TAIWAN SEMICONDUCTOR MANUFACTURING CO LTD Form 6-K April 29, 2005

1934 Act Registration No. 1-14700

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 6-K

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

For the month of April 2005

Taiwan Semiconductor Manufacturing Company Ltd.

(Translation of Registrant s Name Into English)

No. 8, Li-Hsin Rd. 6, Hsinchu Science Park, Taiwan

(Address of Principal Executive Offices)

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

Form 20-F b Form 40-F o

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

Yes o No b

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

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SIGNATURES

Taiwan Semiconductor Manufacturing Company Ltd.

Financial Statements for the Years Ended December 31, 2004 and 2003 and Independent Auditors Report

INDEPENDENT AUDITORS REPORT

The Board of Directors and Shareholders Taiwan Semiconductor Manufacturing Company Ltd.

We have audited the accompanying balance sheets of Taiwan Semiconductor Manufacturing Company Ltd. as of December 31, 2004 and 2003, and the related statements of income, changes in shareholders—equity and cash flows for the years then ended. These financial statements are the responsibility of the Company—s management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Taiwan Semiconductor Manufacturing Company Ltd. as of December 31, 2004 and 2003, and the results of its operations and its cash flows for the years then ended in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and accounting principles generally accepted in the Republic of China.

We have also audited the consolidated financial statements of Taiwan Semiconductor Manufacturing Company Ltd. as of and for the years ended December 31, 2004 and 2003, and have expressed an unqualified opinion on such financial statements.

(January 13, 2005 (January 30, 2005 as to Note 20m)

Notice to Readers

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

For the convenience of readers, the auditors report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language auditors report and financial statements shall prevail.

BALANCE SHEETS DECEMBER 31, 2004 AND 2003 (In Thousands of New Taiwan Dollars, Except Par Value)

	2004		2003	M
ASSETS	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 2, 3 and 4)	\$ 65,531,818	14	\$ 98,288,002	25
Short-term investments, net (Notes 2, 3 and 4)	52,979,095	11	12,559,019	3
Receivables from related parties (Note 18)	16,186,083	4	14,867,662	4
Notes receivable	2,942	•	9,893	-
Accounts receivable	15,323,939	3	13,907,914	4
Allowance for doubtful receivables (Note 2)	(980,461)		(1,016,022)	•
Allowance for sales returns and others (Note 2)	(3,327,914)	(1)	(2,126,025)	(1)
Other receivables from related parties (Note 18)	1,617,339	(-)	132,963	(-)
Other financial assets (Notes 2 and 21)	2,406,736		689,440	
Inventories, net (Notes 2 and 5)	14,171,945	3	10,907,158	3
Deferred income tax assets (Notes 2 and 12)	8,849,000	2	8,322,000	2
Prepaid expenses and other current assets	906,789		1,984,268	
Total current assets	173,667,311	36	158,526,272	40
LONG-TERM INVESTMENTS (Notes 2, 6, 16 and 21)				
Equity method	46,828,322	10	37,262,237	10
Cost method	772,634		703,116	
Long-term bonds	15,170,167	3		
Other investments	10,521,740	2		
Total long-term investments	73,292,863	15	37,965,353	10
PROPERTY, PLANT AND EQUIPMENT (Notes 2, 7 and 18) Cost				
Buildings	84,299,167	17	71,277,031	18
Machinery and equipment	390,719,215	80	332,252,225	84
Office equipment	7,041,132	1	6,180,495	1
office equipment	7,011,132		0,100,195	
	482,059,514	98	409,709,751	103
Accumulated depreciation	(300,006,201)	(61)	(247,514,312)	(62)
Advance payments and construction in progress	45,923,087	10	26,091,313	6
Net property, plant and equipment	227,976,400	47	188,286,752	47
GOODWILL (Note 2)	1,916,146		2,264,536	1

OTHER ASSETS				
Deferred charges, net (Notes 2, 8 and 20)	8,845,144	2	7,947,331	2
Deferred income tax assets (Notes 2 and 12)	1,645,003		1,070,596	
Refundable deposits (Note 18)	85,413		177,379	
Assets leased to others, net (Note 2)	78,613		84,347	
Idle assets (Note 2)	46,317		94,296	
	,		,	
Total other assets	10,700,490	2	9,373,949	2
TOTAL	\$ 487,553,210	100	\$ 396,416,862	100
LIABILITIES AND SHAREHOLDERS EQUITY				
CURRENT LIABILITIES				
Accounts payable	\$ 6,488,617	1	\$ 6,083,876	2
Payables to related parties (Note 18)	3,198,490	1	4,500,140	1
Payables to contractors and equipment suppliers	31,154,309	6	7,117,884	2
Accrued expenses and other current liabilities (Notes 2, 10	- , - ,		., .,	
and 20)	9,297,436	2	7,836,084	2
Current portion of long-term bonds payable (Note 9)	10,500,000	2	5,000,000	1
	-,,		- , ,	
Total current liabilities	60,638,852	12	30,537,984	8
LONG-TERM LIABILITIES				
Bonds payable (Note 9)	19,500,000	4	30,000,000	7
Other long-term payables (Notes 10 and 20)	1,934,968		3,300,829	1
Other payables to related parties (Notes 18 and 20)	2,317,972	1		
Total long-term liabilities	23,752,940	5	33,300,829	8
Total long-term habilities	23,732,740	3	33,300,627	O
OTHER LIABILITIES				
Accrued pension cost (Notes 2 and 11)	3,101,196	1	2,600,251	1
Guarantee deposits (Note 20)	412,393		763,489	
Deferred credits gain on intercompany (Notes 2 and 18)	682,530			
Total other liabilities	4,196,119	1	3,363,740	1
Total liabilities	88,587,911	18	67,202,553	17
SHAREHOLDERS EQUITY (Notes 2 and 14)				
Capital stock \$10 par value				
Authorized: 24,600,000 thousand shares				
Issued: 23,251,964 thousand shares in 2004 and				
20,266,619 thousand shares in 2003	232,519,637	48	202,666,189	51
Capital surplus	56,537,259	11	56,855,885	14
Retained earnings	,		2 3,322,332	
Appropriated as legal reserve	25,528,007	5	20,802,137	5
Appropriated as special reserve	, -,	-	68,945	-
Unappropriated earnings	88,202,009	18	50,229,008	13
Others	-, - - , - - , -		-, -,	
Unrealized loss on long-term investments			(35)	
_			` '	

Cumulative translation adjustments Treasury stock (at cost) 45,521 thousand shares in 2004	(2,226,427)		225,408	
and 40,597 thousand shares in 2003 (Notes 2 and 16)	(1,595,186)	6) (1,633,228)		
Total shareholders equity	398,965,299	82	329,214,309	83
TOTAL	\$ 487,553,210	100	\$ 396,416,862	100

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

STATEMENTS OF INCOME FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2004 Amount	%	2003 Amount	%
GROSS SALES (Notes 2 and 18)	\$ 260,726,896		\$ 206,157,918	
SALES RETURNS AND ALLOWANCES (Note 2)	(4,734,469)		(4,253,577)	
NET SALES	255,992,427	100	201,904,341	100
COST OF SALES (Notes 13 and 18)	145,831,843	57	129,012,704	64
GROSS PROFIT	110,160,584	43	72,891,637	36
OPERATING EXPENSES (Notes 13 and 18)				
Research and development	12,516,434	5	12,712,695	6
General and administrative	9,367,010	3	6,337,845	3
Marketing	1,454,362	1	1,193,520	1
Total operating expenses	23,337,806	9	20,244,060	10
INCOME FROM OPERATIONS	86,822,778	34	52,647,577	26
NON-OPERATING INCOME AND GAINS Investment income recognized by equity method, net (Notes				
2 and 6)	4,040,319	2	791,424	
Interest (Notes 2 and 21)	1,762,347	1	819,377	1
Technical service income (Notes 18 and 20)	423,804		209,764	
Gain on disposal of property, plant and equipment (Notes 2	164 147		420.004	
and 18) Gain on sales of investments (Note 2)	164,147 90,319		438,804 114,817	
Other (Note 18)	378,778		291,613	
	2.2,0			
Total non-operating income and gains	6,859,714	3	2,665,799	1

NON-OPERATING EXPENSES AND LOSSES

Interest (Notes 2, 7, 9 and 21)	1,352,738	1	1,576,343	1
Foreign exchange loss, net (Notes 2 and 21)	323,080		909,496	
Loss on disposal of property, plant and equipment (Note 2)	107,722		373,472	
Unrealized valuation loss on short-term investments (Notes				
2 and 4)	75,212			
Loss on property, plant and equipment and idle assets (Note				
2)			1,401,585	1
Other	45,156		24,205	
Total non-operating expenses and losses	1,903,908	1	4,285,101	2.
Total non operating expenses and losses	1,703,700	•	1,203,101	_

(Continued)

STATEMENTS OF INCOME FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2004		2003	
INCOME BEFORE INCOME TAX	Amount \$91,778,584	% 36	Amount \$ 51,028,275	% 25
INCOME TAX BENEFIT (EXPENSE) (Notes 2 and 12)	537,531		(3,769,575)	(2)
NET INCOME	\$92,316,115	36	\$47,258,700	23

	2004			003
	Before Afte Income Incor Tax Tax		Before Income Tax	After Income Tax
EARNINGS PER SHARE (NT\$, Note 17) Basic earnings per share	\$ 3.95	\$ 3.97	\$ 2.18	\$ 2.02
Diluted earnings per share	\$ 3.95	\$ 3.97	\$ 2.18	\$ 2.02

The pro forma net income and earnings per share (after income tax) are based on the assumption that the stock of parent company held by its subsidiaries is treated as an investment instead of the treasury stock, and are shown as follows (Notes 2 and 16):

NET INCOME	200 \$ 92,34		200 \$ 47,33	
EARNINGS PER SHARE (NT\$) Basic earnings per share	\$	3.96	\$	2.02
Diluted earnings per share	\$	3.96	\$	2.02

(Concluded)

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

STATEMENTS OF CHANGES IN SHAREHOLDERS EQUITY FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003 (In Thousands of New Taiwan Dollars)

	ock Issued							Unrealized	
ock Common Stock		on Stock	Conital	Local		ed Earnings		Loss on	Cumulat
nount	Shares (Thousand)	Amount	Capital Surplus	Legal Reserve	Reserve	Unappropriated Earnings	Total	Long-term Investments	
,000,000	18,622,887	\$ 186,228,867	\$ 57,004,789	\$ 18,641,108	\$	\$ 22,151,089	\$ 40,792,197	\$ (194,283)	\$ 945,
,000,000)									
				2,161,029		(2,161,029)			
					68,945	(68,945)			
	153,901	1,539,013				(1,539,013)	(1,539,013)	
						(455,000)	(455,000)	
	1,489,831	14,898,309				(14,898,309)	(14,898,309)	
l						(58,485)	(58,485)	
ı						47,258,700	47,258,700		

(158,924)

194,248

(719,

225,

10,020

20,266,619	202,666,189	56,855,885	20,802,137	68,945	50,229,008	71,100,090	(35)
			4,725,870	(68,945)	(4,725,870) 68,945		
					(681,628)	(681,628)	
272,651	2,726,514				(2,726,514)	(2,726,514)	
					(184,493)	(184,493)	
2,837,327	28,373,267				(12,159,971) (28,373,267)	(12,159,971) (28,373,267)	
					(127,805)	(127,805)	
					92,316,115	92,316,115	

34,059



(2,451,

\$(2,226,

87 867 2,757

22,781

1,864

 $(124,720) \qquad (1,247,200) \qquad (380,087) \qquad \qquad (5,432,511) \qquad (5,432,511)$

23,251,964 \$232,519,637 \$56,537,259 \$25,528,007 \$ \$88,202,009 \$113,730,016 \$

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

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STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003 (In Thousands of New Taiwan Dollars)

		2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES	ф	02 216 115	¢ 47.250.700
Net income	\$	92,316,115	\$ 47,258,700
Adjustments to reconcile net income to net cash provided by operating activities		62 072 140	61 706 114
Depreciation and amortization Deferred income taxes		63,072,140	61,786,114
Investment income recognized by equity method, net		(1,101,407) (4,040,319)	3,639,971 (791,424)
Amortization of premium/discount of long-term bond investments		28,673	(791,424)
Loss on property, plant, and equipment, and idle assets		20,073	1,401,585
Gain on sales of long-term investments, net		(2,216)	(79,149)
Gain on disposal of property, plant and equipment, net		(56,425)	(65,332)
Accrued pension cost		500,945	389,709
Changes in operating assets and liabilities		300,943	309,709
Decrease (increase) in			
Receivables from related parties		(1,318,421)	(4,752,698)
Notes receivable		6,951	50,347
Accounts receivable		(1,416,025)	(4,412,467)
Allowance for doubtful receivables		(35,561)	86,158
Allowance for sales returns and others		1,201,889	(237,042)
Other receivables from related parties		(11,496)	(64,439)
Other financial assets		(1,655,730)	189,024
Inventories, net		(3,264,787)	(566,822)
Prepaid expenses and other current assets		1,077,479	121,298
Increase (decrease) in			
Payables to related parties		(1,771,144)	2,033,142
Accounts payable		404,741	1,234,642
Accrued expenses and other liabilities		(255,184)	1,447,119
Net cash provided by operating activities		143,680,218	108,668,436
CASH FLOWS FROM INVESTING ACTIVITIES			
Increase in short-term investments		(43,822,489)	(12,529,448)
Acquisitions of		, , ,	, , ,
Long-term investments		(30,290,982)	(3,006,374)
Property, plant and equipment		(76,171,356)	(37,247,465)
Proceeds from disposal of			
Long-term investments		7,822	476,405
Property, plant and equipment		1,713,934	177,307
Increase in deferred charges		(2,404,130)	(2,137,932)

Decrease in refundable deposits Decrease in other assets		91,966	366,090 9,250
Net cash used in investing activities		(150,875,235)	(53,892,167)
			(Continued)
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STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003 (In Thousands of New Taiwan Dollars)

CACH ELOWCEDOM EINANCING ACTIVITIES	2004	2003
CASH FLOWS FROM FINANCING ACTIVITIES Cash dividends paid for common stock Repurchase of treasury stock	\$ 12,159,971) (7,059,798)	\$
Repayment of long-term bonds payable Cash bonus paid to employees	(5,000,000) (681,628)	(4,000,000)
Decrease in guarantee deposits	(351,096)	(631,577)
Cash dividends paid for preferred stock Remuneration paid to directors and supervisors	(184,493) (127,805)	(455,000) (58,485)
Proceeds from issuance of new shares arising from exercises of stock options Redemption of preferred stock	3,624	(13,000,000)
Net cash used in financing activities	(25,561,167)	(18,145,062)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(32,756,184)	36,631,207
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	98,288,002	61,656,795
CASH AND CASH EQUIVALENTS, END OF THE YEAR	\$ 65,531,818	\$ 98,288,002
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION Interest paid (excluding the amount capitalized of NT\$262,109 thousand and		
NT\$138,668 thousand in 2004 and 2003, respectively, Note 7)	\$ 1,379,287	\$ 1,652,579
Income tax paid	\$ 309,522	\$ 2,500
NONCASH INVESTING AND FINANCING ACTIVITIES Current portion of long-term bonds payable	\$ 10,500,000	\$ 5,000,000
Current portion of other payables to related parties (under payables to related	, ,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	, -,,
parties)	\$ 492,022	\$
Current portion of other long-term payables (under accrued expenses and other current liabilities)	\$ 1,505,345	\$ 1,591,972
Reclassification of short-term investments to long-term investments	\$ 3,402,413	\$

Reclassification of long-term investments to short-term investments \$ 29,571

(Concluded)

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

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NOTES TO FINANCIAL STATEMENTS

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

1. ORGANIZATION AND OPERATIONS

Taiwan Semiconductor Manufacturing Company Ltd. (the Company or TSMC), a Republic of China (R.O.C.) corporation, was incorporated as a venture among the Government of the R.O.C., acting through the Development Fund of the Executive Yuan; Philips Electronics N.V. and certain of its affiliates (Philips); and certain other private investors. On September 5, 1994, its shares were listed on the Taiwan Stock Exchange (TSE). On October 8, 1997, TSMC listed some of its shares of stock on the New York Stock Exchange (NYSE) in the form of American Depositary Shares (ADSs).

The Company is engaged mainly in the manufacturing, selling, packaging, testing and computer-aided designing of integrated circuits and other semiconductor devices and the manufacturing of masks.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements are presented in conformity with Guidelines Governing the Preparation of Financial Reports by Securities Issuers and accounting principles generally accepted in the R.O.C.

For the convenience of readers, the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the R.O.C. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language financial statements shall prevail.

Significant accounting policies are summarized as follows:

Use of Estimates

The preparation of financial statements in conformity with the aforementioned guidelines and principles requires management to make reasonable assumptions and estimates of matters that are inherently uncertain. The actual results may differ from management s estimates.

Classification of Current and Noncurrent Assets and Liabilities

Current assets are those expected to be converted to cash, sold or consumed within one year from the balance sheet date. Current liabilities are obligations due on demand within one year from the balance sheet date. Assets and liabilities that are not classified as current are noncurrent assets and liabilities, respectively.

Cash Equivalents

Government bonds under repurchase agreements and notes acquired with maturities less than three months from the date of purchase are classified as cash equivalents.

Short-term Investments

Short-term investments primarily consist of corporate bonds, asset-backed securities, bond funds, agency bonds, government bonds and others.

Short-term investments are recorded at historical cost and are carried at the lower of cost or market value as of the balance sheet date. An allowance for decline in value is provided and is charged to current earnings when the aggregate carrying value of the investments exceeds the aggregate market value. A reversal of the allowance is recorded for a subsequent recovery of the market value.

The cost of funds and listed stocks sold are counted for using the weighted-average method; whereas the other securities are accounted for using the specific identification method.

The market value of funds is determined using the net asset value of the funds at the end of the year, and the market value of listed stocks is determined using the average-closing price of the listed stocks for the last month of the year. The others are determined using the average of bid and ask prices as of the balance sheet date.

Cash dividends are recorded as investment income in the current year.

Allowance for Doubtful Receivables

An allowance for doubtful receivables is provided based on a review of the collectibility of accounts receivables. The Company determines the amount of allowance for doubtful accounts by examining the historical collection experience and current trends in the credit quality of its customers as well as its internal credit policies.

Revenue Recognition and Allowance for Sales Returns and Others

The Company recognizes net sales when the earnings process is complete, as evidenced by an agreement with the customer, transfer of title and acceptance, if applicable, have occurred, as well as the price is fixed or determinable price and the collectibility is reasonably assured. Allowance for sales returns and pricing discounts is estimated based on historical experience and any known factors that would affect the allowance. Such provisions are deducted from sales in the year the products are sold and the estimated related costs are deducted from cost of sales.

Sales are determined using the fair value taking into account related sales discounts agreed to by the Company and its customers. Sales agreements typically provide that payment is due 30 days from invoice date for a majority of the customers and 30 to 45 days after the end of the month in which the sales occur for some customers. Since the receivables from sales are collectible within one year and such transactions are frequent, the fair value of receivables is equivalent to the nominal amount of cash received.

Inventories

Inventories are stated at the lower of cost or market value. Inventories are recorded at standard cost and adjusted to the approximate weighted-average cost at the end of the year. Market value represents replacement cost for raw materials, supplies and spare parts. Market value represents net realizable value for finished goods and work in process. The Company assesses the impact of changing technology on its inventory on hand and writes off inventories that are considered obsolete. Ending inventories are evaluated for estimated excess quantities and obsolescence based on demand forecast within a specific time horizon, generally 180 days or less, and the estimated losses on scrap and slow-moving items are recognized in the allowance for losses.

Long-term Investments

Investments in companies wherein the Company exercises significant influence on the operating and financial policy decisions are accounted for using the equity method of accounting. The Company s proportionate share in the net income or net loss of investee companies is recognized in the investment income/loss recognized by equity method, net account. When equity investments are made, the difference, if any, between the cost of investment and the Company s proportionate share of the investee s net equity is amortized using the straight-line method over five years and is also recorded in the investment income/loss recognized by equity method, net account.

When the Company subscribes to additional investee shares at a percentage different from its existing equity interest, the resulting carrying amount of the investment in the investee differs from the amount of Company s proportionate share in the investee s net equity. The Company records such difference as an adjustment to long-term investments with the corresponding amount charged or credited to capital surplus.

Investments in companies wherein the Company does not exercise significant influence are recorded at historical cost. Cash dividends are recognized as dividend income in the year received but are accounted for as reductions in the carrying amount of the long-term investments if the dividends are received in the same year that the related investments are acquired. Stock dividends are recorded as an increase in the number of shares held and do not affect investment income or the carrying amount of the investment. An allowance is recognized for any decline in the market value of investments with readily ascertainable fair market value with the corresponding amount recorded as an unrealized loss, a component of shareholders—equity. A reversal of the allowance will result from a subsequent recovery of the market value of such investments. The carrying amounts of investments whose fair market values are not readily ascertainable are reduced to reflect an other-than-temporary decline in their values, with the related impairment loss charged to income.

Investments in foreign mutual funds are stated at the lower of aggregate cost or net asset value. An allowance is recognized when the net asset value of the funds is lower than their cost, with the corresponding amount recorded as a reduction to shareholders equity. A reversal of the allowance will result from a subsequent recovery of the net asset value.

The costs of stocks and mutual funds sold are determined using the weighted-average method.

Investments in long-term bonds are stated at amortized cost. The discount or premium is amortized over the duration period using the interest method, and recorded as an adjustment to interest income.

When investments in publicly-traded stocks are reclassified from short-term investments to long-term investments or from long-term investments to short-term investments, the Company recognizes a loss to the extent, if any, that the market value of such investments is lower than the carrying amount, and the market value becomes the new basis.

If an investee company recognizes an unrealized loss on its long-term investment using the lower-of-cost-or-market method, the Company also recognizes a corresponding unrealized loss in proportion to its ownership percentage in the investee company and records the amount as a component of its shareholders equity.

Gains or losses on sales from the Company to investee companies accounted for using the equity method are deferred in proportion to the Company s ownership percentage in the investee companies until realized through transactions with third parties. The entire amount of the gains or losses on sales to majority-owned subsidiaries is deferred until such gains or losses are realized through the subsequent sales of the related products to third parties.

Gains or losses on sales from investee companies to the Company are deferred in proportion to the Company s ownership percentages in the investee companies until realized through transactions with third parties.

If an investee s functional currency is a foreign currency, translation adjustments will result from the process of translating the investee s financial statements into the reporting currency of the Company. Such adjustments are accumulated and reported as a separate component of shareholders equity.

Property, Plant and Equipment, Assets Leased to Others and Idle Assets

Property, plant and equipment and assets leased to others are stated at cost less accumulated depreciation. When an impairment is determined, the related assets are stated at the lower of fair value or book value. Idle assets are stated at the lower of net realizable value or book value. Significant additions, renewals and betterments incurred during the construction period are capitalized. Maintenance and repairs are expensed in the year incurred. Interest expense incurred during the purchase and construction period is also capitalized.

Depreciation is computed using the straight-line method over the following estimated service lives: buildings 10 to 20 years; machinery and equipment 5 years; and office equipment 3 to 5 years.

Upon sale or disposal of property, plant and equipment, the related cost and accumulated depreciation are removed from the corresponding accounts, with any gain or loss credited or charged to non-operating income or expenses in the year of sale or disposal.

Goodwill

Goodwill represents the excess of the consideration paid for acquisition over the fair market value of identifiable net assets acquired and acquisition costs. Goodwill is amortized using the straight-line method over the estimated life of 10 years.

Deferred Charges

Deferred charges consist of technology license fees, software and system design costs and other charges. The amounts are amortized as follows: technology license fees—the shorter of the estimated life of the technology or the term of the technology transfer contract; software and system design costs and other charges—3 or 5 years.

Pension Costs

The Company records net periodic pension costs on the basis of actuarial calculations. Unrecognized net transition obligation and unrecognized net gains or losses are amortized over 25 years.

Income Tax

The Company uses an inter-period tax allocation method for income tax. Deferred income tax assets and liabilities are recognized for the tax effects of temporary differences and unused tax credits. Valuation allowances are provided to the extent, if any, that it is more likely than not that deferred income tax assets will not be realized. A deferred tax asset or liability is classified as current or noncurrent in accordance with the classification of its related asset or liability. However, if a deferred tax asset or liability does not relate to an asset or liability in the financial statements, then it is classified as either current or noncurrent based on the expected length of time before it is realized or settled.

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

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

Income taxes on unappropriated earnings of 10% are expensed in the year of shareholder approval which is the year subsequent to the year the earnings are generated.

Stock-based Compensation

Employee stock option plans that are amended or have options granted on or after January 1, 2004 must be accounted for by the interpretations issued by the Accounting Research and Development Foundation. The Company adopted the intrinsic value method and any compensation cost determined using this method is charged to expense over the employee vesting period.

Treasury Stock

When the Company repurchases its outstanding common stock, the cost of the reacquired stock is recorded as treasury stock as a reduction to shareholders—equity. When the Company retires treasury stock, the treasury stock account is reduced and the common stock as well as the capital surplus—additional paid-in capital are reversed in proportionate to the equity percentage of the retirement. When the book value of the treasury stock exceeds the sum of the par value and additional paid-in capital, the difference is charged to capital surplus—treasury stock and to retained earnings for any remaining amount. The Company—s stock held by its subsidiaries is also treated as treasury stock and reclassified from long-term investments to treasury stock. The cash dividends received by the subsidiaries from the Company are recorded under capital surplus—treasury stock.

Foreign Currency Transactions

Foreign currency transactions are recorded in New Taiwan dollars at the rates of exchange in effect when the transactions occur. Exchange gains or losses derived from foreign currency transactions or monetary assets and liabilities denominated in foreign currencies are recognized in current income. At the end of each year, assets and liabilities denominated in foreign currencies are revalued at the prevailing exchange rates with the resulting gains or losses recognized in current income.

Derivative Financial Instruments

The Company enters into foreign currency forward contracts to manage currency exposures in cash flow and in foreign-currency-denominated assets and liabilities. The contracts are recorded in New Taiwan dollars at the current rate of exchange of the contract date. The differences in the New Taiwan dollar amounts translated using the spot rates and the amounts translated using the contracted forward rates on the contract date are amortized over the terms of the forward contracts using the straight-line method. At the end of each year, the receivables or payables arising from forward contracts are restated using the prevailing spot rates at the balance sheet date with the resulting differences charged to income. In addition, the receivables and payables related to the forward contracts of the same counter party are netted with the resulting amount presented as either an asset or a liability. Any resulting gain or loss upon settlement is credited or charged to income in the year of settlement.

The Company enters into cross-currency swap contracts to manage currencies exposures on foreign currency denominated assets and liabilities. The principal amount is recorded using the spot rates at the contract date. The differences in the New Taiwan dollar amounts translated using the spot rates and the amounts translated using the contracted rates on the contract date are amortized over the terms of the contracts using the straight-line method. At the end of each year, the receivables or payables arising from cross-currency swap contracts are restated using the prevailing spot rate with the resulting differences charged to income. In addition, the receivables and payables related to the contracts are netted with the resulting amount presented as either an asset or a liability. The difference in interest computed pursuant to the contracts on each settlement date or the balance sheet date is recorded as an

adjustment to the interest income or expense associated with the hedged items. Any resulting gain or loss upon settlement is credited or charged to income in the year of settlement.

The Company enters into interest rate swap contracts to manage exposures to changes in interest rates on existing assets or liabilities. These transactions are accounted for on an accrual basis, in which the cash settlement receivable or payable is recorded as an adjustment to interest income or expense associated with the hedged items.

The premiums paid for the foreign currency option contracts entered into for hedging purposes are amortized and charged to income on a straight-line basis over the term of the related contract. Any resulting gain upon exercise settlement is credited or charged to income in the year of exercise.

Reclassifications

Certain accounts in the financial statements as of and for the year ended December 31, 2003 have been reclassified to conform to the financial statements as of and for the year ended December 31, 2004.

3. CASH AND CASH EQUIVALENTS

\$ 45,838,453	\$ 92,340,643
19,215,153	5,947,359
478,212	
\$ 65.531.818	\$ 98,288,002
	* *

4. SHORT-TERM INVESTMENTS

	2004	2003
Corporate bonds	\$ 13,554,598	\$
Corporate issued asset-backed securities	11,766,877	
Bond funds	10,662,758	1,000,000
Agency bonds	8,633,889	
Government bonds	7,346,858	7,692,595
Money market funds	673,888	2,038,680
Government bonds acquired under repurchase agreements	249,449	1,800,000
Commercial papers	95,666	
Corporate issued notes	63,796	
Listed stocks	6,528	27,744
	53,054,307	12,559,019
Allowance for valuation losses	(75,212)	
	\$ 52,979,095	\$ 12,559,019
Market value	\$ 52,979,095	\$12,703,444

The Company entered into investment management agreements with three well-known financial institutions (fund managers) to manage investment portfolios for the Company. In accordance with the investment guidelines and terms in these agreements, the securities invested by the fund managers cannot be below a pre-defined credit rating. As of December 31, 2004, the Company had investment portfolios with these fund managers that aggregated to an

original amount of US\$1,200,000 thousand. The investment portfolios included securities such as corporate bonds, asset-backed securities, agency bonds, government bonds and others. Securities acquired with maturities less than three months from the date of purchase were reclassified as cash equivalents.

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5. INVENTORIES, NET

	2004	2003
Finished goods	\$ 3,229,417	\$ 2,716,195
Work in process	10,713,178	8,292,327
Raw materials	808,722	445,357
Supplies and spare parts	779,368	674,548
	15,530,685	12,128,427
Allowance for losses	(1,358,740)	(1,221,269)
	\$ 14,171,945	\$ 10,907,158

6. LONG-TERM INVESTMENTS

	2004		2003	
	% of			% of
	Carrying	Owner-	Carrying	Owner-
	Amount	ship	Amount	ship
Equity method				
TSMC International Investment Ltd. (TSMC				
International)	\$ 23,778,997	100	\$ 22,654,743	100
TSMC (Shanghai) Company Limited (TSMC Shanghai)	8,113,511	100	1,901,428	100
Vanguard International Semiconductor Corporation				
(VIS)	5,401,982	28	4,077,198	28
TSMC Partners, Ltd. (TSMC Partners)	3,908,356	100	4,116,934	100
Systems on Silicon Manufacturing Company Pte Ltd.				
(SSMC)	3,290,888	32	2,759,376	32
Emerging Alliance Fund, L.P. (Emerging Alliance)	823,232	99	704,744	99
TSMC North America (TSMC North America)	502,242	100	417,858	100
Global UniChip Corporation (GUC)	391,626	47	368,434	47
VentureTech Alliance Fund II, L.P. (VTAF II)	329,968	98		
TSMC Japan K. K. (TSMC Japan)	102,572	100	101,722	100
VisEra Technologies Company, Limited (VisEra)	59,116	25	50,231	25
Chi Cherng Investment Co., Ltd. (Chi Cherng)	50,570	36	42,941	36
Hsin Ruey Investment Co., Ltd. (Hsin Ruey)	49,823	36	42,006	36
Taiwan Semiconductor Manufacturing Company Europe				
B.V. (TSMC Europe)	25,439	100	24,622	100
	46,828,322		37,262,237	
Cost method				
Non-publicly traded stocks	482,500		432,500	
Funds	290,134		270,616	
	772,634		703,116	

Long-term bonds

Government bonds	10,260,481
Corporate bonds	
China Steel Corporation	2,978,804
Taiwan Power Company	915,276
Nan Ya Plastics Corporation	407,526

(Continued)

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	2004		2003	
		% of		% of
	Carrying Amount	Owner- ship	Carrying Amount	Owner- ship
Formosa Plastics Corporation	\$ 405,485		\$	
Formosa Petrochemical Corporation	202,595			
	15,170,167			
Other investments	10,521,740			
	\$73,292,863		\$ 37,965,353	

On January 8, 2003, the Company s investee, VIS, issued 600,000 thousand shares of common stock at a price of NT\$7 per share of which the Company purchased a total of 230,882 thousand shares. VIS reduced its capital on August 11, 2004 in order to decrease its accumulated deficit. The number of shares of VIS held by the Company after the capital reduction declined from 787,016 thousand shares to 409,532 thousand shares. The Company s ownership percentage remained the same.

For the years ended December 31, 2004 and 2003, net investment income recognized from the equity method investees was NT\$4,040,319 thousand and NT\$791,424 thousand, respectively. The carrying amounts of investments accounted for under the equity method and the related investment income or losses were determined based on the audited financial statements of the investees as of and for the same periods as the Company.

As of December 31, 2004, other investments consist of the following:

	Nominal	Carrying	Range of Interest	Maturity
Step-up callable deposits	Amount	Amount	Rates	Date
Domestic bank	\$ 2,000,000	\$ 2,007,681	2.05%-2.20%	July 2007 to August 2007 June 2007 to
Foreign bank	2,138,340	2,152,394	1.44%-4.75%	August 2007
Callable range accrual deposits Foreign bank	6,383,400	6,414,151	(See below)	September 2009 to December 2009
	\$ 10,521,740	\$ 10,574,226		

During the year ended December 31, 2004, the Company deposited funds into structured-time deposits with the following terms:

The interest rate of the step-up callable deposits is determined by the Company and the related banks.

The amount of interest earned by the Company for the callable range accrual deposits is based on a pre-defined range as determined by the 3-month or 6-month LIBOR rate plus an agreed upon rate ranging between 2.1% and 3.45%. Based on the terms of the deposits, if the 3-month or 6-month LIBOR rate moves outside of the pre-defined range, the interest paid to the Company is at minimum of 1.5%. Under the term of contracts, the bank has the right to cancel the contracts before the maturity date.

Deposits that reside in Hong Kong and Singapore amounted to NT\$2,553,360 thousand and NT\$638,340 thousand, respectively.

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7. PROPERTY, PLANT AND EQUIPMENT

Accumulated depreciation consisted of the following:

	2004	2003
Buildings	\$ 35,546,918	\$ 29,384,609
Machinery and equipment	259,782,721	214,296,129
Office equipment	4,676,562	3,833,574
	\$ 300,006,201	\$ 247,514,312

Information on the status of the expansion or construction plans of the Company s manufacturing facilities as of December 31, 2004 is as follows:

	Estimated	Accumulated	
			Expected
			Date of
Construction/Expansion Plan	Total Cost	Expenditures	Commencement
Fab 12 expansion	\$ 58,744,200	\$ 41,870,300	January 2005

Interest expense for the years ended December 31, 2004 and 2003 was NT\$ 1,614,847 thousand and NT\$1,715,011 thousand, respectively (before deducting capitalized amounts of NT\$262,109 thousand in 2004 and NT\$138,668 thousand in 2003, respectively). The interest rates used for purposes of calculating the capitalized amounts was 2.80% and 2.80% to 5.283% in 2004 and 2003, respectively.

8. DEFERRED CHARGES, NET

	2004	2003
Technology license fees	\$ 6,534,899	\$5,084,684
Software and system design costs	2,160,636	2,718,270
Other	149,609	144,377
	\$ 8,845,144	\$7,947,331

9. BONDS PAYABLE

	2004	2003
Domestic unsecured bonds:		
Issued in October 1999 and repayable in October 2004, 5.95% interest payable		
annually	\$	\$ 5,000,000
Issued in December 2000 and repayable in December 2005 and 2007 in two		
equal payments, 5.25% and 5.36% interest payable annually, respectively	15,000,000	15,000,000
Issued in January 2002 and repayable in January 2007, 2009 and 2012 in three		
equal payments, 2.60%, 2.75% and 3.00% interest payable annually,		
respectively	15,000,000	15,000,000

\$30,000,000 \$35,000,000

As of December 31, 2004, future principal repayments for the Company s bonds are as follows:

Year of Repayment	Amount
2005	\$ 10,500,000
2007	7,000,000
2009	8,000,000
2010 and thereafter	4,500,000

\$30,000,000

10. OTHER LONG-TERM PAYABLES

The Company entered into several license arrangements for certain semiconductor-related patents. Future payments under the agreements as of December 31, 2004 are as follows:

Year	Amount
2005	\$ 1,505,345
2006	466,786
2007	446,838
2008	255,336
2009 and thereafter	766,008

\$3,440,313

The current portion of other long-term payables is recorded in the accrued expenses and other current liabilities account.

11. PENSION PLAN

The Company has a defined benefit pension plan for all regular employees that provides benefits based on the employee s length of service and average monthly salary and wages for the six-month period prior to retirement. The Company contributes an amount equal to 2% of salaries and wages paid each month to a Pension Fund (the Fund). The Fund is administered by a pension fund monitoring committee (the Committee) and deposited in the Committee s name in the Central Trust of China.

Information on the pension plan is summarized as follows:

a. Components of net periodic pension cost

	2004	2003
Service cost	\$ 632,594	\$ 502,116
Interest cost	128,315	109,671
Projected return on plan assets	(41,925)	(41,154)
Amortization	8,300	2,409
Net periodic pension cost	\$ 727,284	\$ 573,042

b. Reconciliation of the funded status of the plan and accrued pension cost

	2004	2003
Benefit obligation		
Vested benefit obligation	\$ 67,104	\$ 21,895
Nonvested benefit obligation	2,704,251	2,184,593
Accumulated benefit obligation	2,771,355	2,206,488
Additional benefits based on future salaries	2,132,721	1,752,208
Projected benefit obligation	4,904,076	3,958,696
Fair value of plan assets	(1,447,540)	(1,207,264)
Funded status	3,456,536	2,751,432
Unrecognized net transitional obligation	(132,791)	(141,091)
Unrecognized net loss	(222,549)	(10,090)
Accrued pension cost	\$ 3,101,196	\$ 2,600,251
Vested benefit	\$ 76,003	\$ 22,261

c. Actuarial assumptions

	2004	2003
Discount rated used in determining present values	3.25%	3.25%
Future salary increase rate	3.00%	3.00%
Expected rate of return on plan assets	3.25%	3.25%
d. Contributions to the Fund	\$ 226,339	\$ 181,106
e. Payments from the Fund	\$ 1,446	\$ 3,490

12. INCOME TAX

a. A reconciliation of income tax on income before income tax at the statutory rate and income tax expense is as follows:

	2004	2003
Income tax based on income before income tax at statutory rate (25%)	\$ (22,944,646)	\$ (12,757,069)
Tax-exempt income	15,372,913	5,255,750
Temporary and permanent differences	(2,077,362)	728,904
Current income tax on income before income tax credits	\$ (9,649,095)	\$ (6,772,415)
b. Income tax benefit (expense) consists of:		
Current income tax on income before income tax credits	\$ (9,649,095)	\$ (6,772,415)
Additional 10% income tax on unappropriated earnings	(821,767)	(1,271,759)
Income tax credits	10,470,862	7,917,070

Other income tax (563,876) (2,500) (Continued)

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	2004	2003
Net change in deferred income tax assets and liabilities		
Investment tax credits	\$ 234,690	\$ (917,759)
Temporary differences	1,034,916	80,390
Net change in valuation allowance of deferred income tax assets	(168,199)	(2,802,602)
Income tax benefit (expense)	\$ 537,531	\$ (3,769,575)
c. Deferred income tax assets (liabilities) consisted of the following:		
Current:		
Investment tax credits	\$ 8,849,000	\$ 8,322,000
Noncurrent:		
Investment tax credits	\$ 17,035,584	\$ 17,327,894
Temporary differences	(2,450,535)	(3,485,451)
Valuation allowance	(12,940,046)	(12,771,847)
	\$ 1,645,003	\$ 1,070,596

d. Integrated income tax information:

The balances of the imputation credit account (ICA) as of December 31, 2004 and 2003 were zero and NT\$2,832 thousand, respectively.

The expected and actual creditable ratio for distribution of earnings of 2004 and 2003 was zero and 0.03%, respectively.

The imputation credits allocated to the shareholders are based on the balance as of the date of dividend distribution. The expected creditable ratio for distribution of earnings of 2004 may be adjusted when the allocation of the imputation credits is made.

e. All earnings generated prior to December 31, 1997 have been appropriated.

f. As of December 31, 2004, investment tax credits consisted of the following:

Regulation Statute for Upgrading	Items Purchase of machinery	Total Creditable Amounts	Remaining Creditable Amounts	Expiry Year
Industries	and equipment	\$ 4,448,442	\$	2004
	• •	3,819,937	116,189	2005
		4,886,439	4,886,439	2006
		4,140,462	4,140,462	2007
		6,309,182	6,309,182	2008
		\$ 23,604,462	\$ 15,452,272	

(Continued)

Regulation	Items	Cı	Total reditable mounts	Cı	emaining reditable mounts	Expiry Year
Statute for He and in a	Research and					
Statute for Upgrading Industries	development expenditures	\$	2,270,013	\$		2004
maustries	expenditures		3,147,071		3,147,071	2004
			3,342,952		3,342,952	2006
			1,976,913		1,976,913	2007
			1,843,800		1,843,800	2007
Statute for Upgrading Industries	Personnel training	\$ 1: \$	2,580,749 48,659 29,448 27,312	\$ 10 \$	0,310,736 29,448 27,312	2004 2005 2006
			26,780		26,780	2007
		\$	132,199	\$	83,540	
Statute for Upgrading	Investments in important technology-based	Φ.	20.026	Φ.	20.026	2005
Industries	enterprises	\$	38,036	\$	38,036	2005

g. The sales generated from the following expansion and construction of the Company s manufacturing plants are exempt from income tax:

	Tax-Exemption
	Period
Construction of Fab 6	2001 to 2004
Construction of Fab 8 module B	2002 to 2005
Expansion of Fab 2 modules A and B, Fab 3, Fab 4, Fab 5 and Fab 6	2003 to 2006
Construction of Fab 12	2004 to 2007

h. The tax authorities have examined income tax returns of the Company through 2000. However, the Company is contesting the assessment of the tax authority for 1992 and 1998. The Company believes that any additional assessment will not have a material adverse effect on the Company.

13. LABOR COST, DEPRECIATION AND AMORTIZATION EXPENSES

Year Ended December 31, 2004
Classified
as
Operating
Year Ended December 31, 2003
Classified
as
Operating
Operating

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	Classified			Classified		
	as			as		
	Cost of			Cost of		
	Sales	Expenses	Total	Sales	Expenses	Total
Labor cost						
Salary	\$ 8,832,324	\$ 4,160,867	\$12,993,191	\$ 7,392,295	\$ 3,093,658	\$ 10,485,953
Labor and health						
insurance	571,853	309,585	881,438	476,687	239,067	715,754
Pension	471,646	255,482	727,128	379,845	190,507	570,352
Other	398,428	356,877	755,305	273,780	159,569	433,349
	\$ 10,274,251	\$ 5,082,811	\$ 15,357,062	\$ 8,522,607	\$ 3,682,801	\$ 12,205,408
Depreciation	\$ 56,001,719	\$ 2,429,967	\$ 58,431,686	\$55,699,522	\$ 2,298,375	\$ 57,997,897
Amortization	\$ 2,496,827	\$ 2,137,893	\$ 4,634,720	\$ 1,385,594	\$ 2,399,724	\$ 3,785,318
		-	20 -			

14. SHAREHOLDERS EQUITY

Common Stock, Capital Surplus and Earnings

The Company has issued a total of 668,351 thousand ADSs which are traded on the NYSE as of December 31, 2004. The number of common shares represented by the ADSs is 3,341,754 thousand shares (one ADS represents five common shares).

Capital surplus can only be used to offset a deficit under the Company Law of the R.O.C. However, the capital surplus generated from donations and the excess of the issue price over the par value of capital stock (including the stock issued for new capital, mergers, convertible bonds and the surplus arising from treasury stock transactions) may be appropriated as stock dividends restricted to a certain percentage based on shareholders ownership.

As of December 31, 2004 and 2003, the capital surplus consisted of the following:

	2004	2003
From merger	\$ 24,003,546	\$ 24,132,297
Additional paid-in capital	23,051,675	23,172,550
From long-term investments	121,354	87,295
From convertible bonds	9,360,424	9,410,632
Donations	55	55
Treasury stock	205	53,056
	\$ 56,537,259	\$ 56,855,885

The Company s Articles of Incorporation as revised on December 21, 2004, provide that the following shall be appropriated from annual earnings to the extent that the annual earnings exceed any cumulative deficit:

- a. 10% legal reserve; until the amount of total legal reserve equals the Company s paid-in capital;
- b. Special reserve in accordance with relevant laws or regulations;
- c. Remuneration to directors and supervisors and bonuses to employees at 0.3% and at least 1% of the remainder, respectively. Individuals eligible for the employee bonuses may include employees of affiliated companies as approved by the board of directors or a representative of the board of directors;
- d. The appropriation of any remaining balance shall be approved by the shareholders.

Dividends may be distributed by way of cash dividend or stock dividend at the discretion of the Company. As the operation of the Company is at a steady growth stage, distribution of profits shall be made preferably by way of cash dividend. Distribution of profits may also be made by way of stock

dividend; provided however, the ratio for stock dividend shall not exceed 50% of total distribution.

Any appropriations of net income are recorded in the financial statements in the year of shareholder approval.

An appropriation for legal reserve is required until the reserve equals the aggregate par value of the Company s issued capital stock. The reserve can only be used to offset a deficit or be distributed as a stock dividend up to 50% of the reserve balance when the reserve balance has reached 50% of the aggregate par value of the issued capital stock of the Company.

A special reserve equivalent to the net debit balance of the other components of shareholder s equity (for example, unrealized loss on long-term investments and cumulative translation adjustments, but excluding treasury stock), shall be made from unappropriated earnings pursuant to existing regulations promulgated by the R.O.C. Securities and Futures Bureau (SFB). Any special reserve appropriated may be reversed to the extent that the net debit balance of the related account reverses.

The appropriations of the earnings of 2003 and 2002 were approved in the shareholders meeting on May 11, 2004 and June 3, 2003, respectively. The appropriations and dividend per share are as follows:

	Appropriation of Earnings			nd Per Share (NT\$)	
	For Fiscal	For Fiscal	For Fiscal Year	F	For iscal Year
	Year 2003	Year 2002	2003	2	2002
Legal reserve	\$ 4,725,870	\$ 2,161,029			
Special reserve	(68,945)	68,945			
Bonus paid to employees in cash	681,628				
Bonus paid to employees in stock	2,726,514	1,539,013			
Preferred stock dividend in cash	184,493	455,000	\$ 0.35	\$	0.35
Common stock dividend in cash	12,159,971		0.60		
Common stock dividend in stock	28,373,267	14,898,309	1.41		0.80
Remuneration to directors and supervisors in cash	127,805	58,485			
	\$48,910,603	\$ 19,180,781			

The amount of the above appropriation of earnings for 2003 and 2002 is consistent with the resolution of the meetings of board of directors on February 17, 2004 and March 4, 2003, respectively. However, the Company Law of the R.O.C. states TSMC, as a holder of treasury stock shall not participate in the appropriations of earnings. Therefore, the actual cash dividend per share and stock dividend per share are slightly more than those in the aforementioned resolution. If the above employee bonus paid in stock had been paid in cash and all of the bonus to employees and remuneration to directors and supervisors had been charged against income for 2003 and 2002, the after income tax basic earnings per share for the years ended December 31, 2003 and 2002 would have decreased from NT\$2.33 to NT\$2.15 and NT\$ 1.14 to NT\$1.05, respectively. The shares distributed as a bonus to employees represented 1.35% and 0.83% of the Company s total outstanding common shares as of December 31, 2003 and 2002, respectively.

As of January 13, 2005, the board of directors have not resolved the appropriation for earnings of 2004.

The above information about the appropriations of bonus to employees and remuneration to directors and supervisors is available at Market Observation System website.

Under the Integrated Income Tax System that became effective on January 1, 1998, the R.O.C. resident shareholders are allowed a tax credit for their proportionate share of the income tax paid by the Company on earnings generated since January 1, 1998.

Preferred Stock

The Company issued 1,300,000 thousand shares of unlisted Series A preferred stock to certain investors on November 29, 2000. All of the preferred stock was redeemed at par value and retired on May 29, 2003. Under the Company s Articles of Incorporation, the Company is no longer authorized to issue preferred stock.

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The preferred shareholders had the following rights and the related terms and conditions prior to redemption:

Preferred shareholders

- a. Are entitled to receive cumulative cash dividends at an annual rate of 3.5%.
- b. Are not entitled to receive any common stock dividends (whether declared out of unappropriated earnings or capital surplus).
- c. Have priority over the holders of common shares to the assets of TSMC available for distribution to shareholders upon liquidation or dissolution; however, the pre-emptive rights to the assets shall not exceed the issue price of the shares.
- d. Have voting rights similar to that of the holders of common shares.
- e. Have no right to convert their shares into common shares. The preferred shares are to be redeemed within thirty months from their issuance. The preferred shareholders have the aforementioned rights and the Company s related obligations remain the same until the preferred shares are redeemed by the Company.

15. STOCK-BASED COMPENSATION PLANS

The Company s Employee Stock Option Plans, the 2003 Plan and the 2002 Plan, were approved on October 29, 2003 and June 25, 2002, respectively. The maximum number of units authorized to be granted under 2003 Plan and the 2002 Plan is 120,000 thousand and 100,000 thousand, respectively, with each unit representing one common share of stock. The option rights may be granted to qualified employees of the Company or any of its domestic or foreign subsidiaries, in which the Company s shareholding with voting rights, directly or indirectly, is more than fifty percent (50%). The option rights of both plans are valid for ten years and exercisable at certain percentages subsequent to the second anniversary of the grant date. Under the terms of the plans, stock option rights are granted at an exercise price equal to the closing price of the Company s common shares listed on the TSE on the date of grant. Under the 2003 Plan and the 2002 Plan, units that were never granted, or had been granted and subsequently cancelled were expired as of December 31, 2004.

On November 2, 2004, the board of directors approved the 2004 Plan, in which the maximum number of units authorized to be granted is 11,000 thousand, with each unit representing one common share of stock. The option rights may be granted to qualified employees of the Company or any of its domestic or foreign subsidiaries, in which the Company s shareholding with voting rights, directly or indirectly, is more than fifty percent (50%). The option rights of the plans are valid for ten years and exercisable at certain percentages subsequent to the second anniversary of the grant date. Under the terms of the plan, stock option rights are granted at an exercise price equal to the closing price of the Company s common shares listed on the TSE on the date of grant. The 2004 plan was approved by Bureau of Monetary Affairs, Financial Supervisory Commission of the R.O.C. on January 6, 2005.

Information on outstanding stock options for the years ended December 31, 2004 and 2003 is as follows:

	2003 Plan		2002 Plan		
	Number of Outstanding	Weighted- Average	Number of Outstanding	Weighted- Average	
	Stock Option Rights (in	Exercise Price	Stock Option Rights (in	Exercise Prices	
V 1.1D 1.21.2004	Thousands)	(NT\$)	Thousands)	(NT\$)	
Year ended December 31, 2004 Beginning outstanding balance Options granted Options exercised Options cancelled	842 13,199 (1,404)	57.8 49.9 50.9	48,515 7,201 (87) (3,899)	42.7 42.6 41.8 44.2	
Ending outstanding balance	12,637		51,730		
Year ended December 31, 2003 Beginning outstanding balance Options granted Options cancelled	843 (1)	66.5 66.5	19,369 32,031 (2,885)	48.6 50.3 48.7	
Ending outstanding balance	842		48,515		

The number of outstanding option rights and exercise prices have been adjusted to reflect the appropriations of dividends in accordance with the plans.

As of December 31, 2004, information on outstanding and exercisable option rights is as follows:

		Options Outstanding Weighted-		ding	Options E	Exercisable
		Number of	Average	Weighted-	Number of	Weighted-
	Range of		0	Average	Exercisable Options	Average
	Exercise Price	(in	Contractual Life	Exercise Price	(in	Exercise Price
2003 plan	(NT\$) 43.8-57.8	Thousands) 12,637	(Years) 9.34	(NT\$) 50.3	Thousands)	(NT\$)
2002 plan	32.8-46.2	*	8.09	42.6	10,307	41.7
Total		64,367	8.33	44.1	10,307	41.7

The compensation cost recognized for the year ended December 31, 2004 was zero. Had the Company used the fair value based method to evaluate the options granted, the method, assumptions and pro forma results of the

Company for the year ended December 31, 2004 would have been as follows:

Method:

Assumptions:
Expected dividend yield

Black-Scholes
Model

1.00%

Expected dividend yield

Expected volatility

Risk free interest rate

3.07%-3.85%

Expected life 5 years

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		NT\$
Net income:		
Net income as reported		\$ 92,316,115
Pro forma net income		92,257,355
Earnings per share (EPS)	after income tax:	
Basic EPS as reported		3.97
Pro forma basic EPS		3.97
Diluted EPS as reported		3.97
Pro forma diluted EPS		3.97

The estimated weighted average fair value for the options granted during the year ended December 31, 2004 was NT\$19.73 per option.

16. TREASURY STOCK (COMMON STOCK)

(Shares in Thousand)

	Beginning Shares	Increase/ Dividend	Decrease	Ending Shares
Year ended December 31, 2004				
Reclassification of parent company stock held by				
subsidiaries from long-term investment	40,597	5,676	752	45,521
Repurchase under share buyback plan		124,720	124,720	
	40,597	130,396	125,472	45,521
Year ended December 31, 2003				
Reclassification of parent company stock held by				
subsidiaries from long-term investment	42,001	3,357	4,761	40,597

Proceeds from the sale of treasury stock for the years ended December 31, 2004 and 2003 were NT\$39,906 thousand and NT\$331,945 thousand, respectively. The Company s capital stock held by a subsidiary as an investment is recorded as treasury stock, with the holder having the same rights as other common shareholders. As of December 31, 2004 and 2003, the book value of the treasury stock was NT\$1,595,186 thousand and NT\$1,633,228 thousand, respectively; the market value was NT\$2,241,009 thousand and NT\$2,548,788 thousand,

respectively.

The Company held a special meeting of the board of directors and approved a share buyback plan to repurchase the Company s common shares listed on the TSE during the period from March 24, 2004 to May 23, 2004. The Company repurchased 124,720 thousand common shares for a total of NT\$7,059,798 thousand. All the treasury stock repurchased under the buyback plan was retired on August 16, 2004.

17. EARNINGS PER SHARE

EPS is computed as follows:

			Number of	EPS (NT\$)	
	Amounts (N Before	Numerator) After	Shares (Denominator)	Before Income	After Income
	Income Tax	Income Tax	(Thousand)	Tax	Tax
Year ended December 31, 2004					
Basic EPS Income available to common shareholders	\$ 91,778,584	\$ 92,316,115	23,248,682	\$ 3.95	\$ 3.97
Effect of diluted securities stock options			6,404		
Diluted EPS Income available to common shareholders (including effect of diluted potential common stock)	\$91,778,584	\$ 92,316,115	23,255,086	\$ 3.95	\$ 3.97
Year ended December 31, 2003					
Net Income Less preferred stock dividends	\$ 51,028,275 (184,493)	\$ 47,258,700 (184,493)			
Basic EPS Income available to common shareholders	50,843,782	47,074,207	23,327,354	\$ 2.18	\$ 2.02
Effect of diluted potential common stock stock options			9,599		
Diluted EPS Income available to common shareholders (including effect of diluted potential common stock)	\$50,843,782	\$ 47,074,207	23,336,953	\$ 2.18	\$ 2.02

18. RELATED PARTY TRANSACTIONS

The Company engages in business transactions with the following related parties:

- a. Industrial Technology Research Institute (ITRI); the Chairman of the Company is one of its directors
- b. Philips; a major shareholder of the Company
- c. Subsidiaries

TSMC North America

TSMC Europe TSMC Japan

TSMC Shanghai

d. Investees

VIS

SSMC

GUC

VisEra

e. Indirect subsidiaries

WaferTech, LLC (WaferTech)

TSMC Technology, Inc. (TSMC Technology)

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The significant transactions with the aforementioned parties in addition to those disclosed in other notes are summarized as follows:

For the years	2004 Amount	%	2003 Amount	%
Tor the years				
Sales TSMC North America Philips and its affiliates Others	\$ 142,271,732 5,463,565 466,345	55 2	\$ 117,758,911 3,577,054 610,534	57 2
	\$ 148,201,642	57	\$ 121,946,499	59
Purchase WaferTech VIS SSMC TSMC Shanghai	\$ 15,203,047 9,169,602 5,869,123 12,752	34 21 13	\$ 11,433,083 4,910,810 5,519,805	36 15 17
	\$ 30,254,524	68	\$ 21,863,698	68
Manufacturing expenses technical assistance fee (See Note 20a) Philips	\$ 907,047	1	\$ 3,023,741	3
Marketing expenses commission TSMC Japan TSMC Europe	\$ 253,341 202,678	17 14	\$ 215,202 154,262	18 13
	\$ 456,019	31	\$ 369,464	31
General and administrative expense rental expenses GUC	\$ 13,186	2	\$	
Research and development expenses GUC	\$ 11,688		\$	
Sales of property, plant and equipment TSMC Shanghai VIS	\$ 2,969,347 33,974	96 1	\$ 15,125	9
	\$ 3,003,321	97	\$ 15,125	9
Non-operating income and gains SSMC (primarily technical service income, see Note 20e) VIS (primarily technical service income, see Note 20j) VisEra	\$ 364,505 117,760 28,917	5 2	\$ 201,869 251	8
WaferTech	3,267		2,794	

\$ 514,449 7 \$ 204,914

(Continued)

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	2004		2003	
	Amount	%	Amount	%
At end of year				
Receivables				
TSMC North America	\$ 15,526,964	96	\$ 13,946,638	94
Philips and its affiliates	581,487	4	895,063	6
Others	77,632		25,961	
	\$ 16,186,083	100	\$ 14,867,662	100
Other receivables				
TSMC Shanghai	\$ 1,472,880	91	\$	
SSMC	63,701	4	Ψ	
VIS	47,599	3	118,503	89
Others	33,159	2	14,460	11
	\$ 1,617,339	100	\$ 132,963	100
Payables				
VIS	\$ 1,533,938	48	1,034,074	23
WaferTech	913,107	29	1,184,642	27
Philips and its affiliates	469,494	15	1,579,568	35
SSMC	207,794	6	634,647	14
Others	74,157	2	67,209	1
	\$ 3,198,490	100	\$ 4,500,140	100
Other long-term payables				
Philips and its affiliates	\$ 2,317,972	100	\$	
Deferred credits gain on intercompany				
TSMC Shanghai (disposal of property, plant and				
equipment)	\$ 682,530	100	\$	
Refundable deposits				
VIS	\$		\$ 150,840	85

The terms of sales to related parties are not significantly different from those to third parties. For other related parties transactions, since there are no other similar transactions to follow, the prices are determined in accordance with the related contractual agreements.

19. SIGNIFICANT LONG-TERM OPERATING LEASES

The Company leases land from the Science-Based Industrial Park Administration. These agreements expire on various dates from March 2008 to December 2020. The agreements can be renewed upon their expiration.

Future remaining lease payments are as follows:

Year	Amount
2005	\$ 238,411
2006	238,411
2007	238,411
2008	220,246
2009	214,192
2010 and thereafter	1,422,637

\$2,572,308

20. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

The significant commitments and contingencies as of December 31, 2004 are as follows:

- a. On June 20, 2004, the Company and Philips revised the Technical Cooperation Agreement, which was originally signed on May 12, 1997, with an effective date from January 1, 2004 for five years. Upon expiration, this amended **Technical Cooperation Agreement** will be terminated at the expiration date and will not be automatically renewed. Under this amended **Technical Cooperation** Agreement, the Company will pay Philips royalties based on a fixed amounts mutually agreed-on, rather than under certain percentage of the Company s annual net sales. The Company and Philips agree to cross license the patents owned by each party. The Company also obtained through Philips a number of patent cross licenses.
- b. Under a technical cooperation agreement with ITRI, the
 Company shall reserve and allocate up to 35% of certain of its production capacity for use by the Ministry of Economic Affairs (MOEA) or any other party designated by the MOEA.

- c. Under several foundry agreements, the Company shall reserve a portion of its production capacity for certain major customers that have guarantee deposits with the Company. As of December 31, 2004, the Company had a total of US\$12,802 thousand of guarantee deposits.
- d. Under a Shareholders Agreement entered into with Philips and EDB Investments Pte Ltd. on March 30, 1999, the parties formed a joint venture company, SSMC, for the purpose of constructing an integrated circuit foundry in Singapore. As of December 31, 2004, the Company s equity interest in SSMC was 32%. The Company and Philips committed to buy specific percentages of the production capacity of SSMC. If any party defaults on the commitment and the capacity utilization of SSMC falls below a specific percentage of its total capacity, the defaulting party is required to compensate SSMC for all related unavoidable costs.
- e. The Company provides technical services to SSMC under a **Technical Cooperation Agreement** (the Agreement) entered into on May 12, 1999. The Company receives compensation for such services computed at a specific percentage of net selling price of certain products sold by SSMC. The Agreement shall remain in force for ten years and may be automatically renewed for successive periods of five years each unless pre-terminated by either party under certain conditions.
- f. Under a Technology Transfer Agreement (TTA) with National

Semiconductor Corporation (National) entered into on June 27, 2000, the Company shall receive payments for the licensing of certain technology to National. The agreement was to remain in force for ten years and could be automatically renewed for successive periods of two years thereafter unless either party gives notice for early termination under certain conditions. In January 2003, the Company and National entered into a Termination Agreement whereby the TTA was terminated for convenience. Under the Termination Agreement, the Company will be relieved of any further obligation to transfer any additional

technology. In addition, the Company granted National an option to request the transfer of certain technologies under the same terms and conditions as the terminated TTA. The option will expire in January 2008.

- g. Beginning in 2001, the Company entered into several licensing arrangements for certain semiconductor patents. The terms of the contracts range from five to ten years with payments to be made in the form of royalties over the term of the related contracts. The Company has recorded the related amounts as a liability with the corresponding amounts recorded as deferred charges which are amortized and charged to cost of sales on a straight-line basis over the estimated life of the technology or the term of the contract, whichever is shorter.
- h. In November 2002, the Company entered into an Amended and Restated Joint Technology Cooperation Agreement with Philips, Motorola, Inc. and STMicroelectronics to jointly develop 90-nm to 65-nm advanced CMOS Logic and e-DRAM technologies. The Company also agreed to align 0.12 micron CMOS Logic technology to enhance its foundry business opportunities. The Company will contribute process technologies and share a portion of the costs associated with this joint development project.
- i. In December 2003, the Company entered into a Technology Development and License Agreement with Motorola, Inc. to jointly develop 65-nm SOI (silicon on insulator) technology. The Company will also license related 90-nm SOI technology from Motorola, Inc. Any intellectual properties arising out of the co-development project shall be jointly owned by the parties. In accordance with the agreement, the Company will pay royalties to Motorola, Inc. and will share a portion of the costs associated with the joint development project.
- j. The Company provides a technology transfer to VIS under a Manufacturing License and Technology Transfer Agreement entered into in August 2004. The Company receives compensation for such technology transfer in the form of royalty payments from VIS computed at specific percentages of net selling price of certain products sold by VIS. VIS agreed to reserve its certain capacity to manufacture for the Company certain products at prior as agreed by the parties.
- k. Amounts available under unused letters of credit as of December 31, 2004 were NT\$6,480 thousand, US\$204 thousand and SG\$85 thousand.
- 1. The Company provided guarantees on loans amounting to US\$60,000 thousand and US\$40,000 thousand for TSMC Development, Inc. (TSMC Development) and TSMC North America, respectively.
- m. TSMC, TSMC North America and WaferTech filed a series of lawsuits in late 2003 and 2004 in both state and federal courts in California and with the U.S. International Trade Commission against Semiconductor Manufacturing International Corporation (SMIC), SMIC (Shanghai) and SMIC Americas. The lawsuits alleged that SMIC companies infringed multiple TSMC patents and misappropriated TSMC s trade secrets. These suits have been settled out of court on January 30, 2005. As part of the agreement, SMIC will pay TSMC US\$175 million over six years to resolve TSMC s patent infringement and trade secret claims.

21. ADDITIONAL DISCLOSURES

Following are the additional disclosures required by the SFB for the Company and its investees:

- a. Financing provided: Please see Table 1 attached;
- b. Endorsement/guarantee provided: Please see Table 2 attached;

- c. Marketable securities held: Please see Table 3 attached:
- d. Marketable securities acquired and disposed of at costs or prices of at least NT\$100 million or 20% of the paid-in capital: Please see Table 4 attached;
- e. Acquisition of individual real estate at costs of at least NT\$100 million or 20% of the paid-in capital: Please see Table 5 attached;
- f. Disposal of individual real estate at prices of at least NT\$100 million or 20% of the paid-in capital: None;
- g. Total purchase from or sale to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Please see Table 6 attached;
- h. Receivable from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Please see Table 7 attached;
- i. Names, locations, and related information of investees of which the Company exercises significant influence: Please see Table 8 attached;
- j. Financial instrument transactions:
 - 1) Derivative financial instruments

The Company entered into derivative financial instrument transactions for the years ended December 31, 2004 and 2003 to manage exposures related to foreign exchange rate and interest rate fluctuations. Certain information on these contracts is as follows:

a) Outstanding forward exchange contracts as of December 31, 2004 and 2003 are as follows:

Financial Instruments 2004	Currency	Maturity Date	A	ontract mount housands)
Sell Sell 2003	US\$/NT\$ US\$/EUR	January 2005 to March 2005 January 2005	US\$ US\$	733,000 159,081
Sell Buy Buy	US\$/NT\$ EUR/US\$ JPY/US\$	January 2004 to July 2004 January 2004 January 2004	US\$ EUR JPY	1,805,000 7,500 748,405

As of December 31, 2004 and 2003, receivables from forward exchange contracts (included in the other financial assets account) aggregate approximately NT\$392,534 thousand, and NT\$76,385 thousand; payables from forward exchange contracts (included in the other current liabilities account) aggregate approximately NT\$59 thousand and NT\$174,018 thousand.

b) Cross currency swaps

Outstanding cross currency swap contracts as of December 31, 2004 are as follows:

	Contract	Range of	Range of
		Interest	Interest
	Amount	Rate	Rate
	(in		
Maturity Date	Thousands)	Paid	Received
January 2005 to June 2005	US\$ 1,420,000	1.28%-2.72%	0.49%-1.17%

As of December 31, 2004, receivables from the cross currency swap contracts (included in the other financial assets account) was approximately NT\$761,030 thousand.

