

**Taiwan Semiconductor Manufacturing Company Ltd.
and Subsidiaries**

Consolidated Financial Statements as of December 31, 2000 and 1999

Together with Independent Auditors' Report

English Translation of a Report Originally Issued in Chinese

Independent Auditors' Report

January 29, 2001

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 as of December 31, 2000, and 1999, and the related consolidated 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 auditing standards generally accepted in the Republic of China. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Taiwan Semiconductor Manufacturing Company Ltd. and subsidiaries as of December 31, 2000 and 1999, and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the Republic of China.

As stated in Note 2, to the consolidated financial statements, the merger with TSMC and Worldwide Semiconductor Manufacturing Corp. effective on June 30, 2000 resulted in a change in reporting entity. The consolidated financial statements of Taiwan Semiconductor Manufacturing Company Ltd. and subsidiaries for the year then ended December 31, 1999, have been restated to make reporting entity consistently.

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 another jurisdictions. The standards, procedures and practices to audit such financial statements are those generally accepted and applied in the Republic of China.

English Translation of Financial Statements Originally Issued in Chinese

TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LTD.
AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
December 31, 2000 and 1999 (Note 2)
(In Thousand New Taiwan Dollars, Except Par Value)

A S S E T S	2000		1999		LIABILITIES AND SHAREHOLDERS' EQUITY	2000		1999	
	Amount	%	Amount	%		Amount	%	Amount	%
CURRENT ASSETS					CURRENT LIABILITIES				
Cash and cash equivalents (Notes 2 and 4)	\$ 38,840,217	11	\$ 29,517,682	13	Short-term bank loans (Notes 10 and 20)	\$ 3,833,841	1	\$ 5,026,631	2
Pledged time deposits (Note 20)	-	-	3,161,000	1	Commercial paper payable (Note 11)	-	-	94,797	-
Short-term investments (Notes 2, 5 and 20)	2,351,560	1	965,397	-	Payable to related parties (Note 18)	2,606,339	1	1,036,348	1
Receivable from related parties (Note 18)	948,726	-	340,938	-	Accounts payable	8,507,827	2	3,273,894	1
Notes receivable	125,175	-	210,980	-	Payables to contractors and equipment suppliers	25,550,273	7	12,593,712	5
Accounts receivable	30,335,314	8	14,240,095	6	Income tax payable (Notes 2 and 17)	3,298	-	155,127	-
Allowance for doubtful receivables (Note 2)	(946,734)	-	(422,202)	-	Current portion of long term liabilities (Notes 12 and 20)	51,055	-	1,001	-
Allowance for sales returns and others (Note 2)	(2,458,323)	(1)	(706,886)	-	Accrued expenses and other current liabilities (Note 22)	6,872,359	2	4,208,917	2
Inventories (Notes 2 and 6)	12,785,723	3	7,104,042	3	Total Current Liabilities	47,424,992	13	26,390,427	11
Deferred income tax assets (Notes 2 and 17)	8,178,016	2	2,616,618	1					
Prepaid expenses and other current assets (Notes 18, 19 and 22)	3,034,624	1	2,629,973	1	LONG-TERM LIABILITIES				
Total Current Assets	93,194,298	25	59,657,637	25	Long-term bank loans (Notes 13, and 20)	23,339,367	6	22,743,462	10
					Long-term bonds (Notes 2 and 14)	29,000,000	8	20,000,000	8
LONG-TERM INVESTMENTS (Notes 2, 7 and 23)	9,814,342	3	16,164,676	7	Total Long-term Liabilities	52,339,367	14	42,743,462	18
PROPERTY, PLANT AND EQUIPMENT (Notes 2, 8, 17, 18 and 20)					OTHER LIABILITIES				
Cost					Guarantee deposits	7,086,379	2	5,185,362	2
Land and land improvements	829,239	-	783,809	-	Accrued pension costs (Notes 2 and 16)	1,511,277	-	1,013,840	1
Buildings	53,874,708	15	33,929,572	14	Deferred gain on sale-lease back (Note 2)	434,183	-	-	-
Machinery and equipment	241,995,862	65	148,580,088	63	Obligation under capital lease (Note 12)	3,316	-	4,368	-
Office equipment	4,865,610	1	3,637,083	2	Other noncurrent liabilities	11,040	-	3,370	-
Total cost	301,565,419	81	186,930,552	79	Total Other Liabilities	9,046,195	2	6,206,940	3
Accumulated depreciation	(103,884,879)	(28)	(65,409,688)	(28)					
Advance payments and construction in progress	47,067,352	13	28,539,044	13	MINORITY INTEREST IN SUBSIDIARIES (Note 2)	321,726	-	7,524,168	3
Net Property, plant and equipment	244,747,892	66	150,059,908	64					
					Total Liabilities	109,132,280	29	82,864,997	35
CONSOLIDATED DEBITS (Note 2)	11,530,973	3	-	-					
					SHAREHOLDERS' EQUITY (Notes 2 and 15)				
OTHER ASSETS					Capital stock - \$10 par value				
Rental assets (Note 2)	625,647	-	-	-	Authorized: 17,800,000 thousand shares in 2000				
Deferred charges - net (Notes 2 and 9)	3,335,665	1	2,380,792	1	and 9,100,000 thousand shares in 1999				
Deferred income tax assets (Notes 2 and 17)	6,629,805	2	7,006,697	3	Issued: Common - 11,689,365 thousand shares in 2000				
Refundable deposits	979,067	-	59,371	-	and 8,520,882 thousand shares in 1999	116,893,646	32	85,208,817	36
Pledged time deposits (Note 20)	-	-	693	-	Preferred - 1,300,000 thousand shares	13,000,000	3	-	-
Miscellaneous	28,290	-	105,740	-	Subscribed capital	-	-	13,118,025	5
Total Other Assets	11,598,474	3	9,553,293	4	Capital surplus	55,285,821	15	23,951,411	10
					Retained earnings:				
					Appropriated as legal reserve	10,689,323	3	8,258,359	4
					Appropriated as special reserve	1,091,003	-	-	-
					Unappropriated earnings	65,143,847	18	23,124,011	10
					Unrealized loss on long-term investments	(71,564)	-	-	-
					Cumulative translation adjustments	(278,377)	-	(1,090,106)	-
					Total Shareholders' Equity	261,753,699	71	152,570,517	65
TOTAL ASSETS	\$ 370,885,979	100	\$ 235,435,514	100	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 370,885,979	100	\$ 235,435,514	100

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

(Please refer to the issued auditor's report by Andersen on January 29, 2001)

English Translation of Financial Statements Originally Issued in Chinese

TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LTD.
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
For the Years Ended December 31, 2000 and 1999 (Note 2)
(In Thousand New Taiwan Dollars, Except Consolidated Earnings Per Share)

