently designing newer versions of BGA packages to enable further significant reductions in package size.

Test and Related Services

The Company also provides its customers with semiconductor test services. The Company has the capability to test digital logic, analog and mixed signal products. The combination of the Company's test operations together with AICL's Korean test operations comprises one of the largest independent test operations in the world. Providing test services requires a high level of communication and integration between the Company and its customers. In order to enable semiconductor companies to improve their time to market and to reduce costs, there has been an increasing trend to put packaging and test operations in the same location. The Company has capitalized on this trend by supplying its own testers or by supplementing customer-supplied testers with handlers and other related equipment.

Although test services accounted for only 3.5% of the Company's total 1997 revenue and 13% of the total units shipped, the Company expects test services to grow significantly during the next several years as customers seek to reduce the time to market for their products by using contractors with test services at the

packaging site. In addition to final test services, the Company provides a full range of other related services, such as burn-in test services, "dry pack" services, "tape and reel" packing, and wafer "probing" or "sorting."

The following table sets forth, for the periods indicated, the amount of the Company's net revenues and the percentage of total net revenues by product type:

	1994		1995		1996		1997	
	REVENUES	%	REVENUES	%	REVENUES	%	REVENUES	%
	(DOLLARS IN MILLIONS)							
Traditional Leadframe	$ 487	85.1%	$ 699	75.0%	$ 792	67.6%	$ 801	55.0%
Advanced Leadframe	53	9.2	157	16.8	220	18.8	312	21.5
Laminate	3	0.5	15	1.6	90	7.7	248	17.0
Testing and Other	30	5.2	61	6.6	69	5.9	95	6.5
Total	$ 573	100.0%	$ 932	100.0%	$ 1,171	100.0%	$ 1,456	100.0%

Wafer Fabrication

The Company recently began offering wafer fabrication services through

AICL's new deep submicron CMOS foundry. This foundry is currently capable of producing up to 15,000 8" wafers per month. Through a strategic relationship with TI, the Company and AICL have qualified .25 micron CMOS process technology, and TI has agreed to provide to AICL .18 micron CMOS process technology during 1998. The Company's right to the supply of wafers from the foundry is subject to the TI Manufacturing and Purchasing Agreement, pursuant to which TI has agreed to purchase at least 40% of the capacity of the foundry and under certain circumstances has the right to purchase 70% of the capacity of the foundry. Although the Company has received forecasts from TI which indicate that TI will meet its minimum purchase obligation during the second half of 1998, during the first quarter of 1998 TI's orders were below such minimum purchase commitment due to market conditions and issues encountered by TI in the transition of its products to .18 micron technology. There can be no assurance that TI will place orders representing at least 40% of the capacity of this foundry during this period or in the future. A failure by TI to comply with its minimum purchase obligations or the cancellation of a significant wafer fabrication order by TI or any other customer could have a material adverse effect on AICL's and the Company's business, financial condition and results of operations. See "Risk Factors -- Risks Associated with New Wafer Fabrication Business" and " -- Intellectual Property."

The new foundry's capability is targeted to meet the needs of customers for DSPs, ASICs and other logic devices. As technological capability and the needs for CMOS designs in this area change, the Company anticipates the need to add embedded memory and special analog functionality to its core CMOS technology. The Company plans to continue to focus its semiconductor technology development efforts to serve the needs of the high performance digital logic market.

With the addition of the wafer fabrication capability, the Company is able to offer fully integrated turnkey semiconductor manufacturing services to its customers. This complete turnkey solution will enable the Company to work with its customers' IC designers to optimize the integration of IC design with wafer fabrication, package design, and packaging and test processes. The Company believes this integration will enable customers to improve the cost and performance of their ICs and achieve faster time to market in terms of both new product introductions and production lead times.

CUSTOMERS

The Company currently has more than 150 customers, including many of the largest semiconductor companies in the world. Set forth below is a list of the Company's top 50 customers in 1997:

Actel Corporation
Altera Corporation
Adaptec, Inc.
Advanced Micro Devices, Inc.
Alcatel Mietec
American Micro Systems, Inc.
Analog Devices, Inc.
Atmel Corporation
Cirrus Logic
Cypress Semiconductor Corp.
Dallas Semiconductor
Delco Electronics Corporation
Digital Equipment Corp.
Harris Corporation
Hewlett-Packard Company
International Business Machines Corporation
IC Works Inc.
Integrated Circuit Systems, Inc.
Integrated Device Technology, Inc.
Intel Corporation
Lattice Semiconductor Corporation
Level One Communications, Inc.
LSI Logic Corporation
Lucent Technologies Inc.
Macronix International Co., Ltd.
Matra Harris Semiconductors
Maxim Integrated Circuits
Microchip Technology Inc.
Microlinear
Motorola, Inc.
National Semiconductor Corporation
NeoMagic Corporation
Northern Telecom
Plessey Semiconductors
Philips Electronics N.V.
Robert Bosch GmbH
Rockwell Corp.
S3 Incorporated
SGS-THOMSON Microelectronics N.V.
Siemens AG
SMC Corporation
Silicon Storage Technology, Inc.
Symbios Logic
TEMIC Semiconductors
Texas Instruments Incorporated
VLSI Technology, Inc.
VTC Inc.
Waferscale Integration, Inc.
Xilinx, Inc.

The Company's five largest customers collectively accounted for approximately 34.1%, 39.2%, and 40.1% of the Company's total revenues in 1995, 1996 and 1997, respectively. The Company anticipates that this customer concentration will continue at least for the foreseeable future. See "Risk Factors -- Customer Concentration; Absence of Backlog."

MARKETING AND SALES

The Company sells to and supports its customers through an international network of offices located in close proximity to its largest customers and concentration of customers, including offices in the United States (Austin, Texas; Boise, Idaho; Chandler, Arizona; Dallas, Texas; Santa Clara, California and West Chester, Pennsylvania), France, Singapore, Taiwan, and the Philippines. A substantial majority of the Company's sales have historically been derived from U.S.-based customers. See Note 15 of Notes to Combined Financial Statements. The Company assigns each of its customers a sales and customer support team consisting of an account manager, a technical program manager, and one or more customer support representatives. The largest multinational customers are typically supported from multiple offices. The Company's worldwide force of account managers, customer service representatives and technical product managers exceeds 200 personnel. In addition, an extended staff of product management, process and reliability engineering, marketing and advertising, information systems, and factory personnel supports the direct account teams. Together, these direct and extended teams deliver an array of services to the Company's customers including providing information and expert advice on packaging solutions and trends, managing the start-up of specific packaging and test programs, providing a continuous flow of information to the customers regarding products and programs in process, and researching and helping to resolve technical and logistical issues.

FACILITIES AND MANUFACTURING

Facilities

The Company provides packaging and test services through its factories in the Philippines as well as its test facility in the U.S. A new packaging factory is currently being equipped at the Company's Chandler, Arizona site with expected start-up in 1999. In addition, the Company provides packaging and test services

through AICL's four factories in Korea, which provide such services to the Company pursuant to a Supply Agreement. In 1996 and 1997, AICL provided packaging and test services which accounted for approximately 72% and 68%, respectively, of the Company's revenues. In addition to providing world-class manufacturing services, these factories provide purchasing, engineering, and customer service support. The Company recently began offering wafer fabrication services through AICL's new state-of-the-art .25 micron wafer foundry in Korea pursuant to a Supply Agreement. The size, location, and manufacturing services provided by each of the Company's and AICL's primary facilities is set forth in the table below. See "Risk Factors -- Dependence on Relationship With AICL; Potential Conflicts of Interest," "-- Expansion of Manufacturing Capacity; Profitability Affected by Capacity Utilization Rates," "-- Risks Associated with New Wafer Fabrication Business" and "-- Inability to Obtain Packaging and Test Equipment in a Timely Fashion."

FACILITY	LOCATION	APPROXIMATE PLANT SIZE (SQUARE FEET)	MANUFACTURING SERVICES
Company Facilities			
P1	Muntilupa, Philippines	579,000	Packaging and test services; packaging and process development
P2	Muntilupa, Philippines	115,000	Packaging services
P3	Province of Laguna, Philippines	249,000	Packaging and test services
AATS	Santa Clara, California	3,000	Final testing services; test program development; central shipping and logistics
A1 (1999)	Chandler, Arizona	106,000	Packaging services for laminate

			products; package and process development
AICL Facilities			
K1	Seoul, Korea	646,000	Packaging services, package and process development
K2	Buchon, Korea	264,000	Packaging services
K3	Bupyung, Korea	404,000	Packaging and test services
K4	Kwangju, Korea	597,000	Packaging services
Wafer Foundry	Buchon, Korea	480,000	Wafer fabrication services

The Company's operational headquarters is located in Chandler, Arizona while its administrative headquarters is located in West Chester, Pennsylvania. In addition to an executive staff, the Chandler, Arizona campus houses sales and customer service for the southwest region, product management, a technical design center, planning, marketing and research and development. The West Chester location houses finance and accounting, legal, personnel administration, information systems, and serves as a satellite sales office for the Company's eastern sales region.

Raw Materials and Equipment

The Company's packaging operations depend upon obtaining adequate supplies of raw materials on a timely basis. The principal raw materials used in the Company's packaging process are leadframes or laminate substrates, along with gold wire and molding compound. The Company purchases raw materials based on the stated demand requirements of its customers and its customers are generally responsible for any unused materials that result from an overstatement of demand. The Company works closely with its primary raw material suppliers to insure the availability and timeliness of raw material supplies. In addition, the Company negotiates worldwide pricing agreements with its major suppliers to take advantage of the scale of its operations. The Company is not dependent on any one supplier for a substantial portion of its raw material requirements.

The Company's packaging operations and expansion plans also depend on obtaining adequate supplies of manufacturing equipment on a timely basis. To that end, the Company works closely with its major equipment suppliers to insure that equipment deliveries are on time and the equipment meets the Company's stringent performance specifications. In addition, an affiliate of AICL manufactures semiconductor packaging equipment exclusively for the Company and AICL at locations in close proximity to the Company's and AICL's

packaging facilities in the Philippines and Korea, respectively. See "Risk Factors -- Dependence on Raw Materials Suppliers and Subcontractors."

Total Quality Management

The Company believes that total quality management is a vital component of its manufacturing strategy. To that end, the Company has established a comprehensive Quality Operating System designed to promote continuous improvement and maximize manufacturing yields at high volume production while maintaining the highest quality standards. Each of the Company's and AICL's factories is ISO9002 and QS-9000 certified. ISO9002 is a worldwide manufacturing quality certification program administered by an independent standards organization. QS9000 is similarly an independently administered manufacturing quality certification used by United States automotive manufacturers. The Company believes that many of its customers prefer to purchase from suppliers who are ISO9002 and QS9000 certified.

COMPETITION

The independent semiconductor packaging and test industry is very competitive, being comprised of approximately 50 companies, with about 15 of those companies having sales of $100 million per year or more. The Company faces substantial competition from established packaging companies primarily located in Asia, such as Advanced Semiconductor Engineering, Inc. (Taiwan), ASE Test

Limited (Taiwan and Malaysia), ASAT Ltd. (Hong Kong), Hana Microelectronics Public Co. Ltd. (Hong Kong and Thailand), Astra International (Indonesia), Carsem Bhd. (Malaysia), ChipPAC Incorporated (Korea), Siliconware Precision Industries Co., Ltd. (Taiwan), and Shinko Electric Industries Co., Ltd. (Japan). Each of these companies has significant manufacturing capacity, financial resources, research and development operations, marketing and other capabilities, and have been operating for some time. Such companies have also established relationships with many large semiconductor companies which are current or potential customers of the Company. The principal elements of competition in the independent semiconductor packaging market include time to market, breadth of package offering, technical competence, design services, quality, production yields, customer service, and price. The Company believes it generally competes favorably with respect to these factors. On a larger scale, the Company also competes with the internal manufacturing capabilities of many of its largest customers.

The independent wafer fabrication business is also highly competitive. The Company expects its wafer fabrication services to compete primarily with independent wafer foundries such as Chartered Semiconductor Manufacturing, Ltd., Taiwan Semiconductor Manufacturing Company, Ltd. and United Microelectronics Corporation, as well as with device manufacturers such as LG Semicon Co., Ltd., Hitachi, Ltd., Toshiba Corp. and Winbond Electronics Corporation, which provide foundry services for other semiconductor companies. Each of these companies has significant manufacturing capacity, financial resources, research and development operations, marketing and other capabilities and have been operating for some time. Many of these companies have also established relationships with many large semiconductor companies which are current or potential customers of the Company. The principal elements of competition in the wafer foundry market include technology, delivery cycle times, price, product performance, quality, production yield, responsiveness and flexibility, reliability and the ability to design and incorporate product improvements. See "Risk Factors -- Competition."

RESEARCH AND DEVELOPMENT

The Company's research and development efforts are focused on developing new package designs and process capabilities, and on improving the efficiency and capabilities of its existing production processes and materials. The Company believes that technology development is one of the key success factors in the packaging market and believes that it has a distinct advantage in this area. In addition to its internal development work, and its co-development work with AICL, the Company also works closely with its packaging equipment and raw material suppliers in developing advanced processing capabilities and materials for use in the Company's production process. Currently, the Company is focusing on development programs that extend the capability and applicability of the BGA packaging format. These include high performance

BGAs for microprocessors and other high-end devices, and a chip size package for memory. In addition, the Company is aggressively developing a flip-chip die attach and connect process for its laminate packages that has the potential to reduce packaging size and cost and improve package performance significantly. The flip-chip packaging process involves attaching the die I/O terminals directly to the lead circuits on the substrate without the use of gold wires. In addition to providing a smaller package size, this process is expected to result in significant improvements in packaging yields by eliminating the delicate wire bonds from the package.

As of December 31, 1997, the Company employed approximately 95 persons in research and development activities. In addition, other management and operational personnel are involved in research and development activities. In 1995, 1996 and 1997, the Company's research and development expenses were approximately $8.7 million, $10.9 million and $8.5 million, respectively. The Company expects to continue to invest significant resources in research and development.

INTELLECTUAL PROPERTY

The Company currently holds 24 U.S. patents, five of which are jointly held with AICL, related to various IC packaging technologies, in addition to other pending patents. These patents will expire at various dates from 2012 through 2016. With respect to development work undertaken jointly with AICL, the Company and AICL share intellectual property rights under the terms of the Supply Agreements between the Company and AICL. The Supply Agreements also provide for the cross-licensing of intellectual property rights between the Company and AICL. In addition, the Company enters into agreements with other developers of packaging technology to license or otherwise obtain certain process or packaging technologies.

The Company expects to continue to file patent applications when appropriate to protect its proprietary technologies; however, the Company believes that its continued success depends primarily on factors such as the technological skills and innovation of its personnel rather than on its patents. The process of seeking patent protection can be expensive and time consuming. There can be no assurance that patents will be issued from pending or future applications or that, if patents are issued, they will not be challenged, invalidated or circumvented, or that rights granted thereunder will provide meaningful protection or other commercial advantage to the Company. Moreover, there can be no assurance that any patent rights will be upheld in the future or that the Company will be able to preserve any of its other intellectual property rights.

Although the Company is not currently a party to any material litigation, the semiconductor industry is characterized by frequent claims regarding patent and other intellectual property rights. As is typical in the semiconductor industry, the Company may receive communications from third parties asserting patents on certain of the Company's technologies. In the event any third party were to make a valid claim against the Company or AICL, the Company or AICL could be required to discontinue the use of certain processes or cease the manufacture, use, import and sale of infringing products to pay substantial damages and to develop non-infringing technologies or to acquire licenses to the alleged infringed technology. The Company's business, financial condition and results of operations could be materially and adversely affected by such developments. Litigation, which could result in substantial cost to and diversion of resources of the Company, may also be necessary to enforce patents or other intellectual property rights of the Company or to defend the Company against claimed infringement of the rights of others. The failure to obtain necessary licenses or the occurrence of litigation relating to patent infringement or other intellectual property matters could have a material adverse effect on the Company's business, financial condition and results of operations. In addition, AICL has obtained intellectual property for wafer manufacturing primarily from TI. The licenses granted to AICL by TI under the TI Technology Agreements are very limited. Although TI has granted to AICL a license under TI's trade secret rights to use TI's technology in connection with AICL's provision of wafer fabrication services, TI has not granted AICL a license under its patents, copyrights and mask works to manufacture semiconductors for third parties. Although TI has agreed that TI will not assert a claim for patent, copyright or mask work right infringement against AICL or the Company in connection with AICL's manufacture of semiconductor products for third parties, TI has reserved the right to bring such infringement claims against AICL's or the Company's customers with respect to semiconductor products purchased from AICL or the Company. As a result, AICL's and the Company's customers could be subject to patent litigation by TI and others, and AICL and the Company could in turn be subject to litigation by such customers and

others, in connection with the sale of wafers produced by AICL. Any such litigation could materially and adversely affect AICL's ability to continue to manufacture wafers and AICL's and the Company's business, financial condition and results of operations.

ENVIRONMENTAL MATTERS

The semiconductor packaging process involves a significant amount of chemicals and gases which are subject to extensive governmental regulations. For example, liquid waste is produced at the stage at which silicon wafers are diced into chips with the aid of diamond saws and cooled with running water. In addition, excess materials on leads and moldings are removed from packaged semiconductors in the trim and form process. The Company has installed equipment to collect certain solvents used in connection with its manufacturing process and has contracted with independent waste disposal companies to remove such hazardous material.

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 the Company's and AICL's manufacturing processes and on the facilities occupied by the Company and AICL. The Company believes that its activities, as well as those of AICL, conform to present environmental and land use regulations applicable to their respective operations and current facilities. Increasing public attention has, however, been focused on the environmental impact of semiconductor manufacturing operations and the risk to neighbors of chemical releases from such operations. There can be no assurance that applicable land use and environmental regulations will not in the future impose the need for additional capital equipment or other process requirements upon the Company or AICL or restrict the Company's or AICL's ability to expand their respective operations. The adoption of new ordinances or similar measures or any failure by the Company or AICL to comply with applicable environment and land use regulations or to restrict the discharge of hazardous substances could subject the Company or AICL to future liability or cause their respective manufacturing operations to be curtailed or suspended.

EMPLOYEES

As of December 31, 1997, the Company had approximately 9,100 full-time employees, 7,450 of whom were engaged in manufacturing, 1,150 in manufacturing support, 95 in research and development, 210 in marketing and sales, and 195 in finance, business management, and administration. The Company's employees are not represented by any collective bargaining agreement, and the Company has never experienced a work stoppage. The Company believes that its relations with its employees are good. See "Risk Factors -- Dependence on Key Personnel and Availability of Skilled Workforce."

MANAGEMENT

EXECUTIVE OFFICERS AND DIRECTORS

The executive officers and directors of the Company and their ages as of December 31, 1997 are as follows:

NAME	AGE	POSITION
James J. Kim	61	Chief Executive Officer and Chairman
John N. Boruch	55	President and Director
Frank J. Marcucci	62	Chief Financial Officer
Eric R. Larson	42	Vice President
Michael D. O'Brien	65	Vice President
Thomas D. George(1)(2)	57	Director
Gregory K. Hinckley(1)(2)	51	Director

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(1) Member of Compensation Committee.

(2) Member of Audit Committee.

James J. Kim. James Kim has served as the Company's Chief Executive Officer since September 1997. Mr. Kim founded AEI in 1968 and has served as its Chairman since 1970. He has also served as the Chairman of the Anam group of companies and a director of AICL since 1992. Mr. Kim is a director of CFM Technologies, Inc. Mr. Kim earned B.S. and M.A. degrees in Economics from the University of Pennsylvania. Mr. Kim is Chairman of The Electronics Boutique, Inc., an electronics retail chain, and Forte Systems, Inc., an information technology, consulting and outsourcing company.

John N. Boruch. John Boruch has served as President and a director of the Company since September 1997. Mr. Boruch has served as President of AEI since February 1992. From 1991 to 1992 he served as AEI Corporate Vice President in charge of Sales. Mr. Boruch earned a B.A. in Economics from Cornell University. Mr. Boruch joined the Company in 1984.

Frank J. Marcucci. Frank Marcucci has served as the Chief Financial Officer of the Company since September 1997. Mr. Marcucci has served as the Chief Financial Officer of AEI since joining AEI in 1980. Mr. Marcucci earned a B.S. in Business Administration from Duquesne University and an MBA from the University of Pittsburgh. Mr. Marcucci is a Certified Public Accountant.

Eric R. Larson. Eric Larson has served as Vice President of the Wafer Fabrication business of the Company since September 1997. Mr. Larson has served as President of Amkor/Anam Semiconductor, a division of AEI, since December 1996. From 1979 to 1996 he worked for the Hewlett-Packard Company ("HP") in various management capacities, most recently as Worldwide Marketing Manager for disk products. In addition, Mr. Larson was the worldwide Manager of Sales and Marketing of the IC Business Division of HP from July 1985 to May 1993. Mr. Larson earned a B.A. in Political Science from Colorado State University and an MBA from the University of Denver.

Michael D. O'Brien. Michael O'Brien has served as the Vice President of Packaging and Testing Operations of the Company since September 1997. Mr. O'Brien has served as Corporate Vice President of AEI since 1990. Mr. O'Brien earned a B.S. from Texas A&M University. Mr. O'Brien joined the Company in 1988.

Thomas D. George. Mr. George has been a director of the Company since November 1997. Mr. George was Executive Vice President, and President and General Manager, Semiconductor Products Sector ("SPS") of Motorola from April 1993 to May 1997. Prior to that, he held several positions with Motorola, including Executive Vice President and Assistant General Manager, SPS from November 1992 to April 1993 and Senior Vice President and Assistant General Manager, SPS from July 1986 to November 1992. Mr. George is currently retired.

Gregory K. Hinckley. Mr. Hinckley has been a director of the Company since November 1997. Mr. Hinckley serves as Executive Vice President, Chief Operating Officer and Chief Financial Officer of Mentor Graphics Corporation since January 1997. From November 1995 until December 1996 he held the position of Senior Vice President with VLSI, a manufacturer of complex ASICs. From August 1992 until December 1996, Mr. Hinckley held the position of Vice President, Finance and Chief Financial Officer with VLSI. From December 1991 until August 1992, he was an independent consultant. Mr. Hinckley is a director of OEC Medical Systems, Inc., a manufacturer of medical imaging equipment.

DIRECTOR COMPENSATION

Directors who are also employees or officers of the Company do not receive compensation for their services as directors. Non-employee directors are eligible to receive an annual retainer of $15,000 plus per meeting fees of $1,000 per board meeting and $1,000 per committee meeting attended. Directors are reimbursed for travel and related expenses incurred by them in attending board and committee meetings.

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 is expected to be approved by the Company's stockholders immediately following the Reorganization. The Director Plan will become effective immediately prior to the Initial Public Offering. 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. The Director Plan provides for an initial grant of options to purchase 15,000 shares of Common Stock to each new nonemployee director of the Company (an "Outside Director") upon the later of the effective date of the Director Plan or the date which 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 will be equal 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. Each option granted to an Outside Director vests as to 33 1/3% of the optioned stock one year after the date of grant, and as to an additional 33 1/3% of the optioned stock on each anniversary of the date of grant, provided that the optionee continues to serve as an Outside Director on such date so that 100% of the optioned stock may be exercisable three years after the date of grant. In the event of the sale of all or substantially all the Company's assets or the merger of the company with or into another corporation, all outstanding options under the Director Plan may either be assumed or an equivalent option may be substituted by the surviving entity. Following such assumption or substitution, if the director is terminated other than upon a voluntary resignation, such assumed or substituted options will vest and become exercisable in full. If no assumption or substitution occurs, each such option will vest and become exercisable in full. The Director Plan will terminate in January 2008 unless sooner terminated by the Board of Directors.

BOARD COMMITTEES

The Board of Directors has a Compensation Committee and an Audit Committee. The Compensation Committee is comprised of Messrs. George and Hinckley. The functions of the Compensation Committee are to review and approve annual salaries, bonuses, and grants of stock options pursuant to the Company's 1998 Stock Plan and to review and approve the terms and conditions of all employee benefit plans or changes thereto. The Audit Committee is comprised of Messrs. George and Hinckley. The functions of the Audit Committee are to recommend annually to the Board of Directors the appointment of the independent auditors of the Company, discuss and review in advance the scope and the fees of the annual audit and review the results thereof with the independent auditors, review and approve non-audit services of the independent auditors, review compliance with existing major accounting and financial reporting policies of the Company, review the adequacy of the financial organization of the Company, and review management's procedures and

policies relating to the adequacy of the Company's internal accounting controls and compliance with applicable laws relating to accounting practices.

EXECUTIVE COMPENSATION

Summary Compensation. The following table sets forth compensation earned during the fiscal year ended December 31, 1997, by the Company's Chief Executive Officer and the four other most highly compensated executive officers whose total salary and bonus during such year exceeded $100,000 (collectively, the "Named Executive Officers").