Net exchange gain or loss arising from forward exchange contracts and cross currency swap contracts was recognized in the foreign exchange loss, net account and the difference in interest was recorded in interest income or expense.

c) Interest rate swaps

Outstanding contracts as of December 31, 2004 and 2003 were as follows:

			ntract nount
Contract Date 2004	Period	(in Th	ousands)
September 2003	September 2003 to December 2005	NT\$	500,000
October 2003	October 2003 to December 2005	NT\$	500,000
October 2003	October 2003 to December 2005	NT\$	500,000
October 2003	October 2003 to December 2005	NT\$	500,000
October 2003	October 2003 to December 2005	NT\$	500,000
November 2003	November 2003 to December 2005	NT\$	500,000
2003			
September 2003	September 2003 to December 2005	NT\$	500,000
October 2003	October 2003 to December 2005	NT\$	500,000
October 2003	October 2003 to December 2005	NT\$	500,000
October 2003	October 2003 to December 2005	NT\$	500,000
October 2003	October 2003 to December 2005	NT\$	500,000
November 2003	November 2003 to December 2005	NT\$	500,000
July 1999	July 1999 to June 2004	US\$	2,857

d) Option contracts

During 2004, the Company did not enter into any foreign currency option contracts.

There were no outstanding option contracts as of December 31, 2003. The Company entered into

foreign currency option contracts for hedging purposes; therefore, the related premiums and the foreign exchange gain or loss are recognized in the foreign exchange loss, net account.

e) Transaction risk

- i) Credit risk. Credit risk represents the positive net settlement amount of those contracts with positive fair values at the balance sheet date. The positive net settlement amount represents the loss incurred by the Company if the counter-parties breached the contracts. The banks, which are the counter-parties to the foregoing derivative financial instruments, are reputable financial institutions. Management believes its exposure related to the potential default by those counter-parties is low.
- ii) Market price risk. All derivative financial instruments are intended as hedges for fluctuations in foreign exchange rates and interest rates. Gains or losses from these hedging instruments are likely to be offset by gains or losses from the hedged items. Interest rate risks are also controlled as the expected cost of capital is fixed. Thus, market price risks are believed to be low.
- iii) Cash flow risk and the amount and period of future cash needs.

As of December 31, 2004, the Company s future cash needs for outstanding forward exchange contracts and cross currency swap contracts are as follows:

	Inflow	Outflow
Term	(In Thousands)	(In Thousands)
Within one year	NT\$ 69,761,484	US\$ 2,312,081
	EUR 118,500	

The Company has sufficient operating capital to meet the above cash needs. In addition, there will be corresponding cash inflow for the cash outflow. Therefore, the cash flow risk is low.

2) Fair values of financial instruments were as follows:

	2004		2003		
Non-derivative financial instruments	Carrying Amount (In Tho	Fair Value ousands)	Carrying Amount (In Tho	Fair Value usands)	
Assets Short-term investments, net Long-term investments (securities with market price) Liabilities Bonds payable (including current portion)	\$ 52,979,095 20,572,150 30,000,000	\$ 52,979,095 23,657,754 30,607,341	\$ 12,559,019 4,077,198 35,000,000	\$ 12,703,444 10,465,676 35,850,377	
Derivative financial instruments Forward exchange contracts (buy) Forward exchange contracts (sell)	391,975	317,090	2,351 (99,984)	3,037 40,638	

Cross currency swap contracts 761,030 760,012
Interest rate swap contracts 4,361 (22,714) 2,093
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The above financial instruments do not include cash and cash equivalents, receivables, other financial assets, payables, and payable to contractors and equipment suppliers. The carrying amounts of the aforementioned instruments reported in the balance sheet approximate their fair values.

The above financial instruments also exclude refundable deposits, guarantee deposits, long-term investments that do not have quoted market prices as well as other long-term payables. The future cash inflow and outflow of the deposits approximate their fair values. Some of long-term investments do not have quoted market prices; therefore, fair values for those long-term investments are not shown above. The fair value of other long-term payables is determined using the discounted value of expected cash flows, which approximates the carrying value.

Fair values of financial instruments were determined as follows:

- a) Fair value of short-term and publicly traded long-term investments is based on quoted market prices.
- b) The fair value of bonds payable is the quoted market value.
- c) Fair value of derivative financial instruments is the amount receivable from or payable to the counter-party if the contracts were terminated on the balance sheet date.

k. Information on investment in Mainland China

- 1) The name of the investee company in mainland China, the main businesses and products, its issued capital, method of investment, information on inflow or outflow of capital, ratio of ownership, equity in the net gain or net loss, ending balance, amount received as earnings distributions from the investment, and the limitation on investment: Please see Table 9 attached.
- 2) Significant direct or indirect transactions with the investee company, its prices and terms of payment, unrealized gain or loss, and other related information which is helpful to understand the impact of investment in mainland China on financial reports: Please see Note 18.

22. SEGMENT FINANCIAL INFORMATION

a. Gross export sales

Area	2004	2003
Americas	\$113,948,320	\$ 103,600,081
Asia and others	91,057,215	63,349,186
Europe	19,084,530	11,706,059
	\$ 224 090 065	\$ 178 655 326

The export sales information is based on amounts billed to customers within the area.

b. Major customers representing at least 10% of net total sales:

In 2004, there is no customer accounted for at least 10% of the Company s total sales. The Company only has one customer that accounts for at least 10% of its total sales in 2003. The sales to such customer amounted to \$ 21,893,320 thousand and \$31,220,104 thousand in 2004 and 2003, representing 8% and 15% of its total sales, respectively.

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TABLE 1

TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LTD. AND INVESTEES

FINANCING PROVIDED FOR THE YEAR ENDED DECEMBER 31, 2004 (Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

				Maximum Balance for the	Ending					Financin Limit	Financing ngCompany Financing
	Financing		Financial Statement		Balance (US\$ in	Inter dsi n	Type of Æ rwin Note	Reasons foli gct ish ort-term		for Each t &ar rowir	Amount Limits ng (US\$ in
D.	Name	Counter-party	Account	Thousand)	Thousand)	`		ountFinancing		a lGo mpar	yThousand)
	TSMC	TSMC	Other					Operating			
	International	Development		\$ 1,915,020 (US\$60,000) (2 \$	S capital	\$ \$		\$ 31,532,982 (US\$987,968 (Note 2)
		TSMC	Other								`
		Technology	receivables	319,170 (US\$10,000)							
	TSMC	TSMC	Other					Operating			ļ
	Partners	Development	receivables	2,553,360 (US\$80,000) (2	capital		N/A	(Note 3)

Note 1: The No. 2 represents necessary for short-term financing.

Note 2: Not exceeding the issued capital of the Company.

Note 3: Generally not exceeding the issued capital of the Company, unless approved by all members of the board.

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TABLE 2

Ratio

TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LTD. AND INVESTEES

ENDORSEMENT/GUARANTEE PROVIDED FOR THE YEAR ENDED DECEMBER 31, 2004

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

					of			
					UI			
			Accumulated					
				ValueAmount				
			Maximum		of of			
				Collateral				
Counter	-party		Balance	EndingCo	llateralto	Max		
	1 0			8				
			for the		Equi	ty		
	Nature of		Year	BalancePr	_	-		
					Plant Late	st Amo		
	Relationship	Limits on Each Counter-party s	(US\$ in	(US\$ in	andFinan	cial Allov		
Name	-	- · ·	,					
TSMC	,		,		•	`		
Development	3	Not exceed 10% of the net worth of	\$ 1,915,020	\$ 1,915,020	\$ 0.48	\$99,7		
•		the Company, and also limiting to the total capital issued of the	(US\$60,000)	(US\$60,000)		·		
		unless otherwise approved by Board						
TCMC		of Directors.	1 276 690	1 276 690	0.22	00/		
	2					270		
North America	2		(US\$40,000)	(US\$40,000)				
WaferTech	3		14,043,480					
		(US\$440,000)					
	Name TSMC Development TSMC North America	Name (Note 2) TSMC Development 3 TSMC North America 2	Name TSMC Development 3 Not exceed 10% of the net worth of the Company, and also limiting to the total capital issued of the endorsement/guarantee company, unless otherwise approved by Board of Directors. TSMC North America 2 WaferTech 3 Vot exceed 10% of the net worth of the Company, and also limiting to the endorsement/guarantee company, unless otherwise approved by Board of Directors.	Name TSMC Development 3 Not exceed 10% of the net worth of the Company, and also limiting to the total capital issued of the endorsement/guarantee company, unless otherwise approved by Board of Directors. TSMC North America 2 for the Year for the Year (US\$ in Thousand) Thousand) 1,915,020 (US\$60,000) 1,276,680 (US\$40,000)	Counter-party Relationship (Note 2) Development 3 Not exceed 10% of the net worth of the Company, and also limiting to the total capital issued of the endorsement/guarantee company, unless otherwise approved by Board of Directors. TSMC North America 2 WaferTech 3 Not exceed 10% of the net worth of the Company, and also limiting to the total capital issued of the endorsement/guarantee company, unless otherwise approved by Board of Directors. 1,276,680 (US\$40,000) (US\$40,000)	Counter-party Nature of Name Relationship Name (Note 2) Not exceed 10% of the net worth of the total capital issued of the endorsement/guarantee company, unless otherwise approved by Board of Directors. TSMC North America 2 WaferTech 3 WaferTech 3 WaferTech 3 WaferTech 3 Not exceed 10% of the net worth of the total capital issued of the endorsement/guarantee company, unless otherwise approved by Board of Directors. TSMC North America 2 North America 3 Not exceed 10% of the net worth of the North of the Company, and also limiting to the total capital issued of the endorsement/guarantee company, unless otherwise approved by Board of Directors. TSMC North America 3 14,043,480		

Note 1: 25% of the net worth of the Company as of December 31, 2004.

Note 2: The No. 2 represents a subsidiary in which the Company holds directly over 50% of the equity interest.

The No. 3 represents an investee in which the Company holds directly and indirectly over 50% of the equity interest.

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TABLE 3

TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LTD. AND INVESTEES

MARKETABLE SECURITIES HELD DECEMBER 31, 2004

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

]	December	31, 200		ket Value or
						arrying Value I	Percenta		et Asset Value
	Marketable Securities	Relationship with	Financial Stateme	nShares/Units (In	(US\$ in	of	(US\$ in
any Name	Type and Name	the Company	Account	Thousand)	Th	ousand) (Ownersh	ip Th	ousand)
ny	Government bonds								
	2003 Government		Short-term						
	Bond Series A		investment	\$,	1,207,409	9 N/A	\$	1,202,028
	United States Treas		Short-term						
	NTS		investment	J	JS\$	192,357	7 N/A	US\$	191,824
	2003 Government		Long-term						
	Bond Series I		investment			3,397,08	l N/A		3,393,982
	2004 Government		Long-term						
	Bond Series A		investment			2,349,573	3 N/A		2,352,973
	2004 Government		Long-term						
	Bond Series E		investment			3,893,827	7 N/A		3,892,025
	2004 Kaohsiung								
	Municipal Bond		Long-term						
	Series A		investment			620,000) N/A		620,000
	Bonds under		Short-term						
	repurchase agreement		investment			249,449	9 N/A		251,593
	Bond funds								
			Short-term						
	JF Taiwan Bond Fund		investment	78,698		1,153,209	9 N/A		1,169,406
	ABN AMRO Bond		Short-term						
	Fund		investment	134,906		1,956,175	5 N/A		1,978,785
	JF Taiwan First Bond		Short-term						
	Fund		investment	84,886		1,151,463	3 N/A		1,162,632
	INVESCO R.O.C.		Short-term						
	Bond A Fund		investment	76,705		1,101,91	l N/A		1,111,932
	Dresdner Bond DAM		Short-term						
	Fund		investment	80,833		900,000) N/A		910,904
			Short-term						
	Barits Bond Fund		investment	76,640		900,000) N/A		907,765

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Shinkong Chi Shin		Short-term					
Bond Fund		investment	151,594	2,100,000	N/A	2,115,554	
ABN AMRO Select		Short-term					
Bond Fund		investment	18,235	200,000	N/A	201,183	
		Short-term					
NITC Bond Fund		investment	3,764	600,000	N/A	602,703	
HSBC NTD Money		Short-term					
Management Fund		investment	41,568	600,000	N/A	601,958	
Ctools							
<u>Stock</u>		Short-term					
Taiwan Mask Corp.		investment	1,787	6,528		27,552	
raiwan wask corp.		Long-term	1,707	0,328		21,332	
TSMC International	Subsidiary	investment	987,968	23,778,997	100	23,778,997	
15Wie international	Subsidiary	Long-term	707,700	23,110,771	100	23,110,771	
VIS	Investee	investment	409,532	5,401,982	28	8,493,692	
2		Long-term	,	-,		2, 1, 2, 0, 2	
TSMC Partners	Subsidiary	investment	300	3,908,356	100	3,908,356	
	•	Long-term					
SSMC	Investee	investment	382	3,290,888	32	3,290,888	
	Subsidiary	Long-term	11,000	502,242	100	1,179,352	T
		investment					st
							N
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							d
							fı
TOMO N							C
TSMC North America		Τ ,					V
CUC	I	Long-term	20.040	201.626	47	410 272	
GUC	Investee	investment Long-term	39,040	391,626	47	418,272	
TSMC Japan	Subsidiary	investment	6	102,572	100	102,572	
15WC Japan	Substatary	Long-term	O	102,372	100	102,372	
VisEra	Investee	investment	5,100	59,116	25	59,116	
Violita	III (estec	Long-term	2,100	25,110	25	37,110	
TSMC Europe	Subsidiary	investment		25,439	100	25,439	
United Industrial Gases	,	Long-term		-,		-,	
Co., Ltd.		investment	16,783	193,584	10	284,036	
Shin-Etsu Handotai		Long-term					
Taiwan Co., Ltd.		investment	10,500	105,000	7	170,940	
					((Continued)	

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					December	: 31, 200	4 Market
					Carrying Value		Value or Net Asset Value
	M1-4-1-1-C4	D-1-4:	E::-1 C4-4	Ch/II4		ercentag	,
	Marketable Securities	Relationship with	Financiai Staten	ne mn ares/Unit (In	s (US\$ in	of	(US\$ in
Company Name	Type and Name	the Company	Account	,	Thousand)O	wnerchi	nThousand)
Company Name	W.K. Technology Fund	the company	Long-term	i nousanu)	Thousand) O	WHCI SIII	p i nousana)
	IV		investment	5,000 \$	50,000	2	\$ 55,146
	Hontung Venture		Long-term	3,000 4	50,000	_	Ψ 33,140
	Capital Co., Ltd.		investment	8,392	83,916	10	53,571
	Globaltop Partner I		Long-term	0,372	03,710	10	33,371
	Venture Capital Corp.		investment	5,000	50,000	1	49,909
	venture Capital Corp.		mvestment	3,000	30,000	1	47,707
	Corporate bonds						
	Taiwan Power		Short-term				
	Company		investment		2,777,798	N/A	2,749,413
			Short-term		_,,,,,,,		_,, ., ,
	Abbott Labs		investment	Ţ	JS\$ 2,732	N/A	US\$ 2,709
			Short-term		_,		_,,,,,
	Abbott Labs		investment	Ţ	JS\$ 1,581	N/A	US\$ 1,587
			Short-term		-,		-,
	Ace Ltd		investment	Ţ	JS\$ 1,046	N/A	US\$ 1,042
	AIG Sunamerica		Short-term		, , , , , , , , , , , , , , , , , , , ,		,-
	Global Fing IX		investment	J	JS\$ 1,032	N/A	US\$ 1,028
	Allstate Finl Global		Short-term		, , , , , , , , , , , , , , , , , , , ,		,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,
	Fdg LLC		investment	Į	JS\$ 3,171	N/A	US\$ 3,096
			Short-term				
	American Express Co.		investment	Į	JS\$ 3,550	N/A	US\$ 3,503
	American Gen Fin		Short-term				
	Corp.		investment	J	JS\$ 1,768	N/A	US\$ 1,765
	American Gen Fin		Short-term		,,,,,,		,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,
	Corp. Mtn		investment	Į	JS\$ 3,130	N/A	US\$ 3,087
	American Gen Fin		Short-term		. ,		,
	Corp. Mtn		investment	Ţ	JS\$ 1,058	N/A	US\$ 1,042
	American Honda Fin		Short-term		. ,		,
	Corp. Mtn		investment	Ţ	JS\$ 3,800	N/A	US\$ 3,803
	American Intl Group		Short-term		,		
	Inc. Mtnf		investment	Ţ	JS\$ 3,795	N/A	US\$ 3,795
			Short-term		•		•
	Amgen Inc.		investment	Ţ	JS\$ 3,005	N/A	US\$ 2,991
	Amsouth Bk		Short-term		,		
	Birmingham Ala		investment	Ţ	JS\$ 1,972	N/A	US\$ 1,978
	J		Short-term		,		, -
	ANZ Cap Tr I		investment	Ţ	JS\$ 1,012	N/A	US\$ 1,001
	Bank New York Inc.				JS\$ 1,525	N/A	•
					-		•

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	Short-term					
	investment					
	Short-term					
Bank New York Inc.	investment	US\$	3,945	N/A	US\$	3,943
Bank Scotland Treas	Short-term	Ουψ	3,773	1 1/1 1	Ουψ	3,773
Sves PLC	investment	US\$	2,715	N/A	US\$	2,717
Bank Utd Houston TX	Short-term	Ουψ	2,110	1 1/ / 1	Ουψ	2,111
Mtbn	investment	US\$	580	N/A	US\$	574
Witon	Short-term	Ουψ	200	1 1/1 2	$CD\Psi$	3,1
Bear Stearns Cos Inc.	investment	US\$	3,518	N/A	US\$	3,493
Bear Stearns Cos Inc.	Short-term	~ ∓	2,2 = 2	2 1	C 2 4	٠,٠.٠
Medium Te	investment	US\$	3,105	N/A	US\$	3,105
Berkshire Hathaway	Short-term		- ,	•		,
Fin Corp.	investment	US\$	1,498	N/A	US\$	1,494
Bristol Myers Squibb	Short-term	•	,		•	,
Co.	investment	US\$	3,819	N/A	US\$	3,788
British			-			-
Telecommunications	Short-term					
PLC	investment	US\$	2,104	N/A	US\$	2,091
	Short-term					
Cargill Inc.	investment	US\$	2,120	N/A	US\$	2,079
Chase Manhattan Corp.	Short-term					
New	investment	US\$	1,628	N/A	US\$	1,613
	Short-term					
Cit Group Hldgs Inc.	investment	US\$	3,203	N/A	US\$	3,195
	Short-term					
Citigroup Inc.	investment	US\$	2,000	N/A	US\$	2,002
	Short-term					
Citigroup Inc.	investment	US\$	1,033	N/A	US\$	1,033
	Short-term		- 702	,,	~~ .	
Citigroup Inc.	investment	US\$	3,583	N/A	US\$	3,523
~	Short-term	***	1 505			
Colonial Pipeline Co.	investment	US\$	1,625	N/A	US\$	1,612
Compaq Computer	Short-term	×ταφ	2.710	37/4	******	2.502
Corp.	investment	US\$	3,719	N/A	US\$	3,593
Consolidated Edison	Short-term	TIOO	2.607	37/A	TIOO	2 (10
Co. NY Inc.	investment	US\$	3,687	N/A	US\$	3,618
	Short-term	TIOO	1.060	NT/A	TIOO	1.060
Corestates Cap Corp.	investment	US\$	1,062	N/A	US\$	1,060
Countrywide Fdg Corp.	Short-term	TICO	2 150	NT/A	TICO	2 151
Mtn Countrywide Home	investment	US\$	2,158	N/A	US\$	2,151
Countrywide Home	Short-term	TIC¢	5 210	NT/A	TICO	5 157
Lns Inc.	investment	US\$	5,210		US\$	5,157
				(C	ontinued)	

December 31, 2004

Market Value or

Carrying Value

Net Asset Value

Percentage

			I CI CCIII	.s.
Marketable Securities	Relationship with	Financial Stater Shates/Units in	of	(US\$ in
		(In		

	Marketable Securities	Relationship with	Financial State	Mahates/Un(it/S\$ in (In	of	(US\$ in	
Held Company Name	Type and Name	the Company	Account	Thousa Ta ousan a o	vnersł	niphousand)	Note
	Credit Suisse Fb USA		Short-term			_	
	Inc.		investment	US\$ 2,645	N/A	US\$ 2,599	
	Credit Suisse First		Short-term				
	Boston		investment	US\$ 786	N/A	US\$ 779	
	Credit Suisse First		Short-term				
	Boston USA		investment	US\$ 2,249	N/A	US\$ 2,240	
	Daimlerchrysler North		Short-term				
	Amer		investment	US\$ 997	N/A	US\$ 999	
	Daimlerchrysler North		Short-term				
	Amer Hld		investment	US\$ 749	N/A	US\$ 755	
			Short-term				
	Dell Computer Corp.		investment	US\$ 3,054	N/A	US\$ 3,025	
	Den Danske BK		Short-term				
	Aktieselskab		investment	US\$ 2,192	N/A	US\$ 2,166	
	Deutsche Telkom Intl		Short-term				
	Fin BV		investment	US\$ 1,852	N/A	US\$ 1,838	
			Short-term				
	Diageo PLC		investment	US\$ 3,459	N/A	US\$ 3,477	
			Short-term				
	Dow Chem Co.		investment	US\$ 921	N/A	US\$ 911	
			Short-term				
	European Invt Bk		investment	US\$ 8,315	N/A	US\$ 8,236	
	Fifth Third Bk		Short-term				
	Cincinnati OH		investment	US\$ 2,419	N/A	US\$ 2,466	
			Short-term				
	First Data Corp.		investment	US\$ 3,013	N/A	US\$ 2,986	
			Short-term				
	First Un Corp.		investment	US\$ 970	N/A	US\$ 965	
	Fleet Finl Group Inc.		Short-term				
	New		investment	US\$ 494	N/A	US\$ 493	
	Fleet Finl Corp Inc.		Short-term				
	New		investment	US\$ 975	N/A	US\$ 962	
			Short-term				
	Ford Mtr Cr Co.		investment	US\$ 1,542	N/A	US\$ 1,535	
			Short-term				
	FPL Group Cap Inc.		investment	US\$ 1,001	N/A	US\$ 990	
			Short-term				
	FPL Group Cap Inc.		investment	US\$ 860		US\$ 846	
				US\$ 3,467	N/A	US\$ 3,455	

General Elec Cap Corp.	Short-term		
Mtn	investment		
General Elec Cap Corp.	Short-term		
Mtn	investment	US\$ 1,040	N/A US\$ 1,040
General Elec Cap Corp.	Short-term	03\$ 1,040	1WA 05\$1,040
Mtn	investment	US\$ 3,886	N/A US\$ 3,878
IVICII	Short-term	03\$ 3,660	1VA US\$ 3,070
Genworth Finl Inc.	investment	US\$ 3,412	N/A US\$ 3,408
Goldman Sachs Group	Short-term	03\$ 3,412	1WA 03\$ 3,400
Inc. Mtn	investment	US\$ 3,505	N/A US\$ 3,494
Goldman Sachs Group	Short-term	03\$ 3,303	IVA US\$ 5,494
LP	investment	US\$ 1,637	N/A US\$ 1,599
Goldman Sachs Group	Short-term	03\$ 1,037	IVA US\$ 1,399
LP	investment	US\$ 1,100	N/A 1100 1 075
LF	Short-term	03\$ 1,100	N/A US\$ 1,075
Greenpoint Finl Corp.	investment	US\$ 974	N/A US\$ 972
Greenpoint Fini Corp.	Short-term	039 974	N/A US\$ 9/2
CTE Com		11000 124	N/A 1100 2 100
GTE Corp. Hancock John Global	investment	US\$ 2,134	N/A US\$ 2,109
	Short-term	11C# 1 002	NIA LICO OOC
Fdg Mtn	investment	US\$ 1,003	N/A US\$ 986
Hartford Finl Svcs	Short-term	110¢ 765	NIA LICO 750
Group Inc.	investment	US\$ 765	N/A US\$ 758
Hartford Finl Svcs	Short-term	110¢ 206	NIA LICE 200
Group Inc.	investment	US\$ 296	N/A US\$ 296
Hallan Einl In a	Short-term	110¢ 1 171	NI/A 1100 1 162
Heller Finl Inc.	investment	US\$ 1,171	N/A US\$ 1,163
Hanshay Foods Com	Short-term	11001607	NIA TICC 1 COC
Hershey Foods Corp.	investment	US\$ 1,627	N/A US\$ 1,606
II1-44 De al1 Ce	Short-term	1100 2 272	NI/A TICE 2 205
Hewlett Packard Co.	investment	US\$ 3,373	N/A US\$ 3,305
Hanasanall Inc	Short-term	11002 204	NI/A TICE 2 210
Honeywell Inc.	investment	US\$ 3,284	N/A US\$ 3,218
Harris 11E. Com	Short-term	110¢ 520	NIA LIGO 500
Household Fin Corp.	investment	US\$ 529	N/A US\$ 522
Harris 11E's Com	Short-term	1100 2 002	NI/A TICE 2 005
Household Fin Corp.	investment	US\$ 2,993	N/A US\$ 2,985
Household Fin Corp. Mtn Bk Ent	Short-term investment	11002 542	N/A US\$ 3,510
WILLI DK EIIL		US\$ 3,542	IVA US\$ 5,510
HCDC HCA Inc. Nov.	Short-term	110¢ 1 154	NI/A TICC 1 124
HSBC USA Inc. New	investment	US\$ 1,154	N/A US\$ 1,134
Huntington Notl Dlr	Short-term	1100 2 002	N/A 1100 2 000
Huntington Natl Bk Huntington Natl Bk	investment Short-term	US\$ 3,003	N/A US\$ 3,000
Columbus OH		1100 2 054	N/A 1100 2 061
Columbus OH	investment	US\$ 2,954	N/A US\$ 2,961
ING Bank	Short-term	110001114	NIA TICCO 112
ING Dalik	investment	US\$ 2,114	N/A US\$ 2,113
ING See Life Inc Incelf	Short-term	1100 2 012	NIA TICE 2 007
ING Sec Life Ins Ingslf Intl Bk For Recon +	investment	US\$ 3,012	N/A US\$ 3,007
	Short-term	1100 5 020	N/A 1100 5 100
Dev	investment	US\$ 5,232 US\$ 1,043	N/A US\$ 5,102 N/A US\$ 1,039
JP Morgan Chase + Co.		US\$ 1,045	IVA US\$ 1,039

Short-term
investment
Short-term

Jackson Natl Life

Global Fdg investment US\$ 1,036 N/A US\$ 1,032 Jackson Natl Life Short-term

Global Fdg S investment US\$ 2,998 N/A US\$ 2,988

(Continued)

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December 31, 2004

Market Value or

Carrying Value

Net Asset Value

				Percentage			
	Marketable Securities	Relationship with	Financial State	Shates/Units\$\$ in	of	(US\$ in	
				(In			
Held Company Name	Type and Name	the Company	Account	ThousaTdousanOv	vnersh	iphousand)	Note
			Short-term				
	JP Morgan Chase + Co.		investment	US\$ 3,663	N/A	US\$ 3,629	
	Keycorp Mtn Book		Short-term				
	Entry		investment	US\$ 3,500	N/A	US\$ 3,502	
			Short-term				
	KFW Intl Fin Inc.		investment	US\$ 5,104	N/A	US\$ 5,027	
			Short-term				
	Kraft Foods Inc.		investment	US\$ 773	N/A	US\$ 765	
			Short-term				
	Kraft Foods Inc.		investment	US\$ 1,037	N/A	US\$ 1,036	
	Lehman Brothers		Short-term				
	Hldgs Inc.		investment	US\$ 1,163	N/A	US\$ 1,162	
	Lehman Brothers		Short-term				
	Hldgs Inc.		investment	US\$ 3,705	N/A	US\$ 3,634	
	Lehman Brothers		Short-term				
	Hldgs Inc.		investment	US\$ 2,171	N/A	US\$ 2,154	
			Short-term				
	Lilly Eli + Co.		investment	US\$ 3,750	N/A	US\$ 3,749	
			Short-term				
	Lincoln Natl Corp. In		investment	US\$ 519	N/A	US\$ 518	
			Short-term				
	Merita Bk Ltd NY Brh		investment	US\$ 538	N/A	US\$ 533	
	Merrill Lynch + Co.		Short-term				
	Inc.		investment	US\$ 3,486	N/A	US\$ 3,481	
	Metropolitan Life		Short-term				
	Global Mtn		investment	US\$ 1,907	N/A	US\$ 1,910	
	Monumental Global		Short-term				
	Fdg II		investment	US\$ 2,500	N/A	US\$ 2,501	
	Monumental Global		Short-term				
	Fdg II		investment	US\$ 1,534	N/A	US\$ 1,516	
	Monumental Global		Short-term				
	Fdg II 2002A		investment	US\$ 1,045	N/A	US\$ 1,034	
			Short-term	****		****	
	Morgan Stanley		investment	US\$ 2,136	N/A	US\$ 2,128	
	Morgan Stanley Group		Short-term	****		****	
	Inc.		investment	US\$ 3,638	N/A	US\$ 3,628	
	Morgan Stanley Group		Short-term	**************************************	N T//	TT00 1 0 10	
	Inc.		investment	US\$ 1,050	N/A	US\$ 1,048	

US\$ 1,433 N/A US\$ 1,422

National Westminster	Short-term			
Bk PLC	investment			
DR I EC	Short-term			
Nationsbank Corp.	investment	US\$ 3,644	N/Δ	US\$ 3,549
rationsbank Corp.	Short-term	Ο 5 φ 5 , 0 + +	11//1	O 5 ψ 5,5 + 7
Nationwide Bldg Soc	investment	US\$ 3,457	N/A	US\$ 3,477
Nationwide Life Global	Short-term	0545,757	11/71	OSΦ 3, T //
Mtn	investment	US\$ 1,463	NI/A	US\$ 1,469
Pepsico Inc. Mtn Book	Short-term	03\$ 1,403	11/71	03\$ 1,409
-	investment	US\$ 3,818	NI/A	US\$ 3,817
Entry	Short-term	US\$ 5,010	IV/A	US\$ 5,017
DNC Eda Com		1100 1 000	NT/A	110¢ 1 075
PNC Fdg Corp.	investment	US\$ 1,080	IN/A	US\$ 1,075
Popular North Amer	Short-term	1100 2 042	NT/A	110¢ 2 022
Inc. Mtn	investment	US\$ 3,042	N/A	US\$ 3,022
D 11.41	Short-term	110000054	NT/A	11000014
Premark Intl Inc.	investment	US\$ 2,954	N/A	US\$ 2,914
Pricoa Global Fdg I	Short-term	110¢ 2 505	27/4	T100 0 500
Mtn	investment	US\$ 3,507	N/A	US\$ 3,503
Pricoa Global Fdg I	Short-term			
Mtn	investment	US\$ 3,050	N/A	US\$ 3,047
Principal Life Global	Short-term	****		
Fdg I Gl	investment	US\$ 3,168	N/A	US\$ 3,102
Protective Life Secd	Short-term			
Trs	investment	US\$ 2,920	N/A	US\$ 2,969
Prudential Ins Co.	Short-term			
Amer	investment	US\$ 2,648	N/A	US\$ 2,610
Reinsurance Group	Short-term			
Amer Inc.	investment	US\$ 2,091	N/A	US\$ 2,089
Royal Bk Scotland	Short-term			
Group PLC	investment	US\$ 1,563	N/A	US\$ 1,547
Royal Bk Scotland	Short-term			
Group PLC	investment	US\$ 564	N/A	US\$ 558
Royal Bk Scotland	Short-term			
Group PLC	investment	US\$ 369	N/A	US\$ 364
	Short-term			
Safeco Corp.	investment	US\$ 765	N/A	US\$ 763
Salomon Smith Barney	Short-term			
Hldgs Inc.	investment	US\$ 3,160	N/A	US\$3,100
	Short-term			
Sara Lee Corp.	investment	US\$ 1,596	N/A	US\$ 1,601
SBC Communications	Short-term			
Inc.	investment	US\$ 3,681	N/A	US\$ 3,617
SBC Communications	Short-term			
Inc.	investment	US\$ 2,251	N/A	US\$ 2,245
Scotland Intl Fin B V	Short-term			
144A	investment	US\$ 1,533	N/A	US\$ 1,532
Shell Finance	Short-term			
(UK) PLC	investment	US\$ 3,604	N/A	US\$ 3,553
•	Short-term	•		,
SLM Corp.	investment	US\$ 500	N/A	US\$ 501
•		US\$ 2,950		US\$ 2,985
		•		

SLM Corp. Medium

Term Nts

SP Powerassets Ltd

Short-term

Short-term

Global investment US\$ 991 N/A US\$ 992

Short-term

Suntrust Bks Inc. investment US\$ 1,062 N/A US\$ 1,060

(Continued)

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					December 31, 2004				
				Carrying Value			Market Value or Net Asset Value		
i				•		rcenta		uiuc	
	Marketable Securities	Relationship with	Financial State	Shates/UnitsU		of	_	U S\$ in	
		F		(In	~ +	-	(-		
ld Company Name	Type and Name	the Company	Account	ThousandTho	usand)Ov	vnersł	ipTho	ousand)	N
	Swedbank Sparbanken		Short-term				_		
	Svenge AB		investment	US\$	1,084	N/A	US\$	1,067	
			Short-term						
	TIAA Global Mkts Inc.		investment	US\$	519	N/A	US\$	514	
	Tribune Co. Med Trm		Short-term						
i	Nts		investment	US\$	2,943	N/A	US\$	2,965	
i			Short-term						
i	Union Planters		investment	US\$	2,755	N/A	US\$	2,704	
i	Unitedhealth Group		Short-term						
	Inc.		investment	US\$	3,119	N/A	US\$	3,097	
	US Bk Natl Assn		Short-term						
	Cincinnati OH		investment	US\$	2,669	N/A	US\$	2,687	
	Virginia Elec + Pwr		Short-term						
i	Co.		investment	US\$	2,884	N/A	US\$	2,838	
i	Vodafone Group PLC		Short-term						
	New		investment	US\$	2,559	N/A	US\$	2,561	
i			Short-term						
i	Wachovia Corp.		investment	US\$	3,720	N/A	US\$	3,600	
i	Wal Mart Cda Venture		Short-term						
i	Corp.		investment	US\$	3,670	N/A	US\$	3,602	
i	Washington Mut Fin		Short-term						
i	Corp.		investment	US\$	4,768	N/A	US\$	4,689	
i			Short-term						
	Washington Mut Inc.		investment	US\$	4,735	N/A	US\$	4,682	
			Short-term						
i	Washington Post Co.		investment	US\$	3,182	N/A	US\$	3,180	
i			Short-term						
i	Wells Fargo + Co. New		investment	US\$	3,697	N/A	US\$	3,631	
i	Westfield Cap Corp.		Short-term						
i	Ltd		investment	US\$	1,999	N/A	US\$	1,999	
i	China Steel		Long-term						
i	Corporation		investment	2	2,978,804	N/A	,	2,977,695	
	Taiwan Power		Long-term						
	Company		investment		915,276	N/A		914,582	
	Nan Ya Plastics		Long-term						
i	Corporation		investment		407,526	N/A		407,484	
ĺ	Formosa Plastics		Long-term						
i	Corporation		investment		405,485	N/A		405,322	
1	=				202,595	N/A		200,000	

Agency bonds	Formosa Petrochemical	Long-term					
Short-term investment USS 3,466 N/A USS 3,462	Corporation	investment					
Short-term investment USS 3,466 N/A USS 3,462							
Federal Home Ln Bks	Agency bonds						
Short-term investment US\$ 2,532 N/A US\$ 2,520							
Federal Home Ln Bks	Fed Hm Ln Pc		US\$	3,466	N/A	US\$	3,462
Short-term Investment Short-term Corp Investment US\$ 9,997 N/A US\$ 13,946 Short-term Corp Investment US\$ 9,997 N/A US\$ 13,946 Short-term Corp Investment US\$ 9,997 N/A US\$ 9,943 Sho							
Federal Home Ln Bks	Federal Home Ln Bks		US\$	2,532	N/A	US\$	2,520
Short-term Investment Short-term Sho							
Federal Home Ln Bks	Federal Home Ln Bks		US\$	1,042	N/A	US\$	1,024
Short-term Federal Home Ln Bks Short-term Short-t							
Federal Home Ln Bks	Federal Home Ln Bks		US\$	4,927	N/A	US\$	4,947
Short-term Investment Inv							
Federal Home Ln Bks	Federal Home Ln Bks		US\$	7,962	N/A	US\$	7,939
Short-term Investment Inv		Short-term					
Federal Home Ln Bks	Federal Home Ln Bks		US\$	7,014	N/A	US\$	6,924
Short-term Investment US\$ 4,948 N/A US\$ 4,944		Short-term					
Federal Home Ln Bks	Federal Home Ln Bks	investment	US\$	4,936	N/A	US\$	4,949
Short-term Investment Short-term Sho		Short-term					
Federal Home Ln Bks	Federal Home Ln Bks		US\$	4,948	N/A	US\$	4,944
Short-term Sho		Short-term					
Federal Home Ln Bks	Federal Home Ln Bks	investment	US\$	2,454	N/A	US\$	2,468
Short-term Investment Short-term Sho		Short-term					
Federal Home Ln Bks	Federal Home Ln Bks	investment	US\$	7,018	N/A	US\$	7,004
Short-term Short-term US\$ 7,042 N/A US\$ 6,985		Short-term					
Federal Home Ln Bks	Federal Home Ln Bks	investment	US\$	4,996	N/A	US\$	4,973
Short-term Investment Short-term Sho		Short-term					
Federal Home Ln Bks investment Short-term US\$ 6,098 N/A US\$ 6,084	Federal Home Ln Bks	investment	US\$	7,042	N/A	US\$	6,985
Short-term US\$ 2,909 N/A US\$ 2,907		Short-term					
Federal Home Ln Bks investment US\$ 2,909 N/A US\$ 2,907	Federal Home Ln Bks	investment	US\$	6,098	N/A	US\$	6,084
Short-term Short-term US\$ 13,953 N/A US\$ 13,898 Short-term Short-term US\$ 13,983 N/A US\$ 13,946 Short-term Short-term US\$ 13,981 N/A US\$ 13,946 Short-term US\$ 6,978 N/A US\$ 6,928 Short-term US\$ 6,978 N/A US\$ 6,928 Short-term US\$ 3,388 N/A US\$ 3,419 Short-term US\$ 3,388 N/A US\$ 3,419 Short-term US\$ 4,953 N/A US\$ 4,941 Short-term US\$ 9,997 N/A US\$ 9,943 Short-term US\$ 9,997 N/A US\$ 9,943 Short-term US\$ 9,997 N/A US\$ 9,993 Short-term US\$ 9,998 N/A US\$ 9,993 Short-term US\$ 9,998 N/A US\$ 9,993 Short-term US\$ 9,997 Short-term US\$ 9,993 Short-term US\$ 9,993		Short-term					
Federal Home Ln Bks investment Short-term US\$ 13,953 N/A US\$ 13,898 Federal Home Ln Bks investment Short-term US\$ 13,983 N/A US\$ 13,946 Federal Home Ln Bks investment US\$ 13,981 N/A US\$ 13,946 Federal Home Ln Mtg Short-term US\$ 6,978 N/A US\$ 6,928 Federal Home Ln Mtg Short-term US\$ 3,388 N/A US\$ 3,419 Federal Home Ln Mtg Short-term US\$ 4,953 N/A US\$ 4,941 Federal Home Ln Mtg Short-term US\$ 9,997 N/A US\$ 9,943 Federal Home Ln Mtg Short-term US\$ 9,997 N/A US\$ 9,93 Federal Home Ln Mtg Short-term US\$ 9,98 N/A US\$ 993 Federal Home Ln Mtg Short-term US\$ 9,98 N/A US\$ 993 Federal Home Ln Mtg Short-term US\$ 9,98 N/A US\$ 993 Federal Home Ln Mtg Short-term US\$ 4,933 N/A US\$ 4,936	Federal Home Ln Bks	investment	US\$	2,909	N/A	US\$	2,907
Short-term		Short-term					
Federal Home Ln Bks investment Short-term Federal Home Ln Bks investment US\$ 13,983 N/A US\$ 13,946 Federal Home Ln Bks investment US\$ 13,981 N/A US\$ 13,946 Federal Home Ln Mtg Short-term Corp investment US\$ 6,978 N/A US\$ 6,928 Federal Home Ln Mtg Short-term Corp. investment US\$ 3,388 N/A US\$ 3,419 Federal Home Ln Mtg Short-term Corp investment US\$ 4,953 N/A US\$ 4,941 Federal Home Ln Mtg Short-term Corp. investment US\$ 9,997 N/A US\$ 9,943 Federal Home Ln Mtg Short-term Corp. investment US\$ 9,997 N/A US\$ 9,943 Federal Home Ln Mtg Short-term Corp. investment US\$ 998 N/A US\$ 993 Federal Home Ln Mtg Short-term Corp. investment US\$ 4,933 N/A US\$ 4,936	Federal Home Ln Bks	investment	US\$	13,953	N/A	US\$	13,898
Short-term		Short-term					
Federal Home Ln Bks Federal Home Ln Mtg Short-term Corp investment Corp. Federal Home Ln Mtg Corp investment US\$ 4,953 N/A US\$ 4,941 Federal Home Ln Mtg Corp. Federal Home Ln Mtg Corp. investment US\$ 9,997 N/A US\$ 9,943 Federal Home Ln Mtg Corp. Federal Home Ln Mtg Corp. investment US\$ 998 N/A US\$ 993 Federal Home Ln Mtg Corp. Federal Home Ln Mtg Short-term Corp. Federal Home Ln Mtg Corp. Federal Home Ln Mtg Short-term Corp. Federal Home Ln Mtg Short-term Corp.	Federal Home Ln Bks	investment	US\$	13,983	N/A	US\$	13,946
Federal Home Ln Mtg Corp investment Short-term Corp. investment Corp investment US\$ 3,388 N/A US\$ 3,419 Federal Home Ln Mtg Short-term Corp investment US\$ 4,953 N/A US\$ 4,941 Federal Home Ln Mtg Corp. investment US\$ 9,997 N/A US\$ 9,943 Federal Home Ln Mtg Corp. investment US\$ 9,997 N/A US\$ 9,943 Federal Home Ln Mtg Corp. investment US\$ 9,943 N/A US\$ 993 Federal Home Ln Mtg Corp. investment US\$ 9,943 N/A US\$ 993 Federal Home Ln Mtg Corp. investment US\$ 9,943 N/A US\$ 993		Short-term					
Corp investment US\$ 6,978 N/A US\$ 6,928 Federal Home Ln Mtg Short-term Corp. investment US\$ 3,388 N/A US\$ 3,419 Federal Home Ln Mtg Short-term Corp investment US\$ 4,953 N/A US\$ 4,941 Federal Home Ln Mtg Short-term Corp. investment US\$ 9,997 N/A US\$ 9,943 Federal Home Ln Mtg Short-term Corp. investment US\$ 9,997 N/A US\$ 9,943 Federal Home Ln Mtg Short-term Corp. investment US\$ 998 N/A US\$ 993 Federal Home Ln Mtg Short-term Corp. investment US\$ 998 N/A US\$ 993 Federal Home Ln Mtg Short-term Corp. investment US\$ 4,933 N/A US\$ 4,936	Federal Home Ln Bks	investment	US\$	13,981	N/A	US\$	13,946
Federal Home Ln Mtg Corp. investment Federal Home Ln Mtg Corp investment Corp investment Corp investment Federal Home Ln Mtg Corp. investment Corp. investment Corp. investment Corp. investment Federal Home Ln Mtg Corp. investment US\$ 9,997 N/A US\$ 9,943 Federal Home Ln Mtg Corp. investment US\$ 998 N/A US\$ 993 Federal Home Ln Mtg Corp. investment US\$ 4,933 N/A US\$ 4,936	Federal Home Ln Mtg	Short-term					
Corp. investment US\$ 3,388 N/A US\$ 3,419 Federal Home Ln Mtg Corp investment US\$ 4,953 N/A US\$ 4,941 Federal Home Ln Mtg Corp. investment US\$ 9,997 N/A US\$ 9,943 Federal Home Ln Mtg Corp. investment US\$ 998 N/A US\$ 993 Federal Home Ln Mtg Corp. investment US\$ 998 N/A US\$ 993 Federal Home Ln Mtg Corp. investment US\$ 4,933 N/A US\$ 4,936	Corp	investment	US\$	6,978	N/A	US\$	6,928
Federal Home Ln Mtg Corp investment US\$ 4,953 N/A US\$ 4,941 Federal Home Ln Mtg Corp. investment US\$ 9,997 N/A US\$ 9,943 Federal Home Ln Mtg Corp. investment US\$ 998 N/A US\$ 993 Federal Home Ln Mtg Corp. investment US\$ 998 N/A US\$ 993 Federal Home Ln Mtg Corp. investment US\$ 4,933 N/A US\$ 4,936	Federal Home Ln Mtg	Short-term					
Corp investment US\$ 4,953 N/A US\$ 4,941 Federal Home Ln Mtg Corp. investment US\$ 9,997 N/A US\$ 9,943 Federal Home Ln Mtg Corp. investment US\$ 998 N/A US\$ 993 Federal Home Ln Mtg Corp. investment US\$ 998 N/A US\$ 993 Federal Home Ln Mtg Corp. investment US\$ 4,933 N/A US\$ 4,936	Corp.	investment	US\$	3,388	N/A	US\$	3,419
Federal Home Ln Mtg Corp. investment US\$ 9,997 N/A US\$ 9,943 Federal Home Ln Mtg Corp. investment US\$ 998 N/A US\$ 993 Federal Home Ln Mtg Short-term Corp. investment US\$ 998 N/A US\$ 993 Federal Home Ln Mtg Corp. investment US\$ 4,933 N/A US\$ 4,936	Federal Home Ln Mtg	Short-term					
Corp. investment US\$ 9,997 N/A US\$ 9,943 Federal Home Ln Mtg Corp. investment US\$ 998 N/A US\$ 993 Federal Home Ln Mtg Short-term Corp. investment US\$ 4,933 N/A US\$ 4,936	Corp	investment	US\$	4,953	N/A	US\$	4,941
Federal Home Ln Mtg Corp. investment Short-term Corp. US\$ 998 N/A US\$ 993 Federal Home Ln Mtg Short-term Corp. investment US\$ 4,933 N/A US\$ 4,936	Federal Home Ln Mtg	Short-term					
Corp. investment US\$ 998 N/A US\$ 993 Federal Home Ln Mtg Corp. investment US\$ 4,933 N/A US\$ 4,936	Corp.	investment	US\$	9,997	N/A	US\$	9,943
Federal Home Ln Mtg Corp. Short-term US\$ 4,933 N/A US\$ 4,936	Federal Home Ln Mtg	Short-term					
Corp. investment US\$ 4,933 N/A US\$ 4,936	Corp.	investment	US\$	998	N/A	US\$	993
•	Federal Home Ln Mtg	Short-term					
US\$ 4,930 N/A US\$ 4,938	Corp.	investment	US\$	4,933	N/A	US\$	4,936
			US\$	4,930	N/A	US\$	4,938

Federal Home Ln Mtg

Corp. Mtn

Federal Home Loan

Short-term

Short-term

Mtg Assn investment US\$ 4,847 N/A US\$ 4,891

(Continued)

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December 3	31, 2004
	Market
	Value or
Carrying	Net Asset
Value	Value

Percentage

	Marketable Securities	Relationship with	Financial State		n of	(US\$ in	
				(In	10		. .
Held Company Name		the Company	Account	Thousand)ousan	nd)) wners	hip housand)	Note
	Federal Home Loan		Short-term	TICO AC	002 NI/A	TICO 4.042	
	Mtg Corp.		investment	US\$ 4,9	903 N/A	US\$ 4,943	
	Estand Nati Mas Asso		Short-term	TICO FO	170 NI/A	110¢ 5 227	
	Federal Natl Mtg Assn		investment	US\$ 5,2	2/0 N/A	US\$ 5,237	
	Estand Nati Mas Asso		Short-term	TICO CO)40 NT/A	110¢ (027	
	Federal Natl Mtg Assn		investment	US\$ 6,9	940 N/A	US\$ 6,937	
	Endand Not Men Assa		Short-term	TICO CO	002 NI/A	1100 6017	
	Federal Natl Mtg Assn		investment	US\$ 6,9	903 N/A	US\$ 6,917	
	T 1 1 N 1 N A		Short-term	TIOC A	001 NT/A	TICO 4.052	
	Federal Natl Mtg Assn		investment	US\$ 4,9	981 N/A	US\$ 4,953	
	T 1 137 136 4		Short-term	TION CO	205 27/4	110¢ 6000	
	Federal Natl Mtg Assn		investment	US\$ 6,9	99'/ N/A	US\$ 6,983	
	Federal Natl Mtg Assn		Short-term				
	Mtn		investment	US\$ 15,7	787 N/A	US\$ 15,798	
	Federal Natl Mtg Assn		Short-term				
	Mtn		investment	US\$ 7,0)00 N/A	US\$ 6,976	
			Short-term				
	Freddie Mac		investment	US\$ 4,9	929 N/A	US\$ 4,934	
	Fed Hm Ln Pc Pool		Short-term				
	E89857		investment	US\$ 2,5	535 N/A	US\$ 2,531	
	Fed Hm Ln Pc Pool		Short-term				
	G11295		investment	US\$ 2,2	277 N/A	US\$ 2,273	
	Federal Home Ln Mtg		Short-term				
	Corp.		investment	US\$ 6,0)96 N/A	US\$ 6,075	
	Federal Home Ln Mtg		Short-term				
	Corp.		investment	US\$ 4,4	135 N/A	US\$ 4,440	
	Federal Home Ln Mtg		Short-term				
	Corp.		investment	US\$ 3,5	558 N/A	US\$ 3,539	
	Federal Home Ln Mtg		Short-term				
	Corp.		investment	US\$ 3,6	645 N/A	US\$ 3,615	
			Short-term				
	Federal Natl Mtg Assn		investment	US\$ 4,2	242 N/A	US\$ 4,188	
			Short-term				
	Federal Natl Mtg Assn		investment	US\$ 2,1	141 N/A	US\$ 2,126	
	-		Short-term				
	Federal Natl Mtg Assn		investment	US\$ 4,7	765 N/A	US\$ 4,719	
	Federal Natl Mtg Assn		Short-term				
	Gtd		investment	US\$ 3,4	186 N/A	US\$ 3,446	
	FNMA Pool 685116			US\$ 1,0		US\$ 1,002	
				. ,			

	Short-term					
	investment					
	Short-term					
FNMA Pool 725095	investment	US\$	2,008	N/A	US\$	2,003
	Short-term					
FNMA Pool 790828	investment	US\$	4,807	N/A	US\$	4,773
	Short-term		ŕ			ĺ
FNMA Pool 793932	investment	US\$	994	N/A	US\$	994
	Short-term					
FNMA Pool 794040	investment	US\$	1,021	N/A	US\$	1,020
	Short-term		,-			,
FNMA Pool 795548	investment	US\$	977	N/A	US\$	975
	Short-term					, , ,
FNMA Pool 806642	investment	US\$	2,006	N/A	US\$	2,004
111111111111111111111111111111111111111	Short-term	СБФ	2,000	1 1/1 1	СБФ	2,00.
GNMA II Pool 081150	investment	US\$	999	N/A	US\$	997
GIVINI II I COI COI I SO	Short-term	ОБФ	,,,	1 1/11	СБФ	,,,,
GNMA II Pool 081153	investment	US\$	3,789	N/A	US\$	3,766
Government Natl Mtg	Short-term	Сυψ	3,707	1 1/ / 1	СБФ	3,700
Assn	investment	2211	1,734	N/A	2211	1,700
A5511	mvestment	Ουψ	1,754	11//1	Ουφ	1,700
Corporate issued						
asset-backed securities						
Aegis Asset Backed	Short-term					
Secs Tr	investment	1100	2,000	NI/A	1100	2,004
Secs 11	Short-term	USΦ	2,000	11//1	ОЗФ	2,004
Aesop Fed II LLC	investment	1100	4,955	NI/A	1100	4,963
Aesop red if LLC	Short-term	USĢ	4,933	IWA	USĢ	4,903
Asser Fed II I C		TICO	1.012	NT/A	TICO	1 000
According Fundament	investment	034	1,912	IN/A	034	1,888
American Express Cr	Short-term	TICO	2 445	NT/A	TICO	2 427
Account Ma	investment	022	3,445	N/A	022	3,427
American Home Mtg	Short-term	TICO	040	NT/A	TIOO	0.40
Invt Tr	investment	US\$	949	N/A	US\$	949
Americredit	Short-term	TIOO	2.002	NT/A	TIOO	1 000
Automobile Receiv	investment	022	2,002	N/A	022	1,998
Americredit	Short-term	TIOO	1.055	NT/A	TIOO	1.040
Automobile Rec Tr	investment	022	1,055	N/A	022	1,048
Americredit	Short-term	TIGA	2 000	27/4	TIOO	1 000
Automobile Rec Tr	investment	US\$	2,000	N/A	US\$	1,990
Americredit	Short-term	***	4 0 40		***	
Automobile Receivb	investment	US\$	4,949	N/A	US\$	4,912
Atlantic City Elc Trns	Short-term	TIGA	026	27/4	TIOO	000
Fdg LLC	investment	US\$	926	N/A	US\$	923
Banc Amer Coml Mtg	Short-term					
Inc.	investment	US\$	5,364	N/A	US\$	5,315
Banc Amer Mtg Secs	Short-term					
Inc.	investment	US\$	4,030	N/A	US\$	4,006
Bank of Amer Lease	Short-term					
Equip Tr	investment	US\$	4,023	N/A	US\$	3,995
	Short-term					
Bear Stearns Alt A Tr	investment	US\$	1,478	N/A	US\$	1,489

Bear Stearns Asset	Short-term		
Backed Secs	investment	US\$ 2,000	N/A US\$ 2,000
	Short-term		
BMW Veh Owner Tr	investment	US\$ 4,978	N/A US\$ 4,941
			(Continued)
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December 31, 2004

Market Value or

Carrying Value Net Asset Value

Percentage

	Marketable Securities	Relationship with	Financial State	n Shat es/Uni (I S) (In	S\$ in	of	(US	S\$ in	
Held Company Name	Type and Name	the Company		Thousandhou	ısand() w	vnersh	ıipThou	ısand)	Note
	California Infr +		Short-term						
	Economic Dev		investment	US\$	4,298	N/A	US\$	4,230	
	California Infras +		Short-term						
	Economic		investment	US\$	6,126	N/A	US\$	6,064	
	California		Short-term						
	Infrastructure Dev		investment	US\$	5,089	N/A	US\$	5,035	
	Capital Auto		Short-term						
	Receivables Asset		investment	US\$	4,018	N/A	US\$	3,992	
	Capital One Auto Fin		Short-term						
	Tr		investment	US\$	319	N/A	US\$	318	
	Capital One Auto Fin		Short-term						
	Tr		investment	US\$	1,147	N/A	US\$	1,145	
	Capital One Auto Fin		Short-term						
	Tr		investment	US\$	3,000	N/A	US\$	2,989	
	Capital One Multi		Short-term						ļ
	Asset Execut		investment	US\$	4,957	N/A	US\$	4,977	ļ
	Caterpillar Finl Asset		Short-term						ļ
	Tr		investment	US\$	10,008	N/A	US\$	9,923	[
	Centex Home Equity		Short-term						[
	Ln Tr		investment	US\$	3,500	N/A	US\$	3,493	[
			Short-term						[
	Cit Equip Coll Tr		investment	US\$	4,999	N/A	US\$	4,991	1
	Citibank Cr Card		Short-term						
	Issuance Tr		investment	US\$	4,959	N/A	US\$	4,965	
			Short-term						
	Citicorp Mtg Secs		investment	US\$	2,364	N/A	US\$	2,363	ļ
			Short-term						ļ
	CNH Equip Tr		investment	US\$	5,000	N/A	US\$	4,952	ļ
			Short-term						[
	Comm 2004 Htl 1		investment	US\$	4,600	N/A	US\$	4,607	
	Credit Suisse First		Short-term						[
	Boston Mtg		investment	US\$	4,209	N/A	US\$	4,178	ĺ
			Short-term						[
	CWABS Inc.		investment	US\$	1,647	N/A	US\$	1,662	
			Short-term						
	CWABS Inc.		investment	US\$	1,903	N/A	US\$	1,907	
			Short-term						
	CWABS Inc.		investment	US\$	1,907	N/A	US\$	1,912	
	CWABS Inc.				2,000			1,997	
									1

	Short-term		
	investment		
	Short-term		
CWABS Inc.	investment	US\$ 5,000	N/A US\$ 5,055
	Short-term		•
CWABS Inc.	investment	US\$ 3,500	N/A US\$ 3,541
	Short-term	, - , ,-	
CWALT Inc.	investment	US\$ 4,292	N/A US\$ 4,277
C WIEI III.	Short-term	0.50 1,272	10/11 05φ 1,2//
CWABS Inc.	investment	US\$ 2,317	N/A US\$ 2,298
CWADS IIIc.	Short-term	Ο5φ 2,517	10/11 Ουφ 2,2/0
CWABS Inc.	investment	US\$ 4,040	N/A US\$ 4,040
	Short-term	039 4,040	1V/A 03\$ 4,040
Daimlerchrysler Auto		1100 4001	NI/A 1100 4070
Tr	investment	US\$ 4,991	N/A US\$ 4,970
Daimlerchrysler Auto	Short-term	110¢ 4.002	NIA TIGO 4070
Tr	investment	US\$ 4,982	N/A US\$ 4,970
Daimlerchrysler Auto	Short-term		
Tr	investment	US\$ 4,897	N/A US\$ 4,893
Detroit Edison	Short-term		
Securitization	investment	US\$ 674	N/A US\$ 671
	Short-term		
Fifth Third Auto Tr	investment	US\$ 3,000	N/A US\$ 2,999
Finance Amer Mtg Ln	Short-term		
Tr	investment	US\$ 985	N/A US\$ 986
First Franklin Mtg Ln	Short-term		
Tr	investment	US\$ 2,002	N/A US\$ 2,006
	Short-term		•
First Horizon Abs Tr	investment	US\$ 2,000	N/A US\$ 2,000
First Union Lehman	Short-term	-,	
Bros Mtg Tr	investment	US\$ 3,567	N/A US\$ 3,534
First USA Credit Cr	Short-term	Ο5φ 3,507	10/11 Ουψ 3,334
Master Tr	investment	US\$ 5,011	N/A US\$ 5,008
Waster 11	Short-term	Ο5φ 5,011	1V/A 05\$ 5,000
Fond Ca Auto Overson Ta		1100 10 000	N/A 1100 10 026
Ford Cr Auto Owner Tr	investment	US\$ 10,999	N/A US\$ 10,936
C ' M DIC	Short-term	TIG# 5.000	NIA TIGO 5 000
Granite Mtgs PLC	investment	US\$ 5,000	N/A US\$ 5,000
	Short-term	11C# 2010	NIA LIGO 2070
GS Auto Ln Tr	investment	US\$ 2,948	N/A US\$ 2,970
	Short-term		
GS Mtg Secs Corp.	investment	US\$ 2,944	N/A US\$ 2,944
Harley Davidson	Short-term		
Motorcycle Tr	investment	US\$ 3,417	N/A US\$ 3,400
Harley Davidson	Short-term		
Motorcycle Tr	investment	US\$ 5,999	N/A US\$ 5,938
	Short-term		
Holmes Fing No 8 PLC	investment	US\$ 5,001	N/A US\$ 5,052
Honda Auto	Short-term		
Receivables	investment	US\$ 5,000	N/A US\$ 4,991
Household Automotive	Short-term	. , .	. , .
Tr	investment	US\$ 513	N/A US\$ 511
		US\$ 3,500	N/A US\$ 3,468
		0.54 5,500	1.711 Ουφ υ,που

Hyundai Auto Short-term Receivables Tr investment

Short-term

IMPAC Cmb Tr investment US\$ 1,414 N/A US\$ 1,413

Short-term

IMPAC Cmb Tr investment US\$ 988 N/A US\$ 988

(Continued)

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December 31, 2004

Market

Value or Carrying Net Asset

Value

Value

Percentage

Marketable Securities Relationship with Financial States Shartes/UniteS\$ in of (US\$ in

	Wai ketable Securities	Kelationship with	Tillaliciai State		or (CS\$ III
H II C N	7D 1.NI	41 . C		(In	1 701 1) N. 4
Held Company Name	~ <u>-</u>	the Company	Account Short-term	i nousa na ousan a ov	vnershiphousand) Not
	IMPAC Secd Assets			1100 2 570	N/A 1100 2 566
	Corp.		investment	US\$ 3,570	N/A US\$ 3,566
	Long Beach Accep		Short-term	1100 2 526	NIA LICE 2 502
	Auto Receivab		investment	US\$ 2,526	N/A US\$ 2,502
	Merrill Lynch Mtg Invs		Short-term	1100 1 460	NIA LICO 1 460
	Inc.		investment	US\$ 1,460	N/A US\$ 1,460
	Merrill Lynch Mtg Invs		Short-term	1100 1 500	NI/A 1100 1 500
	Inc.		investment	US\$ 1,500	N/A US\$ 1,502
	Monumentl Global Fdg		Short-term	TIC# 1 000	NI/A TICO 1 001
	II		investment	US\$ 1,000	N/A US\$ 1,001
	National City Auto		Short-term	TICO 1 200	N/A 1100 1 207
	Receivables		investment	US\$ 1,206	N/A US\$ 1,207
	Navistar finl 2003 A		Short-term	TICO 4 020	N/A 1100 4 000
	Owner Tr		investment	US\$ 4,928	N/A US\$ 4,889
	Nissan Auto		Short-term	TICO 7 000	NIA LIGACOSO
	Receivables		investment	US\$ 7,000	N/A US\$ 6,958
	Nissan Auto		Short-term	1100 4 000	NI/A 110¢ 4.002
	Receivables Own Tr		investment	US\$ 4,999	N/A US\$ 4,993
	Nissan Auto		Short-term	TICO 4 052	N/A 1100 4 070
	Receivables Owner		investment	US\$ 4,853	N/A US\$ 4,872
	ONYX Accep Owner		Short-term	T100 062	NIA LIGO OCI
	Tr		investment	US\$ 963	N/A US\$ 961
	ONYX Accep Owner		Short-term	TIOO 4 012	N/A 1100 4 022
	Tr		investment	US\$ 4,913	N/A US\$ 4,933
	Providian Gateway		Short-term	TICO 4 204	N/A 1100 4 201
	Owner Tr		investment	US\$ 4,204	N/A US\$ 4,201
	Providian Gateway		Short-term	1100 2 002	N/A 1100 2 002
	Owner Tr		investment	US\$ 3,992	N/A US\$ 3,982
	Reliant Energy		Short-term	110¢ 5 105	NI/A 1100 5 117
	Transition Bd		investment	US\$ 5,185	N/A US\$ 5,117
	Residential Asset Mtg		Short-term	110¢ 2.721	N/A 1100 2 (72
	Prods		investment	US\$ 3,/31	N/A US\$ 3,672
	Residential Asset Mtg		Short-term	TIC# 2 000	NIA LIGAZIOO
	Prods		investment	US\$ 3,000	N/A US\$ 2,980
	Residential Fdg Mtg		Short-term	1100 2 (50	NIA LICE 2 C21
	Secs I Inc.		investment	US\$ 3,659	N/A US\$ 3,631
	Caquaia Mta Ta		Short-term	110¢ 2 504	NI/A LICE 2 512
	Sequoia Mtg Tr		investment	US\$ 2,504	N/A US\$ 2,513
	Sequoia Mtg Tr			US\$ 1,960	N/A US\$ 1,955