	<u>2000</u>		<u>1999</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
GROSS SALES (Notes 2, 17 and 23)	\$ 169,192,312		\$ 77,298,726	
SALES RETURNS AND ALLOWANCES	(<u>2,994,708</u>)		(<u>993,624</u>)	
NET SALES	166,197,604	100	76,305,102	100
COST OF SALES (Note 18)	<u>89,681,764</u>	<u>54</u>	<u>46,237,403</u>	<u>61</u>
GROSS PROFIT	<u>76,515,840</u>	<u>46</u>	<u>30,067,699</u>	<u>39</u>
OPERATING EXPENSES (Note 23)				
General and administrative (Note 18)	8,807,156	5	2,845,299	4
Marketing	1,282,499	1	1,861,621	2
Research and development	<u>5,131,497</u>	<u>3</u>	<u>3,090,790</u>	<u>4</u>
Total Operating Expenses	<u>15,221,152</u>	<u>9</u>	<u>7,797,710</u>	<u>10</u>
INCOME FROM OPERATIONS	<u>61,294,688</u>	<u>37</u>	<u>22,269,989</u>	<u>29</u>
NON-OPERATING INCOME (Note 23)				
Interest	1,679,736	1	1,114,530	2
Insurance compensation	1,623,832	1	184,607	-
Gain on sale of short-term investments - net	1,060,919	1	48,575	-
Foreign exchange gain - net (Notes 2 and 22)	828,025	-	-	-
Premium income (Notes 2 and 22)	640,442	-	63,809	-
Technology service income (Note 18)	138,514	-	-	-
Gain on disposal of property, plant and equipment	62,921	-	4,310	-
Gain on sales of long-term investments	15,144	-	67,772	-
Reversal of allowance for losses on short-term investments	688	-	140,137	-
Other	<u>177,715</u>	<u>-</u>	<u>58,587</u>	<u>-</u>
Total Non-Operating Income	<u>6,227,936</u>	<u>3</u>	<u>1,682,327</u>	<u>2</u>
NON-OPERATING EXPENSES (Note 23)				
Interest (Notes 2, 8,18 and 22)	2,717,035	2	2,417,021	3
Equity in net losses of investee companies - net (Notes 2 and 7)	187,179	-	288,500	1
Premium expenses (Notes 2 and 22)	108,133	-	86,746	-
Loss on disposal of property, plant and equipment	114,768	-	164,384	-
Bond issue cost	32,658	-	114,839	-
Permanent loss on long-term investments	-	-	31,568	-

(Forward)

English Translation of Financial Statements Originally Issued in Chinese

Foreign exchange loss - net (Note 2)	\$	-	-	\$	119,141	-
Other		<u>461,327</u>	<u>-</u>		<u>101,803</u>	<u>-</u>
Total Non-Operating Expenses		<u>3,621,100</u>	<u>2</u>		<u>3,324,002</u>	<u>4</u>
INCOME BEFORE INCOME TAX (Note 23)		63,901,524	38		20,628,314	27
INCOME TAX BENEFIT (Notes 2 and 17)		<u>1,167,884</u>	<u>1</u>		<u>2,382,782</u>	<u>3</u>
INCOME BEFORE MINORITY INTEREST		65,069,408	39		23,011,096	30
MINORITY INTEREST IN LOSS OF SUBSIDIARIES (Notes 2 and 23)		<u>36,786</u>	<u>-</u>		<u>515,898</u>	<u>1</u>
NET INCOME	\$	<u>65,106,194</u>	<u>39</u>	\$	<u>23,526,994</u>	<u>31</u>
EARNINGS PER SHARE						
Based on common stock weighted-average number of shares outstanding - 11,400,882 thousand shares in 2000 and 8,349,682 thousand shares in 1999						
		<u>\$5.71</u>			<u>\$2.82</u>	
Based on 10,656,033 thousand shares					<u>\$2.21</u>	

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

(Please refer to the issued auditor's report by Andersen on January 29, 2001)

English Translation of Financial Statements Originally Issued in Chinese

TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LTD.

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY AND SUBSIDIARIES
For the Years Ended December 31, 2000 and 1999 (Note 2)
(In Thousand New Taiwan Dollars)

	CAPITAL STOCK ISSUED				CAPITAL SURPLUS (Note 2)							RETAINED EARNINGS (Note 15)				UNREALIZED LOSS ON LONG-TERM INVESTMENT (Note 2)	CUMULATIVE TRANSLATION ADJUSTMENTS (Note2)	TOTAL SHAREHOLDERS' EQUITY	
	Common Stock		Preferred Stock		Subscribed Capital	From Consolidation	Additional Paid-in Capital	From Long-term Investment	Excess on Foreign Bond Investment	Gain on Disposal of Properties	Donation	Total	Legal Reserve	Special Reserve	Unappropriated Earnings				Total
	Shares (Thousand)	Amount	Shares (Thousand)	Amount															
BALANCE, JANUARY 1, 1999	6,647,176	\$ 66,471,760	-	\$ -	\$ -	\$ 7,120,000	\$ -	\$ 99,128	\$ -	\$ 65,036	\$ 55	\$ 7,284,219	\$ 6,724,240	\$ -	\$ 16,532,518	\$ 23,256,758	\$ -	(\$ 727,426)	\$ 96,285,311
Appropriations of prior year's earnings																			
Legal reserve	-	-	-	-	-	-	-	-	-	-	-	-	1,534,119	-	(1,534,119)	-	-	-	-
Bonus to employees - stock	110,457	1,104,566	-	-	-	-	-	-	-	-	-	-	-	-	(1,104,566)	(1,104,566)	-	-	-
Stock dividends - 23%	1,390,850	13,908,505	-	-	-	-	-	-	-	-	-	-	-	-	(13,908,505)	(13,908,505)	-	-	-
Bonus to directors and supervisors	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(138,071)	(138,071)	-	-	(138,071)
Issuance of shares on April 15, 1999	250,000	2,500,000	-	-	-	5,000,000	-	-	-	-	-	5,000,000	-	-	-	-	-	-	7,500,000
Subscribed capital	-	-	-	-	13,118,025	-	-	-	-	-	-	-	-	-	-	-	-	-	13,118,025
Net income in 1999	-	-	-	-	-	-	-	-	-	-	-	-	-	-	23,526,994	23,526,994	-	-	23,526,994
Conversion of foreign bonds	122,399	1,223,986	-	-	-	-	-	11,289,998	-	-	-	11,289,998	-	-	-	-	-	-	12,513,984
Gain on disposal of properties	-	-	-	-	-	-	-	-	-	4,022	-	4,022	-	-	(4,022)	(4,022)	-	-	-
Gain on disposal of property from investees	-	-	-	-	-	-	-	246,218	-	-	-	246,218	-	-	(246,218)	(246,218)	-	-	-
Adjustment arising from changes in ownership percentage in investees	-	-	-	-	-	-	-	126,954	-	-	-	126,954	-	-	-	-	-	-	126,954
Translation adjustments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(362,680)	(362,680)
BALANCE, DECEMBER 31, 1999	8,520,882	85,208,817	-	-	13,118,025	12,120,000	-	472,300	11,289,998	69,058	55	23,951,411	8,258,359	-	23,124,011	31,382,370	-	(1,090,106)	152,570,517
Appropriations of prior year's earnings																			
Legal reserve	-	-	-	-	-	-	-	-	-	-	-	-	2,430,964	-	(2,430,964)	-	-	-	-
Special reserve	-	-	-	-	-	-	-	-	-	-	-	-	1,091,003	(1,091,003)	-	-	-	-	-
Bonus to employees - stock	172,121	1,721,208	-	-	-	-	-	-	-	-	-	-	-	-	(1,721,208)	(1,721,208)	-	-	-
Stock dividends - 25.55%	1,959,910	19,599,103	-	-	-	-	-	-	-	-	-	-	-	-	(19,599,103)	(19,599,103)	-	-	-
Bonus to directors and supervisors	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(215,151)	(215,151)	-	-	(215,151)
Capital Transferred from capital surplus - 2.45%	187,937	1,879,366	-	-	-	-	-	(1,879,366)	-	-	-	(1,879,366)	-	-	-	-	-	-	-
Issuance of shares on January 28, 2000	300,000	3,000,000	-	-	(13,118,025)	12,000,000	-	-	-	-	-	12,000,000	-	-	-	-	-	-	1,881,975
Issuance of shares on June 8, 2000	115,000	1,150,000	-	-	-	-	23,172,550	-	-	-	-	23,172,550	-	-	-	-	-	-	24,322,550
Issuance of shares for the mergers on June 30, 2000 (Note 1)	433,515	4,335,152	-	-	-	(1,790,871)	-	-	-	-	-	(1,790,871)	-	-	1,803,168	1,803,168	-	(897)	4,346,552
Issuance of preferred stocks on November 29, 2000	-	-	1,300,000	13,000,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	13,000,000
Net income in 2000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	65,106,194	65,106,194	-	-	65,106,194
Gain on disposal of properties	-	-	-	-	-	-	-	-	-	58,178	-	58,178	-	-	(58,178)	(58,178)	-	-	-
Gain on disposal of property from investees	-	-	-	-	-	-	-	5,502	-	-	-	5,502	-	-	(5,502)	(5,502)	-	-	-
Adjustment arising from changes in ownership percentage in investees	-	-	-	-	-	-	-	(231,583)	-	-	-	(231,583)	-	-	231,583	231,583	-	-	-
Unrealized loss on long-term investment from investees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(71,564)	-	(71,564)
Translation adjustments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	812,626	812,626
BALANCE, DECEMBER 31, 2000	11,689,365	\$ 116,893,646	1,300,000	\$ 13,000,000	\$ -	\$ 22,329,129	\$ 23,172,550	\$ 246,219	\$ 9,410,632	\$ 127,236	\$ 55	\$ 55,285,821	\$ 10,689,323	\$ 1,091,003	\$ 65,143,847	\$ 76,924,173	(\$ 71,564)	(\$ 278,377)	\$ 261,753,699