SUMMARY COMPENSATION TABLE

NAME AND PRINCIPAL POSITIONS	ANNUAL COMPENSATION(1) SALARY	BONUS	ALL OTHER COMPENSATION
James J. Kim, Chief Executive Officer and Chairman(2)	$500,000	$ --	$ 6,000
John N. Boruch, President(3)	415,000	375,000	6,000
Frank J. Marcucci, Chief Financial Officer(4)	254,000	100,000	245,000
Eric R. Larson, Vice President	220,000	--	--
Michael D. O'Brien, Vice President	249,000	100,000	--

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(1) At the time of the Initial Public Offering, Messrs. Boruch, Marcucci, Larson and O'Brien will receive option grants of 300,000 shares, 100,000 shares, 85,000 shares and 85,000 shares, respectively, of Common Stock under the Company's 1998 Stock Plan, in each case with an exercise price per share equal to the Initial Public Offering price per share.

(2) All other compensation for Mr. Kim represents the amount of insurance premium paid by the Company on Mr. Kim's behalf for a life insurance policy. Effective January 1, 1998, Mr. Kim is compensated at an annual salary of $750,000 and he may earn an annual bonus of up to $500,000 if the Company achieves its annual operating plan, as approved by the Company's Board of Directors.

(3) All other compensation for Mr. Boruch represents the amount of insurance premium paid by the Company on Mr. Boruch's behalf for a life insurance policy.

(4) All other compensation for Mr. Marcucci represents the amount of insurance premium paid by the Company on Mr. Marcucci's behalf for a life insurance policy together with a bonus paid to Mr. Marcucci to cover the income taxes owed by Mr. Marcucci as a result of the payment of such insurance premium.

STOCK PLANS

1998 Stock Plan. The Company's 1998 Stock Plan (the "1998 Plan") provides for the grant to employees of incentive stock options within the meaning of Section 422 of the Internal Revenue Code of 1986 (the "Code"), and for the grant to employees, directors and consultants of nonstatutory stock options and stock purchase rights. The 1998 Plan was adopted by the Board of Directors in January 1998 and is expected to be approved by the Company's stockholders immediately following the Reorganization. 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 equal to the lesser of (i) the number of shares of Common Stock needed to restore the maximum aggregate number of shares of Common Stock which may be optioned and sold under the 1998 to 5,000,000, or (ii) a lesser amount determined by the Board of Directors.

The 1998 Plan may be administered by the Board of Directors or a committee appointed by the Board of Directors (the "Committee"), which Committee shall, in the case of options intended to qualify as "performance-based compensation" within the meaning of Section 162(m) of the Code, consist of two or more "outside directors" within the meaning of Section 162(m) of the Code. The Board of Directors or the Committee, as applicable, has the power to determine the terms of options granted, including the exercise price and the fair market value, to reduce the exercise price of any option to the then current fair market price if the fair market value of the Common Stock covered by such option shall have declined since the date the option was granted, the number of shares subject to the option or stock purchase right, and the exercisability thereof and the form of consideration payable upon such exercise. In addition, the Board of Directors has the authority to amend, suspend or terminate the 1998 Plan, provided that no such action may affect any share of Common Stock previously issued and sold or any option previously granted under the 1998 Plan.

Unless determined otherwise by the administrators, options and stock purchase rights granted under the 1998 Plan are not transferable by the optionee, and each option and stock purchase right is generally exercisable during the lifetime of the optionee only by such optionee. Options granted under the 1998 Plan must generally be exercised within three months following termination of an optionee's status as an employee, director or consultant of the Company, within twelve months after an optionee's termination by disability, and within twelve months after an optionee's termination by death, but in no event later than the expiration of the option. In the case of stock purchase rights, unless the administrator determines otherwise, a restricted stock purchase agreement shall grant the Company a repurchase option exercisable upon the voluntary or involuntary termination of the purchaser's employment with the Company for any reason (including death or disability). The purchase price for shares repurchased pursuant to a restricted stock purchase agreement shall be the original price paid by the purchaser and may be paid by cancellation of any indebtedness of the purchaser to the Company. The repurchase option shall lapse at a rate determined by the administrator. The exercise price of all incentive 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. The exercise price of nonstatutory stock options granted under the 1998 Plan is determined by the Committee, but with respect to nonstatutory stock options intended to qualify as "performance-based compensation" within the meaning of Section 162(m) of the Code, the exercise price must be at least equal to the fair market value of the Common Stock on the date of grant. With respect to any employee who owns stock possessing more than ten percent of the voting power of all classes of the Company's, or any parent or subsidiary of the Company's outstanding capital stock, the exercise price of any incentive stock option granted to such person must equal at least 110% of the fair market value of the Common Stock on the date of grant and the term of such incentive stock option must not exceed five years. The term of all other options granted under the 1998 Plan may not exceed ten years.

The 1998 Plan provides that in the event of a merger of the Company with or into another corporation, or a sale of substantially all of the Company's assets, each outstanding option and stock purchase right will be assumed or substituted for by the successor corporation. In the event the successor corporation refuses to assume or substitute for the option or stock purchase right, the optionee shall have the right to exercise all of the optioned stock, including shares as to which it would not otherwise be exercisable.

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 is expected to be approved by the stockholders immediately following the Reorganization. The Company does not intend to implement the Purchase Plan until after the Initial Public Offering. 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 equal to the lesser of (i) the number of shares needed to restore the maximum aggregate number of shares available for sale under the Purchase Plan to 1,000,000, or (ii) a lesser amount determined by the Board of Directors. The Purchase Plan, which is intended to qualify under Section 423 of the Code is administered by the Board of Directors or by a committee appointed by the Board. 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 pay day. The Purchase Plan will be implemented by consecutive six-month offering periods. The initial offering period and the date of subsequent offering periods under the Purchase Plan will be determined by the Board of Directors after the effective date of the Initial Public Offering. 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 purchase period within the offering period. If the fair market value of the Common Stock on any purchase date (other than the final purchase date of the offering period) is lower than such fair market value on the start date of that offering period, then all participants in that offering

period will be automatically withdrawn from such offering period and re-enrolled in the immediately following 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. In the event of a proposed dissolution or liquidation of the Company, the offering periods then in progress will be shortened by setting a new exercise date that is before the dissolution or liquidation, and will terminate immediately prior to the consummation of the proposed action, unless otherwise provided by the Board. In the event of a proposed sale of all or substantially all of the Company's assets or the merger of the Company with or into another corporation, each outstanding option will be assumed or substituted for by the successor corporation. In the event the successor corporation refuses to assume or substitute for the options, the offering periods then in progress will be shortened by setting a new exercise date that is before the sale or merger and the offering periods then in progress will end on the new exercise date. Each participant will be notified at least ten business days prior to the new exercise date, and unless such participant ends his or her participation, the option will be exercised automatically on the new exercise date. The Purchase Plan will terminate in January 2008, unless sooner terminated by the Board of Directors.

401(k) PLAN

The Company participates in a tax-qualified employee savings and retirement plan (the "401(k) Plan") which covers certain of the Company's employees who are at least 21 years of age. Pursuant to the 401(k) Plan, employees may elect to reduce their current eligible compensation by up to 13% of eligible compensation or the statutorily prescribed annual limit, whichever is lower, and have the amount of such reduction contributed to the 401(k) Plan. After an eligible employee completes one year of service and has attained age 21, he or she will become eligible for the Company matching contributions effective as of the quarterly entry date after meeting these service and age requirements. The matching contribution amount is a discretionary amount as determined from time to time by the Company. The 401(k) Plan is intended to qualify under Section 401 of the Internal Revenue Code of 1986, as amended, so that contributions by employees or by the Company to the 401(k) Plan, and income earned on plan contributions, are not taxable to employees until withdrawn from the 401(k) Plan, and so that contributions by the Company, if any, will be deductible by the Company when made. The trustee under the 401(k) Plan, at the direction of each participant, invests the assets of the 401(k) Plan in any of a number of designated investment options.

PHILIPPINE PENSION PLANS

The Company adopted a retirement plan for its eligible Philippine employees and those eligible employees of designated affiliated companies and subsidiaries of the Company, the Amkor/Anam Pilipinas, Incorporated Employees' Retirement Benefit Plan (the "Phillipine Plan"), originally effective January 1, 1988, and most recently amended on January 1, 1997. Eligible employees are employees with regular and permanent status that have been employed continuously for one (1) year by a participating company. Currently, the companies participating in the

Phillipine Plan are AMI, AAAP, and Anam Amkor Precision Machine Company (Phils.), Incorporated. At normal retirement age (age 60), death, or upon total and permanent disability, a participant will receive a lump sum benefit payment based on a percentage of his or her final base monthly salary, as determined by his or her years of credited service. A participant who retires at age 50 with at least ten (10) years of service will receive a reduced payment based on the same formula. Company contributions to the Phillipine Plan are held in trust. The Phillipine Plan is presently underfunded by $3.8 million. The amount by which the Phillipine Plan is underfunded decreased from $7.2 million at September 30, 1997 primarily as a result of payments made by the Company as required under the plan and the effect of the recent devaluation of the Phillipine peso to the U.S. dollar. See Note 9 of Notes to Combined Financial Statements.

LIMITATIONS ON LIABILITY AND INDEMNIFICATION MATTERS

The Company has adopted provisions in its Certificate of Incorporation that eliminate to the fullest extent permissible under Delaware law the liability of its directors to the Company for monetary damages. Such limitation of liability does not affect the availability of equitable remedies such as injunctive relief or rescission. The Bylaws provide that the Company shall indemnify its directors and officers, and may indemnify its other employees and agents, to the fullest extent permitted by Delaware law, including in circumstances in which indemnification is otherwise discretionary under Delaware law. The Company has entered into indemnification agreements with its officers and directors containing provisions which may require the Company, among other things, to indemnify the officers and directors against certain liabilities that may arise by reason of their status or service as directors or officers (other than liabilities arising from willful misconduct of a culpable nature), and to advance their expenses incurred as a result of any proceeding against them as to which they could be indemnified.

There is no currently pending litigation or proceeding involving a director, officer, employee or other agent of the Company in which indemnification would be required or permitted.

CERTAIN TRANSACTIONS

AICL was founded in 1956 by Mr. H. S. Kim, who currently serves as the honorary Chairman and a Representative Director of AICL. AICL is a member of the Anam Group of companies, consisting principally of companies in Korea in the electronics industries. The management of AICL and the other companies in the Anam Group are influenced to a significant degree by the family of H. S. Kim, which, together with the Company, collectively owned approximately 40.7% of the outstanding common stock of AICL as of December 31, 1997. A significant portion of the shares owned by the Kim family are leveraged and as a result of this, or for other reasons, the family's ownership could be substantially reduced. James Kim, the founder of the Company and currently its Chairman and Chief Executive Officer, is the eldest son of H. S. Kim. Since January 1992, in addition to his other responsibilities, James Kim has been serving as acting Chairman of the Anam Group and a director of AICL. Mr. In-Kil Hwang, the President and a Representative Director of AICL, is the brother-in-law of James Kim. In addition, four other members of Mr. Kim's family are on the 13-member Board of Directors of AICL. In connection with the Reorganization, Mr. James Kim and members of his family will exchange their interests in the Amkor Companies in return for shares of Common Stock. After the Initial Public Offering, James Kim and members of his family will beneficially own approximately 68.9% of the outstanding Common Stock, and Mr. Kim and other members of his family will continue to exercise significant control over the Company. The Company and AICL have had a long-standing relationship. In 1996 and 1997, approximately 72% and

68%, respectively, of the Company's revenues were derived from sales of services performed for the Company by AICL. In addition, substantially all of the revenues of AICL in 1996 and 1997 were derived from services sold by the Company. The Company expects that the businesses of the Company and AICL will continue to remain highly interdependent by virtue of their supply relationship, overlaps and family ties between their respective shareholders and management, financial relationships, coordination of product and operation plans, joint research and development activities and shared intellectual property rights. See "Relationship with Anam Industrial Co., Ltd." and "Reorganization."

The Company has entered into indemnification agreements with its officers and directors containing provisions which may require the Company, among other things, to indemnify the officers and directors against certain liabilities that may arise by reason of their status or service as directors or officers (other than liabilities arising from willful misconduct of a culpable nature), and to advance to them expenses incurred as a result of any proceeding against them as to which they could be indemnified.

In connection with the Reorganization, the Company proposes to enter into tax indemnification agreements with Mr. and Mrs. Kim and the Kim Family Trusts pursuant to which the Company will be 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 the Termination Date. The tax indemnification agreements will also provide that the Company will indemnify Mr. and Mrs. Kim and the Kim Family Trusts if such stockholders are required to pay additional taxes or other amounts attributable to taxable years on or before the Termination Date as to which AEI filed or files tax returns claiming status as an S Corporation. AEI has made various distributions to such stockholders 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 and $5.0 million in 1996 and 1997, respectively. The Company expects to make additional distributions to such stockholders prior to the consummation of the Reorganization, which distributions will represent AEI's cumulative net income in all periods prior to the Termination Date less the aggregate amount of distributions previously made to such stockholders. These final distributions are intended to provide such stockholders with the balance of AEI's net income for which they have already recognized income taxes. Through December 31, 1997, the amount of such undistributed net earnings was $27.7 million. See "Reorganization" and Notes 1, 10 and 17 of Notes to Combined Financial Statements.

In February 1998 the Company sold its investment in AICL common stock to AK Investments, Inc. ("AK Investments"), a company owned by Mr. Kim, for $13.9 million, the market value determined by the closing price of AICL shares on the Korea Stock Exchange on the date of the sale. In exchange for such shares, AK Investments assumed $13.9 million of the Company's long-term borrowing from AUSA. See Note 6 of Notes to Combined Financial Statements.

Mr. Kim has executed certain guarantees to lenders in connection with certain debt instruments of the Amkor Companies that remain outstanding. The total contingent liability under such guarantees equalled approximately $87.0 million as of December 31, 1997. See Note 11 of Notes to Combined Financial Statements.

The Company and Mr. Kim currently are parties to a loan agreement under which Mr. Kim may borrow funds from the Company, subject to the Company's consent. Mr. Kim has recognized compensation in 1996 and 1997 in the amount of $101,716 and $3,000, respectively of imputed interest for loans under this agreement. Since the beginning of the 1996 fiscal year, the maximum amount outstanding under such agreement has been $6.5 million. All amounts due from Mr. Kim have been repaid in full subsequent to December 31, 1997.

In 1996, Mr. Kim sold his interest in Amkor Anam Test Services, Inc., representing half of its outstanding capital stock, to AEI for $910,350. See Note 14 of Notes to Combined Financial Statements.

AK Investments purchased certain securities held by AEI for $49.7 million, which consideration was paid by assuming from AEI certain non-current payables from AUSA. Subsequent to the sale of investments to AK Investments, AEI loaned AK Investments an additional $12.8 million. The amount outstanding on this loan as of December 31, 1997 was $4.4 million. See Notes 6 and 11 of Notes to Combined Financial Statements. AK Investments repaid such amount in full during March 1998.

In 1996, the Kim Family Trusts borrowed $5.3 million at market interest rates from AEI to purchase the real estate and develop the facilities that comprise the Company's Chandler, Arizona plant and offices. In 1997, the Kim Family Trusts, after making improvements, sold the real estate and facilities back to AEI for $5.7 million which was used to repay the original loan from AEI. See Note 11 of Notes to Combined Financial Statements.

Members of the Kim family own all the outstanding shares of Forte Systems, Inc. ("Forte"). The Company and Forte currently are parties to a loan agreement under which Forte may borrow funds at market interest rates from the Company, subject to the Company's consent. Since the beginning of the 1996 fiscal year, the maximum amount outstanding under such agreement has been $3.8 million. See Note 11 of Notes to Combined Financial Statements.

Members of the Kim family own all the outstanding shares of The Electronics Boutique, Inc. (the "Electronics Boutique"). The Company and the Electronics Boutique currently are parties to a loan agreement under which the Electronics Boutique may borrow funds at market rates from the Company, subject to the Company's consent. Since the beginning of the 1996 fiscal year, the maximum amount outstanding under such agreement in the ordinary course of business of the Electronics Boutique's business has been $3.0 million. In addition, in 1996, the Electronics Boutique borrowed $50 million from AEI in connection with a contemplated acquisition. However, this acquisition was abandoned by the Electronics Boutique and the $50 million was repaid to AEI within eleven working days of the date it was borrowed. Finally, the Company has guaranteed certain vendor obligations and a line of credit of the Electronics Boutique, which total approximately $24.7 million and $14.3 million, respectively as of December 31, 1997. See Note 11 of Notes to Combined Financial Statements.

In addition, in each of the last three years, various Electronics Boutique expenses were paid by the Company on behalf of Electronics Boutique and various Company expenses were paid by Electronics Boutique on behalf of the Company. These expenses include insurance premiums, employee medical claims, interest, rent and other miscellaneous expenses. In 1995, 1996 and 1997, the Company made net advancements on behalf of Electronics Boutique of $604,000, $128,000 and $147,000. In 1997, Electronics Boutique repaid to the Company $2.4 million of current and prior year advancements.

The Company has executed a surety and guarantee agreement on behalf of Electronics Boutique. The Company has unconditionally guaranteed Electronics Boutique's obligation under a $17 million line of credit and a $9 million term loan note. As of December 31, 1997, there was $750,000 outstanding under the line of credit and $9 million outstanding under the term loan note. The Company has also unconditionally guaranteed obligations of EB Canada, a subsidiary of Electronics Boutique, under a $4 million term loan agreement and a

$1 million line of credit. As of December 31, 1997, there was $3.8 million outstanding under the term loan and no amounts outstanding under the line of credit.

The Company leases office space in West Chester, Pennsylvania from the Kim Family Trusts. The lease expires in 2006. The Company has the option to extend the lease for an additional 10 years. The monthly rent pursuant to such lease is

$92,000. The Company sub-leases a portion of this office space to Forte for which the monthly rent is $43,000. See Note 11 of Notes to Combined Financial Statements.

At December 31, 1996 and 1997, the Company had advances and notes receivable from affiliates other than AICL and AUSA of $23.0 million and $36.5 million, respectively. See Note 11 of Notes to Combined Financial Statements.

PRINCIPAL STOCKHOLDERS

The following table sets forth certain information regarding the beneficial ownership of the Common Stock outstanding as of the date of this Prospectus, as adjusted to reflect the sale of the shares of Common Stock offered pursuant to the Initial Public Offering, by (i) each person or entity who is known by the Company to own beneficially 5% or more of the Company's outstanding Common Stock; (ii) each director of the Company; (iii) each of the Named Executive Officers; and (iv) all directors and executive officers of the Company as a group.

	BENEFICIAL OWNERSHIP AFTER INITIAL PUBLIC OFFERING(1)	
NAME AND ADDRESS	NUMBER	PERCENT
James J. and Agnes C. Kim(2)(3)(4) 1345 Enterprise Drive West Chester, PA 19380	25,575,000	22.7%
David D. Kim Trust of December 31, 1987(3)(5) 1500 E. Lancaster Avenue Paoli, PA 19301	13,250,000	11.8
John T. Kim Trust of December 31, 1987(3)(5) 1500 E. Lancaster Avenue Paoli, PA 19301	13,250,000	11.8
Susan Y. Kim Trust of December 31, 1987(3)(4)(6) 1500 E. Lancaster Avenue Paoli, PA 19301	13,250,000	11.8
Thomas D. George	--	--
Gregory K. Hinckley	--	--
John N. Boruch	--	--
Eric R. Larson	--	--
Frank J. Marcucci	--	--
Michael D. O'Brien	--	--
All directors and executive officers as a group (7 persons)	25,575,000	22.7

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(1) Assumes no exercise of the Underwriters' over-allotment options. The number and percentage of shares beneficially owned is determined in accordance with Rule 13d-3 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the information is not necessarily indicative of beneficial ownership for any other purpose. Under such rule, beneficial ownership includes any share as to which the individual or entity has voting power or investment power. Unless otherwise indicated, each person or entity has sole voting and investment power with respect to shares shown as beneficially owned.

(2) James J. and Agnes C. Kim are husband and wife. Accordingly, each may be

deemed to beneficially own shares of Common Stock held in the name of the other.

(3) David D. Kim, John T. Kim and Susan Y. Kim are children of James J. and Agnes C. Kim. Each of the David D. Kim Trust of December 31, 1987, John T. Kim Trust of December 31, 1987 and Susan Y. Kim Trust of December 31, 1987 has in common Susan Y. Kim and John F.A. Earley as co-trustees, in addition to a third trustee (John T. Kim in the case of the Susan Y. Kim Trust and the John T. Kim Trust and David D. Kim in the case of the David D. Kim Trust) (the trustees of each trust may be deemed to be the beneficial owners of the shares held by such trust). In addition, the trust agreement for each of these trusts encourages the trustees of the trusts to vote the shares of Common Stock held by them, in their discretion, in concert with James Kim's family. Accordingly, the trusts, together with their respective trustees and James J. and Agnes C. Kim, may be considered a "group" under Section 13(d) of the Exchange Act. This group may be deemed to have beneficial ownership of 65,325,000 shares or 58.0% of the outstanding shares of Common Stock after the Initial Public Offering.

(4) Salomon Smith Barney may, subject to certain limitations, from time to time, borrow shares of Common Stock from Mr. and Mrs. Kim to settle short sales of Common Stock (or to return Common Stock previously borrowed by Salomon Smith Barney to settle such short sales) entered into by Salomon Smith

Barney to hedge any long position in the Convertible Notes resulting from its market-making activities; provided that the total number of shares borrowed at any time may not exceed 7,000,000. See "Plan of Distribution." If at any time 7,000,000 shares are borrowed from Mr. and Mrs. Kim and sold and not returned, their beneficial ownership of the Common Stock would be reduced to 16.5%.

(5) These three trusts together with the trusts described in note (6) below comprise the Kim Family Trusts.

(6) Includes 8,200,000 shares held by a trust established for the benefit of Susan Y. Kim's children.

DESCRIPTION OF CAPITAL STOCK

GENERAL

Upon the closing of the Initial Public Offering, the Company will be authorized to issue 500,000,000 shares of Common Stock, $.001 par value, and 10,000,000 shares of Preferred Stock, $.001 par value. Immediately after the closing of the Initial Public Offering and assuming no exercise of the Underwriters' over-allotment options, the Company estimates there will be an aggregate of 112,610,000 shares of Common Stock outstanding, 2,730,000 shares of Common Stock will be issuable upon exercise of outstanding options, 3,570,000 shares of Common Stock will be reserved for issuance under the Company's 1998 Stock Plan, 1998 Director Option Plan and 1998 Employee Stock Purchase Plan and shares of Common Stock will be reserved for issuance upon conversion of the Convertible Notes.

The following description of the Company's capital stock does not purport to be complete and is subject to and qualified in its entirety by the Certificate of Incorporation and the Bylaws, which are included as exhibits to the Registration Statement of which this Prospectus forms a part, and by the provisions of applicable Delaware law.

The Certificate of Incorporation and the Bylaws contain certain provisions that are intended to enhance the likelihood of continuity and stability in the composition of the Board of Directors and which may have the effect of delaying, deferring, or preventing a future takeover or change in control of the Company unless such takeover or change in control is approved by the Board of Directors.

COMMON STOCK

Holders of Common Stock are entitled to one vote per share on all matters to be voted upon by the stockholders. Holders of Common Stock do not have cumulative voting rights, and, therefore, holders of a majority of the shares voting for the election of directors can elect all of the directors. In such event, the holders of the remaining shares will not be able to elect any directors. See "Risk Factors -- Benefits of the Initial Public Offering to Existing Stockholders; Continued Control by Existing Stockholders."

Holders of the Common Stock are entitled to receive such dividends as may be declared from time to time by the Board of Directors out of funds legally available therefor, subject to the terms of any existing or future agreements between the Company and its debtholders. The Company has never declared or paid cash dividends on its capital stock, expects to retain future earnings, if any, for use in the operation and expansion of its business, and does not anticipate paying any cash dividends in the foreseeable future. See "Dividend Policy." In the event of the liquidation, dissolution or winding up of the Company, the holders of Common Stock are entitled to share ratably in all assets legally available for distribution after payment of all debts and other liabilities and subject to the prior rights of any holders of Preferred Stock then outstanding.

PREFERRED STOCK

The Company's Board of Directors is authorized to issue 10,000,000 shares of Preferred Stock in one or more series and to fix the price, rights, preferences, privileges and restrictions thereof, including dividend rights, dividend rates, conversion rights, voting rights, terms of redemption, redemption prices, liquidation preferences and the number of shares constituting a series or the designation of such series, without any further vote or action by the Company's stockholders. The issuance of Preferred Stock, while providing desirable flexibility in connection with possible acquisitions and other corporate purposes, could have the effect of delaying, deferring or making more difficult a change in control of the Company and may adversely affect the market price of, and the voting and other rights of, the holders of Common Stock. The issuance of Preferred Stock with voting and conversion rights may adversely affect the voting power of the holders of Common Stock, including the loss of voting control to others. The Company has no current plans to issue any additional shares of Preferred Stock. See "Risk Factors -- Anti-Takeover Effects of Delaware Law and Certain Charter Provisions."

EFFECT OF DELAWARE ANTI-TAKEOVER STATUTE

The Company is subject to Section 203 of the Delaware General Corporation Law (the "Anti-Takeover Law"), which regulates corporate acquisitions. The Anti-Takeover Law prevents certain Delaware corporations, including those whose securities are listed for trading on the Nasdaq National Market Anti-Takeover, from engaging, under certain circumstances in a "business combination" with any "interested stockholder" for three years following the date that such stockholder became an interested stockholder. For purposes of the Anti-Takeover Law, a "business combination" includes, among other things, a merger or consolidation involving the Company and the interested shareholder and the sale of more than 10% of the Company's assets. In general, the Anti-Takeover Law defines an "interested stockholder" as any entity or person beneficially owning 15% or more the outstanding voting stock of the Company and any entity or person affiliated with or controlling or controlled by such entity or person. A Delaware corporation may "opt out" of the Anti-Takeover Law with an express provision in its original certificate of incorporation or an express provision in its certificate of incorporation or bylaws resulting from amendments approved by the holders of at least a majority of the Company's outstanding voting shares. The Company has not "opted out" of the provisions of the Anti-Takeover Law. See "Risk Factors -- Anti-Takeover Effects of Delaware Law and Certain Charter Provisions."