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	Short-term		
	investment		
	Short-term		
Sequoia Mtg Tr	investment	US\$ 1,488	N/A US\$ 1,486
	Short-term		
Sequoia Mtg Tr	investment	US\$ 2,000	N/A US\$ 2,000
	Short-term		
Sequoia Mtg Tr	investment	US\$ 3,500	N/A US\$ 3,500
Structured Adj Rate	Short-term		
Mtg Ln Tr	investment	US\$ 3,037	N/A US\$ 3,031
Structured Asset Secs	Short-term	************	>*// ******
Corp.	investment	US\$ 1,403	N/A US\$ 1,394
Thoornburg Mtg Secs	Short-term		
Tr	investment	US\$ 1,921	N/A US\$ 1,923
Toyota Auto	Short-term	*****	>**** ***** * 0.00
Receivables 2003B	investment	US\$ 4,970	N/A US\$ 4,930
Triad Auto Receivables	Short-term	T100 5 0 10	N//
Tr	investment	US\$ 5,042	N/A US\$ 4,997
TXU Elec Delivery	Short-term	1100 T TO 6	31/4 TIGO 5 515
Transition	investment	US\$ 7,736	N/A US\$ 7,715
LIGAA A A O T	Short-term	1104 4 000	NI/A 1100 2 001
USAA Auto Owner Tr	investment	US\$ 4,000	N/A US\$ 3,991
Wachovia Auto Owner	Short-term	110¢ < 000	NI/A TIGO 5 001
Tr Washania Asta Ossana	investment	US\$ 6,000	N/A US\$ 5,991
Wachovia Auto Owner	Short-term	1100 4 000	NI/A TIOO 4 005
Tr	investment	US\$ 4,999	N/A US\$ 4,995
WFS Financial Owner Trust	Short-term	1100 5 000	NI/A TICC 4 OOO
WFS Finl 2004 2	investment	US\$ 5,008	N/A US\$ 4,989
Owner Tr	Short-term	1100 4 004	NIA LICCA OOO
WFS Finl 2004 4	investment Short-term	US\$ 4,994	N/A US\$ 4,992
Owner Tr	investment	US\$ 5,399	N/A US\$ 5,342
Owner 11	Short-term	03\$ 3,399	IVA US\$ 3,342
Whole Auto Ln Tr	investment	US\$ 5,967	N/A US\$ 5,966
Whole Auto Eli 11	Short-term	03\$ 3,307	1WA 03\$3,900
Whole Auto Ln Tr	investment	US\$ 4,000	N/A US\$ 3,969
Whole Auto Eli 11	Short-term	05\$ 1 ,000	1VA 05\$5,707
Whole Auto Ln Tr	investment	US\$ 3,000	N/A US\$ 2,964
World Omni Auto	Short-term	Ο5φ 5,000	17/1 Ο5φ 2,704
Receivables Tr	investment	US\$ 5,963	N/A US\$ 5,906
Receivables 11	mvestment	Ο5φ 5,705	17/1 Ο5φ 5,700
	Short-term		
Commercial papers	investment	US\$ 2,997	N/A US\$ 2,997
		~~~ <b>~</b> ,,,,,	= 0.11 0.04 <b>=</b> 9227
	Short-term		
Corporate issued notes	investment	US\$ 1,999	N/A US\$ 1,999
1		7	(Continued)
			(= ====================================

					December 31, 2004			
					Carrying Value		Market Value or Net Asset Value	
					Pe	ercenta	ge	
	Marketable Securities	Relationship with	Financial Statem	e <b>st</b> hares/Uni (In	its (US\$ in	of	(US\$ in	
d Company Name	Type and Name	the Company	Account Short-term	Thousand	l) Thousand)Ov	wnersh	ipThousand)	ľ
	Money market funds		investment		US\$ 21,114	N/A	US\$ 21,114	
	Equity Horizon Venture Fund I, L.P. Crimson Asia Capital		Long-term investment Long-term		246,485	N/A	246,485	
	Ltd., L.P.		investment		43,649	N/A	43,649	
IC - North erica	TSMC stock	Parent company	Short-term investment	14,151	677,110		696,661	
Cherng	TSMC stock	Parent company	Short-term investment	15,670	458,564		771,451	
ı Ruey	TSMC stock	Parent company	Short-term investment	15,700	459,512		772,897	
IC International	Money market fund							
	BOA Fund		Short-term investment	30,300	US\$ 30,300	N/A	US\$ 30,300	
	Stock		T					
	InveStar	Subsidiary	Long-term investment Long-term	24,320	US\$ 34,514	97	US\$ 34,514	
	InveStar II	Subsidiary	investment Long-term	51,300	US\$ 34,534	97	US\$ 34,534	
	TSMC Development	Subsidiary	investment Long-term	1	US\$ 603,993	100	US\$ 603,993	
	TSMC Technology	Subsidiary	investment	1	US\$ 5,544	100	US\$ 5,544	
	3DFX Interactive Inc.		Long-term investment	68				
IC Development	WaferTech stock	Subsidiary	Long-term investment		US\$ 484,060	99	US\$ 484,060	
Star	Common stock			682	US\$ 67		US\$ 1,370	
İ				002	υν 07		υοφ 1,570	

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RichTek Technology	Short-term						
Corp.	investment						
Advanced Power	Short-term						
Electronics Corp.	investment	1,108	2211	502	II	S\$	697
Broadtek Electronics	Short-term	1,100	Ουψ	302	O	Эψ	071
Corp.	investment	860	US\$	275	11	S\$	225
Monolithic Power	Short-term	007	Ουφ	213	O	Эψ	223
Systems, Inc.	investment	1,975	2211	1,567	11	22	19,910
SiRF Technology	Short-term	1,773	Ουφ	1,507	O	Эψ	17,710
Holdings, Inc.	investment	00	US\$	393	TI	S\$	1,157
Broadtek Electronics		90	UЗФ	393	U	ЭÞ	1,137
	Long-term	1.45	TICO	16	TI	<b>C</b> Φ	20
Corp.	investment	143	US\$	46	U	S\$	38
Programmable	Long-term	575	TIOO	200	1 11	OΦ	200
Microelectronics	investment	5/5	US\$	208	1 U	S\$	208
(Taiwan), Corp.	Long-term	12.260	TIOO	5 (70	0.11	α¢	5 (70
Global Testing Corp.	investment	13,268	US\$	5,670	9 U	S\$	5,670
RichTek Technology	Long-term	0.40	TIOO	0.2	4 77	αΦ	1.600
Corp.	investment	842	US\$	83	1 U	S\$	1,692
Signia Technologies,	Long-term	-0.4				~ .	
Inc.	investment	701	US\$	202	3 U	S\$	202
Incentia Design	Long-term						
Systems, Inc.	investment	365	US\$	92	1 U	S\$	92
Advanced Power	Long-term						
Electronics Corp.	investment	1,123	US\$	508	2 U	S\$	706
Capella Microsystems	Long-term						
(Taiwan), Inc.	investment	530	US\$	154	4 U	S\$	154
Preferred stock							
Integrated Memory	Long-term						
Logic, Inc.	investment	1,831	US\$	1,221	12 U	S\$	1,221
20810, 11101	Long-term	1,001	Cυψ	1,221	12 0	ΣΨ	1,221
Sensory, Inc.	investment	1,404	US\$	125	6 U	S\$	125
bensery, me.	Long-term	1,101	Ουφ	120	0 0	ΟΨ	125
Sonics, Inc.	investment	2,686	2211	3,530	4 U	22	3,530
NanoAmp Solutions,	Long-term	2,000	Ουψ	3,330		ΟΨ	3,330
Inc.	investment	541	US\$	853	2 U	22	853
me.	Long-term	5-11	Ουψ	055	2 0	ΟΨ	055
Memsic, Inc.	investment	2,727	2211	1,500	10 U	22	1,500
Memore, me.	mvestment	2,121	Ουψ	1,500	(Conti		
					(Collti	nue	u)

**December 31, 2004** 

						rying alue	<b>-, -</b> ·	Val Net	arket lue or Asset alue	
						Per	cent	age		
	<b>Marketable Securities</b>	Relationship with	Financial Statem	neiSthares/Uni	its (U	S\$ in	of	(U	S\$ in	
				(In						
ld Company Name	Type and Name	the Company	Account	Thousand	) Tho	usan <b>d)</b> w	ners	hipho	usand)	N
			Long-term							
	Reflectivity, Inc.		investment	1,064	US\$	741	2	US\$	741	
			Long-term				_			
	IP Unity		investment	1,008	US\$	494	2	US\$	494	
			Long-term	4 = 50	***			****		
	Tropian, Inc.		investment	1,758	US\$	471	3	US\$	471	
eStar II	Common stock									
	RichTek Technology		Short-term							
	Corp.		investment	321	US\$	184		US\$	645	
	Monolithic Power		Short-term							
	Systems, Inc.		investment	864	US\$	2,081		US\$	8,716	
	eChannel Option		Long-term							
	Holding, Inc.		investment	358	US\$	251	4	US\$	251	
	eLCOS Microdisplay		Long-term							
	Technology, Ltd.		investment	270	US\$	27	1	US\$	27	
	Signia Technologies,		Long-term							
	Inc.		investment	351	US\$	101	1	US\$	101	
	Procoat Technology,		Long-term							
	Inc.		investment	5,123	US\$	1,940	10	US\$	1,940	
	RichTek Technology		Long-term							
	Corp.		investment	395	US\$	226	1	US\$	794	
	Programmable		Long-term							
	Microelectronics		investment	177	US\$	50		US\$	50	
	(Taiwan), Inc.									
	Auden Technology		Long-term	0.52	TIOO	720		TIOO	<b>72</b> 0	
	MFG. Co., Ltd.		investment	953	US\$	738	4	US\$	738	
			Long-term	471	TIOO	107		TIOO	107	
	GeoVision, Inc.		investment	4/1	US\$	127	1	US\$	127	
	EoNex Technologies,		Long-term	55	TICO	2.040	_	TICO	2.049	
	Inc.		investment	33	US\$	3,048	3	US\$	3,048	
	Conwise Technology		Long-term	2 800	TICO	400	1.4	TICO	400	
	Corporation, Ltd.		investment	2,800	034	490	14	US\$	490	
	EON Technology,		Long-term	2 276	1100	1 175	Q	1100	1 175	
	Corp. Goyatek Technology,		investment Long-term	3,276	OSÞ	1,175	0	US\$	1,175	
	Corp.		Long-term investment	2,088	1164	545	7	US\$	545	
	Trendchip		Long-term	2,000	USA	343	,	$OO\Phi$	343	
	Technologies Corp.		investment	2,000	\$21I	861	5	US\$	861	
	recimologies corp.		mvestment	2,000	υυφ	301	5	ОЗФ	301	

5 5							
Ralink Technology	Long-term						
(Taiwan), Inc.	investment	1,833	US\$	791	3	US\$	791
Silicon Data	Long-term						
International Co., Inc.	investment	2,000	US\$	204	3	US\$	204
Capella Microsystems	Long-term						
(Taiwan), Inc.	investment	419	US\$	122	3	US\$	122
Preferred stock							
	Long-term						
Memsic, Inc.	investment	2,289	US\$	1,560	8	US\$	1,560
eLCOS Microdisplay	Long-term						
Technology, Ltd.	investment	2,667	US\$	3,500	15	US\$	3,500
NanoAmp Solutions,	Long-term						
Inc.	investment	375	US\$	1,500	1	US\$	1,500
Advanced Analogic	Long-term						
Technology, Inc.	investment	948	US\$	1,261	2	US\$	1,261
	Long-term			ŕ			ŕ
Sonics, Inc.	investment	1,582	US\$	3,082	5	US\$	3,082
,	Long-term	ŕ		ŕ			ŕ
Reflectivity, Inc.	investment	4,255	US\$	2,205	5	US\$	2,205
<b>,</b>	Long-term	,		,			,
Tropian, Inc.	investment	1,464	US\$	393	2	US\$	393
Kilopass Technologies,	Long-term	,					
Inc.	investment	3,887	US\$	2,000	19	US\$	2,000
	Long-term	2,001		_,,			_,,,,,
FangTek, Inc.	investment	6,806	US\$	3,250	34	US\$	3,250
Alchip Technologies	Long-term	-,		-,			-,
Limited	investment	2,579	US\$	2,950	18	US\$	2,950
		,		,			,
Common stock							
Global Investment	Long-term						
Holding, Inc.	investment	10,000	1	100,000	6	1	100,000
RichWave Technology	Long-term	ŕ		ŕ			ŕ
Corp.	investment	2,600	US\$	867	13	US\$	867
NetLogic	Long-term	,					
Microsystems, Inc.	investment	113	US\$	1,388	1	US\$	1,388
,				,			,
Preferred stock							
Quake Technologies,	Long-term						
Inc.	investment	601	US\$	450	1	US\$	450
	Long-term						
Pixim, Inc.	investment	1,721	US\$	2,382	3	US\$	2,382
,	Long-term	,		,			,
Newport Opticom, Inc.	investment	962	US\$	250	6	US\$	250
Ikanos	Long-term	, 9 <b>2</b>			Ü		
Communication, Inc.	investment	7,446	US\$	3,125	3	US\$	3,125
, <b></b>	III. Ostillelli	,,	C 24	2,120		ontinu	
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					<b>December 31, 2004</b>				
					Car	rying alue		Ma Val Net	rket ue or Asset alue
						Pe	rcenta	ge	
	Marketable Securities	Relationship with	Financial Statem	ne <b>Sih</b> ares/Un (In	its(US	S\$ in	of	(US	S\$ in
<b>Company Name</b>	<b>Type and Name</b>	the Company	Account	Thousand	d)Thou	ısand() v	vnersh	iFhou	ısand)
			Long-term						
	Quicksilver Technology, Inc.		investment	1,049	US\$		4	US\$	
			Long-term						
	Mosaic Systems, Inc.		investment	2,481	US\$	12	6	US\$	12
			Long-term						
	Zenesis Technologies, Inc.		investment	1,204	US\$	699	4	US\$	699
			Long-term						
	Reflectivity, Inc.		investment	4,848	US\$	2,479	4	US\$	2,479
			Long-term						
	Teknovus, Inc.		investment	5,556	US\$	1,000	3	US\$	1,000
			Long-term						
	Miradia, Inc. (Formerly XHP		investment	3,040	US\$	1,000	4	US\$	1,000
	Microsystems, Inc.)		Long-term						
	Axiom Microdevices, Inc.		investment	1,000	US\$	1,000	5	US\$	1,000
			Long-term						
	Optichron, Inc.		investment	714	US\$	1,000	6	US\$	1,000
			Long-term						
	Audience, Inc.		investment	1,654	US\$	250	2	US\$	250
			Long-term						
	Next IO, Inc.		investment	800	US\$	500	2	US\$	500
			Long-term						
	NuCORE Technology Inc.		investment	2,254	US\$	1,455	2	US\$	1,455
	Centrality Communications,		Long-term						
	Inc.		investment	809	US\$	1,000	2	US\$	1,000
			Long-term						
	Layer N Networks, Inc.		investment	1,905	US\$	1,000	2	US\$	1,000
F II	Common stock								
			Long-term						
	Yobon Technologies, Inc.		investment	1,675	US\$	787	17	US\$	787
			Long-term						
	Sentelic, Corp.		investment	600	US\$	1,022	15	US\$	1,022
			Long-term						
	Ivyon Technology, Inc.		investment	200	US\$	775	10	US\$	775
	<u>Preferred stock</u>								
			Long-term						
	Powerprecise Solutions, Inc.		investment	258	US\$	250	3	US\$	250
			Long-term						
	Tzero Technologies, Inc.		investment	244	US\$	500	2	US\$	500

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Miradia, Inc.		Long-term investment Long-term	1,809	US\$ 1,600	2	US\$ 1,600
Agelia Technologies, Inc.		investment Long-term	1,149	US\$ 1,000	2	US\$ 1,000
Audience, Inc.		investment Long-term	531	US\$ 102	1	US\$ 102
Axiom Microdevices, Inc.		investment Long-term	686	US\$ 700	5	US\$ 700
Next IO, Inc.		investment	216	US\$ 182		US\$ 182
Bond funds						
		Short-term				
Grand Cathay		investment	3,608	45,543	N/A	45,544
		Short-term				
TIIM		investment	703	9,698	N/A	9,698
		Short-term				
Polaris De Li		investment	1,550	22,800	N/A	22,800
		Short-term				
EnTrust Kirin		investment	2,106	22,697	N/A	22,698
		Short-term				
E. Sun New Era		investment	1,920	20,313	N/A	20,314
		Short-term				
Jih Sun		investment	772	10,262	N/A	10,262
		Short-term				
EnTrust Phoenix		investment	2,081	30,563	N/A	30,564
		Short-term				
Transcend Fortune		investment	1,936	22,947	N/A	22,948
Stock funds		a.				
		Short-term				
TIIM DaLi		investment	296	5,000	N/A	4,474
UPAMC Global Select Fund		Short-term				
of Funds		investment	336	3,364	N/A	3,378
		Short-term				
Sheng Hua 9966 Balance		investment	300	3,000	N/A	3,011
Stock		<b>.</b>				
Global Unichip Corporation	0.1.11	Long-term	100	2.27.5	100	2 277
NA	Subsidiary	investment	100	3,375	100	3,375
	- 48	S -				

**TABLE 4** 

**Disposa** 

#### TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LTD, AND INVESTEES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL FOR THE YEAR ENDED DECEMBER 31, 2004 (Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

**Beginning Balance** 

Acquisition

	Shares/Units Amount Shares/Units Amount							Amount		
				d) (US\$ in			Shares/Units			
inancial Statement		Nature of	( 1 Housain	Thousand)			(Thousand)			
Account	<b>Counter-party</b>		p	Thousand)		Tirousanu)	(Tilousaliu)	i nousanu)		
nort-term vestment	BOA		40,000	\$1,359,120 (US\$) 40,000	)	\$	40,000	\$1,359,120 (US\$) 40,000		
nort-term vestment	Goldman Sachs		20,000	679,560 (US\$) 20,000	)		20,000	679,560 (US\$) 20,000		
nort-term vestment	JF Asset Management		34,343	500,000	68,021	1,000,000	23,666	350,000		
nort-term	(Taiwan) Ltd. ABN AMRO		34,794	500,000	165,257	2,400,000	0 65,145	950,000		
vestment nort-term	ABN AMRO				18,235	200,000	)			
vestment nort-term vestment	JF Asset Management				110,580	1,500,000	25,694	350,000		
nort-term	(Taiwan) Ltd. INVESCO				93,975	1,350,000	0 17,270	250,000		
vestment	Asset Management Taiwan									
nort-term vestment	Allianz Dresdner Securities Investment Consulting Co.,				80,833	900,000	)			
nort-term vestment	Ltd. Barits Securities				76,640	900,000	)			
nort-term vestment	Investment Trust Co., Ltd. Shinkong Investment				151,594	2,100,000	)			

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	Trust Co., Ltd.					
nort-term	National		3,764	600,000		
vestment	Investment		•	•		
	Trust Co., Ltd.					
ort-term	HSBC Asset		41,568	600,000		
vestment	Management					
	(Taiwan) Ltd.					
ort-term	Chung Shing	1,800,000		2,577,163	4,127,714	
vestment	Bills Finance					
	Corp. and					
	several					
	financial					
	institutions					
ort-term	Chung Shing	1,422,197			1,427,762	
vestment	Bills Finance					
	Corp. and					
	several					
	financial					ĺ
	institutions					
ort-term	BNP and	3,157,331			3,169,750	
vestment	several					ĺ
	financial					ĺ
	institutions	2.112.066			2 122 075	ĺ
ort-term	BNP and	3,113,066			3,133,875	
vestment	several					
	financial					
	institutions			2.022.206	2.021.500	
ort-term	BNP and			2,023,206	2,031,500	
vestment	several financial					
	institutions					
ort-term	BNP and			1,207,409		
vestment	several			1,207,409		
vestilient	financial					
	institutions					
ort-term	institutions		U	IS\$ 699,398	US\$ 506,162	US\$
vestment						
ong-term	FCB and			3,402,213		
vestment	several					
	financial					
	institutions					
ong-term	China Bills			2,349,573		
vestment	Finance Corp.					
	and several					
	financial					
	institutions					
ong-term	BNP and			3,890,925		
vestment	several					
	financial					
	i 4 i 4 - 4 i					

institutions

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ong-term vestment	KGI Securities Co., Ltd. and several financial institutions		620,000			
ort-term	KGI Securities	2,	777,798			
vestment	Co., Ltd.					
nort-term		US\$	3,171			
vestment						
nort-term		US\$	3,550			
vestment						
nort-term		US\$	3,503	US\$	3,504	US\$
vestment						
nort-term		US\$	3,130			
vestment						

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			Beginning	Balance	Acquis	sition		Disp
			Shares/Units	Amount	Shares/Units	Amount		Amoun
I Financial Statement Account	Counter-party	Nature of Relationship	(Thousand)	(US\$ in Thousand)	(Thousand)	(US\$ in Thousand)	Shares/Units (Thousand)	*
Short-term	1 0	•						
investment				\$		US\$3,702		
Short-term						. ,		
investment						US\$3,509		US\$3,50
Short-term						. ,		. ,
investment						US\$3,750		US\$3,7:
Short-term						0.040,.00		
investment						US\$3,800		
Short-term						0040,000		
investment						US\$3,795		
Short-term						Ο Ο Φ Ο , 17 Ο Ο		
investment						US\$3,005		
Short-term						Ουψυ,000		
investment						US\$3,945		
Short-term						Ουψυ,,,,13		
investment						US\$3,693		US\$3,69
Short-term						0343,073		0343,0
investment						US\$3,805		US\$3,8
Short-term						0345,605		0343,0
investment						US\$3,518		
Short-term						0343,316		
investment						US\$3,105		
Short-term						03\$3,103		
						11002 010		
investment						US\$3,819		
Short-term						11002 277		TIOO2 O
investment						US\$3,277		US\$3,2
Short-term						11002 027		11002 7
investment						US\$3,837		US\$3,79
Short-term						11002 202		
investment						US\$3,203		
Short-term						11002 502		
investment						US\$3,583		
Short-term						11002 710		
investment						US\$3,719		
Short-term						11042 607		
investment						US\$3,687		
Short-term						11000 504		TIC#2 5
investment						US\$3,534		US\$3,5
Short-term						11005 210		
investment						US\$5,210		TIGAS
						US\$3,177		US\$3,18

Short-term		
investment		
Short-term	**************************************	
investment	US\$3,054	
Short-term	11002 450	
investment	US\$3,459	
Short-term	US\$8,315	
investment	0340,313	
Short-term investment	US\$4,237	
Short-term	03\$4,237	
investment	US\$4,847	
Short-term	Ουψτ,υτ7	
investment	US\$3,013	
Short-term	Ο5φ5,015	
investment	US\$3,507	US\$3,49
Short-term		0040,1
investment	US\$3,467	
Short-term		
investment	US\$3,886	
Short-term		
investment	US\$3,412	
Short-term		
investment	US\$3,505	
Short-term		
investment	US\$3,820	
Short-term		
investment	US\$3,373	
Short-term		
investment	US\$3,284	
Short-term	XXX.00.710	11000
investment	US\$3,712	US\$3,63
Short-term	11002 540	
investment	US\$3,542	
Short-term	US\$3,003	
investment Short-term	03\$3,003	
investment	US\$3,012	
Short-term	Ο5φ5,012	
investment	US\$5,232	
Short-term	Ο 5 φ 5,232	
investment	US\$3,638	US\$3,60
Short-term	0545,050	2545,0
investment	US\$3,128	
Short-term		
investment	US\$3,663	
Short-term		
investment	US\$3,500	
Short-term		
investment	US\$5,104	

US\$3,3

US\$3,417

Short-term		
investment		
Short-term		
investment	US\$3,705	
Short-term		
investment	US\$3,750	
Short-term		
investment	US\$3,497	US\$3,49
Short-term		
investment	US\$3,486	
A Short-term	*******	
investment	US\$3,129	
Short-term		
investment	US\$5,741	
Short-term	**************************************	11000 T
investment	US\$4,763	US\$3,71
Short-term	T1000 644	
investment	US\$3,644	
Short-term	11000 455	
investment	US\$3,457	
Short-term	110¢2 412	
investment	US\$3,413	
Short-term	11C#2 010	
investment	US\$3,818	
Short-term	11002 042	
investment	US\$3,042	
Short-term	11002 507	
investment	US\$3,507	(0 1)
		(Continued)

**Beginning Balance** 

Acquisition

			3 0		-				-
			Shares/Units	Amount	Shares/Units	Am	ount		Amoun
inancial Statement		Nature of	(Thousand)	(US\$ in Thousand)	(Thousand)		\$ in sand)	Shares/Units (Thousand)	-
Account	<b>Counter-party</b>			110000010)		11100		(2200000000)	110000
hort-term				\$		US\$	3,050		
ivestment									
hort-term						US\$	3,168		
ivestment									
hort-term						US\$	3,160		
ivestment									
hort-term						US\$	3,681		
vestment						+			
hort-term						US\$	3,604		
vestment									
hort-term						US\$	3,631		US\$3,13
vestment									
hort-term						US\$	3,119		
vestment						+			
hort-term						US\$	3,177		US\$3,13
vestment						+			
hort-term						US\$	3,172		US\$3,1
vestment						***	2 = 20		
hort-term						US\$	3,720		
vestment						***	2 (=0		
hort-term						US\$	3,670		
vestment						TIGA	4.760		
hort-term						US\$	4,768		
vestment						TIOO	4.725		
hort-term						US\$	4,735		
vestment						TIOO	2.102		
hort-term						US\$	3,182		
estment						TIOO	2.607		
hort-term						US\$	3,697		
vestment	CI CI.					2.0	07.420		
ong-term	Chung Shing					2,9	997,430		
vestment	Bills Finance								
4	Corp.					C	50 (16		
ong-term	BNP and					9	950,646		
vestment	several								
	financial								
one tour	institutions						100 520		
ong-term	Chung Shing					4	108,538		
ivestment	Bills Finance								
	Corp.						106 245		
						4	106,245		
ı									

Disp

Chung Shing Bills Finance				
_			202,980	
Bills Finance			,	
Corp.				
		US\$	6,096	
		US\$	4,725	
		ΥΙΟΦ	2.550	
		US\$	3,558	
		TICC	F 061	
		US\$	3,801	
		2211	3 303	
		υυψ	3,373	
		US\$	6.130	
		<b>5</b> .24	0,100	
		US\$	6,371	
			- /	
		US\$	7,000	
		US\$	5,014	
		US\$	3,817	
		μαφ	1.000	11004 O
		US\$	4,829	US\$4,82
		TIC¢	4 472	
		<b>υ</b>	4,473	
		112\$	2 166	
		Ουψ	3,400	
		US\$	5 210	US\$4,1:
		$\mathbf{co}_{\mathbf{\psi}}$	3,410	∪υψ 1,1
		US\$	4.927	
		- · · ·	19/	
		US\$	14,938	US\$6,98
			,	
		US\$	7,014	
		US\$	4,936	
		US\$	9,956	US\$9,9
		****	4	
		US\$	5,264	US\$5,28
		ΙΙσφ	4.040	
		US\$	4,948	
		LICO	7.010	
		USÞ	7,018	
	Bills Finance Corp. Chung Shing Bills Finance	Bills Finance Corp. Chung Shing Bills Finance	Bills Finance Corp. Chung Shing Bills Finance Corp.  USS USS USS USS USS USS USS USS USS U	Bills Finance Corp. Chung Shing Bills Finance Corp.  USS 6,096 USS 4,725 USS 3,558 USS 5,861 USS 3,393 USS 6,130 USS 6,371 USS 7,000 USS 5,014 USS 3,817 USS 4,829 USS 4,473 USS 4,473 USS 4,473 USS 5,210 USS 5,210 USS 7,014 USS 5,210 USS 5,210 USS 4,927 USS 14,938 USS 7,014 USS 7,014 USS 5,210 USS 5,264 USS 5,264

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hort-term		US\$	9,993	US\$5,0
vestment				
hort-term		US\$	7,042	
vestment				
hort-term		US\$	6,098	
vestment				
hort-term		US\$	13,953	
vestment				
hort-term		US\$	13,983	
vestment				
hort-term		US\$	13,981	
vestment				
hort-term		US\$	6,978	
vestment				
hort-term		US\$	3,388	
vestment				
hort-term		US\$	4,907	US\$4,9
vestment		***	4.0.50	
hort-term		US\$	4,953	
vestment		***	0.00=	
hort-term		US\$	9,997	
vestment		TIOO	0.071	TIGAO O
hort-term		US\$	9,971	US\$9,9
vestment		***	11.001	*****
hort-term		US\$	11,984	US\$10,9

vestment

(Continued)

**Beginning Balance** 

Acquisition

inancial Statement		Nature of	Shares/Units (Thousand)	Shares/Units (Thousand)	(US\$ in	Shares/Units (Thousand)	
Account	<b>Counter-party</b>						T
ort-term				\$	US\$4,933		\$
vestment					11004 020	•	
ıort-term vestment					US\$4,930		
vestifient 10rt-term					US\$4,903	i	
vestment					Ουφ 1,700		
ort-term					US\$11,036	,	US\$10,997 U
vestment							
ort-term					US\$10,496	,	US\$10,430 U
vestment							
ort-term					US\$5,270	,	
vestment					77C44.000		**C\$ 4.002
nort-term					US\$4,982	·	US\$4,983
vestment					11006 040		
ıort-term vestment					US\$6,940		
vestifient 10rt-term					US\$4,867	,	US\$4,938
vestment					<b>υ</b> υψ 1,00.		Ουψη,σου
ort-term					US\$6,903	j.	
vestment					,		
nort-term					US\$4,981		
vestment							
nort-term					US\$6,997		
vestment							
nort-term					US\$4,993		US\$4,993
vestment					11005 OOC		
nort-term					US\$5,000		
vestment 10rt-term					US\$15,787	,	
iort-term vestment					US\$13,707		
vestment 10rt-term					US\$4,929	ı	
vestment					<b>υ</b> ωψη,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,		
nort-term					US\$16,000	)	US\$16,000 U
vestment					C		<del></del> ,
nort-term					US\$4,955		
vestment							
nort-term					US\$3,445		
vestment					T1004 040		
nort-term					US\$4,949		
vestment							

Dispos

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nort-term	US\$5,503	
vestment	US\$4,030	
nort-term vestment	03\$4,030	
nort-term	US\$4,023	
vestment	. ,	
nort-term	US\$4,978	
vestment		
nort-term	US\$4,298	
vestment	US\$8,383	
nort-term vestment	<b>υ</b> 3φ8,383	
nort-term	US\$7,419	
vestment	,-	
nort-term	US\$4,627	
vestment		
nort-term	US\$3,093	US\$3,072
vestment	11504.057	
iort-term vestment	US\$4,957	
nort-term	US\$5,032	US\$5,000
vestment	0540,002	2542,000
nort-term	US\$10,008	
vestment		
nort-term	US\$3,500	
vestment	11004 000	
iort-term vestment	US\$4,999	
ort-term	US\$4,959	
vestment	354 1,757	
nort-term	US\$5,000	
vestment		
nort-term	US\$4,600	
vestment	11045 000	
iort-term vestment	US\$5,000	
nort-term	US\$5,000	
vestment	2542,000	
nort-term	US\$3,500	
vestment		
nort-term	US\$4,718	
vestment	11G/t2 120	
ort-term	US\$3,129	
vestment nort-term	US\$4,040	
vestment	0541,010	
nort-term	US\$4,991	
vestment		
ort-term	US\$4,982	
vestment	**************************************	
	US\$4,897	

nort-term		
vestment		
nort-term	US\$4,177	
vestment		
nort-term	US\$5,011	
vestment		
nort-term	US\$10,999	
vestment		
nort-term	US\$4,000	US\$4,003
vestment		
nort-term	US\$5,000	
vestment	****	
nort-term	US\$4,000	
vestment	11d 4 000	
nort-term	US\$4,000	
vestment	<b>ΤΙ</b> ΙΠΦ.Γ. 000	
iort-term	US\$5,999	
vestment	11G05 001	
nort-term	US\$5,001	
vestment		(0 1)
		(Continued)

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investment				<b>Beginning Balance</b>	Acquis	sition	Disp
Speal   Financial Statement				Shares/UnitsAmount	Shares/Units	Amount	Amount
Short-term   Short-term   IVSS 3,500   Short-term   IVSS 3,500   Short-term   IVSS 4,000   IVSS 5,000   IVSS 4,000   IVSS 5,000   IVSS 4,000   IVSS 5,000   IVS	Type and			f Thousand)		•	Thousand housand)
investment Short-term investment US\$ 4,913 investment Short-term investment US\$ 3,902 investment Short-term investment Short-term investment Short-term investment US\$ 3,992 investment Short-term investment US\$ 3,992 investment Short-term investment US\$ 3,992 investment Short-term investment US\$ 3,947 investment US\$ 3,947 investment Short-term investment US\$ 3,947 investment US\$ 3,058 investment Short-term investment US\$ 3,058 investment US\$ 3,058 investment Short-term investment US\$ 3,059 investment Short-term investment US\$ 3,059 investment Short-term investment US\$ 3,058 investment US\$ 3,050 investment US\$ 5,042 investment Short-term investment US\$ 5,042 investment US\$ 5,042 investment Short-term Short-term Short-term Short		Counter-party	Kelationsi			115\$ 5,000	-
Se Tr   Short-term   US\$ 3,500				φ		03\$ 3,000	U
investment Short-term US\$ 4,000 investment US\$ 3,500 investment US\$ 3,500 investment US\$ 4,928 investment US\$ 7,000 investment US\$ 7,000 investment US\$ 7,000 investment US\$ 4,999 investment US\$ 4,999 investment US\$ 4,853 investment US\$ 4,813 investment US\$ 4,913 investment US\$ 4,913 investment US\$ 4,913 investment US\$ 5,102 US\$5,036 US\$7.000 investment US\$ 5,102 US\$5,036 US\$7.000 investment US\$ 5,100 US\$5,036 US\$7.000 investment US\$ 5,100 US\$5,036 US\$7.000 investment US\$ 3,990 investment US\$ 3,766 investment US\$ 3,700 investment	ec Tr					LIS\$ 3.500	n
Short-term   Investment   Inv	23 11					Ουψ 5,500	O
Investment   Short-term   Short-term   Short-term   Short-term   Investment   Short-term   Investment   Interest   Investment   Investment   Investment   Investment   Investment   Investment   Investment   Investment   Investment   Interest   Investment   Investment   Investment   Investment   Investment   Investment   Investment   Investment   Investment   Interest   Investment   Investment   Investment   Investment   Investment   Investment   Investment   Investment   Investment   Interest   Investment   Investment   Investment   Investment   Investment   Investment   Investment   Investment   Investment   Interest   Investment   Investment   Investment   Investment   Investment   Investment   Investment   Investment   Investment   Interest   Investment   Investment   Investment   Investment   Investment   Investment   Investment   Investment   Investment   Interest   Investment   Investment   Investment   Investment   Investment   Investment   Investment   Investment   Investment   Interest   Investment   Invest						US\$ 4 000	0
Short-term   INS 3,500   INS 4,928   INS 5,000   INS 4,928   INS 5,000   INS 4,928   INS 5,000   INS						Ουψ 4,000	O
investment	r					LIS\$ 3.500	0
Short-term   Investment   Inv						Ουψ 5,500	O
investment Short-term US\$ 7,000 investment Short-term US\$ 4,999 investment US\$ 4,853 investment Short-term investment US\$ 4,813 investment US\$ 4,913 investment US\$ 5,102 US\$5,036 US\$5,037 US\$5,036 US\$5,037 US\$5,038 US\$5,038 US\$5,038 US\$5,038 US\$5,038 US\$5,038 US\$5,038 US\$5,038 US\$5,038 US\$5,042 U\$\$5,042 US\$5,042 US\$5	ner Tr					IIS\$ 4 929	8
Short-term   INS   7,000						Ουψ 4,720	O
investment   US\$ 4,999   investment   US\$ 4,999   investment   US\$ 4,853   investment   US\$ 4,913   investment   US\$ 4,913   investment   US\$ 5,102   US\$5,036   US						US\$ 7,000	0
Owner         Short-term investment         US\$ 4,999           Owner         Short-term investment         US\$ 4,853           Short-term investment         US\$ 4,913           C         Short-term investment         US\$ 5,102         US\$5,036 US\$5,039 US\$5,036 US\$5,039 US\$5,036 US\$5,036 US\$5,039 US\$5,036						Ουψ 7,000	O
investment	Owner					US\$ 4 990	9
Owner investment Short-term investment       US\$ 4,913         Common Short-term investment       US\$ 5,102       US\$5,036         Common Short-term investment       US\$ 5,102       US\$5,036         To Transcription       US\$ 4,204       US\$ 5,105         To Transcription       US\$ 3,992       US\$ 5,185         ABA Short-term investment       US\$ 5,185       US\$ 5,185         ABS Short-term investment       US\$ 3,766       US\$ 3,947         ABS Short-term investment       US\$ 3,947       US\$ 3,947         ABS Short-term investment       US\$ 3,500       US\$ 3,908         ABS Short-term investment       US\$ 3,058       US\$ 3,058         ABS Short-term investment       US\$ 4,970       US\$ 5,042         ABS Short-term investment       US\$ 5,042       US\$ 5,042	O WHEI					Ουψ 1,222	
investment Short-term	Owner					US\$ 4.85	3
Short-term   INS   4,913   INS   4,913   INS   5,102   INS   5,036   INS   5,102   INS   5,036   I	O WHEI					υσφ 1,05.	
investment   US\$ 5,102   US\$5,036   US\$5,0392   US\$5,036   US\$5,0392   US\$5,036   US\$5,185   US\$5,185   US\$5,036   US\$5,185   US\$5,036   US\$5,036   US\$5,036   US\$5,036   US\$5,036   US\$5,036   US\$5,036   US\$5,036   US\$5,036   US\$5,038   US\$5,038   US\$5,038   US\$5,042   US\$5						US\$ 4.917	3
Short-term   US\$ 5,102   US\$5,036   US\$5,0392   US\$5,036   US\$5,0392   US\$5,036   US\$5,185   US\$5,185   US\$5,185   US\$5,185   US\$5,185   US\$5,036   US\$5,047   US\$5,042   US\$5						Ουψ 1,51.	
investment r Tr Short-term US\$ 4,204 investment r Tr Short-term investment the Bd Short-term investment	С					US\$ 5.100	2 US\$5.036 I
Tr   Short-term   US\$ 4,204   Investment						υυφ υ,102	2 0545,050
investment	er Tr					US\$ 4.204	4
Short-term   US\$ 3,992   Investment   US\$ 5,185   Investment   US\$ 3,766   Investment   US\$ 3,766   Investment   US\$ 3,947   Investment   US\$ 3,947   Investment   US\$ 3,500   Investment   US\$ 3,500   Investment   US\$ 3,500   Investment   US\$ 3,058   Investment   US\$ 3,	)1 <b>1</b> 1					C 5 ψ 1,20	
investment  BBd Short-term US\$ 5,185 investment  DBS Short-term US\$ 3,766 investment  I Inc Short-term US\$ 3,947 investment  Short-term US\$ 3,500 investment  Ln Tr Short-term US\$ 3,058 investment  Ln Tr Short-term US\$ 3,058 investment  Short-term US\$ 3,058 investment  US\$ 4,970 investment  Tr Short-term US\$ 5,042 investment  Short-term US\$ 5,042 investment  Tr Short-term US\$ 8,009 investment	er Tr					US\$ 3.997	2
Short-term   US\$ 5,185     investment   US\$ 3,766     investment   US\$ 3,766     investment   US\$ 3,947     investment   US\$ 3,500     investment   US\$ 3,500     investment   US\$ 3,500     investment   US\$ 3,058     investment   US\$ 3,058     investment   US\$ 4,970     investment   US\$ 5,042     investment   US\$ 5,042     investment   US\$ 8,009     investment   US\$ 8,	71 11					υυψ υ,,,,,	_
investment ods Short-term US\$ 3,766 investment  I Inc Short-term US\$ 3,947 investment Short-term US\$ 3,500 investment  Ln Tr Short-term US\$ 3,058 investment  2003 B Short-term US\$ 4,970 investment  Tr Short-term US\$ 5,042 investment  Short-term US\$ 5,042 investment  Short-term US\$ 5,042 investment  Short-term US\$ 8,009 investment	n Bd					US\$ 5.185	5
Short-term   US\$ 3,766     I Inc   Short-term   US\$ 3,947     I Inc   Short-term   US\$ 3,947     Inc   Short-term   US\$ 3,500     Investment   US\$ 3,500     Investment   US\$ 3,058     Investment   US\$ 3,058     Investment   US\$ 4,970     Investment   US\$ 5,042     Investment   US\$ 5,042     Investment   US\$ 8,009	2.0					0.54 0,100	
investment  I Inc Short-term US\$ 3,947 investment Short-term US\$ 3,500 investment  Ln Tr Short-term US\$ 3,058 investment  2003 B Short-term US\$ 4,970 investment  r Short-term US\$ 5,042 investment  Short-term US\$ 8,009 investment	ods					US\$ 3.766	б
I Inc Short-term investment US\$ 3,947 investment US\$ 3,500 investment US\$ 3,500 investment US\$ 3,058 investment US\$ 3,058 investment US\$ 4,970 investment US\$ 5,042 investment US\$ 5,042 investment US\$ 8,009 investment	o <b>u</b> s					υυφ 2,700	
investment Short-term US\$ 3,500 investment  Ln Tr Short-term US\$ 3,058 investment  2003 B Short-term US\$ 4,970 investment  Tr Short-term US\$ 5,042 investment  US\$ 8,009 investment	s I Inc					US\$ 3.94	7
Short-term investment  Ln Tr Short-term US\$ 3,500  investment  2003 B Short-term US\$ 4,970  investment  Tr Short-term US\$ 5,042  investment  Short-term US\$ 8,009  investment							,
investment  Ln Tr Short-term investment  2003 B Short-term investment  Tr Short-term investment  US\$ 4,970  US\$ 5,042  investment  Short-term investment  US\$ 8,009  investment						US\$ 3.500	0
Ln Tr Short-term investment  2003 B Short-term US\$ 4,970 investment  Tr Short-term US\$ 5,042 investment  Short-term US\$ 8,009 investment							
investment  2003 B Short-term investment  Tr Short-term investment  Short-term investment  US\$ 4,970  US\$ 5,042  US\$ 5,042  US\$ 8,009  investment	Ln Tr					US\$ 3.058	8
2003 B Short-term investment  Tr Short-term US\$ 5,042 investment  Sition Short-term US\$ 8,009 investment						. ,	
investment  Tr Short-term investment  Stition Short-term investment  US\$ 5,042  US\$ 8,009  investment	2003 B					US\$ 4,970	0
Tr Short-term US\$ 5,042 investment Short-term US\$ 8,009 investment							
investment Short-term investment US\$ 8,009	r					US\$ 5,042	2
Short-term US\$ 8,009 investment						. ,	
investment	sition					US\$ 8,009	9
						•	
						US\$ 4,000	0

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	Short-term						
	investment						
r	Short-term				US\$ 6,000		
	investment						
r	Short-term				US\$ 4,999		
	investment						
ust	Short-term				US\$ 5,008		
	investment						
Tr	Short-term				US\$ 3,904		
	investment						
Tr	Short-term				US\$ 4,994		
	investment						
Tr	Short-term				US\$ 5,399		
	investment						
	Short-term				US\$ 5,967		
	investment						
	Short-term				US\$ 4,000		
	investment						
ables Tr	Short-term				US\$ 5,963		
	investment						
ables Tr	Short-term				US\$ 5,000		US\$4,986
	investment						
	Short-term				US\$21,114		
	investment						
p.	Short-term	Ç	947	US\$ 121		1,595	US\$6,783
	investment						
Inc.	Short-term	1,2	205	US\$3,593		1,205	US\$8,972
	investment						
ns, Inc.	Short-term	2,5	521	US\$2,000		546	US\$4,318
	investment						
p.	Short-term	2	165	US\$ 346		768	US\$3,394

Note: The ending balance included the recognition of the investment income (loss) by the equity method, the cumulative translation adjustments and the bond premium or discount amortization amount.

investment

## TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LTD. AND INVESTEES

# ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL

FOR THE YEAR ENDED DECEMBER 31, 2004

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

m			Natu		n 4• e	P. L. 1.C	,	
Transaction		Countan nanty				Related Count Transfer Date		D
Amount	Payment Term	1 0	Kelauon	N/A	-	N/A		
\$1,484,370	By the construction progress	Branch (U.S.A.)		N/A	N/A	N/A	N/A	Pub
420,168	By the construction progress	` /		N/A	N/A	N/A	N/A	Pub
224,800	By the construction progress	Allis Electric Co., Ltd.		N/A	N/A	N/A	N/A	Pub
340,307	By the construction progress	United Industry gas Corp.,	Ltd.	N/A	N/A	N/A	N/A	Pub
116,181	By the construction progress	United Industry gas Corp.,	Ltd.	N/A	N/A	N/A	N/A	Pub
133,092	By the construction progress	BOC EDWARDS, CMS		N/A	N/A	N/A	N/A	Pub
165,208	By the construction progress	Organo Corporation		N/A	N/A	N/A	N/A	Pub
225,744	By the construction progress	Marketech International Co	orp.	N/A	N/A	N/A	N/A	Pub
100,767	By the construction progress	Kanto Chemical Co., Inc.		N/A	N/A	N/A	N/A	Pub
466,833	By the construction progress	United Integrated Services Ltd.	Co.,	N/A	N/A	N/A	N/A	Pub
300,000	By the construction progress		Co.,	N/A	N/A	N/A	N/A	Pub
122,969	By the construction progress		orp.	N/A	N/A	N/A	N/A	Pub
185,984	By the construction progress	Marketech International Co	orp.	N/A	N/A	N/A	N/A	Pub
182,060	By the construction progress	Marketech International Co	orp.	N/A	N/A	N/A	N/A	Pub
105,299	By the construction progress	IDC Taiwan, Inc., Taiwan Branch (U.S.A.)		N/A	N/A	N/A	N/A	Pub

## TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LTD. AND INVESTEES

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

FOR THE YEAR ENDED DECEMBER 31, 2004

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

				ansact %	ion Details	Abnorm	al Transaction
		Purchase/		to			
ed Party	Nature of Relationship	Sale	Amount	Total	Payment Terms	<b>Unit Price</b>	Payment Terr
North America	Subsidiary	Sales	\$142,271,732	55	Net 30 days after invoice date	None	None
d its affiliates	Major shareholder	Sales	5,463,565	2	Net 30 days after monthly closing	None	None
	Investee	Sales	371,546		Net 30 days after monthly closing	None	None
h	Subsidiary	Purchases	15,203,047	34	Net 30 days after monthly closing	None	None
	Investee	Purchases	9,169,602	13	Net 30 days after monthly closing	None	None
	Investee	Purchases	5,869,123	21	Net 30 days after monthly closing	None	None
			4	55 -			

## TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LTD. AND INVESTEES

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

**DECEMBER 31, 2004** 

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

### Overdue

			Ending			
Re	lated Party	<b>Nature of Relationship</b>	Balance	<b>Turnover Rate</b>	Amount	Action Taken
SMC	North America	Subsidiary	\$15,526,964	38 days	\$5,044,202	
SMC	Shanghai	Subsidiary	1,473,365	(Note 1)	145,146	Accelerate demand on account receivable
hilips	and its affiliates	Major shareholder	581,487	49 days	7,136	

Note 1: The ending balance is generated mainly from the sales of machinery, so it is not applicable for the calculation of the turnover rate.

**Balance** as of December

## TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LTD, AND INVESTEES

# NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE

**DECEMBER 31, 2004** 

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

				Dalance	200	4
		Original l	nvestment			
		Am	ount	Pe	ercenta	age
		December	December			Carryi
		31,	31,	<b>Shares</b>	of	Valu
Location	<b>Main Businesses and Products</b>	2004	2003	(Thousand	yners	hip (Note
caSan Jose, California, U.S.A.	Sales and marketing of integrated circuits and semiconductor devices	\$ 333,178	\$ 333,178	11,000	100	\$ 502,
Amsterdam, the Netherlands	Marketing activities	15,749	15,749		100	25,
Yokohama, Japan	Marketing activities	83,760	83,760	6	100	102,
Shanghai, China	Manufacturing and marketing of integrated circuits and semiconductor devices	9,187,962	1,890,952		100	8,113,
Hsin-Chu, Taiwan	Research, design, development, manufacture, packaging, testing and sale of memory integrated circuits, LSI, VLSI and related parts	8,119,816	8,119,816	409,532	28	5,401,
Tortola, British Virgin Islands	Providing investment in companies involved in the design, manufacture, and other related business in the semiconductor industry	31,445,780	31,445,780	987,968	100	23,778,
Taipei, Taiwan	Investment activities	300,000	300,000		36	50,
Taipei, Taiwan	Investment activities	300,000	300,000		36	49,
Tortola, British Virgin Islands	Investment activities	10,350	10,350	300	100	3,908,
Singapore	Fabrication and supply of integrated circuits	6,408,190	6,408,190	382	32	3,290,
Cayman Islands	Investing in new start-up technology companies	1,447,957	1,179,690		99	823,
Hsin-Chu, Taiwan	Researching, developing, manufacturing, testing and marketing of integrated circuits	409,920	409,920	39,040	47	391,
Hsin-Chu, Taiwan	Manufacturing, material wholesaling and retailing of electronic spare parts	51,000	51,000	5,100	25	59,
Cayman Islands	Investing in new start-up technology companies	332,412			98	329,

Note 1: The treasury stock is deducted from the carrying value.

Note 2: The gains or losses on disposal of the stocks held by subsidiaries (treated as treasury stocks) and the paid-in capital from cash dividend distributed by parent company are excluded.

## TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LTD. AND INVESTEES

# INFORMATION OF INVESTMENT IN MAINLAND CHINA DECEMBER 31, 2004

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

	Total Amount		Accumulated Outflow of Investment from Taiwan as		Accumulated Outflow of Investment from Taiwan as	s
	of Paid-in		of	<b>Investment Flows</b>	of	
	Capital		<b>January 1, 2004</b>	Outflow	December 31,	Percentage of Inv Ownership
Main Businesses and Products	(RMB in Thousand)	Investment Type	(US\$ in Thousand)	(US\$ in Thousand) Inflo	2004 (US\$ in	in (
Manufacturing and marketing of integrated circuits and semiconductor devices	(RMB2,284,355)	` ′	\$1,890,952 (US\$56,000)		\$9,187,962 (US\$276,000)	100% \$(7
Accumulated Investi Mainland China as of December	Inve		ounts Authorized b mmission, MOEA	•	nit on Investment	t

Mainland China as of December 31, 2004 (US\$ in Thousand)	Investment Amounts Authorized by Investment Commission, MOEA (US\$ in Thousand)	Upper Limit on Investment (US\$ in Thousand)
\$9,187,962	\$ 11,841,207	\$ 11,841,207
(US\$276,000)	(US\$371,000)	(US\$371,000)

Note 1: Direct investment in TSMC (Shanghai) US\$276,000 thousand.

any

Note 2: Amount was recognized based on the audited financial statements.

Taiwan Semiconductor Manufacturing Company Ltd. and Subsidiaries

Consolidated Financial Statements for the Years Ended December 31, 2004 and 2003 and Independent Auditors Report

### INDEPENDENT AUDITORS REPORT

The Board of Directors and the Shareholders Taiwan Semiconductor Manufacturing Company Ltd.

We have audited the accompanying consolidated balance sheets of Taiwan Semiconductor Manufacturing Company Ltd. and subsidiaries (the Company) as of December 31, 2004 and 2003, and the related consolidated statements of income, changes in shareholders equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Taiwan Semiconductor Manufacturing Company Ltd. and subsidiaries as of December 31, 2004 and 2003, and the results of their operations and their cash flows for the years then ended, in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and generally accepted accounting principles in the Republic of China.

January 13, 2005 (January 30, 2005 as to Note 22m)

#### Notice to Readers

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

For the convenience of readers, the auditors report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language auditors report and financial statements shall prevail.

# CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2004 AND 2003

(In Thousands of New Taiwan Dollars, Except Par Value)

	2004		2003			
ASSETS	Amount	%	Amount	%		
CURRENT ASSETS						
Cash and cash equivalents (Notes 2, 3 and 4)	\$ 74,302,351	15	\$ 102,988,896	26		
Short-term investments, net (Notes 2 and 4)	54,107,951	11	13,611,536	3		
Receivables from related parties (Note 20)	654,377		920,444			
Notes receivable	2,942		9,893			
Accounts receivable	31,211,481	7	28,495,269	7		
Allowance for doubtful receivables (Note 2)	(982,843)		(1,020,398)			
Allowance for sales returns and others (Note 2)	(3,342,450)	(1)	(2,135,843)			
Other receivables from related parties (Note 20)	141,578		131,731			
Other financial assets (Notes 2 and 23)	2,212,371		1,373,705			
Inventories, net (Notes 2 and 5)	15,555,937	3	12,135,324	3		
Deferred income tax assets, net (Notes 2 and 14)	8,917,986	2	8,398,205	2		
Prepaid expenses and other current assets	1,667,401		1,632,908			
Total current assets	184,449,082	37	166,541,670	41		
LONG-TERM INVESTMENTS (Notes 2, 6, 18 and 23)						
Equity method	9,143,612	2	7,255,239	2		
Cost method	3,266,330	1	3,492,775	1		
Long-term bonds	15,170,167	3				
Other investments	10,521,740	2				
Total long-term investments	38,101,849	8	10,748,014	3		
PROPERTY, PLANT AND EQUIPMENT (Notes 2, 7, 10 and 20)						
Cost						
Land and land improvements	803,508		855,394			
Buildings	97,882,699	19	79,778,533	20		
Machinery and equipment	433,130,364	87	371,315,729	91		
Office equipment	8,538,225	2	7,457,538	2		
Leased assets	566,243		726,585			
Total cost	540,921,039	108	460,133,779	113		

Accumulated depreciation Advance payments and construction in progress	(331,253,866) 49,244,153	(66) 10	(275,013,069) 26,733,553	(68) 7
Net property, plant and equipment	258,911,326	52	211,854,263	52
GOODWILL (Note 2)	7,115,510	1	8,720,917	2
OTHER ASSETS	0.002.452	2	7,002,016	2
Deferred charges, net (Notes 2, 8 and 22) Deferred income tax assets, net (Notes 2 and 14) Refundable deposits (Note 20) Others	8,992,452 1,649,979 106,448 127,445	2	7,992,016 1,111,367 199,522 232,762	2
Total other assets	10,876,324	2	9,535,667	2
TOTAL	\$ 499,454,091	100	\$ 407,400,531	100
	2004		2003	~
	Amount	07,	A mount	0/2
LIABILITIES AND SHAREHOLDERS EQUITY	Amount	%	Amount	%
CURRENT LIABILITIES		%		%
CURRENT LIABILITIES Short-term bank loans (Note 9)	\$ 383,004		\$ 407,736	
CURRENT LIABILITIES Short-term bank loans (Note 9) Payables to related parties (Note 20)	\$ 383,004 2,217,815	1	\$ 407,736 3,248,289	1
CURRENT LIABILITIES Short-term bank loans (Note 9) Payables to related parties (Note 20) Accounts payable	\$ 383,004 2,217,815 7,264,419	1 2	\$ 407,736 3,248,289 6,438,604	1 2
CURRENT LIABILITIES Short-term bank loans (Note 9) Payables to related parties (Note 20)	\$ 383,004 2,217,815	1	\$ 407,736 3,248,289	1
CURRENT LIABILITIES Short-term bank loans (Note 9) Payables to related parties (Note 20) Accounts payable Payable to contractors and equipment suppliers	\$ 383,004 2,217,815 7,264,419	1 2	\$ 407,736 3,248,289 6,438,604	1 2
CURRENT LIABILITIES Short-term bank loans (Note 9) Payables to related parties (Note 20) Accounts payable Payable to contractors and equipment suppliers Accrued expenses and other current liabilities (Notes 2, 12	\$ 383,004 2,217,815 7,264,419 33,427,702	1 2 6	\$ 407,736 3,248,289 6,438,604 7,232,103	1 2 2
CURRENT LIABILITIES Short-term bank loans (Note 9) Payables to related parties (Note 20) Accounts payable Payable to contractors and equipment suppliers Accrued expenses and other current liabilities (Notes 2, 12 and 22)	\$ 383,004 2,217,815 7,264,419 33,427,702 10,126,368	1 2 6	\$ 407,736 3,248,289 6,438,604 7,232,103 8,094,191	1 2 2 2
CURRENT LIABILITIES Short-term bank loans (Note 9) Payables to related parties (Note 20) Accounts payable Payable to contractors and equipment suppliers Accrued expenses and other current liabilities (Notes 2, 12 and 22) Current portion of bonds payable (Note 11)	\$ 383,004 2,217,815 7,264,419 33,427,702 10,126,368 10,500,000	1 2 6 2 2	\$ 407,736 3,248,289 6,438,604 7,232,103 8,094,191 5,000,000	1 2 2 2
CURRENT LIABILITIES Short-term bank loans (Note 9) Payables to related parties (Note 20) Accounts payable Payable to contractors and equipment suppliers Accrued expenses and other current liabilities (Notes 2, 12 and 22) Current portion of bonds payable (Note 11)  Total current liabilities  LONG-TERM LIABILITIES Long-term bank loans (Note 10)	\$ 383,004 2,217,815 7,264,419 33,427,702 10,126,368 10,500,000 63,919,308	1 2 6 2 2 2	\$ 407,736 3,248,289 6,438,604 7,232,103 8,094,191 5,000,000 30,420,923	1 2 2 2 1 8
CURRENT LIABILITIES Short-term bank loans (Note 9) Payables to related parties (Note 20) Accounts payable Payable to contractors and equipment suppliers Accrued expenses and other current liabilities (Notes 2, 12 and 22) Current portion of bonds payable (Note 11)  Total current liabilities  LONG-TERM LIABILITIES Long-term bank loans (Note 10) Bonds payables (Note 11)	\$ 383,004 2,217,815 7,264,419 33,427,702 10,126,368 10,500,000 63,919,308 1,915,020 19,500,000	1 2 6 2 2 2	\$ 407,736 3,248,289 6,438,604 7,232,103 8,094,191 5,000,000 30,420,923 8,800,302 30,000,000	1 2 2 2 1 8
CURRENT LIABILITIES Short-term bank loans (Note 9) Payables to related parties (Note 20) Accounts payable Payable to contractors and equipment suppliers Accrued expenses and other current liabilities (Notes 2, 12 and 22) Current portion of bonds payable (Note 11)  Total current liabilities  LONG-TERM LIABILITIES Long-term bank loans (Note 10) Bonds payables (Note 11) Other long-term payables (Note 12)	\$ 383,004 2,217,815 7,264,419 33,427,702 10,126,368 10,500,000 63,919,308 1,915,020 19,500,000 7,964,975	1 2 6 2 2 2	\$ 407,736 3,248,289 6,438,604 7,232,103 8,094,191 5,000,000 30,420,923	1 2 2 2 1 8
CURRENT LIABILITIES Short-term bank loans (Note 9) Payables to related parties (Note 20) Accounts payable Payable to contractors and equipment suppliers Accrued expenses and other current liabilities (Notes 2, 12 and 22) Current portion of bonds payable (Note 11)  Total current liabilities  LONG-TERM LIABILITIES Long-term bank loans (Note 10) Bonds payables (Note 11)	\$ 383,004 2,217,815 7,264,419 33,427,702 10,126,368 10,500,000 63,919,308 1,915,020 19,500,000	1 2 6 2 2 2	\$ 407,736 3,248,289 6,438,604 7,232,103 8,094,191 5,000,000 30,420,923 8,800,302 30,000,000	1 2 2 2 1 8

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OTHER LIABILITIES				
Accrued pension cost (Notes 2 and 13)	3,101,707	1	2,601,450	1
Guarantee deposits (Note 22)	412,881		763,889	
Others	714,949		1,483,245	
Total other liabilities	4,229,537	1	4,848,584	1
MINORITY INTEREST IN SUBSIDIARIES (Note 2)	75,737		88,999	
Total liabilities	100,488,792	20	78,186,222	19
SHAREHOLDERS EQUITY (Notes 2 and 16)				
Capital stock \$10 par value				
Authorized: 24,600,000 thousand shares				
Issued: 23,251,964 thousand shares in 2004 and 20,266,619				
thousands shares in 2003	232,519,637	47	202,666,189	50
Capital surplus	56,537,259	11	56,855,885	14
Retained earnings:				
Appropriated as legal reserve	25,528,007	5	20,802,137	5
Appropriated as special reserve			68,945	
Unappropriated earnings	88,202,009	18	50,229,008	12
Others: Unrealized loss on long-term investments (Note 2)			(35)	
Cumulative translation adjustments (Note 2)	(2,226,427)	(1)	225,408	
Treasury stock (at cost) 45,521 thousand shares in 2004 and	(2,220,427)	(1)	223,406	
40,597 thousand shares in 2003 (Notes 2 and 18)	(1,595,186)		(1,633,228)	
Total shareholders equity	398,965,299	80	329,214,309	81
TOTAL	\$ 499,454,091	100	\$407,400,531	100

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

## CONSOLIDATED STATEMENTS OF INCOME FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

(In Thousands of New Taiwan Dollars, Except Consolidated Earnings Per Share)

	2004		2003	
GROSS SALES (Notes 2 and 20)	<b>Amount</b> \$ 261,947,351	%	<b>Amount</b> \$ 207,279,137	%
SALES RETURNS AND ALLOWANCES (Note 2)	(4,734,733)		(4,282,325)	
NET SALES (Note 24)	257,212,618	100	202,996,812	100
COST OF SALES (Notes 15 and 20)	141,393,435	55	128,113,334	63
GROSS PROFIT	115,819,183	45	74,883,478	37
OPERATING EXPENSES (Notes 15, 20 and 24)				
Research and development	12,516,434	5	12,712,695	6
General and administrative	11,454,374	4	8,199,965	4
Marketing	3,366,701	1	2,670,237	2
Total operating expenses	27,337,509	10	23,582,897	12
INCOME FROM OPERATIONS	88,481,674	35	51,300,581	25
NON-OPERATING INCOME AND GAINS (Note 24) Investment income recognized by equity method, net (Notes				
2 and 6)	2,094,137	1		
Interest (Notes 2 and 23)	1,858,359	1	888,107	1
Gain on sales of investments, net (Note 2)	914,541		3,538,081	2
Technical service income (Notes 20 and 22)	423,804		209,764	
Gain on disposal of property, plant and equipment (Note 2)	242,785		438,809	
Other (Note 20)	556,598		594,551	
Total non-operating income and gains	6,090,224	2	5,669,312	3
NON-OPERATING EXPENSES AND LOSSES (Note 24) Interest (Notes 2, 7 and 23)	1,528,908	1	1,891,009	1

Foreign exchange loss, net (Notes 2 and 23)	382,164	755,100	1	
Loss on impairment of long-term investments (Note 2)	350,608	652,718		
Loss on disposal of property, plant and equipment (Note 2)	131,148	374,126		
Unrealized valuation loss of short-term investments (Note				
2)	75,212			
Loss on impairment of property, plant and equipment and				
idle assets (Note 2)		1,506,199	1	
(Contin				

# CONSOLIDATED STATEMENTS OF INCOME FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

(In Thousands of New Taiwan Dollars, Except Consolidated Earnings Per Share)

	2004			2003			
	Amou	2004 int	%	Amou		%	
Investment loss recognized by equity method, net (Notes 2 and 6) Other	\$ 138	,271		\$ 294. 317.			
Total non-operating expenses and losses	2,606	,311	1	5,791	,248	3	
INCOME BEFORE INCOME TAX AND MINORITY INTEREST (Note 24)	91,965,587 36			51,178	25		
INCOME TAX BENEFIT (EXPENSE) (Notes 2 and 14)	363,426			(3,922,	(2)		
INCOME BEFORE MINORITY INTEREST	92,329,013 36			47,255,688		23	
MINORITY INTEREST IN LOSS (INCOME) OF SUBSIDIARIES (Notes 2 and 24)	(12,898)			3,012			
CONSOLIDATED NET INCOME	\$ 92,316,115		36	\$ 47,258.	,700	23	
	2004				2003		
	Income Before Income Tax and Minority Interest		olidated Income	Income Before Income Tax and Minority Interest		solidated Income	
CONSOLIDATED EARNINGS PER SHARE (NT\$, Note 19)							
Basic earnings per share	\$ 3.96	\$	3.97	\$ 2.19	\$	2.02	
Diluted earnings per share	\$ 3.95	\$	3.97	\$ 2.19	\$	2.02	
					(C	oncluded)	

(Concluded)

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

# CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS EQUITY FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

(In Thousands of New Taiwan Dollars)

ock	ock Issued Comm Shares (Thousand)	on Stock Amount	Capital Surplus	Legal Reserve		ned Earnings Unappropriated Earnings	Total	Unrealized Loss on Long-term Investments	
,000,000	18,622,887	\$ 186,228,867	\$ 57,004,789	\$ 18,641,108	\$	\$ 22,151,089	\$ 40,792,197	\$ (194,283)	\$ 945,
,000,000)									
				2,161,029		(2,161,029)			
					68,945	(68,945)			
	153,901	1,539,013				(1,539,013)	(1,539,013	)	
						(455,000)	(455,000)	)	
	1,489,831	14,898,309				(14,898,309)	(14,898,309	)	
						(58,485)	(58,485	)	
						47,258,700	47,258,700		
			(158,924)						

							194,248	
								(719,
		10.000						
		10,020						
20,266,619	202,666,189	56,855,885	20,802,137	68,945	50,229,008	71,100,090	(35)	225,4
			4,725,870		(4,725,870)			
			, ,	(68,945)	68,945			
					(681,628)	(681,628)		
272,651	2,726,514				(2,726,514)	(2,726,514)		
					(184,493)	(184,493)		
					(12,159,971)	(12,159,971)		
2,837,327	28,373,267				(28,373,267)	(28,373,267)		

(127,805)

92,316,115

(127,805)

92,316,115

34,059

35

(2,451,

87 867 2,757

22,781

1,864

(124,720) (1,247,200) (380,087)

23,251,964 \$232,519,637 \$56,537,259 \$25,528,007 \$

(5,432,511) (5,432,511)

\$ 88,202,009 \$113,730,016 \$

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

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\$ (2,226,

# CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

(In Thousands of New Taiwan Dollars)

	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES		
Consolidated net income	\$ 92,316,115	\$ 47,258,700
Adjustments to reconcile consolidated net income to net cash provided by		
operating activities:		
Depreciation and amortization	69,818,457	69,161,317
Deferred income taxes	(1,058,393)	3,665,383
Investment loss (income) recognized by equity method, net	(2,094,137)	294,244
Amortization of premium/discount of long-term bond investments	28,673	
Loss on impairment of property, plant and equipment, and idle assets		1,506,199
Loss on impairment of long-term investments	350,608	652,718
Gain on sales of long-term investments, net	(85,203)	(78,694)
Gain on disposal of property, plant and equipment, net	(111,637)	(64,683)
Accrued pension cost	500,257	389,890
Minority interest in income (loss) of subsidiaries	12,898	(3,012)
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Receivables from related parties	266,067	(544,764)
Notes receivable	6,951	50,347
Accounts receivable	(2,716,212)	(8,964,567)
Allowance for doubtful receivables	(37,555)	87,405
Allowance for sales returns and others	1,206,607	(236,672)
Inventories, net	(3,420,613)	(933,878)
Other receivables from related parties	(9,847)	(67,752)
Other financial assets	(777,100)	(347,161)
Prepaid expenses and other current assets	(34,493)	605,001
Increase (decrease) in:		
Payables to related parties	(1,499,968)	1,472,140
Accounts payable	825,815	1,300,012
Accrued expenses and other current liabilities	(336,385)	834,941
NY - 1 - 21 11 - 22 - 22 22	152 150 005	116 027 114
Net cash provided by operating activities	153,150,905	116,037,114
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in short-term investments, net	(43,554,878)	(13,326,339)
Acquisitions of:	(13,331,070)	(13,320,337)
Long-term investments	(23,054,379)	(1,412,335)
Property, plant and equipment	(81,094,557)	(37,870,907)
Proceeds from disposal of:	(01,071,001)	(37,070,707)
Long-term investments	165,243	505,702
2000 0000 00000000	105,215	202,702

Property, plant, and equipment	1,812,633	177,312
Increase in deferred charges	(2,405,673)	(2,138,087)
Decrease in refundable deposits	93,074	357,744
		(Continued)

# CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

(In Thousands of New Taiwan Dollars)

	2004		2003
Decrease in other assets	\$ 51,604	\$	4,610
Decrease in minority interest in subsidiaries	(26,160)		(3,487)
Net cash used in investing activities	(148,013,093)	(	53,705,787)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash dividends paid for common stock	(12,137,190)		
Repurchase of treasury stock	(7,059,798)		
Repayments on:			
Long-term bank loans	(6,656,152)		(8,915,557)
Bonds payable	(5,000,000)		(4,000,000)
Short-term bank loans	(604 600)		(309,807)
Cash bonus paid to employees	(681,628)		(604.455)
Decrease in guarantee deposits	(351,008)		(631,177)
Cash dividends paid for preferred stock	(184,493)		(455,000)
Remuneration paid to directors and supervisors	(127,805)		(58,485)
Proceeds from:	20.006		200 204
Disposal of treasury stock	39,906		300,284
Issuance of stock arising from exercising stock options	3,624	,	12 000 000
Redemption of preferred stock		(	13,000,000)
Net cash used in financing activities	(32,154,544)	(	27,069,742)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(27,016,732)		35,261,585
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(1,669,813)		(62,893)
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	102,988,896		67,790,204
CASH AND CASH EQUIVALENTS, END OF THE YEAR	\$ 74,302,351	\$ 1	02,988,896
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION Interest paid (excluding the amount capitalized of NT\$278,334 thousand and NT\$139,516 thousand in 2004 and 2003, respectively, Note 7)	\$ 1,470,333	\$	1,982,594

Income tax paid \$ 389,189 \$ 218,954

(Continued)

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# CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

(In Thousands of New Taiwan Dollars)

		2004	2003
NONCASH INVESTING AND FINANCING ACTIVITIES Current portion of bonds payable	\$ 1	10,500,000	\$5,000,000
Current portion of other payables to related parties (under payables to related parties)	\$	492,022	\$
Current portion of other long-term payables (under accrued expenses and other current liabilities)	\$	1,505,345	\$ 1,591,972
Reclassification of long-term investments to short-term investments	\$	343,950	\$ 140,984
Reclassification of short-term investments to long-term investments	\$	3,402,413	\$
			(Concluded)

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

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

#### 1. GENERAL

Taiwan Semiconductor Manufacturing Company Ltd. (TSMC), a Republic of China (R.O.C.) corporation, was incorporated as a venture among the Government of the R.O.C., acting through the Development Fund of the Executive Yuan; Philips Electronics N.V. and certain of its affiliates (Philips); and certain other private investors. On September 5, 1994, its shares were listed on the Taiwan Stock Exchange (TSE). On October 8, 1997, TSMC listed some of its shares of stock on the New York Stock Exchange (NYSE) in the form of American Depositary Shares (ADSs).

TSMC is engaged mainly in the manufacturing, selling, packaging, testing and computer-aided designing of integrated circuits and other semiconductor devices, and the manufacturing of masks.

TSMC has six direct wholly-owned subsidiaries: TSMC International Investment Ltd. (TSMC International), TSMC North America (TSMC North America), Taiwan Semiconductor Manufacturing Company Europe B.V. (TSMC Europe), TSMC Japan K. K. (TSMC Japan), TSMC (Shanghai) Company Limited (TSMC Shanghai and TSMC Partners, Ltd. (TSMC Partners). In addition, TSMC has the following consolidating subsidiaries: a 99.5% owned subsidiary, Emerging Alliance Fund, L.P. (Emerging Alliance), a 98% owned subsidiary, VentureTech Alliance Fund II, L.P. (VTAF II, a newly established entity in 2004) and two 36% owned affiliates Chi Cherng Investment Co., Ltd. (Chi Cherng, which is 36% owned by TSMC and 64% owned by Hsin Ruey Investment Co., Ltd.) and Hsin Ruey Investment Co., Ltd. (Hsin Ruey, which is 36% owned by TSMC and 64% owned by Chi Cherng). TSMC International has two wholly-owned subsidiaries TSMC Development, Inc. (TSMC Development) and TSMC Technology, Inc. (TSMC Technology), and two 97% owned subsidiaries - InveStar Semiconductor Development Fund, Inc. (II) LDC (InveStar II). TSMC Development has a 99.996% owned subsidiary, WaferTech, LLC (WaferTech).