The accompanying notes are an integral part of the financial statements

(Please refer to the issued auditor's report by Andersen on January 29, 2001)

English Translation of Financial Statements Originally Issued in Chinese

TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LTD.
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2000 and 1999 (Note 2)
(In Thousand New Taiwan Dollars)

	<u>2000</u>	<u>1999</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 65,106,194	\$ 23,526,994
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	41,446,137	25,197,866
Deferred income taxes	(956,118)	(2,481,758)
Equity in net losses of investee companies – net	187,179	288,500
Gain on sales of long-term investments	(15,144)	(67,772)
Loss on disposal of property, plant and equipment – net	51,847	160,427
Accretion in redemption value of bonds	-	585,614
Permanent loss of long-term investments	-	31,568
Accrued pension cost	370,276	260,425
Allowance for doubtful receivables	524,532	148,603
Allowance for sales returns and others	1,679,309	402,068
Transfer property into expense	-	39,130
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Short-term investments	(1,373,616)	5,049,694
Forward exchange contract receivable	(113,730)	-
Receivable from related parties	(737,105)	(273,194)
Notes receivable	38,959	(176,112)
Accounts receivable	(15,467,155)	(6,215,651)
Inventories	(4,033,836)	(2,765,251)
Prepaid expenses and other current assets	351,988	(1,278,128)
Increase (decrease) in:		
Payable to related parties	2,334,247	878,411
Notes payable	(4,303)	-
Accounts payable	3,174,958	985,875
Income tax payable	(151,828)	(622,297)
Forward exchange contract payable	(987,604)	6,108
Accrued expenses and other current liabilities	2,024,180	2,137,160
Minority interest in subsidiaries	(36,786)	(515,898)
Net Cash Provided by Operating Activities	<u>93,412,581</u>	<u>45,302,382</u>

(Forward)

English Translation of Financial Statements Originally Issued in Chinese

CASH FLOWS FROM INVESTING ACTIVITIES

Pledge time deposits	\$ 3,161,693	(\$ 2,290,000)
Decrease in restricted cash	-	7,255
Acquisitions of:		
Property, plant and equipment	(103,761,905)	(51,459,113)
Long-term investments	(2,107,296)	(10,057,902)
Proceeds from sales of:		
Property, plant, and equipment	364,875	413,096
Long-term investments	49,376	150,015
Increase in deferred charges	(1,793,209)	(1,179,300)
Decrease (increase) in refundable deposits	(915,559)	61,416
Decrease in other assets	77,451	13,470
Decrease in minority interest in subsidiaries	(15,386,922)	(1,660,815)
Cash of TASMC and WSMC as of July 1, 2000	<u>736,594</u>	<u>-</u>
Net Cash Used in Investing Activities	<u>(119,574,902)</u>	<u>(66,001,878)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds from issuance of:		
Short-term bank loans	-	2,917,409
Long-term bonds	9,000,000	9,450,634
Long-term bank loans	-	7,997,586
Capital stock	39,204,525	20,618,025
Payments on:		
Short-term bank loans	(8,592,790)	-
Commercial paper	(4,241,048)	-
Short-term marketable security	-	(253,445)
Long-term bank loans	(2,648,853)	-
Increase (decrease) in guarantee deposits	2,978,984	(938,463)
Decrease in obligation under capital lease	(1,052)	-
Bonus paid to directors and supervisors	(215,151)	(138,071)
Issuance cost of financing	(118,335)	(63,275)
Decrease in other liabilities	-	(71,951)
Net Cash Provided by Financing Activities	<u>35,366,280</u>	<u>39,518,449</u>

NET INCREASE CASH AND CASH EQUIVALENTS 9,203,959 18,818,953

EFFECT OF EXCHANGE RATE CHANGES 118,576 (173,144)

CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR

29,517,682 10,871,873

CASH AND CASH EQUIVALENTS, END OF THE YEAR

\$ 38,840,217 \$ 29,517,682

(Forward)

English Translation of Financial Statements Originally Issued in Chinese

SUPPLEMENTAL INFORMATION

Interest paid (excluding amounts capitalized)	<u>\$ 4,036,210</u>	<u>\$ 2,441,840</u>
Income tax paid	<u>\$ 96,523</u>	<u>\$ 594,098</u>
Noncash investing and financing activities –		
Effect of exchange rate changes on cash and cash equivalents	<u>\$ 1,009,264</u>	<u>(\$ 66,376)</u>
Current portion of long-term debt	<u>\$ 51,055</u>	<u>\$ 1,001</u>
Cash paid for acquisition of property, plant and equipment:		
Total acquisitions	\$ 113,996,068	\$ 56,857,625
Payable to contractors and equipment suppliers	<u>(10,234,163)</u>	<u>(5,398,512)</u>
	<u>\$ 103,761,905</u>	<u>\$ 51,459,113</u>
Conversion of bonds into common stocks and capital surplus	<u>\$ -</u>	<u>\$ 12,513,984</u>

SUPPLEMENTAL INFORMATION OF THE MERGERS:

TSMC had merged with Worldwide Semiconductor Manufacturing Corp. (WSMC) and had acquired TSMC-Acer Semiconductor Manufacturing Corp. (TASMC) by issuing new shares. The balance sheets as of June 30, 2000 of WSMC and TASMC were as follows:

	<u>TASMC</u> <u>(Fair Value)</u>	<u>WSMC</u> <u>(Book Value)</u>	<u>Total</u>
Cash	\$ 736,594	\$ 675,810	\$ 1,412,404
Inventories	1,647,845	1,805,243	3,453,088
Other current assets	2,308,391	3,150,257	5,458,648
Property, plant and equipment – net	19,846,708	40,512,706	60,359,414
Other assets	7,335,526	5,101,000	12,436,526
Current liabilities	(16,699,147)	(12,454,686)	(29,153,833)
Long-term liabilities	(2,000,000)	(4,950,000)	(6,950,000)
Other liabilities	<u>(654,863)</u>	<u>(23,498)</u>	<u>(678,361)</u>
Net assets acquired	12,521,054	33,816,832	46,337,886
Cancellation of stocks of the dissolved companies	(8,173,605)	-	(8,173,605)
Issuance of stocks from the surviving company	<u>(4,335,152)</u>	<u>(11,500,000)</u>	<u>(15,835,152)</u>
Capital surplus	<u>\$ 12,297</u>	<u>\$ 22,316,832</u>	<u>\$ 22,329,129</u>

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

(Please refer to the issued financial report by Andersen on January 29, 2001)

TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LTD.
AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in Thousand New Taiwan Dollars, Except Per Share Amounts
and Unless Specified Otherwise)

1. GENERAL

Taiwan Semiconductor Manufacturing Company Ltd. (TSMC) is engaged mainly in the: (a) manufacture, sale, packaging, testing and computer-aided design of integrated circuits and other semiconductor devices; and, (b) manufacture and design of masks.

TSMC's shares are listed and traded on the Taiwan Stock Exchange.