TRANSFER AGENT

The Transfer Agent and Registrar for the Common Stock is First Chicago Trust Company of New York Shareholder Services, 525 Washington Boulevard, Jersey City, NJ 07310; telephone (201) 324-0014.

SHARES ELIGIBLE FOR FUTURE SALE

Prior to the Initial Public Offering, there has been no market for the Common Stock and there is no assurance that a significant public market for the Common Stock will develop or be sustained after the Initial Public Offering. Sales of substantial amounts of Common Stock in the public market could adversely affect the market price of the Common Stock and could impair the Company's future ability to raise capital through the sale of its equity securities.

Upon the closing of the Initial Public Offering, the Company will have outstanding 112,610,000 shares of Common Stock. In addition to the 35,000,000 shares of Common Stock offered pursuant to the Initial Public Offering (40,250,000 if the Underwriters' over-allotment options are exercised in full), upon the closing of the Initial Public Offering, there will be approximately shares of Common Stock issuable upon conversion of the Convertible Notes, all of which will be freely tradeable. In addition, upon effectiveness of the Registration Statement, Salomon Smith Barney may, subject to certain limitations, from time to time, borrow shares of Common Stock from Mr. and Mrs. Kim to settle short sales of Common Stock (or to return Common Stock previously borrowed by Salomon Smith Barney to settle such short sales) entered into by Salomon Smith Barney to hedge any long position in the Convertible Notes resulting from its market-making activities; provided that the total number of shares borrowed at any time may not exceed 7,000,000. Salomon Smith Barney is not under any obligation to engage in any market-making transactions with respect to the Convertible Notes, and any market-making in the Convertible Notes actually engaged in by Salomon Smith Barney may cease at any time. See "Plan of Distribution." The shares of Common Stock borrowed and returned to Mr. and Mrs. Kim (the "Control Shares") may be resold from time to time by Mr. and Mrs. Kim subject to certain volume, manner of sale and other restrictions described below under Rule 144 under the Securities Act. Excluding all such freely tradeable shares and Control Shares, approximately 70,610,000 additional shares of Common Stock will be outstanding upon the closing of the Initial Public Offering (excluding 2,730,000 shares issuable upon the exercise of outstanding options), all of which are "restricted" shares (the "Restricted Shares") under the Securities Act. Such Restricted Shares may be sold only if registered under the Securities Act or sold in accordance with an available exemption from such registration.

Under Rule 144, a person (or persons whose shares are aggregated in accordance with the Rule) who has beneficially owned his or her Restricted Shares for at least one year, including persons who are affiliates of the Company, will be entitled to sell, within any three month period a number of Restricted Shares that does not exceed the greater of (i) one percent of the then outstanding number of shares of Common Stock (1,126,100 shares of Common Stock immediately after the consummation of the Initial Public Offering) or (ii) the average weekly trading volume of the shares of Common Stock during the four calendar weeks preceding each such sale. In addition, sales under Rule 144 are also subject to certain manner of sale provisions and notice requirements and to the availability of current public information about the Company. After Restricted Shares are held for two years, a person who is not an affiliate of the Company is entitled to sell such shares under Rule 144 without regard to such volume limitations, or manner of sale, notice or public information requirements under Rule 144. Sales of Restricted Shares by affiliates will continue to be subject to such volume limitations, and manner of sale, notice and public information requirements.

In connection with the Initial Public Offering, the Company has agreed with the Underwriters not to offer, pledge, sell, contract to sell, or otherwise dispose of (or enter into any transaction which is designed to, or could be expected to, result in the disposition (whether by actual disposition or effective economic disposition due to cash settlement or otherwise) by the Company or any affiliate of the Company or any person in privity with the Company or any affiliate of the Company), directly or indirectly, or announce the offering of, any other shares of Common Stock or any securities or options convertible into, or exchangeable or exercisable for, shares of Common Stock (other than the Convertible Notes) for a period of 180 days following the date hereof without the prior written consent of Salomon Smith Barney, subject to certain limited exceptions. In addition, each of the Company's officers, directors and stockholders has agreed with the Underwriters not to offer, sell, contract to sell, pledge or otherwise dispose of, or file a registration statement with the Securities and Exchange Commission in respect of, or establish or increase a put equivalent position or liquidate or decrease a call equivalent position within the meaning of Section 16 of the Exchange Act with respect to, any shares of Common Stock or any securities convertible into or exercisable or exchangeable for

shares of Common Stock, or publicly announce an intention to effect any such transaction, for a period of 180 days after the date hereof other than pursuant to the Securities Loan Agreement or with the prior written consent of Salomon Smith Barney, subject to certain limited exceptions.

Beginning one year from the date of the Reorganization, approximately 70,610,000 Restricted Shares subject to the lock-up agreements will become eligible for sale in the public market pursuant to Rule 144.

The Company has granted options to purchase 2,730,000 shares of Common Stock under the 1998 Stock Plan and the 1998 Director Option Plan. See "Management -- Stock Plans." The Company intends to file, within 30 days after the date of the commencement of the Initial Public Offering, a Form S-8 registration statement under the Securities Act to register shares of Common Stock reserved for issuance under the 1998 Stock Plan, 1998 Director Option Plan and 1998 Employee Stock Purchase Plan, and shares of Common Stock issuable upon exercise of outstanding options. Shares of Common Stock issued upon exercise of options after the effective date of the Form S-8 will be available for sale in the public market, subject to Rule 144 volume limitations applicable to affiliates and to lock-up agreements.

PLAN OF DISTRIBUTION

Mr. and Mrs. Kim (referred to herein as the "Lender") and Salomon Smith Barney have entered into a Securities Loan Agreement (the "Securities Loan Agreement") which provides that, subject to certain restrictions and with the agreement of the Lender, Salomon Smith Barney may from time to time borrow, return and reborrow shares of Common Stock from the Lender (the "Borrowed Securities"); provided, however, that the number of Borrowed Securities at any time may not exceed 7,000,000 shares, subject to adjustment to provide antidilution protection. The Securities Loan Agreement is intended to facilitate market-making activity in the Convertible Notes by Salomon Smith Barney. Salomon Smith Barney may, subject to certain limitations, from time to time use Borrowed Securities to settle short sales of Common Stock (or to return Common Stock previously borrowed by Salomon Smith Barney to settle such short sales) entered into by Salomon Smith Barney to hedge any long position in the Convertible Notes resulting from its market-making activities. Such sales will be made on the Nasdaq National Market or in the over-the-counter market at market prices prevailing at the time of sale or at prices related to such market prices.

Market conditions will dictate the extent and timing of Salomon Smith Barney's market-making transactions in the Convertible Notes and the consequent need to borrow shares of Common Stock. The availability of shares of Common Stock under the Securities Loan Agreement, if any, at any time is not assured and any such availability does not assure market-making activity with respect to the Convertible Notes. Any market-making actually engaged in by Salomon Smith Barney may cease at any time. The foregoing description of the Securities Loan Agreement does not purport to be complete and is qualified in its entirety by reference to such agreement, the form of which is filed as an exhibit to the Registration Statement of which this Prospectus is a part.

The Company is paying all expenses incident to the offer and sale of the shares of Common Stock offered hereby by Salomon Smith Barney to the public, other than selling commissions and fees.

The Lender and the Company have agreed to indemnify Salomon Smith Barney against certain liabilities including liabilities under the Securities Act.

In the ordinary course of business, Salomon Smith Barney has engaged in investment banking transactions with the Company (including as an Underwriter of the Initial Public Offering), Mr. and Mrs. Kim and their respective affiliates and may do so in the future.

LEGAL MATTERS

The validity of the Common Stock offered hereby will be passed upon for the Company by Wilson Sonsini Goodrich & Rosati, Professional Corporation, Palo Alto, California.

EXPERTS

The combined financial statements and schedule of the Company as of December 31, 1995, 1996 and 1997, and for each of the years in the three-year period ended December 31, 1997, included in the Registration Statement have been audited by Arthur Andersen LLP, independent public accountants, as indicated in their reports dated February 3, 1998 (except with respect to the sale of the investment in AICL's common stock discussed in Note 6 to the Combined Financial Statements, as to which the date is February 16, 1998) with respect thereto, and are included herein in reliance upon the authority of said firm as experts in giving said reports.

Reference is made to said reports which include an explanatory paragraph with respect to the ability of the Company to continue as a going concern as discussed in Note 1 of Notes to the Combined Financial Statements.

GLOSSARY

ASIC......................	Application Specific Integrated Circuit. A custom-designed integrated circuit that performs specific functions which would otherwise require a number of off-the-shelf integrated circuits to perform. The use of an ASIC in place of a conventional integrated circuit reduces product size and cost and also improves reliability.
BGA.......................	Ball grid array.
Bus.......................	A common pathway, or channel, between multiple devices.

CMOS....................... Complementary Metal Oxide Silicon. Currently the most common integrated circuit fabrication process technology, CMOS is one of the latest fabrication techniques to use metal oxide semiconductor transistors.

DAC........................ Digital Analog Converter. A device that converts digital pulses into analog signals.

Die........................ A piece of a semiconductor wafer containing the circuitry of a single chip.

DRAM....................... Dynamic Random Access Memory. A type of volatile memory product that is used in electronic systems to store data and program instructions. It is the most common type of RAM and must be refreshed with electricity thousands of times per second or else it will fade away.

DSP........................ Digital Signal Processor. A type of integrated circuit that processes and manipulates digital information after it has been converted from an analog source.

EEPROM..................... Electrically Erasable and Programmable Read-Only Memory. A form of non-volatile memory that can be erased electronically before being reprogrammed.

EPROM...................... Erasable Programmable Read-Only Memory. A programmable and reusable chip that holds its content until erased under ultraviolet light.

Ethernet................... A type of local area network (LAN). Most widely used LAN access method.

Flash Memory............... A type of non-volatile memory, similar to an EEPROM in that it is erasable and reprogrammable.

FlipChip................... Package type where silicon die is attached to the packaging substrate using solder balls instead of wires. See "Business -- Products."

GPS........................ Global Positioning System. A system for identifying earth locations.

GUI........................ Graphical User Interface. A graphics-based user interface that incorporates icons, pull-down menus and a mouse.

IC......................... Integrated Circuit. A combination of two or more transistors on a base material, usually silicon. All semiconductor chips, including memory chips and logic chips, are just very complicated ICs with thousands of transistors.

Input/Output............... A connector which interconnects the chip to the package or one package level to the next level in the hierarchy. Also referred to as pin out connections or terminals.

ISDN....................... Integrated Services Digital Network. An international telecommunications standard for transmitting voice, video and data over digital lines running at 64 Kbps.

Logic Device............... A device that contains digital integrated circuits that process, rather than store, information.

Mask....................... A piece of glass on which an IC's circuitry design is laid out. Integrated circuits may require up to 20 different layers of design, each with its own mask. In the IC production process, a light shines through the mask leaving an image of the design on the wafer. Also known as a reticle.

MBGA....................... Micro Ball Grid Array. See "Business -- Products."

Micron..................... 1/25,000 of an inch. Circuitry on an IC typically follows lines that are less than one micron wide.

MOS........................ A device which consists of three layers (metal, oxide and semiconductors) and operates as a transistor.

MQFP....................... Metric Quad Flat Package. See "Business -- Products."

PBGA....................... Plastic Ball Grid Array. See "Business -- Products."

PC......................... Personal Computer.

PCMCIA..................... Standard for connecting peripherals to computers.

PDA........................ Personal Digital Assistant.

PDIP....................... Plastic Dual In-Line Packages. See "Business -- Products."

Photolithography........... A lithographic technique used to transfer the design of the circuit paths and electronic elements on a chip onto a wafer's surface.

PLCC....................... Plastic Leaded Chip Carrier. See "Business -- Products."

PLD........................ A logic chip that is programmed at the customer's site.

PQFP....................... Plastic Quad Flat Packages. See "Business -- Products."

RF......................... Radio Frequency. The range of electromagnetic frequencies above the audio range and below visible light.

SIP........................ Single In-Line Package. See "Business -- Products."

SOIC....................... Small Outline IC Packages. See "Business -- Products."

SRAM....................... Static Random Access Memory. A type of volatile memory product that is used in electronic systems to store data and program instructions. Unlike the more common DRAM, it does not need to be refreshed.

SSOP....................... Shrink Small Outline Packages. See "Business -- Products."

Surface Mount Technology... A circuit board packaging technique in which the leads (pins) on the chips and components are soldered on top of the board.

TQFP......................	Thin Quad Flat Packages. See "Business -- Products."
TSOP......................	Thin Small Outline Packages. See "Business -- Products."
TSSOP.....................	Thin Shrink Small Outline Packages. See "Business -- Products."
Wafer.....................	Thin, round, flat piece of silicon that is the base of most integrated circuits.
Wire Bonding..............	The method used to attach very fine wire to semiconductor components in order to provide electrical continuity between the semiconductor die and a terminal.

AMKOR TECHNOLOGY, INC. AND AK INDUSTRIES, INC.

INDEX TO COMBINED FINANCIAL STATEMENTS

After the Reorganization transaction discussed in Note 1 to the Amkor Technology, Inc. and AK Industries, Inc. Combined Financial Statements is effected, we expect to be in position to render the following report.

ARTHUR ANDERSEN LLP

February 3, 1998 (except with respect to the sale of the investment in Anam Industrial Co., Ltd. common stock discussed in Note 6, as to which the date is February 16, 1998)

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Amkor Technology, Inc. and AK Industries, Inc.:

We have audited the accompanying combined balance sheets of Amkor Technology, Inc. and AK Industries, Inc. and subsidiaries (see Note 1) as of December 31, 1996 and 1997, and the related combined statements of income, stockholders' 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 combined financial position of Amkor Technology, Inc. and AK Industries, Inc. and subsidiaries as of December 31, 1996 and 1997, 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.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the combined financial statements, the Company is not in compliance with certain debt agreements and has a net working capital deficiency at December 31, 1997. These matters raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to this matter are also described in Note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Philadelphia, Pa.

AMKOR TECHNOLOGY, INC. AND AK INDUSTRIES, INC.

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

	FOR THE YEAR ENDED DECEMBER 31,		
	1995	1996	1997
NET REVENUES	$932,382	$1,171,001	$1,455,761
COST OF REVENUES -- including purchases from AICL (Note 11)	783,335	1,022,078	1,242,669
GROSS PROFIT	149,047	148,923	213,092
OPERATING EXPENSES:			
Selling, general and administrative	55,459	66,625	103,726
Research and development	8,733	10,930	8,525
Total operating expenses	64,192	77,555	112,251
OPERATING INCOME	84,855	71,368	100,841
OTHER (INCOME) EXPENSE:			
Interest expense, net	9,797	22,245	32,241
Foreign currency (gain) loss	1,512	2,961	(835)
Other expense, net	6,523	3,150	8,429
Total other expense	17,832	28,356	39,835
INCOME BEFORE INCOME TAXES, EQUITY IN INCOME (LOSS) OF AICL AND MINORITY INTEREST	67,023	43,012	61,006
PROVISION FOR INCOME TAXES	6,384	7,876	7,078
EQUITY IN INCOME (LOSS) OF AICL	2,808	(1,266)	(17,291)
MINORITY INTEREST	1,515	948	(6,644)
NET INCOME	$ 61,932	$ 32,922	$ 43,281

PRO FORMA DATA (UNAUDITED):			
Historical income before income taxes, equity in income (loss) of AICL and minority interest	$ 67,023	$ 43,012	$ 61,006
Pro forma provision for income taxes	16,784	10,776	10,691
Pro forma income before equity in income (loss) of AICL and minority interest	50,239	32,236	50,315
Historical equity in income (loss) of AICL	2,808	(1,266)	(17,291)
Historical minority interest	1,515	948	(6,644)
Pro forma net income	$ 51,532	$ 30,022	$ 39,668
Basic and diluted pro forma net income per common share	$ .62	$ .36	$ .48
Shares used in computing pro forma net income per common share	82,610	82,610	82,610

The accompanying notes are an integral part of these statements.

AMKOR TECHNOLOGY, INC. AND AK INDUSTRIES, INC.

COMBINED BALANCE SHEETS
(IN THOUSANDS)

	DECEMBER 31,		
	1996	1997 ACTUAL	1997 PRO FORMA
			(UNAUDITED)
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	$ 49,664	$ 90,917	$ 63,217
Short-term investments	881	2,524	2,524
Accounts receivable --			
Trade, net of allowance for doubtful accounts of $1,179, $4,234 and $4,234	170,892	102,804	102,804
Due from affiliates	26,886	14,431	14,431
Other	6,426	4,879	4,879
Inventories	101,920	115,870	115,870
Other current assets	8,618	26,997	26,997
Total current assets	365,287	358,422	330,722
PROPERTY, PLANT AND EQUIPMENT, net	324,895	427,061	427,061
INVESTMENTS:			
AICL at equity	31,154	13,863	13,863
Other	38,090	5,958	5,958
Total investments	69,244	19,821	19,821
OTHER ASSETS:			
Due from affiliates	20,699	29,186	29,186
Other	24,739	21,102	21,102
	45,438	50,288	50,288
Total assets	$804,864	$855,592	$827,892
LIABILITIES AND STOCKHOLDERS' EQUITY			
CURRENT LIABILITIES:			
Short-term borrowings and current portion of long-term debt	$191,813	$325,968	$325,968
Trade accounts payable	45,798	113,037	113,037
Due to affiliates	33,379	15,581	15,581
Bank overdraft	14,518	29,765	29,765
Accrued expenses	30,156	43,973	43,973
Accrued income taxes	12,838	26,968	26,968
Total current liabilities	328,502	555,292	555,292
LONG-TERM DEBT	167,444	38,283	38,283

DUE TO ANAM USA, INC. (Note 11)	234,894	149,776	149,776
OTHER NONCURRENT LIABILITIES	12,286	12,084	14,184
COMMITMENTS AND CONTINGENCIES (Notes 1 and 13)			
MINORITY INTEREST	15,926	9,282	9,282
STOCKHOLDERS' EQUITY:			
Amkor Technology, Inc. -- common stock	45	45	45
AK Industries, Inc. -- common stock	1	1	1
Additional paid-in capital	16,770	20,871	20,871
Retained earnings	32,340	70,621	40,821
Unrealized losses on investments	(1,586)	--	--
Cumulative translation adjustment	(1,758)	(663)	(663)
Total stockholders' equity	45,812	90,875	61,075
Total liabilities and stockholders' equity	$804,864	$855,592	$827,892

The accompanying notes are an integral part of these statements.

AMKOR TECHNOLOGY, INC. AND AK INDUSTRIES, INC.

COMBINED STATEMENTS OF STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 1995, 1996, AND 1997
(IN THOUSANDS)

	AMKOR TECHNOLOGY, INC. COMMON STOCK	AK INDUSTRIES, INC. COMMON STOCK	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	UNREALIZED GAINS (LOSSES) ON INVESTMENTS	CUMULATIVE TRANSLATION ADJUSTMENT	TOTAL
BALANCE AT JANUARY 1, 1995	$45	$ 1	$16,494	$ (6,359)	$ (35)	$ (529)	$ 9,617
Net income	--	--	--	61,932	--	--	61,932
Distributions	--	--	--	(19,922)	--	--	(19,922)
Change in division equity account	--	--	--	(4,505)	--	--	(4,505)
Unrealized gains (losses) on investments	--	--	--	--	(2,015)	--	(2,015)
Currency translation adjustments	--	--	--	--	--	182	182
BALANCE AT DECEMBER 31, 1995	45	1	16,494	31,146	(2,050)	(347)	45,289
Net income	--	--	--	32,922	--	--	32,922
Distributions	--	--	--	(15,123)	--	--	(15,123)
Change in division equity account	--	--	--	(16,605)	--	--	(16,605)
Unrealized gains (losses) on investments	--	--	--	--	464	--	464
Currency translation adjustments	--	--	--	--	--	(1,411)	(1,411)
Acquisition of AATS (Note 14)	--	--	276	--	--	--	276
BALANCE AT DECEMBER 31, 1996	45	1	16,770	32,340	(1,586)	(1,758)	45,812
Net income	--	--	--	43,281	--	--	43,281
Distributions	--	--	--	(5,000)	--	--	(5,000)
Change in division equity account	--	--	4,101	--	--	--	4,101
Unrealized gains (losses) on investments	--	--	--	--	1,586	--	1,586
Currency translation adjustments	--	--	--	--	--	1,095	1,095
BALANCE AT DECEMBER 31, 1997	$45	$ 1	$20,871	$ 70,621	$ 0	$ (663)	$ 90,875

The accompanying notes are an integral part of these statements.

AMKOR TECHNOLOGY, INC. AND AK INDUSTRIES, INC.

COMBINED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

	FOR THE YEAR ENDED DECEMBER 31,		
	1995	1996	1997
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$ 61,932	$ 32,922	$ 43,281
Adjustments to reconcile net income to net cash provided by operating activities --			
Depreciation and amortization	26,614	57,825	81,864
Provision for accounts receivable	444	1,271	3,490
Provision for excess and obsolete inventory	1,000	500	12,659
Deferred income taxes	(1,147)	(324)	(11,715)
Equity (gain) loss of investees	(2,713)	605	16,779
(Gain) loss on sale of investments	126	(139)	(239)
Minority interest	1,515	948	(6,644)
Changes in assets and liabilities excluding effects of acquisitions --			
Accounts receivable	(53,264)	(36,695)	(19,802)
Proceeds from accounts receivable sale	--	--	90,700
Other receivables	(2,565)	(925)	1,547
Inventories	(32,668)	(16,380)	(26,609)
Due to/from affiliates, net	(3,001)	(8,203)	(19,138)
Other current assets	(4,764)	1,694	(7,239)
Other non-current assets	(326)	(6,108)	3,322
Accounts payable	35,017	(16,852)	60,939
Accrued expenses	17,687	(12,658)	13,817
Accrued taxes	404	7,433	14,130
Other long-term liabilities	9,034	(108)	(1,089)
Other, net	--	3,750	--
Net cash provided by operating activities	53,325	8,556	250,053
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of property, plant and equipment, including purchase of AATS	(123,645)	(185,112)	(178,990)
Sale of property, plant and equipment	110	2,228	1,413
Purchases of investments and issuances of notes receivable	(25,123)	(15,633)	(15,187)
Proceeds from sale of investments	351	520	--
Net cash used in investing activities	(148,307)	(197,997)	(192,764)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net change in bank overdrafts and short-term borrowings	41,308	64,852	52,393
Proceeds from issuance of Anam USA, Inc. debt	1,059,759	1,205,174	1,408,086
Payments of Anam USA, Inc. debt	(1,052,415)	(1,189,317)	(1,443,464)
Proceeds from issuance of long-term debt	50,080	102,193	11,389
Payments of long-term debt	(3,021)	(3,138)	(43,541)
Distributions to stockholders	(20,003)	(15,205)	(5,000)
Change in division equity account	(4,505)	(16,605)	4,101
Net cash provided by (used in) financing activities	71,203	147,954	(16,036)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(23,779)	(41,487)	41,253
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	114,930	91,151	49,664
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 91,151	$ 49,664	$ 90,917
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:			
Cash paid during the period for:			
Interest	$ 12,594	$ 24,125	$ 37,070
Income taxes	495	2,256	3,022

The accompanying notes are an integral part of these statements.

AMKOR TECHNOLOGY, INC. AND AK INDUSTRIES, INC.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Combination

The combined financial statements of Amkor Technology, Inc. ("ATI") and its subsidiaries and AK Industries, Inc. and its subsidiary ("Amkor" or the "Company") include the accounts of the following (these companies are referred to as the "Amkor Companies"):

- Amkor Electronics, Inc. ("AEI"), a U.S. S Corporation and its wholly owned subsidiaries Amkor Receivables Corp and Amkor Wafer Fabrication Services SARL (a French Limited Company).

- 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 is currently owned 60% by TLL and 40% by Anam Industrial Co., Ltd. ("AICL"-- see Notes 11 and 16) and its wholly-owned subsidiary Automated MicroElectronics, Inc. ("AMI");

- 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);

- Amkor Anam Test Services, Inc. (a U.S. Corporation) (see Note 14); and

- 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.