The following diagram presents information regarding the relationship and ownership percentages among TSMC and its consolidated subsidiaries as of December 31, 2004:

TSMC North America is engaged in the sales and marketing of integrated circuits and semiconductor devices. TSMC Europe and TSMC Japan are engaged mainly in marketing activities. TSMC Technology is engaged mainly in engineering support activities. TSMC Shanghai is engaged in the manufacturing and marketing of integrated circuits and other semiconductor devices. TSMC Partners, TSMC Development, Chi Cherng and Hsin Ruey are engaged in investing activities. TSMC International is engaged in providing investment in companies involved in the design, manufacture, and other related business in the semiconductor industry. Emerging Alliance, VTAF II, InveStar and InveStar II are engaged in investing in new start-up technology companies. WaferTech is engaged in the manufacturing, selling, testing and computer-aided designing of integrated circuits and other semiconductor devices.

### 2. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements are presented in conformity with Guidelines Governing the Preparation of Financial Reports by Securities Issuers and accounting principles generally accepted in the R.O.C.

For the convenience of readers, the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the R.O.C. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language financial statements shall prevail.

Significant accounting policies are summarized as follows:

#### Consolidation

TSMC consolidates the accounts of all majority (directly and indirectly) owned subsidiaries. All significant intercompany balances and transactions have been eliminated.

The consolidated financial statements include, as of and for the years ended December 31, 2004 and 2003, the accounts of TSMC, TSMC North America, TSMC Europe, TSMC Japan, TSMC Shanghai, TSMC Partners, Emerging Alliance, VTAF II, Chi Cherng, Hsin Ruey and TSMC International and its subsidiaries, InveStar, InveStar II, TSMC Development (including WaferTech) and TSMC Technology.

TSMC and the foregoing subsidiaries are hereinafter referred to collectively as the Company .

Minority interests in WaferTech (0.004%), Emerging Alliance (0.5%), VTAF II (2%), InveStar (3%) and InveStar II (3%) are presented separately in the consolidated financial statements.

### **Use of Estimates**

The preparation of financial statements in conformity with the aforementioned guidelines and principles requires management to make reasonable assumptions and estimates of matters that are inherently uncertain. The actual results may differ from management s estimates.

#### **Classification of Current and Noncurrent Assets and Liabilities**

Current assets are those expected to be converted to cash, sold or consumed within one year from the balance sheet date. Current liabilities are obligations due on demand within one year from the balance sheet date. Assets and liabilities that are not classified as current are noncurrent assets and liabilities, respectively.

# **Cash Equivalents**

Government bonds under repurchase agreements and notes acquired with maturities less than three months from the date of purchase are classified as cash equivalents.

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#### **Short-term Investments**

Short-term investments primarily consist of corporate bonds, asset-backed securities, bond funds, agency bonds, government bonds and others.

Short-term investments are recorded at historical cost and are carried at the lower of cost or market value as of the balance sheet date. An allowance for decline in value is provided and is charged to current earnings when the aggregate carrying value of the investments exceeds the aggregate market value. A reversal of the allowance is recorded for a subsequent recovery of the market value.

The cost of funds and listed stocks sold are counted for using the weighted-average method; whereas the other securities are accounted for using the specific identification method.

The market value of funds is determined using the net asset value of the funds at the end of the year, and the market value of listed stocks is determined using the average-closing price of the listed stocks for the last month of the year. The others are determined using the average of bid and ask prices as of the balance sheet date.

Cash dividends are recorded as investment income in the current year.

#### Allowance for Doubtful Receivables

An allowance for doubtful receivable is provided based on a review of the collectibility of accounts receivables. The Company determines the amount of allowance for doubtful accounts by examining the historical collection experience and current trends in the credit quality of its customers as well as its internal credit policies.

## Revenue Recognition and Allowance for Sales Returns and Others

The Company recognizes net sales when the earnings process is complete, as evidenced by an agreement with the customer, transfer of title and acceptance have occurred, if applicable, a fixed or determinable price and the collectibility is reasonably assured. Allowance for sales returns and pricing discounts is estimated based on historical experience and any known factors that would affect the allowance. Such provisions are deducted from sales in the year the products are sold and the estimated related costs are deducted from cost of sales.

Sales are determined using the fair value taking into account related sales discounts agreed to by the Company and its customers. Sales agreements typically provide that payment is due 30 days from invoice date for a majority of the customers and 30 to 45 days after the end of the month in which the sales occur for some customers. Since the receivables from sales are collectible within one year and such transactions are frequent, the fair value of receivables is equivalent to the nominal amount of cash received.

#### **Inventories**

Inventories are stated at the lower of cost or market value. Inventories are recorded at standard cost and adjusted to the approximate weighted-average cost at the end of the year. Market value represents net replacement cost for raw materials, supplies and spare parts. Market value represents net realizable value for finished goods and work in process. The Company assesses the impact of changing technology on its inventory on hand and writes off inventories that are considered obsolete. Ending inventories are evaluated for estimated excess quantities and obsolescence based on demand forecast within a specific time horizon, generally 180 days or less, and the estimated losses on scrap and slow-moving items are recognized in the allowance for losses.

### **Long-term Investments**

Investments in companies wherein the Company exercises significant influence on the operating and financial policy decisions are accounted for using the equity method of accounting. The Company s proportionate share in the net income or net loss of investee companies is recognized in the investment income/loss recognized by equity method, net account. When equity investments are made, the difference, if any, between the cost of investment and the Company s proportionate share of investee s net equity is amortized using the straight-line method over five years and is recorded in the investment income/loss recognized by equity method, net account.

When the Company subscribes to additional investee shares at a percentage different from its existing equity interest, the resulting carrying amount of the investment in the investee differs from the amount of Company s proportionate share in the investee s net equity. The Company records such difference as an adjustment to long-term investments with the corresponding amount charged or credited to capital surplus.

Investments in companies wherein the Company does not exercise significant influence are recorded at historical cost. Cash dividends are recognized as investment income in the year received but are accounted for as reductions in the carrying amount of the long-term investments if the dividends are received in the same year that the related investments are acquired. Stock dividends are recorded as an increase in the number of shares held and do not affect investment income or the carrying amount of the investment. An allowance is recognized for any decline in the market value of investments with readily ascertainable fair market value with the corresponding amount recorded as an unrealized loss, a component of shareholders—equity. A reversal of the allowance will result from a subsequent recovery of the market value of such investments. The carrying amounts of investments whose fair market values are not readily ascertainable are reduced to reflect an other-than-temporary decline in their values, with the related impairment loss charged to income.

Investments in foreign mutual funds are stated at the lower of aggregate cost or net asset value. An allowance is recognized when the net assets value of the funds is lower than their cost, with the corresponding amount recorded as a reduction to shareholders equity. A reversal of the allowance will result from a subsequent recovery of the net asset value.

The costs of stocks and mutual funds sold are determined using the weighted-average method.

Investments in long-term bonds are stated at amortized cost. The discount or premium is amortized over the duration period using the interest method, and recorded as an adjustment to interest income.

When investments in publicly-traded stocks are reclassified from short-term investments to long-term investments or from long-term investments to short-term investments, the Company recognizes a loss to the extent, if any, that the market value of such investments is lower than the carrying amount, and the market value becomes the new basis.

If an investee company recognizes an unrealized loss on its long-term investments using the lower-of-cost-or-market method, the Company also recognizes a corresponding unrealized loss in proportion to its ownership percentage in the investee company and records the amount as a component of its shareholders equity.

Gains or losses on sales from the Company to investee companies accounted for using the equity method are deferred in proportion to the Company s ownership percentage in the investee companies until realized through transactions with third parties. The entire amount of the gains or losses on sales to majority-owned subsidiaries is deferred until such gains or losses are realized through the subsequent sales of the related products to third parties.

Gains or losses on sales from investee companies to the Company are deferred in proportion to the Company s ownership percentages in the investee companies until realized through transactions with third parties.

If an investee s functional currency is a foreign currency, translation adjustments will result from the process of translating the investee s financial statements into the reporting currency of the Company. Such adjustments are accumulated and reported as a separate component of shareholders equity.

#### Property, Plant and Equipment, Assets Leased to Others, Leased Assets and Idle Assets

Property, plant and equipment and assets leased to others are stated at cost less accumulated depreciation. When impairment is determined, the related assets are stated at the lower of fair value or book value. Idle assets are stated at the lower of net realizable value or book value. Significant additions, renewals and betterments incurred during the construction period are capitalized. Maintenance and repairs are expensed in the year incurred. Interest expense incurred for the project during the purchase and construction period is also capitalized. Properties covered by agreements qualifying as capital leases are carried at the lower of the leased equipment s market value or the present value of the minimum lease payments at the inception date of the lease.

Depreciation is computed using the straight-line method over the following estimated service lives: land improvements 20 years; buildings 10 to 20 years; machinery and equipment 5 to 10 years; office equipment 3 to 15 years; and leased assets 20 years.

Upon sale or disposal of property, plant and equipment, the related cost and accumulated depreciation are removed from the corresponding accounts, with any gain or loss credited or charged to non-operating income or expenses in the year of sale or disposal.

#### Goodwill

Goodwill represents the excess of the consideration paid for acquisition over the fair market value of identifiable net assets acquired and acquisition costs. Goodwill is amortized using the straight-line method over the estimated life of 10 years.

#### **Deferred Charges**

Deferred charges consist of technology license fees, software and system design costs and other charges. The amounts are amortized as follows: technology license fees—the shorter of the estimated life of the technology or the term of the technology transfer contract, software and system design costs and other charges—3 or 5 years.

#### **Pension Costs**

TSMC records net periodic pension costs on the basis of actuarial calculations. Unrecognized net transition obligation and unrecognized net gains or losses are amortized over 25 years.

#### **Income Tax**

The Company uses an inter-period tax allocation method for income tax. Deferred income tax assets and liabilities are recognized for the tax effects of temporary differences, unused tax credits, and net operating loss carryforwards. Valuation allowances are provided to the extent, if any, that it is more likely than not that deferred income tax assets will not be realized. A deferred tax asset or liability is classified as current or non-current in accordance with the classification of its related asset or liability. However, if a deferred tax asset or liability does not relate to an asset or

liability in the financial statements, then it is classified as either current or noncurrent based on the expected length of time before it is realized or settled.

Any tax credits arising from the purchases of machinery, equipment and technology, research and development expenditures, personnel training, and investments in important technology-based enterprises are recognized using the flow-through method.

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

Income taxes on unappropriated earnings (excluding earnings from foreign consolidating subsidiaries) of 10% are expensed in the year of shareholder approval which is the year subsequent to the year the earnings are generated.

## **Stock-based Compensation**

Employee stock option plans that are amended or have options granted on or after January 1, 2004 must be accounted for by the interpretations issued by the Accounting Research and Development Foundation. The Company adopted the intrinsic value method and any compensation cost determined using this method is charged to expense over the employee vesting period.

#### **Treasury Stock**

When the Company repurchases its outstanding common stock, the cost of the reacquired stock is recorded as treasury stock as a reduction to shareholders—equity. When the Company retires treasury stock, the treasury stock account is reduced and the common stock as well as the capital surplus—additional paid-in capital are reversed in proportionate to the equity percentage of the retirement. When the book value of the treasury stock exceeds the sum of the par value and additional paid-in capital, the difference is charged to capital surplus—treasury stock and to retained earnings for any remaining amount. The Company—s stock held by its subsidiaries is also treated as treasury stock and reclassified from long-term investments to treasury stock. The cash dividends received by the subsidiaries from the Company are recorded under capital surplus—treasury stock.

#### **Foreign-Currency Transactions**

Foreign currency transactions are recorded in New Taiwan dollars at the rates of exchange in effect when the transactions occur. Exchange gains or losses derived from foreign currency transactions or monetary assets and liabilities denominated in foreign currencies are recognized in current income. At the end of each year, assets and liabilities denominated in foreign currencies are revalued at the prevailing exchange rates with the resulting gains or losses recognized in current income.

#### **Derivative Financial Instruments**

The Company enters into foreign currency forward contracts to manage currency exposures in cash flow and in foreign-currency-denominated assets and liabilities. The contracts are recorded in New Taiwan dollars at the current rate of exchange of the contract date. The differences in the New Taiwan dollar amounts translated using the spot rates and the amounts translated using the contracted forward rates on the contract date are amortized over the terms of the forward contracts using the straight-line method. At the end of each year, the receivables or payables arising from forward contracts are restated using the prevailing spot rates at the balance sheet date with the resulting differences charged to income. In addition, the receivables and payables related to the forward contracts of the same counter party are netted with the resulting amount presented as either an asset or a liability. Any resulting gain or loss upon settlement is credited or charged to income in the year of settlement.

The Company enters into cross-currency swap contracts to manage currencies exposures on foreign currency denominated assets and liabilities. The principal amount is recorded using the spot rates at the contract date. The differences in the New Taiwan dollar amounts translated using the spot rates and the amounts translated using the contracted rates on the contract date are amortized over the terms of the contracts using the straight-line method. At the end of each year, the receivables or payables arising from cross-currency swap contracts are restated using the prevailing spot rate with the resulting differences charged to income. In addition, the receivables and payables related to the contracts are netted with the resulting amount presented as either an asset or a liability. The difference in interest computed pursuant to the contracts on each settlement date or the balance sheet date is recorded as an adjustment to the interest income or expense associated with the hedged items. Any resulting gain or loss upon settlement is credited or charged to income in the year of settlement.

The Company enters into interest rate swap contracts to manage exposures to changes in interest rates on existing assets or liabilities. These transactions are accounted for on an accrual basis, in which the cash settlement receivable or payable is recorded as an adjustment to interest income or expense associated with the hedged items.

The premiums paid for the foreign currency option contracts entered into for hedging purposes are amortized and charged to income on a straight-line basis over the term of the related contract. Any resulting gain upon exercise settlement is credited or charged to income in the year of exercise.

### **Translation of Foreign-currency Financial Statements**

R.O.C. SFAS No. 14, Accounting for Foreign-Currency Transactions, applies to foreign subsidiaries that use the local foreign currency as their functional currency. The financial statements of foreign subsidiaries are translated into New Taiwan dollars at the following exchange rates: Assets and liabilities current rate on balance sheet date; shareholders equity historical rate; income and expenses average rate during the year. The resulting translation adjustment is recorded as a separate component of shareholders equity.

### Reclassifications

Certain accounts in the consolidated financial statements as of and for the year ended December 31, 2003 have been reclassified to conform to the consolidated financial statements as of and for the year ended December 31, 2004.

#### 3. CASH AND CASH EQUIVALENTS

	2004	2003
Cash and bank deposits	\$ 54,608,985	\$ 97,041,537
Government bonds acquired under repurchase agreements	19,215,153	5,947,359
Corporate issued notes	478,213	
	\$74,302,351	\$ 102,988,896

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#### 4. SHORT-TERM INVESTMENTS

	2004	2003
Corporate bonds	\$ 13,554,598	\$
Corporate issued asset-backed securities	11,766,877	
Bond funds	10,662,758	1,000,000
Agency bonds	8,633,889	
Government bonds	7,346,858	7,692,595
Money market funds	1,640,973	3,068,213
Government bonds acquired under repurchase agreements	249,449	1,800,000
Listed stocks	168,299	50,728
Commercial papers	95,666	
Corporate issued notes	63,796	
	54,183,163	13,611,536
Allowance for valuation losses	(75,212)	
	\$ 54,107,951	\$ 13,611,536
Market value	\$ 54,990,545	\$ 14,054,511

The Company entered into investment management agreements with three well-known financial institutions (fund managers) to manage investment portfolios for the Company. In accordance with the investment guidelines and terms in these agreements, the securities invested by the fund managers cannot be below a pre-defined credit rating. As of December 31, 2004, the Company had investment portfolios with these fund managers that aggregated to an original amount of US\$1,200,000 thousand. The investment portfolios included securities such as corporate bonds, asset-backed securities, agency bonds, government bonds and others. Securities acquired with maturities less than three months from the date of purchase were reclassified as cash equivalents.

#### 5. INVENTORIES, NET

	2004	2003
Finished goods	\$ 3,526,036	\$ 2,881,499
Work in process	11,437,466	9,100,199
Raw materials	993,151	465,745
Supplies and spare parts	1,176,735	1,052,075
Allowance for losses	17,133,388 (1,577,451)	13,499,518 (1,364,194)
	\$ 15,555,937	\$ 12,135,324

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#### 6. LONG-TERM INVESTMENTS

	2004		2003		
		% of		% of	
	Carrying	Owner-	Carrying	Owner-	
Eurites mode d	Amount	ship	Amount	ship	
Equity method Vanguard International Semiconductor Corporation (VIS)	\$ 5,401,982	28	\$ 4,077,198	28	
Systems on Silicon Manufacturing Company Pte Ltd.					
(SSMC)	3,290,888	32	2,759,376	32	
Global UniChip Corporation (GUC)	391,626	47	368,434	47	
VisEra Technologies Company Ltd. (VisEra)	59,116	25	50,231	25	
	9,143,612		7,255,239		
Cost method					
Common stocks					
Publicly traded stocks	71,832		26,728		
Non-publicly traded stocks	1,226,499		1,156,769		
Preferred stocks	1,677,865		2,038,662		
Funds	290,134		270,616		
	3,266,330		3,492,775		
Long-term bonds					
Government bonds	10,260,481				
Corporate bonds					
China Steel Corporation	2,978,804				
Taiwan Power Company	915,276				
Nan Ya Plastics Corporation	407,526				
Formosa Plastics Corporation	405,485				
Formosa Petrochemical Corporation	202,595				
	15,170,167				
Other investments	10,521,740				
	\$ 38,101,849		\$ 10,748,014		

On January 8, 2003, TSMC s investee, VIS, issued 600,000 thousand shares of common stock at a price of NT\$7 per share of which TSMC purchased a total of 230,882 thousand shares. VIS reduced its capital on August 11, 2004 in order to decrease its accumulated deficit. The number of shares of VIS held by TSMC after the capital reduction declined from 787,016 thousand shares to 409,532 thousand shares. TSMC s ownership percentage remained the same.

For the years ended December 31, 2004 and 2003, net investment income and loss recognized from the equity method investees was NT\$2,094,137 thousand and NT\$294,244 thousand, respectively. The carrying amounts of investments accounted for under the equity method and the related investment income or losses were determined

based on the audited financial statements of the investees as of and for the same periods as the Company.

As of December 31, 2004, other investments consist of the following:

	Nominal Amount	,	Carrying Amount	Range of Interest Rates	Maturity Date
Step-up callable deposits					
Domestic bank	\$ 2,000,000	\$	2,007,681	2.05%-2.20%	July 2007 to August 2007
Foreign bank	2,138,340		2,152,394	1.44%-4.75%	June 2007 to August 2007
Callable range accrual deposits					
-					September 2009 to
Foreign bank	6,383,400		6,414,151	(See below)	December 2009
	\$ 10,521,740	\$	10,574,226		

During the year ended December 31, 2004, the Company deposited funds into structured-time deposits with the following terms:

The interest rate of the step-up callable deposits is determined by the Company and the related banks.

The amount of interest earned by the Company for the callable range accrual deposits is based on a pre-defined range as determined by the 3-month or 6-month LIBOR rate plus an agreed upon rate ranging between 2.1% and 3.45%. Based on the terms of the deposits, if the 3-month or 6-month LIBOR rate moves outside of the pre-defined range, the interest paid to the Company is at a minimum rate of 1.5%. Under the term of the contracts, the bank has the right to cancel the contracts prior to the maturity date.

Deposits that reside in banks located in Hong Kong and Singapore amounted to NT\$2,553,360 thousand and NT\$638,340 thousand, respectively.

### 7. PROPERTY, PLANT AND EQUIPMENT

Accumulated depreciation consisted of the following:

	2004	2003
Land improvements	\$ 172,484	\$ 154,062
Buildings	38,160,322	31,665,779
Machinery and equipment	287,204,368	238,392,296
Office equipment	5,683,577	4,800,932
Leased assets	33,115	
	\$ 331,253,866	\$ 275,013,069

Information on the status of the expansion or construction plans of TSMC s manufacturing facilities as of December 31, 2004 is as follows:

		Expected
Estimated	Accumulated	Date of

**Construction/Expansion Plan** 

Fab 12 expansion

**Total Cost Exp**(\$58,744,200 \$ 45

**ExpendituresCommencement** \$ 41,870,300 January 2005

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Interest expense for the years ended December 31, 2004 and 2003 was NT\$1,807,242 thousand and NT\$2,030,525 thousand, respectively (before deducting capitalized amounts of NT\$278,334 thousand in 2004 and NT\$139,516 thousand in 2003, respectively). The interest rates used for purposes of calculating the capitalized amounts were 1.89% to 2.89% and 1.77% to 5.283% in 2004 and 2003, respectively.

The Company entered into agreements to lease certain buildings that qualify as capital leases. The term of the lease is from December 2003 to December 2013.

#### 8. DEFERRED CHARGES, NET

	2004	2003
Technology license fees	\$ 6,534,899	\$5,084,684
Software and system design costs	2,213,636	2,719,199
Other	243,917	188,133
	\$ 8 992 452	\$ 7 992 016

#### 9. SHORT-TERM BANK LOANS

	2004	2003
Unsecured loan in U.S. dollars:		
US\$12,000 thousand, repayable by June 2006, annual interest at 2.80% and 1.52% in		
2004 and 2003, respectively	\$ 383,004	\$407,736

#### 10. LONG-TERM BANK LOANS

	2004	2003
Unsecured loan:		
US\$60,000 thousand, repayable by December 2006, annual interest at 2.475% and		
1.56% in 2004 and 2003, respectively	\$1,915,020	\$ 2,038,680
Secured loan:		
US\$199,000 thousand; annual interest at 1.8275% in 2003		6,761,622
	\$1,915,020	\$8,800,302

As of December 31, 2004, all the assets of WaferTech with a carrying amount of approximately NT\$15,955,936 thousand (US\$499,920 thousand) were pledged for the secured loan. WaferTech is required to maintain compliance with certain financial covenants defined in the agreement. As of December 31, 2004, WaferTech was in compliance with all such financial covenants. Under the unsecured loan agreement, the Company is required maintain compliance with certain financial covenants which, if violated, could result in payment of the obligation prior to the originally scheduled payment date. The Company was in compliance with the financial covenants as of December 31, 2004.

## 11. BONDS PAYABLE

	2004	2003
Domestic unsecured bonds:		
Issued in December 2000 and repayable in December 2005 and 2007 in two		
equal payments, 5.25% and 5.36% interest payable annually, respectively	\$ 15,000,000	\$15,000,000
Issued in January 2002 and repayable in January 2007, 2009 and 2012 in three		
equal payments, 2.6%, 2.75% and 3.00% interest payable annually, respectively	15,000,000	15,000,000
Issued in October 1999 and repayable in October 2004, 5.95% interest payable		
annually		5,000,000
	\$ 30,000,000	\$ 35,000,000

As of December 31, 2004, future principal repayments for the Company s bonds are as follows:

Year of Repayment	Amount
2005	\$ 10,500,000
2007	7,000,000
2009	8,000,000
2010 and thereafter	4,500,000
	\$ 30,000,000

## 12. OTHER LONG-TERM PAYABLES

	2004	2003
Payables for acquisition of property, plant and equipment (Note 22k)	\$6,030,007	\$
Payables for royalties	3,440,313	4,892,801
	9,470,320	4,892,801
Less current portion	1,505,345	1,591,972
	\$7,964,975	\$ 3,300,829

TSMC entered into several license arrangements for certain semiconductor-related patents. Future minimum payments under the agreements as of December 31, 2004 are as follows:

Year	Amount
2005	\$ 1,505,345
2006	466,786
2007	446,838
2008	255,336
2009 and thereafter	766,008

\$3,440,313

The current portion of other long-term payables is recorded in the accrued expenses and other current liabilities account.

#### 13. PENSION PLAN

TSMC has a defined benefit pension plan for all regular employees that provides benefits based on the employee s length of service and average monthly salary and wages for the six-month period prior to retirement. TSMC contributes an amount equal to 2% of salaries and wages paid each month to a pension fund (the Fund). The Fund is administered by a pension fund monitoring committee (the Committee) and deposited in the Committee s name in the Central Trust of China.

Information on the pension plan is summarized as follows:

## a. Components of net periodic pension cost

	2004	2003
Service cost	\$ 632,594	\$ 502,116
Interest cost	128,315	109,671
Projected return on plan assets	(41,925)	(41,154)
Amortization	8,300	2,409
Net periodic pension cost	\$ 727,284	\$ 573,042

## b. Reconciliation of the funded status of the plan and accrued pension cost

		2004		2003
Benefit obligation Vested benefit obligation	\$	67,104	\$	21,895
Nonvested benefit obligation	Ψ	2,704,251		2,184,593
Accumulated benefit obligation		2,771,355		2,206,488
Additional benefits based on future salaries		2,132,721		1,752,208
Projected benefit obligation		4,904,076		3,958,696
Fair value of plan assets		(1,447,540)	(	1,207,264)
Funded status		3,456,536		2,751,432
Unrecognized net transitional obligation	(132,791)		(141,091)	
Unrecognized net loss		(222,549)		(10,090)
Accrued pension cost	\$	3,101,196	\$	2,600,251
Vested benefit	\$	76,003	\$	22,261
c. Actuarial assumptions				
Discount rated used in determining present values		3.25%		3.25%
Future salary increase rate		3.00%		3.00%
Expected rate of return on plan assets		3.25%		3.25%
d. Contributions to the Fund	\$	226,339	\$	181,106
e. Payments from the Fund	\$	1,446	\$	3,490

## 14. INCOME TAX

a. A reconciliation of income tax on income before income tax and minority interest at the statutory rate and income tax expense is as follows:

	2004	2003
Income tax based on income before income tax and minority interest at the		
statutory rate	\$ (24,685,380)	\$ (12,881,547)
Tax-exempt income	14,712,500	5,255,750
Temporary and permanent differences	186,719	732,681
Current income tax on income before income tax credits	\$ (9,786,161)	\$ (6,893,116)

b. Income tax benefit (expense) consists of:

	2004	2003
Current income tax on income before income tax credits	\$ (9,786,161)	\$ (6,893,116)
Additional 10% income tax on unappropriated earnings	(823,932)	(1,273,482)
Income tax credits	10,470,862	7,917,070
Other income tax	(555,588)	(7,988)
Net change in deferred income tax assets and liabilities		
Net operating loss carryforwards	(1,652,983)	535,725
Investment tax credits	234,690	(917,759)
Temporary differences	1,131,331	(300,848)
Net change in valuation allowance of deferred income tax assets	1,345,355	(2,982,501)
Adjustment of prior years taxes	(148)	(58)
Income tax benefit (expense)	\$ 363,426	\$ (3,922,957)

c. Deferred income tax assets (liabilities) consist of the following:

Current	2004	2003
Investment tax credits	\$ 8,849,000	\$ 8,322,000
Temporary differences	319,717	385,221
Valuation allowance	(250,731	(309,016)
	\$ 8,917,986	\$ 8,398,205
Noncurrent		
Net operating loss carryforwards	\$ 6,735,080	\$ 8,388,063
Investment tax credits	17,035,584	17,327,894
Temporary differences	(7,760,152	(8,956,987)
Valuation allowance	(14,360,533	(15,647,603)
	\$ 1,649,979	\$ 1,111,367

## d. Integrated income tax information:

The balances of the imputation credit account (ICA) of the TSMC as of December 31, 2004 and 2003 were zero and NT\$2,832 thousand, respectively.

The expected and actual creditable ratio of TSMC for distribution of earnings of 2004 and 2003 was zero and 0.03%, respectively.

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The imputation credits allocated to the shareholders are based on the balance as of the date of dividend distribution. The expected creditable ratio for distribution of earnings of 2004 may be adjusted when the allocation of the imputation credits is made.

- e. TSMC s earnings generated prior to December 31, 1997 have been appropriated.
- f. As of December 31, 2004, TSMC s investment tax credits consisted of the following:

Regulation	Items	(	Total Creditable Amounts	C	temaining Creditable Amounts	Expiry Year
Statute for Upgrading	Purchase of machinery and					
Industries	equipment	\$	4,448,442	\$		2004
			3,819,937		116,189	2005
			4,886,439		4,886,439	2006
			4,140,462		4,140,462	2007
			6,309,182		6,309,182	2008
		\$	23,604,462	\$	15,452,272	
Statute for Upgrading	Research and development					
Industries	expenditures	\$	2,270,013	\$		2004
			3,147,071		3,147,071	2005
			3,342,952		3,342,952	2006
			1,976,913		1,976,913	2007
			1,843,800		1,843,800	2008
		\$	12,580,749	\$	10,310,736	
Statute for Upgrading	Personnel training					
Industries		\$	48,659	\$		2004
			29,448		29,448	2005
			27,312		27,312	2006
			26,780		26,780	2007
		\$	132,199	\$	83,540	
Statute for Upgrading	Investments in important					
Industries	technology-based enterprises	\$	38,036	\$	38,036	2005

g. As of December 31, 2004, the net operating loss carryforwards were generated from WaferTech, TSMC Development and TSMC Technology and will expire at various dates through 2024.

Tax-Exemption Period

h. The sales generated from the following expansion and construction of TSMC s manufacturing plants are exempt from income tax:

Construction of Fab 6	2001 to 2004
Construction of Fab 8 - module B	2002 to 2005
Expansion of Fab 2 - modules A and B, Fab 3, Fab 4, Fab 5 and Fab 6	2003 to 2006
Construction of Fab 12	2004 to 2007

i. The tax authorities have examined income tax returns of TSMC through 2000. However, TSMC is contesting the assessment of the tax authority for 1992 and 1998. TSMC believes that any additional assessment will not have a material adverse effect on TSMC.

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## 15. LABOR COST, DEPRECIATION AND AMORTIZATION EXPENSES

	Year Ended December 31, 2004 Classified			Year Ended December 31, 2003 Classified			
		as			as		
	Classified as	Operating		Classified as	Operating		
	Cost of	operating		Cost of	operating		
	Sales	Expenses	Total	Sales	Expenses	Total	
Labor cost							
Salary	\$10,719,632	\$ 5,886,769	\$ 16,606,401	\$ 9,014,068	\$ 4,647,912	\$13,661,980	
Labor and health							
insurance	572,210	320,785	892,995	476,687	245,357	722,044	
Pension	472,329	271,186	743,515	379,845	193,718	573,563	
Other	430,777	531,876	962,653	339,500	304,398	643,898	
	\$12,194,948	\$ 7,010,616	\$ 19,205,564	\$ 10,210,100	\$ 5,391,385	\$ 15,601,485	
Depreciation	\$61,703,792	\$ 2,563,408	\$ 64,267,200	\$61,988,138	\$ 2,398,768	\$ 64,386,906	
Amortization	\$ 2,496,827	\$ 3,052,160	\$ 5,548,987	\$ 1,385,594	\$ 3,367,462	\$ 4,753,056	

#### 16. SHAREHOLDERS EQUITY

## **Common Stock, Capital Surplus and Earnings**

TSMC has issued a total of 668,351 thousand ADSs which are traded on the NYSE as of December 31, 2004. The number of common shares represented by the ADSs is 3,341,754 thousand shares (one ADS represents five common shares).

Capital surplus can only be used to offset a deficit under the Company Law of the R.O.C. However, the capital surplus generated from donations and the excess of the issue price over the par value of capital stock (including the stock issued for new capital, mergers, convertible bonds and the surplus arising from treasury stock transactions) may be appropriated as stock dividends restricted to a certain percentage based on shareholders ownership.

As of December 31, 2004 and 2003, the capital surplus consisted of the following:

	2004	2003
From merger	\$ 24,003,546	\$ 24,132,297
Additional paid-in capital	23,051,675	23,172,550
From long-term investments	121,354	87,295
From convertible bonds	9,360,424	9,410,632
Donations	55	55
Treasury stock	205	53,056
Total	\$ 56,537,259	\$ 56,855,885

TSMC s Articles of Incorporation, as revised on December 21, 2004, provide that the following shall be appropriated from annual earnings to the extent that the annual earnings exceed any cumulative deficit:

- a. 10% legal reserve; until the amount of total legal reserve equals the TSMC s paid-in capital;
- b. Special reserve in accordance with relevant laws or regulations;
- c. Remuneration to directors and supervisors and bonuses to employees at 0.3% and at least 1% of the remainder, respectively. Individuals eligible for the employee bonuses may include employees of affiliated companies as approved by the board of directors or a representative of the board of directors;
- d. The appropriation of any remaining balance shall be approved by the shareholders.

Dividends may be distributed by way of cash dividend or stock dividend at the discretion of TSMC. As the operation of TSMC is at a steady growth stage, distribution of profits shall be made preferably by way of cash dividend. Distribution of profits may also be made by way of stock dividend; provided however, the ratio for stock dividend shall not exceed 50% of total distribution.

Any appropriations of net income are recorded in the financial statements in the year of shareholder approval.

An appropriation for legal reserve is required until the reserve equals the aggregate par value of TSMC s issued capital stock. The reserve can only be used to offset a deficit or be distributed as a stock dividend up to 50% of the reserve balance when the reserve balance has reached 50% of the aggregate par value of the issued capital stock of TSMC.

A special reserve equivalent to the net debit balance of the other components of shareholder s equity (for example, unrealized loss on long-term investments and cumulative translation adjustments, but excluding treasury stock), shall be made from unappropriated earnings pursuant to existing regulations promulgated by the R.O.C. Securities and Futures Bureau (SFB). Any special reserve appropriated may be reversed to the extent that the net debit balance of the related account reverses.

The appropriations of the earnings of 2003 and 2002 were approved in the shareholders meeting on May 11, 2004 and June 3, 2003, respectively. The appropriations and dividend per share are as follows:

	Appropriatio	Appropriation of Earnings		l Per VT\$)	Share
	For Fiscal	For Fiscal	For Fiscal Year	F	For 'iscal Year
	<b>Year 2003</b>	<b>Year 2002</b>	2003	2	2002
Legal reserve	\$ 4,725,870	\$ 2,161,029			
Special reserve	(68,945)	68,945			
Bonus paid to employees in cash	681,628				
Bonus paid to employees in stock	2,726,514	1,539,013			
Preferred stock dividend in cash	184,493	455,000	\$ 0.35	\$	0.35
Common stock dividend in cash	12,159,971		0.60		
Common stock dividend in stock	28,373,267	14,898,309	1.41		0.80
Remuneration to directors and supervisors in ca	ash 127,805	58,485			
	\$ 48,910,603	\$19,180,781			

The amount of the above appropriation of earnings for 2003 and 2002 is consistent with the resolution of the meetings of board of directors on February 17, 2004 and March 4, 2003, respectively. However, the Company Law of the R.O.C. states TSMC, as a holder of treasury stock shall not participate in the appropriations of earnings. Therefore, the actual cash dividend per share and stock dividend per share are slightly more than those in the aforementioned resolution. If the above employee bonus paid in stock had been paid in cash and all of the bonus to employees and remuneration to directors and supervisors had been charged against income for 2003 and 2002, the after income tax basic earnings per share for the years ended December 31, 2003 and 2002 would have decreased from NT\$2.33 to NT\$2.15 and NT\$ 1.14 to NT\$1.05, respectively. The shares distributed as a bonus to employees represented 1.35% and 0.83% of TSMC s total outstanding common shares as of December 31, 2003 and 2002, respectively.

As of January 13, 2005, the board of directors of TSMC has not resolved the appropriation for earnings of 2004.

The above information about the appropriations of bonus to employees and remuneration to directors and supervisors is available at Market Observation System website.

Under the Integrated Income Tax System that became effective on January 1, 1998, the R.O.C. resident shareholders are allowed a tax credit for their proportionate share of the income tax paid by TSMC on earnings generated since January 1, 1998.

#### **Preferred Stock**

TSMC issued 1,300,000 thousand shares of unlisted Series A preferred stock to certain investors on November 29, 2000. All of the preferred stock was redeemed at par value and retired on May 29, 2003. Under TSMC s Articles of Incorporation, TSMC is no longer authorized to issue preferred stock.

The preferred shareholders had the following rights and the related terms and conditions prior to redemption:

#### Preferred shareholders

- a. Are entitled to receive cumulative cash dividends at an annual rate of 3.5%.
- b. Are not entitled to receive any common stock dividends (whether declared out of unappropriated earnings or capital surplus).
- c. Have priority over the holders of common shares to the assets of TSMC available for distribution to shareholders upon liquidation or dissolution; however, the pre-emptive rights to the assets shall not exceed the issue price of the shares.
- d. Have voting rights similar to that of the holders of common shares.
- e. Have no right to convert their shares into common shares. The preferred shares are to be redeemed within thirty months from their issuance. The preferred shareholders have the aforementioned rights and TSMC s related obligations remain the same until the preferred shares are redeemed by TSMC.

#### 17. STOCK-BASED COMPENSATION PLANS

### **Stock Option Plans**

TSMC s Employee Stock Option Plans, the 2003 Plan and the 2002 Plan, were approved on October 29, 2003 and June 25, 2002, respectively. The maximum number of units authorized to be granted under 2003 Plan and the 2002 Plan is 120,000 thousand and 100,000 thousand, respectively, with each unit representing one common share of stock. The option rights may be granted to qualified employees of TSMC or any of its domestic or foreign subsidiaries, in which TSMC s shareholding with voting rights, directly or indirectly, is more than fifty percent (50%). The option rights of both plans are valid for ten years and exercisable at certain percentages subsequent to the second anniversary of the grant date. Under the terms of the plans, stock option rights are granted at an exercise price equal to the closing price of TSMC s common shares listed on the TSE on the date of grant. Under the 2003 Plan and the 2002 Plan, units that were never granted, or had been granted and subsequently cancelled were expired as of December 31, 2004.

On November 2, 2004, the board of directors of TSMC approved the 2004 Plan, in which the maximum number of units authorized to be granted is 11,000 thousand, with each unit representing one common share of stock. The option rights may be granted to qualified employees of TSMC or any of its domestic or foreign subsidiaries, in which TSMC s shareholding with voting rights, directly or indirectly, is more than fifty percent (50%). The option rights of the plans are valid for ten years and exercisable at certain percentages subsequent to the second anniversary of the grant date. Under the terms of the plan, stock option rights are granted at an exercise price equal to the closing price of TSMC s common shares listed on the TSE on the date of grant. The 2004 plan was approved by Bureau of Monetary Affairs, Financial Supervisory Commission of the R.O.C. on January 6, 2005.

Information on outstanding stock options for the years ended December 31, 2004 and 2003 is as follows:

	2003	Plan	2002 Plan		
	Number		Number		
	of	Weighted-	of	Weighted-	
	Outstanding Stock	Average	Outstanding Stock	Average	
	Option Dights	Exercise Price	Option Dights	Exercise Prices	
	Rights (in	Frice	Rights (in	Frices	
	Thousands)	(NT\$)	Thousands)	(NT\$)	
Year ended December 31, 2004					
Beginning outstanding balance	842	57.8	48,515	42.7	
Options granted	13,199	49.9	7,201	42.6	
Options exercised			(87)	41.8	
Options cancelled	(1,404)	50.9	(3,899)	44.2	
Ending outstanding balance	12,637		51,730		
Year ended December 31, 2003					
Beginning outstanding balance			19,369	48.6	
Options granted	843	66.5	32,031	50.3	
Options cancelled	(1)	66.5	(2,885)	48.7	
Ending outstanding balance	842		48,515		

The number of outstanding option rights and exercise prices have been adjusted to reflect the appropriations of dividends in accordance with the plans.

As of December 31, 2004, information on outstanding and exercisable option rights is as follows:

<b>Options Outstanding</b>		<b>Options Exercisable</b>
Weighted-		
Average	Weighted-	Weighted-

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		Number of				Number of	
	Range of		g Remaining	Avo	erage	Exercisable Options	Average
	Exercise	(in	Contractual Life	P	ercise rice	(in	Exercise Price
2003 Plan	<b>Price (NT\$)</b> \$ 43.8-\$57.8	<b>Thousands</b> ) 12,637	( <b>Years</b> ) 9.34	(N \$	<b>T\$</b> ) 50.3	Thousands)	(NT\$) \$
2002 Plan	\$ 32.8-\$46.2	51,730	8.09	Ψ	42.6	10,307	41.7
		64,367	8.33		44.1	10,307	41.7
		-27-					

The compensation cost recognized for the year ended December 31, 2004 was zero. Had the Company used the fair value based method to evaluate the options granted, the method, assumptions and pro forma results of the Company for the year ended December 31, 2004 would have been as follows:

		В	lack-Scholes
Method:			Model
Assumptions:			
Expected dividend yield			1.00%
Expected volatility			43.77%-46.15%
Risk free interest rate			3.07%-3.85%
Expected life			5 years
Net income:			
Net income as reported		\$	92,316,115
Pro forma net income			92,257,355
E (EDG)	c. ·		NT\$
Earnings per share (EPS)	after income tax:		2.07
Basic EPS as reported			3.97
Pro forma basic EPS			3.97
Diluted EPS as reported			3.97
Pro forma diluted EPS			3.97

The estimated weighted average fair value for the options granted during the year ended December 31, 2004 was NT\$19.73 per option.

In 1996, WaferTech adopted an Executive Incentive Plan, which was amended in 1997. According to the 1997 amendment, the Board of Directors of WaferTech approved the Senior Executive Incentive Plan and the Employee Incentive Plan (the WaferTech Plans) under which officers, key employees and non-employee directors may be granted stock option rights. The WaferTech Plans provide for 15,150 thousand option rights available for grant. For option rights granted to date, the option purchase price was equal to or exceeded the fair market value at the date of grant. The options will expire if not exercised at specified dates ranging from May 2006 and June 2011. In December 2000, WaferTech implemented a Stock Option Buyback Program (Buyback). The Buyback program provides employees with the right to sell back to WaferTech all vested stock options and outstanding ownership interests granted under the WaferTech Plans. As of December 31, 2004, the outstanding and exercisable stock options were 134 thousand and 133 thousand, respectively, and US\$616 thousand was accrued in connection with the Buyback program.

#### **Stock Appreciation Rights**

In December 2000, WaferTech and TSMC North America implemented a stock appreciation rights program (Appreciation). The Appreciation plan is designed to provide employees with a long-term incentive plan that tracks the appreciation of TSMC common stock through Stock Appreciation Rights (SARs). SARs provide each participant the right to receive, upon exercise, an amount in cash from WaferTech and TSMC North America that is the excess of the market price of TSMC common stock on TSE on the date of exercise over the exercise price. As of December 31, 2004, WaferTech and TSMC North America accrued US\$381 thousand and US\$1,360 thousand, respectively, in connection with the Appreciation. During 2002, benefits under the Appreciation plan for TSMC North America were replaced by the stock option plans aforementioned.

#### 18. TREASURY STOCK (COMMON STOCK)

(Shares in Thousand)

	Beginning Shares	Increase/ Dividend	Decrease	Ending Shares
Year ended December 31, 2004				
Reclassification of parent company stock held by subsidiaries from long-term investments Repurchase under share buyback plan	40,597	5,676 124,720	752 124,720	45,521
	40,597	130,396	125,472	45,521
Year ended December 31, 2003  Realessification of parent company stock held by				
Reclassification of parent company stock held by subsidiaries from long-term investments	42,001	3,357	4,761	40,597

Proceeds from the sale of treasury stock for the years ended December 31, 2004 and 2003 were NT\$39,906 thousand and NT\$331,945 thousand, respectively. TSMC s capital stock held by a subsidiary as an investment is recorded as treasury stock, with the holder having the same rights as other common shareholders. As of December 31, 2004 and 2003, the book value of the treasury stock was NT\$1,595,186 thousand and NT\$1,633,228 thousand, respectively; the market value was NT\$2,241,009 thousand and NT\$2,548,788 thousand, respectively.

TSMC held a special meeting of the board of directors and approved a share buyback plan to repurchase TSMC s common shares listed on the TSE during the period from March 24, 2004 to May 23, 2004. TSMC repurchased 124,720 thousand common shares for a total of NT\$7,059,798 thousand. All the treasury stock repurchased under the buyback plan was retired on August 16, 2004.

#### 19. CONSOLIDATED EARNINGS PER SHARE (EPS)

EPS is computed as follows:

				EP	2 (N12)
				Income	
	Amounts (	Numerator)		Before	
	Income				
	Before		Number of	Income	
				Tax	
	<b>Income Tax</b>		<b>Shares</b>	and	Consolidated
	and				
	Minority	Consolidated	(Denominator)	Minority	Net
	Interest	<b>Net Income</b>	(Thousand)	Interest	Income
Year ended December 31, 2004					
Tour chaca Becciniser 51, 200 .					
Tem ended Determine 51, 2001					
Basic EPS					
Basic EPS	\$ 91,965,587	\$ 92,316,115	23,248,682	\$ 3.96	\$ 3.97

FDC (NITE)

Effect of diluted securities stock options

6,404

Diluted EPS Income available to common shareholders (including effect of diluted potential common stock)

\$91,965,587

\$ 92,316,115

23,255,086

\$ 3.95

3.97

\$

(Continued)

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				EP Income	S (NT\$	)
		Numerator)		Before		
	Income Before		Number of	Income Tax		
	Income Tax and		Shares	and	Conso	lidated
	Minority Interest	Consolidated Net Income	(Denominator) (Thousand)	Minority Interest		et ome
Year ended December 31, 2003			,			
Net income	\$51,178,645	\$ 47,258,700				
Less preferred stock dividends	(184,493)	(184,493)				
Basic EPS						
Income available to common						
shareholders	50,994,152	47,074,207	23,327,354	\$ 2.19	\$	2.02
Effect of diluted potential common						
stock stock options			9,599			
Diluted EPS						
Income available to common						
shareholders (including effect of	<b></b>	<b>* **</b> • • • • • • • • • • • • • • • • • •	22.22.65.	<b>.</b>	4	• • •
diluted potential common stock)	\$ 50,994,152	\$ 47,074,207	23,336,953	\$ 2.19	\$	2.02

## 20. RELATED PARTY TRANSACTIONS

The significant transactions with related parties in addition to those disclosed in other notes are summarized as follows:

- a. Industrial Technology Research Institute (ITRI), the Chairman of TSMC is one it its directors
- b. Philips, a major shareholder of TSMC
- c. Investees of the TSMC

VIS SSMC GUC

VisEra

2004		2003		
Amount	<b>%</b>	Amount	%	

For the years

Sales

Philips and its affiliates Others	\$ 5,463,565 458,999	2	\$ 3,577,054 610,534	2
	\$ 5,922,564	2	\$ 4,187,588	2
Purchase				
VIS	\$ 9,169,602	21	\$ 4,910,810	15
SSMC	5,869,123	13	5,519,805	17
	\$ 15,038,725	34	\$ 10,430,615	32

(Continued)

		2004			2003	
Manufacturing expenses technical assistance fee (Note 22a)	<b>A</b> \$	<b>mount</b> 907,047	<b>%</b> 1		<b>Amount</b> 3,023,741	<b>%</b> 3
	•	,			-,,-	_
Philips						
General and administrative expenses rental expenses GUC	\$	13,186	2	\$		
Research and development expenses GUC	\$	11,688		\$		
Proceeds from disposal of property, plant and equipment VIS	\$	33,974	2	\$	15,125	9
Non-operating income and gains SSMC (primarily technical service income, see Note 22e) VIS (primarily technical service income, see Note 22j) VisEra	\$	364,505 117,760 28,917	6 2	\$	201,869 251	4
	\$	511,182	8	\$	202,120	4
At December 31 Receivables Philips and its affiliates	\$	581,487	89	\$	895,063	97
Others		72,890	11		25,381	3
	\$	654,377	100	\$	920,444	100
Other receivables SSMC	\$	63,701	45	\$	13,228	10
VIS VisEra		47,599 30,278	34 21		118,503	90
VISELIA		30,276	21			
	\$	141,578	100	\$	131,731	100
Payables VIS	\$ 1	,533,938	69	\$	1,034,074	32
Philips and its affiliates	ΨI	469,494	21		1,579,568	49
SSMC GUC		207,794 6,589	10		634,647	19
	\$2	,217,815	100	\$ :	3,248,289	100

Other long-term payables Philips and its affiliates		\$2,317,972	100	\$	
Refundable deposits VIS		\$		\$ 150,840	76
	-31-				

The terms of sales to related parties are not significantly different from those to third parties. For other related parties transactions, since there are no other similar transactions to follow, the prices are determined in accordance with the related contractual agreements.

#### 21. SIGNIFICANT LONG-TERM OPERATING LEASES

TSMC leases land from the Science-Based Industrial Park Administration. These agreements expire on various dates from March 2008 to December 2020. The agreements can be renewed upon their expiration.

TSMC North America leases its office premises and certain equipment under non-cancelable operating agreements. TSMC - Europe and TSMC Japan entered into lease agreements for their office premises. The leases will expire between 2005 and 2010. The agreements can be renewed upon their expiration.

As of December 31, 2004, future remaining lease payments are as follows:

Year	Amount
2005	\$ 354,259
2006	352,988
2007	340,748
2008	325,563
2009	322,534
2010 and thereafter	1,513,025

\$3,209,117

#### 22. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

The significant commitments and contingencies of the Company as of December 31, 2004 are as follows:

- a. On June 20, 2004, TSMC and Philips revised the Technical Cooperation Agreement, which was originally signed on May 12, 1997, with an effective date from January 1, 2004 for five years. Upon expiration, this amended Technical Cooperation Agreement will be terminated at the expiration date and will not be automatically renewed. Under this amended Technical Cooperation Agreement, TSMC will pay Philips royalties based on fixed amounts mutually agreed-on, rather than under certain percentage of TSMC s annual net sales. TSMC and Philips also agree to cross license the patents owned by each party. TSMC also obtained through Philips a number of patent cross licenses.
- b. Under a technical cooperation agreement with ITRI, TSMC shall reserve and allocate up to 35% of certain of its production capacity for use by the Ministry of Economic Affairs (MOEA) or any other party designated by the MOEA.
- c. Under several foundry agreements, TSMC shall reserve a portion of its production capacity for certain major customers that have guarantee deposits with TSMC. As of December 31, 2004, TSMC had a total of US\$12,802 thousand of guarantee deposits.
- d. Under a Shareholders Agreement entered into with Philips and EDB Investments Pte Ltd. on March 30, 1999, the parties formed a joint venture company, SSMC, for the purpose of constructing an integrated circuit foundry in Singapore. As of December 31, 2004, TSMC sequity interest in SSMC was 32%. TSMC and Philips

committed to buy specific percentages of the production capacity of SSMC. If any party defaults on the commitment and the capacity utilization of SSMC falls below a specific percentage of its total capacity, the defaulting party is required to compensate SSMC for all related unavoidable costs.

- e. TSMC provides technical services to SSMC under a Technical Cooperation Agreement (the Agreement) entered into on May 12, 1999. TSMC receives compensation for such services computed at a specific percentage of net selling price of certain products sold by SSMC. The Agreement shall remain in force for ten years and may be automatically renewed for successive periods of five years each unless pre-terminated by either party under certain conditions.
- f. Under a Technology Transfer Agreement (TTA) with National Semiconductor Corporation (National) entered into on June 27, 2000, TSMC shall receive payments for the licensing of certain technology to National. The agreement was to remain in force for ten years and could be automatically renewed for successive periods of two years thereafter unless either party gives notice for early termination under certain conditions. In January 2003, TSMC and National entered into a Termination Agreement whereby the TTA was terminated for convenience. Under the Termination Agreement, TSMC will be relieved of any further obligation to transfer any additional technology. In addition, TSMC granted National an option to request the transfer of certain technologies under the same terms and conditions as the terminated TTA. The option will expire in January 2008.
- g. Beginning in 2001, TSMC entered into several licensing arrangements for certain semiconductor patents. The terms of the contracts range from five to ten years with payments to be made in the form of royalties over the term of the related contracts. TSMC has recorded the related amounts as a liability with the corresponding amounts recorded as deferred charges which are amortized and charged to cost of sales on a straight-line basis over the estimated life of the technology or the term of the contract, whichever is shorter.
- h. In November 2002, TSMC entered into an Amended and Restated Joint Technology Cooperation Agreement with Philips, Motorola, Inc. and STMicroelectronics to jointly develop 90-nm to 65-nm advanced CMOS Logic and e-DRAM technologies. TSMC also agreed to align 0.12 micron CMOS Logic technology to enhance its foundry business opportunities. TSMC will contribute process technologies and share a portion of the costs associated with this joint development project.
- i. In December 2003, TSMC entered into a Technology Development and License Agreement with Motorola, Inc. to jointly develop 65-nm SOI (silicon on insulator) technology. TSMC will also license related 90-nm SOI technology from Motorola, Inc. Any intellectual properties arising out of the co-development project shall be jointly owned by the parties. In accordance with the agreement, TSMC will pay royalties to Motorola, Inc. and will share a portion of the costs associated with the joint development project.
- j. TSMC provides a technology transfer to VIS under a Manufacturing License and Technology Transfer Agreement entered into in August 2004. TSMC receives compensation for such technology transfer in the form of royalty payments from VIS computed at specific percentages of net selling price of certain products sold by VIS. VIS agreed to reserve its certain capacity to manufacture for TSMC certain products at prior as agreed by the parties.
- k. Under an agreement signed with a certain company, TSMC Shanghai has the obligation to purchase certain assets within a specified period at the price agreed upon by both parties. TSMC Shanghai will compensate the other party in case of a breach of the agreement.