On October 8, 1997, TSMC sold shares of stock in the New York Stock Exchange in the form of American Depositary Receipts (ADRs).

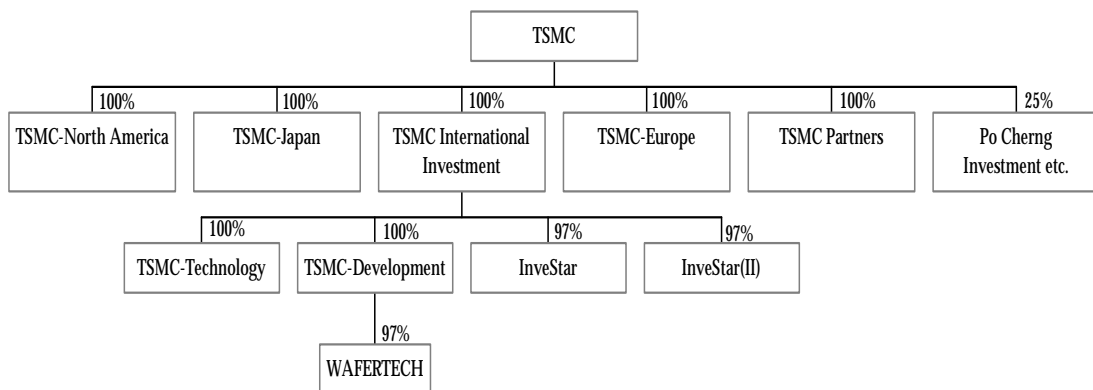
TSMC had acquired TSMC-Acer Semiconductor Manufacturing Corp. (TASMC). It also merged with Worldwide Semiconductor Manufacturing Corporation (WSMC) with TSMC as the surviving company. TASMC and WSMC were subsequently dissolved. The acquisition of TASMC and the merger with WSMC took effect on June 30, 2000, and, on that date, TSMC issued a total of 1,583,515 thousand common shares to the former shareholders of TASMC and WSMC. The additional shares issued were based on the agreed exchange ratio of three point nine TASMC shares and two WSMC shares for every share of TSMC. Also, the holders of the additional shares issued have the same rights and the obligation as the holders of the previously issued common stock of TSMC.

TASMC was incorporated on March 31, 1990, and commenced operations in January 1992. TASMC was engaged mainly in the research, development, design, manufacturing, packaging, testing and sale of dynamic random-access memory (DRAM) semiconductor devices, other memory integrated circuits and logic integrated circuits.

WSMC, was incorporated on March 6, 1996 and commenced operations on December 1, 1998. WSMC was engaged mainly in the manufacture of semiconductor products.

TSMC has eleven wholly-owned subsidiaries, namely, TSMC-North America, Taiwan Semiconductor Manufacturing Company Europe B.V (TSMC-Europe), TSMC-Japan, TSMC international Investment, TSMC Partners, and 25% owned affiliated - Po Cherng Investment, Chi Hsin Investment, Kung Cherng Investment, Chi Cherng Investment, Hsin Ruey Investment, and Cherng Huei Investment. As of December 31, 2000, TSMC International Investment has two wholly owned subsidiaries-TSMC Development, Inc. and TSMC Technology Inc., and two 97%-owned subsidiaries-InveStar Semiconductor Development Fund, Inc. and, InveStar Semiconductor Development Fund (II), Inc. (new investee in the year of 2000). TSMC Development Inc. in turn has 97%-owned subsidiary, WaferTech, LLC.

The following diagram presents information of relations and percentage of holding shares among TSMC, and its subsidiaries as of December 31, 2000:



TSMC-North America, TSMC-Europe and TSMC-Japan are engaged mainly in marketing and engineering support activities. TSMC Partners and Kung Cherng Investment etc. are engaged in investments. TSMC International Investment and its subsidiaries are engaged in investing in affairs focused on the design, manufacture, and other related business of semiconductors. WaferTech, LLC. is a foundry.

2. SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies, which conform to generally accepted accounting principles in the Republic of China, are summarized as follows:

Consolidation

The consolidated financial statements include the accounts of TSMC and its eleven subsidiaries identified in Note 1 above (hereinafter, referred to individually or collectively as “Company”). All significant inter-company accounts and transactions have been eliminated.

The reporting entities for the consolidated financial statements as of and for the year ended December 31, 2000 included TSMC, TSMC-North America, TSMC-Europe, TSMC-Japan, TSMC Partners, Po Cherng Investment, Chi Hsin Investment, Kung Cherng Investment, Chi Cherng Investment, Hsin Ruey Investment, Cherng Huei Investment, TSMC International Investment and its subsidiaries, InveStar Semiconductor Development Fund, Inc. and InveStar Semiconductor Development Fund, (II) Inc. (Incremental investment in 2000), TSMC Development Inc. (including WAFERTECH, LLC) and TSMC Technology Inc.

As stated in Note 1, TSMC had acquired TASMIC and merged with WSMC on June 30, 2000. In view of the changes in reporting entities, the consolidated financial statements of the year ended December 31, 1999 have been restated. The restatement of consolidated balance sheets, income statements, statements of changes in shareholders' equity and statements of cash flows was carried out by including all assets and liabilities of WSMC. All minority interests have been eliminated. Also, the income statements was restated by including the income and expense of WSMC. The minority interest in loss is added to the consolidated net income.

Minority interests in InveStar I, InveStar II and WaferTech are presented separately in consolidated financial statements.

Cash equivalents

Government bonds acquired under repurchase agreements with original maturity of less than three months and commercial paper are classified as cash equivalents.

Short-term investments

Short-term investments are carried at the lower of cost or market value. The costs of investments sold are determined by the specific identification method.

Allowance for doubtful receivables

Allowance for doubtful receivables are provided based on a review of the collectibility of individual receivables.

Sales and allowance for sales returns and others

Sales are recognized when products are shipped to customers. Allowance and the related provision for sales returns and others are provided based on experience. Such provisions are accounted for as reduction from sales and the related costs are deducted from cost of sales.

Inventories

Inventories are stated at the lower of standard cost (adjusted to approximate weighted average cost) or market value. Market value represents net realizable value for finished goods and work in process, and replacement value for raw materials, supplies and spare parts.

Long-term investments

Investments in shares of stock of companies wherein the Company exercises significant influence on their operating and financial decisions are accounted for using equity method. The increase in the Company's proportionate share in the net assets of its investee companies resulting from its subscription to additional shares of stock, issued by such investee companies, at the rate not proportionate to its existing equity ownership in such investee companies, is credited to a capital surplus account while any decrease in the Company's proportionate share in the net asset of investee company is debited against the existing balance of the similar capital surplus account with the difference debited against unappropriated retained earnings.

If an investee company's losses are covered by additional paid-in capital that is sourced from an increase in the value of assets upon reappraisal after the long-term investment was made, then the Company shall calculate such amount in accordance with its ownership percentage and debit the "Additional paid-in capital" account and credit the "Retained earnings" account; no journal entries shall be made for other types of loss coverage increase in asset values upon reappraisal.

Other stock investments are accounted by the cost method. These investments are stated at cost less decline in market value of listed stocks or decline in value of unlisted stocks which is considered irrecoverable; such reductions are charged to shareholders' equity or current income, respectively. Cash dividends are recognized as income in the year received but are accounted for as reduction in the carrying value of the long-term investment if the dividends are received in the same year that the related investments are acquired.

Stock dividends are recognized only as increase in the number of stocks held on the ex-dividend date.

Investments in foreign mutual funds are stated at the lower of cost or net asset value (NAV). Write-downs of cost and write-ups to original acquisition cost resulting from subsequent recovery of the NAV are debited or credited to shareholders' equity.

Convertible notes and stock warrants are carried at cost.