- AK Industries, Inc. ("AKI") (a U.S. Corporation) and its wholly-owned subsidiary, Amkor-Anam, Inc. (a U.S. Corporation);

All of the Amkor Companies are 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 is 40% owned by AICL and one third of AEI and all of AKI which are owned by trusts established for the benefit of other members of Mr. James Kim's family ("Kim Family Trusts"). The Amkor Companies are 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 will be merged into ATI. Amkor International Holdings ("AIH") a newly formed Cayman Islands holding company will become a wholly owned subsidiary of ATI. AIH will hold the following entities: First Amkor Caymans, Inc. ("FACI"), a newly formed holding company, and its subsidiaries AAAP and AAP and AAP's 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 is based upon the relative amounts of stockholders' equity at December 31, 1997. In exchange for their interests in AEI, Mr. and Mrs. James Kim and the Kim Family Trusts will receive 9,746,766 shares and 4,873,383 shares of ATI common stock, respectively. ATI will issue 67,989,851 shares of common stock in exchange for all of the outstanding shares of AIH and its subsidiaries. Of such shares, 19,328,234 shares, 36,376,617 shares and 8,200,000 shares will be gifted to Mr. and Mrs. James Kim, the Kim Family Trusts and other members of Mr. Kim's immediate family, respectively. Following such transactions the Founding Stockholders and such other members of Mr. Kim's immediate family will beneficially own a majority of the outstanding shares of ATI common stock. In addition, ATI will acquire all of the stock of AKI from the Kim Family Trusts for $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.

Included within the Amkor Companies following the Reorganization are ATI, AIH and its subsidiaries and AKI and its subsidiary. All of the subsidiaries will be wholly owned except for 40% of the common stock of AAP which is owned by AICL (see Note 16), and a small number of shares of each of AAP, AAAP and AMI which are required to be owned by directors of these companies pursuant to Philippine law.

Except for the acquisition of the shares of AKI which will be accounted for as a purchase transaction, the Reorganization described above will be treated similar to a pooling of interests as it represents an exchange of equity interests among companies under common control. The purchase price for the AKI stock, which represents the fair value of these shares, approximates the book value of AKI. The financial statements are presented on a combined basis as a result of the common ownership and business operations of all of the Amkor Companies, including AKI. As a result of the acquisition of AKI, AKI will become a wholly owned subsidiary of ATI; accordingly, future financial statements will be presented for ATI and its subsidiaries on a consolidated basis.

The 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 combined financial statements using the equity method of accounting.

Basis of Presentation

The accompanying financial statements have been prepared on a going concern basis which contemplates realization of assets and liquidation of liabilities in the ordinary course of business. At December 31, 1997 the Company was not in compliance with certain restrictive covenants of its principal long-term debt agreements and, as a result, amounts due under these agreements are required to be classified as current liabilities in the combined balance sheet. Consequently, at December 31, 1997, current liabilities exceeded current assets by $196,870. To date, the Company has not received any notification that the Company's repayment obligations with respect to these loans have been accelerated as a result of such covenant violations. However, there is no assurance that the Company could generate sufficient cash flow from operations or other sources to satisfy these liabilities should they become due before maturity. If the planned public offering of common stock and convertible debt is successful (see Note 16), the Company will use part of the net proceeds to the Company to repay these bank loans. The financial statements do not include any adjustments that might result from the outcome of these uncertainties.

Nature of Operations

The Company provides semiconductor packaging and test services to semiconductor and computer manufacturers located in strategic markets throughout the world. Such services are provided by the Company and by AICL under a long-standing arrangement. Approximately 79%, 72% and 68% of the Company's packaging and test revenues in 1995, 1996 and 1997, respectively, relate to the packaging and test services provided by AICL.

Concentrations of Credit Risk

Financial instruments, for which the Company is subject to credit risk, consist principally of trade receivables. The Company has mitigated this risk by selling primarily to well established companies, performing ongoing credit evaluations and making frequent contact with customers.

At December 31, 1996 and 1997, the Company maintained $34,330 and $53,071, respectively, in deposits at one U.S. financial institution and $1,861 and $2,548, respectively, in deposits at U.S. banks which exceeded federally insured limits.

Additionally, at December 31, 1996 and 1997, the Company maintained deposits and certificates of deposits totaling approximately $14,649 and $34,622, respectively, at foreign owned banks.

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 13.3%, 23.5% and 23.4% of net revenues in 1995, 1996 and 1997, respectively. The Company's five largest customers collectively accounted for 34.1%, 39.2% and 40.1% of net revenues in 1995, 1996 and 1997, 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 expectations 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, risks associated with leverage, dependence on the Company's relationship with and the financial support provided by AICL (see Note 11), 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 fluctuations in quarterly operating results.

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 transactions and from transactions denominated in foreign currencies are included in other (income) expense, net. The cumulative translation adjustment reflected in stockholders' equity in the combined balance sheets relates primarily to investments in unconsolidated companies which use 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, trade accounts receivable represent the Company's interest in receivables sold in excess of amounts purchased by banks under an accounts receivable sale agreement (see Note 2). Of the total net trade accounts receivable amount at December 31, 1997, $19,905 relates to the trade accounts receivable of CIL which were not sold under the Agreement.

(U.S. DOLLAR AMOUNTS IN THOUSANDS, EXCEPT SHARE DATA)

Inventories

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

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:

Building 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 $27,381, $58,497 and $81,159 for 1995, 1996 and 1997, respectively.

Other Noncurrent Assets

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

Other Noncurrent Liabilities

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

Income Taxes

The Company accounts for income taxes following the provisions of Statement of Financial Accounting Standards (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 combined 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.

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 does not recognize U.S. federal corporate income taxes. Instead, the stockholders of AEI are taxed on their proportionate share of AEI's taxable income. Accordingly, no provision for U.S. federal income taxes was recorded for AEI. Given the pending Offerings (see Note 16), for informational purposes, the accompanying combined 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 Note 17).

Earnings Per Share

The pro forma net income per common share was calculated by dividing the 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 16).

In the fourth quarter of 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 have been revised to reflect the new presentation. The Company's basic and diluted per share amounts are the same for all periods presented. There have been no changes to historical per share amounts.

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. Risk of loss for Amkor packaging costs passes upon completion of the packaging process and shipment to the customer. Accordingly, the cost of the customer-supplied materials is not included in the combined statements of income.

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 1997, the Financial Accounting Standards Board ("FASB") issued SFAS No. 130, "Reporting Comprehensive Income." This statement establishes standards for reporting and display of income and its components in financial statements. The Company will be required to adopt this statement in 1998.

In June 1997, the FASB issued SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information." Under this statement, reporting standards were established for the way that public business enterprises report information about operating segments in annual financial statements and selected information about operating segments in interim financial reports issued to shareholders. Generally, financial information is required to be reported on the basis that it is used internally for evaluating segment performance and deciding how to allocate resources to segments. This statement is effective for financial statements for periods beginning after December 15, 1997. In the initial year of application, comparative information for earlier years presented is to be restated. This statement need not be applied to interim financial statements in the initial year of its application, but comparative information for interim periods in the initial year of application is to be reported in financial statements for interim periods in the second year of application. The Company will adopt this statement prospectively for the year ended December 31, 1998.

(U.S. DOLLAR AMOUNTS IN THOUSANDS, EXCEPT SHARE DATA)

Reclassifications

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

2. 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. AICL has guaranteed AEI's obligations under the Agreement (see Note 11). The Agreement is structured as a three year facility subject to annual renewals based upon the mutual consent of the Company and purchasers. The first such renewal date is June 18, 1998. The Company and AICL did not comply with certain financial covenants under the Agreement as of December 31, 1997. The Purchasers have agreed to waive compliance with these covenants through January 2, 1999. The Company applied approximately $83.4 million of the Receivables Sale proceeds together with approximately $17 million 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.

Proceeds from the sale of receivables were $84,400 in 1997. Losses on receivables sold under the Agreement were approximately $2,414 in 1997 and are included in other expense, net. As of December 31, 1997, approximately $6,300 is included in current liabilities for amounts to be refunded to the Purchasers as a result of a reduction in selected accounts receivable.

3. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following:

	DECEMBER 31,	
	1996	1997
Land	$ --	$ 2,346
Building and improvements	81,602	109,528
Machinery and equipment	333,188	448,032

(U.S. DOLLAR AMOUNTS IN THOUSANDS, EXCEPT SHARE DATA)

Furniture, fixtures and other equipment	31,330	33,050
Construction in progress	5,240	31,964
	451,360	624,920
Less -- Accumulated depreciation and amortization	126,465	197,859
	$324,895	$427,061

4. COMMON STOCK AND ADDITIONAL PAID-IN CAPITAL

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, the Company authorized 500,000,000 shares of $.001 par value common stock, of which 82,610,000 shares will be issued and outstanding to the stockholders of the Amkor Companies in exchange for their interests in these Companies.

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 combined 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.

5. 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 AICL on a consignment basis. Components of inventories follow:

	DECEMBER 31,	
	1996	1997
Raw materials and purchased components	$ 93,112	$105,748
Work-in-process	8,808	10,122
	$101,920	$115,870

6. INVESTMENTS

The Company's investments include investments in affiliated companies which provide services to the Company (see Note 11) and certain other technology based companies. Investments are summarized as follows:

(U.S. DOLLAR AMOUNTS IN THOUSANDS, EXCEPT SHARE DATA)

	DECEMBER 31, 1996	DECEMBER 31, 1997
Equity Investment in AICL (10.2% and 8.1% at December 31, 1996 and 1997, respectively)......	$31,154	$13,863
Other Equity Investments (20%-50% owned)		
Anam Semiconductor & Technology Co., Ltd.......	10,700	--
Datacom International, Inc....................	1,335	--
Sunrise Capital Fund..........................	1,328	--
Other...	1,373	738
Total other equity investments.........	14,736	738
Available for Sale (cost based investments)......	23,354	5,220
	$69,244	$19,821

The Company had net unamortized investment costs in excess of the proportionate share of the investee companies' net assets of approximately $1,284 and $0 at December 31, 1996 and 1997, respectively.

On August 1, 1997, the Company sold its equity investment in Anam Semiconductor & Technology Co., Ltd. ("Anam S&T") and certain investments and notes receivable from companies unrelated to the semiconductor packaging and test business to AK Investments, Inc., an entity owned by James J. Kim, 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 was $4,350.

The Company's investment in AICL is accounted for using the equity method of accounting. Although the Company does not own in excess of 20% of the outstanding common stock of AICL, the Company through its common ownership with the Kim family and entities controlled by the Kim family owns 40.7% of the outstanding common stock of AICL and may exercise a significant influence over AICL. Accordingly the Company applies the equity method based on its ownership interest. A significant portion of the shares owned by the Kim family are leveraged and as a result of this, or for other reasons, the family's ownership could be substantially reduced.

In 1997, the Company recognized a loss of $17,291, resulting principally from the impairment of value of its investment in AICL as well as the current year equity in income (loss) of AICL. The amount of the loss was determined based upon the market value of the AICL shares on the Korean Stock Exchange on February 16, 1998, the date that the Company sold its investment in AICL common stock to AK Investments, Inc. In exchange for the shares, AK Investments, Inc. assumed $13,863 of the Company's long-term borrowings from Anam USA, Inc.

The Company is advised that AICL, as a public company in Korea, has published its most recent consolidated financial statements as of December 31, 1996, and that AICL has prepared preliminary consolidated financial statements as of December 31, 1997. The Company's auditors do not audit AICL.

The Korean economy is undergoing changes as evidenced by the agreement between the Korean government and the International Monetary Fund. Among other things, this agreement includes a restructuring plan of the banking industry as a whole which will most likely have a material effect on AICL's operations. The overall impact of these economic changes on AICL is uncertain at this time.

AICL'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 income (loss) of AICL is based upon the Korean GAAP information noted above and AICL's estimate of significant U.S. GAAP adjustments. These adjustments were not significant in 1995 and 1996. In 1997, AICL recognized a W305 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 income (loss) of AICL 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 AICL. 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 AICL, adjusted for the loss on the 1998 disposition discussed above, is less than the Company's portion of AICL'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.

The following summary of consolidated financial information pertaining to AICL was derived from the consolidated financial statements referred to above. All amounts are in millions of Korean Won:

	1995	1996	1997
SUMMARY INCOME STATEMENT INFORMATION:			
Sales..	W1,105,273	W1,338,718	W1,786,457
Net income (loss)............................	18,333	(9,385)	(305,414)
SUMMARY BALANCE SHEET INFORMATION:			
Total assets.................................		2,225,288	3,936,517
Total liabilities............................		1,975,431	3,861,384

7. SHORT-TERM CREDIT FACILITIES

At December 31, 1996 and 1997, 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 7.2% to 13.0% at December 31, 1997). For 1996 and 1997, the weighted average interest rate on these borrowings was 7.8% and 8.6%, respectively. Included in cash and cash equivalents is $1,200 of certificates of deposit pledged as collateral for certain of these lines. The unused portion of lines of credit total $36,169 at December 31, 1997.

8. DEBT

Following is a summary of the Company's short-term borrowings and long-term debt:

(U.S. DOLLAR AMOUNTS IN THOUSANDS, EXCEPT SHARE DATA)

	DECEMBER 31, 1996	DECEMBER 31, 1997
Short-term borrowings (see Note 7)	$ 150,513	$ 187,659
Bank loan, interest at LIBOR plus annual spread (6.78% at December 31, 1997), due October, 2000	50,000	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	71,250
Floating rate notes (FRNs), interest at LIBOR plus annual spread (7.38% at August 20, 1997, date of redemption)	40,000	--
Bank debt, interest at LIBOR plus annual spread (9.37% at December 31, 1997), due December, 2001	20,000	20,000
Bank debt, interest at LIBOR plus annual spread (12.22% at December 31, 1997,) due October, 1998	5,000	5,000
Bank debt, interest at LIBOR plus annual spread (9.09% at December 31, 1997), due in installments with balance due September, 1999	4,000	3,500
Bank debt, interest at LIBOR plus annual spread (11.88% at December 31, 1997), due in equal installments through January, 2001	5,926	5,502
Note payable, interest at prime (8.50% at December 31, 1997), due in semiannual installments beginning November 1999 through April, 2004	--	9,530
Note payable, interest at LIBOR plus annual spread (12.48% at December 31, 1997), due in installments with balance due November, 1999	11,000	9,000
Other, primarily capital lease obligations and other debt	1,568	2,810
	359,257	364,251
Less -- Short-term borrowings and current portion of long-term debt	(191,813)	(325,968)
	$ 167,444	$ 38,283

The Bank loans were obtained to finance the expansion of the Company's factories in the Philippines. The Company has the option to prepay all or part of the loans on any interest payment date. These Bank loans are unconditionally and irrevocably guaranteed by AICL. The Bank loans contain 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 has not been in compliance with covenants regarding the maintenance of certain debt-to-equity ratios and advances to affiliates. Consequently, amounts due under these agreements and certain other agreements with cross-default clauses have been classified as current liabilities in the accompanying combined 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 and assets acquired through proceeds from the loans.

Principal payments required under long-term debt borrowings at December 31, 1997 are as follows:

	AMOUNT

1998	$138,309
1999	9,153
2000	2,360
2001	22,003
2002	1,905
Thereafter	2,862
Total	$176,592

9. EMPLOYEE BENEFIT PLANS

U.S. Pension Plans

AEI has a defined contribution benefit plan covering substantially all U.S. employees under which AEI matches 75% of the employee's contributions of between 6% and 10% of salary, up to a defined maximum on an annual basis. The pension expense for this plan was $483, $776 and $959 in 1995, 1996 and 1997, respectively. The pension plan assets are invested primarily in equity and fixed income securities.

Philippine Pension Plans

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

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

	YEAR ENDED DECEMBER 31,		
	1995	1996	1997
Service cost of current period	$ 974	$1,542	$1,274
Interest cost on projected benefit obligation	811	1,228	957
Actual return on plan assets	(609)	(677)	(585)
Net amortization and deferrals	100	98	132
Total pension expense	$1,276	$2,191	$1,778

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

The following table sets forth the funded status and the amounts recognized in the combined balance sheets for the defined benefit pension plans:

	1996	1997

(U.S. DOLLAR AMOUNTS IN THOUSANDS, EXCEPT SHARE DATA)

Actuarial present value of:		
Vested benefit obligation	$ 1,696	$ 1,546
Accumulated benefit obligation	$ 2,848	$ 2,669
Actuarial present value of projected benefit obligation	$12,699	10,428
Plan assets at fair value	6,077	6,614
Plan assets less than projected benefit obligation	(6,622)	(3,814)
Prior service cost	1,125	967
Unrecognized net loss	1,800	953
Accrued pension cost	$(3,697)	$(1,894)

The weighted average interest rate used in determining the projected benefit obligation was 12% as of December 31, 1996 and 1997. The rates of increase in future compensation levels was 11% as of December 31, 1996 and 1997. The expected long-term rate of return on plan assets was 12% as of December 31, 1996 and 1997.

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,		
	1995	1996	1997
Current:			
Federal	$6,125	$5,880	$16,126
State	908	60	2,639
Foreign	498	2,260	28
	7,531	8,200	18,793
Deferred:			
Federal	(173)	(226)	(4,991)
Foreign	(974)	(98)	(6,724)
	(1,147)	(324)	(11,715)
Total provision	$6,384	$7,876	$ 7,078

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

	FOR THE YEAR ENDED DECEMBER 31,		
	1995	1996	1997
Federal statutory rate	$ 23,458	$15,054	$ 21,352
State taxes, net of federal benefit	908	60	1,285
S Corp. status of AEI	(10,400)	(2,900)	(3,613)
(Income) losses of foreign subsidiaries subject to tax holiday	--	4,957	(5,106)
Foreign exchange losses recognized for income taxes	(1,649)	--	(21,147)
Valuation allowance			22,000
Difference in rates on foreign subsidiaries	(5,933)	(9,295)	(7,693)
Total	$ 6,384	$ 7,876	$ 7,078

The Company has structured its global operations to take advantage of lower tax rates in certain countries and tax incentives extended to encourage investment. AAP had a tax holiday in the Philippines which expired in 1995. AAAP has a tax holiday in the Philippines which expires at the end of 2002. Foreign exchange losses recognized for income taxes relate to unrecognized net foreign exchange losses on U.S. dollar denominated monetary assets and liabilities. These losses, 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 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. 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. Accordingly, a valuation allowance has been established in 1997 for a portion of the related deferred tax assets.

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

	DECEMBER 31,	
	1996	1997
Deferred tax assets (liabilities):		
Retirement benefits	$ 888	$ 816
Receivables	344	227
Inventories	1,057	6,509
Unrealized foreign exchange losses	398	37,447
Unrealized foreign exchange gains	(614)	(9,084)
Other	225	98
Net deferred tax asset	2,298	36,013
Valuation allowance	--	(22,000)
Net deferred tax asset	$2,298	$ 14,013

Non-U.S. income before taxes and minority interest of the Company was $23,800, $20,420 and $32,920 in 1995, 1996 and 1997, respectively.

At December 31, 1996 and 1997 current deferred tax assets of $1,919 and $13,439, respectively, are included in other current assets and noncurrent deferred tax assets of $379 and $574, respectively, are included in other assets in the combined balance sheet. The Company's net deferred tax assets include amounts which management believes are 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 recorded provision for open years is subject to changes upon final examination of these tax returns. 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.

At December 31, 1997, the financial reporting basis of AEI's net assets were greater than the tax basis of the net assets by approximately $5,200. In connection with the Offerings, the Company and the stockholders of AEI will enter 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 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 terminates its S Corporation status. The Tax Indemnification Agreement will also provide 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 terminates its S Corporation status as to which AEI filed or files tax returns claiming status as an S Corporation.

11. RELATED-PARTY TRANSACTIONS

At December 31, 1997, the Company owned 8.1% of the outstanding stock of AICL (see Note 6), and AICL owned 40% of AAP. After the Offerings (see Note 16) the Company intends to purchase AICL's interest in AAP for approximately $34,000. In 1996 and 1997, approximately 72% and 68%, respectively, of the Company's net revenues (see Note 1) were derived from services performed for the Company by AICL, a Korean public company in which the Company and 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 AICL's semiconductor packaging and test services, except to customers in Korea and certain customers in Japan to whom AICL has historically sold such services directly. The Company has worked closely with AICL in developing new technologies and products. The Company has recently entered into five-year supply agreements with AICL giving the Company the first right to market and sell substantially all of AICL's packaging and test services and the exclusive right to market and sell all of the wafer output of AICL's new wafer foundry. The Company's business, financial condition and operating results have been and will continue to be significantly dependent on the ability of AICL to effectively provide the contracted services on a cost-efficient and timely basis. The termination of the Company's relationship with AICL for any reason, or any material adverse change in AICL'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 has obtained a significant portion of its financing from financing arrangements provided by Anam USA, Inc. ("AUSA"), AICL's wholly-owned financing subsidiary. A majority of the amount due to AUSA represents outstanding amounts under financing obtained by AUSA for the benefit of the Company with the balance representing payables to AUSA for packaging and service charges paid to AICL. Based on guarantees provided by AICL, AUSA obtains for the benefit of the Company a continuous series of short-term financing arrangements which generally are less than six months in duration, and typically are 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 are significant. Purchases from AICL through AUSA were $354,062, $460,282 and

$527,858 for 1995, 1996 and 1997, respectively. Charges from AUSA for interest and bank charges were $4,484, $7,074 and $6,002 for 1995, 1996 and 1997, respectively. Amounts payable to AICL and AUSA were $252,221, and $156,350 at December 31, 1996 and 1997, respectively.

AICL's ability to continue to provide services to the Company will depend on AICL's financial condition and performance. AICL 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 AICL, as a public company in Korea, has published its most recent annual consolidated financial statements as of December 31, 1996, and that AICL has prepared preliminary consolidated financial statements as of December 31, 1997. These consolidated 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, 1997, AICL, on a consolidated basis, had current liabilities of approximately W2,124 billion, including approximately W1,591 billion of short-term borrowings and approximately W121 billion of current maturities of long-term debt, and had long-term liabilities of approximately W1,737 billion, including approximately W737 billion of long-term debt and approximately W862 billion of long-term capital lease obligations. As of such date, the total shareholders' equity of AICL amounted to approximately W75 billion. The deterioration of the Korean economy in recent months and the resulting liquidity crisis in Korea have led to sharply higher domestic interest rates and reduced opportunities for refinancing or refunding maturing debts as financial institutions in Korea, which are experiencing financial difficulties, are increasingly looking to limit their lending, particularly to highly leveraged companies, and to increase their reserves and provisions for non-performing assets. Therefore, there can be no assurance that AICL will be able to refinance its existing loans or obtain new loans, or continue to make required interest and principal payments on such loans or otherwise comply with the terms of its loan agreements. Any inability of AICL to obtain financing or generate cash flow from operations sufficient to fund its capital expenditure, debt service and repayment and other working capital and liquidity requirements could have a material adverse effect on AICL's ability to continue to provide services and otherwise fulfill its obligations to the Company.

As of December 31, 1997, AICL and its consolidated subsidiaries were contingently liable under guarantees in respect of debt of its non-consolidated subsidiaries and affiliates in the aggregate amount of approximately W857 billion. As of December 31, 1997, such guarantees included those in respect of all of AUSA's debt totaling $319,200, $176,250 of the Company's debt to banks and the Company's obligations under a receivables sales arrangement (see Note 2). The Company has 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 AICL. There can be no assurance that AUSA will be able to obtain additional guarantees, if necessary, from AICL. Further, a deterioration in AICL's financial condition could trigger defaults under AICL's guarantees, causing acceleration of such loans. In addition, as an overseas subsidiary of AICL, AUSA was formed with the approval of the Bank of Korea. If the Bank of Korea were to withdraw such approval, or if AUSA otherwise ceased operations for any reason, the Company and AICL would be required to meet their financing needs through alternative arrangements. There can be no assurance that the Company or AICL will be able to obtain alternative financing on acceptable terms or at all. In addition, if any relevant subsidiaries or affiliates of AICL were to fail to make interest or principal payments or otherwise default under their debt obligations guaranteed by AICL, AICL 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.

Anam Engineering and Construction, an affiliate of AICL, built the packaging facility for AAAP in the Philippines. Payments to Anam Engineering and Construction were $22,167 and $3,844 in 1996 and 1997, 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 and

$4,211 in 1996 and 1997, respectively. The Company purchases direct materials from Anam S&T. Payments to Anam S&T were approximately $16,400, $27,300 and $26,000 during 1995, 1996 and 1997, 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. Amounts guaranteed under this agreement fluctuate due to the cyclical nature of the affiliate's retail business. Balances guaranteed at December 31 are generally the largest.

The Company has executed a surety and guarantee agreement on behalf of an affiliate. The Company has unconditionally guaranteed the affiliate's obligation under a $17,000 line of credit and a $9,000 term loan note. As of December 31, 1997, there was $750 outstanding under the line of credit and $9,000 outstanding under the term loan note. The Company has also unconditionally guaranteed another affiliate's obligation under a $4,000 term loan agreement and a $1,000 line of credit. As of December 31, 1997, there was $3,800 outstanding under the term loan and no amounts outstanding under the line of credit.

A principal stockholder of the Company has extended guarantees on behalf of the Company in the amount of $87,000 at December 31, 1997. 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) represents the carrying value to the stockholders. Amounts paid for these leases in 1996 and 1997 were $1,343 and $1,458, respectively.

At December 31, 1996 and 1997, the Company had advances and notes receivable from affiliates other than AICL and AUSA of $22,988 and $36,501, respectively. Realization of these notes is dependent upon the ability of the affiliates to repay the notes. In management's opinion, these receivables are recorded at the net realizable value.

12. 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.

(U.S. DOLLAR AMOUNTS IN THOUSANDS, EXCEPT SHARE DATA)

The methods and assumptions used to estimate the fair value of significant classes of financial instruments is set forth below:

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 and due to affiliates. Long-term debt and due to affiliates 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.