- 1. Amounts available under unused letters of credit as of December 31, 2004 were NT\$6,480 thousand, US\$1,282 thousand and SG\$85 thousand. Among the unused letters of credit, TSMC North America has an outstanding irrevocable standby letter of credit for US\$1,078 thousand. The standby letter of credit was entered into as security to the landlord of TSMC North America s office spaces in San Jose, California. The standby letter of credit will expire in October, 2005.

m. The Company filed a series of lawsuits in late 2003 and 2004 in both state and federal courts in California and with the U.S. International Trade Commission against Semiconductor Manufacturing International Corporation (SMIC), SMIC (Shanghai), and SMIC Americas. The lawsuits alleged that SMIC companies infringed multiple patents of the Company and misappropriated the Company s trade secrets. These suits have been settled out of court on January 30, 2005. As part of the agreement, SMIC will pay TSMC US\$175 million over six years to resolve the Company s patent infringement and trade secret claims.

#### 23. ADDITIONAL DISCLOSURES

Following are the additional disclosures required by the SFB for the Company and its investees:

- a. Financing provided: Please see Table 1 attached;
- b. Endorsement/guarantee provided: Please see Table 2 attached;
- c. Marketable securities held: Please see Table 3 attached:
- d. Marketable securities acquired and disposed of at costs or prices of at least NT\$100 million or 20% of the paid-in capital: Please see Table 4 attached;
- e. Acquisition of individual real estate properties at costs of at least NT\$100 million or 20% of the paid-in capital: Please see Table 5 attached;
- f. Disposal of individual real estate properties at prices of at least NT\$100 million or 20% of the paid-in capital: None;
- g. Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the capital: Please see Table 6 attached;
- h. Receivable from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Please see Table 7 attached;
- i. Names, locations, and related information of investees of which the Company exercises significant influence: Please see Table 8 attached:
- j. Financial instrument transactions:
  - 1) Derivative financial instruments

The Company entered into derivative financial instrument transactions for the years ended December 31, 2004 and 2003 to manage exposures related to foreign exchange rate and interest rate fluctuations. Certain information on these contracts is as follows:

a) Outstanding forward exchange contracts as of December 31, 2004 and 2003 are as follows:

Financial
Instruments Currency Maturity Date
2004

Contract Amount (in Thousands)

Sell		January 2005 to March 2005	US\$	733,000
Sell	US\$/EUR	January 2005	US\$	159,081 Continued)

			$\mathbf{C}$	ontract
Financi	ial		A	mount
Instrum	ents Currency	<b>Maturity Date</b>	(in T	housands)
<u>2003</u>				
Sell	US\$/NT\$	January 2004 to July 2004	US\$	1,805,000
Buy	EUR/US\$	January 2004	EUR	7,500
Buy	JPY/US\$	January 2004	JPY	748,405

As of December 31, 2004 and 2003, receivables from forward exchange contracts (included in the other financial assets account) aggregate to approximately NT\$392,534 thousand, and NT\$76,385 thousand, respectively; payables from forward exchange contracts (included in the other current liabilities account) aggregate to approximately NT\$559 thousand and NT\$174,018 thousand, respectively.

#### b) Cross currency swaps

Outstanding cross currency swap contracts as of December 31, 2004 are as follows:

			Range of
	Contract		Interest
	Amount	Range of	Rate
		<b>Interest Rate</b>	
Maturity Date	(in Thousands)	Paid	Received
January 2005 to June 2005	US\$ 1,420,000	1.28%-2.72%	0.49%-1.17%

As of December 31, 2004, receivables from the cross currency swap contracts (included in the other financial assets account) were approximately NT\$761,030 thousand.

Net exchange gain or loss arising from forward exchange contracts and cross currency swap contracts was recognized in the foreign exchange loss, net account and the difference in interest was recorded in interest income or expense.

#### c) Interest rate swaps

Outstanding contracts as of December 31, 2004 and 2003 were as follows:

Contract Date 2004	Period	Ā	Contract Amount Thousands)
September 2003	September 2003 to December 2005	\$	500,000
October 2003	October 2003 to December 2005	·	500,000
October 2003	October 2003 to December 2005		500,000
October 2003	October 2003 to December 2005		500,000
October 2003	October 2003 to December 2005		500,000
November 2003	November 2003 to December 2005		500,000
			(Continued)

Contract Data	Period	Aı	ontract mount
Contract Date 2003	Period	(111 111	nousands)
September 2003	September 2003 to December 2005	\$	500,000
October 2003	October 2003 to December 2005		500,000
October 2003	October 2003 to December 2005		500,000
October 2003	October 2003 to December 2005		500,000
October 2003	October 2003 to December 2005		500,000
November 2003	November 2003 to December 2005		500,000
July 1999	July 1999 to June 2004	US\$	2,857

#### d) Option contracts

During 2004, the Company did not enter into any foreign currency option contracts.

There were no outstanding option contracts as of December 31, 2003. The Company entered into foreign currency option contracts for hedging purposes; therefore, the related premiums and the foreign exchange gain or loss are recognized in the foreign exchange loss, net account.

#### e) Transaction risk

- i) Credit risk. Credit risk represents the positive net settlement amount of those contracts with positive fair values at the balance sheet date. The positive net settlement amount represents the loss incurred by the Company if the counter-parties breached the contracts. The banks, which are the counter-parties to the foregoing derivative financial instruments, are reputable financial institutions. Management believes its exposure related to the potential default by those counter-parties is low.
- ii) Market price risk. All derivative financial instruments are intended as hedges for fluctuations in foreign exchange rates and interest rates. Gains or losses from these hedging instruments are likely to be offset by gains or losses from the hedged items. Interest rate risks are also controlled as the expected cost of capital is fixed. Thus, market price risks are believed to be low.
- iii) Cash flow risk and the amount and period of future cash needs.

As of December 31, 2004, the Company s future cash needs for outstanding forward exchange contracts and cross currency swap contracts are as follows:

	Inflow	Outflow		
	(In	(In		
Term	Thousands)	Thousands)		
Within one year	\$ 69,761,484	US\$ 2,312,081		
	EUR 118,500			

The Company has sufficient operating capital to meet the above cash needs. In addition, there will be corresponding cash inflow for the cash outflow. Therefore, the cash flow risk is low.

#### 2) Fair values of financial instruments were as follows:

	2004		2003	
	Carrying		Carrying	
	Amount	Fair Value	Amount	Fair Value
	(In Tho	usands)	(In Tho	usands)
Non-derivative financial instruments				
Assets				
Short-term investments, net	\$ 54,107,951	\$ 54,990,545	\$ 13,611,536	\$ 14,054,511
Long-term investments (securities with	<b>40.,107,501</b>	\$ C 1,22 0,0 10	Ψ 10,011,000	ψ 1 1,00 1,011
market price)	31,165,721	34,265,072	4,103,926	10,976,671
Liabilities				
Bonds payable (including current portion)	30,000,000	30,607,341	35,000,000	35,850,377
<u>Derivative financial instruments</u>				
Forward exchange contracts (buy)			2,351	3,037
Forward exchange contracts (sell)	391,975	317,090	(99,984)	40,638
Cross currency swap contracts	761,030	760,012	(22,201)	10,020
Interest rate swap contracts	4,361	(22,714)		2,093
r	1,000	(,,)		_,-,-

The above financial instruments do not include cash and cash equivalents, receivables, other financial assets, payables, and payable to contractors and equipment suppliers. The carrying amounts of the aforementioned instruments reported in the balance sheet approximate their fair values.

The above financial instruments also exclude refundable deposits, guarantee deposits, long-term investments that do not have quoted market prices as well as other long-term payables. The future cash inflow and outflow of the deposits approximate their fair values. Some of long-term investments do not have quoted market prices; therefore, fair values for those long-term investments are not shown above. The fair value of other long-term payables is determined using the discounted value of expected cash flows, which approximates the carrying value.

Fair values of financial instruments were determined as follows:

- a) Fair value of short-term and publicly traded long-term investments is based on quoted market prices.
- b) The fair value of bonds payable is the quoted market value.
- c) Fair value of derivative financial instruments is the amount receivable from or payable to the counter-party if the contracts were terminated on the balance sheet date.

#### k. Information on investment in Mainland China

1) The name of the investee company in mainland China, the main businesses and products, its issued capital, method of investment, information on inflow or outflow of capital, ratio of ownership, equity in the net gain or net loss, ending balance, amount received as earnings distributions from the investment, and the limitation on investment: Please see Table 9 attached.

2) Significant direct or indirect transactions with the investee company, its prices and terms of payment, unrealized gain or loss, and other related information which is helpful to understand the impact of investment in mainland China on financial reports: Please see Note 20.

#### 24. SEGMENT FINANCIAL INFORMATION

## a. Geographic information:

	Overseas	Taiwan	Adjustments and Elimination	Consolidated
2004 Sales to unaffiliated customers Transfers between geographic areas	\$ 143,801,130 15,657,797	\$ 113,411,488 142,580,939	\$ (158,238,736)	\$ 257,212,618
Total sales	\$ 159,458,927	\$ 255,992,427	\$ (158,238,736)	\$ 257,212,618
Gross profit	\$ 6,173,780	\$ 110,160,584	\$ (515,181)	\$ 115,819,183
Operating expenses Non-operating income and gains Non-operating expenses and losses				(27,337,509) 6,090,224 (2,606,311)
Income before income tax and minority interest				\$ 91,965,587
Minority interest in income of subsidiaries				\$ 12,898
Identifiable assets	\$ 89,000,906	\$416,076,665	\$ (43,725,329)	\$ 461,352,242
Long-term investments				38,101,849
Total assets				\$ 499,454,091
2003				
Sales to unaffiliated customers Transfers between geographic areas	\$ 118,851,382 11,494,868	\$ 84,145,430 117,758,911	\$ (129,253,779)	\$ 202,996,812
Total sales	\$ 130,346,250	\$ 201,904,341	\$ (129,253,779)	\$ 202,996,812
Gross profit	\$ 2,392,944	\$ 72,891,637	\$ (401,103)	\$ 74,883,478
Operating expenses				(23,582,897)

Non-operating income and gains Non-operating expenses and losses	5,669,312 (5,791,248)
Income before income tax and minority interest	\$ 51,178,645
Minority interest in loss of subsidiaries	\$ 3,012
	(Continued)
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			Adjustments and	
	Overseas	Taiwan	Elimination	Consolidated
Identifiable assets	\$ 52,276,269	\$ 358,451,509	\$ (14,075,261)	\$ 396,652,517
Long-term investments				10,748,014
Total assets				\$407,400,531

#### b. Gross export sales

The export sales information is determined based on billed regions. Gross export sales for the years ended December 31, 2004 and 2003 were NT\$92,455,415 thousand and NT\$59,868,104 thousand, respectively. There were no export sales to a region that accounted for more than 10% of the Company s total sales.

#### c. Major customer

In 2004, there is no customer accounted for at least 10% of the Company s total sales. The Company only has one customer that accounts for at least 10% of its total sales in 2003. The sales to such customer amounted to \$21,893,320 thousand and \$31,220,104 thousand in 2004 and 2003, representing 8% and 15% of its total sales, respectively.

#### **TABLE 1**

#### TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LTD. AND SUBSIDIARIES

#### FINANCING PROVIDED FOR THE YEAR ENDED DECEMBER 31, 2004 (Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

							Fin	ancir	Financing
			Maximum		_	_	Ι	imit	Company's
			Balance		1	Type Reasons	3	for	Financing
		Financial	for	Ending		of for	I	Each	Amount
						Allow	ance		
		Statement	the Period	<b>Balance</b>	Interdsin	Eurachikgati etefo	<b>f</b> iollat <b>&amp;at</b>	rowi	ng Limits
			(US\$ in	(US\$ in	(1	Note Ba	ıd		(US\$ in
No.	Financing Name	ter-partyAccount	Thousand)	Thousand)	Rate	1A) m Toium at st De	bitteMalGe	mpar	nyThousand)
1	TSMC	TSM6her receivables	\$ 1,915,020	\$1,915,020	1.50%	Operating \$	\$	N/A	\$31,532,982
	International	Development				capital			
		•	(US\$60,000)	(US\$60,000	)	•			(US\$987,968)
									(Note 2)
		TSM Cher receivables	319,170						,
		Technology	,						
		<i></i>	(US\$10,000)						
2	TSMC Partners	TSM Cher receivables	2,553,360	2,553,360	1.50%	<b>O</b> perating		N/A	(Note 3)
		Development	, ,	, ,		capital			( )
			(US\$80,000)	(US\$80,000	)	F <del></del>			

Note 1: The No. 2 represents necessary for short-term financing.

Note 2: Not exceeding the issued capital of the Company.

Note 3: Generally not exceeding the issued capital of the Company, unless approved by all members of the board.

#### TABLE 2

#### TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LTD. AND SUBSIDIARIES

# ENDORSEMENT/GUARANTEE PROVIDED FOR THE YEAR ENDED DECEMBER 31, 2004

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

		Counter-party		Pro	Ratio of Accumulated Amount of alueCollateral of to Net opertyEquity	Maximum
		Naturean	unter-parfylæximum Balance for	Ending P	rant of theCol Latest	lateral/Guarantee Amounts
	Endorsement/		plorsement/he Year Guarantee (US\$ in	Balance Col	laterFilnancial and	Allowable
No.	<b>Guarantee Provider</b>		Amounts Thousand)		ipm <b>Sta</b> tement	(Note 1)
0		TSMC 3	Not \$ 1,915,020	\$ 1,915,020		
	The Company	Development	exceed 10% (US\$60,000) of the net worth of the Company, and also limiting to the total capital issued of the endorsement/guarante company, unless otherwise approved by Board	(US\$60,000)		

of Directors.

TSMC 2 1,276,680 1,276,680 0.32%

North America

(US\$40,000) (US\$40,000)

WaferTech 3 14,043,480

(US\$440,000)

Note 1: 25% of the net worth of the Company as of December 31, 2004.

Note 2: The No. 2 represents a subsidiary in which the Company holds directly over 50% of the equity interest. The No. 3 represents an investee in which the Company holds directly and indirectly over 50% of the equity interest.

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#### TABLE 3

#### TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LTD. AND SUBSIDIARIES

# MARKETABLE SECURITIES HELD DECEMBER 31, 2004

ABN AMRO Select Bond Fund

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

**December 31, 2004** 

					~		_	Market V or No
		Relationship with	Financial Statem	nen§hares/Units (In		arrying I Value	Percenta of	Asset V
				Thousands	J	US\$ in		(US\$
ne	Marketable Securities Type and Name	the Company	Account	of)	`	-	Ownersh	nip Thousa
	Government bonds			,		•		•
	2003 Government Bond Series A		Short-term					
			investment	5	\$	1,207,409	9 N/A	\$ 1,20
	United States Treas NTS		Short-term					
			investment	Ţ	US\$	192,357	7 N/A	US\$ 19
	2003 Government Bond Series I		Long-term					ľ
			investment			3,397,081	31 N/A	3,39
	2004 Government Bond Series A		Long-term					ľ
			investment			2,349,573	'3 N/A	2,35
	2004 Government Bond Series E		Long-term					ľ
			investment			3,893,827	27 N/A	3,89
	2004 Kaohsiung Municipal Bond		Long-term					ľ
ı.	Series A		investment			620,000	00 N/A	62
	Bonds under repurchase agreement		Short-term					
			investment			249,449	9 N/A	25
	Bond funds							
1	JF Taiwan Bond Fund		Short-term					1
ı			investment	78,698		1,153,209	9 N/A	1,16
ı	ABN AMRO Bond Fund		Short-term					ľ
1			investment	134,906		1,956,175	'5 N/A	1,97
	JF Taiwan First Bond Fund		Short-term					!
			investment	84,886		1,151,463	3 N/A	1,16
	INVESCO R.O.C. Bond A Fund		Short-term					
			investment	76,705		1,101,911	1 N/A	1,11
	Dresdner Bond DAM Fund		Short-term					ļ
			investment	80,833		900,000	00 N/A	91
	Barits Bond Fund		Short-term					!
			investment	76,640		900,000	00 N/A	90
	Shinkong Chi Shin Bond Fund		Short-term					!
			investment	151,594		2,100,000	00 N/A	2,11
	ADM AMDORIA DI 1E 1			10.225		200.000	O NT/A	20

200,000 N/A

18,235

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		Short-term investment				
NITC Bond Fund		Short-term				
		investment	3,764	600,000	N/A	60
HSBC NTD Money Management Fund		Short-term				
		investment	41,568	600,000	N/A	60
Stock						
Taiwan Mask Corp.		Short-term				
		investment	1,787	6,528		2
TSMC International	Subsidiary	Long-term				
	~	investment	987,968	23,778,997	100	23,77
VIS	Investee	Long-term	100.500	7 101 000	20	0.40
	~	investment	409,532	5,401,982	28	8,49
TSMC Partners	Subsidiary	Long-term	200	2.000.256	100	2.00
00140	T	investment	300	3,908,356	100	3,90
SSMC	Investee	Long-term	202	2 200 000	22	2.20
TCMC Namb Amania	Carlani di oma	investment	382	3,290,888	32	3,29
TSMC - North America	Subsidiary	Long-term				
		investment				
			11,000	502,242	100	1,17
GUC	Investee	Long-term				
		investment	39,040	391,626	47	41
TSMC - Japan	Subsidiary	Long-term				
		investment	6	102,572	100	10
VisEra	Investee	Long-term				
		investment	5,100	59,116	25	5
TSMC - Europe	Subsidiary	Long-term				
		investment		25,439	100	2
United Industrial Gases Co., Ltd.		Long-term				
		investment	16,783	193,584	10	28
Shin-Etsu Handotai Taiwan Co., Ltd.		Long-term				
		. •				
		investment	10,500	105,000	7	17
		investment	10,500		7 ontinued)	
		investment	10,500			

Ma Value

					Carrying Pe	Carrying Percentage			
		Relationship with	Financial Statem		• •	of	Asset (US		
Name	Marketable Securities Type and Name	the Company	Account	*	Thousand) O	wnersh	•		
	W.K. Technology Fund IV	1 0	Long-term	,	,		•		
	<i>2.</i>		investment	5,000 \$	50,000	2	\$		
	Hontung Venture Capital Co., Ltd.		Long-term	,	,				
			investment	8,392	83,916	10			
	Globaltop Partner I Venture Capital Corp.		Long-term						
			investment	5,000	50,000	1			
	Corporate bonds								
	Taiwan Power Company		Short-term						
			investment		2,777,798	N/A	2,7		
	Abbott Labs		Short-term						
			investment	U	S\$ 2,732	N/A	US\$		
	Abbott Labs		Short-term						
			investment	US	S\$ 1,581	N/A	US\$		
	Ace Ltd		Short-term						
			investment	U	S\$ 1,046	N/A	US\$		
	AIG Sunamerica Global Fing IX		Short-term						
			investment	U	S\$ 1,032	N/A	US\$		
	Allstate Finl Global Fdg LLC		Short-term						
			investment	U	S\$ 3,171	N/A	US\$		
	American Express Co.		Short-term						
			investment	U	S\$ 3,550	N/A	US\$		
	American Gen Fin Corp.		Short-term						
			investment	U	S\$ 1,768	N/A	US\$		
	American Gen Fin Corp. Mtn		Short-term						
			investment	U	S\$ 3,130	N/A	US\$		
	American Gen Fin Corp. Mtn		Short-term						
			investment	U	S\$ 1,058	N/A	US\$		
	American Honda Fin Corp. Mtn		Short-term						
			investment	U	S\$ 3,800	N/A	US\$		
	American Intl Group Inc. Mtnf		Short-term						
			investment	U	S\$ 3,795	N/A	US\$		
	Amgen Inc.		Short-term						
			investment	U	S\$ 3,005	N/A	US\$		
	Amsouth Bk Birmingham Ala		Short-term						
			investment	U	S\$ 1,972	N/A	US\$		
	ANZ Cap Tr I		Short-term						
			investment	U	S\$ 1,012	N/A	US\$		
	Bank New York Inc.		Short-term						
			investment		S\$ 1,525		US\$		
	Bank New York Inc.			U	S\$ 3,945	N/A	US\$		

	Short-term			
	investment			
Bank Scotland Treas Svcs PLC	Short-term			
	investment	US\$	2,715	N/A US\$
Bank Utd Houston TX Mtbn	Short-term		,	•
	investment	US\$	580	N/A US\$
Bear Stearns Cos Inc.	Short-term			
	investment	US\$	3,518	N/A US\$
Bear Stearns Cos Inc. Medium Te	Short-term			
	investment	US\$	3,105	N/A US\$
Berkshire Hathaway Fin Corp.	Short-term			
	investment	US\$	1,498	N/A US\$
Bristol Myers Squibb Co.	Short-term			
	investment	US\$	3,819	N/A US\$
British Telecommunications PLC	Short-term			
	investment	US\$	2,104	N/A US\$
Cargill Inc.	Short-term			
	investment	US\$	2,120	N/A US\$
Chase Manhattan Corp. New	Short-term			
	investment	US\$	1,628	N/A US\$
Cit Group Hldgs Inc.	Short-term			
	investment	US\$	3,203	N/A US\$
Citigroup Inc.	Short-term			
	investment	US\$	2,000	N/A US\$
Citigroup Inc.	Short-term			
	investment	US\$	1,033	N/A US\$
Citigroup Inc.	Short-term			
	investment	US\$	3,583	N/A US\$
Colonial Pipeline Co.	Short-term			
	investment	US\$	1,625	N/A US\$
Compaq Computer Corp.	Short-term			
	investment	US\$	3,719	N/A US\$
Consolidated Edison Co. NY Inc.	Short-term			
	investment	US\$	3,687	N/A US\$
Corestates Cap Corp.	Short-term			
	investment	US\$	1,062	N/A US\$
Countrywide Fdg Corp. Mtn	Short-term			
	investment	US\$	2,158	N/A US\$
Countrywide Home Lns Inc.	Short-term			
	investment	US\$	5,210	N/A US\$
			(Cont	inued)

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Market

Value or Net

Carryingercentage Asset
Relationship with Financial States hates/Univalue of Value

		Relationship with	Financial State	endhates/Unitsalue (In (US\$ in	of	Value (US\$ in
mpany Name	Marketable Securities Type and Name	the Company	Account	Thousa <b>Td</b> )ousan <b>d</b> )v	wnersł	niphousand
	Credit Suisse Fb USA Inc.		Short-term			
			investment	US\$ 2,645	N/A	US\$ 2,599
	Credit Suisse First Boston		Short-term			
			investment	US\$ 786	N/A	US\$ 779
	Credit Suisse First Boston USA		Short-term			
			investment	US\$ 2,249	N/A	US\$ 2,240
	Daimlerchrysler North Amer		Short-term			
	•		investment	US\$ 997	N/A	US\$ 999
	Daimlerchrysler North Amer Hld		Short-term			
	•		investment	US\$ 749	N/A	US\$ 755
	Dell Computer Corp.		Short-term			
	1 1		investment	US\$ 3,054	N/A	US\$ 3,025
	Den Danske BK Aktieselskab		Short-term	,		,
	2 · 2 · 2 · 2 · 2 · 2		investment	US\$ 2,192	N/A	US\$ 2,160
	Deutsche Telkom Intl Fin BV		Short-term	,		· · · · · ·
	Doublette Tellion Int. I in 2		investment	US\$ 1,852	N/A	US\$ 1,838
	Diageo PLC		Short-term	C 2 4 2,00 =		Ουψ 1,01
	Diageoree		investment	US\$ 3,459	N/A	US\$ 3,47
	Dow Chem Co.		Short-term	0040,10	1 1/1 1	Ουψυ,
	Dow Chem Co.		investment	US\$ 921	N/A	US\$ 91
	European Invt Bk		Short-term	Ο Ο Ψ	1 4/ 1 1	Ουψ ΣΙ
	European mvi bk		investment	US\$ 8,315	N/A	US\$ 8,230
	Fifth Third Bk Cincinnati OH		Short-term	Ουψ 0,515	1 1/11	U υψ υ,Δυ,
	Thui Third Dk Chichman Off		investment	US\$ 2,419	N/A	US\$ 2,460
	First Data Corp.		Short-term	Ουψ 2, <del>τ</del> 17	1 1/ / 1	Uυψ 2, <del>1</del> 0.
	First Data Corp.		investment	US\$ 3,013	NI/A	US\$ 2,986
	Einst Un Com			US\$ 5,015	11/11	US\$ 2,70
	First Un Corp.		Short-term	118¢ 070	NT/A	110¢ 06
	Flort First Cooms Inc. Mayy		investment	US\$ 970	IV/A	US\$ 965
	Fleet Finl Group Inc. New		Short-term	TTC# 404	NT/A	TTO# 40
	TO THE		investment	US\$ 494	N/A	US\$ 49
	Fleet Finl Corp Inc. New		Short-term	110h 075	***/A	770h 06
	~ ~		investment	US\$ 975	N/A	US\$ 962
	Ford Mtr Cr Co.		Short-term	7794 1 <b>7</b> 40		
	_		investment	US\$ 1,542	N/A	US\$ 1,53
	FPL Group Cap Inc.		Short-term			
			investment	US\$ 1,001	N/A	US\$ 99
	FPL Group Cap Inc.		Short-term			
			investment	US\$ 860	N/A	US\$ 84
	General Elec Cap Corp. Mtn		Short-term			
			investment	US\$ 3,467	N/A	US\$ 3,45

General Elec Cap Corp. Mtn	Short-term	1100 1 040	NI/A TICC 1 OA
Consul Elea Con Com Mtu	investment	US\$ 1,040	N/A US\$ 1,040
General Elec Cap Corp. Mtn	Short-term	1100 2 006	NIA TICE 2 076
Comments E'allie	investment	US\$ 3,886	N/A US\$ 3,878
Genworth Finl Inc.	Short-term	1100 2 412	NIA TICE 2 406
Calling Carla Community Man	investment	US\$ 3,412	N/A US\$ 3,408
Goldman Sachs Group Inc. Mtn	Short-term	1100 2 505	NIA TICE 2 40
	investment	US\$ 3,505	N/A US\$ 3,494
Goldman Sachs Group LP	Short-term	1100 1 627	NI/A TIOO 1 500
	investment	US\$ 1,637	N/A US\$ 1,599
Goldman Sachs Group LP	Short-term	TICO 1 100	NI/A 1100 1 07/
	investment	US\$ 1,100	N/A US\$ 1,075
Greenpoint Finl Corp.	Short-term	****** O=4	>**** *****
amp a	investment	US\$ 974	N/A US\$ 972
GTE Corp.	Short-term		
	investment	US\$ 2,134	N/A US\$ 2,109
Hancock John Global Fdg Mtn	Short-term	*******	>**** ***** 00
	investment	US\$ 1,003	N/A US\$ 980
Hartford Finl Svcs Group Inc.	Short-term		
	investment	US\$ 765	N/A US\$ 758
Hartford Finl Svcs Group Inc.	Short-term		
	investment	US\$ 296	N/A US\$ 290
Heller Finl Inc.	Short-term		
	investment	US\$ 1,171	N/A US\$ 1,163
Hershey Foods Corp.	Short-term		
	investment	US\$ 1,627	N/A US\$ 1,600
Hewlett Packard Co.	Short-term		
	investment	US\$ 3,373	N/A US\$ 3,305
Honeywell Inc.	Short-term		
	investment	US\$ 3,284	N/A US\$ 3,218
Household Fin Corp.	Short-term		
	investment	US\$ 529	N/A US\$ 522
Household Fin Corp.	Short-term		
	investment	US\$ 2,993	N/A US\$ 2,985
Household Fin Corp. Mtn Bk Ent	Short-term		
	investment	US\$ 3,542	N/A US\$ 3,510
HSBC USA Inc. New	Short-term		
	investment	US\$ 1,154	N/A US\$ 1,134
Huntington Natl Bk	Short-term		
	investment	US\$ 3,003	N/A US\$ 3,000
Huntington Natl Bk Columbus OH	Short-term		
	investment	US\$ 2,954	N/A US\$ 2,961
ING Bank	Short-term		
	investment	US\$ 2,114	N/A US\$ 2,113
ING Sec Life Ins Ingslf	Short-term		
	investment	US\$ 3,012	N/A US\$ 3,00°
Intl Bk For Recon + Dev	Short-term		
	investment	US\$ 5,232	N/A US\$ 5,102
JP Morgan Chase + Co.	Short-term		
	investment	US\$ 1,043	N/A US\$ 1,039
Jackson Natl Life Global Fdg		US\$ 1,036	N/A US\$ 1,032

Short-term investment Short-term investment

Jackson Natl Life Global Fdg S

stment US\$ 2,998 N/A US\$ 2,988 (Continued)

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Market

Value or

Net Carryin**P**ercentage Asset

						ryin <b>g</b> e		_	
		Relationship with	Financial State				of		lue
				,	(US				\$ in
mpany Name	Marketable Securities Type and Name	the Company	Account	Thousa	ı <b>T&amp;</b> )ou	san <b>(</b> )	wnersl	niþhou	sano
	JP Morgan Chase + Co.		Short-term						
			investment		US\$	3,663	N/A	US\$	3,62
	Keycorp Mtn Book Entry		Short-term						
			investment		US\$	3,500	N/A	US\$	3,50
	KFW Intl Fin Inc.		Short-term						
			investment		US\$	5,104	N/A	US\$	5,02
	Kraft Foods Inc.		Short-term						
			investment		US\$	773	N/A	US\$	76
	Kraft Foods Inc.		Short-term						
			investment		US\$	1,037	N/A	US\$	1,03
	Lehman Brothers Hldgs Inc.		Short-term						
			investment		US\$	1,163	N/A	US\$	1,16
	Lehman Brothers Hldgs Inc.		Short-term						
			investment		US\$	3,705	N/A	US\$	3,63
	Lehman Brothers Hldgs Inc.		Short-term						
			investment		US\$	2,171	N/A	US\$	2,15
	Lilly Eli + Co.		Short-term						
			investment		US\$	3,750	N/A	US\$	3,74
	Lincoln Natl Corp. In		Short-term						
			investment		US\$	519	N/A	US\$	51
	Merita Bk Ltd NY Brh		Short-term						
			investment		US\$	538	N/A	US\$	53
	Merrill Lynch + Co. Inc.		Short-term						
			investment		US\$	3,486	N/A	US\$	3,48
	Metropolitan Life Global Mtn		Short-term						
			investment		US\$	1,907	N/A	US\$	1,91
	Monumental Global Fdg II		Short-term						
			investment		US\$	2,500	N/A	US\$	2,50
	Monumental Global Fdg II		Short-term						
			investment		US\$	1,534	N/A	US\$	1,51
	Monumental Global Fdg II 2002A		Short-term						
			investment		US\$	1,045	N/A	US\$	1,03
	Morgan Stanley		Short-term						
			investment		US\$	2,136	N/A	US\$	2,12
	Morgan Stanley Group Inc.		Short-term						
			investment		US\$	3,638	N/A	US\$	3,62
	Morgan Stanley Group Inc.		Short-term						
	_		investment		US\$	1,050	N/A	US\$	1,04
	National Westminster Bk PLC		Short-term						
			investment		US\$	1,433	N/A	US\$	1,42
						•			

Nationsbank Corp.	Short-term	1100 2 644	NT/A	1100 2 EA
NY 21 D11 G	investment	US\$ 3,644	N/A	US\$ 3,549
Nationwide Bldg Soc	Short-term	1100 0 457	***/A	TTOO 2 477
N	investment	US\$ 3,457	N/A	US\$ 3,47
Nationwide Life Global Mtn	Short-term	710h 1 460	3.T/A	TTOO 1 400
P	investment	US\$ 1,463	N/A	US\$ 1,469
Pepsico Inc. Mtn Book Entry	Short-term	******	3.T/A	TTO 0 0 10
	investment	US\$ 3,818	N/A	US\$ 3,817
PNC Fdg Corp.	Short-term	***************************************	/	
	investment	US\$ 1,080	N/A	US\$ 1,075
Popular North Amer Inc. Mtn	Short-term	******	/	
	investment	US\$ 3,042	N/A	US\$ 3,022
Premark Intl Inc.	Short-term			
	investment	US\$ 2,954	N/A	US\$ 2,914
Pricoa Global Fdg I Mtn	Short-term			
	investment	US\$ 3,507	N/A	US\$ 3,503
Pricoa Global Fdg I Mtn	Short-term			
	investment	US\$ 3,050	N/A	US\$ 3,047
Principal Life Global Fdg I Gl	Short-term			
	investment	US\$ 3,168	N/A	US\$ 3,102
Protective Life Secd Trs	Short-term			
	investment	US\$ 2,920	N/A	US\$ 2,969
Prudential Ins Co. Amer	Short-term			
	investment	US\$ 2,648	N/A	US\$ 2,610
Reinsurance Group Amer Inc.	Short-term			
	investment	US\$ 2,091	N/A	US\$ 2,089
Royal Bk Scotland Group PLC	Short-term			
	investment	US\$ 1,563	N/A	US\$ 1,547
Royal Bk Scotland Group PLC	Short-term			
	investment	US\$ 564	N/A	US\$ 558
Royal Bk Scotland Group PLC	Short-term			
•	investment	US\$ 369	N/A	US\$ 364
Safeco Corp.	Short-term			
•	investment	US\$ 765	N/A	US\$ 763
Salomon Smith Barney Hldgs Inc.	Short-term	, <del>.</del>		,
, ,	investment	US\$ 3,160	N/A	US\$ 3,100
Sara Lee Corp.	Short-term	, - , 0		, -,-0
· · · · · · · · · · · · · · · · · · ·	investment	US\$ 1,596	N/A	US\$ 1,60
SBC Communications Inc.	Short-term	234 1,270	- 1,7 - 1	224 1,00
550 Communications inc.	investment	US\$ 3,681	N/A	US\$ 3,617
SBC Communications Inc.	Short-term	υ ο φυ ο σ,001	1 1/ / 1	υυψυ,01
SEC Communications inc.	investment	US\$ 2,251	N/Δ	US\$ 2,245
Scotland Intl Fin B V 144A	Short-term	O 3 φ 2,23 1	11/71	υυψ <b>2,24</b> .
Scouand IIII I'II D V 174A	investment	US\$ 1,533	NT/A	1100 1 520
Shall Finance (LIV) DLC		US\$ 1,333	IN/A	US\$ 1,532
Shell Finance (UK) PLC	Short-term	11002604	NT/A	11000 55
CI M Com	investment	US\$ 3,604	IN/A	US\$ 3,553
SLM Corp.	Short-term	110¢ 500	NT/A	T100 50
01.14.G 14.15 T 17	investment	US\$ 500	N/A	US\$ 50
SLM Corp. Medium Term Nts	Short-term			***** -
	investment	US\$ 2,950		US\$ 2,985
SP Powerassets Ltd Global		US\$ 991	N/A	US\$ 992

Short-term investment Short-term

Suntrust Bks Inc. Short-term

investment Swedbank Sparbanken Svenge AB Short-term

investment US\$ 1,084 N/A US\$ 1,066

(Continued)

US\$ 1,062 N/A US\$ 1,060

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Mark Value or

Carrying Percentage

1					Carrying Po		~	
		Relationship with	Financial State		Value US\$ in	of	Asset Va (US\$ i	
any Name	Marketable Securities Type and Name	the Company	Account	,	•	wnersł	,	
wily 1 (will)	TIAA Global Mkts Inc.	one company	Short-term	1110 41841104, 110		,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	пр тпо шош	
	THAT GOOD THE INC.		investment	US\$	519	N/A	US\$	
	Tribune Co. Med Trm Nts		Short-term		= -1	± = .	0.54	
	210 010 010 010 010 010 010 010 010 010		investment	US\$	2,943	N/A	US\$	
	Union Planters		Short-term		— y= =			
	<u> </u>		investment	US\$	2,755	N/A	US\$	
	Unitedhealth Group Inc.		Short-term		,		,	
	r		investment	US\$	3,119	N/A	US\$	
	US Bk Natl Assn Cincinnati OH		Short-term	,	÷ ,			
İ			investment	US\$	2,669	N/A	US\$	
	Virginia Elec + Pwr Co.		Short-term		,			
İ	·		investment	US\$	2,884	N/A	US\$	
	Vodafone Group PLC New		Short-term	•	<del>-</del> ,	=	J = 1,	
İ	, oamene zeer		investment	US\$	2,559	N/A	US\$	
	Wachovia Corp.		Short-term		,			
<u>i</u>			investment	US\$	3,720	N/A	US\$	
<u>i</u>	Wal Mart Cda Venture Corp.		Short-term	•	<del>-</del> ,	=	J = 1,	
	1		investment	US\$	3,670	N/A	US\$	
	Washington Mut Fin Corp.		Short-term		- /		· · · · · · · · · · · · · · · · · ·	
			investment	US\$	4,768	N/A	US\$ 4	
	Washington Mut Inc.		Short-term				- · !	
	V		investment	US\$	4,735	N/A	US\$ 4	
	Washington Post Co.		Short-term		•			
	6		investment	US\$	3,182	N/A	US\$	
	Wells Fargo + Co. New		Short-term		•			
			investment	US\$	3,697	N/A	US\$	
i	Westfield Cap Corp. Ltd		Short-term		•			
i			investment	US\$	1,999	N/A	US\$	
<u> </u>	China Steel Corporation		Long-term					
İ			investment	2	2,978,804	N/A	2,97	
	Taiwan Power Company		Long-term		, .			
i			investment		915,276	N/A	914	
	Nan Ya Plastics Corporation		Long-term					
	•		investment		407,526	N/A	40′	
	Formosa Plastics Corporation		Long-term					
	-		investment		405,485	N/A	40:	
	Formosa Petrochemical Corporation		Long-term		•			
	-		investment		202,595	N/A	200	
	Agency bonds							
	Fed Hm Ln Pc			US\$	3,466	N/A	US\$	

Federal Home Ln Bks investment Short-term	
	A US\$
investment US\$ 2,532 N/ Federal Home Ln Bks Short-term	1 03\$
	A US\$
Federal Home Ln Bks Short-term	1 03\$
	A US\$
Federal Home Ln Bks Short-term	1 030
	A US\$
Federal Home Ln Bks Short-term	1 030
	A US\$
Federal Home Ln Bks Short-term	ι ουψ .
	A US\$
Federal Home Ln Bks Short-term	ι ουφ
	A US\$
Federal Home Ln Bks Short-term	ιουφ
	A US\$
Federal Home Ln Bks Short-term	Ι Ο Ο Φ
	A US\$
Federal Home Ln Bks Short-term	1 Ουφ
	A US\$
Federal Home Ln Bks Short-term	1 000
	A US\$
Federal Home Ln Bks Short-term	
	A US\$
Federal Home Ln Bks Short-term	
investment US\$ 2,909 No	A US\$
Federal Home Ln Bks Short-term	
investment US\$ 13,953 No	A US\$ 1.
Federal Home Ln Bks Short-term	
investment US\$ 13,983 N	A US\$ 1.
Federal Home Ln Bks Short-term	
investment US\$ 13,981 N	A US\$ 1.
Federal Home Ln Mtg Corp Short-term	
investment US\$ 6,978 N	A US\$
Federal Home Ln Mtg Corp. Short-term	
	A US\$
Federal Home Ln Mtg Corp Short-term	
	A US\$
Federal Home Ln Mtg Corp. Short-term	
·	A US\$
Federal Home Ln Mtg Corp. Short-term	
	A US\$
Federal Home Ln Mtg Corp. Short-term	
	A US\$
Federal Home Ln Mtg Corp. Mtn Short-term	. TTG
	A US\$
Federal Home Loan Mtg Assn Short-term	A TIOO
	A US\$
Federal Home Loan Mtg Corp.  US\$ 4,903 N	A US\$

Short-term investment

(Continued)

Market

Value of Net

CarryingPercentage Asset

		Relationship with	Financial State	enShates/UnitValue (In (US\$ in	of		alue S\$ in
mpany Name	Marketable Securities Type and Name	the Company	Account	, ,	wnersł		
]	Federal Natl Mtg Assn		Short-term	•		•	I
I	C		investment	US\$ 5,270	N/A	US\$	5,2
ı	Federal Natl Mtg Assn		Short-term				
	C		investment	US\$ 6,940	N/A	US\$	6,9
I	Federal Natl Mtg Assn		Short-term				ľ
			investment	US\$ 6,903	N/A	US\$	6,9
	Federal Natl Mtg Assn		Short-term				ľ
			investment	US\$ 4,981	N/A	US\$	4,9.
	Federal Natl Mtg Assn		Short-term				ľ
			investment	US\$ 6,997	N/A	US\$	6,9
	Federal Natl Mtg Assn Mtn		Short-term				ľ
			investment	US\$ 15,787	N/A	US\$	15,75
	Federal Natl Mtg Assn Mtn		Short-term				ľ
			investment	US\$ 7,000	N/A	US\$	6,9
	Freddie Mac		Short-term				ľ
			investment	US\$ 4,929	N/A	US\$	4,9
	Fed Hm Ln Pc Pool E89857		Short-term				ı
			investment	US\$ 2,535	N/A	US\$	2,5
	Fed Hm Ln Pc Pool G11295		Short-term				I
I			investment	US\$ 2,277	N/A	US\$	2,2
	Federal Home Ln Mtg Corp.		Short-term				
	<del>-</del> -		investment	US\$ 6,096	N/A	US\$	6,0
	Federal Home Ln Mtg Corp.		Short-term				
	<del>-</del> -		investment	US\$ 4,435	N/A	US\$	4,4
	Federal Home Ln Mtg Corp.		Short-term				
	<del>-</del> -		investment	US\$ 3,558	N/A	US\$	3,5
	Federal Home Ln Mtg Corp.		Short-term				
	<del>-</del> -		investment	US\$ 3,645	N/A	US\$	3,6
	Federal Natl Mtg Assn		Short-term				
			investment	US\$ 4,242	N/A	US\$	4,1
	Federal Natl Mtg Assn		Short-term				
			investment	US\$ 2,141	N/A	US\$	2,1
	Federal Natl Mtg Assn		Short-term				
			investment	US\$ 4,765	N/A	US\$	4,7
	Federal Natl Mtg Assn Gtd		Short-term				
	C		investment	US\$ 3,486	N/A	US\$	3,4
	FNMA Pool 685116		Short-term				
			investment	US\$ 1,003	N/A	US\$	1,0
	FNMA Pool 725095		Short-term				
			investment	US\$ 2,008	N/A	US\$	2,0

						,
FNMA Pool 790828	Short-term	IIGΦ	4.007	27/4	τιαφ	. 7
TRACE D. 1.500000	investment	US\$	4,807	N/A	US\$	4,7
FNMA Pool 793932	Short-term	TIOO	20.4			20
77.61 7 170.4040	investment	US\$	994	N/A	US\$	99
FNMA Pool 794040	Short-term	TICO	1 001	3.T/A	τταφ	1.0
TODA D. 1505540	investment	<b>N</b> 29	1,021	N/A	US\$	1,0.
FNMA Pool 795548	Short-term	TICO	077	NT/A	τταφ	0
77.7 1006640	investment	US\$	977	N/A	US\$	91
FNMA Pool 806642	Short-term	TIOO	2 006	37/A	TTOO	2.00
CODE   W.D.   1001150	investment	O22	2,006	N/A	US\$	2,00
GNMA II Pool 081150	Short-term	τιαφ	200	<b>3.</b> T/A	TTOO	26
1001150	investment	US\$	999	N/A	US\$	99
GNMA II Pool 081153	Short-term	TIOO	- =00		- <b>-</b>	- 7
	investment	U22	3,789	N/A	US\$	3,70
Government Natl Mtg Assn	Short-term	TIOO	2 4		an	. 7
	investment	US\$	1,734	N/A	US\$	1,70
Corporate issued asset-backed securities						
Aegis Asset Backed Secs Tr	Short-term					ļ
	investment	US\$	2,000	N/A	US\$	2,00
Aesop Fed II LLC	Short-term		•			1
1	investment	US\$	4,955	N/A	US\$	4,90
Aesop Fed II LLC	Short-term		,			•
r	investment	US\$	1,912	N/A	US\$	1,88
American Express Cr Account Ma	Short-term				<del>-</del> .,	- /
Almonoum Zilpross Colorina	investment	US\$	3,445	N/A	US\$	3,42
American Home Mtg Invt Tr	Short-term		Σ,.	*	·	- ,
7 Minoritoria 220-10 22-10 22-10	investment	US\$	949	N/A	US\$	94
Americredit Automobile Receiv	Short-term		-		<b>.</b>	
Allientoted Automobile 2000.	investment	US\$	2,002	N/A	US\$	1.99
Americredit Automobile Rec Tr	Short-term	,	<b>4,</b> 00-	1 1/-	C.C.,	1,-
Allionorous Automoone 200 2	investment	US\$	1,055	N/A	US\$	1.04
Americredit Automobile Rec Tr	Short-term		1,000	1 1/-	C . ,	1,~
Allienterout rations one rec 11	investment	IIS\$	2,000	N/A	IIS\$	1 9
Americredit Automobile Receivb	Short-term	UUΨ	2,000	1 1/1 =	$\mathbf{O}_{\mathbf{O}_{\Psi}}$	1,/
Allicheteuit Automobile Receivo	investment	IIS\$	4,949	N/A	US\$	49
Atlantic City Elc Trns Fdg LLC	Short-term	Ουψ	4,,,,,,	14/13	$O_{D_{\Psi}}$	т,,
Attained City Ele Tino Fug ELE	investment	US\$	926	NI/A	US\$	92
Banc Amer Coml Mtg Inc.	Short-term	$OD_{\Psi}$	720	14/17	$O_{O_{\Psi}}$	7
Banc Amer Comi iving me.		2211	5,364	NI/A	US\$	5 3
Dana Aman Mta Casa Ina	investment Short-term	Ουφ	Ĭ,3∪ <del>+</del>	11/73	USψ	ر, ک
Banc Amer Mtg Secs Inc.	Short-term investment	1100	4 020	NT/A	ттеф	4.00
P. 1 CA I man Davin To	investment	USÞ	4,030	IN/A	US\$	4,00
Bank of Amer Lease Equip Tr	Short-term	TICO	4.003	NT/A	ττοφ	2.00
S C A TO A FE	investment	O24	4,023	N/A	US\$	3,9;
Bear Stearns Alt A Tr	Short-term	TICO	1 470	3.T/A	τταφ	1 40
= ~	investment	O22	1,478	N/A	US\$	1,40
Bear Stearns Asset Backed Secs	Short-term	TIOO	- 220	~~/ 4	a d	- 00
_	investment	US\$	2,000	N/A	US\$	2,00
BMW Veh Owner Tr	Short-term	= = = =	~~	4	-· +	
	investment		4,978		US\$	
California Infr + Economic Dev		US\$	4,298	N/A	US\$	4,2

Short-term investment

(Continued)

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Market

Value of Net

CarryingPercentage Asset

		Relationship with	Financial State	erShates/UnitValue (In (US\$ in	of		alue S\$ in
mpany Name	Marketable Securities Type and Name	the Company	Account	Thousand)	wnersh	ıi <b>F</b> hot	ısan
	California Infras + Economic		Short-term				
			investment	US\$ 6,126	N/A	US\$	6,00
	California Infrastructure Dev		Short-term				
			investment	US\$ 5,089	N/A	US\$	5,03
	Capital Auto Receivables Asset		Short-term				
	-		investment	US\$ 4,018	N/A	US\$	3,99
	Capital One Auto Fin Tr		Short-term				
	•		investment	US\$ 319	N/A	US\$	3
	Capital One Auto Fin Tr		Short-term				
	•		investment	US\$ 1,147	N/A	US\$	1,14
	Capital One Auto Fin Tr		Short-term				
	•		investment	US\$ 3,000	N/A	US\$	2,9
	Capital One Multi Asset Execut		Short-term				
	•		investment	US\$ 4,957	N/A	US\$	4,9
	Caterpillar Finl Asset Tr		Short-term				
	1		investment	US\$ 10,008	N/A	US\$	9,9
	Centex Home Equity Ln Tr		Short-term	·			
	1 7		investment	US\$ 3,500	N/A	US\$	3,49
	Cit Equip Coll Tr		Short-term	•		•	
	1 1		investment	US\$ 4,999	N/A	US\$	4,99
	Citibank Cr Card Issuance Tr		Short-term	•		•	
			investment	US\$ 4,959	N/A	US\$	4,90
	Citicorp Mtg Secs		Short-term	•		•	
			investment	US\$ 2,364	N/A	US\$	2,30
	CNH Equip Tr		Short-term	•		•	
	1. 1		investment	US\$ 5,000	N/A	US\$	4,95
	Comm 2004 Htl 1		Short-term	- ,		- · ·	ĺ
			investment	US\$ 4,600	N/A	US\$	4,60
	Credit Suisse First Boston Mtg		Short-term	- ,		- · ·	,
	0.000		investment	US\$ 4,209	N/A	US\$	4.1
	CWABS Inc.		Short-term	<del>-</del> ,			-,
	O 12 22 2222		investment	US\$ 1,647	N/A	US\$	1.60
	CWABS Inc.		Short-term	<del>-</del> , , -			-,-
	CWIES IIIC.		investment	US\$ 1,903	N/A	US\$	1.90
	CWABS Inc.		Short-term	<del>-</del> ,			- ,-
	CWIDS IIIC.		investment	US\$ 1,907	N/A	US\$	1.9
	CWABS Inc.		Short-term	ουψ 1,,, υ.	1 1/1 -	Oυψ	1,7
	CWIDS IIIC.		investment	US\$ 2,000	N/A	US\$	1 90
	CWABS Inc.		Short-term	Ο5φ 2,000	1 1/1 1	Ουφ	1,//
1	CW/IDS IIIC.		investment	US\$ 5,000	N/A	US\$	5.04
			mvestment	05\$ 5,000	11//1	ОЗФ	5,0.

CWABS Inc.	Short-term	110h 2 500	NIA LIGO 2.5
CWALTIN	investment	US\$ 3,500	N/A US\$ 3,5
CWALT Inc.	Short-term	1100 4 202	NIA LICO 42
CWABS Inc.	investment Short-term	US\$ 4,292	N/A US\$ 4,2
CWABS IIIC.	investment	US\$ 2,317	N/A US\$ 2,2
CWABS Inc.	Short-term	03\$ 2,317	1WA US\$ 2,2
CWADS IIIC.	investment	US\$ 4,040	N/A US\$ 4,0
Daimlerchrysler Auto Tr	Short-term	υσφ +,υ+υ	14/1 Ουφ 4,0
Daninerent yster Auto 11	investment	US\$ 4,991	N/A US\$ 4,9
Daimlerchrysler Auto Tr	Short-term	υοφ 1,551	10/11 Ο Ο Φ 1,5
Danimoromy sion ratio 11	investment	US\$ 4,982	N/A US\$ 4,9
Daimlerchrysler Auto Tr	Short-term	354 .,> 62	1,111 0.50 1,5
<b>,</b>	investment	US\$ 4,897	N/A US\$ 4,8
Detroit Edison Securitization	Short-term		,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,
	investment	US\$ 674	N/A US\$ 6
Fifth Third Auto Tr	Short-term		
	investment	US\$ 3,000	N/A US\$ 2,9
Finance Amer Mtg Ln Tr	Short-term		
-	investment	US\$ 985	N/A US\$ 9
First Franklin Mtg Ln Tr	Short-term		
	investment	US\$ 2,002	N/A US\$ 2,0
First Horizon Abs Tr	Short-term		
	investment	US\$ 2,000	N/A US\$ 2,0
First Union Lehman Bros Mtg Tr	Short-term		
	investment	US\$ 3,567	N/A US\$ 3,5
First USA Credit Cr Master Tr	Short-term		
	investment	US\$ 5,011	N/A US\$ 5,0
Ford Cr Auto Owner Tr	Short-term		
	investment	US\$ 10,999	N/A US\$ 10,9
Granite Mtgs PLC	Short-term	****	774 77GA 70
GG A T T.	investment	US\$ 5,000	N/A US\$ 5,0
GS Auto Ln Tr	Short-term	110¢ 2.040	NIA TIGO OO
	investment	US\$ 2,948	N/A US\$ 2,9
GS Mtg Secs Corp.	Short-term	110¢ 2.044	NIA LIGO OO
Haday Davidson Matagayala Tu	investment	US\$ 2,944	N/A US\$ 2,9
Harley Davidson Motorcycle Tr	Short-term	US\$ 3,417	NIA LICE 24
Harley Davidson Motorcycle Tr	investment Short-term	035 3,417	N/A US\$ 3,4
Trailey Davidson Motorcycle 11	investment	US\$ 5,999	N/A US\$ 5,9
Holmes Fing No 8 PLC	Short-term	03\$ 3,999	1V/A US\$ 3,9
Hollies Fing 140 of LC	investment	US\$ 5,001	N/A US\$ 5,0
Honda Auto Receivables	Short-term	υ 5,001	14/A 05\$ 5,0
Tionaa Tuto Receivables	investment	US\$ 5,000	N/A US\$ 4,9
Household Automotive Tr	Short-term	υσφ 5,000	10/11 Ουφ 4,9
Tiousenota Tutomotive Ti	investment	US\$ 513	N/A US\$ 5
Hyundai Auto Receivables Tr	Short-term	0.54 0.15	1,,11 σοφ σ
<b>y</b>	investment	US\$ 3,500	N/A US\$ 3,4
IMPAC Cmb Tr	Short-term		
	investment	US\$ 1,414	N/A US\$ 1,4
IMPAC Cmb Tr		US\$ 988	N/A US\$ 9
			, ,

Short-term investment Short-term investment

IMPAC Secd Assets Corp.

US\$ 3,570 N/A US\$ 3,50 (Continued)

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Market

Value or Net

Carryingercentage Asset

		Relationship with	Financial State	enShares/UniVsalue (In (US\$ in	of	Value (US\$ in
mpany Name	Marketable Securities Type and Name	the Company	Account	Thousa Thousan Ov	wnersł	,
_	Long Beach Accep Auto Receivab		Short-term			
	_		investment	US\$ 2,526	N/A	US\$ 2,502
	Merrill Lynch Mtg Invs Inc.		Short-term			!
	•		investment	US\$ 1,460	N/A	US\$ 1,460
	Merrill Lynch Mtg Invs Inc.		Short-term			!
	-		investment	US\$ 1,500	N/A	US\$ 1,502
	Monumentl Global Fdg II		Short-term			ļ
	-		investment	US\$ 1,000	N/A	US\$ 1,00
	National City Auto Receivables		Short-term			!
	•		investment	US\$ 1,206	N/A	US\$ 1,20
	Navistar finl 2003 A Owner Tr		Short-term			ļ
			investment	US\$ 4,928	N/A	US\$ 4,889
	Nissan Auto Receivables		Short-term			ļ
			investment	US\$ 7,000	N/A	US\$ 6,958
	Nissan Auto Receivables Own Tr		Short-term			•
			investment	US\$ 4,999	N/A	US\$ 4,993
	Nissan Auto Receivables Owner		Short-term			
			investment	US\$ 4,853	N/A	US\$ 4,872
	ONYX Accep Owner Tr		Short-term			
	1		investment	US\$ 963	N/A	US\$ 96
	ONYX Accep Owner Tr		Short-term	•	•	
	<b>51</b>		investment	US\$4,913	N/A	US\$ 4,933
	Providian Gateway Owner Tr		Short-term	• •		- " • •
	<u>, , , , , , , , , , , , , , , , , , , </u>		investment	US\$ 4,204	N/A	US\$ 4,20
	Providian Gateway Owner Tr		Short-term		•	,
	2 10 · 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 2000 - 20		investment	US\$ 3,992	N/A	US\$ 3,982
	Reliant Energy Transition Bd		Short-term	,	±	<b>0</b> = 1, . ,
	Tomanic Energy Transcript		investment	US\$ 5,185	N/A	US\$ 5,117
	Residential Asset Mtg Prods		Short-term	<del></del> ,-,	*	004.,
	100100111111111111111111111111111111111		investment	US\$ 3,731	N/A	US\$ 3,672
	Residential Asset Mtg Prods		Short-term	<del></del> , -,	* "	<b>0 0 0 0 1 1</b>
	Rosidoniai 1 15500 1.115 2 2 2 2 2		investment	US\$ 3,000	N/A	US\$ 2,980
	Residential Fdg Mtg Secs I Inc.		Short-term	<del></del> , -,	* "	<b>0 0 0 0 0 0 0 0 0 0</b>
	Rosidonida I ag 1.2.5 sees		investment	US\$ 3,659	N/A	US\$ 3,63
	Sequoia Mtg Tr		Short-term	<del></del> , -,	* "	<b>0 0 0 0 1 1</b>
	Sequera Wig II		investment	US\$ 2,504	N/A	US\$ 2,51
	Sequoia Mtg Tr		Short-term	<b>○○</b>	1 1/	<b>υ</b> υ φ <b>-</b> ,ε
	Sequoia ivita 11		investment	US\$ 1,960	N/A	US\$ 1,95
	Sequoia Mtg Tr		Short-term	Ουψ 1,700	1 1/1 1	<b>υ</b> υψ 1,72.
	Sequoia Witg 11		investment	US\$ 1,488	NI/A	US\$ 1,480
			mvesument	$O_{D\Psi}$ 1, $\tau_{OO}$	11/17	$OS\Phi 1, TOO$

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Sequoia Mtg Tr	Short-term		
	investment	US\$ 2,000	N/A US\$ 2,00
Sequoia Mtg Tr	Short-term		
	investment	US\$ 3,500	N/A US\$ 3,50
Structured Adj Rate Mtg Ln Tr	Short-term		
· · ·	investment	US\$ 3,037	N/A US\$ 3,03
Structured Asset Secs Corp.	Short-term		
	investment	US\$ 1,403	N/A US\$ 1,39
Thoornburg Mtg Secs Tr	Short-term		
	investment	US\$ 1,921	N/A US\$ 1,92
Toyota Auto Receivables 2003B	Short-term		
	investment	US\$ 4,970	N/A US\$ 4,93
Triad Auto Receivables Tr	Short-term		
	investment	US\$ 5,042	N/A US\$ 4,99
TXU Elec Delivery Transition	Short-term		
	investment	US\$ 7,736	N/A US\$7,71
USAA Auto Owner Tr	Short-term		
	investment	US\$ 4,000	N/A US\$ 3,99
Wachovia Auto Owner Tr	Short-term		
	investment	US\$ 6,000	N/A US\$ 5,99
Wachovia Auto Owner Tr	Short-term		
	investment	US\$ 4,999	N/A US\$ 4,99
WFS Financial Owner Trust	Short-term		
	investment	US\$ 5,008	N/A US\$ 4,98
WFS Finl 2004 2 Owner Tr	Short-term	*****	7774 7784 4 00
WEG E: 12004 4 0	investment	US\$ 4,994	N/A US\$ 4,99
WFS Finl 2004 4 Owner Tr	Short-term	T100 5 200	NIA LIGATON
XXI 1 A . I . T	investment	US\$ 5,399	N/A US\$ 5,34
Whole Auto Ln Tr	Short-term	110¢ 5 067	NIA LIGATOR
Wilson Assault of The	investment	US\$ 5,967	N/A US\$ 5,96
Whole Auto Ln Tr	Short-term	1100 4 000	NIA LICE 2 OC
Whole Auto La Ta	investment	US\$ 4,000	N/A US\$ 3,96
Whole Auto Ln Tr	Short-term	11C# 2 000	NIA LIGEO OC
World Owni Auto Boosinghing To	investment	US\$ 3,000	N/A US\$ 2,96
World Omni Auto Receivables Tr	Short-term	1100 5 062	NIA TICE CO.
	investment	US\$ 5,963	N/A US\$ 5,90
Commercial papers	Short-term		
	investment	US\$ 2,997	N/A US\$ 2,99
Corporate issued notes	Short-term		
	investment	US\$ 1,999	N/A US\$ 1,99
		(Co	ntinued)

### **December 31, 2004**

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Valu

					Car	ryingPe	rcenta	ige
		Relationship with	Financial Statementh	ares/Units (In		alue S\$ in	of	Asset (US
ny Name	Marketable Securities Type and Name	the Company	Account Th	housands)	)Thoi	usand)Ov	vnersł	nipThou
	Money market funds		Short-term					
			investment	1	US\$	21,114	N/A	US\$ 1
	Equity							
	Horizon Venture Fund I, L.P.		Long-term					ŀ
			investment		2	246,485	N/A	24
	Crimson Asia Capital Ltd., L.P.		Long-term					ŀ
	•		investment			43,649	N/A	Į
	TSMC stock	Parent company	Short-term			•		1
th Americ	a	•	investment	14,151	$\epsilon$	677,110		69
	TSMC stock	Davant campany	Chart tarm					
	ISMC SIOCK	Parent company	Short-term	15 670	,	150 561		7
			investment	15,670	4	458,564		71
	TSMC stock	Parent company	Short-term					ŀ
	TOME SEEK	Turont company	investment	15,700	∠	459,512		7
ational	Money market fund							
	BOA Fund		Short-term					
			investment	30,300 U	US\$	30,300	N/A	US\$ 3
	Stock							
	InveStar	Subsidiary	Long-term					ŀ
		<i>au</i>	_	24,320 U	US\$	34.514	97	US\$
	InveStar II	Subsidiary	Long-term		<b>U</b> = ,	,-		
	111,000.00.12	Daobiaj		51,300 U	US\$	34,534	97	US\$ 3
	TSMC Development	Subsidiary	Long-term	0 1,0 1	C ~ .,	<i>U</i> .,		C 2 ,
	Third Better	5455222 y	investment	1 '	US\$ 6	603,993	100	US\$ 60
	TSMC Technology	Subsidiary	Long-term		<b>C</b>	,02,.		C
	10	5455222 y	investment	1 '	US\$	5,544	100	US\$
	3DFX Interactive Inc.		Long-term		C ~ .,	· ,-		C 2 .
			investment	68				
	WaferTech stock	Subsidiary	I and taum					
a mm ant	water rech stock	Substataty	Long-term		TICO /	191 060	00	T100 /
opment			investment	,	U344	484,060	99	US\$ 48
	Common stock							
4								,

Short-term

investment

RichTek Technology Corp.

67

US\$

682 US\$

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3	9							
Advanced Power E	lectronics Corp.	Short-term						
	•	investment	1,108	US\$	502		US\$	
Broadtek Electronic	cs Corp.	Short-term	•					
	•	investment	869	US\$	275		US\$	
Monolithic Power S	Systems, Inc.	Short-term						
		investment	1,975	US\$	1,567		US\$	
SiRF Technology F	Holdings, Inc.	Short-term						
		investment	90	US\$	393		US\$	
Broadtek Electronic	cs Corp.	Long-term						
	•	investment	145	US\$	46		US\$	
Programmable Mic	eroelectronics							
(Taiwan), Corp.		Long-term						
_		investment	575	US\$	208	1	US\$	
Global Testing Cor	rp.	Long-term						
_	-	investment	13,268	US\$	5,670	9	US\$	
RichTek Technolog	gy Corp.	Long-term						
	-	investment	842	US\$	83	1	US\$	
Signia Technologie	es, Inc.	Long-term						
		investment	701	US\$	202	3	US\$	
Incentia Design Sys	stems, Inc.	Long-term						
		investment	365	US\$	92	1	US\$	
Advanced Power E	lectronics Corp.	Long-term						
		investment	1,123	US\$	508	2	US\$	
Capella Microsyste	ems (Taiwan), Inc.	Long-term						
		investment	530	US\$	154	4	US\$	
Preferred stock								
Integrated Memory	Logic, Inc.	Long-term						
		investment	1,831	US\$	1,221	12	US\$	
Sensory, Inc.		Long-term						
		investment	1,404	US\$	125	6	US\$	
Sonics, Inc.		Long-term						
		investment	2,686	US\$	3,530	4	US\$	
NanoAmp Solution	ns, Inc.	Long-term						
		investment	541	US\$	853	2	US\$	
Memsic, Inc.		Long-term						
		investment	2,727	US\$	1,500	10	US\$	
Reflectivity, Inc.		Long-term						
		investment	1,064	US\$	741		US\$	
					(Conti	nued)		

### **December 31, 2004**

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Value Ne

			Cai				cent	age
		Relationship with	Financial Statem	ne <b>ß</b> thares/Uni (In		alue S\$ in	of	Asset \(\text{US}\)
any Name	Marketable Securities Type and Name	the Company	Account	Thousand	s)Thou	usan <b>d)</b> w	ners	hiphous
	IP Unity		Long-term					-
	•		investment	1,008	US\$	494	2	US\$
	Tropian, Inc.		Long-term					
	-		investment	1,758	US\$	471	3	US\$
	Common stock							
	RichTek Technology Corp.		Short-term					
			investment	321	US\$	184		US\$
	Monolithic Power Systems, Inc.		Short-term					
			investment	864	US\$	2,081		US\$
	eChannel Option Holding, Inc.		Long-term					
			investment	358	US\$	251	4	US\$
	eLCOS Microdisplay Technology, Ltd.		Long-term					
			investment	270	US\$	27	1	US\$
	Signia Technologies, Inc.		Long-term					
			investment	351	US\$	101	1	US\$
	Procoat Technology, Inc.		Long-term					
			investment	5,123	US\$	1,940	10	US\$
	RichTek Technology Corp.		Long-term					
			investment	395	US\$	226	1	US\$
	Programmable Microelectronics							
	(Taiwan), Inc.		Long-term					
			investment	177	US\$	50		US\$
	Auden Technology MFG. Co., Ltd.		Long-term					
			investment	953	US\$	738	4	US\$
	GeoVision, Inc.		Long-term					
			investment	471	US\$	127	1	US\$
	EoNex Technologies, Inc.		Long-term					
			investment	55	US\$	3,048	5	US\$
	Conwise Technology Corporation, Ltd.		Long-term					
			investment	2,800	US\$	490	14	US\$
	EON Technology, Corp.		Long-term					
			investment	3,276	US\$	1,175	8	US\$
	Goyatek Technology, Corp.		Long-term					
			investment	2,088	US\$	545	7	US\$
	Trendchip Technologies Corp.		Long-term					
			investment	2,000	US\$	861	5	US\$
	Ralink Technology (Taiwan), Inc.		Long-term					
			investment	1,833	US\$	791	3	US\$
	Silicon Data International Co., Inc.			2,000	US\$	204	3	US\$
				-, 0			_	

	Long-term					
· ·	investment					
Capella Microsystems (Taiwan), Inc.	Long-term	110	T T C) (h	100	2	TTOO
	investment	419	US\$	122	3	US\$
Preferred stock						
Memsic, Inc.	Long-term				_	
	investment	2,289	US\$	1,560	8	US\$
eLCOS Microdisplay Technology, Ltd.	Long-term				_	
	investment	2,667	US\$	3,500	15	US\$
NanoAmp Solutions, Inc.	Long-term					
_	investment	375	US\$	1,500	1	US\$
Advanced Analogic Technology, Inc.	Long-term					
	investment	948	US\$	1,261	2	US\$
Sonics, Inc.	Long-term					
	investment	1,582	US\$	3,082	5	US\$
Reflectivity, Inc.	Long-term					
	investment	4,255	US\$	2,205	5	US\$
Tropian, Inc.	Long-term					
	investment	1,464	US\$	393	2	US\$
Kilopass Technologies, Inc.	Long-term					
	investment	3,887	US\$	2,000	19	US\$
FangTek, Inc.	Long-term					
-	investment	6,806	US\$	3,250	34	US\$
Alchip Technologies Limited	Long-term					
•	investment	2,579	US\$	2,950	18	US\$
Common stock						
Global Investment Holding, Inc.	Long-term					
ζ,	investment	10,000	j	100,000	6	10
RichWave Technology Corp.	Long-term	,		,		
	investment	2,600	US\$	867	13	US\$
NetLogic Microsystems, Inc.	Long-term	,				
, , ,	investment	113	US\$	1,388	1	US\$
Preferred stock						
Quake Technologies, Inc.	Long-term					
Quake Teemiorogies, me.	investment	601	US\$	450	1	US\$
Pixim, Inc.	Long-term	001	$OD_{\Psi}$	150	•	004
i ixiii, iiic.	investment	1,721	115\$	2,382	3	US\$
Newport Opticom, Inc.	Long-term	1,121	Ουψ	2,302	J	Ουψ
Newport Opticom, me.	investment	962	US\$	250	6	US\$
	111 / CStillicitt	702	Ουψ	250	U	Ουψ
Ikanos Communication, Inc.	I ong-term					
Ikanos Communication, Inc.	Long-term investment	7,446	2211	3,125	3	US\$

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## **December 31, 2004**

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					Ca	rryingPe	rcents		ne Ass
		Relationship with	Financial Stater		nits V	'alue	of	V	/alı
Nome	M	the Company	Aggaynt	(In	•	S\$ in	amal		J <b>S</b> \$
pany Name	Marketable Securities Type and Name	the Company	Account	Thousand	IST no	usanayv	vnersi	no <b>q</b> n	us
	Quicksilver Technology, Inc.		Long-term	1.040		TICO	4		
	35 Control Lan		investment	1,049		US\$-	4		
	Mosaic Systems, Inc.		Long-term	2 401	TICO	1.0	6	TIC	h
	7 ' 7 1 1 1 Tue		investment	2,481	US\$	12	O	US\$	1
	Zenesis Technologies, Inc.		Long-term	1 204	TIOO		4	TICC	٠,
	- ~		investment	1,204	US\$	699	4	US\$	,
İ	Reflectivity, Inc.		Long-term	4.040	TIOO	2 470	4	****	٠,
i	_ ·		investment	4,848	US\$	2,479	4	US\$	1 2
i	Teknovus, Inc.		Long-term		- <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b> - <b>-</b>	: 220	2	-100	
i			investment	5,556	US\$	1,000	3	US\$	, 1
	Miradia, Inc. (Formerly XHP								
1	Microsystems, Inc.)		Long-term	2 2 40	·= ~ 4	- 20			
1	_		investment	3,040	US\$	1,000	4	US\$	, ]
1	Axiom Microdevices, Inc.		Long-term				_		
1			investment	1,000	US\$	1,000	5	US\$	, 1
1	Optichron, Inc.		Long-term						
1			investment	714	US\$	1,000	6	US\$	, 1
1	Audience, Inc.		Long-term						
1			investment	1,654	US\$	250	2	US\$	,
1	Next IO, Inc.		Long-term						
1			investment	800	US\$	500	2	US\$	,
1	NuCORE Technology Inc.		Long-term						
1			investment	2,254	US\$	1,455	2	US\$	, 1
1	Centrality Communications, Inc.		Long-term						
1			investment	809	US\$	1,000	2	US\$	, 1
1	Layer N Networks, Inc.		Long-term						
	•		investment	1,905	US\$	1,000	2	US\$	, 1
	Common stock								
1	Yobon Technologies, Inc.		Long-term						
1	-		investment	1,675	US\$	787	17	US\$	ز
1	Sentelic, Corp.		Long-term						
1	*		investment	600	US\$	1,022	15	US\$	<b>3</b> .
1	Ivyon Technology, Inc.		Long-term			*			
			investment	200	US\$	775	10	US\$	j
	Preferred stock								
1	Powerprecise Solutions, Inc.		Long-term						
1	Towerpreeise solutions, inc.		investment	258	US\$	250	3	US\$	ò
1	Tzero Technologies, Inc.		III v OStillollt		US\$			US\$	
1	Tzero reciniologies, me.			244	Οδφ	300	2	USΦ	

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		Long-term				
		investment				
Miradia, Inc.		Long-term	1 000	****** 1 COO	2	7.7.C.
		investment	1,809	US\$ 1,600	2	US\$ 1
Agelia Technologies, Inc.		Long-term	1 140	110¢ 1000	2	TTOO 1
, v		investment	1,149	US\$ 1,000	2	US\$ 1
Audience, Inc.		Long-term	501	770¢ 100	1	7.7.C.A
		investment	531	US\$ 102	1	US\$
Axiom Microdevices, Inc.		Long-term			_	
		investment	686	US\$ 700	5	US\$
Next IO, Inc.		Long-term				
		investment	216	US\$ 182		US\$
Bond funds						
Grand Cathay		Short-term				
		investment	3,608	45,543	N/A	45
TIIM		Short-term				
		investment	703	9,698	N/A	9
Polaris De Li		Short-term				
		investment	1,550	22,800	N/A	22
EnTrust Kirin		Short-term				
		investment	2,106	22,697	N/A	22
E. Sun New Era		Short-term	•			
		investment	1,920	20,313	N/A	20
Jih Sun		Short-term	,	,		
		investment	772	10,262	N/A	10
EnTrust Phoenix		Short-term		, -	= 1.	
<del></del>		investment	2,081	30,563	N/A	30
Transcend Fortune		Short-term	-,	~ ~ ,- ~ -		
Transcend 1 Stane		investment	1,936	22,947	N/A	22
Stock funds						
TIIM DaLi		Short-term				
THIVI Dali		_	296	5,000	NI/A	1
UPAMC Global Select Fund of Funds		investment Short-term	250	3,000	11/1/1	7
UPAING Global Scient Fully of Fullys		investment	336	3,364	N/A	2
Chang Hua 0066 Dalanga			330	3,304	11//1	5
Sheng Hua 9966 Balance		Short-term	200	2 000	NT/A	2
		investment	300	3,000	N/A	3
Stock						
Global Unichip Corporation - NA	Subsidiary	Long-term				
		investment	100	3,375	100	3
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TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LTD. AND SUBSIDIARIES

**Beginning Balance** 

# MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL FOR THE YEAR ENDED DECEMBER 31, 2004

Acquisition

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

			O	0	•				, <b>P</b> 0,
ial Statement Account	Counter-party	Nature of Relationship	Shares/ Units Fhousand	Amount (US\$ in ) Thousand)	Shares/ Units (Thousand)	Amount (US\$ in Thousand)	Shares/ Units (Thousand)	Amount (US\$ in Thousand)	,
rm investment	BOA		40,000	\$ 1,359,120 (US 40,000)		\$	40,000	\$ 1,359,120 (US 40,000)	
rm investment	Goldman Sachs		20,000	679,560 (US 20,000)			20,000	679,560 (US 20,000)	
rm investment	JF Asset Management								
rm investment	(Taiwan) Ltd.		34,343	500,000	68,021	1,000,000	23,666	350,000	
			34,794	500,000	165,257	2,400,000	65,145	950,000	
rm investment	ABN AMRO				18,235	200,000	)		
rm investment	Management					·			
rm investment	(Taiwan) Ltd. INVESCO Asset				110,580	1,500,000	25,694	350,000	
rm investment	Management Taiwan				93,975	1,350,000	17,270	250,000	
	Dresdner Securities Investment Consulting Co.,								
rm investment	Ltd.				80,833	900,000	)		
rm investment	•				76,640	900,000	)		
rm investment	Investment Trust Co., Ltd.				151,594 3,764	2,100,000 600,000			

**TABLE 4** 

Disposal

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	<b>_</b> ugag.	,							
	National								
	Investment								
	Trust Co., Ltd.								
rm investment	HSBC Asset								
	Management								
	(Taiwan) Ltd.			41,568	600,000				
rm investment									
	Bills Finance								
	Corp. and								
	several								
	financial								
	institutions		1,800,000		2,577,163		4,127,714		4
rm investment	Chung Shing								
	Bills Finance								
	Corp. and								
	several								
	financial								
	institutions		1,422,197				1,427,762		
rm investment			1,122,177				1,127,702		
iiii iii vestilielle	several								
	financial								
	institutions		3,157,331				3,169,750		,
rm investment			3,137,331				3,107,730		•
iiii iii vestilielle	several								
	financial								
	institutions		3,113,066				3,133,875		,
rm investment			3,113,000				3,133,073		٠
iiii iii vestilielle	several								
	financial								
	institutions				2,023,206		2,031,500		,
rm investment					2,023,200		2,031,300		•
iiii iiivestiiieiit	several								
	financial								
	institutions				1,207,409				
rm investment									
rm investment	FCB and				US\$ 699,398	US\$	506,162	US\$	
	several								
	financial								
	institutions				3,402,213				
rm investment	China Bills								
	Finance Corp.								
	and several								
	financial								
	institutions				2,349,573				
rm investment	BNP and				3,890,925				
1	several								

financial

rm investment	institutions KGI Securities Co., Ltd. and several financial institutions		(	520,000			
rm investment	KGI Securities						
	Co., Ltd.		2,7	777,798			
rm investment			HΩΦ	0.171			
			US\$	3,171			
rm investment			US\$	3,550			
rm investment			¥ταφ	2.502	TIGO	2.504	TIGA
			US\$	3,503	US\$	3,504	US\$
rm investment			HΩΦ	2 120			
			US\$	3,130			
rm investment			TICO	2.702			
rm investment			US\$	3,702			
rin investment			US\$	3,509	US\$	3,509	1100
rm investment			USĢ	3,309	USA	3,309	OSÞ
IIII IIIVESTIICIIT			US\$	3,750	US\$	3,755	2211
rm investment			ОЗФ	3,730	ОЗФ	3,733	Ουψ
iii iii vestiiielit			US\$	3,800			
						(Continued)	
						(Continued)	

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**Beginning Balance** 

Acquisition

			Dog	5 2	110401			2015]	Carr
ancial Statement Account	Counter-party	Nature of Relationship	Shares/ Units (Thousand)	Amount (US\$ in Thousand)	Shares/ Units (Thousand)	Amount (US\$ in Thousand)	Shares/ Units (Thousand)	Amount (US\$ in Thousand)	Val (US
rt-term									
estment				\$		US\$ 3,795		\$	\$
rt-term									
estment						US\$ 3,005			
rt-term						110¢ 2 045			
estment						US\$ 3,945			
rt-term						US\$ 3,693		US\$ 3,695	TICC
estment rt-term						03\$ 3,093		03\$ 3,093	<b>ОЗ</b> Ф.
estment						US\$ 3,805		US\$ 3,816	US\$
rt-term						Ουφ 5,005		Ο5ψ 5,010	Оυψ.