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

The Company's proportionate share in the gains from disposal of property, plant and equipment, net of the applicable income tax, included as part of its share in the earnings or losses of investee companies accounted for using the equity method for the current year is transferred in to capital surplus from retained earnings. When the Company subsequently disposed such investment in shares of stock, such capital surplus shall be transferred back to retained earnings. Also, if an investee company has unrealized loss on long-term investment which is evaluated by lower-of-cost-or-market method, the Company shall recognize that unrealized loss in proportion to the Company's equity interest and recorded in an account as a component of shareholders' equity.

Gains or losses on transactions with investee companies wherein the Company owned at least 20% of the outstanding common stock but less than a controlling interest are deferred in proportion to ownership percentage until realized through a transaction with a third party. The entire amount of the gains or losses on sales to majority-owned subsidiaries are deferred until such gains or losses are realized through the subsequent sale of the related products to third parties. On the other hand, if the unrealized gains or losses arose from a sale by the investee companies or majority-owned subsidiaries to the Company, an adjustment should be made in accordance with the ownership percentage.

Property, plant and equipment and rental assets

Property, plant and equipment and rental assets are stated at cost less accumulated depreciation. Major additions, renewals and betterment, and interest expense incurred during the construction period are capitalized. Maintenance and repairs are expensed currently.

Property, plant and equipment covered by agreements qualifying as capital leases are carried at the lower of the present value of all minimum future rental payments, or the leased property's market value at the inception date of the lease, whichever is lower. The periodic rental payment made by the Company includes the purchase price of the leased property, and the interest expense.

Depreciation is provided on the straight-line method over these estimated service lives: Buildings - 10 to 50 years; machinery and equipment - 5 to 10 years; and office equipment - 3 to 7 years.

Upon sale or disposal of property, plant and equipment, the related cost and accumulated depreciation are removed from the accounts, and any gain or loss is credited or charged to income. Any such gain, less applicable income tax, is transferred to capital surplus at the-end of the year.

Consolidated debits

Consolidated debits arose from the business merger and the difference between the investment cost and the Company's proportionate share in the net asset of the investee companies at the date of acquisition. Consolidated debits are amortized by the straight-line method over 5 to 15 years.

Deferred charges

Deferred charges, consisting of technology, software and system design costs, bond issuance costs, credit instruments and technology know how, are amortized over three years, five years, the term of credit instruments, and the term of the contract valid period or economic useful lives, respectively.

Pension costs

Net periodic pension costs are recorded on the basis of actuarial calculations. Unrecognized net transition obligation and unrecognized net gain are amortized over 25 years, respectively.

Deferred gain on sale-leaseback

The gain resulting from the sale of leased property is deferred. Such deferred gain is then amortized as follows: (a) operating lease - adjustment of rental expenses over leasing period, and (b) capital lease - adjustment of depreciation over the estimate useful life or leasing period.

Income tax

The Company adopted inter-period tax allocation. Deferred income taxes are recognized for the tax effects of temporary differences, unused tax credits, and operating loss carry forwards. Valuation allowance is provided for deferred income tax assets that are not certain to be realized. A deferred tax asset or liability should, according to the classification of its related asset or liability, be classified as current or non-current. However, if a deferred asset or liability cannot be related to an asset or liability in the financial statements, it should be classified as current or non-current based on the expected reversal date of temporary difference.

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

Income taxes (10%) on unappropriated earnings generated starting January 1, 1998 are recorded as expense in the year when the shareholders have resolved that the earnings shall be retained.

Derivative financial instruments

Foreign currency forward exchange contracts are recorded in New Taiwan dollars as assets or liabilities at spot rates on the inception dates of the contracts. The difference in the New Taiwan dollar amounts translated using the spot rates and the amounts translated using the contracted forward rates are also recognized as premiums or discounts on the inception dates of the forward contracts. Premiums or discounts are amortized by the straight-line method over the terms of the forward contracts are either deferred or recognized as income. At the balance sheet dates, the receivables or payables arising from forward contracts are restated at the prevailing spot rates, and the resulting differences are recognized in income. Also, the receivables and payable related to the forward contracts are netted out, and the resulting net amount is presented as either an asset or liability.

Under interest rate swap contracts, the Company pays an amount equal to the interest rates based on notional principal amount and receives a specified variable-rate of interest also based on the same notional principal amount; with the notional amounts of the contracts are not exchanged. The net amounts paid or received under the contracts are reported as adjustments to interest income or expense.

The notional amounts of the foreign currency option contracts entered into for hedging purposes are not recognized as either assets or liabilities on the contract dates. However, amounts paid on options bought are recognized as assets and amounts received on options written are recognized as liabilities. Such amounts are amortized using the straight-line method over the period of the contracts and charged to current income. Gains or losses on the exercise of the options are also recognized in current income.

Foreign-currency transactions

Foreign-currency transactions, except derivative financial instruments, are recorded in New Taiwan dollars at the rates of exchange in effect when the transactions occur. Gains or losses resulting from the application of different foreign exchange rates when cash in foreign currency is converted into New Taiwan dollar, or when foreign-currency receivables and payables are settled, are credited or charged to income in the year of conversion or settlement. At period-end, the balances of foreign-currency assets and liabilities are restated at prevailing exchange rates, and the resulted differences are recorded as exchange gain or loss in current income.

Translation of foreign-currency financial statements

The financial statements of the foreign subsidiaries are translated into New Taiwan dollars at the following exchange rates: Assets and liabilities-current rate; shareholders' equity-historical rates; income and expenses-weighted average rate during the year. The resulting translation adjustments recorded as a separate component of shareholders' equity

Reclassifications

Certain accounts in 1999 have been reclassified to conform to 2000 classifications.

Mergers

The acquisition of TASMIC was accounted for under the Statement of Financial Accounting Standards No. 25 "Business Combination - Purchase Method". On the other hand, the merger with WSMC was accounted for as pooling of interest with the results of operations of WSMC included in the statement of income for the year ended December 31, 2000.

Pro forma net sales, net income and earnings per share of TSMC on the assumption that the acquisition of TASMIC was completed as of January 1, 1999 are as follows:

	<u>2000</u>	<u>1999</u>
Net sales	\$ 170,132,350	\$ 86,130,100
Net income	65,050,836	17,084,089
Earnings per share		
Based on weighted-average number of shares outstanding - 11,616,455 and 11,089,548 thousand shares in 2000 and 1999	\$5.60	\$1.54

The individual operating results of TASMIC before the mergers on June 30, 2000 are as follows:

	<u>Six Months Ended June 30, 2000</u>	<u>Year Ended December 31, 2000</u>
Net sales	\$ 3,934,746	\$ 10,655,995
Net loss	(55,358)	(6,127,604)

3. SIGNIFICANT ELIMINATING ENTRIES

The details of transactions with companies included in the consolidated financial statements are as follows:

<u>Company</u>	<u>Account</u>	<u>Amount</u>	<u>Transaction Entity</u>
TSMC	Payable to related parties	\$ 166,063	TSMC-North America
		66,343	TSMC-Europe
		16,165	TSMC-Japan
		1,487,181	WAFERTECH, LLC
		4,487	TSMC-Technology
	Receivable from related parties	25,728	TSMC-Technology
		20,361	WAFERTECH, LLC
	Sales	370,762	WSMC
	Purchase	30,816	WAFERTECH, LLC
		13,296,633	WAFERTECH, LLC
	General administration expenses	14,095	TSMC-Technology
	Marketing expenses - commissions	994,686	TSMC-North America
		143,461	TSMC-Europe
	Marketing expenses - service charges	165,087	TSMC-Japan
118,852		TSMC-North America	
Deferred revenue	5,837	WAFERTECH, LLC	
WSMC	Accounts receivable	1,670	TASMC
	Accounts payable	768,677	TASMC
TSMC International Investment	Interest receivable	128,594	TSMC-Technology
	Notes receivable	330,790	TSMC-Technology
	Interest revenue	24,181	TSMC-Technology
TSMC Partners	Deferred revenue	10,791,704	TSMC International Investment
	Royalty income	491,733	TSMC International Investment
	Notes receivable	11,313,018	TSMC International Investment
TSMC - Technology	Deferred revenue	40,962	WAFERTECH, LLC
	Licensing fee	13,323	WAFERTECH, LLC
	Sales	63,727	WAFERTECH, LLC
	Other receivable	17,669	WAFERTECH, LLC