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

Future minimum lease payments under operating leases that have initial or remaining noncancelable lease terms in excess of one year at December 31, 1997, are:

1998	$ 7,805
1999	7,230
2000	6,463
2001	5,689
2002	2,338
Thereafter	36,404
Total	$65,929

Rent expense amounted to $3,692, $5,520 and $6,709 for 1995, 1996 and 1997, respectively.

The Company has various purchase commitments for materials, supplies and capital equipment incidental to the ordinary conduct of business. As of December 31, 1997 the Company had commitments for capital equipment of approximately $27,000. In the aggregate, such commitments are not at prices in excess of current market.

14. ACQUISITION OF AMKOR ANAM TEST SERVICES, INC.

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 combined statements of income effective October 1, 1996. Accordingly, the total purchase price has been allocated to the combined 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.

(U.S. DOLLAR AMOUNTS IN THOUSANDS, EXCEPT SHARE DATA)

15. BUSINESS SEGMENT AND GEOGRAPHIC INFORMATION

The Company is primarily engaged in one industry segment, namely, the packaging and testing of integrated circuits. Financial information, summarized by geographic area, is as follows:

	UNITED STATES	EUROPE	PHILIPPINES	ELIMINATIONS	COMBINED
Year ended December 31, 1997:					
Net revenues from unaffiliated customers	$1,258,110	$197,651	$ --	$ --	$1,455,761
Net revenues from affiliates	--	--	256,895	(256,895)	--
Total net revenues	1,258,110	197,651	256,895	(256,895)	1,455,761
Income before income taxes and minority interest	28,086	23,522	9,398	--	61,006
Identifiable assets	352,503	21,873	506,397	(176,134)	704,639
Corporate assets					146,299
Total assets					$ 850,938
Year ended December 31, 1996:					
Net revenues from unaffiliated customers	$1,013,182	$157,819	$ --	$ --	$1,171,001
Net revenues from affiliates	--	--	198,637	(198,637)	--
Total net revenues	1,013,182	157,819	198,637	(198,637)	1,171,001
Income before income taxes and minority interest	22,592	12,473	7,947	--	43,012
Identifiable assets	245,781	19,422	424,653	(91,552)	598,304
Corporate assets					199,309
Total assets					$ 797,613
Year ended December 31, 1995:					
Net revenues from unaffiliated customers	$ 792,285	$140,097	$ --	$ --	$ 932,382
Net revenues from affiliates	--	--	128,164	(128,164)	--
Total net revenues	792,285	140,097	128,164	(128,164)	932,382
Income before income taxes and minority interest	43,223	13,019	10,781	--	67,023
Identifiable assets	235,707	18,699	270,185	(100,385)	424,206
Corporate assets					211,662
Total assets					$ 635,868

Sales between affiliates are priced at customer selling price less material costs provided by the segment, less a sales commission. Net revenues from unaffiliated customers for the United States include $109,532, $160,507 and $208,062 of revenues from unaffiliated foreign customers for 1995, 1996 and 1997, respectively. Identifiable assets are those assets that can be directly associated with a particular geographic area. Corporate assets are those assets which are not directly associated with a particular geographic area and consist primarily of cash and cash equivalents, investments and advances or loans to another geographic segment.

16. SUBSEQUENT EVENTS

On , 1998, Mr. and Mrs. James Kim and the Kim Family Trusts exchanged their interests in AEI for 9,746,766 shares and 4,873,383 shares of ATI common stock, respectively. ATI issued 67,989,851 shares of common stock in exchange for all of the outstanding shares of AIH and its subsidiaries. Of such shares, 19,328,234 shares, 36,376,617 shares and 8,200,000 shares were gifted to Mr. and Mrs. James Kim, the Kim Family Trusts and other members of Mr. Kim's immediate family, respectively. In addition, ATI acquired all of the stock of AKI from the Kim Family Trusts for $3,000.

Except for the acquisition of the shares of AKI which will be accounted for as a purchase transaction, the Reorganization described above was treated similar to a pooling of interests as it represents an exchange of equity interests among companies under common control. The purchase price for the AKI stock, which represents the fair value of these shares, approximates the book value of AKI. ATI filed an amended registration statement on , 1998 with the Securities and Exchange Commission as part of a proposed plan to reduce outstanding borrowings and to increase the stockholders' equity. ATI intends to raise approximately $449,950 (after deducting the underwriting discount and estimated offering expenses) from the sale of shares of common stock and convertible notes (the "Offerings"). The convertible notes will be 1) convertible into ATI common stock at a premium over the initial public offering price; 2) callable in certain circumstances after three years; 3) unsecured and subordinate to senior debt; 4) carry a coupon rate of approximately %; and 5) have a maturity of five years. Approximately $225,000 of the proceeds will be used to reduce short-term and long-term borrowings. Approximately $105,000 of the proceeds will be used to reduce amounts due to AUSA. In connection with the Offerings, certain existing stockholders intend to sell approximately 5,000,000 of their shares.

The Company established stock option plans in 1998 pursuant to which 6,300,000 shares of common stock were reserved for future issuance upon the exercise of stock options granted to employees, consultants and directors. The options will be issued at fair value and generally will vest over five years.

After the Offerings, the Company intends to purchase AICL's 40% interest in AAP for approximately $34,000. The Company will account for this transaction as a purchase which will result in the elimination of the minority interest liability reflected on the combined balance sheet and result in additional amortization of approximately $2,500 per year.

17. PRO FORMA ADJUSTMENTS

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 Exchange had occurred at the beginning of the period presented.

Balance Sheet

As discussed in Note 1, the Company intends to reorganize prior to the effective date of the contemplated offering. AEI will terminate its S Corporation status at which time additional deferred tax liabilities of $2,100 will be recorded for existing temporary differences between the book and tax bases of assets and liabilities. If the termination of AEI's S Corporation status would have occurred on December 31, 1997, AEI would have declared a distribution of $27,700 of previously taxed income. The pro forma balance sheet is presented to reflect these changes as if they occurred on December 31, 1997.

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NO DEALER, SALESPERSON OR ANY OTHER PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS OTHER THAN THOSE CONTAINED IN THIS PROSPECTUS IN CONNECTION WITH THE OFFER MADE BY THIS PROSPECTUS AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE COMPANY OR SALOMON SMITH BARNEY. NEITHER THE DELIVERY OF THIS PROSPECTUS NOR ANY SALE MADE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE COMPANY SINCE THE DATES AS OF WHICH THE INFORMATION IS GIVEN IN THIS PROSPECTUS. THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER OR SOLICITATION BY ANYONE IN ANY JURISDICTION IN WHICH SUCH OFFER OR SOLICITATION IS NOT AUTHORIZED OR IN WHICH THE PERSON MAKING SUCH OFFER OR SOLICITATION IS NOT QUALIFIED TO DO SO OR TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH SOLICITATION.

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UNTIL   , 1998 (25 DAYS AFTER THE COMMENCEMENT OF THIS OFFERING), ALL DEALERS EFFECTING TRANSACTIONS IN THE COMMON STOCK, WHETHER OR NOT PARTICIPATING IN THIS DISTRIBUTION, MAY BE REQUIRED TO DELIVER A PROSPECTUS. THIS IS IN

ADDITION TO THE OBLIGATION OF DEALERS TO DELIVER A PROSPECTUS WHEN ACTING AS UNDERWRITERS AND WITH RESPECT TO THEIR UNSOLD ALLOTMENTS OR SUBSCRIPTIONS.

COMMON STOCK
AMKOR
TECHNOLOGY, INC.

LOGO

PROSPECTUS

, 1998

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 13. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION

The following table sets forth the costs and expenses, other than underwriting discounts, commissions and certain accountable expenses, payable by the Company in connection with the sale of Common Stock being registered. All amounts are estimates except the SEC registration fee and the Nasdaq listing fee.

SEC Registration Fee	$ 24,780
Printing Fees and Expenses	20,000
Legal Fees and Expenses	50,000
Accounting Fees and Expenses	*
Miscellaneous	*
Total	$ *

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* To be provided by amendment.

ITEM 14. INDEMNIFICATION OF DIRECTORS AND OFFICERS

Section 145 of the Delaware General Corporation Law permits a corporation to include in its charter documents, and in agreements between the corporation and its directors and officers, provisions expanding the scope of indemnification beyond that specifically provided by the current law.

The Company's Amended and Restated Certificate of Incorporation provides for the indemnification of directors to the fullest extent permissible under Delaware law.

The Company's Bylaws provide for the indemnification of officers, directors and third parties acting on behalf of the Company if such person acted in good faith and in a manner reasonably believed to be in and not opposed to the best interest of the Company, and, with respect to any criminal action or proceeding, the indemnified party had no reason to believe his conduct was unlawful.

The Company has entered into indemnification agreements with its directors and executive officers, in addition to indemnification provided for in the Company's Bylaws, and intends to enter into indemnification agreements with any new directors and executive officers in the future.

The form of Underwriting Agreement entered into in connection with the Company's Initial Public Offering provides for the indemnification of the Company's directors and officers in certain circumstances as provided therein.

ITEM 15. RECENT SALES OF UNREGISTERED SECURITIES

Prior to the Initial Public Offering, 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 the Amkor Companies. Such issuances were made pursuant to an exemption from registration under Section 4(2) of the Securities Act of 1933, as amended. See "Reorganization" in Part I hereof. 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 the Company, to information about the Company.

ITEM 16. EXHIBITS AND FINANCIAL STATEMENT SCHEDULE

(a) Exhibits

2.1	Amendment and Plan of Reorganization dated , 1998 between Amkor Technology, Inc. and Amkor Electronics, Inc.**
2.2	Stock Purchase Agreement dated , 1998 between Amkor Electronics, Inc. and the shareholders of AK Industries, Inc.**
3.1	Certificate of Incorporation.**
3.2	Bylaws.**
4.1	Specimen Common Stock Certificate.**
4.2	Form of Indenture dated , 1998.**
5.1	Opinion of Wilson Sonsini Goodrich & Rosati, Professional Corporation, as to the legality of the securities being registered.*
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	Tax Indemnification Agreement dated , 1998 between Amkor Technology, Inc., Amkor Electronics, Inc. and certain stockholders of Amkor Technology, Inc.**
10.5	Bridge Loan Agreement between Amkor/Anam Pilipinas, Inc., Anam Industrial Co., Ltd. and the Korea Development Bank for $55,000,000, dated July 1997.**
10.6	Loan Agreement between Amkor/Anam Pilipinas, Inc. and the Korea Development Bank for $71,000,000, dated March 28, 1996.**
10.7	Loan Agreement between Amkor/Anam Pilipinas, Inc. and the Korea Development Bank for $50,000,000, dated September 7, 1995.**
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	Performance Undertaking between Amkor Receivables Corp. and Anam Industrial Co., Ltd., 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	Registration Rights Agreement between Amkor Technology, Inc. and Smith Barney Inc. in consideration of the Master Securities Loan Agreement dated , 1998.**
10.23	Manufacturing and Purchase Agreement between Texas Instruments Incorporated, Anam Industrial Co., Ltd. and Amkor Electronics, Inc., dated as of January 1, 1998.+**
10.24	Stock Purchase Agreement dated , 1998 between Amkor Technology, Inc. and Anam Industrial Co., Ltd.*
12.1	Ratio of Earnings to Fixed Charges.**
21.1	List of Subsidiaries of the Registrant.**
23.1	Consent of Independent Public Accountants.
23.2	Consent of Counsel (included in Exhibit 5.1).*
24.1	Power of Attorney (see page II-5).
27.1	Financial Data Schedule.
99.1	Securities Loan Agreement dated as of , 1998 between Smith Barney Inc. and James J. Kim and Agnes C. Kim.
99.2	Custodial Undertaking in connection with Securities Loan Agreement dated , 1998 by and among James J. Kim and Agnes C. Kim, Smith Barney Inc. and the Chase Manhattan Bank.

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* To be filed by amendment.

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

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

SCHEDULE II -- VALUATION AND QUALIFYING ACCOUNTS

Schedules not listed above have been omitted because the information required to be set forth therein is not applicable or is shown in the financial statements or notes thereto.

ITEM 17. UNDERTAKINGS

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers, and controlling persons of the Registrant pursuant to the provisions described in Item 14 above, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer, or controlling person of the Registrant in the successful defense of any action, suit, or proceeding) is asserted by such director, officer, or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act of 1933, and will be governed by the final adjudication of such issue.

The undersigned Registrant undertakes that: (1) for purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus as filed as part of the registration statement in reliance upon Rule 430A and contained in the form of prospectus filed by the Registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective, and (2) for the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

The undersigned Registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

(i) To include any prospectus required by section 10(a)(3) of the Securities Act.

(ii) To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than a 20% change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective registration statement.

(iii) To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement.

(2) That, for the purpose of determining any liability under the Securities

Act, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof;

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering; and

(4) That, for purposes of determining any liability under the Securities Act, each filing of the registrant's annual report pursuant to Section 13(a) or Section 15(d) of the Exchange Act (and, where applicable, each filing of an employee benefit plan's annual report pursuant to Section 15(d) of the Exchange Act) that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the Registrant has duly caused this Registration Statement on Form S-1 to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of West Chester, State of Pennsylvania, on the 7th day of April 1998.

AMKOR TECHNOLOGY, INC.

By: /s/ JAMES J. KIM

James J. Kim
Chief Executive Officer and
Secretary

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below hereby constitutes and appoints James J. Kim and Frank J. Marcucci and each one of them, acting individually and without the other, as his or her attorney-in-fact, each with full power of substitution, for him and her in any and all capacities, to sign any and all amendments to this Registration Statement (including post-effective amendments), and to sign any registration statement for the same Offering covered by this Registration Statement that is to be effective upon filing pursuant to Rule 462(b) promulgated under the Securities Act of 1933, and all post-effective amendments thereto, and to file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that each of said attorneys-in-fact, or his substitute or substitutes, may do or cause to be done by virtue hereof.

PURSUANT TO THE REQUIREMENTS OF THE SECURITIES ACT OF 1933, THIS REGISTRATION STATEMENT ON FORM S-1 HAS BEEN SIGNED BY THE FOLLOWING PERSONS IN THE CAPACITIES AND ON THE DATES INDICATED.

SIGNATURE	TITLE	DATE
/s/ JAMES J. KIM James J. Kim	Chief Executive Officer and Chairman	April 7, 1998
/s/ FRANK J. MARCUCCI	Chief Financial Officer and Secretary (Principal	April 7, 1998

Frank J. Marcucci	Financial and Accounting Officer)	
/s/ JOHN N. BORUCH John N. Boruch	President and Director	April 7, 1998
/s/ THOMAS D. GEORGE Thomas D. George	Director	April 7, 1998
/s/ GREGORY K. HINCKLEY Gregory K. Hinckley	Director	April 7, 1998

INDEX TO FINANCIAL STATEMENT SCHEDULES*

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* All other schedules are omitted as the required information is inapplicable or the information is presented in the financial statements or related notes.

After the Reorganization transaction discussed in Note 1 to the Amkor Technology, Inc. and AK Industries, Inc. Combined Financial Statements is effected, we expect to be in position to render the following audit report.

ARTHUR ANDERSEN LLP

February 3, 1998 (except with respect to the sale of the investment in Anam Industrial Co., Ltd. common stock discussed in Note 6 to the Combined Financial Statements as to which the date is February 16, 1998)

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Amkor Technology, Inc.:

We have audited in accordance with generally accepted auditing standards, the Combined Financial Statements of Amkor Technology, Inc. and AK Investments, Inc. and subsidiaries (See Note 1 to the Combined Financial Statements) included in this registration statement and have issued our report thereon dated , 1997. Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. Our report on the financial statements includes an explanatory paragraph with respect to the ability of the Company to continue as a going concern as discussed in Note 1 to the Combined Financial Statements. The schedule listed in the index above is presented for the purpose of complying with the Securities and Exchange Commissions 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.

ARTHUR ANDERSEN LLP

SCHEDULE II
AMKOR TECHNOLOGY, INC.

VALUATION AND QUALIFYING ACCOUNTS
(AMOUNTS IN THOUSANDS)

	BALANCE AT BEGINNING OF PERIOD	ADDITIONS CHARGED TO EXPENSE	WRITE-OFFS	OTHER	BALANCE AT END OF PERIOD
Year ended December 31, 1995:					
Allowance for doubtful accounts...............	$ 487	$ 500	$ --	$ 56	$ 1,043
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

EXHIBIT INDEX

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23.2	Consent of Counsel (included in Exhibit 5.1).*	
24.1	Power of Attorney (see page II-5).	
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99.2	Custodial Undertaking in connection with Securities Loan Agreement dated , 1998 by and among James J. Kim and Agnes C. Kim, Smith Barney Inc. and the Chase Manhattan Bank.	

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* To be filed by amendment.

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

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

EXHIBIT 23.1

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the use of our reports and to all references to our Firm included in or made part of this registration statement.

ARTHUR ANDERSEN LLP

Philadelphia, Pa.
April 6, 1998

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Exhibit 99.1

[Draft 3/20/98]

SALOMON SMITH BARNEY

Smith Barney Inc.
388 Greenwich Street
New York, New York 10013

SECURITIES LOAN AGREEMENT

Dated as of April __, 1998

Between:

Smith Barney Inc. ("Borrower")

and

James J. Kim and Agnes C. Kim ("Lender")

This Agreement sets forth the terms and conditions under which Lender may, from time to time, lend to Borrower certain securities against a pledge of collateral. Capitalized terms not otherwise defined herein shall have the meanings provided in Section 26, as amended by Schedule B.

The parties hereto agree as follows:

1. Loans of Securities.

1.1 Subject to the terms and conditions of this Agreement and the Custodial Undertaking in Connection with Securities Loan Agreement dated the date hereof between Borrower and Lender (a copy of which is attached hereto as Exhibit A), Borrower or Lender may, from time to time following the effectiveness of the registration statement provided for in the Registration Rights Agreement dated the date hereof between Borrower and Amkor Technology, Inc. (a copy of which is attached hereto as Exhibit B), initiate a transaction in which Lender will lend securities to Borrower. Borrower shall initiate a Loan by making a written request therefor to Lender, in a form agreed to by the parties (a "Request"). Each Request shall state the amount of Loaned Securities that Borrower wishes to borrow from Lender as a Loan hereunder.

1.2 Notwithstanding any other provision in this Agreement regarding when a Loan commences, a Loan hereunder shall not occur until the Loaned Securities and the Collateral therefor have been transferred in accordance with Section 16.

1.3 WITHOUT WAIVING ANY RIGHTS GIVEN TO LENDER HEREUNDER, IT IS UNDERSTOOD AND AGREED THAT THE PROVISIONS OF THE

SECURITIES INVESTOR PROTECTION ACT OF 1970 MAY NOT PROTECT LENDER WITH RESPECT TO LOANED SECURITIES HEREUNDER AND THAT, THEREFORE, THE COLLATERAL DELIVERED TO LENDER MAY CONSTITUTE THE ONLY SOURCE OF SATISFACTION OF BORROWER'S OBLIGATIONS IN THE EVENT BORROWER FAILS TO RETURN THE LOANED SECURITIES.

2. Transfer of Loaned Securities.

2.1 Unless otherwise agreed, Lender shall transfer Loaned Securities to Borrower hereunder on or before the Cutoff Time on the date agreed to by Borrower and Lender for the commencement of the Loan.

2.2 Unless otherwise agreed, Borrower shall provide Lender, in each Loan in which Lender is a Customer, with a schedule and receipt listing the Loaned Securities. Such schedule and receipt may consist of (a) a schedule provided to Borrower by Lender and executed and returned by Borrower when the Loaned Securities are received, (b) in the case of securities transferred through a Clearing Organization which provides transferors with a notice evidencing such transfer, such notice, or (c) a confirmation or other document provided to Lender by Borrower.

3. Collateral.

3.1 Unless otherwise agreed, Borrower shall, prior to or concurrently with the transfer of the Loaned Securities to Borrower, but in no case later than the close of business on the day of such transfer, transfer to Lender Collateral with a market value at least equal to a percentage of the market value (as determined in accordance with Section 15) of the Loaned Securities agreed to by Borrower and Lender (which shall be not less than 100% of the market value of the Loaned Securities) (the "Margin Percentage").

3.2 The Collateral transferred by Borrower to Lender, as adjusted pursuant to Section 8, shall be security for Borrower's obligations in respect of such Loan and for any other obligations of Borrower to Lender. Borrower hereby pledges with, assigns to, and grants Lender a continuing first security interest in, and a lien upon, the Collateral, which shall attach upon the transfer of the Loaned Securities by Lender to Borrower and which shall cease upon the transfer of the Loaned Securities by Borrower to Lender. In addition to the rights and remedies given to Lender hereunder, Lender shall have all the rights and remedies of a secured party under the New York Uniform Commercial Code. It is understood that Lender may use or invest the Collateral, if such consists of cash, at its own risk, but that (unless Lender is a Broker-Dealer) Lender shall, during the term of any Loan hereunder, segregate Collateral from all securities or other assets in its possession. Lender may pledge, repledge, hypothecate, rehypothecate, lend, relend, sell or otherwise transfer the Collateral, or re-register Collateral evidenced by physical certificates in any name other than Borrower's, only (a) if Lender is Broker-Dealer or (b) in the event of a Default by Borrower. Segregation of Collateral may be accomplished by appropriate identification on the books and records of Lender if it is a "financial intermediary" or a "clearing corporation" within the meaning of the New York Uniform Commercial Code.

3.3 Except as otherwise provided herein, upon transfer to Lender of the Loaned Securities on the day a Loan is terminated pursuant to Section 5, Lender shall be obligated to transfer the Collateral (as adjusted pursuant to Section 8) to Borrower no later than the Cutoff Time on such day or, if such day is not a day on which a transfer of such Collateral may be effected under Section 16, the next day on which such a transfer may be effected.

3.4 If Borrower transfers Collateral to Lender, as provided in Section 3.1, and Lender does not transfer the Loaned Securities to Borrower, Borrower shall have the absolute right to the return of the Collateral; and if Lender transfers Loaned Securities to Borrower and Borrower does not transfer Collateral to Lender as provided in Section 3.1, Lender shall have the absolute right to the return of the Loaned Securities.

3.5 Borrower may, upon reasonable notice to Lender (taking into account all relevant factors, including industry practice, the type of Collateral to be substituted and the applicable method of transfer), substitute Collateral for Collateral securing any Loan or Loans; provided, however, that such substituted Collateral shall (a) consist only of cash, securities or other property that Borrower and Lender agreed would be acceptable Collateral prior to the Loan or Loans and (b) have a market value such that the aggregate market value of such substituted Collateral, together with all other Collateral for Loans in which the party substituting such Collateral is acting as Borrower, shall equal or exceed the agreed upon Margin Percentage of the market value of the Loaned Securities. Prior to the expiration of any letter of credit supporting Borrower's obligations hereunder, Borrower shall, no later than the Cutoff Time on the date such letter of credit expires, obtain an extension of the expiration of such letter of credit or replace such letter of credit by providing Lender with a substitute letter of credit in an amount at least equal to the amount of the letter of credit for which it is substituted.

3.6 Lender acknowledges that, in connection with Loans of Government Securities and as otherwise permitted by applicable law, some securities provided by Borrower as Collateral under this Agreement may not be guaranteed by the United States.

4. Fees for Loan.

4.1 Unless otherwise agreed, (a) Borrower agrees to pay Lender a loan fee (a "Loan Fee"), computed daily on each Loan to the extent such Loan is secured by Collateral other than cash, based on the aggregate par value (in the case of Loans of Government Securities) or the aggregate market value (in the case of all other Loans) of the Loaned Securities on the day for which such Loan Fee is being computed, and (b) Lender agrees to pay Borrower a fee or rebate (a "Cash Collateral Fee") on Collateral consisting of cash, computed daily based on the amount of cash held by Lender as Collateral, in the case of each of the Loan Fee and the Cash Collateral Fee at such rates as Borrower and Lender may agree. Except as Borrower and Lender may otherwise agree (in the event that cash Collateral is transferred by clearing house funds or otherwise), Loan Fees shall accrue from and including the date on which the Loaned Securities are transferred to Borrower to, but excluding, the date on which such Loaned Securities are returned to Lender, and Cash Collateral Fees shall accrue from and including the date on which

the cash Collateral is transferred to Lender to, but excluding, the date on which such cash Collateral is returned to Borrower.

4.2 Unless otherwise agreed, any Loan Fee or Cash Collateral Fee payable hereunder shall be payable:

(a) in the case of any Loan of securities other than Government Securities, upon the earlier of (i) the fifteenth day of the month following the calendar month in which such fee was incurred or (ii) the termination of all Loans hereunder (or, if a transfer of cash in accordance with Section 16 may not be effected on such fifteenth day or the day of such termination, as the case may be, the next day on which such a transfer may be effected); and

(b) in the case of any Loan of Government Securities, upon the termination of such Loan.

Notwithstanding the foregoing, all Loan Fees shall be payable by Borrower immediately in the event of a Default hereunder by Borrower and all Cash Collateral Fees shall be payable immediately by Lender in the event of a Default by Lender.