estment						US\$ 3,518			
rt-term						, - ,			
estment						US\$ 3,105			
rt-term									
estment						US\$ 3,819			
rt-term									
estment						US\$ 3,277		US\$ 3,280	US\$
rt-term									
estment						US\$ 3,837		US\$ 3,795	US\$
rt-term						110¢ 2 202			
estment						US\$ 3,203			
ort-term						US\$ 3,583			
estment rt-term						US\$ 5,565			
estment						US\$ 3,719			
rt-term						Ουφ 3,717			
estment						US\$ 3,687			
rt-term						. ,			
estment						US\$ 3,534		US\$ 3,540	US\$
rt-term									
estment						US\$ 5,210			
rt-term									
estment						US\$ 3,177		US\$ 3,188	US\$
rt-term						*****			
estment						US\$ 3,054			
rt-term						110¢ 2 450			
estment						US\$ 3,459			
rt-term						1100 0 215			
estment						US\$ 8,315			
rt-term estment						US\$ 4,237			
Conficili						US\$ 4,847			
						O 5 ψ T, O T /			
i									

Disposal

rt-term			
estment			
rt-term	110¢ 2 012		
estment rt-term	US\$ 3,013		
estment	US\$ 3,507	US\$ 3,498	US\$ 3
ort-term	Ο 5 φ 5,50 γ	Ουψ υ,	004.
estment	US\$ 3,467		
rt-term			
estment	US\$ 3,886		
rt-term	770¢ 0 440		
estment	US\$ 3,412		
rt-term	US\$ 3,505		
estment rt-term	US\$ 3,3U3		
estment	US\$ 3,820		
rt-term			
estment	US\$ 3,373		
rt-term			
estment	US\$ 3,284		
rt-term	770h 0 F10	*****	7.TO 0.
estment ert term	US\$ 3,712	US\$ 3,633	US\$ .
rt-term estment	US\$ 3,542		
rt-term	US\$ 5,5±2		
estment	US\$ 3,003		
ort-term			
estment	US\$ 3,012		
rt-term			
estment	US\$ 5,232		
rt-term	T100 0 (20	TTO# 2 601	TIDE
estment rt-term	US\$ 3,638	US\$ 3,601	USD.
estment	US\$ 3,128		
rt-term	US\$ 5,120		
estment	US\$ 3,663		
rt-term			
estment	US\$ 3,500		
rt-term			
estment	US\$ 5,104		
rt-term	TTOD 0 417	TTO# 2 201	TTO 0
estment rt-term	US\$ 3,417	US\$ 3,381	US\$ .
estment	US\$ 3,705		
rt-term	Ουψ 5,105		
estment	US\$ 3,750		
rt-term	- ,		
estment	US\$ 3,497	US\$ 3,498	US\$ 3
rt-term			
estment	US\$ 3,486		
	US\$ 3,129		

rt-term

estment		
rt-term		
estment	US\$ 5,741	
rt-term		
estment	US\$ 4,763	US\$ 3,713 US\$ 3
rt-term	7.TC() 2.C()	
estment	US\$ 3,644	
rt-term	11Ch 2 457	
estment	US\$ 3,457	
rt-term	US\$ 3,413	
estment rt-term	05\$ 3,413	
estment	US\$ 3,818	
rt-term	OS\$ 5,616	
estment	US\$ 3,042	
rt-term	054 5,012	
estment	US\$ 3,507	
rt-term		
estment	US\$ 3,050	
rt-term		
estment	US\$ 3,168	
rt-term		
estment	US\$ 3,160	
rt-term		
estment	US\$ 3,681	
		(Continued)
	5.4	
	- 54 -	

			Beginning	g Balance	Acq	uisitio	n			Dispo	osal
											C
ncial Statement Account	Counter-party	Nature of Relationship	Shares/ Units (Thousand)	Amount (US\$ in Thousand)	Shares/ Units (Thousand)	J)	mount JS\$ in ousand)	Shares/ Units (Thousand)	(US	ount S\$ in isand)	() Th
term investment				\$		US\$	3,604		\$		\$
term investment				Ψ		US\$	3,631			3,131	
term investment							•			ŕ	
						US\$	3,119				
term investment						US\$	3,177			3,135	
term investment						US\$	3,172		US\$	3,175	US
term investment						US\$	3,720				
term investment						US\$	3,670				
term investment											
_						US\$	4,768				
term investment						US\$	4,735				
term investment						US\$	3,182				
term investment						US\$	3,697				
term investment	Bills Finance										
	Corp.					2	,997,430				
term investment	_						,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,				
	several										
	financial										
	institutions						950,646				
term investment											
	Bills Finance										
	Corp.						408,538				
term investment	Chung Shing Bills Finance										
	Corp.						406,245				
term investment	_						400,243				
term mvestment	Bills Finance										
	Corp.						202,980				
-term investment											
torm myodinont						US\$	6,096				
term investment							-,				
						US\$	4,725				
term investment											
						US\$	3,558				
term investment						US\$	5,861				
term investment						US\$	3,393				

term investment	US\$	6,130		
term investment	TIGO	6.071		
tama :maaatmaant	US\$	6,371		
term investment	US\$	7,000		
term investment	US\$	5,014		
term investment	US\$	3,817		
term investment	$CS\psi$	3,017		
term investment	US\$	4,829	US\$ 4,829	US
term investment		1,025	υσφ 1,02 <i>)</i>	CD.
ioni investment	US\$	4,473		
term investment	US\$	3,466		
term investment	US\$	5,210	US\$ 4,153	US
term investment	US\$	4,927	05¢ 1,100	
term investment	US\$	14,938	US\$ 6,980	US
term investment	US\$	7,014	224 0,700	
term investment	US\$	4,936		
term investment	US\$	9,956	US\$ 9,967	US
term investment	US\$	5,264	US\$ 5,286	
term investment	US\$	4,948	υσφ υ, <b>2</b> 00	
term investment	US\$	7,018		
term investment	US\$	9,993	US\$ 5,000	US
term investment	US\$	7,042	254 2,000	
term investment	US\$	6,098		
term investment	US\$	13,953		
term investment	US\$	13,983		
term investment	US\$	13,981		
term investment		15,701		
	US\$	6,978		
term investment		0,770		
	US\$	3,388		
term investment		0,000		
	US\$	4,907	US\$ 4,981	US
term investment		1,72 0 1	.,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	- ~
	US\$	4,953		
term investment		.,,,,,		
······································	US\$	9,997		
term investment		2,22.		
	US\$	9,971	US\$ 9,942	US
term investment		<i>&gt;</i> ,> <i>i</i> 1	υσφ	
	US\$	11,984	US\$10,965	US
term investment		11,50.	05410,700	
	US\$	4,933		
term investment		1,755		
in the sument	US\$	4,930		
term investment		1,,,,,		
	US\$	4,903		
term investment	US\$	11,036	US\$ 10,997	US
term investment	US\$	10,496	US\$ 10,430	
	Зυ	10,170	(Continued)	
			(Commuca)	

			Beginning	ng Balance	Acqu	isition		Dispos	sal	
inancial Statement Account	t Counter-party	Nature of y Relationship	Shares/ Units (Thousand)	Amount (US\$ in ) Thousand)	Shares/ Units ) (Thousand)	Amount (US\$ in ) Thousand)	Shares/ Units ) (Thousand)	(US	ount S\$ in ısand)	Ca V (U The
hort-term ivestment				\$		US\$ 5,270	a A	\$		\$
hort-term				ψ		U3φ 3,210	,	Ψ		Ψ
vestment						US\$ 4,982	<b>)</b> .	US\$	4,983	US
hort-term						Ουψ .,,	,	OSÇ	1,200	
vestment						US\$ 6,940	.)			
hort-term						C + - ,-				
ivestment						US\$ 4,867	7	US\$	4,938	US
hort-term						,		- ·- ·	- 7* -	-
ivestment						US\$ 6,903	3			
hort-term										Į
vestment						US\$ 4,981	1			
hort-term										
ivestment						US\$ 6,997	1			
hort-term										
ivestment						US\$ 4,993	3	US\$	4,993	US
hort-term										
ivestment						US\$ 5,000	)			ŀ
hort-term										
ivestment						US\$ 15,787	1			
hort-term										
ivestment						US\$ 4,929	,			
hort-term						==== 4 C 000				7.70
ivestment						US\$ 16,000	)	US\$ 1	16,000	US
hort-term ivestment						US\$ 4,955	5			
hort-term						<b>υ</b> υψ ¬,,,,,,	,			
ivestment						US\$ 3,445	5			
hort-term						Ουψ 2,	,			
ivestment						US\$ 4,949	<b>.</b>			
hort-term						004 ,				
ivestment						US\$ 5,503	3			
hort-term										
ivestment						US\$ 4,030	J			
hort-term										
ivestment						US\$ 4,023	3			
hort-term										
ivestment						US\$ 4,978	3			
1										

hort-term	1100 4200	
ivestment	US\$ 4,298	
hort-term	118\$ 9.393	
ivestment hort-term	US\$ 8,383	
ivestment	US\$ 7,419	
hort-term	ου 7,117	
ivestment	US\$ 4,627	
hort-term	.,027	
ivestment	US\$ 3,093 U	JS\$ 3,072 US\$
hort-term	. ,	. ,
ivestment	US\$ 4,957	
hort-term		
ivestment	US\$ 5,032 U	JS\$ 5,000 US\$
hort-term		
ivestment	US\$ 10,008	
hort-term		
ivestment	US\$ 3,500	
hort-term	11gh 4000	
ivestment	US\$ 4,999	
hort-term	1154 4050	
ivestment hort-term	US\$ 4,959	
ivestment	US\$ 5,000	
hort-term	Ο5φ 3,000	
ivestment	US\$ 4,600	
hort-term	,	
ivestment	US\$ 5,000	
hort-term		
ivestment	US\$ 5,000	
hort-term		
ivestment	US\$ 3,500	
hort-term		
ivestment	US\$ 4,718	
hort-term	110¢ 2.120	
ivestment	US\$ 3,129	
hort-term vestment	US\$ 4,040	
ivestment hort-term	03\$ 4,040	
ivestment	US\$ 4,991	
hort-term	Ο5ψ <del>1</del> ,221	
ivestment	US\$ 4,982	
hort-term	954 1,702	
ivestment	US\$ 4,897	
hort-term		
ivestment	US\$ 4,177	
hort-term		
ivestment	US\$ 5,011	
hort-term		
ivestment	US\$ 10,999	
	US\$ 4,000 U	JS\$ 4,003 US\$

hort-term	
ivestment	
hort-term	
ivestment	US\$ 5,000
hort-term	
ivestment	US\$ 4,000
hort-term	
ivestment	US\$ 4,000
hort-term	
ivestment	US\$ 5,999
hort-term	
ivestment	US\$ 5,001
hort-term	
ivestment	US\$ 5,000
hort-term	
ivestment	US\$ 3,500
hort-term	
ivestment	US\$ 4,000
hort-term	
ivestment	US\$ 3,500
hort-term	
ivestment	US\$ 4,928
hort-term	
ivestment	US\$ 7,000
	(Continued)

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			Beginni	ng Balance	Acqui	isition				Di	isposal
											Carr
		Nature of Relationship	Shares/ Units Thousand	(US\$ in	Shares/ Units (Thousand)	(US	S\$ in	Units	(US	S\$ in	Val (US\$ Thous
Short-term investment				\$		US\$	4,999	)	•	\$	\$
Short-term investment						US\$	4.853	3			
Short-term investment											
Short-term investment											
Short-term investment						US\$	5,102	<i>y</i>	US\$	5,036	US\$
Short-term investment						US\$	4,204	,			
						US\$	3,992	2			
						US\$	5,185	j			1
Short-term investment						US\$	3,766	5			
Short-term investment											
Short-term investment											1
Short-term investment						US\$	3,058	;			
Short-term investment						US\$	4.970	)			
Short-term investment											
Short-term investment											
Short-term investment											
Short-term investment											
Short-term investment											
Short-term investment						US\$	4,999				
Short-term investment						US\$	5,008	1			
						US\$	3,904	ŀ			
						US\$	4,994	ŀ			
Short-term investment						US\$	5,399	)			
Short-term investment											
	Account Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment	Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment	Account Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment	Financial Statement Account Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment	Financial Statement Account Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment	Financial Statement Account Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment	Financial Statement Account Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment	Shares   Amount   Counter-party   Relationship   housand   Housand   Counter-party   Relationship   housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Housand   Hous	Shares   Nature of   Units   (US\$ in   Units   US\$ in   Units   UU\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$   UI\$	Shares   Amount   Shares   Amount   Shares   Amount   Shares   Amount   Short-term investment   Short-term investment   Short-term investment   Short-term investment   Short-term investment   Short-term investment   Short-term investment   Short-term investment   Short-term investment   Short-term investment   Short-term investment   Short-term investment   Short-term investment   Short-term investment   Short-term investment   Short-term investment   Short-term investment   Short-term investment   Short-term investment   Short-term investment   Short-term investment   Short-term investment   Short-term investment   Short-term investment   Short-term investment   Short-term investment   Short-term investment   Short-term investment   Short-term investment   Short-term investment   Short-term investment   Short-term investment   Short-term investment   Short-term investment   Short-term investment   Short-term investment   Short-term investment   Short-term investment   Short-term investment   Short-term investment   Short-term investment   Short-term investment   Short-term investment   Short-term investment   Short-term investment   Short-term investment   Short-term investment   Short-term investment   Short-term investment   Short-term investment   Short-term investment   Short-term investment   Short-term investment   Short-term investment   Short-term investment   Short-term investment   Short-term investment   Short-term investment   Short-term investment   Short-term investment   Short-term investment   Short-term investment   Short-term investment   Short-term investment   Short-term investment   Short-term investment   Short-term investment   Short-term investment   Short-term investment   Short-term investment   Short-term investment   Short-term investment   Short-term investment   Short-term investment   Short-term investment   Short-term investment   Short-term investment   Short-term investment   Short-term investment   Short-term investment   Short-term investment   Short-term investment   Shor	Shares   Nature of Units   US\$ in Units   US\$ in Units   US\$ in Units   US\$ in Units   US\$ in Units   US\$ in Units   US\$ in Units   US\$ in Units   US\$ in Units   US\$ in Units   US\$ in Units   US\$ in Units   US\$ in Units   US\$ in Units   US\$ in Units   US\$ in Units   US\$ in Units   US\$ in Units   US\$ in Units   US\$ in Units   US\$ in Units   US\$ in Units   US\$ in Units   US\$ in Units   US\$ in Units   US\$ in Units   US\$ in Units   US\$ in Units   US\$ in Units   US\$ in Units   US\$ in Units   US\$ in Units   US\$ in Units   US\$ in Units   US\$ in Units   US\$ in Units   US\$ in Units   US\$ in Units   US\$ in Units   US\$ in Units   US\$ in Units   US\$ in Units   US\$ in Units   US\$ in Units   US\$ in Units   US\$ in Units   US\$ in Units   US\$ in Units   US\$ in Units   US\$ in Units   US\$ in Units   US\$ in Units   US\$ in Units   US\$ in Units   US\$ in Units   US\$ in Units   US\$ in Units   US\$ in Units   US\$ in Units   US\$ in Units   US\$ in Units   US\$ in Units   US\$ in Units   US\$ in Units   US\$ in Units   US\$ in Units   US\$ in Units   US\$ in Units   US\$ in Units   US\$ in Units   US\$ in Units   US\$ in Units   US\$ in Units   US\$ in Units   US\$ in Units   US\$ in Units   US\$ in Units   US\$ in Units   US\$ in Units   US\$ in Units   US\$ in Units   US\$ in Units   US\$ in Units   US\$ in Units   US\$ in Units   US\$ in Units   US\$ in Units   US\$ in Units   US\$ in Units   US\$ in Units   US\$ in Units   US\$ in Units   US\$ in Units   US\$ in Units   US\$ in Units   US\$ in Units   US\$ in Units   US\$ in Units   US\$ in Units   US\$ in Units   US\$ in Units   US\$ in Units   US\$ in Units   US\$ in Units   US\$ in Units   US\$ in Units   US\$ in Units   US\$ in Units   US\$ in Units   US\$ in Units   US\$ in Units   US\$ in Units   US\$ in Units   US\$ in Units   US\$ in Units   US\$ in Units   US\$ in Units   US\$ in Units   US\$ in Units   US\$ in Units   US\$ in Units   US\$ in Units   US\$ in Units   US\$ in Units   US\$ in Units   US\$ in Units   US\$ in Units   US\$ in Units   US\$ in Units   US\$ in Units   US\$ in Units   US\$ in Units   US\$ in Units   US\$ in Units   US\$ in

Short-term investment Short-term investment				US\$	4,000				
Short-term investment				US\$	5,963				
				US\$	5,000		US\$	4,986	US\$
Short-term investment				US\$ 2	21,114				
Short-term investment	947	US\$	121			1 505	2211	6,783	<b>2211</b>
Short-term investment			3,593					8,972	
Short-term investment	·		2,000					4,318	
	2,321	ОЗФ	2,000			540	ОЗФ	7,310	OBO
Short-term investment	465	US\$	346			768	US\$	3,394	US\$

Note: The ending balance included the recognition of the investment income (loss) by the equity method, the cumulative translation adjustments and the bond premium or discount amortization amount.

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#### TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LTD. AND SUBSIDIARIES

## ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL

FOR THE YEAR ENDED DECEMBER 31, 2004

progress

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

ınsaction			Nature of			Related Count	
mount	<b>Payment Term</b>	<u> </u>	Relationship		-	<b>Transfer Date</b>	
,484,370	By the construction	IDC Taiwan, Inc., Taiwan Branch (U.S.A.)		N/A	N/A	N/A	N/A
	progress						
420,168	By the construction	CHRIST AG		N/A	N/A	N/A	N/A
	progress						
224,800	construction	Allis Electric Co., Ltd.		N/A	N/A	N/A	N/A
340,307	progress By the	United Industry gas Corp., Ltd.		N/A	N/A	N/A	N/A
	construction progress	, , , , , , , , , , , , , , , , , , ,					
116,181		United Industry gas Corp., Ltd.		N/A	N/A	N/A	N/A
	construction						
122.002	progress	DOCEDWARDS CMS		27/4	27/4	NT/A	NT/ A
133,092	By the construction	BOC EDWARDS, CMS		N/A	N/A	N/A	N/A
165 200	progress			DT/A	NT/A	NT/A	NT/A
165,208	By the construction	Organo Corporation		N/A	N/A	N/A	N/A
225 744	progress	W. L. & L. L. & 1.0		27/4	27/4	NT/A	NT/ A
225,744	construction	Marketech International Corp.		N/A	N/A	N/A	N/A
100,767	progress By the	Vente Chemical Co. Inc.		N/A	N/A	N/A	N/A
100,707	construction	Kanto Chemical Co., Inc.		IN/A	IV/A	IV/A	IN/A
466,833	progress By the	United Integrated Services Co., Ltd.		N/A	N/A	N/A	N/A
400,633	construction	Officed integrated Services Co., Ltd.		N/A	IV/A	IV/A	IN/A
300,000	progress By the	United Integrated Services Co., Ltd.		N/A	N/A	N/A	N/A
300,000	construction	omed megrated bervices co., Etd.		1 1// 1	1 1/1 1	14/11	1 1// 1
122,969	progress By the	Marketech International Corp.		N/A	N/A	N/A	N/A
	construction						

185,984	construction	Marketech International Corp.	N/A	N/A	N/A	N/A
182,060	By the construction	Marketech International Corp.	N/A	N/A	N/A	N/A
105,299	progress By the construction progress	IDC Taiwan, Inc., Taiwan Branch (U.S.A.)	N/A	N/A	N/A	N/A
	progress					

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#### TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LTD, AND SUBSIDIARIES

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

FOR THE YEAR ENDED DECEMBER 31, 2004

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

		Purchase/	Tr	ansac % to	etion Details	Abnormal Transaction				
Party North	Nature of Relationship	Sale	Amount	Tota	l Payment Terms	<b>Unit Price</b>	<b>Payment Terms</b>			
TVOTUI	Subsidiary	Sales	\$142,271,732	55	Net 30 days after invoice date	None	None			
nd its	·				•					
	Major shareholder	Sales	5,463,565	2	Net 30 days after monthly closing	None	None			
	Investee	Sales	371,546	-	Net 30 days after monthly closing	None	None			
ch	Subsidiary	Purchases	15,203,047	34	Net 30 days after monthly closing	None	None			
	Investee	Purchases	9,169,602	13	Net 30 days after monthly closing	None	None			
	Investee	Purchases	5,869,123	21	Net 30 days after monthly closing	None	None			

#### TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LTD. AND SUBSIDIARIES

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

**DECEMBER 31, 2004** 

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

					Ov	verdue	Amount Received in Subsequent	
			Ending		O.	eruue	Subsequent	101
any Name mpany	<b>Related Party</b> TSMC North	Nature of Relationship	Balance	<b>Turnover Rate</b>	Amount	Action Taken	Period	D
	America	Subsidiary	\$15,526,964	38 days	\$5,044,202	Accelerate demand on	\$6,013,414	\$
	TSMC Shanghai Philips and its	Subsidiary	1,473,365	(Note)	145,146	account receivables		
	affiliates	Major shareholder	581,487	49 days	7,136		13,726	

Note: The ending balance is generated mainly from the sales of machinery, so it is not applicable for the calculation of the turnover rate.

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#### TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LTD. AND SUBSIDIARIES

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEES ON WHICH THE COMPANY EXERCISES

SIGNIFICANT INFLUENCE

**DECEMBER 31, 2004** 

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

				Investment nount		200		
	·		December 31,	December 31,	r Shares	of	Value	Net Inco (Loss) the
tee Company	Location	Main Businesses and Products	2004	2003	(Thousa <b>n</b>	<i>y</i> ners'	ship (Note 1)	Investo
North Americ		Sales and marketing of						
	California,	integrated circuits and	ф 222 1 <b>7</b> 0	ф 222.1 <b>7</b>	11,000	100	· · · · 500.040	·
E	U.S.A.	semiconductor devices	\$ 333,178	\$ 333,178	11,000	100	\$ 502,242	\$ 120,5
Europe	the	, Marketing activities						
I	Netherlands		15,749	15,749	9	100	25,439	2
Japan	Yokohama,	Marketing activities						
1	Japan	~	83,760	83,760	6	100	102,572	2,9
Shanghai	Shanghai,	Manufacturing and marketing of						
ı	China	integrated circuits and						
ı		semiconductor devices	9,187,962	1,890,952	2	100	8,113,511	(727,0
1	Hsin-Chu,	Research, design, development,						
ı	Taiwan	manufacture, packaging, testing						
1		and sale of memory integrated						
1		circuits, LSI, VLSI and related						
1		parts	8,119,816	8,119,816	6 409,532	28	5,401,982	4,706,6
International	Tortola,	Providing investment in						
1	British	companies involved in the						
1	Virgin	design, manufacture, and other						
1	Islands	related business in the						
1		semiconductor industry	31,445,780	31,445,780	0 987,968	100	23,778,997	2,598,1
erng	Taipei,	Investment activities						
1	Taiwan		300,000	300,000	J	36	50,570	21,3
iey	Taipei,	Investment activities						
1	Taiwan		300,000	300,000	J	36	49,823	21,8
Partners	Tortola,	Investment activities						
1	British							
1	Virgin							
1	Islands		10,350	10,350	300	100	3,908,356	43,1
1	Singapore	Fabrication and supply of						
1		integrated circuits	6,408,190	6,408,190	00 382	32	3,290,888	2,288,7

ng Alliance	Cayman	Investing in new start-up						
	Islands	technology						
		companies	1,447,957	1,179,690		99	823,232	(97,7
	Hsin-Chu,	Researching, developing,						
	Taiwan	manufacturing, testing and						
		marketing of integrated circuits	409,920	409,920	39,040	47	391,626	30,4
	Hsin-Chu,	Manufacturing, material						
	Taiwan	wholesaling and retailing of						
		electronic spare parts	51,000	51,000	5,100	25	59,116	35,5
I	Cayman	Investing in new start-up						
	Islands	technology						
		companies	332,412			98	329,968	18,3

Note 2: The gains or losses on disposal of the stocks held by subsidiaries (treated as treasury stocks) and the paid-in capital from cash dividend distributed by parent company are excluded.

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Note 1: The treasury stock is deducted from the carrying value.

#### TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LTD. AND SUBSIDIARIES

## INFORMATION OF INVESTMENT IN MAINLAND CHINA DECEMBER 31, 2004

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

	Total Amount of Paid-in		Accumulated Outflow of Investment from Taiwan as of Investment Flows			Accumulated Outflow of Investment from Taiwan as of			Ca V
	Capital		January 1,	Outflow		Pe December 31,	ercentag of	ge Investment	ŧ
ain Businesses and	(RMB in	Investment	2004 (US\$ in	(US\$ in		Ov 2004 (US\$ in	wnershi in	ip Gain (Loss)	Dec
Products unufacturing and rketing of	Thousand)	Type	Thousand)	Thousand)	Inflow	Thousand) Inv	vestme	nt(Note 2)	2
egrated circuits and niconductor devices	\$9,187,962 (RMB2,284,355)		\$1,890,952 (US\$56,000)	\$7,297,010 (US\$220,000) \$	\$	\$9,187,962 (US\$276,000)	100%	\$(727,036)	\$8,1

Investment Amounts Authorized by	
<b>Investment Commission, MOEA</b>	<b>Upper Limit on Investment</b>
(US\$ in Thousand)	(US\$ in Thousand)
\$11,841,207	\$11,841,207
(US\$371,000)	(US\$371,000)
	Investment Commission, MOEA (US\$ in Thousand) \$11,841,207

Note 1: Direct investment in TSMC (Shanghai) US\$276,000 thousand.

Note 2: Amount was recognized based on the audited financial statements.

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Taiwan Semiconductor Manufacturing Company Ltd. and Affiliates

Combined Financial Statements for the Year Ended December 31, 2004 and Independent Accountants Review Report

#### REPRESENTATION LETTER

The combined balance sheet as of December 31, 2004 and the combined statement of income for the year ended December 31, 2004 of Taiwan Semiconductor Manufacturing Company Ltd. and affiliates were prepared in conformity with the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises, relevant regulations and accounting principles generally accepted in the Republic of China.

No misrepresentations were made and no important matters were concealed in the preparation of the combined financial statements of Taiwan Semiconductor Manufacturing Company Ltd.

Very truly yours,

TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LTD.

Ву	
/s/ Morris Chang	
MORRIS CHANG Chairman	

January 13, 2005 (January 30, 2005 as to Note 23o)

#### INDEPENDENT ACCOUNTANTS REVIEW REPORT

The Board of Directors and Shareholders Taiwan Semiconductor Manufacturing Company Ltd.

We have reviewed the combined balance sheet as of December 31, 2004 and the related combined statement of income for the year then ended of Taiwan Semiconductor Manufacturing Company Ltd. and affiliates. Our review was made in accordance with the Guidelines for the Review of Combined Financial Statements of Affiliates. It is substantially less in scope than an examination in accordance with auditing standards generally accepted in the Republic of China (R.O.C.), the objective of which is the expression of an opinion regarding the combined balance sheet and the combined statement of income taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the combined balance sheet and the combined statement of income referred to above in order for them to be in conformity with the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises in the R.O.C., and the R.O.C. regulations governing the preparation of financial statements of public company and generally accepted accounting principles in the R.O.C.

January 13, 2005 (January 30, 2005 as to Note 23o)

#### Notice to Readers

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

For the convenience of readers, the accountants—review report and the accompanying combined financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language accountants—review report and combined financial statements shall prevail.

#### TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LTD. AND AFFILIATES

#### **COMBINED BALANCE SHEET**

**DECEMBER 31, 2004** 

(In Thousands of New Taiwan Dollars, Except Par Value)

(Reviewed, Not Audited)

ASSETS	Amount	%
CURRENT ASSETS		
Cash and cash equivalents (Notes 2, 4 and 5)	\$ 74,531,410	15
Short-term investments, net (Notes 2 and 5)	54,303,642	11
Receivables from related parties (Note 21)	1,077,818	
Notes receivable	14,746	
Accounts receivable	31,274,596	6
Allowance for doubtful receivables (Note 2)	(986,360)	
Allowance for sales returns and others (Note 2)	(3,342,450)	(1)
Other receivables from related parties (Note 21)	111,300	
Other financial assets (Notes 2 and 24)	2,229,551	1
Inventories, net (Notes 2 and 6)	15,649,596	3
Deferred income tax assets, net (Notes 2 and 15)	8,917,986	2
Prepaid expenses and other current assets (Note 2)	1,751,699	
Total current assets	185,533,534	37
LONG-TERM INVESTMENTS (Notes 2, 7, 19 and 24)		
Equity method	8,692,870	2
Cost method	3,266,330	1
Long-term bonds	15,170,167	3
Other investments	10,521,740	2
Total long-term investments	37,651,107	8
PROPERTY, PLANT AND EQUIPMENT (Notes 2, 8, 11 and 21)		
Cost		
Land and land improvements	803,508	
Buildings	98,086,317	20
Machinery and equipment	433,168,964	86
Office equipment	8,551,372	2
Leased assets	566,243	
Other equipment	152,133	
Total cost	541,328,537	108
Accumulated depreciation	(331,323,140)	(66)
Advance payments and construction in progress	49,247,068	10
Net property, plant and equipment	259,252,465	52
GOODWILL (Note 2)	7,088,864	1

OTHER ASSETS  Deformed allowed and (Notes 2, 0 and 22)	0.218.000	2
Deferred charges, net (Notes 2, 9 and 23)	9,218,900 1,649,979	2
Deferred income tax assets, net (Notes 2 and 15)	1,049,979	
Refundable deposits Others (Note 8)	175,830	
Others (Note 8)	173,030	
Total other assets	11,151,661	2
TOTAL	\$ 500,677,631	100
LIABILITIES AND SHAREHOLDERS EQUITY	Amount	%
CURRENT LIABILITIES		
Short-term bank loans (Note 10)	\$ 383,004	
Payables to related parties (Note 21)	2,241,748	
Accounts payable	7,583,723	2
Payables to contractors and equipment suppliers	33,437,308	7
Accrued expenses and other current liabilities (Notes 2, 13 and 23)	10,325,040	2
Current portion of long-term liabilities (Notes 11 and 12)	10,505,489	2
Total current liabilities	64,476,312	13
LONG-TERM LIABILITIES		
Long-term bank loans (Note 11)	1,926,735	
Bonds payables (Note 12)	19,500,000	4
Other long-term payables (Note 13)	7,964,975	2
Other payables to related parties (Notes 21 and 23)	2,317,972	
Liability under capital lease (Notes 2 and 8)	566,243	
Total long-term liabilities	32,275,925	6
OTHER LIABILITIES		
Accrued pension cost (Notes 2 and 14)	3,113,552	1
Guarantee deposits (Note 23)	412,881	
Others	714,949	
Total other liabilities	4,241,382	1
MINORITY INTEREST IN AFFILIATES (Note 2)	718,713	
Total liabilities	101,712,332	20
SHAREHOLDERS EQUITY (Notes 2 and 17) Capital stock \$10 par value Authorized: 24,600,000 thousand shares		
Issued: 23,251,964 thousand shares	232,519,637	46
Capital surplus	56,537,259	11
Retained earnings:	2 2,20 1,20 /	**
Appropriated as legal reserve	25,528,007	5
Unappropriated earnings	88,202,009	18
	•	

Cumulative translation adjustments (Note 2) (2,226,427) Treasury stock (at cost) 45,521 thousand shares (Notes 2 and 19) (1,595,186)

Total shareholders equity 398,965,299 80

TOTAL \$500,677,631 100

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

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#### TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LTD. AND AFFILIATES

## COMBINED STATEMENT OF INCOME FOR THE YEAR ENDED DECEMBER 31, 2004

(In Thousands of New Taiwan Dollars, Except Combined Earnings Per Share)

(Reviewed, Not Audited)

GROSS SALES (Notes 2 and 21) SALES RETURNS AND ALLOWANCES (Note 2)	Amount \$ 264,348,362 (4,737,127)	%
NET SALES (Note 25) COST OF SALES (Notes 16 and 21)	259,611,235 143,375,116	100 55
GROSS PROFIT	116,236,119	45
OPERATING EXPENSES (Notes 16, 21 and 25) Research and development General and administrative Marketing	12,703,145 11,542,135 3,403,503	5 5 1
Total operating expenses	27,648,783	11
INCOME FROM OPERATIONS	88,587,336	34
NON-OPERATING INCOME AND GAINS (Note 25) Investment income recognized by equity method, net (Notes 2 and 7) Interest (Notes 2 and 24) Gain on sales of investments, net (Note 2) Technical service income (Notes 21 and 23) Gain on disposal of property, plant and equipment (Note 2) Other (Note 21)	2,061,973 1,860,614 922,650 423,804 247,021 527,952	1 1
Total non-operating income and gains	6,044,014	2
NON-OPERATING EXPENSES AND LOSSES (Note 25) Interest (Notes 2, 8 and 24) Foreign exchange loss, net (Notes 2 and 24) Loss on impairment of long-term investments (Note 2) Loss on disposal of property, plant and equipment (Note 2) Unrealized valuation loss of short-term investments (Note 2) Other	1,528,908 390,858 350,608 131,779 75,708 134,247	1
Total non-operating expenses and losses	2,612,108	1

(Continued)

		Amount		<b>%</b>	
INCOME BEFORE INCOME TAX AND MINORITY INTEREST (Note 25)	\$ 92,019,242			35	
INCOME TAX BENEFIT (Notes 2 and 15)	352,453		3		
INCOME BEFORE MINORITY INTEREST		92,371,69		35	
MINORITY INTEREST IN INCOME OF AFFILIATES (Notes 2 and 25)	(55,580)				
COMBINED NET INCOME	OME \$		5	35	
		Income Before Income Tax and Minority Interest		Combined Net Income	
COMBINED EARNINGS PER SHARE (NT\$, Note 20)					
Basic earnings per share	\$	3.96	\$	3.97	
Diluted earnings per share	\$	3.96	\$	3.97	

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

# TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LTD. AND AFFILIATES

### NOTES TO COMBINED FINANCIAL STATEMENTS (Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise) (Reviewed, Not Audited)

#### 1. GENERAL

Taiwan Semiconductor Manufacturing Company Ltd. (TSMC), a Republic of China (R.O.C.) corporation, was incorporated as a venture among the Government of the R.O.C., acting through the Development Fund of the Executive Yuan; Philips Electronics N.V. and certain of its affiliates (Philips); and certain other private investors. On September 5, 1994, its shares were listed on the Taiwan Stock Exchange (TSE). On October 8, 1997, TSMC listed some of its shares of stock on the New York Stock Exchange (NYSE) in the form of American Depositary Shares (ADSs).

TSMC is engaged mainly in the manufacturing, selling, packaging, testing and computer-aided designing of integrated circuits and other semiconductor devices, and the manufacturing of masks.

TSMC has six direct wholly-owned subsidiaries: TSMC International Investment Ltd. (TSMC International), TSMC North America (TSMC North America), Taiwan Semiconductor Manufacturing Company Europe B.V. (TSMC Europe), TSMC Japan K. K. (TSMC Japan), TSMC (Shanghai) Company Limited (TSMC Shanghai) and TSMC Partners, Ltd. (TSMC Partners). In addition, TSMC has the following consolidating subsidiaries: a 99.5% owned subsidiary, Emerging Alliance Fund, L.P. (Emerging Alliance), a 98% owned subsidiary, VentureTech Alliance Fund II, L.P. (VTAF II) and two 36% owned affiliates Chi Cherng Investment Co., Ltd. (Chi Cherng, which is 36% owned by TSMC and 64% owned by Hsin Ruey Investment Co., Ltd.) and Hsin Ruey Investment Co., Ltd. (Hsin Ruey, which is 36% owned by TSMC and 64% owned by Chi Cherng). TSMC International has two wholly-owned subsidiaries TSMC Development, Inc. (TSMC Development) and TSMC Technology, Inc. (TSMC Technology), and two 97% owned subsidiaries InveStar Semiconductor Development Fund, Inc. (II) LDC (InveStar II). TSMC Development has a 99.996% owned subsidiary, WaferTech, LLC (WaferTech). TSMC has two affiliates over which TSMC exercises significant influence: a 47% owned affiliate, Global UniChip Corporation (GUC), and a 25% owned affiliate, VisEra Technologies Co., Ltd. (VisEra). GUC has a wholly-owned subsidiary, Global Unichip Corp. NA (GUC NA).

The following diagram presents information regarding the relationship and ownership percentages among TSMC and its affiliates as of December 31, 2004:

TSMC North America is engaged in the sales and marketing of integrated circuits and semiconductor devices. TSMC Europe and TSMC Japan are engaged mainly in marketing activities. TSMC Technology is engaged mainly in engineering support activities. TSMC Shanghai is engaged in the manufacturing and marketing of integrated circuits and other semiconductor devices. TSMC Partners, TSMC Development, Chi Cherng and Hsin Ruey are engaged in investing activities. TSMC International is engaged in providing investment in companies involved in the design, manufacture, and other related business in the semiconductor industry. Emerging Alliance, VTAF II, InveStar and InveStar II are engaged in investing in new start-up technology companies. WaferTech is engaged in the manufacturing, selling, testing and computer-aided designing of integrated circuits and other semiconductor devices. GUC is engaged in the researching, developing, manufacturing, testing and marketing of integrated circuits. VisEra is engaged in the manufacturing, material wholesaling and retailing of electronic spare parts. GUC NA is engaged in providing consulting services for products in the North America region.

### 2. SIGNIFICANT ACCOUNTING POLICIES

The combined financial statements are presented in conformity with Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises in the R.O.C. and regulations governing the preparation of financial statements of public companies and generally accepted accounting principles in the R.O.C.

For the convenience of readers, the accompanying combined financial statements have been translated into English from the original Chinese version prepared and used in the R.O.C. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language financial statements shall prevail.

Significant accounting policies are summarized as follows:

### Combination

All significant intercompany balances and transactions have been eliminated in the combined financial statements. The combined financial statements include, as of and for the year ended December 31, 2004, the accounts of all directly and indirectly majority owned subsidiaries of TSMC, and the accounts of GUC, GUC NA and VisEra that TSMC exercises significant influence on. TSMC and the foregoing affiliates are hereinafter referred to collectively as the Company .

Minority interests in the aforementioned affiliates are presented separately in the combined financial statements.

#### **Use of Estimates**

The preparation of financial statements in conformity with the aforementioned regulations and principles requires management to make reasonable assumptions and estimates of matters that are inherently uncertain. The actual results may differ from management s estimates.

### **Classification of Current and Noncurrent Assets and Liabilities**

Current assets are those expected to be converted to cash, sold or consumed within one year from the balance sheet date. Current liabilities are obligations due on demand within one year from the balance sheet date. Assets and liabilities that are not classified as current are noncurrent assets and liabilities, respectively.

### **Cash Equivalents**

Government bonds under repurchase agreements and notes acquired with maturities less than three months from the date of purchase are classified as cash equivalents.

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### **Short-term Investments**

Short-term investments primarily consist of corporate bonds, asset-backed securities, bond and stock funds, agency bonds, government bonds and others.

Short-term investments are recorded at historical cost and are carried at the lower of cost or market value as of the balance sheet date. An allowance for decline in value is provided and is charged to current earnings when the aggregate carrying value of the investments exceeds the aggregate market value. A reversal of the allowance is recorded for a subsequent recovery of the market value.

The cost of funds and listed stocks sold are accounted for using the weighted-average method; whereas the other securities are accounted for using the specific identification method.

The market value of funds is determined using the net asset value of the funds at the end of the year, and the market value of listed stocks is determined using the average-closing price of the listed stocks for the last month of the year. The others are determined using the average of bid and ask prices as of the balance sheet date.

Cash dividends are recorded as investment income in the current year.

### Allowance for Doubtful Receivables

Allowances for doubtful receivables are provided based on a review of the collectibility of accounts receivables. The Company determines the amount of allowance for doubtful accounts by examining the historical collection experience and current trends in the credit quality of its customers as well as its internal credit policies.

### Revenue Recognition and Allowance for Sales Returns and Others

The Company recognizes net sales when the earnings process is complete, as evidenced by an agreement with the customer, transfer of title and acceptance have occurred or services provided, if applicable, a fixed or determinable price and the collectibility is reasonably assured. Allowance for sales returns and pricing discounts is estimated based on historical experience and any known factors that would affect the allowance. Such provisions are deducted from sales in the year the products are sold and the estimated related costs are deducted from cost of sales.

Sales are determined using the fair value taking into account related sales discounts agreed to by the Company and its customers. Sales agreements typically provide that payment is due 30 days from invoice date for a majority of the customers and 30 to 45 days after the end of the month in which the sales occur for some customers. Since the receivables from sales are collectible within one year and such transactions are frequent, the fair value of receivables is equivalent to the nominal amount of cash received.

### **Inventories**

Inventories are stated at the lower of cost or market value. Inventories are recorded using the weighted-average cost method, or recorded at standard cost and adjusted to the approximate weighted-average cost at the end of the year. Market value represents net replacement cost for raw materials, supplies and spare parts. Market value represents net realizable value for finished goods and work in process. The Company assesses the impact of changing technology on its inventory on hand and writes off inventories that are considered obsolete. Ending inventories are evaluated for estimated excess quantities and obsolescence based on demand forecast within a specific time horizon, generally 180 days or less, and the estimated losses on scrap and slow-moving items are

recognized in the allowance for losses.

### **Long-term Investments**

Investments in companies wherein the Company exercises significant influence on the operating and financial policy decisions are accounted for using the equity method of accounting. The Company s proportionate share in the net income or net loss of investee companies is recognized in the investment income/loss recognized by equity method, net account. When equity investments are made, the difference, if any, between the cost of investment and the Company s proportionate share of investee s net equity is amortized using the straight-line method over five years and is recorded in the investment income/loss recognized by equity method, net account.

When the Company subscribes to additional investee shares at a percentage different from its existing equity interest, the resulting carrying amount of the investment in the investee differs from the amount of Company s proportionate share in the investee s net equity. The Company records such difference as an adjustment to long-term investments with the corresponding amount charged or credited to capital surplus.

Investments in companies wherein the Company does not exercise significant influence are recorded at historical cost. Cash dividends are recognized as investment income in the year received but are accounted for as reductions in the carrying amount of the long-term investments if the dividends are received in the same year that the related investments are acquired. Stock dividends are recorded as an increase in the number of shares held and do not affect investment income or the carrying amount of the investment. An allowance is recognized for any decline in the market value of investments with readily ascertainable fair market value with the corresponding amount recorded as an unrealized loss, a component of shareholders—equity. A reversal of the allowance will result from a subsequent recovery of the market value of such investments. The carrying amounts of investments whose fair market values are not readily ascertainable are reduced to reflect an other-than-temporary decline in their values, with the related impairment loss charged to income.

Investments in foreign mutual funds are stated at the lower of aggregate cost or net asset value. An allowance is recognized when the net assets value of the funds is lower than their cost, with the corresponding amount recorded as a reduction to shareholders—equity. A reversal of the allowance will result from a subsequent recovery of the net asset value.

The costs of stocks and mutual funds sold are determined using the weighted-average method.

Investments in long-term bonds are stated at amortized cost. The discount or premium is amortized over the duration period using the interest method, and recorded as an adjustment to interest income.

When investments in publicly-traded stocks are reclassified from short-term investments to long-term investments or from long-term investments to short-term investments, the Company recognizes a loss to the extent, if any, that the market value of such investments is lower than the carrying amount, and the market value becomes the new basis.

If an investee company recognizes an unrealized loss on its long-term investments using the lower-of-cost-or-market method, the Company also recognizes a corresponding unrealized loss in proportion to its ownership percentage in the investee company and records the amount as a component of its shareholders equity.

Gains or losses on sales from the Company to investee companies accounted for using the equity method are deferred in proportion to the Company s ownership percentage in the investee companies until realized through transactions with third parties. The entire amount of the gains or losses on sales to majority-owned subsidiaries is deferred until such gains or losses are realized through the subsequent sales of the related products to third parties.

Gains or losses on sales from investee companies to the Company are deferred in proportion to the Company s ownership percentages in the investee companies until realized through transactions with third parties.

If an investee s functional currency is a foreign currency, translation adjustments will result from the process of translating the investee s financial statements into the reporting currency of the Company. Such adjustments are accumulated and reported as a separate component of shareholders equity.

### Property, Plant and Equipment, Assets Leased to Others, Leased Assets and Idle Assets

Property, plant and equipment and assets leased to others are stated at cost less accumulated depreciation. When impairment is determined, the related assets are stated at the lower of fair value or book value. Idle assets are stated at the lower of net realizable value or book value. Significant additions, renewals and betterments incurred during the construction period are capitalized. Maintenance and repairs are expensed in the year incurred. Interest expense incurred for the project during the purchase and construction period is also capitalized. Properties covered by agreements qualifying as capital leases are carried at the lower of the leased equipment s market value or the present value of the minimum lease payments at the inception date of the lease.

Depreciation is computed using the straight-line method over the following estimated service lives: land improvements 20 years; buildings 10 to 50 years; machinery and equipment 3 to 10 years; office equipment 3 to 15 years; leased assets 20 years and other equipment 3 to 10 years.

Upon sale or disposal of property, plant and equipment, the related cost and accumulated depreciation are removed from the corresponding accounts, with any gain or loss credited or charged to non-operating income or expenses in the year of sale or disposal.

### Goodwill

Goodwill represents the excess of the consideration paid for acquisition over the fair market value of identifiable net assets acquired and acquisition costs. Goodwill is amortized using the straight-line method over the estimated life of 10 years.

### **Deferred Charges**

Deferred charges consist of technology license fees, software and system design costs and other charges. The amounts are amortized as follows: technology license fees the shorter of the estimated life of the technology or the term of the technology transfer contract, software and system design costs and other charges 2 or 5 years.

### **Pension Costs**

Net periodic pension costs are recorded based on actuarial calculations. The unrecognized net gains or losses and unrecognized net transition obligation are amortized over 25 years or over the remaining service period of the employees.

### **Income Tax**

The Company uses an inter-period tax allocation method for income tax. Deferred income tax assets and liabilities are recognized for the tax effects of temporary differences, unused tax credits, and net operating

loss carryforwards. Valuation allowances are provided to the extent, if any, that it is more likely than not that deferred income tax assets will not be realized. A deferred tax asset or liability is classified as current or non-current in accordance with the classification of its related asset or liability. However, if a deferred tax asset or liability does not relate to an asset or liability in the financial statements, then it is classified as either current or noncurrent based on the expected length of time before it is realized or settled.

Any tax credits arising from the purchases of machinery, equipment and technology, research and development expenditures, personnel training, and investments in important technology-based enterprises are recognized using the flow-through method.

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

Income taxes on unappropriated earnings (excluding earnings from foreign combined affiliates) of 10% are expensed in the year of shareholder approval which is the year subsequent to the year the earnings are generated.

### **Stock-based Compensation**

Employee stock option plans that are amended or have options granted on or after January 1, 2004 must be accounted for by the interpretations issued by the Accounting Research and Development Foundation. The Company adopted the intrinsic value method and any compensation cost determined using this method is charged to expense over the employee vesting period.

### **Treasury Stock**

When the Company repurchases its outstanding common stock, the cost of the reacquired stock is recorded as treasury stock as a reduction to shareholders—equity. When the Company retires treasury stock, the treasury stock account is reduced and the common stock as well as the capital surplus-additional paid-in capital are reversed in proportionate to the equity percentage of the retirement. When the book value of the treasury stock exceeds the sum of the par value and additional paid-in capital, the difference is charged to capital surplus - treasury stock and to retained earnings for any remaining amount. The Company s stock held by its subsidiaries is also treated as treasury stock and reclassified from long-term investments to treasury stock. The cash dividends received by the subsidiaries from the Company are recorded under capital surplus—treasury stock.

### **Foreign-currency Transactions**

Foreign currency transactions are recorded in New Taiwan dollars at the rates of exchange in effect when the transactions occur. Exchange gains or losses derived from foreign currency transactions or monetary assets and liabilities denominated in foreign currencies are recognized in current income. At the end of each year, assets and liabilities denominated in foreign currencies are revalued at the prevailing exchange rates with the resulting gains or losses recognized in current income.

#### **Derivative Financial Instruments**

The Company enters into foreign currency forward contracts to manage currency exposures in cash flow and in foreign-currency-denominated assets and liabilities. The contracts are recorded in New Taiwan dollars at the current rate of exchange of the contract date. The differences in the New Taiwan dollar amounts translated using the spot rates and the amounts translated using the contracted forward rates on the contract date are amortized over the terms of the forward contracts using the straight-line method. At the end of each year, the receivables or payables arising from forward contracts are restated using the prevailing spot rates at the balance sheet date with the resulting differences charged to income. In addition, the receivables and payables related to the forward contracts of the same counter party are netted with the resulting amount presented as either an asset or a liability. Any resulting gain or loss upon settlement is credited or charged to income in the year of settlement.

The Company enters into cross-currency swap contracts to manage currencies exposures on foreign currency denominated assets and liabilities. The principal amount is recorded using the spot rates at the contract date. The differences in the New Taiwan dollar amounts translated using the spot rates and the amounts translated using the contracted rates on the contract date are amortized over the terms of the contracts using the straight-line method. At the end of each year, the receivables or payables arising from cross-currency swap contracts are restated using the prevailing spot rate with the resulting differences charged to income. In addition, the receivables and payables

related to the contracts are netted with the resulting amount presented as either an asset or a liability. The difference in interest computed pursuant to the contracts on each settlement date or the balance sheet date is recorded as an adjustment to the interest

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income or expense associated with the hedged items. Any resulting gain or loss upon settlement is credited or charged to income in the year of settlement.

The Company enters into interest rate swap contracts to manage exposures to changes in interest rates on existing assets or liabilities. These transactions are accounted for on an accrual basis, in which the cash settlement receivable or payable is recorded as an adjustment to interest income or expense associated with the hedged items.

### **Translation of Foreign-currency Financial Statements**

R.O.C. SFAS No. 14, Accounting for Foreign-currency Transactions, applies to foreign subsidiaries that use the local foreign currency as their functional currency. The financial statements of foreign subsidiaries are translated into New Taiwan dollars at the following exchange rates: Assets and liabilities—current rate on balance sheet date; shareholders—equity—historical rate; income and expenses—average rate during the year. The resulting translation adjustment is recorded as a separate component of shareholders—equity.

### 3. SIGNIFICANT ELIMINATION ENTRIES

Significant transactions and balances with affiliates that have been eliminated upon combination are as follows:

Company	Account	Amount	Trans	action Entity
TSMC	Payables to related parties	\$ 913,107	WaferTo	ech
		23,091	<b>TSMC</b>	Europe
		21,978	<b>TSMC</b>	Japan
		12,591	<b>TSMC</b>	Shanghai
		8,027	TSMC 7	Гесhnology
		6,589	GUC	
		1,881	<b>TSMC</b>	North America
	Deferred credits gain on intercompany	682,530	<b>TSMC</b>	Shanghai
	Receivables from related parties	15,526,964	<b>TSMC</b>	North America
		56,436	GUC	
		4,285	WaferTo	ech
		458	<b>TSMC</b>	Shanghai
	Other receivables from related parties	1,472,880	<b>TSMC</b>	Shanghai
		30,278	VisEra	
		2,881	TSMC 7	Гесhnology
	Sales	142,271,732	<b>TSMC</b>	North America
		371,546	GUC	
		6,535	WaferTo	ech
		811	<b>TSMC</b>	Shanghai
	Purchases	15,203,047	WaferTo	ech
		12,752	<b>TSMC</b>	Shanghai
	Research and development expenses	11,688	GUC	
	General and administrative expenses rent	13,186	GUC	
	Marketing expenses commissions	253,341	<b>TSMC</b>	Japan
		202,678	<b>TSMC</b>	Europe
				(Continued)

Company	Account	Amount		Transaction Entity
	Other non-operating income and gains	\$ 28	,917	VisEra
	, ,	3	,267	WaferTech
TSMC				TSMC
International	Other receivables	1,915	,020	Development
		30	,931	TSMC
	Interest receivable			Development
	Deferred revenue	630	,271	TSMC Technology
	Interest income	8	,919	TSMC Technology
		30	,656	TSMC
	Interest income			Development
TSMC				
Partners	Other receivables	9,795	,268	TSMC International
		2,553	,360	TSMC
	Other receivables			Development
		41	,242	TSMC
	Interest receivable			Development
	Deferred revenue	8,631	,210	TSMC International
		40	,875	TSMC
	Interest income			Development
TSMC				
Technology	Accounts receivable	2	,129	WaferTech
	Management service income	14	,832	WaferTech
GUC	Accrued expenses	1	,103	GUC NA
	Operating expenses	8	,680	GUC NA
TSMC				
North				
America	Accounts receivable		3,510	GUC
	Accounts receivable	99	,262	VisEra

## 4. CASH AND CASH EQUIVALENTS

	2004
Cash and bank deposits	\$ 54,838,044
Government bonds acquired under repurchase agreements	19,215,153
Corporate issued notes	478,213

\$74,531,410

### 5. SHORT-TERM INVESTMENTS

	2004
Corporate bonds	\$ 13,554,598
Corporate issued asset-backed securities	11,766,877
Bond and stock funds	10,858,945
Agency bonds	8,633,889

Government bonds	7,346,858
Money market funds	1,640,973
Government bonds acquired under repurchase agreements	249,449
Listed stocks	168,299
Commercial papers	95,666
Corporate issued notes	63,796
	54,379,350
Allowance for valuation losses	(75,708)
	\$ 54,303,642
Market value	\$ 55,186,236
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The Company entered into investment management agreements with three well-known financial institutions (fund managers) to manage investment portfolios for the Company. In accordance with the investment guidelines and terms in these agreements, the securities invested by the fund managers cannot be below a pre-defined credit rating. As of December 31, 2004, the Company had investment portfolios with these fund managers that aggregated to an original amount of US\$1,200,000 thousand. The investment portfolios included securities such as corporate bonds, asset-backed securities, agency bonds, government bonds and others. Securities acquired with maturities less than three months from the date of purchase were reclassified as cash equivalents.

### 6. INVENTORIES, NET

	2004
Finished goods	\$ 3,547,705
Work in process	11,509,775
Raw materials	993,151
Supplies and spare parts	1,176,735
	17,227,366
Allowance for losses	(1,577,770)

\$15,649,596

2004

### 7. LONG-TERM INVESTMENTS

	2004	
	Carrying Amount	% of Owner- Ship
Equity method Vanguard International Semiconductor Corporation (VIS) Systems on Silicon Manufacturing Company Pte Ltd. (SSMC)	\$ 5,401,982 3,290,888	28 32

8,692,870

Cost method Common stocks Publicly traded stocks Non-publicly traded stocks Preferred stocks Funds		71,832 1,226,499 1,677,865 290,134 3,266,330
Long-term bonds Government bonds Corporate bonds China Steel Corporation Taiwan Power Company Nan Ya Plastics Corporation Formosa Plastics Corporation Formosa Petrochemical Corporation		10,260,481 2,978,804 915,276 407,526 405,485 202,595
Other investments		15,170,167 10,521,740
	-13-	\$ 37,651,107

VIS reduced its capital on August 11, 2004 in order to decrease its accumulated deficit. The number of shares of VIS held by TSMC after the capital reduction declined from 787,016 thousand shares to 409,532 thousand shares. TSMC s ownership percentage remained the same.

For the year ended December 31, 2004, net investment income recognized from the equity method investees was NT\$2,061,973 thousand. The carrying amounts of investments accounted for under the equity method and the related investment income or losses were determined based on the audited financial statements of the investees as of and for the same periods as the Company.

As of December 31, 2004, other investments consist of the following:

Step-up callable depos	sits	Nominal Amount	Carrying Amount	Range of Interest Rates	Maturity Date
Domestic bank Foreign bank	\$	2,000,000 2,138,340	\$ 2,007,681 2,152,394	2.05%-2.20%	July 2007 to August 2007 June 2007 to August 2007
Callable range accrual	dej	posits			
Foreign bank		6,383,400	6,414,151	(See below)	September 2009 to December 2009
	\$	10,521,740	\$ 10,574,226		

During the year ended December 31, 2004, the Company deposited funds into structured-time deposits with the following terms:

The interest rate of the step-up callable deposits is determined by the Company and the related banks.

The amount of interest earned by the Company for the callable range accrual deposits is based on a pre-defined range as determined by the 3-month or 6-month LIBOR rate plus an agreed upon rate ranging between 2.1% and 3.45%. Based on the terms of the deposits, if the 3-month or 6-month LIBOR rate moves outside of the pre-defined range, the interest paid to the Company is at a minimum rate of 1.5%. Under the term of the contracts, the bank has the right to cancel the contracts prior to the maturity date.

Deposits that reside in banks located in Hong Kong and Singapore amounted to NT\$2,553,360 thousand and NT\$638,340 thousand, respectively.

### 8. PROPERTY, PLANT AND EQUIPMENT

Accumulated depreciation consisted of the following:

	2007
Land improvements	\$ 172,484
Buildings	38,161,926
Machinery and equipment	287,229,318
Office equipment	5,685,185
Leased assets	33,115
Other equipment	41,112

\$331,323,140

2004

Information on the status of the expansion or construction plans of TSMC s manufacturing facilities as of December 31, 2004 is as follows:

			Expected
	<b>Estimated</b>	Accumulated	Date of
Construction/Expansion Plan	<b>Total Cost</b>	ExpendituresC	ommencement
Fab 12 expansion	\$58,744,200	\$ 41,870,300	January 2005

Interest expense for the year ended December 31, 2004 was NT\$1,807,242 thousand (before deducting capitalized amounts of NT\$278,334 thousand in 2004). The interest rates used for purposes of calculating the capitalized amounts were 1.89% to 2.89% in 2004.

The Company entered into agreements to lease certain buildings that qualify as capital leases. The term of the lease is from December 2003 to December 2013. Certain buildings that are leased to others are accounted for as operating leases. The related carrying amount is recorded as in the Other assets account.

### 9. DEFERRED CHARGES, NET

	2004
Technology license fees	\$ 6,642,884
Software and system design costs	2,251,709
Others	324,307

\$9,218,900

2004

### 10. SHORT-TERM BANK LOANS

	2004
Unsecured loan in U.S. dollars:	
US\$12,000 thousand, repayable by June 2006, annual interest at 2.80%	\$ 383,004

### 11. LONG-TERM BANK LOANS

2004
915,020
10,443
6,761
932,224
5,489
,

\$1,926,735

2004