4. CASH AND CASH EQUIVALENTS	<u>2000</u>	<u>1999</u>		
Cash and bank deposits	\$ 38,229,510	\$ 29,442,697		
Government bonds acquired under repurchase agreements	610,707	-		
Commercial paper	<u>-</u>	<u>74,985</u>		
	<u>\$ 38,840,217</u>	<u>\$ 29,517,682</u>		
5. SHORT-TERM INVESTMENTS	<u>2000</u>	<u>1999</u>		
Listed stocks	\$ 1,502,098	\$ 927,856		
Mutual funds	<u>959,561</u>	<u>37,541</u>		
	2,461,659	965,397		
Less – allowance for losses	(<u>110,099</u>)	<u>-</u>		
	<u>\$ 2,351,560</u>	<u>\$ 965,397</u>		
6. INVENTORIES	<u>2000</u>	<u>1999</u>		
Finished goods	\$ 1,762,287	\$ 905,626		
Work in process	9,455,492	5,924,555		
Raw materials	770,884	632,732		
Supplies and spare parts	<u>1,364,686</u>	<u>969,797</u>		
	13,353,349	8,432,710		
Less – allowance for losses	(<u>567,626</u>)	(<u>1,328,668</u>)		
	<u>\$ 12,785,723</u>	<u>\$ 7,104,042</u>		
7. LONG-TERM INVESTMENTS	<u>2000</u>	<u>1999</u>		
	Carrying	% of	Carrying	% of
	<u>Value</u>	<u>Owner-Ship</u>	<u>Value</u>	<u>Owner-Ship</u>
<u>Common stocks</u>				
Equity method				
Vanguard International Semiconductor	\$ 5,615,075	25	\$ 5,010,897	25
TASMC	-	-	3,630,193	32
Systems on Silicon Manufacturing Company Pte Ltd. (SSMC)	<u>935,870</u>	32	<u>360,177</u>	32
	<u>6,550,945</u>		<u>9,001,267</u>	

(Forward)

Cost Method					
Listed					
Taiwan Mask	\$	32,129	2	\$	32,129
2					2
Non-listed					
Taiwan Semiconductor					
Technology		500,000	19	500,000	19
United Industrial Gases Co.,					
Ltd.		146,250	10	146,250	11
Shin-Etsu Handotai Taiwan		105,000	7	105,000	7
W.K. Technology Fund IV		50,000	4	50,000	4
Hong Tung Venture Capital		120,000	10	80,000	10
3Dfx Interactive		9,826	-	-	-
Programmable					
Microelectronics		49,619	4	-	-
Capella Microsystems		345	-	-	-
Equator Technologies		2,978	-	-	-
Global Test		183,896	10	71,613	5
ChipStrate Technology		70,854	9	32,927	2
Ritch Technology		10,338	9	7,407	1
Scenix Semiconductor		5,697	2	5,407	-
APE		50,222	6	-	-
		<u>1,337,154</u>		<u>1,030,733</u>	
Preferred stocks					
TASMC		-	-	4,854,742	28
Programmable					
Microelectronics		-	-	47,092	3
Lara Technology		-	-	83,197	6
Marvell Technology		-	-	139,055	10
Integrated Memory Logic		59,845	10	23,546	2
Divio		16,540	4	15,698	1
Integrated Micromachines		-	-	4,709	-
SiRF Technology		44,105	1	41,860	3
Rise Technology		49,619	2	47,092	3
Capella Microsystems		42,949	8	12,040	1
Sensory		41,349	6	39,244	3
Flow Wise Networks		-	-	15,697	1
Equator Technologies		93,908	2	42,011	3
LightSpeed Semiconductor		101,368	6	68,562	5
Centillium Technology		-	-	23,546	2
Scenix Semiconductor		45,023	2	66,277	5
Lara Networks Inc.		75,151	7	-	-
RapidStream		69,708	6	32,965	2
Tropian, Inc. (Premier R. F.)		77,209	5	31,395	2
Krypton Isolation		-	-	39,244	3
Pico Turbo		41,349	9	39,244	3
Sonics		116,752	7	31,395	2

(Forward)

3Dfx Interactive	\$	-	-	\$	9,326	-
NanoAmp Solutions		61,281	3		26,537	2
T-Span System		45,829	3		15,698	1
Memsic		82,689	24		47,088	3
Monolithic Power System		66,158	17		62,790	4
Formfactor		66,158	1		62,790	4
Reflectivity		66,158	6		62,790	4
Signia		49,619	22		47,090	3
Empower Tel Networks		169,634	7		-	-
Match Lab		49,619	11		-	-
HINT Corporation		33,079	5		-	-
Creosys		49,619	8		-	-
Incentia Design Systems		16,539	2		-	-
Seagull Semiconductor		41,349	14		-	-
Oepic		24,809	-		-	-
FabCentric		8,270	-		-	-
		<u>1,705,685</u>			<u>6,032,720</u>	
Convertible note						
Integrated Memory Logic		-	-		31,395	2
Sonics		-	-		23,546	2
Rise		9,924	-		9,419	1
FabCentric		8,270	-		-	-
Signia Technologies		16,540	-		-	-
Advanced Analogic Technology		41,349	-		-	-
		<u>76,083</u>			<u>64,360</u>	
Funds						
Crimson Asia Capital		64,547	-		34,534	-
Horizon Ventures		93,304	-		31,744	-
		<u>157,851</u>			<u>66,278</u>	
Warrant						
Flow Wise Networks		-	-		6	-
		<u>9,827,718</u>			<u>16,195,364</u>	
Cumulative translation adjustments	(13,376)			-	
Allowance for losses		-			<u>(30,688)</u>	
		<u>\$ 9,814,342</u>			<u>\$ 16,164,676</u>	

The carrying values of investments accounted for using the equity method and the related investment income and losses for the years ended December 31 2000 and 1999 were based on audited financial statements of the investee for the same period.

Equity in losses of investee companies in 2000 and 1999 were as follows:

	<u>2000</u>	<u>1999</u>
VIS	\$ 597,812	(\$ 527,823)
SSMC	(473,661)	(75,978)
TASMC	(311,330)	315,301
	<u>(\$ 187,179)</u>	<u>(\$ 288,500)</u>

Information on the long-term investments is as follows:

	<u>2000</u>	<u>1999</u>
Market value of listed stocks	\$ 8,729,639	\$ 19,762,968
Equity in the net assets of unlisted stocks	5,466,227	8,351,897
Net asset value of funds	157,851	66,278

As of December 31, 2000, the unexercised stock warrants for purchase of shares are as follows:

<u>Stock</u>	<u>Shares (Maximum)</u>	<u>Exercise Price Per Share (US\$)</u>	<u>Exercise Period</u>
Common Stocks			
Empower Tel Networks, Inc.	317,307	1.625	01/29/1999-01/29/2009
Ubicom, Inc.	90,980	0.20	03/22/1999-12/23/2003
Capella Microsystems, Inc.	500,000	0.25	-
HINT Corporation	15,000	0.25	03/17/2000-03/17/2005
Preferred Stocks			
SiRF Technology, Inc.	5,556	6.00	01/16/1998-01/16/2003
Sonics, Inc.	450,000	1.00	09/25/1998-09/27/2001
Sonics, Inc.	30,000	1.50	11/30/1999-11/29/2002
Sonics, Inc.	30,000	1.50	03/14/2000-03/14/2002
Ubicom, Inc.	45,490	2.00	12/23/1998-12/23/2003
Formfactor, Inc.	66,666	7.50	07/30/1999-07/30/2004
Integrated Memory Logics, Inc.	746,268	0.67	12/20/1999-12/20/2004
Integrated Memory Logics, Inc.	333,333	1.50	12/20/1999-12/20/2004
Match Lab, Inc.	625,000	0.80	01/14/2000-01/14/2005