5. Termination of the Loan. Unless otherwise agreed, (a) Borrower may terminate a Loan on any Business Day by giving notice to Lender and transferring the Loaned Securities to Lender before the Cutoff Time on such Business Day, and (b) Lender may terminate a Loan on a termination date established by notice given to Borrower prior to the close of business on a Business Day. The termination date established by a termination notice given by Lender to Borrower shall be a date

no earlier than the standard settlement date for trades of the Loaned Securities entered into on the date of such notice, which date shall, unless Borrower and Lender agree to the contrary, be (i) in the case of Government Securities, the next Business Day following such notice and (ii) in the case of all other securities, the third Business Day following such notice. Unless otherwise agreed, Borrower shall, on or before the Cutoff Time on the termination date of a Loan, transfer the Loaned Securities to Lender; provided, however, that upon such transfer by Borrower, Lender shall transfer the Collateral (as adjusted pursuant to Section 8) to Borrower in accordance with Section 3.3.

6. Rights of Borrower in Respect of the Loaned Securities. Except as set forth in Sections 7.1 and 7.2 and as otherwise agreed by Borrower and Lender, until Loaned Securities are required to be redelivered to Lender upon termination of a Loan hereunder, Borrower shall have all of the incidents of ownership of the Loaned Securities, including the right to transfer the Loaned Securities to others. Lender hereby waives the right to vote, or to provide any consent or to take any similar action with respect to, the Loaned Securities in the event that the record date or deadline for such vote, consent or other action falls during the term of the Loan.

7. Dividends, Distributions, Etc.

7.1 Lender shall be entitled to receive all distributions made on or in respect of the Loaned Securities which are not otherwise received by Lender, to the full extent it would be

so entitled if the Loaned Securities had not been lent to Borrower, including, but not limited to: (a) cash and all other property, (b) stock dividends, (c) securities received as a result of split ups of the Loaned Securities and distributions in respect thereof, (d) interest payments, and (e) all rights to purchase additional securities.

7.2 Any cash distributions made on or in respect of the Loaned Securities, which Lender is entitled to receive pursuant to Section 7.1, shall be paid by the transfer of cash to Lender by Borrower, on the date any such distribution is paid, in an amount equal to such cash distribution, so long as Lender is not in Default at the time of such payment. Non-cash distributions received by Borrower shall be added to the Loaned Securities on the date of distribution and shall be considered such for all purposes, except that if the Loan has terminated, Borrower shall forthwith transfer the same to Lender.

7.3 Borrower shall be entitled to receive all cash distributions made on or in respect of non-cash Collateral which are not otherwise received by Borrower, to the full extent it would be so entitled if the Collateral had not been transferred to Lender. Any distributions of cash made on or in respect of such Collateral which Borrower is entitled to receive hereunder shall be paid by the transfer of cash to Borrower by Lender, on the date any such distribution is paid, in an amount equal to such cash distribution, so long as Borrower is not in Default at the time of such payment.

7.4 (a) Unless otherwise agreed, if (i) Borrower is required to make a payment (a "Borrower Payment") with respect to cash distributions on Loaned Securities under Sections 7.1 and 7.2 ("Securities Distributions"), or (ii) Lender is required to make a payment (a "Lender Payment") with respect to cash distributions on Collateral under Section 7.3 ("Collateral Distributions"), and (iii) Borrower or Lender, as the case may be ("Payor"), shall be required by law to collect any withholding or other tax, duty, fee, levy or charge required to be deducted or withheld from such Borrower Payment or Lender Payment ("Tax"), then Payor shall (subject to subsections (b) and (c) below), pay such additional amounts as may be necessary in order that the net amount of the Borrower Payment or Lender Payment received by the Lender or Borrower, as the case may be

("Payee"), after payment of such Tax equals the net amount of the Securities Distribution or Collateral Distribution that would have been received if such Securities Distribution or Collateral Distribution had been paid directly to the Payee.

(b) No additional amounts shall be payable to a Payee under subsection (a) above to the extent that Tax would have been imposed on a Securities Distribution or Collateral Distribution paid directly to the Payee.

(c) No additional amounts shall be payable to a Payee under subsection (a) above to the extent that such Payee is entitled to an exemption from, or reduction in the rate of, Tax on a Borrower Payment or Lender Payment subject to the provision of a certificate or other documentation, but has failed timely to provide such certificate or other documentation.

(d) Each party hereto shall be deemed to represent that, as of the commencement of any Loan hereunder, no Tax would be imposed on any cash distribution paid to it with respect to (i) Loaned Securities subject to a Loan in which it is acting as Lender or (ii)

Collateral for any Loan in which it is acting as Borrower, unless such party has given notice to the contrary to the other party hereto (which notice shall specify the rate at which such Tax would be imposed). Each party agrees to notify the other of any change that occurs during the term of a Loan in the rate of any Tax that would be imposed on any such cash distributions payable to it.

7.5 To the extent that, under the provisions of Sections 7.1 through 7.4 (a) a transfer of cash or other property by Borrower would give rise to a Margin Excess (as defined in Section 8.3 below) or (b) a transfer of cash or other property by Lender would give rise to a Margin Deficit (as defined in Section 8.2 below), Borrower or Lender (as the case may be) shall not be obligated to make such transfer of cash or other property in accordance with such Sections, but shall in lieu of such transfer immediately credit the amounts that would have been transferable under such Sections to the account of Lender or Borrower (as the case may be).

8. Mark to Market.

8.1 Borrower shall daily mark to market any Loan hereunder and in the event that at the close of trading on any Business Day the market value of the Collateral for any Loan to Borrower shall be less than 100% of the market value of all the outstanding Loaned Securities subject to such Loan, Borrower shall transfer additional Collateral no later than the close of the next Business Day so that the market value of such additional Collateral, when added to the market value of the other Collateral for such Loan, shall equal 100% of the market value of the Loaned Securities.

8.2 In addition to any rights of Lender under Section 8.1, in the event that at the close of trading on any Business Day the aggregate market value of all Collateral for Loans by Lender shall be less than the Margin Percentage of the market value of all the outstanding Loaned Securities subject to such Loans (a "Margin Deficit"), Lender may, by notice to Borrower, demand that Borrower transfer to Lender additional Collateral so that the market value of such additional Collateral, when added to the market value of all other Collateral for such Loans, shall equal or exceed the agreed upon Margin Percentage of the market value of the Loaned Securities. Unless otherwise agreed, such transfer is to be made no later than the close of the next Business Day following the day of Lender's notice to Borrower.

8.3 In the event that at the close of trading on any Business Day the market value of all Collateral for Loans to Borrower shall be greater than the Margin Percentage of the market value of all the outstanding Loaned

Securities subject to such Loans (a "Margin Excess"), Borrower may, by notice to Lender, demand that Lender transfer to Borrower such amount of the Collateral selected by Borrower so that the market value of the Collateral for such Loans, after deduction of such amounts, shall thereupon not exceed the Margin Percentage of the market value of the Loaned Securities. Unless otherwise agreed, such transfer is to be made no later than the close of the next Business Day following the day of Borrower's notice to Lender.

8.4 Borrower and Lender may agree, with respect to one or more Loans hereunder, to mark the values to market pursuant to Sections 8.2 and 8.3 by separately valuing the Loaned Securities lent and the Collateral given in respect thereof on a Loan-by-Loan basis.

8.5 Borrower and Lender may agree, with respect to any or all Loans hereunder, that the respective rights of Lender and Borrower under Sections 8.2 and 8.3 may be exercised only where a Margin Excess or Margin Deficit exceeds a specified dollar amount or a specified percentage of the market value of the Loaned Securities under such Loans (which amount or percentage shall be agreed to by Borrower and Lender prior to entering into any such Loans).

9. Representations. Each party to this Agreement hereby makes the following representations and warranties, which shall continue during the term of any Loan hereunder:

9.1 Each party hereto represents and warrants that (a) it has the power to execute and deliver this Agreement, to enter into the Loans contemplated hereby and to perform its obligations hereunder; (b) it has taken all necessary action to authorize such execution, delivery and performance; and (c) this Agreement constitutes a legal, valid and binding obligation enforceable against it in accordance with its terms, except as the enforceability hereof may be subject to (i) bankruptcy, insolvency, reorganization, fraudulent conveyance or transfer, moratorium or other similar laws now or hereafter in effect affecting creditors' rights generally and (ii) general principles of equity (regardless of whether enforceability is considered in a proceeding at law or in equity).

9.2 Each party hereto represents and warrants that the execution, delivery and performance by it of this Agreement and each Loan hereunder will at all times comply with all applicable laws and regulations including those of applicable regulatory and self-regulatory organizations.

9.3 Each party hereto represents and warrants that it has not relied on the other for any tax or accounting advice concerning this Agreement and that it has made its own determination as to the tax and accounting treatment of any Loan and any dividends, remuneration or other funds received hereunder.

9.4 Borrower represents and warrants that it is acting for its own account. Lender represents and warrants that it is acting for its own account unless it expressly specifies otherwise in writing and complies with Section 10.3(b).

9.5 Borrower represents and warrants that (a) it has, or will have at the time of transfer of any Collateral, the right to grant a first security interest therein subject to the terms and conditions hereof, and (b) it (or the person to whom it relends the Loaned Securities) is borrowing or will borrow the Loaned Securities (except for Loaned Securities that qualify as "exempted securities" under Regulation T of the Board of Governors of the Federal Reserve System) for the purpose of making delivery of such securities in the case of short sales, failure to receive securities required to be delivered, or as otherwise permitted pursuant to Regulation T as in effect from time to time.

9.6 Lender represents and warrants that it has, or will have at the time of transfer of any Loaned Securities, the right to transfer the Loaned Securities subject to the terms and conditions hereof.

10. Covenants.

10.1 Each party hereto agrees and acknowledges that (a) each Loan hereunder is a "securities contract," as such term is defined in Section 741(7) of Title 11 of the United States Code (the "Bankruptcy Code"), (b) each and every transfer of funds, securities and other property under this Agreement and each Loan hereunder is a "settlement payment" or a "margin payment," as such terms are used in Sections 362(b)(6) and 546(e) of the Bankruptcy Code, and (c) the rights given to Borrower and Lender hereunder upon a Default by the other constitute the right to cause the liquidation of a securities contract and the right to set off mutual debts and claims in connection with a securities contract, as such terms are used in Sections 555 and 362(b)(6) of the Bankruptcy Code. Each party hereto further agrees and acknowledges that if a party hereto is an "insured depository institution," as such term is defined in the Federal Deposit Insurance Act, as amended ("FDIA"), then each Loan hereunder is a "securities contract" and "qualified financial contract," as such terms are defined in the FDIA and any rules, orders or policy statements thereunder.

10.2 Borrower agrees to be liable as principal with respect to its obligations hereunder.

10.3 Lender agrees either (a) to be liable as principal with respect to its obligations hereunder or (b) to execute and comply fully with the provisions of Annex I (the terms and conditions of which Annex are incorporated herein and made a part hereof).

10.4 Promptly upon (and in any event within seven (7) Business Days after) demand by Lender, Borrower shall furnish Lender with Borrower's most recent publicly-available financial statements and any other financial statements mutually agreed upon by Borrower and Lender. Unless otherwise agreed, if Borrower is subject to the requirements of Rule 17a-5(c) under the Exchange Act, it may satisfy the requirements of this Section by furnishing Lender with its most recent statement required to be furnished to customers pursuant to such Rule.

10.5 Except to the extent required by applicable law or regulation or as otherwise agreed, Borrower and Lender agree that Loans hereunder shall in no event be "exchange contracts" for purposes of the rules of any securities exchange and that Loans hereunder shall not be governed by the buy-in or similar rules of any such exchange, registered national securities or other self-regulatory organization.

11. Events of Default. All Loans hereunder may, at the option of the non-defaulting party exercised by notice to the defaulting party (which option shall be deemed to have been exercised, even if no notice is given, immediately upon the occurrence of an event specified in subsection (e) below), be terminated immediately upon the occurrence of any one or more of the following events (individually, a "Default"):

(a) if any Loaned Securities shall not be transferred to Lender upon termination of the Loan as required by Section 5;

(b) if any Collateral shall not be transferred to Borrower upon termination of the Loan as required by Sections 3.3 and 5;

(c) if either party shall fail to transfer Collateral as required by Section 8;

(d) if either party (i) shall fail to transfer to the other party amounts in respect of distributions required to be transferred by Section 7, (ii) shall have received notice of such failure from the non-defaulting party, and (iii) shall not have cured such default by the Cutoff Time on the next day after such notice on which a transfer of cash may be effected in accordance with Section 16;

(e) if (i) either party shall commence as debtor any case or proceeding under any bankruptcy, insolvency, reorganization, liquidation, dissolution or similar law, or seek the appointment of a receiver, conservator, trustee, custodian or similar official for such party or any substantial part of its property, (ii) any such case or proceeding shall be commenced against either party, or another shall seek such an appointment, or any application shall be filed against either party for a protective decree under the provisions of the Securities Investor Protection Act of 1970, which (A) is consented to or not timely contested by such party, (B) results in the entry of an order for relief, such an appointment, the issuance of such a protective decree or the entry of an order having a similar effect, or (C) is not dismissed within 15 days, (iii) either party shall make a general assignment for the benefit of creditors, or (iv) either party shall admit in writing its inability to pay its debts as they become due;

(f) if Borrower shall have been suspended or expelled from membership or participation in any national securities exchange or registered national securities association of which it is a member or other self-regulatory organization to whose rules it is subject or if it is suspended from dealing in securities by any federal or state government agency thereof.

(g) if Borrower shall have its license, charter, or other authorization necessary to conduct a material portion of its business withdrawn, suspended or revoked by any applicable federal or state government or agency thereof;

(h) if any representation made by either party in respect of this Agreement or any Loan or Loans hereunder shall be incorrect or untrue in any material respect during the term of any Loan hereunder;

(i) if either party notifies the other, orally or in writing, of its inability to or its intention not to perform its obligations hereunder or otherwise disaffirms, rejects or repudiates any of its obligations hereunder;

(j) if either party (i) shall fail to perform any material obligation under this Agreement not specifically set forth in clauses (a) through (i) above, including but not limited to the payment of fees as required by Section 4, and the payment of

transfer taxes as required by Section 14, (ii) shall have received notice of such failure from the non-defaulting party and (iii) shall not have cured such failure by the Cutoff Time on the next day after such notice on which a transfer of cash may be effected under Section 16; or

(k) if for any reason any Loan shall violate any existing applicable law, rule, regulation, judgment, order or decree of any government, government instrumentality or court having jurisdiction over activities of Lender.

12. Lender's Remedies. Upon the occurrence of a Default under Section 11 entitling Lender to terminate all Loans hereunder, Lender shall have the right (without further notice to Borrower), in addition to any other remedies provided herein or under applicable law, (a) to purchase a like amount of Loaned Securities ("Replacement Securities") in the principal market for such securities in a commercially reasonable manner (provided however that to the extent a purchase of Replacement Securities by Lender would violate Section 16(b) of the Exchange Act, Lender may delay such purchase to avoid such violation), (b) to sell any Collateral in the principal market for such Collateral in a commercially reasonable manner and (c) to apply and set off the Collateral and any proceeds thereof (including any amounts drawn under a letter of credit supporting any Loan) against the payment of the purchase price for such Replacement Securities and any amounts due to Lender under Sections 4, 7, 14 and 17. In the event Lender shall exercise such rights, Borrower's obligation to return a like amount of the Loaned Securities shall terminate. Lender may similarly apply the Collateral and any proceeds thereof to any other obligation of Borrower under this Agreement, including Borrower's obligations with respect to distributions paid to Borrower (and not forwarded to Lender) in respect of Loaned Securities. In the event that (i) the purchase price of Replacement Securities (plus all other amounts, if any, due to Lender hereunder) exceeds (ii) the amount of the Collateral, Borrower shall be liable to Lender for the amount of such excess together with interest thereon at a rate equal to (A) in the case of purchases of Foreign Securities, LIBOR, (B) in the case of purchases of any other securities (or other amounts, if any, due to Lender hereunder), the Federal Funds Rate or (C) such other rate as may be specified in Schedule B, in each case as such rate fluctuates from day to day, from the date of such purchase until the date of payment of such excess. As security for Borrower's obligation to pay such excess, Lender shall have, and Borrower hereby grants, a security interest in any property of Borrower then held by or for Lender and a right of setoff with respect to such property and any other amount payable by Lender to Borrower. The purchase price of Replacement Securities purchased under this Section 12 shall include, and the proceeds of any sale of Collateral shall be determined after deduction of, broker's fees and commissions and all other reasonable costs, fees and expenses related to such purchase or sale (as the case may be). In the event Lender exercises its rights under this Section 12, Lender may elect in its sole discretion, in lieu of purchasing all or a portion of the Replacement Securities or selling all or a portion of the Collateral, to be deemed to have made, respectively, such purchase of Replacement Securities or sale of Collateral for an amount equal to the price therefor on the date of such exercise obtained from a generally recognized source or the most recent closing bid quotation from such a source. Subject to Section 19, upon the satisfaction of all obligations hereunder, any remaining Collateral shall be returned to Borrower.

13. Borrower's Remedies. Upon the occurrence of a Default under Section 11 entitling Borrower to terminate all Loans hereunder, Borrower shall have the right (without further notice to Lender), in addition to any other remedies provided herein or under applicable law, (a) to purchase a like amount of Collateral ("Replacement Collateral") in the principal market for such Collateral in a commercially reasonable manner, (b) to sell a like amount of the Loaned Securities in the principal market for such securities in a commercially reasonable manner (provided however that to the extent Lender notifies Borrower that such sale of Loaned Securities would cause Lender to be in violation of Section 16(b) of the Exchange Act, Borrower shall delay such sale to avoid such violation) and (c) to apply and set off the Loaned Securities

and any proceeds thereof against (i) the payment of the purchase price for such Replacement Collateral (ii) Lender's obligation to return any cash or other Collateral and (iii) any amounts due to Borrower under Sections 4, 7 and 17. In such event, Borrower may treat the Loaned Securities as its own and Lender's obligation to return a like amount of the Collateral shall terminate; provided, however, that Lender shall immediately return any letters of credit supporting any Loan upon the exercise or deemed exercise by Borrower of its termination rights under Section 11. Borrower may similarly apply the Loaned Securities and any proceeds thereof to any other obligation of Lender under this Agreement, including Lender's obligations with respect to distributions paid to Lender (and not forwarded to Borrower) in respect of Collateral. In the event that (i) the sales price received from such Loaned Securities is less than (ii) the purchase price of Replacement Collateral (plus the amount of any cash or other Collateral not replaced by Borrower and all other amounts, if any, due to Borrower hereunder), Lender shall be liable to Borrower for the amount of any such deficiency, together with interest on such amounts at a rate equal to (A) in the case of Collateral consisting of Foreign Securities, LIBOR, (B) in the case of Collateral consisting of any other securities (or other amounts due, if any, to Borrower hereunder), the Federal Funds Rate or (C) such other rate as may be specified in Schedule B, in each case as such rate fluctuates from day to day, from the date of such sale until the date of payment of such deficiency. As security for Lender's obligation to pay such deficiency, Borrower shall have, and Lender hereby grants, a security interest in any property of Lender then held by or for Borrower and a right of setoff with respect to such property and any other amount payable by Borrower to Lender. The purchase price of any Replacement Collateral purchased under this Section 13 shall include, and the proceeds of any sale of Loaned Securities shall be determined after deduction of, broker's fees and commissions and all other reasonable costs, fees and expenses related to such purchase or sale (as the case may be). In the event Borrower exercises its rights under this Section 13, Borrower may elect in its sole discretion, in lieu of purchasing all or a portion of the Replacement Collateral or selling all or a portion of the Loaned Securities, to be deemed to have made, respectively, such purchase of Replacement Collateral or sale of Loaned Securities for an amount equal to the price therefor on the date of such exercise obtained from a generally recognized source or the most recent closing bid quotation from such a source. Subject to Section 19, upon the satisfaction of all Lender's obligations hereunder, any remaining Loaned Securities (or remaining cash proceeds thereof) shall be returned to Lender. Without limiting the foregoing, the parties hereto agree that they intend the Loans hereunder to be loans of securities. If, however, any Loan is deemed to be a loan of money by Borrower to Lender, then Borrower shall have, and Lender shall be deemed to have granted, a security interest in the Loaned Securities and the proceeds thereof.

14. Transfer Taxes. All transfer taxes with respect to the transfer of the Loaned Securities by Lender to Borrower and by Borrower to Lender upon termination of the Loan shall be paid by Borrower.

15. Market Value.

15.1 Unless otherwise agreed, if the principal market for the securities to be valued is a national securities exchange in the United States, their market value shall be determined by their last sale price on such exchange on the preceding Business Day or, if there

was no sale on that day, by the last sale price on the next preceding Business Day on which there was a sale on such exchange, all as quoted on the

Consolidated Tape or, if not quoted on the Consolidated Tape, then as quoted by such exchange.

15.2 Except as provided in Section 15.3 or 15.4 or as otherwise agreed, if the principal market for the securities to be valued is the over-the-counter market, their market value shall be determined as follows. If the securities are quoted on the National Association of Securities Dealers Automated Quotations System ("NASDAQ"), their market value shall be the closing sale price on NASDAQ on the preceding Business Day or, if the securities are issues for which last sale prices are not quoted on NASDAQ, the closing bid price on such day. If the securities to be valued are not quoted on NASDAQ, their market value shall be the highest bid quotation as quoted in any of The Wall Street Journal, the National Quotation Bureau pink sheets, the Salomon Brothers quotation sheets, quotations sheets of registered market makers and, if necessary, dealers' telephone quotations on the preceding Business Day. In each case, if the relevant quotation did not exist on such day, then the relevant quotation on the next preceding Business Day in which there was such a quotation shall be the market value.

15.3 Unless otherwise agreed, if the securities to be valued are Government Securities, their market value shall be the average of the bid and ask prices as quoted on Prophesy at 3:30 P.M. New York time on the Business Day preceding the date on which such determination is made. If the securities are not so quoted on such day, their market value shall be determined as of the next preceding Business Day on which they were so quoted. If the securities to be valued are Government Securities that are not quoted on Prophesy, their market value shall be determined as of the close of business on the preceding Business Day in accordance with market practice for such securities.

15.4 Unless otherwise agreed, if the securities to be valued are Foreign Securities, their market value shall be determined as of the close of business on the preceding Business Day in accordance with market practice in the principal market for such securities.

15.5 Unless otherwise agreed, the market value of a letter of credit shall be the undrawn amount thereof.

15.6 All determinations of market value under Sections 15.1, 15.2, 15.3 and 15.4 shall include, where applicable, accrued interest to the extent not already included therein (other than any interest transferred to the other party pursuant to Section 7), unless market practice with respect to the valuation of such securities in connection with securities loans is to the contrary. All determinations of market value that are required to be made at the close of trading on any Business Day pursuant to Section 8 or otherwise hereunder shall be made as if being determined at the commencement of trading on the next Business Day. The determinations of market value provided for in this Section 15 shall apply for all purposes under this Agreement, except for purposes of Sections 12 and 13.

16. Transfers.

16.1 All transfers of securities hereunder shall be by (a) physical delivery of certificates representing such securities together with duly executed stock and bond transfer powers, as the case may be, with signatures guaranteed by a bank or a member firm of the New York Stock Exchange, Inc., (b) transfer on the books of a Clearing Organization, or (c) such other means as Borrower and Lender may agree. In every transfer of securities hereunder, the transferor shall take all steps necessary (i) to effect a "transfer" under Section 8-313 of the New York Uniform Commercial Code or, where applicable, under any U.S. federal regulation governing transfers of securities and (ii) to provide the transferee with comparable rights under any applicable foreign law or regulation.

16.2 All transfers of cash Collateral hereunder shall be by (a) wire transfer in immediately available, freely transferable funds or (b) such other means as Borrower and Lender may agree. All other transfers of cash hereunder shall be made in accordance with the preceding sentence or by delivery of a certified or official bank check representing next-day New York Clearing House Funds.

16.3 All transfers of a letter of credit from Borrower to Lender shall be made by physical delivery to Lender of an irrevocable letter of credit issued by a "bank" as defined in Section 3(a)(6)(A)-(C) of the Exchange Act. Transfer of a letter of credit from Lender to Borrower shall be made by causing such letter of credit to be returned or by causing the amount of such letter of credit to be reduced to the amount required after such transfer.

16.4 A transfer of securities, cash or letters of credit may be effected under this Section 16 on any day except (a) a day on which the transferee is closed for business at its address set forth in Schedule A hereto or (b) a day on which a Clearing Organization or wire transfer system is closed, if the facilities of such Clearing Organization or wire transfer system are required to effect such transfer.

17. Contractual Currency.

17.1 Borrower and Lender agree that: (a) any payment in respect of a distribution under Section 7 shall be made in the currency in which the underlying distribution of cash was made; (b) any return of cash shall be made in the currency in which the underlying transfer of cash was made and (c) any other payment of cash in connection with a Loan under this Agreement shall be in the currency agreed upon by Borrower and Lender in connection with such Loan (the currency established under clause (a), (b) or (c) hereinafter referred to as the "Contractual Currency"). Notwithstanding the foregoing, the payee of any such payment may, at its option, accept tender thereof in any other currency; provided, however, that, to the extent permitted by applicable law, the obligation of the payor to make such payment will be discharged only to the extent of the amount of Contractual Currency that such payee may, consistent with normal banking procedures, purchase with such other currency (after deduction of any premium and costs of exchange) on the banking day next succeeding its receipt of such currency.