As of December 31, 2004, all the assets of WaferTech with a carrying amount of approximately NT\$15.955.936 thousand (US\$499,920 thousand) were pledged for the credit line of the secured loan (no secured loan was outstanding as of December 31, 2004). WaferTech is required to maintain compliance with certain financial covenants defined in the agreement. As of December 31, 2004, WaferTech was in compliance with all such financial covenants. Under the unsecured loan agreement, the Company is required maintain compliance with certain financial covenants which, if violated, could result in payment of the obligation prior to the originally scheduled payment date. The Company was in compliance with the financial covenants as of December 31, 2004.

As of December 31, 2004, principal repayments under the Company s long-term bank loans are as follows:

Year of Repayment	Amount
2005	\$ 5,489
2006	1,920,509
2007	4,137
2008	2,089

\$1,932,224

### 12. BONDS PAYABLE

	2004
Domestic unsecured bonds:	
Issued in December 2000 and repayable in December 2005 and 2007 in two equal payments,	
5.25% and 5.36% interest payable annually, respectively	\$15,000,000
Issued in January 2002 and repayable in January 2007, 2009 and 2012 in three equal payments,	
2.6%, 2.75% and 3.00% interest, payable annually, respectively	15,000,000

\$30,000,000

As of December 31, 2004, future principal repayments for the Company s bonds are as follows:

Year of Repayment	Amount
2005	\$ 10,500,000
2007	7,000,000
2009	8,000,000
2010 and thereafter	4,500,000

\$30,000,000

### 13. OTHER LONG-TERM PAYABLES

	2004
Payables for acquisition of property, plant and equipment (Note 23k)	\$6,030,007
Payables for royalties	3,440,313
	9,470,320
Less current portion	1,505,345

\$7,964,975

TSMC entered into several license arrangements for certain semiconductor-related patents. Future minimum payments under the agreements as of December 31, 2004 are as follows:

Year	Amount
2005	\$ 1,505,345
2006	466,786
2007	446,838
2008	255,336
2009 and thereafter	766,008

\$3,440,313

The current portion of other long-term payables is recorded in the accrued expenses and other current liabilities account.

### 14. PENSION PLAN

TSMC and GUC have defined benefit plans for all regular employees that provide benefits based on the employee s length of service and average monthly salary and wages for the six-month period prior to retirement and one-month period prior to retirement, respectively.

TSMC and GUC contribute at an amount equal to 2% of salaries and wages paid each month to their respective pension funds (the Funds). The Funds are administered by their respective pension fund monitoring committees (the Committees) and deposited in the Committees name in the Central Trust of China.

Information on the pension plans is summarized as follows:

### a. Components of net periodic pension cost

	2004
Service cost	\$ 638,652
Interest cost	129,039
Projected return on plan assets	(42,071)
Amortization	8,829
Net periodic pension cost	\$ 734,449

### b. Reconciliation of the funded status of the plans and accrued pension cost

	2004
Benefit obligation	
Vested benefit obligation	\$ 69,424
Nonvested benefit obligation	2,711,898
Accumulated benefit obligation	2,781,322

Additional benefits based on future salaries	2,138,852
Projected benefit obligation Fair value of plan assets	4,920,174 (1,455,148)
Funded status	3,465,026 (Continued)

	Unrecognized net transitional obligation Unrecognized net loss	\$ <b>2004</b> (135,516) (216,469)
	Accrued pension cost	\$ 3,113,041
	Vested benefit	\$ 78,579
c.	Actuarial assumptions	
	Discount rated used in determining present values Future salary increase rate Expected rate of return on plan assets	3.25%-3.50% 3.00% 2.50%-3.25%
d.	Contributions to the Funds	\$ 228,523
e.	Payments from the Funds	\$ 1,446

### 15. INCOME TAX

a. A reconciliation of income tax on income before income tax and minority interest at the statutory rate and income tax expense is as follows:

Income tax based on income before income tax and minority interest at the statutory rate Tax-exempt income Temporary and permanent differences	<b>2004</b> \$ (24,704,552) 14,712,500 187,005
Current income tax on income before income tax credits	\$ (9,805,047)

### b. Income tax benefit consists of:

	2004
Current income tax on income before income tax credits	\$ (9,805,047)
Additional 10% income tax on unappropriated earnings	(823,932)
Net operating loss carryforwards	769
Income tax credits	10,478,158
Other income tax	(555,794)
Net change in deferred income tax assets and liabilities	
Net operating loss carryforwards	(1,656,944)
Investment tax credits	249,932

Temporary differences  Net change in valuation allowance of deferred income tax assets  Adjustment of prior years taxes	1,132,188 1,333,217 (94)
Income tax benefit	\$ 352,453
	(Continued)
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### c. Deferred income tax assets (liabilities) consist of the following:

	2004
Current	Ф. 0.067.207
Investment tax credits	\$ 8,867,307
Net operating loss carryforwards	12,134
Temporary differences	321,478
Valuation allowance	(282,933)
	\$ 8,917,986
Noncurrent	
Net operating loss carryforwards	\$ 6,773,516
Investment tax credits	17,136,517
Temporary differences	(7,757,244)
Valuation allowance	(14,502,810)
	\$ 1,649,979
	\$ 1,049,979

### d. Integrated income tax information:

The balance of the imputation credit account (ICA) of the TSMC as of December 31, 2004 was zero.

The expected creditable ratio of TSMC for distribution of earnings of 2004 was zero.

The imputation credits allocated to the shareholders are based on the balance as of the date of dividend distribution. The expected creditable ratio for distribution of earnings of 2004 may be adjusted when the allocation of the imputation credits is made.

- e. TSMC s earnings generated prior to December 31, 1997 have been appropriated.
- f. As of December 31, 2004, the Company s investment tax credits consisted of the following:

Regulation Statute for Upgrading	Items Purchase of machinery and	Total Creditable Amounts	Remaining Creditable Amounts	Expiry Year
Industries	equipment	\$ 4,448,442	\$	2004
		3,819,937	116,189	2005
		4,886,611	4,886,611	2006
		4,140,462	4,140,462	2007
		6,309,182	6,309,182	2008
		\$ 23,604,634	\$ 15,452,444	

Statute for Upgrading	Research and development			
Industries	expenditures	\$ 2,270,013	\$	2004
	_	3,165,378	3,165,378	2005
		3,363,356	3,363,356	2006
		2,015,531	2,015,531	2007
		1,885,311	1,885,311	2008
		\$ 12,699,589	\$ 10,429,576	
			(C	Continued)
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Regulation	Items	Total reditable amounts	Cı	emaining reditable mounts	Expiry Year
Statute for Upgrading	Personnel training	\$ 48,659	\$		2004
Industries		29,448		29,448	2005
		27,358		27,358	2006
		26,962		26,962	2007
		\$ 132,427	\$	83,768	
Statute for Upgrading Industries	Investments in important technology-based enterprises	\$ 38,036	\$	38,036	2005

As of December 31, 2004, the net operating loss carryforwards were generated from WaferTech, TSMC Development, TSMC Technology and GUC and will expire at various dates through 2024.

g. The sales generated from the following expansion and construction of TSMC s manufacturing plants are exempt from income tax:

	Tax-Exemption
	Periods
Construction of Fab 6	2001 to 2004
Construction of Fab 8 - module B	2002 to 2005
Expansion of Fab 2 - modules A and B, Fab 3 and Fab 4, Fab 5 and Fab 6	2003 to 2006
Construction of Fab 12	2004 to 2007

The tax authorities have examined income tax returns of TSMC through 2000. However, TSMC is contesting the assessment of the tax authority for 1992 and 1998. TSMC believes that any additional assessment will not have a material adverse effect on TSMC.

### 16. LABOR COST, DEPRECIATION AND AMORTIZATION EXPENSE

	Classified			
		as		
	Classified			
	as	Operating		
	Cost of	•		
	Sales	<b>Expenses</b>	Total	
Labor cost				
Salary	\$ 10,730,104	\$ 6,018,288	\$ 16,748,392	
Labor and health insurance	572,829	328,637	901,466	
Pension	472,918	277,870	750,788	
Other	431,082	537,129	968,211	

For the Year Ended December 31, 2004

	\$12,206,933	\$ 7,161,924	\$ 19,368,857
Depreciation	\$61,705,023	\$ 2,598,009	\$ 64,303,032
Amortization	\$ 2,496,897	\$ 3,111,875	\$ 5,608,772

### 17. SHAREHOLDERS EQUITY

TSMC has issued a total of 668,351 thousand ADSs which are traded on the NYSE as of December 31, 2004. The number of common shares represented by the ADSs is 3,341,754 thousand shares (one ADS represents five common shares).

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Capital surplus can only be used to offset a deficit under the Company Law of the R.O.C. However, the capital surplus generated from donations and the excess of the issue price over the par value of capital stock (including the stock issued for new capital, mergers, convertible bonds and the surplus arising from treasury stock transactions) may be appropriated as stock dividends restricted to a certain percentage based on shareholders ownership.

As of December 31, 2004, the capital surplus consisted of the following:

	2004
From merger	\$ 24,003,546
Additional paid-in capital	23,051,675
From long-term investments	121,354
From convertible bonds	9,360,424
Donations	55
Treasury stock	205

Total \$56,537,259

TSMC s Articles of Incorporation, as revised on December 21, 2004, provide that the following shall be appropriated from annual earnings to the extent that the annual earnings exceed any cumulative deficit:

- a. 10% legal reserve; until the amount of total legal reserve equals the TSMC s paid-in capital;
- b. Special reserve in accordance with relevant laws or regulations;
- c. Remuneration to directors and supervisors and bonuses to employees at 0.3% and at least 1% of the remainder, respectively. Individuals eligible for the employee bonuses may include employees of affiliated companies as approved by the board of directors or a representative of the board of directors;
- d. The appropriation of any remaining balance shall be approved by the shareholders.

Dividends may be distributed by way of cash dividend or stock dividend at the discretion of TSMC. As the operation of TSMC is at a steady growth stage, distribution of profits shall be made preferably by way of cash dividend. Distribution of profits may also be made by way of stock dividend; provided however, the ratio for stock dividend shall not exceed 50% of total distribution.

Any appropriations of net income are recorded in the financial statements in the year of shareholder approval.

An appropriation for legal reserve is required until the reserve equals the aggregate par value of TSMC s issued capital stock. The reserve can only be used to offset a deficit or be distributed as a stock dividend up to 50% of the reserve balance when the reserve balance has reached 50% of the aggregate par value of the issued capital stock of TSMC.

A special reserve equivalent to the net debit balance of the other components of shareholder s equity (for example, unrealized loss on long-term investments and cumulative translation adjustments, but excluding treasury stock), shall be made from unappropriated earnings pursuant to existing regulations promulgated by the R.O.C. Securities and Futures Bureau (SFB). Any special reserve appropriated may be reversed to the extent that the net debit balance of the related account reverses.

The appropriation of the earnings of 2003 was approved in the shareholders meeting on May 11, 2004. The appropriations and dividend per share are as follows:

	Appropriation of Earnings	Dividend Per Share (NT\$)
Legal reserve	\$ 4,725,870	(1124)
Special reserve	(68,945)	
Bonus paid to employees in cash	681,628	
Bonus paid to employees in stock	2,726,514	
Preferred stock dividend in cash	184,493	\$ 0.35
Common stock dividend in cash	12,159,971	0.60
Common stock dividend in stock	28,373,267	1.41
Remuneration to directors and supervisors in cash	127,805	

\$ 48,910,603

The amount of the above appropriation of earnings for 2003 is consistent with the resolution of the meeting of board of directors on February 17, 2004. However, the Company Law of the R.O.C. states TSMC, as a holder of treasury stock shall not participate in the appropriations of earnings. Therefore, the actual cash dividend per share and stock dividend per share are slightly more than those in the aforementioned resolution. If the above employee bonus paid in stock had been paid in cash and all of the bonus to employees and remuneration to directors and supervisors had been charged against income for 2003, the after income tax basic earnings per share for the year ended December 31, 2003 would have decreased from NT\$2.33 to NT\$2.15. The shares distributed as a bonus to employees represented 1.35% of TSMC s total outstanding common shares as of December 31, 2003.

As of January 13, 2005, the board of directors of TSMC has not resolved the appropriation for earnings of 2004.

The above information about the appropriations of bonus to employees and remuneration to directors and supervisors is available at Market Observation System website.

Under the Integrated Income Tax System that became effective on January 1, 1998, the R.O.C. resident shareholders are allowed a tax credit for their proportionate share of the income tax paid by TSMC on earnings generated since January 1, 1998.

#### 18. STOCK-BASED COMPENSATION PLANS

### **Stock Option Plans**

TSMC s Employee Stock Option Plans, the TSMC 2003 Plan and the TSMC 2002 Plan, were approved on October 29, 2003 and June 25, 2002, respectively. The maximum number of units authorized to be granted under the TSMC 2003 Plan and the TSMC 2002 Plan is 120,000 thousand and 100,000 thousand, respectively, with each unit representing one common share of stock. The option rights may be granted to qualified employees of TSMC or any of its domestic or foreign subsidiaries, in which TSMC s shareholding with voting rights, directly or indirectly, is more than fifty percent (50%). The option rights of both plans are valid for ten years and exercisable at certain percentages subsequent to the second anniversary of the grant date. Under the terms of the plans, stock

option rights are granted at an exercise price equal to the closing price of TSMC s common shares listed on the TSE on the date of grant. Under the TSMC 2003 Plan and the TSMC 2002 Plan, units that were never granted, or had been granted and subsequently cancelled were expired as of December 31, 2004.

GUC s Employee Stock Option Plans, the GUC 2003 Plan and the GUC 2002 Plan, were approved on January 23, 2003 and July 1, 2002, respectively. The maximum number of units authorized to be granted under the GUC 2003 Plan and the GUC 2002 Plan is 7,535 units and 5,000 units, respectively, with each unit representing one thousand common shares of stock. The option rights may be granted to qualified employees of GUC. The option rights of both plans are valid for six years and exercisable at certain percentages subsequent to the second anniversary of the grant date. Under the GUC 2002 Plan and the GUC 2003 Plan, units that were never granted, or had been granted and subsequently cancelled were expired as of December 31, 2004.

On August 16, 2004, GUC s 2004 stock option plan (the GUC 2004 Plan) was approved by the Bureau of Monetary Affairs, Financial Supervisory Commission of the R.O.C. The maximum number of units authorized to be granted is 2,500 units, with each unit representing one thousand common shares of stock. The option rights may be granted to qualified employees of GUC and its subsidiary. The option rights of GUC 2004 plan are valid for six years and exercisable at certain percentages subsequent to the second anniversary of the grant date. As of December 31, 2004, no option rights under the GUC 2004 Plan have been granted.

On November 2, 2004, the board of directors of TSMC approved the 2004 stock option plan ( the TSMC 2004 Plan), in which the maximum number of units authorized to be granted is 11,000 thousand, with each unit representing one common share of stock. The option rights may be granted to qualified employees of TSMC or any of its domestic or foreign subsidiaries, in which TSMC s shareholding with voting rights, directly or indirectly, is more than fifty percent (50%). The option rights of the plans are valid for ten years and exercisable at certain percentages subsequent to the second anniversary of the grant date. Under the terms of the plan, stock option rights are granted at an exercise price equal to the closing price of TSMC s common shares listed on the TSE on the date of grant. The TSMC 2004 plan was approved by the Bureau of Monetary Affairs, Financial Supervisory Commission of the R.O.C. on January 6, 2005.

Information on TSMC s outstanding stock options for the year ended December 31, 2004 is as follows:

	TSMC 2003 Plan		TSMC 2	002 Plan
	Number		Number	
	of	Weighted-	of	Weighted-
	Outstanding	Average	Outstanding	Average
	Stock		Stock	
	Option	Exercise	Option	Exercise
	Rights	Price	Rights	Prices
	(in		(in	
	Thousands)	(NT\$)	Thousands)	(NT\$)
Beginning outstanding balance	842	57.8	48,515	42.7
Options granted	13,199	49.9	7,201	42.6
Options exercised			(87)	41.8
Options cancelled	(1,404)	50.9	(3,899)	44.2
Ending outstanding balance	12,637		51,730	

The number of outstanding option rights and exercise prices have been adjusted to reflect the appropriations of dividends in accordance with the above plans.

Information on GUC s outstanding stock options for the year ended December 31, 2004 is as follows:

	GUC 2003 Plan		GUC 20	002 Plan	
		Weighted-	Weighted-		
	Number		Number		
	of	Average	of	Average	
	Outstanding	Exercise	Outstanding	Exercise	
	Stock		Stock		
	Option	Price	Option	<b>Prices</b>	
	Rights	(NT\$)	Rights	(NT\$)	
Beginning outstanding balance	2,058	10.5	5,000	10.5	
Options granted	831	10.5			
Ending outstanding balance	2,889		5,000		

As of December 31, 2004, information on outstanding and exercisable option rights is as follows:

		Options Outstand Weighted-		ding	ï	Options <b>E</b>	Exercisable
		Number				Number	
		of	Average	We	ighted-	of	Weighted-
	Range of	Outstanding	g Remaining	Av	erage	Exercisable	Average
		<b>Options</b>				<b>Options</b>	
	Exercise	(in	Contractual	Ex	ercise	(in	Exercise
			Life	I	Price		Price
	Price (NT\$)	Thousands)	(Years)	()	NT\$)	Thousands)	(NT\$)
TSMC 2003 Plan	\$ 43.8-\$57.8	12,637	9.34	\$	50.3		\$
TSMC 2002 Plan	\$ 32.8-\$46.2	51,730	8.09		42.6	10,307	41.7
		64,367	8.33		44.1	10,307	41.7

		<b>Options Outstanding</b>		<b>Options Exercisal</b>			
				Weighted-		Weighted-	
		Number			Number	r	
	Range of	of	Remaining	Average	of	Average	
	Exercise (	Exercise Outstanding Contractual		Exercise Exercisal		le Exercise	
	Price		Life	Price		Price	
	(NT\$)	<b>Options</b>	(Years)	(NT\$)	<b>Options</b>	(NT\$)	
GUC 2003 Plan	10.5	2,889	4.17-5.42	10.5			
GUC 2002 Plan	10.5	5,000	3.58-4.17	10.5	4,238	10.5	
		7,889	3.58-5.42	10.5	4,238	10.5	

The compensation cost recognized by the Company for the year ended December 31, 2004 was zero. Had the Company used the fair value based method to evaluate the options granted, the method, assumptions and proforma results of the Company for the year ended December 31, 2004 would have been as follows:

	Black-Scholes
Method:	Model
Assumptions:	
Expected dividend yield	0%-1.00%
Expected volatility	38.74%-46.15%
Risk free interest rate	2.56%-3.85%
Expected life	5-6 years
Net income:	
Net income as reported	\$ 92,316,115
Pro forma net income	92,256,103
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		NT\$
Earnings per share (EPS)	after income tax:	
Basic EPS as reported		3.97
Pro forma basic EPS		3.97
Diluted EPS as reported		3.97
Pro forma diluted EPS		3.97

The estimated weighted average fair value for the options granted of TSMC and GUC during the year ended December 31, 2004 was NT\$19.73 and NT\$4.42 per option, respectively.

In 1996, WaferTech adopted an Executive Incentive Plan, which was amended in 1997. According to the 1997 amendment, the Board of Directors of WaferTech approved the Senior Executive Incentive Plan and the Employee Incentive Plan (the WaferTech Plans) under which officers, key employees and non-employee directors may be granted stock option rights. The WaferTech Plans provide for 15,150 thousand option rights available for grant. For option rights granted to date, the option purchase price was equal to or exceeded the fair market value at the date of grant. The options will expire if not exercised at specified dates ranging from May 2006 and June 2011. In December 2000, WaferTech implemented a Stock Option Buyback Program (Buyback). The Buyback program provides employees with the right to sell back to WaferTech all vested stock options and outstanding ownership interests granted under the WaferTech Plans. As of December 31, 2004, the outstanding and exercisable stock options were 134 thousand and 133 thousand, respectively, and US\$616 thousand was accrued in connection with the Buyback program.

#### **Stock Appreciation Rights**

In December 2000, WaferTech and TSMC North America implemented a stock appreciation rights program (Appreciation). The Appreciation plan is designed to provide employees with a long-term incentive plan that tracks the appreciation of TSMC common stock through Stock Appreciation Rights (SARs). SARs provide each participant the right to receive, upon exercise, an amount in cash from WaferTech and TSMC North America that is the excess of the market price of TSMC common stock on TSE on the date of exercise over the exercise price. As of December 31, 2004, WaferTech and TSMC North America accrued US\$381 thousand and US\$1,360 thousand, respectively, in connection with the Appreciation. During 2002, benefits under the Appreciation plan for TSMC North America were replaced by the TSMC stock option plans aforementioned.

#### 19. TREASURY STOCK (COMMON STOCK)

			(Shares in T	Thousand)
	Beginning	Increase/		<b>Ending</b>
Year ended December 31, 2004	Shares	Dividend	<b>Decrease</b>	<b>Shares</b>
Reclassification of parent company stock held by subsidiaries				
from long-term investments	40,597	5,676	752	45,521
Repurchase under share buyback plan		124,720	124,720	
	40,597	130,396	125,472	45,521

Proceeds from the sale of treasury stock for the year ended December 31, 2004 were NT\$39,906 thousand. TSMC s capital stock held by a subsidiary as an investment is recorded as treasury stock, with the holder having the same rights as other common shareholders. As of December 31, 2004, the book value of the treasury stock was

NT\$1,595,186 thousand; the market value was NT\$2,241,009 thousand.

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TSMC held a special meeting of the board of directors and approved a share buyback plan to repurchase TSMC s common shares listed on the TSE during the period from March 24, 2004 to May 23, 2004. TSMC repurchased 124,720 thousand common shares for a total of NT\$7,059,798 thousand. All the treasury stock repurchased under the buyback plan was retired on August 16, 2004.

#### 20. EARNINGS PER SHARE

EPS for the year ended December 31, 2004 is computed as follows:

	Amounts (Numerator)			EPS (NT\$)		
	Income Before		Number	Income Before		
	Income		of	Income Tax		
	Tax and Minority Interest	Combined Net Income	Shares (Denominator) (Thousand)	and Minority Interest	Net Income	
Basic EPS Income available to common shareholders	\$ 92,019,242	\$ 92,316,115	23,248,682	\$ 3.96	\$ 3.97	
Effect of diluted securities stock options			6,404			
Diluted earnings per share Income available to common shareholders	\$ 92,019,242	\$ 92,316,115	23,255,086	\$ 3.96	\$ 3.97	

#### 21. RELATED PARTY TRANSACTIONS

Except as disclosed elsewhere in the combined financial statements, the following is a summary of significant related party transactions:

- a. Industrial Technology Research Institute (ITRI), the Chairman of TSMC is one of its directors
- b. Philips, a major shareholder of TSMC
- c. Investees of TSMC

VIS SSMC

d. Omnivision International Holding, Ltd. (Omnivision), a shareholder holding a 25% ownership in VisEra

e. Huawei Semiconductor (Shanghai) Co., Ltd. (Huawei), the president of which is the president of VisEra

For the year ended Sales		2004 Amount	%
Philips and its affiliates Omnivision Other	\$	5,463,565 1,969,396 87,453	2
	\$	7,520,414	3
Purchase VIS SSMC Huawei	\$	9,169,602 5,869,123 195,965	21 13
	\$ :	15,234,690	34
Manufacturing expenses technical assistance fees Philips (see Note 23a)	\$	907,047	1
Proceeds from disposal of property, plant and equipment VIS	\$	33,974	2
Non-operating income and gains SSMC (primarily technical service income; see Note 23e) VIS (primarily technical service income; see Note 23j)	\$	364,505 117,760	6 2
	\$	482,265	8
At end of the year Receivables Philips and its affiliates Omnivision ITRI	\$	581,487 479,877 16,454	54 44 2
	\$	1,077,818	100
Other Receivables SSMC VIS	\$	63,701 47,599	57 43
	\$	111,300	100
Payables VIS Philips and its affiliates SSMC Huawei	\$	1,533,938 469,494 207,794 30,522	69 21 9 1

		\$ 2,241,748	100
Other long-term payables Philips and its affiliates		\$ 2,317,972	100
	-27-		

The terms of sales to related parties are not significantly different from those to third parties. For other related parties transactions, since there are no other similar transactions to follow, the prices are determined in accordance with the related contractual agreements.

#### 22. SIGNIFICANT LONG-TERM OPERATING LEASES

TSMC leases land from the SPA. These agreements expire on various dates from March 2008 to December 2020. The agreements can be renewed upon their expiration.

TSMC North America leases its office premises and certain equipment under non-cancelable operating agreements. TSMC - Europe and TSMC Japan entered into lease agreements for their office premises. The leases will expire between 2005 and 2010. The agreements can be renewed upon their expiration.

GUC leases land from the SPA. The agreement will expire in December 2021. The agreement can be renewed upon their expiration.

As of December 31, 2004 future remaining lease payments are as follows:

Year	Amount
2005	\$ 356,284
2006	355,013
2007	342,773
2008	327,588
2009	324,559
2010 and thereafter	1,537,325

\$ 3,243,542

#### 23. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

The significant commitments and contingencies of the Company as of December 31, 2004 are as follows:

- a. On June 20, 2004, TSMC and Philips revised the Technical Cooperation Agreement, which was originally signed on May 12, 1997, with an effective date from January 1, 2004 for five years. Upon expiration, this amended Technical Cooperation Agreement will be terminated at the expiration date and will not be automatically renewed. Under this amended Technical Cooperation Agreement, TSMC will pay Philips royalties based on fixed amounts mutually agreed-on, rather than under certain percentage of TSMC s annual net sales. TSMC and Philips also agree to cross license the patents owned by each party. TSMC also obtained through Philips a number of patent cross licenses.
- b. Under a technical cooperation agreement with ITRI, TSMC shall reserve and allocate up to 35% of certain of its production capacity for use by the Ministry of Economic Affairs (MOEA) or any other party designated by the MOEA.
- c. Under several foundry agreements, TSMC shall reserve a portion of its production capacity for certain major customers that have guarantee deposits with TSMC. As of December 31, 2004, TSMC had a total of US\$12,802 thousand of guarantee deposits.

- d. Under a Shareholders Agreement entered into with Philips and EDB Investments Pte Ltd. on March 30, 1999, the parties formed a joint venture company, SSMC, for the purpose of constructing an integrated circuit foundry in Singapore. As of December 31, 2004, TSMC s equity interest in SSMC was 32%. TSMC and Philips committed to buy specific percentages of the production capacity of SSMC. If any party defaults on the commitment and the capacity utilization of SSMC falls below a specific percentage of its total capacity, the defaulting party is required to compensate SSMC for all related unavoidable costs.
- e. TSMC provides technical services to SSMC under a Technical Cooperation Agreement (the Agreement) entered into on May 12, 1999. TSMC receives compensation for such services computed at a specific percentage of net selling price of certain products sold by SSMC. The Agreement shall remain in force for ten years and may be automatically renewed for successive periods of five years each unless pre-terminated by either party under certain conditions.
- f. Under a Technology Transfer Agreement (TTA) with National Semiconductor Corporation (National) entered into on June 27, 2000, TSMC shall receive payments for the licensing of certain technology to National. The agreement was to remain in force for ten years and could be automatically renewed for successive periods of two years thereafter unless either party gives notice for early termination under certain conditions. In January 2003, TSMC and National entered into a Termination Agreement whereby the TTA was terminated for convenience. Under the Termination Agreement, TSMC will be relieved of any further obligation to transfer any additional technology. In addition, TSMC granted National an option to request the transfer of certain technologies under the same terms and conditions as the terminated TTA. The option will expire in January 2008.
- g. Beginning in 2001, TSMC entered into several licensing arrangements for certain semiconductor patents. The terms of the contracts range from five to ten years with payments to be made in the form of royalties over the term of the related contracts. TSMC has recorded the related amounts as a liability with the corresponding amounts recorded as deferred charges which are amortized and charged to cost of sales on a straight-line basis over the estimated life of the technology or the term of the contract, whichever is shorter.
- h. In November 2002, TSMC entered into an Amended and Restated Joint Technology Cooperation Agreement with Philips, Motorola, Inc. and STMicroelectronics to jointly develop 90-nm to 65-nm advanced CMOS Logic and e-DRAM technologies. TSMC also agreed to align 0.12 micron CMOS Logic technology to enhance its foundry business opportunities. TSMC will contribute process technologies and share a portion of the costs associated with this joint development project.
- i. In December 2003, TSMC entered into a Technology Development and License Agreement with Motorola, Inc. to jointly develop 65-nm SOI (silicon on insulator) technology. TSMC will also license related 90-nm SOI technology from Motorola, Inc. Any intellectual properties arising out of the co-development project shall be jointly owned by the parties. In accordance with the agreement, TSMC will pay royalties to Motorola, Inc. and will share a portion of the costs associated with the joint development project.
- j. TSMC provides a technology transfer to VIS under a Manufacturing License and Technology Transfer Agreement entered into in August 2004. TSMC receives compensation for such technology transfer in the form of royalty payments from VIS computed at specific percentages of net selling price of certain products sold by VIS. VIS agreed to reserve its certain capacity to manufacture for TSMC certain products at prior as agreed by the parties.
- k. Under an agreement signed with a certain company, TSMC Shanghai has the obligation to purchase certain assets within a specified period at the price agreed upon by both parties. TSMC Shanghai will compensate the

other party in case of a breach of the agreement.

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- 1. GUC entered into a research and development project (DSP core) with the SPA. In accordance with the contract, the SPA provided a NT\$13,522 thousand grant (DSP grants) to GUC during the period of January 2000 to June 2001 for the development of new products. GUC should repay the loan after the accomplishment of the project. In addition, GUC should also pay the SPA a 2% royalty fee based on the sales of the developed products every three months for the subsequent three years, starting from the first date of the product sale. The total royalty should not exceed 60% of the DSP grants.
- m. GUC entered into a research and development project (Platform Development for System-On-a-Chip Integration, Verification and Testing) with the SPA. In accordance with the contract, the SPA provided a NT\$13,923 thousand grant (SOC grants) to GUC during the period of April 2001 to September 2002 for the development of new products. GUC should repay the loan after the accomplishment of the project. In addition, GUC should also pay the SPA a 2% royalty fee based on the sales of the developed products every three months for the subsequent three years, starting from the first date of the product sale. The total royalty should not exceed the 60% of the SOC grants.
- n. Amounts available under unused letters of credit as of December 31, 2004 were NT\$6,480 thousand, US\$1,282 thousand and SG\$85 thousand. Among the unused letters of credit, TSMC North America has an outstanding irrevocable standby letter of credit for US\$1,078 thousand. The standby letter of credit was entered into as security to the landlord of TSMC North America's office spaces in San Jose, California. The standby letter of credit will expire in October, 2005.
- o. The Company filed a series of lawsuits in late 2003 and 2004 in both state and federal courts in California and with the U.S. International Trade Commission against Semiconductor Manufacturing International Corporation (SMIC), SMIC (Shanghai), and SMIC Americas. The lawsuits alleged that SMIC companies infringed multiple patents of the Company and misappropriated the Company s trade secrets. These suits have been settled out of court on January 30, 2005. As part of the agreement, SMIC will pay TSMC US\$175 million over six years to resolve the Company s patent infringement and trade secret claims.

#### 24. ADDITIONAL DISCLOSURES

Following are the additional disclosures required by the SFB for the Company and its investees:

- a. Financing provided: Please see Table 1 attached;
- b. Endorsement/guarantee provided: Please see Table 2 attached;
- c. Marketable securities held: Please see Table 3 attached;
- d. Marketable securities acquired and disposed of at costs or prices of at least NT\$100 million or 20% of the paid-in capital: Please see Table 4 attached;
- e. Acquisition of individual real estate properties at costs of at least NT\$100 million or 20% of the paid-in capital: Please see Table 5 attached;
- f. Disposal of individual real estate properties at prices of at least NT\$100 million or 20% of the paid-in capital: None;
- g. Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the capital: Please see Table 6 attached:

h. Receivable from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Please see Table 7 attached;

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- i. Names, locations, and related information of investees of which the Company exercises significant influence: Please see Table 8 attached;
- j. Financial instrument transactions:
  - 1) Derivative financial instruments

The Company entered into derivative financial instrument transactions for the year ended December 31, 2004 to manage exposures related to foreign exchange rate and interest rate fluctuations. Certain information on these contracts is as follows:

a) Outstanding forward exchange contracts as of December 31, 2004 are as follows:

			Co	ntract
Financial			Aı	nount
Instruments	Currency	<b>Maturity Date</b>	(in Th	nousands)
		January 2005 to		
Sell	US\$/NT\$	March 2005	US\$	733,000
Sell	US\$/EUR	January 2005	US\$	159,081

As of December 31, 2004, receivables from forward exchange contracts (included in the other financial assets account) aggregate to approximately NT\$392,534 thousand; payables from forward exchange contracts (included in the other current liabilities account) aggregate to approximately NT\$559 thousand.

#### b) Cross currency swaps

Outstanding cross currency swap contracts as of December 31, 2004 are as follows:

			Range of
	<b>Contract Amount</b>	Range of	<b>Interest Rate</b>
Maturity Date	(in Thousands)	<b>Interest Rate Paid</b>	Received
January 2005 to June 2005	US\$1,420,000	1.28%-2.72%	0.49%-1.17%

As of December 31, 2004, receivables from the cross currency swap contracts (included in the other financial assets account) were approximately NT\$761,030 thousand.

Net exchange gain or loss arising from forward exchange contracts and cross currency swap contracts was recognized in the foreign exchange loss, net account and the difference in interest was recorded in interest income or expense.

#### c) Interest rate swaps

Outstanding contracts as of December 31, 2004 were as follows:

		Contract
Contract Date	Period	Amount
September 2003	September 2003 to December 2005	\$ 500,000
October 2003	October 2003 to December 2005	500,000

October 2003	October 2003 to December 2005	500,000
October 2003	October 2003 to December 2005	500,000
October 2003	October 2003 to December 2005	500,000
November 2003	November 2003 to December 2005	500,000

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#### d) Transaction risk

- i) Credit risk. Credit risk represents the positive net settlement amount of those contracts with positive fair values at the balance sheet date. The positive net settlement amount represents the loss incurred by the Company if the counter-parties breached the contracts. The banks, which are the counter-parties to the foregoing derivative financial instruments, are reputable financial institutions. Management believes its exposure related to the potential default by those counter-parties is low.
- ii) Market price risk. All derivative financial instruments are intended as hedges for fluctuations in foreign exchange rates and interest rates. Gains or losses from these hedging instruments are likely to be offset by gains or losses from the hedged items. Interest rate risks are also controlled as the expected cost of capital is fixed. Thus, market price risks are believed to be low.
- iii) Cash flow risk and the amount and period of future cash needs.

As of December 31, 2004, the Company s future cash needs for outstanding forward exchange contracts and cross currency swap contracts are as follows:

	Inflow	Outflow
Term	(In Thousands)	(In Thousands)
Within one year	\$ 69,761,484	US\$ 2,312,081
	EUR 118,500	

The Company has sufficient operating capital to meet the above cash needs. In addition, there will be corresponding cash inflow for the cash outflow. Therefore, the cash flow risk is low.

#### 2) Fair values of financial instruments were as follows:

	20	04
	Carrying	T . T .
	Amount	Fair Value
Non-derivative financial instruments		
Assets		
Short-term investments, net	\$ 54,303,642	\$ 55,186,236
Long-term investments (securities with market price)	31,165,721	34,265,072
Liabilities		
Bonds payable (including current portion)	30,000,000	30,607,341
<u>Derivative financial instruments</u>		
Forward exchange contracts (sell)	391,975	317,090
Cross currency swap contracts	761,030	760,012
Interest rate swap contracts	4,361	(22,714)

The above financial instruments do not include cash and cash equivalents, receivables, other financial assets, payables, and payable to contractors and equipment suppliers. The carrying amounts of the aforementioned instruments reported in the balance sheet approximate their fair values.

The above financial instruments also exclude refundable deposits, guarantee deposits, long-term investments that do not have quoted market prices as well as other long-term payables. The future cash inflow and outflow of the deposits approximate their fair values. Some of long-term investments do not have quoted market prices; therefore, fair values for those long-term investments are not shown above. The fair value of other long-term payables is determined using the discounted value of expected cash flows, which approximates the carrying value.

Fair values of financial instruments were determined as follows:

- a) Fair value of short-term and publicly traded long-term investments is based on quoted market prices.
- b) The fair value of bonds payable is the quoted market value.
- c) Fair value of derivative financial instruments is the amount receivable from or payable to the counter-party if the contracts were terminated on the balance sheet date.

#### k. Information on investment in Mainland China

- 1) The name of the investee company in mainland China, the main businesses and products, its issued capital, method of investment, information on inflow or outflow of capital, ratio of ownership, equity in the net gain or net loss, ending balance, amount received as earnings distributions from the investment, and the limitation on investment: Please see Table 9 attached.
- 2) Significant direct or indirect transactions with the investee company, its prices and terms of payment, unrealized gain or loss, and other related information which is helpful to understand the impact of investment in mainland China on financial reports: Please see Note 21.

#### 25. SEGMENT FINANCIAL INFORMATION

a. Geographic information for the year ended December 31, 2004:

			Adjustments and	
Sales to unaffiliated customers Transfers between geographic areas	Overseas \$ 142,650,532 16,808,395	<b>Taiwan</b> \$ 116,960,703 142,005,640	<b>Elimination</b> \$ (158,814,035)	<b>Combined</b> \$ 259,611,235
Total sales	\$ 159,458,927	\$ 258,966,343	\$ (158,814,035)	\$ 259,611,235
Gross profit	\$ 6,173,780	\$110,588,670	\$ (526,331)	\$116,236,119
Operating expenses Non-operating income and gains Non-operating expenses and losses				(27,648,783) 6,044,014 (2,612,108)
Income before income tax and minority interest				\$ 92,019,242
Minority interest in income of affiliates				\$ 55,580

(Continued)

			Adjustments and	
Identifiable assets	<b>Overseas</b> \$ 89,451,648	<b>Taiwan</b> \$ 417,993,101	<b>Elimination</b> \$ (44,418,225)	<b>Combined</b> \$ 463,026,524
identifiable assets	\$ 69,431,046	\$417,995,101	\$ (44,418,223)	\$ 403,020,324
Long-term investments				37,651,107
Total assets				\$ 500,677,631

#### b. Gross export sales

The export sales information is determined based on billed regions. Gross export sales for the year ended December 31, 2004 were NT\$95,066,154 thousand. There were no export sales to a region that accounted for more than 10% of the Company s total sales.

#### c. Major customer

The Company has no customer that accounts for more than 10% of its total sales in 2004.

#### TABLE 1

#### TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LTD. AND AFFILIATES

# FINANCING PROVIDED FOR THE YEAR ENDED DECEMBER 31, 2004 (Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

			Maximum Balance for the	Ending	7	Гуре	Reason <b>&amp;</b> l	lowance	Financing Limit for	Co Fi
cing		Financial Statement	Period (US\$ in	Balance (US\$ in	Inter <b>Ešt</b> i	of	for c <b>Sho</b> rt-term	for BadColla	Each teral Borrowing	g (
ne	<b>Counter-party</b>	Account	Thousand)	Thousand)	Rate	1)mou	n <b>t</b> Sinancing	DebtItem	ValueCompany	Th
al	TSMC Development	Other receivables	\$1,915,020 (US\$60,000)	\$1,915,020 (US\$60,000)	1.50%	2 \$	Operating capital	\$	\$ N/A	\$31 (US
	TSMC Technology	Other receivables	319,170 (US\$10,000)							
C ers	TSMC Development	Other receivables	2,553,360 (US\$80,000)	2,553,360 (US\$80,000)	1.50%	2	Operating capital		N/A	(

Note 1: The No. 2 represents necessary for short-term financing.

Note 2: Not exceeding the issued capital of the Company.

Note 3: Generally not exceeding the issued capital of the Company, unless approved by all members of the board.

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#### TABLE 2

Ratio

#### TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LTD. AND AFFILIATES

ENDORSEMENT/GUARANTEE PROVIDED FOR THE YEAR ENDED DECEMBER 31, 2004 (Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

							A	of Accumulate Amount	d
		Counter-part	.y	Limits on Each	Maximum			lue of fCollateral to Net	Maximum
		Na	atuı	re				Equity	
	Endorsement/		of	Counter-party's	Balance				iteral/Guara Amounts
	Guarantee		tion Not	nship Endorsement/ e	for the Year	Ending Balance	e Pla an		Allowable
0.	Provider	Name	2)	<b>Guarantee Amounts</b>	(US\$ in Thousand)	(US\$ in Thousand	d)uip	<b>State</b> ment	(Note 1)
0	The Company	TSMC Development		Not exceed 10% of the net worth of the Company, and also limiting to the total capital issued of the endorsement/guarantee company, unless otherwise approved by Board of Directors.	\$1,915,020 (US\$ 60,000)	\$1,915,020 (US\$ 60,000)	\$	0.48% \$	\$99,741,325
		TSMC North America WaferTech	2	Board of Directors.	1,276,680 (US\$ 40,000) 14,043,480 (US\$ 440,000)	1,276,680 (US\$ 40,000)		0.32%	

Note 1: 25% of the net worth of the Company as of December 31, 2004.

0

Note 2: The No. 2 represents a subsidiary in which the Company holds directly over 50% of the equity interest.

The No. 3 represents an investee in which the Company holds directly and indirectly over 50% of the equity interest.

#### TABLE 3

#### TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LTD. AND AFFILIATES

## MARKETABLE SECURITIES HELD DECEMBER 31, 2004

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

#### **December 31, 2004**

				Carrying Value	31 <b>, 2</b> 0	Market Value or Net Asset Value
	ī	Relationship			ercent	
	ı	-	StatemenShares/Unit		of	(US\$ in
		the	(In Thousands			
any Name	Marketable Securities Type and Na		count of)		wners	hip Thousand)
y	Government bonds		,	,		,
•	2003 Government Bond Series A	Short-tern investmen		\$ 1,207,409	N/A	\$ 1,202,028
	United States Treas NTS	Short-tern investmen	n	US\$ 192,357	N/A	US\$ 191,824
	2003 Government Bond Series I	Long-term investmen	1	3,397,081	N/A	3,393,982
	2004 Government Bond Series A	Long-term investmen	1	2,349,573	N/A	2,352,973
	2004 Government Bond Series E	Long-term investmen	1	3,893,827	N/A	3,892,025
	2004 Kaohsiung Municipal Bond Series A	Long-term investmen	1	620,000	N/A	620,000
	Bonds under repurchase agreement	Short-tern investmen		249,449	N/A	251,593
	Bond funds					
	JF Taiwan Bond Fund	Short-tern investmen	,	1,153,209	N/A	1,169,406
	ABN AMRO Bond Fund	Short-tern investmen	,	1,956,175	N/A	1,978,785
	JF Taiwan First Bond Fund	Short-tern investmen	n 84,886	1,151,463	N/A	1,162,632
	INVESCO R.O.C. Bond A Fund	Short-tern investmen	n 76,705	1,101,911	N/A	1,111,932
	Dresdner Bond DAM Fund	Short-tern investmen	n 80,833	900,000	N/A	910,904
	Barits Bond Fund	Short-tern investmen	n 76,640	900,000	N/A	907,765
	Shinkong Chi Shin Bond Fund	mvestmen	151,594	2,100,000	N/A	2,115,554

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ABN AMRO Select Bond Fund  NITC Bond Fund  HSBC NTD Money Management Fur	Short-term investment Short-term investment Short-term investment ad Short-term investment investment	18,235 3,764 41,568	200,000 600,000 600,000	N/A N/A N/A	201,183 602,703 601,958
Stock Trian Mark C	G!	1 707	6.520		27.552
Taiwan Mask Corp.	Short-term investment	1,787	6,528		27,552
TSMC International	Subsidi <b>lio</b> ng-term investment	987,968	23,778,997	100	23,778,997
VIS	Investeeng-term investment	409,532	5,401,982	28	8,493,692
TSMC Partners	Subsidi <b>lio</b> ng-term investment	300	3,908,356	100	3,908,356
SSMC	Invest@ong-term investment	382	3,290,888	32	3,290,888
TSMC North America	Subsidilaryng-term investment	11,000	502,242	100	1,179,352
GUC	Invest@mg-term investment	39,040	391,626	47	418,272
TSMC Japan	Subsidi <b>Lo</b> ng-term investment	6	102,572	100	102,572
VisEra	Investement	5,100	59,116	25	59,116
TSMC Europe	Subsidiluong-term investment		25,439	100	25,439
United Industrial Gases Co., Ltd.	Long-term investment	16,783	193,584	10	284,036
Shin-Etsu Handotai Taiwan Co., Ltd.	Long-term investment	10,500	105,000	7	170,940

(Continued)

## **December 31, 2004**

**Market Value** 

						rrying ⁄alue		1	or et Asset Value
	R	elationship					Percenta		
		withFina	ncial Staten	ne <b>St</b> hares/Unit	s (U	J <b>S\$ in</b>	of	(1	US\$ in
				(In					
		the		Thousands	}				
Company Name	Marketable Securities Type and Nan	Gompany	Account	of)	Tho			nipTh	ousand)
	W.K. Technology Fund IV	Long	-term	5,000	\$	50,000	0 2	\$	55,146
		inves	tment						
	Hontung Venture Capital Co., Ltd.	Long	-term	8,392		83,910	6 10		53,571
		inves	tment						
	Globaltop Partner I Venture Capital Con	rp. Long	-term	5,000		50,000	0 1		49,909
		inves	tment						
	Corporate bonds								
	Taiwan Power Company	Short	-term		2	,777,798	8 N/A		2,749,413
		inves	tment						
	Abbott Labs	Short	-term	Ţ	J <b>S</b> \$	2,732	2 N/A	US\$	2,709
		inves	tment						•
	Abbott Labs	Short	-term	Ţ	J <b>S</b> \$	1,58	1 N/A	US\$	1,587
		inves	tment			,			,
	Ace Ltd		-term	Ţ	J <b>S</b> \$	1,046	5 N/A	US\$	1,042
	- 100 - 110		tment		,	- , -		,	-,-
	AIG Sunamerica Global Fing IX	Short		Ţ	J <b>S</b> \$	1,032	2. N/A	US\$	1,028
	THO Duminion of Court 1 mg 112		tment	-	<b>50</b> 4	1,00	1	004	1,0-2
	Allstate Finl Global Fdg LLC	Short		I	J <b>S</b> \$	3,17	1 N/A	US\$	3,096
	Mistate I in Global I ag Elle		tment	`	<b>υ</b> φ	5,17	1 11/12	Ουψ	3,070
	American Express Co.	Short		т	J <b>S</b> \$	3,550	n N/A	US\$	3,503
	Afficican Express Co.		tment	`	<b>Ψ</b>	3,330	J 11/11	Ουψ	3,505
	American Gen Fin Corp.	Short		T	J <b>S</b> \$	1,768	ο NI/A	US\$	1,765
	American Gen Fin Corp.			•	) <b>9</b> \$	1,700	3 IN/A	OSÞ	1,703
	American Can Fin Cam Mtn		tment	т	τCΦ	2 120	O NT/A	TICO	2 007
	American Gen Fin Corp. Mtn		-term	·	J <b>S</b> \$	3,130	J N/A	US\$	3,087
	A : C F: C M		tment	τ.	ταφ	1.05	0 37/4	TIOO	1 0 4 2
	American Gen Fin Corp. Mtn		-term	·	J <b>S</b> \$	1,058	5 N/A	US\$	1,042
			tment	_					
	American Honda Fin Corp. Mtn		t-term	l	J <b>S</b> \$	3,800	) N/A	US\$	3,803
			tment						
	American Intl Group Inc. Mtnf		-term	Ţ	J <b>S</b> \$	3,795	5 N/A	US\$	3,795
			tment						
	Amgen Inc.	Short	t-term	Ţ	J <b>S</b> \$	3,005	5 N/A	US\$	2,991
		inves	tment						
	Amsouth Bk Birmingham Ala	Short	-term	Ţ	J <b>S</b> \$	1,972	2 N/A	US\$	1,978
		inves	tment						
	ANZ Cap Tr I	Short	-term	Ţ	JS\$	1,012	2 N/A	US\$	1,001
		inves	tment						

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Bank New York Inc.	Short-term	US\$	1,525	N/A	US\$	1,509
	investment					
Bank New York Inc.	Short-term	US\$	3,945	N/A	US\$	3,943
	investment					
Bank Scotland Treas Svcs PLC	Short-term	US\$	2,715	N/A	US\$	2,717
	investment					
Bank Utd Houston TX Mtbn	Short-term	US\$	580	N/A	US\$	574
	investment					
Bear Stearns Cos Inc.	Short-term	US\$	3,518	N/A	US\$	3,493
	investment					
Bear Stearns Cos Inc. Medium Te	Short-term	US\$	3,105	N/A	US\$	3,105
	investment					
Berkshire Hathaway Fin Corp.	Short-term	US\$	1,498	N/A	US\$	1,494
	investment					
Bristol Myers Squibb Co.	Short-term	US\$	3,819	N/A	US\$	3,788
-	investment					
British Telecommunications PLC	Short-term	US\$	2,104	N/A	US\$	2,091
	investment					
Cargill Inc.	Short-term	US\$	2,120	N/A	US\$	2,079
-	investment					
Chase Manhattan Corp. New	Short-term	US\$	1,628	N/A	US\$	1,613
-	investment					
Cit Group Hldgs Inc.	Short-term	US\$	3,203	N/A	US\$	3,195
-	investment					
Citigroup Inc.	Short-term	US\$	2,000	N/A	US\$	2,002
	investment		•			•
Citigroup Inc.	Short-term	US\$	1,033	N/A	US\$	1,033
	investment					
Citigroup Inc.	Short-term	US\$	3,583	N/A	US\$	3,523
	investment		,			,
Colonial Pipeline Co.	Short-term	US\$	1,625	N/A	US\$	1,612
•	investment		,			,
Compaq Computer Corp.	Short-term	US\$	3,719	N/A	US\$	3,593
	investment		,			,
Consolidated Edison Co. NY Inc.	Short-term	US\$	3,687	N/A	US\$	3,618
	investment		,			,
Corestates Cap Corp.	Short-term	US\$	1,062	N/A	US\$	1,060
	investment	·	,		•	,
Countrywide Fdg Corp. Mtn	Short-term	US\$	2,158	N/A	US\$	2,151
	investment		_,	,	4	_,
Countrywide Home Lns Inc.	Short-term	US\$	5,210	N/A	US\$	5,157
	investment	<b>υ</b> υ υ υ	2,210	- 1/11	υ <b>2</b> Ψ	2,127
	,			(Co	ntinued	)
				(00)		,

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#### **December 31, 2004**

Market Value or

Carrying **Net Asset** Value Value Relationship with Financial Staten States/Units in Percentage of (US\$ in (In **Thousands** d Company Name Marketable Securities Type and Namompany of) Thousand) Ownership Thousand) N Account Credit Suisse Fb USA Inc. US\$2,645 N/A US\$2,599 Short-term investment Credit Suisse First Boston US\$ 786 N/A US\$ 779 Short-term investment Credit Suisse First Boston USA US\$2,249 N/A US\$2,240 Short-term investment US\$ 997 N/A US\$ 999 Daimlerchrysler North Amer Short-term investment Daimlerchrysler North Amer Hld US\$ 749 N/A US\$ 755 Short-term investment Dell Computer Corp. Short-term US\$3,054 N/A US\$3,025 investment Den Danske BK Aktieselskab Short-term US\$2,192 N/A US\$2,166 investment Deutsche Telkom Intl Fin BV Short-term US\$1.852 N/A US\$1,838 investment US\$3,459 N/A Diageo PLC Short-term US\$3,477 investment Dow Chem Co. Short-term US\$ 921 N/A US\$ 911 investment European Invt Bk US\$8,315 N/A Short-term US\$8,236 investment Fifth Third Bk Cincinnati OH US\$2,419 N/A Short-term US\$2,466 investment First Data Corp. US\$3.013 N/A US\$2,986 Short-term investment First Un Corp. US\$ 970 N/A US\$ 965 Short-term investment Fleet Finl Group Inc. New US\$ 494 N/A US\$ 493 Short-term investment Fleet Finl Corp Inc. New US\$ 975 N/A US\$ 962 Short-term investment Ford Mtr Cr Co. US\$1.542 N/A Short-term US\$1,535 investment US\$1.001 N/A FPL Group Cap Inc. US\$ 990 Short-term investment US\$ 860 N/A US\$ 846 FPL Group Cap Inc. Short-term

investment

General Elec Cap Corp. Mtn	Short-term	US\$3,467	N/A	US\$3,455
General Elec Cap Corp. Mtn	investment Short-term	US\$1,040	NI/A	US\$1,040
General Elec Cap Corp. Mili	investment	03\$1,040	IV/A	03\$1,040
General Elec Cap Corp. Mtn	Short-term	US\$3,886	N/A	US\$3,878
r	investment	, - ,		, - , - ,
Genworth Finl Inc.	Short-term	US\$3,412	N/A	US\$3,408
	investment			
Goldman Sachs Group Inc. Mtn	Short-term	US\$3,505	N/A	US\$3,494
	investment			
Goldman Sachs Group LP	Short-term	US\$1,637	N/A	US\$1,599
	investment	******		
Goldman Sachs Group LP	Short-term	US\$1,100	N/A	US\$1,075
G Fi 1 G	investment	110¢ 074	27/4	110¢ 070
Greenpoint Finl Corp.	Short-term	US\$ 974	N/A	US\$ 972
CTT C	investment	11000 124	NT/A	11000 100
GTE Corp.	Short-term	US\$2,134	N/A	US\$2,109
H 111 CH 151 M	investment	TICO 1 002	NT/A	110¢ 006
Hancock John Global Fdg Mtn	Short-term	US\$1,003	N/A	US\$ 986
Houtford Einl Swag Crown Inc	investment	110¢ 765	NT/A	110¢ 750
Hartford Finl Svcs Group Inc.	Short-term investment	US\$ 765	IN/A	US\$ 758
Hartford Finl Svcs Group Inc.	Short-term	US\$ 296	NI/A	US\$ 296
Hartford Film Sves Group Inc.	investment	US\$ 290	IV/A	US\$ 290
Heller Finl Inc.	Short-term	US\$1,171	NI/A	US\$1,163
Tiener I im me.	investment	Ο5φ1,171	IVA	Ο5φ1,105
Hershey Foods Corp.	Short-term	US\$1,627	N/A	US\$1,606
ricishey rooms corp.	investment	0541,027	1 1/11	CB\$1,000
Hewlett Packard Co.	Short-term	US\$3,373	N/A	US\$3,305
	investment	2.5 + 2 , 2 . 2		22,2,232
Honeywell Inc.	Short-term	US\$3,284	N/A	US\$3,218
•	investment			·
Household Fin Corp.	Short-term	US\$ 529	N/A	US\$ 522
	investment			
Household Fin Corp.	Short-term	US\$2,993	N/A	US\$2,985
	investment			
Household Fin Corp. Mtn Bk Ent	Short-term	US\$3,542	N/A	US\$3,510
	investment			
HSBC USA Inc. New	Short-term	US\$1,154	N/A	US\$1,134
	investment			
Huntington Natl Bk	Short-term	US\$3,003	N/A	US\$3,000
W. C. Walbi C.L. L. OU	investment	11000054	NT/ A	11000 061
Huntington Natl Bk Columbus OH	Short-term	US\$2,954	N/A	US\$2,961
INC David	investment	11000 114	NT/A	11000 112
ING Bank	Short-term	US\$2,114	N/A	US\$2,113
ING See Life Inc Ingelf	investment	118\$2.012	NI/A	118\$2.007
ING Sec Life Ins Ingslf	Short-term investment	US\$3,012	11//1	US\$3,007
Intl Bk For Recon + Dev	Short-term	US\$5,232	N/A	US\$5,102
Ind DK I of Necoll T DCV	investment	0343,232	1 1/ / 1	Ο <b>Ο</b> Ψ <i>Ο</i> ,102
JP Morgan Chase + Co.	m , ostinont	US\$1,043	N/A	US\$1,039
TITOISMI CHASE I CO.		Ο 5 Ψ 1,0 Τ 5	- 1/	υ υψ 1,000

Jackson Natl Life Global Fdg	Short-term investment Short-term investment	US\$1,036 N/A	US\$1,032
Jackson Natl Life Global Fdg S	Short-term investment	US\$2,998 N/A	US\$2,988 (Continued)
	- 39 -		(Continued)

## **December 31, 2004**

Market Value or

				Carrying Value		Net Asset Value
		Relationship				
		withFinan	cial State	nStratres/Un(itss\$ in	Percentage of	(US\$ in
		a.		(In		
	M 1 4 11 C 22 TO 1	the		Thousands	0 11	(T) 1) N
d Company Name	Marketable Securities Type and		Account	of) Thousand)	-	Thousand) N
	JP Morgan Chase + Co.	Short-t investn		US\$3,663	N/A	US\$3,629
	Keycorp Mtn Book Entry	Short-t		US\$3,500	NI/A	US\$3,502
	Reycorp With Book Entry	investn		03\$3,300	IV/A	03\$3,302
	KFW Intl Fin Inc.	Short-t		US\$5,104	N/A	US\$5,027
	Ki w ind i in inc.	investn		Ο5ψ5,10+	14/11	Ο5Ψ5,021
	Kraft Foods Inc.	Short-t		US\$ 773	N/A	US\$ 765
	Hart I dods Inc.	investn		υσφ 773	1 1/2 1	CS\$ 703
	Kraft Foods Inc.	Short-t		US\$1,037	N/A	US\$1,036
		investn		0.541,007	1,112	0.541,000
	Lehman Brothers Hldgs Inc.	Short-t		US\$1,163	N/A	US\$1,162
	C	investn		. ,		. ,
	Lehman Brothers Hldgs Inc.	Short-t	erm	US\$3,705	N/A	US\$3,634
		investn	nent	. ,		. ,
	Lehman Brothers Hldgs Inc.	Short-t	erm	US\$2,171	N/A	US\$2,154
	-	investr	nent			
	Lilly Eli + Co.	Short-t	erm	US\$3,750	N/A	US\$3,749
		investn	nent			
	Lincoln Natl Corp. In	Short-t	erm	US\$ 519	N/A	US\$ 518
		investr	nent			
	Merita Bk Ltd NY Brh	Short-t		US\$ 538	N/A	US\$ 533
		investn				
	Merrill Lynch + Co. Inc.	Short-t		US\$3,486	N/A	US\$3,481
		investn				
	Metropolitan Life Global Mtn	Short-t		US\$1,907	N/A	US\$1,910
	M (1011 151 H	investn		11000 500	NT/A	11000 501
	Monumental Global Fdg II	Short-t		US\$2,500	N/A	US\$2,501
	Manuscratal Clahal Eda II	investn		11001 524	NT/A	11001 516
	Monumental Global Fdg II	Short-t investn		US\$1,534	N/A	US\$1,516
	Monumental Global Fdg II 2002A	Short-t		US\$1,045	NI/A	US\$1,034
	Wondinental Global Fdg II 2002A	investn		03\$1,043	IV/A	03\$1,034
	Morgan Stanley	Short-t		US\$2,136	N/A	US\$2,128
	Worgan Stanley	investn		Ο5φ2,130	14/11	Ο5ψ2,120
	Morgan Stanley Group Inc.	Short-t		US\$3,638	N/A	US\$3,628
	Sun Stame, Stoup me.	investn		2542,030		
	Morgan Stanley Group Inc.	Short-t		US\$1,050	N/A	US\$1,048
	<i>y</i> r	investn		+ -,		. ,
		3502				

National Westminster Bk PLC	Short-term investment	US\$1,433	N/A	US\$1,422
Nationsbank Corp.	Short-term investment	US\$3,644	N/A	US\$3,549
Nationwide Bldg Soc	Short-term investment	US\$3,457	N/A	US\$3,477
Nationwide Life Global Mtn	Short-term investment	US\$1,463	N/A	US\$1,469
Pepsico Inc. Mtn Book Entry	Short-term investment	US\$3,818	N/A	US\$3,817
PNC Fdg Corp.	Short-term investment	US\$1,080	N/A	US\$1,075
Popular North Amer Inc. Mtn	Short-term investment	US\$3,042	N/A	US\$3,022
Premark Intl Inc.	Short-term investment	US\$2,954	N/A	US\$2,914
Pricoa Global Fdg I Mtn	Short-term investment	US\$3,507	N/A	US\$3,503
Pricoa Global Fdg I Mtn	Short-term investment	US\$3,050		US\$3,047
Principal Life Global Fdg I Gl	Short-term investment	US\$3,168		US\$3,102
Protective Life Secd Trs	Short-term investment	US\$2,920		US\$2,969
Prudential Ins Co. Amer	Short-term investment	US\$2,648		US\$2,610
Reinsurance Group Amer Inc.	Short-term investment	US\$2,091		US\$2,089
Royal Bk Scotland Group PLC	Short-term investment	US\$1,563		US\$1,547
Royal Bk Scotland Group PLC	Short-term investment	US\$ 564		US\$ 558
Royal Bk Scotland Group PLC	Short-term investment	US\$ 369		US\$ 364
Safeco Corp.	Short-term investment Short-term	US\$ 765 US\$3,160		US\$ 763 US\$3,100
Salomon Smith Barney Hldgs Inc. Sara Lee Corp.	investment Short-term	US\$1,596		US\$1,601
SBC Communications Inc.	investment Short-term	US\$3,681		US\$3,617
SBC Communications Inc.	investment Short-term	US\$2,251		US\$2,245
Scotland Intl Fin B V 144A	investment Short-term	US\$1,533		US\$1,532
Shell Finance (UK) PLC	investment Short-term	US\$3,604		US\$3,553
SLM Corp.	investment Short-term	US\$ 500		US\$ 501
SLM Corp. Medium Term Nts	investment	US\$2,950		US\$2,985

SP Powerassets Ltd Global	Short-term investment Short-term	US\$ 991 N/A	US\$ 992
Suntrust Bks Inc.	investment Short-term investment	US\$1,062 N/A	US\$1,060
Swedbank Sparbanken Svenge AB	Short-term investment	US\$1,084 N/A	US\$1,067
			(Continued)

## **December 31, 2004**

Market Valu

		Relationship		arrying Value		Net Va	or Asset alue
		withFinancial State		US\$ in	Percentage of	(U	S\$ in
		the	(In Thousands				
mpany Name	Marketable Securities Type and I			ousand)	Ownership	Tho	usand)
	TIAA Global Mkts Inc.	Short-term	US\$		N/A	US\$	51
		investment					
	Tribune Co. Med Trm Nts	Short-term	US\$	2,943	N/A	US\$	2,96
		investment					
	Union Planters	Short-term	US\$	2,755	N/A	US\$	2,70
		investment					
	Unitedhealth Group Inc.	Short-term	US\$	3,119	N/A	US\$	3,09
		investment					
	US Bk Natl Assn Cincinnati OH	Short-term	US\$	2,669	N/A	US\$	2,68
		investment					
	Virginia Elec + Pwr Co.	Short-term	US\$	2,884	N/A	US\$	2,83
		investment					
	Vodafone Group PLC New	Short-term	US\$	2,559	N/A	US\$	2,56
	_	investment					
	Wachovia Corp.	Short-term	US\$	3,720	N/A	US\$	3,60
	-	investment					
	Wal Mart Cda Venture Corp.	Short-term	US\$	3,670	N/A	US\$	3,60
	-	investment					
	Washington Mut Fin Corp.	Short-term	US\$	4,768	N/A	US\$	4,68
		investment		•			
	Washington Mut Inc.	Short-term	US\$	4,735	N/A	US\$	4,68
		investment		•			
	Washington Post Co.	Short-term	US\$	3,182	N/A	US\$	3,18
	11 4022	investment	,	-, -	<b>1</b> = =	,	-,
	Wells Fargo + Co. New	Short-term	US\$	3,697	N/A	US\$	3,63
	77 Ond 1 digo 1 do. 1 . 1	investment		•,	11,12	C 5 +	•,
	Westfield Cap Corp. Ltd	Short-term	US\$	1,999	N/A	US\$	1,99