8. PROPERTY, PLANT AND EQUIPMENT

Accumulated depreciation consisted of the following:

	<u>2000</u>	<u>1999</u>
Land improvements	\$ 64,006	\$ 33,691
Buildings	10,692,112	8,131,392
Machinery and equipment	90,956,200	55,576,499
Office equipment	<u>2,172,561</u>	<u>1,668,106</u>
	<u>\$ 103,884,879</u>	<u>\$ 65,409,688</u>

Information on the status of the construction of TSMC's manufacturing facilities as of December 31, 2000 is as follows:

<u>Manufacturing Plant</u>	<u>Estimated Cost</u>	<u>Accumulated Expenditures</u>	<u>Expected or Actual Date of the Starting of Operations</u>
Fab 6	\$ 76,889,000	\$ 67,565,100	March 2000
Fab 7	22,540,400	11,121,100	March 2001
Fab 8	28,314,300	15,217,800	March 2001
Fab 12 - 1 st stage	38,280,800	21,372,000	November 2001
Fab 14 - 1 st stage	9,711,000	7,946,600	May 2002

Interest expense capitalized for the years ended December 31, 2000 and 1999 were \$541,078 and \$845,246 respectively.

9. DEFERRED CHARGES – NET	<u>2000</u>	<u>1999</u>
Technology	\$ 1,442,292	\$ 1,636,596
Software and system design costs	1,420,635	625,306
Technology know how	157,500	-
Bond issue costs	142,881	37,238
Patent	-	18,105
Others	<u>172,357</u>	<u>63,547</u>
	<u>\$ 3,335,665</u>	<u>\$ 2,380,792</u>

10. SHORT-TERM BANK LOANS	<u>2000</u>	<u>1999</u>
Loan in NT dollars:		
Secured loan, repayable by October 2001 and June 2000, annual interest of 5.8% and 0.75%~7.39% in the years of 2000 and 1999, respectively	\$ 329,375	\$ 2,037,629
Unsecured loan, repayable by June 2000, annual interest of 0.75%~7.39%	-	2,989,002
Loan in US dollars:		
Unsecured and loan secured by mortgage, US\$105,942, thousand, repayable by December 2001, annual interest of 7.53% ~ 9.25%	<u>3,504,466</u>	<u>-</u>
	<u>\$ 3,833,841</u>	<u>\$ 5,026,631</u>

Unused credit lines as of December 31, 2000 aggregated about NTS\$470,625 and US\$41,000 thousand.

11. COMMERCIAL PAPERS PAYABLE		<u>1999</u>
Repayable by March 2000, annual interest of 4.40%~5.51%	\$	95,000
Less – unamortized discount		<u>(203)</u>
		<u>\$ 94,797</u>
12. OBLIGATION UNDER CAPITAL LEASE	<u>2000</u>	<u>1999</u>
Repayable through between June 30, 2001 and 2003	\$ 54,371	\$ 5,369
Current portion	<u>(51,055)</u>	<u>(1,001)</u>
	<u>\$ 3,316</u>	<u>\$ 4,368</u>
13. LONG-TERM BANK LOANS	<u>2000</u>	<u>1999</u>
Bank loans in US Dollars:		
Unsecured and loan mortgage, US\$705,564 thousand in 2000 and US\$192,500 thousand in 1999, repayable by March 2005, annual interest of 6.91%~7.663% and 6.76%~6.83% in 2000 and 1999, respectively.	\$ 23,339,367	\$ 12,952,462
Bank loans in NT Dollars:		
Repayable by March 2001, interest, 6.68%~7.21%, paid in 2000.	-	<u>9,791,000</u>
	<u>\$ 23,339,367</u>	<u>\$ 22,743,462</u>
Unused credit lines for long-term bank loans as of December 31, 2000 aggregated to US \$62,436 thousand.		
14. LONG-TERM BONDS	<u>2000</u>	<u>1999</u>
Domestic unsecured bonds:		
Repayable in March 2003, 7.71% annual interest payable semi-annually	\$ 4,000,000	\$ 4,000,000
Repayable in November 2003, 7.12% annual interest payable annually, redeemed in November 2000	-	6,000,000
Repayable in October 2002 and 2004, 5.67% and 5.95% annual interest payable annually, respectively	10,000,000	10,000,000
Repayable in December 2005 and 2007, 5.25% and 5.36% annual interest payable annually, respectively	<u>15,000,000</u>	-
	<u>\$ 29,000,000</u>	<u>\$ 20,000,000</u>

15. SHAREHOLDERS' EQUITY

According to ROC Company Law, capital surplus can only be used to offset a deficit or transferred to capital.

TSMC's Articles of Incorporation provide that the following shall be appropriated from the annual net income (less any deficit):

- a. 10% legal reserve;
- b. Special reserve according to the relevant laws or the regulating authorities;
- c. Bonus to directors and supervisors and to employees equal to 1% and at least 1% of the remainder, respectively;
- d. Dividends to shareholders of preferred stock equal to 3.5% annual rate, based on outstanding period;
- e. These appropriations and the disposition of the remaining net income should be resolved by the shareholders in the following year and given effect to in the financial statements of that year.

TSMC issued nonpublic 1,300,000 thousand preferred stock - Series A to certain investors. The following are the rights of the holders of the preferred stock and other terms and conditions:

- a. Entitled to receive cumulative cash dividends at an annual rate of 3.5%.
- b. Not be entitled to participate in any additional shares of stock upon transfer of unappropriated earnings and capital surplus to stock.
- c. Have priority over the holders of common shares to the assets of the Company available for distribution to stockholders upon liquidation or dissolution of the Company; however, the preemptive rights to the assets shall not exceed the issue value of the shares.
- d. Have voting rights similar to that of the holders of common stock.
- f. No right to convert their shares into common stock. The preferred shares will be redeemed within thirty months from its issuance. The holders will have the foregoing rights and TSMC's related obligations will remain the same until the preferred shares are actually redeemed by TSMC.

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

The Company shall record a special reserve of \$1,091,003 from unappropriated retained earnings equivalent to the net debit balance of any item, other than a deficit, in the shareholders' equity as of December 31, 1999. The special reserve will be adjusted in proportion to the change in the net debit balance of any item in the shareholders' equity.

Under the Integrated Income Tax System that became effective on January 1, 1998, resident shareholders are allowed a tax credit for the income tax paid by the Company on earnings generated starting January 1, 1998. An Imputation Credit Account (ICA) is maintained by the Company for such income tax and the tax credit allocated to each shareholder. The maximum credit available for allocation to each shareholder cannot exceed the balance shown in the ICA on the date of distribution of dividends.

16. PENSION PLAN

TSMC and its subsidiaries have pension plans for all regular employees, which provides benefits based on length of service and average monthly salary for the final six months of employment.

TSMC and its subsidiaries makes monthly contributions, equal to 2% of salaries to a pension fund that is administered by a pension fund monitoring committee and deposited in the committee's name in the Central Trust of China.