17.2 If for any reason the amount in the Contractual Currency received under Section 17.1, including amounts received after conversion of any recovery under any judgment or order expressed in a currency other than the Contractual Currency, falls short of the amount in the Contractual Currency due in respect of this Agreement, the party required to make the payment will (unless a Default has occurred and such party is the non-defaulting party) as a separate and independent obligation and to the extent permitted by applicable law, immediately pay such additional amount in the Contractual Currency as may be necessary to compensate for the shortfall.

17.3 If for any reason the amount in the Contractual Currency received under Section 17.1 exceeds the amount in the Contractual Currency due in respect of this Agreement, then the party receiving the payment will (unless a Default has occurred and such party is the non-defaulting party) refund promptly the amount of such excess.

18. ERISA. Lender shall, if any of the securities transferred to the Borrower hereunder for any Loan have been or shall be obtained, directly or indirectly, from or using the assets of any Plan, so notify Borrower in writing upon the execution of the Agreement or upon initiation of such Loan under Section 1.1. If Lender so notifies Borrower, then Borrower and Lender shall conduct the Loan in accordance with the terms and conditions of Department of Labor Prohibited

Transaction Exemption 81-6 (46 Fed. Reg. 7527, Jan. 23, 1981; as amended, 52 Fed. Reg. 18754, May 19, 1987), or any successor thereto (unless Borrower and Lender have agreed prior to entering into a Loan that such Loan will be conducted in reliance on another exemption, or without relying on any exemption, from the prohibited transaction provisions of Section 406 of the Employee Retirement Income Security Act of 1974, as amended, and Section 4975 of the Internal Revenue Code of 1986, as amended). Without limiting the foregoing and notwithstanding any other provision of this Agreement, if the Loan will be conducted in accordance with Prohibited Transaction Exemption 81-6, then:

(a) Borrower represents and warrants to Lender that it is either (i) a bank subject to federal or state supervision, (ii) a broker-dealer registered under the Exchange Act or (iii) exempt from registration under Section 15(a)(1) of the Exchange Act as a dealer in Government Securities.

(b) Borrower represents and warrants that, during the term of any Loan hereunder, neither Borrower nor any affiliate of Borrower has any discretionary authority or control with respect to the investment of the assets of the Plan involved in the Loan or renders investment advice (within the meaning of 29 C.F.R. Section 2510.3-21(c)) with respect to the assets of the Plan involved in the Loan. Lender agrees that, prior to or at the commencement of any Loan hereunder, it will communicate to Borrower information regarding the Plan sufficient to identify to Borrower any person or persons that have discretionary authority or control with respect to the investment of the assets of the Plan involved in the Loan or that render investment advice (as defined in the preceding sentence) with respect to the assets of the Plan involved in the Loan. In the event Lender fails to communicate and keep current during the term of any Loan such information, Lender rather

than Borrower shall be deemed to have made the representation and warranty in the first sentence of this clause (b).

(c) Borrower and Lender agree that:

(i) the term "Collateral" shall mean cash, securities issued or guaranteed by the United States government or its agencies or instrumentalities, or irrevocable bank letters of credit issued by a person other than Borrower or an affiliate thereof;

(ii) prior to the making of any Loans hereunder, Borrower shall provide Lender with (A) the most recent available audited statement of Borrower's financial condition and (B) the most recent available unaudited statement of Borrower's financial condition (if more recent than the most recent audited statement), and each Loan made hereunder shall be deemed a representation by Borrower that there has been no material adverse change in Borrower's financial condition subsequent to the date of the latest financial statements or information furnished in accordance herewith;

(iii) the Loan may be terminated by Lender at any time, whereupon Borrower shall deliver the Loaned Securities to Lender within the lesser of (A) the customary delivery period for such securities; (B) five Business Days and (C) the time negotiated for such delivery between Borrower and Lender; provided, however, that

Borrower and Lender may agree to a longer period only if permitted by Prohibited Transaction Exemption 81-6; and

(iv) the Collateral transferred shall be security only for obligations of Borrower to the Plan with respect to Loans, and shall not be security for any obligation of Borrower to any agent or affiliate of the Plan.

19. Single Agreement. Borrower and Lender acknowledge that, and have entered into this Agreement in reliance on the fact that, all Loans hereunder constitute a single business and contractual relationship and have been entered into in consideration of each other. Accordingly, Borrower and Lender hereby agree that payments, deliveries and other transfers made by either of them in respect of any Loan shall be deemed to have been made in consideration of payments, deliveries and other transfers in respect of any other Loan hereunder, and the obligations to make any such payments, deliveries and other transfers may be applied against each other and netted. In addition, Borrower and Lender acknowledge that, and have entered into this Agreement in reliance on the fact that, all Loans hereunder have been entered into in consideration of each other. Accordingly, Borrower and Lender hereby agree that (a) each shall perform all of its obligations in respect of each Loan hereunder, and that a default in the performance of any such obligation by Borrower or by Lender (the "Defaulting Party") in any Loan hereunder shall constitute a default by the Defaulting Party under all such Loans hereunder, and (b) the non-defaulting party shall be entitled to set off claims and apply property held by it in respect of any Loan hereunder against obligations owing to it in respect of any other Loan with the Defaulting Party.

20. APPLICABLE LAW. THIS AGREEMENT SHALL BE GOVERNED AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK WITHOUT GIVING EFFECT TO THE CONFLICT OF LAW PRINCIPLES THEREOF.

21. Waiver. The failure of a party to this Agreement to insist upon strict adherence to any term of this Agreement on any occasion shall not be considered a waiver or deprive that party of the right thereafter to insist upon strict adherence to that term or any other term of this Agreement. All waivers in respect of a Default must be in writing.

22. Remedies. All remedies hereunder and all obligations with respect to any Loan shall survive the termination of the relevant Loan, return of Loaned Securities or Collateral and termination of this Agreement.

23. Notices and Other Communications. Unless another address is specified in writing by the respective party to whom any notice or other communication is to be given hereunder, all such notices or communications shall be in writing or confirmed in writing and delivered at the respective addresses set forth in Schedule A attached hereto. All notices shall be effective upon actual receipt, provided, however, that if any notice shall be received by a party on a day on which such party is not open for business at its office located at the address set forth in Schedule A, such notice shall be deemed to have been received by such party at the opening of business on the next day on which such party is open for business at such address.

24. SUBMISSION TO JURISDICTION; WAIVER OF JURY TRIAL.

24.1 EACH PARTY HERETO IRREVOCABLY AND UNCONDITIONALLY (A) SUBMITS TO THE NON-EXCLUSIVE JURISDICTION OF ANY UNITED STATES FEDERAL OR NEW YORK STATE COURT SITTING IN NEW YORK CITY, AND ANY APPELLATE COURT FROM ANY SUCH COURT, SOLELY FOR THE PURPOSE OF ANY SUIT, ACTION OR PROCEEDING BROUGHT TO ENFORCE ITS OBLIGATIONS HEREUNDER OR RELATING IN ANY WAY TO THIS AGREEMENT OR ANY LOAN HEREUNDER AND (B) WAIVES, TO THE FULLEST EXTENT IT MAY EFFECTIVELY DO SO, ANY DEFENSE OF AN INCONVENIENT FORUM TO THE MAINTENANCE OF SUCH ACTION OR

PROCEEDING IN ANY SUCH COURT AND ANY RIGHT OF JURISDICTION ON ACCOUNT OF ITS PLACE OF RESIDENCE OR DOMICILE.

24.2 EACH PARTY HERETO HEREBY IRREVOCABLY WAIVES ANY RIGHT THAT IT MAY HAVE TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

25. Miscellaneous. This Agreement supersedes any other agreement between the parties hereto concerning loans of securities between Borrower and Lender. This Agreement shall not be assigned by either party without the prior written consent of the other party and any attempted assignment without such consent shall be null and void. Subject to the foregoing, this Agreement shall be binding upon and shall ensure to the benefit of Borrower and Lender and

their respective heirs, representatives, successors and assigns. This Agreement may be terminated by either party upon written notice to the other, subject only to fulfillment of any obligations then outstanding. This Agreement shall not be modified, except by an instrument in writing signed by the party against whom enforcement is sought. The parties hereto acknowledge and agree that, in connection with this Agreement and each Loan hereunder, time is of the essence. Each provision and agreement herein shall be treated as separate and independent from any other provision herein and shall be enforceable notwithstanding the unenforceability of any such other provision or agreement.

26. Definitions. For the purposes hereof:

26.1 "Broker-Dealer" shall mean any person that is a broker (including a municipal securities broker), dealer, municipal securities dealer, government securities broker or government securities dealer as defined in the Exchange Act, regardless of whether the activities of such person are conducted in the United States or otherwise require such person to register with the Securities and Exchange Commission or other regulatory body.

26.2 "Business Day" shall mean, with respect to any Loan hereunder, a day on which regular trading occurs in the principal market for the Loaned Securities subject to such Loan, provided, however, that for purposes of Section 15, such term shall mean a day on which regular trading occurs in the principal market for the securities whose value is being determined. Notwithstanding the foregoing, (i) for purposes of Section 8, "Business Day" shall mean any day on which regular trading occurs in the principal market for any Loaned Securities or for any securities Collateral under any outstanding Loan hereunder and "next Business Day" shall mean the next day on which a transfer of Collateral may be effected in accordance with Section 16; and (ii) in no event shall a Saturday or Sunday be considered a Business Day.

26.3 "Clearing Organization" shall mean The Depository Trust Company, or, if agreed to by Borrower and Lender, such other clearing agency at which Borrower (or Borrower's agent) and Lender (or Lender's agent) maintain accounts, or a book-entry system maintained by a Federal Reserve Bank.

26.4 "Collateral" shall mean, whether now owned or hereafter acquired and to the extent permitted by applicable law, (a) any property which Borrower and Lender agree shall be acceptable collateral prior to the Loan and which is transferred to Lender pursuant to Section 3 or 8 (including as collateral, for definitional purposes, any letters of credit mutually acceptable to Lender and Borrower), (b) any property substituted therefor pursuant to Section 3.5, (c) all accounts in which such property is deposited and all securities and the like in which any cash collateral is invested or reinvested, and (d) any proceeds of any of the foregoing. For purposes of return of Collateral by Lender or purchase or sale of securities pursuant to Section 12 or 13, such term shall include securities of the same issuer, class and quantity as the Collateral initially transferred by Borrower to Lender.

26.5 "Customer" shall mean any person that is a customer of Borrower under Rule 15c3-3 under the Exchange Act or any comparable regulation of the Secretary of the

Treasury under Section 15C of the Exchange Act (to the extent that Borrower is subject to such Rule or comparable regulation).

26.6 "Cutoff Time" shall mean a time on a Business Day by which a transfer of cash, securities or other property must be made by Borrower or Lender to the other, as shall be agreed by Borrower and Lender in Schedule B or otherwise orally or in writing or, in the absence of any such agreement, as shall be determined in accordance with market practice.

26.7 "Default" shall have the meaning assigned in Section 11.

26.8 "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended.

26.9 "Federal Funds Rate" shall mean the rate of interest (expressed as an annual rate), as published in Federal Reserve Statistical Release H.15(519) or any publication substituted therefor, charged for federal funds (dollars in immediately available funds borrowed by banks on an overnight unsecured basis) on that day or, if that day is not a banking day in New York City, on the next preceding banking day.

26.10 "Foreign Securities" shall mean, unless otherwise agreed, securities that are principally cleared and settled outside the United States.

26.11 "Government Securities" shall mean government securities as defined in Section 3(a)(42)(A)-(C) of the Exchange Act.

26.12 "LIBOR" shall mean for any date, the offered rate for deposits in U.S. dollars for a period of three months which appears on the Reuters Screen LIBO page as of 11:00 A.M., London time, on such date (or, if at least two such rates appear, the arithmetic mean of such rates).

26.13 "Loan" shall mean a loan of securities hereunder.

26.14 "Loaned Security" shall mean any security which is a security as defined in the Exchange Act, transferred in a Loan hereunder until such security (or an identical security) is transferred back to Lender hereunder, except that, if any new or different security shall be exchanged for any Loaned Security by recapitalization, merger, consolidation or other corporate action, such new or different security shall, effective upon such exchange, be deemed to become a Loaned Security in substitution for the former Loaned Security for which such exchange is made. For purposes of return of Loaned Securities by Borrower or purchase or sale of securities pursuant to Section 12 or 13, such term shall include securities of the same issuer, class and quantity as the Loaned Securities, as adjusted pursuant to the preceding sentence.

26.15 "Plan" shall mean (a) any "employee benefit plan" as defined in Section 3(3) of the Employee Retirement Income Security Act of 1974 which is subject to Part 4 of Subtitle B of Title I of such Act; (b) any "plan" as defined in Section 4975(e)(1) of the Internal Revenue Code of 1986; or (c) any entity the assets of which are deemed to be assets of any such "employee benefit plan" or "plan" by reason of the Department of Labor's plan asset regulation, 29 C.F.R. Section 2510.3-101.

SMITH BARNEY INC.

By:

Title:

Date:

JAMES J. KIM AND AGNUS C. KIM

By:

Title:

Date:

SCHEDULE A

NAMES AND ADDRESSES FOR COMMUNICATIONS

SMITH BARNEY INC.
390 Greenwich Street, 4th Floor
New York, New York 10013

Attention:
Peter Grant / Suzette Dupree / John Lucciola / Nancy Sherman
Telephone: (212) 723-7611
Telefax: (212) 723-8837

JAMES J. KIM AND AGNUS C. KIM

Telephone: ____________
Telefax: ____________

With a copy to:
Larry W. Sonsini, Esq.
Wilson Sonsini Goodrich & Rosati
650 Page Mill Road
Palo Alto, California 94304
Telephone: (650) 493-9300
Telefax: (650) 493-8311

SCHEDULE B

DEFINED TERMS AND SUPPLEMENTAL PROVISIONS

1. The Cutoff Times used in this Agreement shall be as determined in accordance with market practice with respect to the Loaned Securities in the jurisdiction of Borrower.

2. Unless the parties agree otherwise with respect to a particular Loan(s) hereunder, the Contractual Currency for the purposes described in clause (c) of Section 17.1 shall be U.S. Dollars for all Loans.

3. Each party to this Agreement (such party, "Party A") agrees that, upon the insolvency of Party A or any of its affiliates or the default of Party A or any of its affiliates under any transaction with the other party hereto or any of such other party's affiliates (such other party or any of its affiliates, a "Non-Defaulting Party"), each Non-Defaulting Party may: (a) liquidate any transaction between Party A and any Non-Defaulting Party, (b) reduce any amounts due and owing to Party A under any transaction between Party A and any Non-Defeating Party by setting off against such amounts any amounts due and owing to a Non-Defaulting Party by Party A, and (c) treat all security for, and all amounts due and owing to Party A under, any transaction between Party A and any Non-Defaulting Party as security for all transactions between Party A and any Non-Defaulting Party. For purposes of the foregoing, the term "affiliate" shall not include any entity that controls or is under common control with Salomon Smith Barney Holdings Inc., but in any event such term shall include Salomon Smith Barney Holdings Inc. and any entity controlled by it."

4. The maximum amount of securities that Borrower may borrow from Lender at any point in time shall not exceed 7,000,000 shares of Amkor Technology, Inc. common stock (subject to adjustment from time to time to reflect subdivisions, reclassifications, stock dividends and other similar events affecting such common stock).

5. For purposes of Section 3.1, the "Margin Percentage" shall be [100]%.

6. Notwithstanding any contrary provision herein, Borrower shall terminate all Loans under this Agreement not later than the third Business Day immediately preceding the maturity date or redemption date of the [Notes (as defined below)] and shall transfer the Loaned Securities to Lender as provided in Section 5.

7. [The Loan Fee referenced in Section 4.1 shall be calculated at a rate of 0.0% per annum and the Cash Collateral Fee referenced in Section 4.1 shall be calculated at a rate equal to the rate of return on the Cash Collateral less 40 basis points; provided, that Lender agrees to invest the Cash Collateral in accordance with Borrower's reasonable direction.]

8. The second sentence of Section 5 shall be restated as follows:

"The termination date established by a termination notice given by Lender to Borrower shall be a date no earlier than the standard settlement date for trades of the Loan Securities entered into on the date of such notice."

9. The fourth sentence of Section 25 is hereby restated as follows:

"This Agreement shall terminate, subject to the fulfillment of any obligations then outstanding, upon the earlier of (i) [the first business day following the maturity date of the __% Convertible Subordinated Notes Due 2003 issued by Amkor

Technology, Inc. under the Indenture dated April __, 1998 between the Amkor Technology, Inc. and State Street Bank and Trust Company of California, N.A., as trustee (the "Notes")] or (ii) the termination date established by a written termination notice delivered by either party to the other."

10. Clause (a) of the first sentence of Section 26.4(a) is hereby restated as follows:

"(a) (i) cash and (ii) obligations issued or guaranteed directly or indirectly by the United States government (or any other property approved by Lender), in each case which are transferred to Lender pursuant to Section 3 or 8 (including as collateral, for definitional purposes, any letters of credit mutually acceptable to Lender and Borrower),"

Exhibit 99.2
[Draft 3/20/98]

CUSTODIAL UNDERTAKING IN CONNECTION
WITH SECURITIES LOAN AGREEMENT

This Custodial Undertaking In Connection With Securities Loan Agreement (the "Agreement") is made and entered into as of the date set forth below by and among James J. Kim and Agnes C. Kim (collectively, "Lender"), Smith Barney Inc. ("Borrower") and The Chase Manhattan Bank ("Bank").

WHEREAS, Lender and Borrower have entered into a Securities Loan Agreement (the "Securities Loan Agreement") dated April __, 1998 which provides for loans of certain securities ("Borrowed Securities") by Lender to Borrower (each a "Loan"); and

WHEREAS, Lender and Borrower have requested that Bank undertake certain agency and custodial functions in connection with certain Loans; and

WHEREAS, Bank has agreed to act as agent and custodian for Borrower and Lender in order to effect certain Loans on their behalf, all as more particularly set forth herein;

NOW, THEREFORE, in consideration of the mutual promises set forth herein and intending to be legally bound hereby, the parties hereto agree as follows:

1. Definitions

(a) Account. Borrower's Account or Lender's Account, as applicable.

(b) Borrowed Securities. The meaning set forth in the first Whereas clause of this Agreement.

(c) Borrower's Account. The meaning set forth in Section 2 of this Agreement.

(d) Business Day. Any day, from Monday through Friday, on which Bank and Borrower are open to transact business.

(e) Cash Amount. The meaning set forth in Section 3(b) of this Agreement.

(f) Clearing Corporation. The meaning set forth in Section 9(h) of this Agreement.

(g) Collateral. Obligations issued or guaranteed directly or indirectly by the United States government and such other securities acceptable to Lender for Tri-Party Loans identified on Schedule 1 attached hereto. In addition, Collateral shall always include cash.

(h) Event of Default. A Default by Borrower or Lender pursuant to the Securities Loan Agreement.

(i) Income. With respect to any Collateral which is a security, any principal thereof then payable and all interest, dividends or other distributions thereon.

(j) Lender's Account. The meaning set forth in Section 2 of this Agreement.

(k) Loan. The meaning set forth in the first Whereas clause of this Agreement.

(l) Loan Termination Date. The meaning set forth in Section 3(c) of this Agreement.

(m) Market Value. The most recently available closing bid price (usually from the previous Business Day) for the particular Collateral as made available to Bank by a recognized pricing service which Bank uses for pricing such Collateral, plus, with respect to debt securities, any accrued interest on such securities (to the extent not included in the closing bid price). If no price is available, Bank shall be authorized to price any security by contacting any dealer designated as a "primary dealer" by the Federal Reserve Bank of New York and relying upon any price quoted by such "primary dealer" as if it were quoted by a recognized pricing service or Bank may price such Collateral using a formula utilized by Bank for such purpose in the ordinary course of its business. Notwithstanding the foregoing, banker's acceptances, commercial paper, certificates of deposit and cash shall be valued at face value.

(n) Securities Loan Agreement. The meaning set forth in the first Whereas clause of this Agreement.

(o) Transaction Date. The meaning set forth in Section 3(a) of this Agreement.

(p) Tri-Party Loans. Any Loan in connection with which Borrower and Lender utilize Bank's custodial functions pursuant to this Agreement.

All references to time shall mean the time in effect in New York, New York.

All provisions in this Agreement for the transfer, payment or receipt of funds or cash shall mean transfer of, payment in, or receipt of United States dollars in immediately available funds.

2. Nature and Maintenance of Accounts.

(a) Borrower and Lender hereby appoint Bank as custodian of all Collateral and cash at any time delivered to, and accepted by, Bank in connection with this Agreement and as their agent to effect Tri-Party Loans as specified in this Agreement. Bank hereby accepts appointment as custodian and agent and agrees to establish and maintain Lender's Account (as defined below) as provided hereunder.

(b) Bank maintains a cash account and a securities custody account for the benefit of Borrower (collectively, "Borrower's Account"). Borrower and Lender instruct Bank to establish and maintain a cash custody account and a securities custody account for the benefit of Lender (collectively, "Lender's Account"), the Collateral therein which is subject to the security interest separately granted by Borrower to Lender in the Securities Loan Agreement. Borrower hereby confirms the aforementioned security interest and agrees that it includes the Collateral in Lender's Account. Bank hereby acknowledges such security interest and that Bank will hold all securities, cash or other property from time to time deposited in Lender's Account, as bailee on Lender's behalf, subject to this Agreement. Bank shall segregate all securities and cash in Lender's Account from the assets of Bank or other persons in its possession by appropriate identification on the books and records of Bank. Bank hereby waives any security interest, lien or right of setoff against Lender's Account and the property therein. Bank further acknowledges that Bank holds any cash or securities received by Bank from Lender in connection with this Agreement as bailee on Lender's behalf until credited to Lender's Account, subject to this Agreement.

(c) The parties intend that the receipt and maintenance by Bank of property in Lender's Account shall constitute a bailment under the laws of the State of New York and not a debtor-creditor relationship. The parties intend to create a special deposit account in favor of Lender. Bank shall not pay any interest on any cash held at any time in Lender's Account.

(d) Except as specifically provided in this Agreement, Bank shall follow only Borrower's instructions with respect to Borrower's Account and shall follow only Lender's instructions with respect to Lender's Account.

3. Specific Loan Transactions

(a) On any Business Day on which Borrower and Lender agree to enter into a Tri-Party Loan (the "Transaction Date"), Lender will deliver the Borrowed Securities to Borrower against the simultaneous delivery of cash with a Market Value equal to or greater than [100]% of the Market Value of the Borrowed Securities delivered by Lender to Borrower. This interim settlement will be accomplished directly by Borrower and Lender apart from any action of Bank pursuant to this Agreement.

(b) The further settlement of the transaction will be undertaken in the following manner through Bank. On the Transaction Date, (i) Lender will transfer cash in an equivalent amount to that received from Borrower (the "Cash Amount") to Bank with instructions to Bank to deliver the cash to Lender's Account; (ii) Bank will promptly credit Lender's Account with such cash; (iii) Borrower will cause Borrower's Account to be credited with Collateral; (iv) Borrower will instruct Bank to transfer to Borrower's Account the cash held in Lender's Account against the transfer to Lender's Account of Collateral held in Borrower's Account with a Market Value equal to or greater than the Cash Amount and (v) Bank will effectuate Borrower's instructions described in clause (iv) by the end of Bank's Business Day.

(c) On any Business Day on which Borrower or Lender terminates a Tri-Party Loan in any manner provided for in the Securities Loan Agreement (the "Loan Termination Date"), the party initiating such termination shall notify the other party and Bank of the termination of the Tri-Party Loan. Alternatively, Borrower may notify Bank of the termination of the Tri-Party Loan on behalf of Lender. Bank shall have no duty to inquire into whether or not the termination is permitted by the Securities Loan Agreement and shall be entitled to rely on Lender's or Borrower's notice of termination of the Tri-Party Loan. Unless a substitution as described in Section 4(a) hereof of cash Collateral for securities Collateral has already occurred, Bank shall on the Loan Termination Date, without further instructions, transfer from Lender's Account to Borrower's Account all Collateral contained therein against the transfer from Borrower's Account to Lender's Account of cash Collateral having a Market Value of at least 100% of the Market Value of such Collateral (as determined by Bank on the prior Business Day). After completion of the transfer, the Collateral returned to Borrower will be released from all liens of Lender, and Bank shall without further instruction promptly wire to Lender the cash previously transferred to Lender's Account. Thereafter, Lender shall wire such cash to Borrower against the redelivery of Borrowed Securities by Borrower to Lender apart from any action of Bank pursuant to this Agreement.

(d) If Borrower instructs Bank to identify Collateral on behalf of Borrower to be transferred to Lender's Account in connection with this Agreement, Bank may select in its sole discretion Collateral from Borrower's Account and transfer such Collateral to

Lender's Account provided such Collateral has the requisite Market Value specified in this Agreement.