	Westiloid Cup Corp. Lia	investment	004	1,777	14/21	CDT	1,//
	China Steel Corporation	Long-term		2,978,804	N/A	2.	977,69
	Clinia Steel Corporation	investment		2,770,00.	14/11	۷,	711,02
	Taiwan Power Company	Long-term		915,276	N/A		914,58
	Tarwaii Tower Company	investment		713,210	14/11		717,50
	Nan Ya Plastics Corporation	Long-term		407,526	NI/A		407,48
	Ivali 1 a 1 lastics Corporation	investment		707,520	IV/A		<del>1</del> 07, <del>1</del> 0
	Formosa Plastics Corporation	Long-term		405,485	NI/A		405,32
	Torriosa i fastics Corporation	investment		403,703	IV/A		+03,32
	Formosa Petrochemical Corporation			202,595	NT/A		200,00
	rollilosa retrochemicai corporation	investment		202,373	IN/A		200,00
		IIIVESTIIICIIT					ļ

Agency bonds						2.45
Fed Hm Ln Pc	Short-term	US\$	3,466	N/A	US\$	3,46
	investment			,	***	
Federal Home Ln Bks	Short-term	US\$	2,532	N/A	US\$	2,52
	investment					
Federal Home Ln Bks	Short-term	US\$	1,042	N/A	US\$	1,02
	investment					
Federal Home Ln Bks	Short-term	US\$	4,927	N/A	US\$	4,94
	investment					
Federal Home Ln Bks	Short-term	US\$	7,962	N/A	US\$	7,93
	investment					
Federal Home Ln Bks	Short-term	US\$	7,014	N/A	US\$	6,92
	investment					
Federal Home Ln Bks	Short-term	US\$	4,936	N/A	US\$	4,94
	investment					
Federal Home Ln Bks	Short-term	US\$	4,948	N/A	US\$	4,94
	investment					
Federal Home Ln Bks	Short-term	US\$	2,454	N/A	US\$	2,46
	investment					
Federal Home Ln Bks	Short-term	US\$	7,018	N/A	US\$	7,00
	investment					
Federal Home Ln Bks	Short-term	US\$	4,996	N/A	US\$	4,97
	investment					
Federal Home Ln Bks	Short-term	US\$	7,042	N/A	US\$	6,98
	investment	*****			***	6.00
Federal Home Ln Bks	Short-term	US\$	6,098	N/A	US\$	6,08
	investment					
Federal Home Ln Bks	Short-term	US\$	2,909	N/A	US\$	2,90
	investment	*****	10070		***	12.00
Federal Home Ln Bks	Short-term	US\$	13,953	N/A	US\$	13,89
	investment	*****	12.002		***	1201
Federal Home Ln Bks	Short-term	US\$	13,983	N/A	US\$	13,94
	investment	*****	12 001		***	1201
Federal Home Ln Bks	Short-term	US\$	13,981	N/A	US\$	13,94
- · · · · · · · ·	investment	*****	6 0 <b>-</b> 0		***	ć 0. <b>0</b>
Federal Home Ln Mtg Corp	Short-term	US\$	6,978	N/A	US\$	6,92
- · · · · · · · ·	investment	*****			***	2.44
Federal Home Ln Mtg Corp.	Short-term	US\$	3,388	N/A	US\$	3,41
- · · · · · · · ·	investment	*****	40.70		***	4 0 4
Federal Home Ln Mtg Corp	Short-term	US\$	4,953	N/A	US\$	4,94
	investment	ΤΙCΦ	0.007	<b>NT/A</b>	TIOO	0.04
Federal Home Ln Mtg Corp.	Short-term	US\$	9,997	N/A	US\$	9,94
	investment	***	000	NT/ 4	****	0.0
Federal Home Ln Mtg Corp.	Short-term	US\$	998	N/A	US\$	99
	investment	***	4.022	NT/ 4	****	4.00
Federal Home Ln Mtg Corp.	Short-term	US\$	4,933	N/A	US\$	4,93
B 1 1 1 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2	investment	****	4.05.0	<b>NT</b> ( )		. ~ -
Federal Home Ln Mtg Corp. Mtn	Short-term	US\$	4,930	N/A	US\$	4,93
T. 1 177 . 7 . 3.6 . 4	investment	****	4.0.45	<b>NT/</b> 4	***	4.00
Federal Home Loan Mtg Assn		US\$	4,847	N/A	US\$	4,89

Federal Home Loan Mtg Corp.	Short-term investment Short-term investment	US\$	4,903 N/A	US\$ (Continued)
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4,94

## **December 31, 2004**

Market

			Carrying Value		Value or Net Asset Value
		Relationship			
		-	StatenSchatres/Unite S\$ in (In	Percentage of	(US\$ in
		the	Thousands		
Company Name	Marketable Securities Type and			Ownership	Thousand)
Company Manie	Federal Natl Mtg Assn	Short-term	US\$ 5,270	-	US\$ 5,237
	Todorur i vadi ivitg i issii	investment	ουφ ο <b>,2</b> 70	1,711	ουφ υ <b>,2</b> υ,
	Federal Natl Mtg Assn	Short-term	US\$ 6,940	N/A	US\$ 6,937
	1 0 00 1 0 1 1 0 0 1 1 1 1 1 1 1 1 1 1	investment	224 3,213	1,712	3,50
	Federal Natl Mtg Assn	Short-term	US\$ 6,903	N/A	US\$ 6,917
		investment	227 3,232		2,5 - 2,5 - 2
	Federal Natl Mtg Assn	Short-term	US\$ 4,981	N/A	US\$ 4,953
	2	investment	. ,		. ,
	Federal Natl Mtg Assn	Short-term	US\$ 6,997	N/A	US\$ 6,983
	2	investment	•		,
	Federal Natl Mtg Assn Mtn	Short-term	US\$15,787	N/A	US\$15,798
	C	investment			
	Federal Natl Mtg Assn Mtn	Short-term	US\$ 7,000	N/A	US\$ 6,976
	C	investment			
	Freddie Mac	Short-term	US\$ 4,929	N/A	US\$ 4,934
		investment			
	Fed Hm Ln Pc Pool E89857	Short-term	US\$ 2,535	N/A	US\$ 2,531
		investment			
	Fed Hm Ln Pc Pool G11295	Short-term	US\$ 2,277	N/A	US\$ 2,273
		investment			
	Federal Home Ln Mtg Corp.	Short-term	US\$ 6,096	N/A	US\$ 6,075
		investment			
	Federal Home Ln Mtg Corp.	Short-term	US\$ 4,435	N/A	US\$ 4,440
		investment			
	Federal Home Ln Mtg Corp.	Short-term	US\$ 3,558	N/A	US\$ 3,539
		investment			
	Federal Home Ln Mtg Corp.	Short-term	US\$ 3,645	N/A	US\$ 3,615
		investment			
	Federal Natl Mtg Assn	Short-term	US\$ 4,242	N/A	US\$ 4,188
		investment			
	Federal Natl Mtg Assn	Short-term	US\$ 2,141	N/A	US\$ 2,126
		investment			
	Federal Natl Mtg Assn	Short-term	US\$ 4,765	N/A	US\$ 4,719
		investment			
	Federal Natl Mtg Assn Gtd	Short-term	US\$ 3,486	N/A	US\$ 3,446
		investment		27/1	*****
	FNMA Pool 685116	Short-term	US\$ 1,003	N/A	US\$ 1,002
		investment			

FNMA Pool 725095	Short-term	US\$	2,008	N/A	US\$	2,003
FNMA Pool 790828	investment	TICC	4,807	NT/A	ΙΙCΦ	4,773
FINMA F001 /90828	Short-term investment	OSÞ	4,007	IV/A	USÞ	4,773
FNMA Pool 793932	Short-term	US\$	994	N/A	US\$	994
11001173732	investment	Ουφ	<i>))</i>	1 1/11	ОЗФ	774
FNMA Pool 794040	Short-term	US\$	1,021	N/A	US\$	1,020
	investment		-,			-,
FNMA Pool 795548	Short-term	US\$	977	N/A	US\$	975
	investment					
FNMA Pool 806642	Short-term	US\$	2,006	N/A	US\$	2,004
	investment					
GNMA II Pool 081150	Short-term	US\$	999	N/A	US\$	997
	investment					
GNMA II Pool 081153	Short-term	US\$	3,789	N/A	US\$	3,766
	investment					
Government Natl Mtg Assn	Short-term	US\$	1,734	N/A	US\$	1,700
	investment					
Corporate issued asset-backed securities						
Aegis Asset Backed Secs Tr	Short-term	2211	2,000	N/A	2211	2,004
regis risser backed sees 11	investment	СБФ	2,000	1 1/11	СБФ	2,001
Aesop Fed II LLC	Short-term	US\$	4,955	N/A	US\$	4,963
11030p 100 11 220	investment	0.04	.,,,,,	1,711	0.54	.,,, 00
Aesop Fed II LLC	Short-term	US\$	1,912	N/A	US\$	1,888
1	investment	•	,		·	,
American Express Cr Account Ma	Short-term	US\$	3,445	N/A	US\$	3,427
•	investment					
American Home Mtg Invt Tr	Short-term	US\$	949	N/A	US\$	949
	investment					
Americredit Automobile Receiv	Short-term	US\$	2,002	N/A	US\$	1,998
	investment					
Americredit Automobile Rec Tr	Short-term	US\$	1,055	N/A	US\$	1,048
	investment					
Americredit Automobile Rec Tr	Short-term	US\$	2,000	N/A	US\$	1,990
A 1 12 A 1 12 B 11	investment	ΙΙΩΦ	4.040	<b>NT/A</b>	TIOO	4.010
Americredit Automobile Receivb	Short-term	US\$	4,949	N/A	US\$	4,912
Adams's Cites Els Torre Ede LL C	investment	TIOO	026	NT/A	IIΩΦ	022
Atlantic City Elc Trns Fdg LLC	Short-term investment	US\$	926	N/A	US\$	923
Banc Amer Coml Mtg Inc.	Short-term	2211	5,364	NI/A	4211	5,315
Bane Amer Comi witg me.	investment	US¢	3,304	IVA	OSÞ	3,313
Banc Amer Mtg Secs Inc.	Short-term	US\$	4,030	N/A	US\$	4,006
Bane Times 1916 Sees Inc.	investment	CSΨ	1,050	1 1/11	C 5 4	.,000
Bank of Amer Lease Equip Tr	Short-term	US\$	4,023	N/A	US\$	3,995
	investment		.,			-,
Bear Stearns Alt A Tr	Short-term	US\$	1,478	N/A	US\$	1,489
	investment					
Bear Stearns Asset Backed Secs	Short-term	US\$	2,000	N/A	US\$	2,000
	investment					
BMW Veh Owner Tr		US\$	4,978	N/A	US\$	4,941

	Short-term
	investment
California Infr + Economic Dev	Short-term
	investment

US\$ 4,298 N/A US\$ 4,230

(Continued)

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### **December 31, 2004**

Market

		Relationship	Carrying Value		Value or Net Asset Value
		_	en <b>Sena</b> tres/Units/S\$ in	Percentage of	(US\$ in
		with mancial State	(In	rercentage of	(US\$ III
		the	Thousands		
Company Name	Marketable Securities Type and			Ownership	Thousand)
Company Name	California Infras + Economic	Short-term	US\$ 6,126	-	US\$ 6,064
	Camorna Initas i Economic	investment	Ο5ψ 0,120	14/11	CD\$ 0,004
	California Infrastructure Dev	Short-term	US\$ 5,089	N/A	US\$ 5,035
	Camornia initastractare Bev	investment	υσφ <i>3</i> ,007	1 1/2 1	ουφ 3,033
	Capital Auto Receivables Asset	Short-term	US\$ 4,018	N/A	US\$ 3,992
		investment	224 .,010	1 1/1 1	0.00 0,552
	Capital One Auto Fin Tr	Short-term	US\$ 319	N/A	US\$ 318
	r	investment			
	Capital One Auto Fin Tr	Short-term	US\$ 1,147	N/A	US\$ 1,145
	1	investment	. ,		. ,
	Capital One Auto Fin Tr	Short-term	US\$ 3,000	N/A	US\$ 2,989
	•	investment			
	Capital One Multi Asset Execut	Short-term	US\$ 4,957	N/A	US\$ 4,977
	•	investment			
	Caterpillar Finl Asset Tr	Short-term	US\$10,008	N/A	US\$ 9,923
	-	investment			
	Centex Home Equity Ln Tr	Short-term	US\$ 3,500	N/A	US\$ 3,493
		investment			
	Cit Equip Coll Tr	Short-term	US\$ 4,999	N/A	US\$ 4,991
		investment			
	Citibank Cr Card Issuance Tr	Short-term	US\$ 4,959	N/A	US\$ 4,965
		investment			
	Citicorp Mtg Secs	Short-term	US\$ 2,364	N/A	US\$ 2,363
		investment			
	CNH Equip Tr	Short-term	US\$ 5,000	N/A	US\$ 4,952
		investment			
	Comm 2004 Htl 1	Short-term	US\$ 4,600	N/A	US\$ 4,607
		investment			
	Credit Suisse First Boston Mtg	Short-term	US\$ 4,209	N/A	US\$ 4,178
		investment			
	CWABS Inc.	Short-term	US\$ 1,647	N/A	US\$ 1,662
		investment			
	CWABS Inc.	Short-term	US\$ 1,903	N/A	US\$ 1,907
		investment			
	CWABS Inc.	Short-term	US\$ 1,907	N/A	US\$ 1,912
	CWARGI	investment	T100 0 000	NT/A	110¢ 1007
	CWABS Inc.	Short-term	US\$ 2,000	N/A	US\$ 1,997
		investment			

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CWABS Inc.	Short-term	US\$ 5,000	N/A	US\$ 5,055
CWA DO A	investment	110¢ 2.500	27/4	1100 0 541
CWABS Inc.	Short-term	US\$ 3,500	N/A	US\$ 3,541
CWALT Inc.	investment Short-term	US\$ 4,292	NI/A	US\$ 4,277
CWALT IIIC.	investment	03\$ 4,292	N/A	03\$ 4,211
CWABS Inc.	Short-term	US\$ 2,317	N/A	US\$ 2,298
CWADO IIIC.	investment	CSΨ 2,317	1 1/2 1	CSΨ 2,270
CWABS Inc.	Short-term	US\$ 4,040	N/A	US\$ 4,040
	investment	224 3,010		.,,,,,
Daimlerchrysler Auto Tr	Short-term	US\$ 4,991	N/A	US\$ 4,970
•	investment			
Daimlerchrysler Auto Tr	Short-term	US\$ 4,982	N/A	US\$ 4,970
	investment			
Daimlerchrysler Auto Tr	Short-term	US\$ 4,897	N/A	US\$ 4,893
	investment			
Detroit Edison Securitization	Short-term	US\$ 674	N/A	US\$ 671
	investment			
Fifth Third Auto Tr	Short-term	US\$ 3,000	N/A	US\$ 2,999
	investment			
Finance Amer Mtg Ln Tr	Short-term	US\$ 985	N/A	US\$ 986
	investment			
First Franklin Mtg Ln Tr	Short-term	US\$ 2,002	N/A	US\$ 2,006
The Atlanta	investment	11G# 2000	27/4	11GA 2 000
First Horizon Abs Tr	Short-term	US\$ 2,000	N/A	US\$ 2,000
Einst Huiser Lahman Dass Mts Tr	investment	110¢ 2.567	NT/A	11C# 2.524
First Union Lehman Bros Mtg Tr	Short-term	US\$ 3,567	N/A	US\$ 3,534
First USA Credit Cr Master Tr	investment Short-term	US\$ 5,011	NI/A	US\$ 5,008
First USA Cledit CI Waster 11	investment	03\$ 3,011	N/A	03\$ 3,006
Ford Cr Auto Owner Tr	Short-term	US\$10,999	N/A	US\$10,936
Tord Ci Padto Owner 11	investment	Ουφ 10,777	14/11	05\$10,750
Granite Mtgs PLC	Short-term	US\$ 5,000	N/A	US\$ 5,000
	investment	224 2,000	1 1/1 2	224 2,000
GS Auto Ln Tr	Short-term	US\$ 2,948	N/A	US\$ 2,970
	investment			,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,
GS Mtg Secs Corp.	Short-term	US\$ 2,944	N/A	US\$ 2,944
	investment			
Harley Davidson Motorcycle Tr	Short-term	US\$ 3,417	N/A	US\$ 3,400
	investment			
Harley Davidson Motorcycle Tr	Short-term	US\$ 5,999	N/A	US\$ 5,938
	investment			
Holmes Fing No 8 PLC	Short-term	US\$ 5,001	N/A	US\$ 5,052
	investment			
Honda Auto Receivables	Short-term	US\$ 5,000	N/A	US\$ 4,991
	investment	7.7.0.h	27/1	7.70¢ 7.11
Household Automotive Tr	Short-term	US\$ 513	N/A	US\$ 511
Hammelei Anda Dancia III T	investment	110h 2.500	NT/A	TICO 2 460
Hyundai Auto Receivables Tr	Short-term	US\$ 3,500	IN/A	US\$ 3,468
IMPAC Cmb Tr	investment	11 <b>0</b> ¢ 1 /11/	N/A	11C¢ 1 /12
INITAC CHU II		US\$ 1,414	1 <b>V/A</b>	US\$ 1,413

IMPAC Cmb Tr IMPAC Secd Assets Corp.	Short-term investment Short-term investment Short-term investment	US\$ 988 N/A US\$ 3,570 N/A	US\$ 988 US\$ 3,566
			(Continued)
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### **December 31, 2004**

Market
Value or
Carrying Net Asset
Value Value

## Relationship

with Financial Staten Sentres/Unitiss in Percentage of (US in

(In

				(In		
		the		Thousands		
d Company Name	Marketable Securities Type and N	an <b>fo</b> mpany	Account	of) Thousa	and) Ownersh	nip Thousand) N
	Long Beach Accep Auto Receivab	Shor	t-term	US\$2,5	526 N/A	US\$2,502
		inves	stment			
	Merrill Lynch Mtg Invs Inc.	Shor	t-term	US\$1,4	460 N/A	US\$1,460
		inves	stment			
	Merrill Lynch Mtg Invs Inc.	Shor	t-term	US\$1,5	500 N/A	US\$1,502
		inves	stment			
	Monumentl Global Fdg II	Shor	t-term	US\$1,0	000 N/A	US\$1,001
		inves	stment			
	National City Auto Receivables	Shor	t-term	US\$1,2	206 N/A	US\$1,207
		inves	stment			
	Navistar finl 2003 A Owner Tr	Shor	t-term	US\$4,9	928 N/A	US\$4,889
		inves	stment			
	Nissan Auto Receivables	Shor	t-term	US\$7,0	000 N/A	US\$6,958
		inves	stment			
	Nissan Auto Receivables Own Tr	Shor	t-term	US\$4,9	999 N/A	US\$4,993
		inves	stment			
	Nissan Auto Receivables Owner	Shor	t-term	US\$4,8	853 N/A	US\$4,872
		inves	stment			
	ONYX Accep Owner Tr	Shor	t-term	US\$ 9	963 N/A	US\$ 961
		inves	stment			
	ONYX Accep Owner Tr	Shor	t-term	US\$4,9	913 N/A	US\$4,933
		inves	stment			
	Providian Gateway Owner Tr	Shor	t-term	US\$4,2	204 N/A	US\$4,201
			stment			
	Providian Gateway Owner Tr	Shor	t-term	US\$3,9	992 N/A	US\$3,982
		inves	stment			
	Reliant Energy Transition Bd	Shor	t-term	US\$5,1	185 N/A	US\$5,117
		inves	stment			
	Residential Asset Mtg Prods	Shor	t-term	US\$3,7	731 N/A	US\$3,672
			stment			
	Residential Asset Mtg Prods		t-term	US\$3,0	000 N/A	US\$2,980
		inves	stment			
	Residential Fdg Mtg Secs I Inc.	Shor	t-term	US\$3,6	659 N/A	US\$3,631
		inves	stment			
	Sequoia Mtg Tr		t-term	US\$2,5	504 N/A	US\$2,513
			stment			
	Sequoia Mtg Tr	Shor	t-term	US\$1,9	960 N/A	US\$1,955
		inves	stment			

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Sequoia Mtg Tr	Short-term	US\$1,488	N/A	US\$1,486
	investment			
Sequoia Mtg Tr	Short-term	US\$2,000	N/A	US\$2,000
•	investment			
Sequoia Mtg Tr	Short-term	US\$3,500	N/A	US\$3,500
	investment	, - ,		
Structured Adj Rate Mtg Ln Tr	Short-term	US\$3,037	N/A	US\$3,031
Structured Flag Plate 1918 Ell 11	investment	ουφυ,συ τ	1 1/1 1	υυφυ, συ 1
Structured Asset Secs Corp.	Short-term	US\$1,403	NI/A	US\$1,394
Structured Asset Sees Corp.	investment	05\$1,705	11/17	05\$1,57
Theomburg Mta Coos Tr	Short-term	11001 021	NT/A	11001 022
Thoornburg Mtg Secs Tr		US\$1,921	IN/A	US\$1,923
T	investment	11004.070	NT/A	1104 4 020
Toyota Auto Receivables 2003B	Short-term	US\$4,970	N/A	US\$4,930
	investment			
Triad Auto Receivables Tr	Short-term	US\$5,042	N/A	US\$4,997
	investment			
TXU Elec Delivery Transition	Short-term	US\$7,736	N/A	US\$7,715
	investment			
USAA Auto Owner Tr	Short-term	US\$4,000	N/A	US\$3,991
	investment			
Wachovia Auto Owner Tr	Short-term	US\$6,000	N/A	US\$5,991
	investment			
Wachovia Auto Owner Tr	Short-term	US\$4,999	N/A	US\$4,995
	investment	, ,		. ,
WFS Financial Owner Trust	Short-term	US\$5,008	N/A	US\$4,989
,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	investment	0.540,000	1,711	000 .,,, 0,
WFS Finl 2004 2 Owner Tr	Short-term	US\$4,994	N/A	US\$4,992
WISTIM 2001 2 Swher II	investment	Ο Ο Ψ 1,991	1 1/7 1	Ο SΨ 1,772
WFS Finl 2004 4 Owner Tr	Short-term	US\$5,399	NI/A	US\$5,342
W1511III 2004 4 OWNEI 11	investment	0343,377	11/17	05\$5,572
Whole Auto Ln Tr	Short-term	US\$5,967	NI/A	US\$5,966
Whole Auto Lii 11		03\$3,907	IN/A	03\$3,900
Wilson Assault of The	investment	11004 000	NT/A	11002.000
Whole Auto Ln Tr	Short-term	US\$4,000	N/A	US\$3,969
	investment	*****		*****
Whole Auto Ln Tr	Short-term	US\$3,000	N/A	US\$2,964
	investment			
World Omni Auto Receivables Tr	Short-term	US\$5,963	N/A	US\$5,906
	investment			
	C1	77000 00 <del>0</del>	<b>NT/</b> 4	11042.00=
Commercial papers	Short-term	US\$2,997	N/A	US\$2,997
	investment			
	G1	*****	> T / .	*****
Corporate issued notes	Short-term	US\$1,999	N/A	US\$1,999
	investment			
				(Continued)

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					Decen	nber	31, 200	04	
					Carryi Valu	_		Valı Net	rket ue or Asset alue
		Relationship				Pe	ercenta	ıge	
		withFina	ncial Statem	enShares/Un (In	its (US\$	in	of	(US	S\$ in
		the		Thousand	ls				
Company Name	Marketable Securities Type and	l Nar@ompany	Account	of)	Thousa	ndO	wnersł	nip <b>T</b> hou	isand)
	Money market funds		t-term etment		US\$ 21,	114	N/A	US\$	21,114
	Equity								
	Horizon Venture Fund I, L.P.	-	tment		246,	485	N/A	24	46,485
	Crimson Asia Capital Ltd., L.P.	Long	term tment		43,	,649	N/A	i	43,649
C North America	TSMC stock	Paren§hor compainwes	t-term	14,151	677,	110		69	96,661
	TSMC stock	Paren <b>\$</b> hor	t torm	15 670	150	561		7	71 451
Cherng	1 SMC Stock	compainwes		15,670	458,	304		1	71,451
Ruey	TSMC stock	Paren§hor compainwes		15,700	459,	512		7	72,897
C International	Money market fund								
	BOA Fund		t-term etment	30,300	US\$ 30,	300	N/A	US\$	30,300
	Stock								
	InveStar	Subsidi <b>lug</b> ng inves	tment	24,320	US\$ 34,	514	97	US\$	34,514
	InveStar II	Subsidi <b>lug</b> ng inves	term tment	51,300	US\$ 34,	534	97	US\$	34,534
	TSMC Development	Subsidiluong		1	US\$603,	993	100	US\$60	03,993
	TSMC Technology	Subsidiluong	-term	1	US\$ 5,	,544	100	US\$	5,544
	3DFX Interactive Inc.	Long	tment term tment	68					
C Development	WaferTech stock	Subsidi <b>lio</b> ng inves	-term etment		US\$484,	060	99	US\$48	84,060
Star	Common stock  Rich Tal: Tachmalagu Comm			602	TICO	67		IICΦ	1 270
	RichTek Technology Corp.			082	US\$	67		US\$	1,370

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	Short-term						
	investment	1 100	TIOO	500		TIOO	607
Advanced Power Electronics Corp.	Short-term	1,108	US\$	502		US\$	697
5 115	investment	0.60	***			***	22.7
Broadtek Electronics Corp.	Short-term	869	US\$	275		US\$	225
	investment						
Monolithic Power Systems, Inc.	Short-term	1,975	US\$	1,567		US\$	19,910
	investment						
SiRF Technology Holdings, Inc.	Short-term	90	US\$	393		US\$	1,157
	investment						
Broadtek Electronics Corp.	Long-term	145	US\$	46		US\$	38
	investment						
Programmable Microelectronics	Long-term	575	US\$	208	1	US\$	208
(Taiwan), Corp.	investment						
Global Testing Corp.	Long-term	13,268	US\$	5,670	9	US\$	5,670
	investment						
RichTek Technology Corp.	Long-term	842	US\$	83	1	US\$	1,692
	investment						
Signia Technologies, Inc.	Long-term	701	US\$	202	3	US\$	202
	investment						
Incentia Design Systems, Inc.	Long-term	365	US\$	92	1	US\$	92
	investment						
Advanced Power Electronics Corp.	Long-term	1,123	US\$	508	2	US\$	706
	investment						
Capella Microsystems (Taiwan), Inc.	Long-term	530	US\$	154	4	US\$	154
	investment						
Preferred stock							
Integrated Memory Logic, Inc.	Long-term	1,831	US\$	1,221	12	US\$	1,221
	investment						
Sensory, Inc.	Long-term	1,404	US\$	125	6	US\$	125
	investment						
Sonics, Inc.	Long-term	2,686	US\$	3,530	4	US\$	3,530
	investment						
NanoAmp Solutions, Inc.	Long-term	541	US\$	853	2	US\$	853
	investment						
Memsic, Inc.	Long-term	2,727	US\$	1,500	10	US\$	1,500
	investment						
Reflectivity, Inc.	Long-term	1,064	US\$	741	2	US\$	741
	investment						
					(Cor	ntinued	l)

					Dec	ember 3	31, 20	004		
						rying alue		Val Net	arket lue or Asset alue	
		Relationship			·		cent		arac	
		-	cial Stateme	enShares/Uni (In	its (U		of	_	S\$ in	
		the		Thousand	ls					
d Company Name	Marketable Securities Type and I		Account	of)		usan <b>d)</b> w	ners	hiTho	usand)	ľ
1 0	IP Unity	Long-t investr	erm	1,008		494		US\$	494	
	Tropian, Inc.	Long-tinvestr		1,758	US\$	471	3	US\$	471	
Star II	Common stock									
	RichTek Technology Corp.	Short-tinvestr		321	US\$	184		US\$	645	
	Monolithic Power Systems, Inc.	Short-tinvestr		864	US\$	2,081		US\$	8,716	
	eChannel Option Holding, Inc.	Long-t	erm	358	US\$	251	4	US\$	251	
	eLCOS Microdisplay Technology, I		erm	270	US\$	27	1	US\$	27	
	Signia Technologies, Inc.	Long-t	erm	351	US\$	101	1	US\$	101	
	Procoat Technology, Inc.	Long-t	erm	5,123	US\$	1,940	10	US\$	1,940	
	RichTek Technology Corp.	Long-t	erm	395	US\$	226	1	US\$	794	
	Programmable Microelectronics									
	(Taiwan), Inc.	Long-t investr		177	US\$	50		US\$	50	
	Auden Technology MFG. Co., Ltd.	Long-t investr	erm	953	US\$	738	4	US\$	738	
	GeoVision, Inc.	Long-t investr		471	US\$	127	1	US\$	127	
	EoNex Technologies, Inc.	Long-t investr		55	US\$	3,048	5	US\$	3,048	
	Conwise Technology Corporation, I		erm	2,800	US\$	490	14	US\$	490	
	EON Technology, Corp.	Long-t	erm	3,276	US\$	1,175	8	US\$	1,175	
	Goyatek Technology, Corp.	Long-t	erm	2,088	US\$	545	7	US\$	545	
	Trendchip Technologies Corp.	Long-t	erm	2,000	US\$	861	5	US\$	861	
	Ralink Technology (Taiwan), Inc.			1,833	US\$	791	3	US\$	791	

	Long-term						
	investment						
Silicon Data International Co., Inc.	Long-term	2,000	US\$	204	3	US\$	204
	investment						
Capella Microsystems (Taiwan), Inc.	Long-term	419	US\$	122	3	US\$	122
1 2 77	investment						
Preferred stock							
Memsic, Inc.	Long-term	2,289	US\$	1,560	8	US\$	1,560
	investment						
eLCOS Microdisplay Technology, Ltd.	Long-term	2,667	US\$	3,500	15	US\$	3,500
	investment						
NanoAmp Solutions, Inc.	Long-term	375	US\$	1,500	1	US\$	1,500
•	investment						
Advanced Analogic Technology, Inc.	Long-term	948	US\$	1,261	2	US\$	1,261
	investment						
Sonics, Inc.	Long-term	1,582	US\$	3,082	5	US\$	3,082
	investment						
Reflectivity, Inc.	Long-term	4,255	US\$	2,205	5	US\$	2,205
•	investment						
Tropian, Inc.	Long-term	1,464	US\$	393	2	US\$	393
	investment						
Kilopass Technologies, Inc.	Long-term	3,887	US\$	2,000	19	US\$	2,000
	investment						
FangTek, Inc.	Long-term	6,806	US\$	3,250	34	US\$	3,250
	investment						
Alchip Technologies Limited	Long-term	2,579	US\$	2,950	18	US\$	2,950
	investment						
Common stock							
Global Investment Holding, Inc.	Long-term	10,000	1	00,000	6	1	.00,000
	investment						
RichWave Technology Corp.	Long-term	2,600	US\$	867	13	US\$	867
	investment						
NetLogic Microsystems, Inc.	Long-term	113	US\$	1,388	1	US\$	1,388
	investment						
<u>Preferred stock</u>							
Quake Technologies, Inc.	Long-term	601	US\$	450	1	US\$	450
	investment						
Pixim, Inc.	Long-term	1,721	US\$	2,382	3	US\$	2,382
	investment						
Newport Opticom, Inc.	Long-term	962	US\$	250	6	US\$	250
	investment						
Ikanos Communication, Inc.	Long-term	7,446	US\$	3,125	3	US\$	3,125
	investment						
					(Co	ntinue	d)

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		Deletionship			rying alue		Val Net V	arket lue or Asset alue	
		Relationship	ma <b>Sh</b> anaa/IIn	.:4a (T I		rcenta of		S\$ in	
		withFinancial State		nts(U	9 <b>)</b> III	01	(Ui	29 III	
		the	(In Thousand	de					
ld Company Nama	Marketable Securities Type and		of)		usand())	wnord	n <b>iT</b> ho	ucond)	N
iu Company Ivame	Quicksilver Technology, Inc.	Long-term	1,049		usanuy		US\$	usanu)	1
	Quickshver rechnology, me.	investment	1,047	ОЗФ		7	Ουψ		
	Mosaic Systems, Inc.	Long-term	2,481	2211	12	6	US\$	12	
	Wosaic Systems, me.	investment	2,401	Ουψ	12	U	Ουψ	12	
	Zenesis Technologies, Inc.	Long-term	1,204	US\$	699	4	US\$	699	
	Zenesis Teennologies, inc.	investment	1,201	СБФ	0,7,7	•	СБФ	0,7,7	
	Reflectivity, Inc.	Long-term	4.848	US\$	2,479	4	US\$	2,479	
	2.01.0001.109, 2.201	investment	.,0.0	СБФ	_,,	•	СБФ	_,>	
	Teknovus, Inc.	Long-term	5,556	US\$	1,000	3	US\$	1,000	
	10	investment	2,000	СБФ	1,000		СБФ	1,000	
	Miradia, Inc. (Formerly XHP	Long-term	3.040	US\$	1,000	4	US\$	1,000	
	Microsystems, Inc.)	investment	,		,				
	Axiom Microdevices, Inc.	Long-term	1,000	US\$	1,000	5	US\$	1,000	
	·	investment							
	Optichron, Inc.	Long-term	714	US\$	1,000	6	US\$	1,000	
	-	investment							
	Audience, Inc.	Long-term	1,654	US\$	250	2	US\$	250	
		investment							
	Next IO, Inc.	Long-term	800	US\$	500	2	US\$	500	
		investment							
	NuCORE Technology Inc.	Long-term	2,254	US\$	1,455	2	US\$	1,455	
		investment							
	Centrality Communications, Inc.	Long-term	809	US\$	1,000	2	US\$	1,000	
		investment							
	Layer N Networks, Inc.	Long-term	1,905	US\$	1,000	2	US\$	1,000	
		investment							
A T: 11	C 1								
AF II	Common stock	T 4	1 (75	TIOO	707	17	TIOO	707	
	Yobon Technologies, Inc.	Long-term	1,675	022	787	1 /	US\$	787	
	Santalia Com	investment Long-term	600	TICO	1,022	15	TICO	1 022	
	Sentelic, Corp.	investment	000	OSÞ	1,022	13	OSÞ	1,022	
	Ivyon Technology, Inc.		200	US\$	775	10	US\$	775	
	Tyyon Technology, Inc.	Long-term investment	200	034	113	10	OSÞ	113	
		mvestilient							
	Preferred stock								
	Powerprecise Solutions, Inc.	Long-term	258	US\$	250	3	US\$	250	
	1	investment				-	·		

**December 31, 2004** 

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Tzero Technologies, Inc.	Long-term investment	244	US\$ 500	2	US\$ 500	
Miradia, Inc.	Long-term investment	1,809	US\$ 1,600	2	US\$ 1,600	
Agelia Technologies, Inc.	Long-term	1,149	US\$ 1,000	2	US\$ 1,000	
Audience, Inc.	investment Long-term	531	US\$ 102	1	US\$ 102	
Axiom Microdevices, Inc.	investment Long-term	686	US\$ 700	5	US\$ 700	
Next IO, Inc.	investment Long-term investment	216	US\$ 182		US\$ 182	
Bond funds						
Grand Cathay	Short-term investment	3,608	45,543	N/A	45,544	
TIIM	Short-term investment	703	9,698	N/A	9,698	
Polaris De Li	Short-term investment	1,550	22,800	N/A	22,800	
EnTrust Kirin	Short-term	2,106	22,697	N/A	22,698	
E. Sun New Era	investment Short-term	1,920	20,313	N/A	20,314	
Jih Sun	investment Short-term	772	10,262	N/A	10,262	
EnTrust Phoenix	investment Short-term	2,081	30,563	N/A	30,564	
Transcend Fortune	investment Short-term investment	1,936	22,947	N/A	22,948	
Stock funds						
TIIM DaLi	Short-term investment	296	5,000	N/A	4,474	
UPAMC Global Select Fund of Funds	Short-term	336	3,364	N/A	3,378	
Sheng Hua 9966 Balance	investment Short-term investment	300	3,000	N/A	3,011	
Stock Global Unichip Corporation NA	Subsidi <b>lny</b> ng-term investment - 47 -	100	3,375	100	3,375	

**TABLE 4** 

#### TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LTD. AND AFFILIATES

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

FOR THE YEAR ENDED DECEMBER 31, 2004

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

al Statement				Beginning Balance Acquisition			Disposal Car		
ccount Cou	ınter-party	Nature of Shares/Uni Relationship(Thousand	,	Shares/Units (Thousand)		Shares/Units (Thousand)	Amount (US\$ in Thousand)	V (U Tho	
rm BO2 ent	A	40,000	\$ 1,359,120 (US\$40,000		\$	40,000	\$ 1,359,120 (US\$40,000)	\$ 1 (U	
rm Gol ent	dman Sachs	20,000	679,560 (US\$20,000	)		20,000	679,560 (US\$20,000)	(U	
	Asset								
(Tai	nagement iwan) Ltd. N AMRO	34,343	500,000	68,021	1,000,000	23,666	350,000		
ent		34,794	500,000	165,257	2,400,000	0 65,145	950,000		
ent	N AMRO			18,235	200,000	)			
ent Mar	Asset nagement iwan) Ltd.			110,580	1,500,000	) 25,694	350,000		
rm INV ent Asse	/ESCO			,	, ,	,	,		
Taiv	wan			93,975	1,350,000	17,270	250,000		
ent Dre Sect Inve	sdner urities estment								
Con Ltd. rm Bari				80,833	900,000	)			
ent Sec	urities estment								
	st Co., Ltd.			76,640 151,594	900,000 2,100,000				

	=aga: 1g. 17	020000	., ., ., ., .,					
rm	Shinkong							
ent	Investment							
	Trust Co., Ltd.							
rm	National							
ent	Investment							
	Trust Co., Ltd.		3,764	600,000				
rm	HSBC Asset							
ent	Management							
	(Taiwan) Ltd.		41,568	600,000				
m	Chung Shing							
ent	Bills Finance							
	Corp. and							
	several							
	financial							
	institutions	1,800,000		2,577,163		4,127,714		4
·m	Chung Shing							
rm ent	Bills Finance							
TIIL	Corp. and							
	several							
	financial							
	institutions	1,422,197				1,427,762		
m	BNP and	1,722,177				1,727,702		
ent	several							
AIIt	financial							
	institutions	3,157,331				3,169,750		1
m	BNP and	3,137,331				3,107,730		•
ent	several							
2110	financial							
	institutions	3,113,066				3,133,875		1
m	BNP and	3,113,000				3,133,073		١
ent	several							
	financial							
	institutions			2,023,206		2,031,500		(
m	BNP and			_,~ <b>_</b> _,		_,,		
ent	several							
·	financial							
	institutions			1,207,409				
m				,,				
ent				US\$ 699,398	US\$	506,162	US\$	
m	FCB and			•		•		
ent	several							
	financial							
	institutions			3,402,213				
m	China Bills							
ent	Finance Corp.							
	and several							
	financial							
	institutions			2,349,573				

rm ent rm ent	BNP and several financial institutions KGI Securities Co., Ltd. and several	3,890,925		
	financial	620,000		
	institutions	620,000		
rm	KGI Securities			
ent	Co., Ltd.	2,777,798		
rm ent		US\$ 3,171		
rm ent		US\$ 3,550		
rm				
ent		US\$ 3,503	US\$	3,504 US\$
rm ent		US\$ 3,130		
rm ent		US\$ 3,702		
rm ent		US\$ 3,509	US\$	3,509 US\$
rm ent		US\$ 3,750	US\$	3,755 US\$
rm		25,720	254	3,722 Θ5Φ
ent		US\$ 3,800		(Continued)

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			Beginning				
			Balance A	cquisition		Disposal	
						Carrying	Ga (Lo: or
			Amount (US\$	Amount	Amount	Value	Dispo
Marketable Securities	<b>Financial Statement</b>		NatureStares Alinites/	Un(i <b>t</b> &\$ <b>\$Sih</b> ar	es/Un(itsS\$ in	(US\$ in	(US
Type and Name	Account	<b>Counter-party</b>	Relations Hip dils and hours	aTild) usa(fTd)	ousáfi <b>ld</b> )usand)	Thousand)	Thous
<u> </u>	Short-term						
	investment		\$	US\$3,795	\$	\$	\$
amgen Inc.	Short-term						
	investment			US\$3,005			
ank New York Inc.	Short-term						
	investment			US\$3,945			
ank One Corp.	Short-term						
	investment			US\$3,693	US\$3,695	US\$ 3,693	US\$
Bear Stearns Cos Inc.	Short-term						
	investment			US\$3,805	US\$3,816	US\$ 3,805	US\$
Bear Stearns Cos Inc.	Short-term						
	investment			US\$3,518			
Bear Stearns Cos Inc.	Short-term						
	investment			US\$3,105			
Bristol Myers Squibb	Short-term						
Co.	investment			US\$3,819			
Brown Forman Corp.	Short-term						
	investment			US\$3,277	US\$3,280	US\$ 3,277	US\$
Cardinal Health Inc.	Short-term						
	investment			US\$3,837	US\$3,795	US\$ 3,837	US\$(
it Group Hldgs Inc.	Short-term						
	investment			US\$3,203			
Citigroup Inc.	Short-term						
	investment			US\$3,583			
Compaq Computer	Short-term						
Corp.	investment			US\$3,719			
Consolidated Edison	Short-term						
o. NY Inc.	investment			US\$3,687			
Countrywide Fdg Corp.	Short-term						
	investment			US\$3,534	US\$3,540	US\$ 3,534	US\$
Countrywide Home	Short-term						
	investment			US\$5,210			
redit Suisse First	Short-term						
oston USA	investment			US\$3,177	US\$3,188	US\$\$3,177	US\$
Pell Computer Corp.	Short-term						
_	investment			US\$3,054			
Diageo PLC	Short-term						
~	investment			US\$3,459			
luropean Invt Bk				US\$8,315			
_							

	Short-term					
	investment					
· ·	Short-term	110¢ 4 007				ľ
*	investment	US\$4,237				ľ
	Short-term .	11004.047				
C	investment	US\$4,847				1
*	Short-term	11000.010				ľ
	investment	US\$3,013				
General Elec Cap Corp.		11000 507	****** 400	τταφ	2.507	7.700
	investment	US\$3,507	US\$3,498	US\$	3,507	US\$
General Elec Cap Corp.		11000 ACT				
	investment	US\$3,467				- 1
Seneral Elec Cap Corp.		*****				- 1
	investment	US\$3,886				- 1
	Short-term					ľ
	investment	US\$3,412				ľ
•	Short-term					ľ
	investment	US\$3,505				ľ
-	Short-term					- 1
	investment	US\$3,820				- 1
Iewlett Packard Co.	Short-term					- 1
	investment	US\$3,373				- 1
Ioneywell Inc.	Short-term					- 1
<u> </u>	investment	US\$3,284				1
	Short-term					1
•	investment	US\$3,712	US\$3,633	US\$	3,712	US\$
	Short-term				•	1
•	investment	US\$3,542				1
	Short-term	•				1
_	investment	US\$3,003				1
NG Sec Life Ins Ingslf		<del></del> , - ,-				1
_	investment	US\$3,012				1
	Short-term	<del></del>				1
	investment	US\$5,232				1
P Morgan Chase + Co.		0000,202				1
C	investment	US\$3,638	US\$3,601	115\$	3 638	115\$
P Morgan Chase + Co.		<b>υ</b> <u>υ</u> υ , υ υ υ , υ υ υ , υ υ υ , υ υ υ , υ υ υ , υ υ υ , υ υ υ , υ υ υ υ , υ υ υ υ , υ υ υ υ , υ υ υ υ , υ υ υ υ , υ υ υ υ υ , υ υ υ υ υ , υ υ υ υ υ υ υ υ υ υ υ υ υ υ υ υ υ υ υ υ	<b>υ</b> οφυ,ουτ	$O_{D_{\Psi}}$	3,050	υυψ.
-	investment	US\$3,128				1
P Morgan Chase + Co.		ΟθΨ 5,120				1
~	investment	US\$3,663				1
		$\cup$ $\circ$ $\varphi$ $\circ$ , $\circ$ $\cup$ $\circ$				ľ
• 1	Short-term	115\$2 500				ľ
•	investment Short torm	US\$3,500				ľ
	Short-term	11545 104				1
	investment Short town	US\$5,104				
	Short-term	11000 417		- TO	~ 417	7700
C	investment	US\$3,417	US\$3,381	US\$	3,417	US\$(
	Short-term .	11CA2 705				
C	investment	US\$3,705				
•	Short-term					ľ
	investment	US\$3,750				
		US\$3,497	US\$3,498	US\$	3,497	US\$

Ierrill Lynch + Co	Short-term		
nc.	investment		
Ierrill Lynch + Co	Short-term		
nc.	investment	US\$3,486	
Ionumental Global	Short-term		
dg II 2002A	investment	US\$3,129	
Aorgan Stanley Group	Short-term		
nc.	investment	US\$5,741	
Iorgan Stanley Group	Short-term		
nc.	investment	US\$4,763	US\$3,713 US\$ 3,713
Vationsbank Corp.	Short-term Short-term		
	investment	US\$3,644	
Vationwide Bldg Soc	Short-term Short-term		
	investment	US\$3,457	
Vationwide Life Global	Short-term Short-term		
<b>I</b> tn	investment	US\$3,413	
epsico Inc. Mtn Book	Short-term Short-term		
Intry	investment	US\$3,818	
opular North Amer	Short-term Short-term		
nc Mtn	investment	US\$3,042	
ricoa Global Fdg I	Short-term Short-term		
<b>I</b> tn	investment	US\$3,507	
ricoa Global Fdg I	Short-term		
<b>I</b> tn	investment	US\$3,050	
rincipal Life Global	Short-term		
dg I Gl	investment	US\$3,168	
alomon Smith Barney	Short-term Short-term		
Ildgs Inc.	investment	US\$3,160	
BC Communications	Short-term		
nc.	investment	US\$3,681	
			(Continued)

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Short-term   investment   Short-term   investment   Short-term   investment   USS   3,631   USS   3,131				Beginning Balance			1	Dispo	sal
Curties   Financial Statement   Account   Counter-party   Relations#Bindess/Unit&US\$ is5haress/Unit&US\$ is								Ca	rryi
NatureSifiares   NatureSifiares   NatureSifiares   NatureSifiares   NatureSifiares   NatureSifiares   NatureSifiares   NatureSifiares   NatureSifiares   NatureSifiares   NatureSifiares   NatureSifiares   NatureSifiares   NatureSifiares   NatureSifiares   NatureSifiares   NatureSifiares   NatureSifiares   NatureSifiares   NatureSifiares   NatureSifiares   NatureSifiares   NatureSifiares   NatureSifiares   NatureSifiares   NatureSifiares   NatureSifiares   NatureSifiares   NatureSifiares   NatureSifiares   NatureSifiares   NatureSifiares   NatureSifiares   NatureSifiares   NatureSifiares   NatureSifiares   NatureSifiares   NatureSifiares   NatureSifiares   NatureSifiares   NatureSifiares   NatureSifiares   NatureSifiares   NatureSifiares   NatureSifiares   NatureSifiares   NatureSifiares   NatureSifiares   NatureSifiares   NatureSifiares   NatureSifiares   NatureSifiares   NatureSifiares   NatureSifiares   NatureSifiares   NatureSifiares   NatureSifiares   NatureSifiares   NatureSifiares   NatureSifiares   NatureSifiares   NatureSifiares   NatureSifiares   NatureSifiares   NatureSifiares   NatureSifiares   NatureSifiares   NatureSifiares   NatureSifiares   NatureSifiares   NatureSifiares   NatureSifiares   NatureSifiares   NatureSifiares   NatureSifiares   NatureSifiares   NatureSifiares   NatureSifiares   NatureSifiares   NatureSifiares   NatureSifiares   NatureSifiares   NatureSifiares   NatureSifiares   NatureSifiares   NatureSifiares   NatureSifiares   NatureSifiares   NatureSifiares   NatureSifiares   NatureSifiares   NatureSifiares   NatureSifiares   NatureSifiares   NatureSifiares   NatureSifiares   NatureSifiares   NatureSifiares   NatureSifiares   NatureSifiares   NatureSifiares   NatureSifiares   NatureSifiares   NatureSifiares   NatureSifiares   NatureSifiares   NatureSifiares   NatureSifiares   NatureSifiares   NatureSifiares   NatureSifiares   NatureSifiares   NatureSifiares   NatureSifiares   NatureSifiares   NatureSifiares   NatureSifiares   NatureSifiares   NatureSifiares   NatureSifiares   Natu					A	mount	Amount	V	/alu
Investment   S	ne	Account		NatureSifares Alinites/					JS\$ i ousa
# Art S Inc. Short-term investment				Φ.	TIOO	2.604	d)	4	
investment   Short-term   Short-term   Short-term   Investment   Short-term   Investment   Short-term   Investment   Short-term   Investment   Short-term   Investment   Short-term   Investment   Short-term   Investment   Short-term   Investment   Short-term   Investment   Short-term   Investment   Short-term   Investment   Short-term   Investment   Short-term   Investment   Short-term   Investment   Short-term   Investment   Short-term   Investment   Short-term   Investment   Short-term   Investment   Short-term   Investment   Short-term   Investment   Short-term   Investment   Short-term   Investment   Short-term   Investment   Short-term   Investment   Short-term   Investment   Short-term   Investment   Short-term   Short-term   Investment   Short-term   Short-term   Investment   Short-term   Short-term   Short-term   Short-term   Short-term   Short-term   Short-term   Short-term   Short-term   Short-term   Short-term   Short-term   Short-term   Short-term   Short-term   Short-term   Short-term   Short-term   Short-term   Short-term   Short-term   Short-term   Short-term   Short-term   Short-term   Short-term   Short-term   Short-term   Short-term   Short-term   Short-term   Short-term   Short-term   Short-term   Short-term   Short-term   Short-term   Short-term   Short-term   Short-term   Short-term   Short-term   Short-term   Short-term   Short-term   Short-term   Short-term   Short-term   Short-term   Short-term   Short-term   Short-term   Short-term   Short-term   Short-term   Short-term   Short-term   Short-term   Short-term   Short-term   Short-term   Short-term   Short-term   Short-term   Short-term   Short-term   Short-term   Short-term   Short-term   Short-term   Short-term   Short-term   Short-term   Short-term   Short-term   Short-term   Short-term   Short-term   Short-term   Short-term   Short-term   Short-term   Short-term   Short-term   Short-term   Short-term   Short-term   Short-term   Short-term   Short-term   Short-term   Short-term   Short-term   Short-term   Short-term   Short-term   Sho				\$	US\$	3,604	\$	\$	•
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investment institutions 950,646  Long-term Chung Shing Bills Finance Corp. investment 408,538  cs Long-term Chung Shing Bills Finance Corp. investment 406,245  chemical Long-term Chung Shing Bills Finance Corp. investment 202,980  Ln Mtg Short-term			DND and savaral financial		4	2,997,430			
Chung Shing Bills Finance Corp.  investment  Solution  Long-term  investment  Chung Shing Bills Finance Corp.  Chung Shing Bills Finance Corp.  Chung Shing Bills Finance Corp.  Chung Shing Bills Finance Corp.  Chung Shing Bills Finance Corp.  202,980  Ln Mtg Short-term						050 646			
investment 408,538  Long-term Chung Shing Bills Finance Corp. investment 406,245  Chemical Long-term Chung Shing Bills Finance Corp. investment 202,980  Ln Mtg Short-term						930,040			
Chung Shing Bills Finance Corp. investment Chung Shing Bills Finance Corp. themical Long-term investment Chung Shing Bills Finance Corp. 202,980  Ln Mtg Short-term			Chung Shing Bins Finance Corp.			100 520			
investment 406,245 Chemical Long-term Chung Shing Bills Finance Corp. investment 202,980  Ln Mtg Short-term			Chung Ching Dilla Einanga Com			400,330			
chemical Long-term Chung Shing Bills Finance Corp. investment 202,980  Ln Mtg Short-term			Chung Shing Bins Finance Corp.			106 245			
investment 202,980  Ln Mtg Short-term			Chung Ching Dilla Financa Com			400,243			
Ln Mtg Short-term			Chang Shing Bins Finance Corp.			202 080			
	j	mvestment				202,980			
YTOM COOC	Mtg S	Short-term							
		investment			US\$	6,096			
Ln Mtg Short-term	Mtg S	Short-term							
investment US\$ 4,725	i	investment							
US\$ 3,558					US\$	3,558			

4							
Ln Mtg	Short-term						
<b>.</b> .	investment						1
_		TIOO	5 OC1				1
	investment Short-term	US\$	5,861				
_	Short-term investment	US\$	3,393				1
		Ουφ	3,373				1
	investment	US\$	6,130				1
		<b>0</b> ≈ ∓	0,100				1
_	investment	US\$	6,371				1
			,				1
	investment	US\$	7,000				1
828	Short-term						1
	investment	US\$	5,014				1
81153	Short-term		_				1
	investment	US\$	3,817				1
		TTOO	4.000	TTOO	1.000	TTOO	4 0
	investment	US\$	4,829	US\$	4,829	US\$	4,8
atl Mtg	Short-term investment	TICO	4 472				1
PC	investment Short-term	US\$	4,473				1
PC	Short-term investment	US\$	3,466				1
Ln Bks	Short-term	Ουψ	3,400				1
	investment	US\$	5,210	US\$	4,153	US\$	4.1
	Short-term	$OD_{\Psi}$	J,2±0	004	7,100	UU	-1,
	investment	US\$	4,927				1
Ln Bks	Short-term		. ,-				1
	investment	US\$	14,938	US\$	6,980	US\$	6,9
Ln Bks	Short-term						1
	investment	US\$	7,014				1
Ln Bks	Short-term						1
_	investment	US\$	4,936				
Ln Bks	Short-term	<b>-</b> -			- 245	<b></b>	
	investment Chart town	US\$	9,956	US\$	9,967	US\$	9,9
	Short-term	TIOO	5.064	TTOO	- 206	TICO	۔ ؍
	investment Short-term	US\$	5,264	UδΦ	5,286	ΠQΦ	5,4
Ln Bks	Short-term investment	US\$	4,948				•
Ln Bks	Short-term	USy	4,7 <del>4</del> 0				1
LII DEG	investment	US\$	7,018				1
Ln Bks	Short-term	$OO_{\Psi}$	7,010				ľ
JII	investment	US\$	9,993	US\$	5,000	US\$	4,9
Ln Bks	Short-term	<b>C</b> ,	~ <del>]</del> ~ ~ -	·	<b>0</b> ,	<b>U</b>	.,
	investment	US\$	7,042				Ī
Ln Bks	Short-term		• ,				
	investment	US\$	6,098				
Ln Bks	Short-term						
	investment	US\$	13,953				
Ln Bks	Short-term						
	investment		13,983				
Ln Bks		US\$	13,981				ľ
4							

Short-term				
investment				
Short-term				ľ
investment	US\$	6,978		ľ
Short-term				ľ
investment	US\$	3,388		ŗ
Short-term				ľ
investment	US\$	4,907	US\$ 4,981	US\$ 4,9
Short-term				ľ
investment	US\$	4,953		ŗ
Short-term				ŗ
investment	US\$	9,997		ļ
Short-term				ŗ
investment	US\$	9,971	US\$ 9,942	US\$ 9,9
Short-term				ŀ
investment	US\$	11,984	US\$10,965	US\$10,9
Short-term				ŀ
investment	US\$	4,933		ŀ
Short-term				I
investment	US\$	4,930		1
Short-term				
investment	US\$	4,903		
Short-term				
investment	US\$	11,036	US\$10,997	US\$11,0
Short-term				
investment	US\$	10,496		
			(Continued	1)
	- 50 -			
	investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term investment Short-term	investment         US\$           Short-term         US\$           investment         US\$           Short-term         US\$           investment         US\$           Short-term         US\$           investment         US\$           Short-term         US\$           investment         US\$           Short-term         US\$           investment         US\$           Short-term         US\$           investment         US\$           Short-term         US\$           investment         US\$           Short-term         US\$           investment         US\$           Short-term         US\$           investment         US\$           Short-term         US\$           Short-term         US\$	investment         US\$ 6,978           Short-term         US\$ 3,388           Short-term         US\$ 3,388           Short-term         US\$ 4,907           Short-term         US\$ 4,907           Short-term         US\$ 9,971           Short-term         US\$ 9,971           Short-term         US\$ 9,971           Short-term         US\$ 11,984           Short-term         US\$ 4,933           Short-term         US\$ 4,933           Short-term         US\$ 4,930           Short-term         US\$ 4,903           Short-term         US\$ 11,036           Short-term         US\$ 11,036           Short-term         US\$ 10,496	investment         Short-term           investment         US\$ 6,978           Short-term         US\$ 3,388           investment         US\$ 3,388           Short-term         US\$ 4,907         US\$ 4,981           Short-term         US\$ 4,953           Short-term         US\$ 9,997         US\$ 9,942           Short-term         US\$ 9,971         US\$ 9,942           Short-term         US\$ 11,984         US\$ 10,965           Short-term         US\$ 4,933         US\$ 10,965           Short-term         US\$ 4,930         US\$ 10,965           Short-term         US\$ 4,903         US\$ 10,997           Short-term         US\$ 11,036         US\$ 10,997           Short-term         US\$ 11,036         US\$ 10,490           US\$ 10,430         US\$ 10,430

		_	Beginning Balance Acquisition			Disposal		
						Carı	rying	Ga (Le
		Amou (US\$		mount	Amount	Va	lue	Disp
arketable Securities Type and Name	Financial Statement Account	NatureSifaresAlinit Relations(filp@ibs@ibs)	es/Uni(t		,		S\$ in sand)	(US Thou
deral Natl Mtg Assn	Short-term	 ` • ` ,		, ,			,	
	investment	\$	USS	\$ 5,270	\$	\$		9
deral Natl Mtg Assn	Short-term							
	investment		USS	\$ 4,982	US\$ 4,983	US\$	4,982	US
deral Natl Mtg Assn	Short-term							
C	investment		USS	\$ 6,940				
deral Natl Mtg Assn	Short-term							
C	investment		USS	\$ 4,867	US\$ 4,938	US\$	4,867	USS
deral Natl Mtg Assn	Short-term							
C	investment		USS	\$ 6,903				
deral Natl Mtg Assn	Short-term							
C	investment		USS	\$ 4,981				
deral Natl Mtg Assn	Short-term							
C	investment		USS	\$ 6,997				
deral Natl Mtg Assn	Short-term			,				
C	investment		USS	\$ 4,993	US\$ 4,993	US\$	4,993	
deral Natl Mtg Assn				,			ŕ	
sc Nts	investment		USS	\$ 5,000				
deral Natl Mtg Assn	Short-term			,				
n	investment		USS	\$15,787				
eddie Mac	Short-term			,				
	investment		USS	\$ 4,929				
dent Ln Marketing	Short-term			, ,				
sn	investment		USS	\$16,000	US\$16,000	US\$1	6,000	
rporate issued								
et-backed securities								
sop Fdg II LLC	Short-term							
	investment		USS	\$ 4,955				
nerican Express Cr	Short-term							
count MA	investment		USS	\$ 3,445				
nericredit	Short-term							
tomobile Receivb	investment		USS	\$ 4,949				
nc Amer Coml Mtg	Short-term							
<b>.</b> .	investment		USS	\$ 5,503				
nc Amer Mtg Secs	Short-term							
	investment		USS	\$ 4,030				
nk Of Amer Lease	Short-term							
uip Tr	investment		USS	\$ 4,023				

IW Veh Owner Tr	Short-term	TICO	4.070					
1:C T C	investment	022	4,978					
lifornia Infr +	Short-term	TIOO	4.200					
onomic Dev	investment	US\$	4,298					
lifornia Infras +	Short-term	TICO	0.202					
onomic	investment	022	8,383					
lifornia	Short-term	ттаф	7.410					
rastructure Dev	investment	US\$	7,419					
pital Auto	Short-term	ттаф	4.607					
ceivables Asset	investment	US\$	4,627					
pital One Master Tr	Short-term	ттаф	2.002	TIOO	2.072	TIOO	2.002	TIOO
. 10 . 10 . 10	investment	US\$	3,093	US\$	3,072	US\$	3,093	US\$
pital One Multi	Short-term							
set Execut	investment	US\$	4,957					
pital One Secd Nt Tr								
	investment	US\$	5,032	US\$	5,000	US\$	5,032	US\$
terpillar Finl Asset	Short-term							
	investment	US\$	10,008					
ntex Home Equity	Short-term							
Tr	investment	US\$	3,500					
Equip Coll Tr	Short-term Short-term							
	investment	US\$	4,999					
ibank Cr Card	Short-term							
uance Tr	investment	US\$	4,959					
N Equip Tr	Short-term							
	investment	US\$	5,000					
mm 2004 Htl 1	Short-term							
	investment	US\$	4,600					
edit Suisse First	Short-term							
ston Mtg	investment	US\$	5,000					
VABS Inc.	Short-term		·					
	investment	US\$	5,000					
VABS Inc.	Short-term		,					
	investment	US\$	3,500					
VALT Inc.	Short-term		,					
	investment	US\$	4,718					
VABS Inc.	Short-term		.,,					
1120 1110	investment	US\$	3,129					
VABS Inc.	Short-term	σσφ	0,12>					
TIBS IIIC.	investment	US\$	4,040					
imlerchrysler Auto	Short-term	СБФ	1,010					
innerem ysici 71010	investment	2211	4,991					
imlerchrysler Auto	Short-term	Ουψ	1,221					
innerem y sici riuto	investment	\$21I	4,982					
imlerchrysler Auto	Short-term	$OO\Phi$	7,702					
innerem ysici Auto	investment	1164	4,897					
st Union Lehman	Short-term	$O_{\mathbf{Q}}$	7,071					
os Mtg Tr		TICO	4 177					
-	investment Short term	034	4,177					
st USA Credit Cr	Short-term	TICO	5 01 1					
ister Tr	investment		5,011					
rd Cr Auto Owner Tr		US\$	10,999					

	Short-term							
	investment							
Cap Cr Card	Short-term Short-term							
ıster Nt Tr	investment	US\$	4,000	US\$	4,003	US\$	4,000	US\$
anite Mtgs PLC	Short-term Short-term							
	investment	US\$	5,000					
Mtg Secs Corp.	Short-term Short-term							
	investment	US\$	4,000					
rley Davidson	Short-term							
otorcycle Tr	investment	US\$	4,000					
rley Davidson	Short-term Short-term							
otorcycle Tr	investment	US\$	5,999					
lmes Fing No 8 PLC	Short-term Short-term							
	investment	US\$	5,001					
nda Auto	Short-term Short-term							
ceivables	investment	US\$	5,000					
undai Auto	Short-term Short-term							
ceivables Tr	investment	US\$	3,500					
pac Secd Assets	Short-term							
rp.	investment	US\$	4,000					
numentl Global Fdg	Short-term							
	investment	US\$	3,500					
vistar Finl 2003 A	Short-term Short-term							
ner Tr	investment	US\$	4,928					
ssan Auto	Short-term							
ceivables	investment	US\$	7,000					

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(Continued)

			Beginning Balance Acquisition		D	isposal
						Carrying
lecurities Name	Financial Statement Account	Nature o <b>ß</b> hare RelationshiβΓho		Amount es/Uni <b>(t</b> s/S\$ inShar usaf <b>(th</b> )ousand()Th		Value (US\$ in Thousand)
_	Short-term					
wner Tr	investment		\$	US\$ 4,999	\$	\$
	Short-term			1100 4.050		
wner	investment			US\$ 4,853		
Owner	Short-term			1100 4.010		
NT 1	investment			US\$ 4,913		
g No 1	Short-term			1100 5 100	1100 5 006	1100 5 100
	investment			US\$ 5,102	US\$5,036	US\$5,102
eway	Short-term			1100 4 204		
	investment			US\$ 4,204		
eway	Short-term			110¢ 2.000		
	investment			US\$ 3,992		
/	Short-term			110¢ 5 105		
. 3.6.	investment			US\$ 5,185		
set Mtg	Short-term			1104 2766		
3.6	investment			US\$ 3,766		
g Mtg	Short-term			1100 2047		
	investment			US\$ 3,947		
Γ <b>r</b>	Short-term			110¢ 2.500		
	investment			US\$ 3,500		
Rate	Short-term			1104 2.050		
	investment			US\$ 3,058		
002 B	Short-term			1100 4.070		
	investment			US\$ 4,970		
	Short-term			110¢ 5 0 10		
	investment			US\$ 5,042		
ivery	Short-term			110¢ 0 000		
Т.	investment			US\$ 8,009		
wner Tr	Short-term			110¢ 4.000		
	investment			US\$ 4,000		
o Owner	Short-term			110¢ ( 000		
. 0	investment			US\$ 6,000		
o Owner	Short-term			11C# 4.000		
1 0	investment			US\$ 4,999		
l Owner	Short-term			1100 5000		
h 4	investment			US\$ 5,008		
2 4	Short-term			1100 2004		
4.2	investment			US\$ 3,904		
4 2	Short-term			11C¢ 4.004		
	investment			US\$ 4,994		

4 4	Short-term							
	investment				US\$ 5,399			
n Tr	Short-term							
	investment				US\$ 5,967			
n Tr	Short-term							
	investment				US\$ 4,000			
Auto	Short-term							
r	investment				US\$ 5,963			
Auto	Short-term							
r	investment				US\$ 5,000		US\$4,986	US\$5,000
<u>funds</u>	Short-term							
	investment				US\$21,114			
<u> </u>								
nology	Short-term							
	investment		947	US\$ 121		1,595	US\$6,783	US\$ 184
	Short-term							
n, Inc.	investment		1,205	US\$3,593		1,205	US\$8,972	US\$3,593
wer	Short-term							
	investment		2,521	US\$2,000		546	US\$4,318	US\$ 433
<u> </u>								
nology	Short-term							
	investment		465	US\$ 346		768	US\$3,394	US\$ 519
		nce included the recognition adjustments and the bond				iity metl	hod, the	

#### TABLE 5

#### TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LTD. AND AFFILIATES

## ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL

FOR THE YEAR ENDED DECEMBER 31, 2004

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

Transaction	Transaction	1		Nature of		Prior Trans Related Cour		7	Price
Date			Counter-party		Owner	Relationship		Amount	Reference
April 21, 2004		-	IDC Taiwan,	<u>-</u>	N/A	N/A	N/A	N/A	Public 1
•		construction	Inc., Taiwan						bidding
		progress	Branch						!
			(U.S.A.)						
April 21, 2004	420,168	•	CHRIST AG		N/A	N/A	N/A	N/A	Public 1
		construction							bidding j
22 2004		progress	4111 TO . 1		3.T/A	3.T/A	37/A	37/A	D 111
April 22, 2004	224,800	•	Allis Electric		N/A	N/A	N/A	N/A	Public 1
			Co., Ltd.						bidding J
May 12, 2004		progress By the	United Industry		N/A	N/A	N/A	N/A	Public 1
viay 12, 2004	3 <del>4</del> 0,307	•	United Industry gas Corp., Ltd.		11//1	1 <b>N/</b> /A	1 <b>V/</b> /A	1 <b>V/</b> /A	bidding
		progress	gas Corp., Liu.						bidding
May 12, 2004	116,181		United Industry	,	N/A	N/A	N/A	N/A	Public 1
viay 12, 200 i	110,101		gas Corp., Ltd.		14/17	14/13	1 1/1 1	1 1/ / 1	bidding
		progress	gas Corp., Lta.						bidding
May 12, 2004			BOC		N/A	N/A	N/A	N/A	Public 1
viu, 12, 200	100,0.	•	EDWARDS,		1111	± ·· -	± W = =	****	bidding
		progress	CMS						1
fune 17, 2004	165,208		Organo		N/A	N/A	N/A	N/A	Public 1
,	,	•	Corporation						bidding
		progress							1
uly 2, 2004	225,744		Marketech		N/A	N/A	N/A	N/A	Public 1
		construction	International						bidding
		progress	Corp.						ļ
fuly 8, 2004	100,767	•	Kanto		N/A	N/A	N/A	N/A	Public 1
			Chemical Co.,						bidding j
		1 0	Inc.						ļ.
fuly 8, 2004		•	United		N/A	N/A	N/A	N/A	Public 1
			Integrated						bidding
		progress	Services Co.,						
2 2004	220.000		Ltd.		3.T/A	37/4	27/4	27/4	5.11
August 3, 2004	300,000	•	United		N/A	N/A	N/A	N/A	Public 1
			Integrated						bidding 1
		progress	Services Co.,						l

August 5, 2004	122,969	construction	Ltd. Marketech International	N/A	N/A	N/A	N/A	Public bidding	
August 5, 2004	185,984	By the construction	Corp. Marketech International	N/A	N/A	N/A	N/A	Public bidding	]
August 5, 2004	182,060	By the construction progress	Corp. Marketech International Corp.	N/A	N/A	N/A	N/A	Public bidding	]
October 15, 2004	105,299	By the construction progress	IDC Taiwan, Inc., Taiwan Branch (U.S.A.)	N/A	N/A	N/A	N/A	Public bidding	]

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**TABLE 6** 

#### TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LTD. AND AFFILIATES

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

FOR THE YEAR ENDED DECEMBER 31, 2004

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

				Transaction D	etails			normal nsaction	Notes/Accor Payable o Receivab	r
Company Name The Company	Party TSMC	Nature of Relationship Subsidiary	Purchase/ Sale Sales	<b>Amount</b> \$142,271,732	Total	Payment I Terms Net 30 days after invoice date			Ending Balance \$15,526,964	% to Total Note 47
	Philips and its affiliates	Major shareholder	Sales	5,463,565	2	Net 30 days after monthly closing	None	None	581,487	2
	GUC	Investee	Sales	371,546		Net 30 days after monthly closing	None	None	56,436	
	WaferTech	Subsidiary	Purchases	15,203,047	34	Net 30 days after monthly closing	None	None	(913,107)	9
	VIS	Investee	Purchases	9,169,602	13	Net 30 days after monthly closing	None	None	(1,533,938)	16
	SSMC	Investee	Purchases	5,869,123	21	Net 30 days after monthly closing	None	None	(207,794)	2
				- 54 -	•					

TABLE 7

#### TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LTD. AND AFFILIATES

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

**DECEMBER 31, 2004** 

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

Company	Related	Nature of	Ending	Turnover	Ov	v <b>erdue</b>	Amounts Received in A Subsequent	llowance for
Name	Party	Relationship	Balance	Rate	Amount	Action Taken	Period	Bad Debts
The Company	TSMC North America	Subsidiary	\$15,526,964	38 days	\$5,044,202		\$ 6,013,414	\$
	TSMC Shanghai	Subsidiary	1,473,365	(Note)	145,146	Accelerate demand on account receivables		
	Philips and its affiliates	Major shareholder	581,487	49 days	7,136		13,726	

Note: The ending balance is generated mainly from the sales of machinery, so it is not applicable for the calculation of the turnover rate.

**TABLE 8** 

#### TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LTD. AND AFFILIATES

# NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE

**DECEMBER 31, 2004** 

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

			Original Investment Amount				as of 1 200 ercent		Net Incom	
tee Company	Location	Main Businesses and Products	December 31, 2004	December 31, 2003		9			(Loss) of the Investee	
C - North	San Jose,	Sales and marketing of								
ica	California,	integrated circuits and	Ф. 222.170	ф	222 150	11.000	100	ф. 502.242	<b>4.120.50</b>	
, r	U.S.A.	semiconductor devices	\$ 333,178	\$	333,178	11,000	100	\$ 502,242	\$ 120,58	
C - Europe	the	Marketing activities								
	Netherlands		15,749		15,749		100	25,439	262	
C - Japan	Yokohama,	Marketing activities				_	40-			
	Japan		83,760		83,760	6	100	102,572	2,919	
C - Shanghai	Shanghai, China	Manufacturing and marketing of integrated circuits and								
		semiconductor devices	9,187,962		1,890,952		100	8,113,511	(727,030	
	Hsin-Chu,	Research, design, development,								
	Taiwan	manufacture, packaging, testing								
		and sale of memory integrated								
		circuits, LSI, VLSI and related	0.110.016		0 110 017	400 522	20	5 401 00 <b>3</b>	1706.66	
International	Tortolo	parts  Providing investment in	8,119,816		8,119,816	409,532	28	5,401,982	4,706,668	
memanonal	British	Providing investment in companies involved in the								
	Virgin	design, manufacture, and other								
	Islands	related business in the								
		semiconductor industry	31,445,780	3	31,445,780	987,968	100	23,778,997	2,598,162	
herng	Taipei,	Investment activities	, , , , , , ,		, , ,	, -			, , ,	
	Taiwan		300,000		300,000		36	50,570	21,359	
Ruey	Taipei,	Investment activities								
	Taiwan		300,000		300,000		36	49,823	21,88	
2 Partners	Tortola,	Investment activities								
	British									
	Virgin		10.250		10.250	200	100	2.000.256	40 114	
,	Islands Singapore	Enhancian and supply of	10,350		10,350	300	100	3,908,356	43,11	
ĺ	Singapore	Fabrication and supply of integrated circuits	6,408,190		6,408,190	382	32	3,290,888	2,288,780	
ging Alliance		integrated circuits	1,447,957		1,179,690		99	823,232	2,288,786 (97,76°	
ang Amance			1,77/,73/		1,1/2,090		フプ	023,232	(37,70	

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ıyman	Investing in new start-up						Ī
ands	technology companies						
sin-Chu,	Researching, developing,						
iwan	manufacturing, testing and						
	marketing of integrated circuits	409,920	409,920	39,040	47	391,626	30,424
sin-Chu,	Manufacturing, material						
iwan	wholesaling and retailing of						
	electronic spare parts	51,000	51,000	5,100	25	59,116	35,540
yman	Investing in new start-up						
ands	technology companies	332,412			98	329,968	18,373
	ands in-Chu, iwan in-Chu, iwan wan	ands technology companies in-Chu, Researching, developing, iwan manufacturing, testing and marketing of integrated circuits in-Chu, Manufacturing, material iwan wholesaling and retailing of electronic spare parts yman Investing in new start-up	ands technology companies in-Chu, Researching, developing, iwan manufacturing, testing and marketing of integrated circuits 409,920 in-Chu, Manufacturing, material iwan wholesaling and retailing of electronic spare parts 51,000 yman Investing in new start-up	ands technology companies in-Chu, Researching, developing, iwan manufacturing, testing and marketing of integrated circuits 409,920 409,920 in-Chu, Manufacturing, material iwan wholesaling and retailing of electronic spare parts 51,000 51,000 yman Investing in new start-up	ands technology companies in-Chu, Researching, developing, iwan manufacturing, testing and marketing of integrated circuits 409,920 409,920 39,040 in-Chu, Manufacturing, material iwan wholesaling and retailing of electronic spare parts 51,000 51,000 5,100 yman Investing in new start-up	ands technology companies in-Chu, Researching, developing, iwan manufacturing, testing and marketing of integrated circuits 409,920 409,920 39,040 47 in-Chu, Manufacturing, material iwan wholesaling and retailing of electronic spare parts 51,000 51,000 5,100 25 yman Investing in new start-up	ands technology companies in-Chu, Researching, developing, iwan manufacturing, testing and marketing of integrated circuits 409,920 409,920 39,040 47 391,626 in-Chu, Manufacturing, material iwan wholesaling and retailing of electronic spare parts 51,000 51,000 5,100 25 59,116 yman Investing in new start-up

Note 1: The treasury stock is deducted from the carrying value.

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Note 2: The gains or losses on disposal of the stocks held by subsidiaries (treated as treasury stocks) and the paid-in capital from cash dividend distributed by parent company are excluded.

#### **TABLE 9**

#### TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LTD. AND AFFILIATES

## INFORMATION OF INVESTMENT IN MAINLAND CHINA DECEMBER 31, 2004

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

	Total Amount		Accumulated Outflow of Investment from Taiwan as			Accumulated Outflow of Investment from Taiwan			
	of Paid-in		of	Investment I	Flows	as of			Ca V
	Capital		January 1, 2004	Outflow		December 31,		Investment	
in Businesses and Products	(RMB in Thousand)	Investment Type	(US\$ in Thousand)	(US\$ in Thousand)	Inflow	2004 (US\$ in	in	hip Gain (Loss) ent(Note 2)	Dec 2
nufacturing and keting of grated circuits and iconductor devices	\$9,187,962 (RMB2,284,355)	(Note 1)	\$1,890,952 (US\$56,000)	\$7,297,010 (US\$220,000)	\$	\$9,187,962 (US\$276,000)	100%	\$(727,036)	\$8,1

Accumulated Investment in Mainland China as of December 31, 2004 (US\$ in Thousand)	Investment Amounts Authorized by Investment Commission, MOEA (US\$ in Thousand)	Upper Limit on Investment (US\$ in Thousand)
\$9,187,962	\$11,841,207	\$11,841,207
(US\$276,000)	(US\$371,000)	(US\$371,000)

Note 1: Direct investment in TSMC (Shanghai) US\$276,000 thousand.

Note 2: Amount was recognized based on the audited financial statements.

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#### **SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Taiwan Semiconductor Manufacturing Company Ltd.

Date: April 25, 2005

By /s/ Lora Ho

Lora Ho

Vice President & Chief Financial

Officer