(e) Without incurring any liability, Bank may, but shall not be obligated to, effectuate (i) any Tri-Party Loan in whole or in part or (ii) the termination of a Tri-Party Loan in the event that either Lender fails to cause Lender's Account to be credited with the requisite cash or Borrower fails to cause Borrower's Account to be credited with the requisite cash or Collateral. In any such event, Borrower and Lender shall remain obligated to each other pursuant to the terms of the Securities Loan Agreement. It is expressly agreed and acknowledged by Lender and Borrower that Bank is not guaranteeing performance of or assuming any liability for the obligations of Lender or Borrower hereunder nor is it assuming any credit risk associated with Tri-Party Loans, which liabilities and risks are the responsibility of Lender and Borrower; further, it is expressly agreed that Bank is not undertaking to make credit available to Borrower or Lender to enable it to complete Tri-Party Loans; however, in the event that the cash or securities in Borrower's Account is insufficient to satisfy a required delivery of cash or securities to Lender or Lender's Account, Bank may at its option, (i) without further notice to Borrower, advance the amount of the insufficiency on Borrower's behalf in which case Borrower shall be obligated to repay such amount to Bank, plus interest at a rate to be determined from time to time, or (ii) not effectuate the transaction and promptly notify Lender and Borrower. Notwithstanding the fact that Bank may from time to time make advances or loans pursuant to this paragraph or otherwise extend credit to Borrower, whether or not as a regular pattern, Bank may at any time decline to extend such credit for any reason, including, but not limited to, if Bank believes Borrower to be insecure or Bank believes Borrower's ability to perform its obligations hereunder may be impaired, or if Bank is precluded from extending such credit as a result of any law, regulation or applicable ruling. Notwithstanding anything in this Agreement to the contrary, Bank shall not be obligated to transfer from Borrower's Account to Lender's Account any cash or securities which it has a right not to transfer pursuant to any other agreement between Borrower and Bank.

(f) Bank shall be responsible for verifying that all securities and/or cash transferred to Lender's Account as Collateral fits within the definition of "Collateral" as specified in this Agreement and that physical securities are in negotiable form.

(g) Borrower and Lender agree that in effecting Tri-Party Loans, transfers between Borrower's Account and Lender's Account, including, without limitation, substitutions, are intended to be, and shall be deemed to be, simultaneous.

4. Substitutions

(a) Bank may, on each Business Day at Borrower's request and without the prior consent of or notification to Lender, transfer from Lender's Account to Borrower's Account any or all Collateral contained therein against the transfer from Borrower's Account to Lender's Account of cash Collateral having a Market Value of at least 100% of the Market Value of such Collateral (as determined by Bank on the prior Business Day) ("IntraDay Cash Collateral"). In such case, by the end of the Business Day, Borrower shall instruct Bank to transfer to Lender's Account from Borrower's Account Collateral having a Market Value (determined by Bank on that Business Day) equal to or greater than the IntraDay Cash Collateral (as such value has been subsequently increased or decreased that Business Day pursuant to Section 5 hereof) against the transfer from Lender's Account to Borrower's Account of the IntraDay Cash Collateral (as such value has been subsequently increased or decreased that Business Day pursuant to Section 5 hereof).

(b) Lender hereby authorizes Bank, from time to time at Borrower's request and without the prior consent of or notification to Lender, to release to Borrower Collateral from Lender's Account against the transfer to Lender's Account of other Collateral provided that the Collateral in Lender's Account after the substitution has a Market Value equal to or greater than the Market Value of the Collateral in Lender's Account immediately before the substitution. Notwithstanding the foregoing, the Market Value of the Collateral in Lender's Account after the substitution need not be any greater than the Intraday Cash Collateral in Lender's Account on that Business Day (as such value has been subsequently increased or decreased that Business Day pursuant to Section 5 hereof).

5. Mark-to-Market. Borrower shall mark-to-market the Borrowed Securities in the manner provided in the Securities Loan Agreement apart from any action of Bank. If Borrower is required to furnish additional Collateral to Lender as a result of the mark-to-market process, Borrower shall satisfy that requirement by instructing Bank on a Business Day to transfer from Borrower's Account to Lender's Account Collateral with a Market Value equal to the amount specified in Borrower's instructions. If Lender is required to return Collateral to Borrower as a result of the mark-to-market process, Lender hereby authorizes Borrower to satisfy that requirement by instructing Bank on a Business Day to transfer Collateral from Lender's Account to Borrower's Account with a Market Value equal to the amount specified in Borrower's instructions. Bank shall effectuate each such instruction by no later than the end of the Business Day on which it received the instruction. Bank shall not be required to make any independent determination concerning the validity of any mark-to-market instruction and shall be entitled, without any liability to Bank, to rely on Borrower's instructions.

6. Income. Bank shall credit to Borrower's Account all Income paid by or on behalf of issuers in respect of the Collateral in the event that any such amounts are received by Bank.

Notwithstanding the foregoing, in the event Bank receives a written notice from Lender of an Event of Default by Borrower, Bank shall credit such amounts to Lender's Account.

7. Lender's Account. Until the earlier of the Loan Termination Date or the date, if any, when Bank shall receive a written notice of an Event of Default from Lender or Borrower pursuant to Section 12 hereof, Lender hereby instructs Bank to hold the Collateral in Lender's Account and to refuse to act

upon any instructions of Lender or Borrower to deliver the Collateral other than as expressly provided in this Agreement. Except as provided in Section 12 hereof and other sections hereof authorizing Collateral to be transferred into or out of Lender's Account, Lender further agrees that unless Lender shall receive the written consent of Borrower and Borrower confirms Borrower's consent to Bank, Lender shall not sell, transfer, assign, pledge or otherwise utilize or transfer the Collateral held in Lender's Account.

8. Daily Statement. On each Business Day, Bank shall send to Borrower and Lender a statement describing the Collateral held in Lender's Account as of the close of the prior Business Day. Such statement shall include a statement of the Market Value of such securities and/or cash as of the prior Business Day. Notwithstanding the foregoing, no statement will be sent if there are no securities or cash in Lender's Account as of the close of the prior Business Day. Lender and Borrower shall promptly review all such statements and shall promptly advise Bank of any error, omission or inaccuracy in the cash or Collateral positions reported. Bank shall undertake to correct any errors, failures or omissions that are reported to Bank by Lender or Borrower to the extent possible. Any such corrections shall be reflected on subsequent statements.

9. Care of Property; Reliance on Instructions; and Pricing of Securities

(a) Bank shall exercise the same care with respect to property in Borrower's Account and Lender's Account as Bank exercises with respect to Bank's own property. Bank assumes responsibility only for loss to any such property of Lender or Borrower occasioned by the negligence of, or conversion, misappropriation, theft or other willful misconduct by Bank's employees. Bank's liability for lost securities shall be limited to the Market Value thereof at the date of the discovery of such loss. Notwithstanding anything to the contrary contained in this Agreement, in no event shall Bank be liable for special, consequential, or indirect damages even if Bank has been advised as to the possibility thereof and regardless of the form of action. Bank, at its option, may insure itself against loss from any cause but shall be under no obligation to obtain insurance directly for the benefit of either Borrower or Lender. In matters concerning or relating to this Agreement, Bank shall not be responsible for compliance with any statute or regulation regarding the establishment or maintenance of margin credit, including but not limited to Regulations T or X of the Board of Governors of the Federal Reserve System, or with any rules or regulations of the Office of the Controller of the Currency. Bank shall not be liable for any acts or omissions of the other parties to this Agreement. Bank

shall not have any duty to require that any cash or securities be delivered to it or to determine that the amount and form of assets deposited in the accounts comply with any applicable requirements other than as specified in this Agreement.

(b) Bank, at any time, without any resulting liability to it, may act hereunder in reliance upon any instructions or notices Bank reasonably believes to be genuine; provided, however, that all instructions and notices to Bank shall be by a signed writing (via telecopy, or otherwise), by electronic communication or by oral communication, including the code which may be assigned by Bank to Lender from time to time. Instructions to Bank from Borrower may also be given in the manner specified in the Clearance Agreement between Bank and Borrower. Bank reserves the right to confirm payment orders and/or institute any other reasonable security procedures to verify payment orders.

(c) Until written notice to the contrary is given to another party to this Agreement by Lender and such other party has had a reasonable time to amend its records, such other party shall be entitled to act on the belief that the persons listed on Schedule 2 hereto, whether or not any such person is an officer or employee of Lender, and any other person who Bank reasonably and in good faith believes is authorized to act on behalf of Lender, are authorized to act on behalf of Lender, and that any one of them has authority to transfer Collateral, hold Collateral, give notices and otherwise act under this Agreement on behalf of Lender.

(d) Bank may rely upon a recognized pricing service (or its equivalent as provided in the definition of Market Value) or a recognized credit rating service in determining the Market Value or credit ratings of the Collateral, as applicable, and shall in no circumstances be liable for any errors made by such service.

(e) All credits, debits or transfers shall be deemed to have been completed at such time as recorded on Bank's books.

(f) All transfers of securities and cash between Bank and Lender shall be made to the accounts listed on Schedule 2 hereto unless otherwise agreed between Lender and Bank.

(g) Bank undertakes to perform only such duties as are expressly set forth in this Agreement.

(h) Transfer of securities to Bank hereunder may be accomplished by crediting a proprietary or pledgee account of Bank with the Federal Reserve Bank of New York ("FRBNY"), The Participants Trust Company ("PTC"), The Depository Trust Company ("DTC") or other clearing corporation or depository legally available to Bank

(each, a "Clearing Corporation"), as the case may be, or by delivery of physical certificates to Bank in negotiable form. Borrower and Lender agree that Bank's use of a Clearing Corporation in connection with Tri-Party Loans contemplated under this Agreement is authorized and shall fully comply with all terms and conditions of this Agreement regarding Bank's transfer and custody of securities and cash. Lender and Borrower acknowledge and understand that all transfers of securities or cash by a Clearing Corporation, as the case may be, will be subject to the then applicable rules and procedures of such Clearing Corporation. No Clearing Corporation shall be deemed to be an agent of Bank, and Bank shall have no liability for the acts or omissions of any Clearing Corporation. Notwithstanding anything to the contrary contained in this Agreement, Bank shall be authorized, in its reasonable discretion, to accept a trust receipt as Collateral.

(i) Bank is not a party to the Securities Loan Agreement. Bank's obligations hereunder shall not be affected by, nor does Bank assume any liability under, the Securities Loan Agreement.

(j) Bank shall not be deemed to have independent knowledge or notice of the existence of an Event of Default. Bank shall be entitled to rely on Lender's or Borrower's written notice (including, without limitation, facsimile notice) thereof and shall have no duty to inquire into the nature or validity of an Event of Default.

(k) Bank may, with respect to questions of law, apply for and obtain the advice and opinion of counsel and shall not be deemed to be negligent or have engaged in willful misconduct in any action taken or omitted by Bank in good faith in conformity with such advice or opinion.

(l) Without limiting the generality of the foregoing, Bank shall be under no obligation to inquire into, and shall not be liable for:

(i) subject to Section 3(f) hereof, the title, validity or genuineness of any Collateral or document;

(ii) the legality of the lending or borrowing of any Collateral or the propriety of the amount of a Tri-Party Loan or the enforceability of any Trust Receipt received by Bank pursuant to this Agreement;

(iii) the due authority of any person (listed on Schedule 2 hereto with respect to Lender) to act on behalf of Lender with respect to cash or Collateral held in Lender's Account; or

(iv) the due authority of Lender, Borrower or any entities for which Lender acts to deliver, transfer, obtain or hold any particular Collateral pursuant to this Agreement.

10. Compensation. Borrower hereby agrees to pay Bank compensation for the services to be rendered hereunder, based upon rates which shall be determined from time to time in a manner agreed upon by Bank and Borrower.

11. Indemnification. Borrower hereby agrees to indemnify Bank for, and hold it harmless against, any loss, liability or expense in connection with, arising out of or in any way related to the transactions contemplated and relationship established by this Agreement or the Securities Loan Agreement, or any action or omission by Bank in connection with this Agreement, including the reasonable costs, expenses and attorneys fees of attorneys chosen by Bank incurred in defending any such claim of liability, except that Borrower shall not be liable for any loss, liability or expense that is determined to be the direct result of acts or omissions on the part of Bank constituting negligence or willful misconduct. These indemnification obligations shall survive the termination of any Loan, Tri-Party Loan, the Securities Loan Agreement, this Agreement or all of them. For purposes of this Section, "Bank" shall mean Bank, any existing or future parent company of Bank, any existing or future direct or indirect subsidiary of such parent company and any director, officer, employee or agent of any of the foregoing.

12. Event of Default; Continuing Disputes; Effect of Notice of Levy, Etc.

(a) If either Lender or Borrower shall declare an Event of Default, it shall deliver a written notice of an Event of Default to Bank and to the other party. Such notice shall identify the name of the defaulting party, the Event of Default and the Tri-Party Loan(s) which are the subject of such Event of Default. Bank shall notify the defaulting party of Bank's receipt of a written notice of an Event of Default.

(b) From and after Bank's receipt of a written notice of an Event of Default from Lender or Borrower, Bank shall continue to hold all Collateral in Lender's Account. Bank shall cease performing its normal duties in connection with the Tri-Party Loan(s) which are the subject of such Event of Default and shall await instructions as described below. In the absence of any dispute between, conflicting claims by or conflicting instructions from Borrower, Lender and any other person with respect to the Collateral or any other matter covered by this Agreement and if Bank, in the opinion of its counsel, is permitted by law to do so, Bank is hereby instructed to follow the instructions of the non-defaulting party with respect to the non-defaulting party's Account, and Bank is hereby further instructed to follow the instructions of Borrower to accept into Lender's Account cash Collateral in substitution of any Collateral therein as provided in Section 4(a) hereof.

(c) In the event of any dispute between, conflicting claims by or conflicting instructions from Borrower, Lender and any other person with respect to the Collateral, cash or any other matter covered by this Agreement or if Bank, in the opinion of its counsel, is precluded by law from acting, Bank may decline to comply with any and all claims, demands or instructions with respect to such Collateral, cash or any other matter covered by this Agreement so long as such dispute or conflict or legal inability to perform shall continue, and Bank shall not be liable for failure to act or to comply with such claims, demands or instructions. Bank shall be entitled to refuse to act or comply until (i) such dispute or conflict shall have been finally determined in a court of competent jurisdiction or settled by agreement between the conflicting parties and Bank shall have received evidence satisfactory to it of the same, (ii) Bank, in the opinion of its counsel, is permitted by law to perform or (iii) Bank shall have received security or an indemnity satisfactory to it sufficient to hold it harmless from and against any and all losses or damages, including reasonable counsel's fees and expenses that it may incur by reason of taking any action.

(d) If Bank shall be uncertain as to its duties or rights hereunder, it shall be entitled to refrain from taking any action until (i) Bank shall be directed otherwise in writing by Lender and Borrower or by a final order or judgment of a court of competent jurisdiction or (ii) Bank shall have received security or an indemnity satisfactory to it sufficient to hold it harmless from and against any and all losses or damages, including reasonable counsel's fees and expenses that it may incur by reason of taking any action.

(e) Bank shall not be required to deliver or transfer cash or securities in contravention of any order, judgment, levy, restraining notice, seizure or other similar notice issued or directed by a governmental agency or court, or officer thereof, asserting jurisdiction over Bank, any existing or future parent company of Bank, any existing or future direct or indirect subsidiary of such parent company or any director, officer, employee or agent of any of the foregoing, which on its face affects such cash or securities. Bank shall give Lender and Borrower prompt notice of any such notice or order.

(f) Bank's receipt of a notice of an Event of Default by itself shall not be considered to be a dispute or conflict for purposes of this Section 12 of this Agreement.

13. Funds Transfer Name/Identifying Number Inconsistencies. In executing or paying a payment order, Bank may rely upon the identifying number (e.g. Fedwire routing number or account number) of any party as instructed in the payment order. Borrower assumes full responsibility for any inconsistency between the name and identifying number of any party in payment orders issued to Bank in Borrower's name. Lender assumes full responsibility for any inconsistency between the name and identifying number of any party in payment orders issued to Bank in Lender's name.

14. Representations and Warranties.

(a) Lender represents and warrants that (i) it has full legal right, capacity, power and authority to execute and deliver this Agreement and to perform all of the duties and obligations to be performed by it hereunder and under the Securities Loan Agreement, (ii) this Agreement constitutes a valid, legal and binding obligation enforceable against it in accordance with its terms, except as may be limited by bankruptcy, insolvency, or similar laws, or by equitable principles relating to or limiting creditors' rights generally, (iii) the execution, delivery and performance of this Agreement and the transactions contemplated hereunder and under the Securities Loan Agreement will not violate any agreement by which it is bound or by which any of its assets are affected, or its charter or by-laws, or any statute, regulation, rule, order or judgment applicable to it, (iv) it has the unqualified right to have Borrower transfer the Collateral to it in the manner contemplated herein and in the Securities Loan Agreement; and (v) all of the Collateral, while held in Lender's Account shall not at any time be or become, as a result of any action or failure to act by Lender, subject to any lien, claim, security interest or encumbrance of any person or entity other than Lender (except as permitted by this Agreement), and all of such Collateral upon delivery to Borrower, will be free and clear of any lien, claim or encumbrance (except as may exist in favor of a Clearing Corporation pursuant to its rules).

(b) Borrower represents and warrants that (i) it is a duly organized and validly existing Delaware corporation registered as a broker dealer under the Securities Exchange Act with full power and authority to execute and deliver this Agreement and to perform all of the duties and obligations to be performed by it hereunder and under the Securities Loan Agreement, (ii) this Agreement and performance of all transactions contemplated hereunder and under the Securities Loan Agreement have been duly authorized, executed and delivered in accordance with all requisite corporate action, (iii) the person executing this Agreement on its behalf has been duly and properly authorized to do so, (iv) this Agreement constitutes a valid, legal and binding obligation enforceable against it in accordance with its terms, except as may be limited by bankruptcy, insolvency, or similar laws, or by equitable principles relating to or limiting creditors' rights generally, (v) the execution, delivery and performance of this Agreement and the transactions contemplated hereunder and under the Securities Loan Agreement will not violate any agreement by which it is bound or by which any of its assets are affected, or its charter or by-laws, or any statute, regulation, rule, order or judgment applicable to it, (vi) it has the unqualified right to sell, transfer, assign and pledge the Collateral, and all of such Collateral upon delivery to Bank for deposit into Lender's Account, will be free and clear of any lien, claim security interest or encumbrance (except as may exist in favor of a Clearing Corporation pursuant to its rules), and (vii) it is acting as principal for its own account.

(c) Bank represents and warrants that (i) it is duly organized and validly existing banking corporation under the laws of the State of New York with full power and authority to execute and deliver this Agreement and to perform all of the duties and obligations to be performed by it hereunder, (ii) this Agreement and performance of all transactions contemplated hereunder have been duly authorized, executed and delivered in accordance with all requisite corporate action, (iii) the person executing this Agreement on its behalf has been duly and properly authorized to do so, (iv) this Agreement constitutes a valid, legal and binding obligation enforceable against it in accordance with its terms, except as may be limited by bankruptcy, insolvency, or similar laws, or by equitable principles relating to or limiting creditors' rights generally, and (v) the execution, delivery and performance of this Agreement and the transactions contemplated hereunder will not violate any agreement by which it is bound or by which any of its assets are affected, or its charter or by-laws, or any statute, regulation, rule, order or judgment applicable to it.

These representations and warranties shall be deemed to be repeated on each day on which a Tri-Party Loan is outstanding.

15. Entire Agreement, Modification or Amendment. This Agreement constitutes the entire agreement of the parties with respect to its subject matter and supersedes all prior oral or written agreements in regard thereto. No modification or amendment of this Agreement shall be binding unless in writing and executed by the parties. In the event of conflict between this Agreement and the Securities Loan Agreement, this Agreement shall control.

16. Termination. This Agreement shall terminate forthwith upon termination of the Securities Loan Agreement and written notice thereof to Bank from Lender or Borrower or may be terminated by any party hereto on ten Business Days' prior written notice to the other parties; provided, however, that subject to the section entitled "Event of Default; Continuing Disputes; Effect of Notice of Levy, Etc.", any such termination shall not affect any Tri-Party Loan then outstanding.

17. Severability. If any provision of this Agreement is held to be unenforceable as a matter of law, the other terms and provisions hereof shall not be affected thereby and shall remain in full force and effect.

18. Rights and Remedies. The rights and remedies conferred upon the parties hereto shall be cumulative, and the exercise or waiver of any thereof shall not preclude or inhibit the exercise of any additional rights and remedies; provided, however, that nothing in this Section shall be construed as permitting any party, under any circumstances, to make any claim against Bank for special, indirect or consequential damages arising under or in connection with this Agreement.

19. Headings. Section headings are for reference purposes only and shall not be construed as a part of this Agreement.

20. Assignment. This Agreement shall be binding upon the parties' respective successors and permitted assigns. Neither Lender nor Borrower may assign its rights and/or obligations hereunder without the prior written consent of the other parties. Any attempted assignment without such consent shall be null and void.

21. Counterparts. This Agreement may be executed in one or more counterparts, all of which taken together shall constitute one instrument.

22. Notices. All notices shall be given to the party entitled to receive such notices at the following addresses, telephone numbers and facsimile numbers unless otherwise specified in a notice given pursuant to this Section:

(a) To Borrower. Unless and until Borrower shall give written notice to Lender and Bank to the contrary, all notices to Borrower from Lender or Bank shall be sent to it at Smith Barney Inc., 390 Greenwich Street, New York, New York 10013, attention of Peter Grant / Suzette Dupree / John Lucciola / Nancy Sherman, (212) 723-7611, and notices by telecopy to Borrower from Lender or Bank shall be sent to (212) 723-8837.

(b) To Lender. Unless and until Lender shall give written notice to Borrower and Bank to the contrary, all written notices to Lender from Borrower or Bank shall be sent to it at ____ attention of _________________ , all notices by telephone to Lender from Borrower or Bank shall be made to _______________ , and all notices by telecopy to Lender from Borrower or Bank shall be made to ____________ .

(c) To Bank. Unless and until Bank shall give written notice to Borrower and Lender to the contrary, all written notices to Bank from Borrower or Lender shall be sent to it at 4 New York Plaza, New York, New York 10004-2477, attention of Brokers and Dealers Clearance Department, all notices by telephone to Bank from Borrower or Lender shall be made to Allen B. Clark, Senior Vice President (212)-623-7219, and all notices by telecopy to Bank from Borrower or Lender shall be made to (212) 623-5959.

(d) Troubleshooting List. Until written notice to the contrary is given to the other parties by Lender or Borrower, as applicable, and the other parties have had a reasonable time to amend their records, the persons listed on Schedule 3 hereto may be contacted after business hours as necessary in connection with this Agreement.

All notices and instructions shall be deemed given when received.

23. Force Majeure. Bank shall not be liable to the other parties for any failure or delays arising out of conditions beyond its reasonable control, including, but not limited to, fire, civil disobedience, riots, rebellions, storms, acts of God and similar occurrences.

24. GOVERNING LAW. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK WITHOUT GIVING EFFECT TO THE CONFLICT OF LAWS PRINCIPLES THEREOF. THE PARTIES HERETO (I) IRREVOCABLY CONSENT TO THE EXCLUSIVE JURISDICTION AND VENUE OF ANY FEDERAL OR STATE COURT IN THE BOROUGH OF MANHATTAN, IN THE CITY OF NEW YORK, IN CONNECTION WITH ANY ACTION OR PROCEEDING ARISING OUT OF OR IN CONNECTION WITH THIS AGREEMENT, (II) IRREVOCABLY WAIVE THE RIGHT TO OBJECT TO THE VENUE OF ANY SUCH COURT ON THE GROUND OF INCONVENIENT FORUM AND (III) IRREVOCABLY WAIVE ANY AND ALL RIGHTS TO TRIAL BY JURY WITH RESPECT TO ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY SECURITIES LENDING TRANSACTION. TO THE EXTENT THAT, IN ANY JURISDICTION, ANY PARTY, BY ITSELF OR ON BEHALF OF ITS PRINCIPAL, MAY NOW OR HEREAFTER BE ENTITLED TO CLAIM, FOR ITSELF OR ITS ASSETS, OR FOR ITS PRINCIPAL OR SUCH PRINCIPAL'S ASSETS, IMMUNITY FROM SUIT, EXECUTION, ATTACHMENT (BEFORE OR AFTER JUDGMENT) OR OTHER LEGAL PROCESS, SUCH PARTY IRREVOCABLY AGREES NOT TO CLAIM, AND IT HEREBY WAIVES, SUCH IMMUNITY.

IN WITNESS WHEREOF, the parties hereto have caused their duly authorized representatives to execute this Agreement as of the day of April, 1998.

THE CHASE MANHATTAN BANK

By:

Title:

SMITH BARNEY INC.

By:

Name:
Title: Managing Director

James J. Kim

Agnes C. Kim

SCHEDULE 1

COLLATERAL SCHEDULE

None

SCHEDULE 2

Description of Cash Accounts

A. Lender's Account at Bank	B. Lender's Delivery Instructions
ABA: 021000021	ABA: ------------------------------------
CHASE NYC/DEPT 4004	Bank Name: ------------------------------
Lender's Name	A/C Name: -------------------------------
FOR SECURITIES LENDING TRI-PARTY WITH SMITH BARNEY INC.	A/C Number: -----------------------------
	Branch: ---------------------------------
	City: -----------------------------------
	Attention: ------------------------------

C. Authorized Persons for Lender

Name	Title
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SCHEDULE 3

AFTER HOURS CONTACT PERSONS

For Lender:

Name	Address	Office Number	After Hours Telephone Number

For Borrower:

Name	Address	Office Number	After Hours Telephone Number