The changes in the fund and accrued pension cost of TSMC and its subsidiaries are summarized as follows:

	<u>2000</u>	<u>1999</u>
a. Components of pension cost		
Service cost	\$ 376,689	\$ 272,228
Interest cost	91,234	80,694
Projected return on plan assets	(26,675)	(22,931)
Amortization	<u>8,300</u>	<u>9,114</u>
	<u>\$ 449,548</u>	<u>\$ 339,105</u>
b. Reconciliation of the fund status of the plan and accrued pension cost		
Benefit obligation		
Vested benefit obligation	\$ -	\$ 128
Non-vested benefit obligation	<u>763,879</u>	<u>447,148</u>
Accumulated benefit obligation	763,879	447,276
Additional benefits based on future salaries	<u>1,550,009</u>	<u>1,008,650</u>
Projected benefit obligation	2,313,888	1,455,926
Fair value of plan assets	(<u>661,099</u>)	(<u>390,655</u>)
Funded status	1,652,789	1,065,271

(Forward)

Unrecognized prior service cost	\$ -	\$ -
Unrecognized net transitional obligation	(165,991)	(179,348)
Unrecognized net gain	22,737	127,684
Additional liability	-	-
Accrued pension cost	<u>\$ 1,509,535</u>	<u>\$ 1,013,607</u>
c. Actuarial assumptions		
Discount rate used in determining present values	6.0%	6.5%
Future salary increase rate	6.0%	6.0%
Expected rate of return plan on assets	6.0%	6.5%
d. Contributions to pension fund	<u>\$ 95,932</u>	<u>\$ 83,053</u>
e. Funds transferred from TASMC and WSMC	<u>\$ 173,339</u>	<u>\$ -</u>
f. Payments from pension fund	<u>\$ 1,458</u>	<u>\$ 3,591</u>

17. INCOME TAX

- a. A reconciliation of income tax expense - current before tax credits and income tax expense on income before income tax at statutory rate is shown below:

	<u>2000</u>	<u>1999</u>
Income tax expense on "income before income tax" at statutory rate	(\$ 12,787,660)	(\$ 4,889,210)
Tax-exempt income	7,770,000	3,434,802
Temporary difference	(49,497)	(221,129)
Assessed additional income tax on the unappropriated earning	(88,024)	-
Income tax expense - current	<u>(\$ 5,155,181)</u>	<u>(\$ 1,675,537)</u>

- b. Income tax credits as of December 31, 2000 and 1999 consisted of:

	<u>2000</u>	<u>1999</u>
Income tax expense - current before tax credits	(\$ 5,155,181)	(\$ 1,675,537)
Tax credits	<u>5,128,024</u>	<u>1,587,000</u>
	(27,157)	(88,537)
Net change in deferred income tax assets (liabilities) for the period		
Investment tax credits	3,146,369	3,798,325
Temporary differences	(388,671)	(111,139)
Others	(73,559)	-
Valuation allowance	(1,678,791)	(1,303,500)
Adjustment of prior years' taxes	<u>189,693</u>	<u>87,633</u>
	<u>\$ 1,167,884</u>	<u>\$ 2,382,782</u>

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

	<u>2000</u>	<u>1999</u>
Current		
Investment tax credit	\$ 8,422,000	\$ 2,329,000
Accrued liabilities and others	56,016	287,618
Valuation allowance	(300,000)	-
	<u>\$ 8,178,016</u>	<u>\$ 2,616,618</u>
Noncurrent		
Investment tax credit	\$12,591,291	\$ 8,769,605
Loss carried forward	-	981,149
Interest expense	45,008	201,798
Deferred revenue	46,077	43,753
Organization cost	-	65,006
Depreciation	(857,689)	(305,358)
Others	<u>267,831</u>	<u>(205,699)</u>
	12,092,518	9,550,254
Valuation allowance	(5,462,713)	(2,543,557)
	<u>\$ 6,629,805</u>	<u>\$ 7,006,697</u>

d. Integrated income tax information:

	<u>2000</u>	<u>1999</u>
Balances of the imputation credit account		
TSMC	<u>\$ 5,888</u>	<u>\$ 1,497</u>
WSMC	<u>\$ -</u>	<u>\$ 2,116</u>
Expected and actual creditable ratio		
	<u>2000</u>	<u>1999</u>
	<u>(Expect)</u>	<u>(Actual)</u>
TSMC	0.009%	0.006%
WSMC	-	-

The imputation credit allocated to each shareholder shall be based on the balance in the ICA on the date of distribution of dividends; thus the expected creditable ratio for 2000 may be adjusted according to the difference between the expected and actual imputation credit allowed under the regulation.

e. The unappropriated retained earnings as of December 31, 2000 and 1999 included the earnings generated up to December 31, 1997 of \$4,827 and \$799,298, respectively.

The effective tax rates for deferred income tax of TSMC as of December 31, 2000 and 1999 were 7.54% and 5.9%, respectively. Its subsidiaries were 32~54% and 32%~40%, respectively. WSMC was 20% for the year ended 1999.

Unused investment tax credits arising from investments in machinery and equipment, and research and development expenditures as of December 31, 2000 will expire as follows:

<u>Year of Expiry</u>	<u>Tax credits</u>
2001	\$ 4,015,461
2002	4,800,268
2003	5,738,563
2004	<u>6,458,999</u>
	<u>\$21,013,291</u>

The income from the following projects and services are exempt from income tax:

	<u>Tax-Exemption Period</u>
Expansion of second manufacturing plant and computer-aided design services, and construction of third manufacturing plant	1996 to 1999
Expansion of first and second manufacturing plants-modules A and B, third manufacturing plant, and construction of fourth manufacturing plant	1997 to 2000
Expansion of first and second manufacturing plants-modules A and B, third manufacturing plant and fourth manufacturing plant, and construction of fifth manufacturing plant	1999 to 2002

TASMC is entitled to an income tax exemption for a period of four years for the income generated. TASMC decided to commence such tax exemption from January 1, 1998 to December 31, 2000.

Income tax returns for TSMC through 1996, TASMC and WSMC through 1997, have been examined and cleared by the tax authorities. However, TASMC is contesting the assessment of tax authority for 1995, 1996 and 1997.

18. RELATED PARTY TRANSACTIONS

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

- a. Industrial Technology Research Institute (ITRI), the Company's chairman is one of its director.
- b. Philips Electronics N.V., (Philips), a major shareholder.
- c. Vanguard International Semiconductor Corporation (VIS), an investee.
- d. Systems on Silicon Manufacturing Company Pte. Ltd. (SSMC), an investee.

- e. Winbond Electronics Corporation (Winbond), a director.
- f. Taisil Electronic Materials Corporation (Taisil), a director before March 6, 1999.
- g. Syntek Design Technology Corporation (Syntek Design), a director.

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

	<u>2000</u>		<u>1999</u>	
<u>For the period</u>	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Sales				
ITRI	\$ 198,146	-	\$ 132,507	-
Philips and its affiliates	5,289,927	3	2,864,149	4
VIS	17,012	-	48,473	-
Winbond	-	-	625,246	1
Taisil	-	-	58,877	-
	<u>\$ 5,505,085</u>	<u>3</u>	<u>\$ 3,729,252</u>	<u>5</u>
Purchase				
VIS	\$ 6,572,110	19	\$ 381,989	3
Syntek Design	-	-	30,820	-
	<u>\$ 6,572,110</u>	<u>19</u>	<u>\$ 412,809</u>	<u>3</u>
Rental expense – ITRI	<u>\$ 161,575</u>	<u>14</u>	<u>\$ 161,488</u>	<u>54</u>
Manufacturing expenses				
Technical assistance fee – Philips	\$ 2,137,175	3	\$ 862,398	2
Technology – Winbond	-	-	300,000	1
	<u>\$ 2,137,175</u>	<u>3</u>	<u>\$ 1,162,398</u>	<u>3</u>
General and administrative expenses				
Consulting fee – VIS	\$ -	-	\$ 20,400	-
Disposal of properties – VIS	\$ 87,189	37	-	-
Non-operating income				
SSMC(mainly technical service income)	\$ 152,347	3	-	-
VIS	5,604	-	-	-
Others	38	-	-	-
	<u>\$ 157,989</u>	<u>3</u>	<u>\$ -</u>	<u>-</u>

Under a technology development and transfer contract with Winbond in January 1997, Winbond agreed to transfer technology and provide related information and other consultant services to WSMC. WSMC agreed to pay compensation for technology development and transfer amounting to NTS\$800 thousand in accordance with the progress of the construction of buildings and technology development and transfer. As of December 31, 1999, WSMC has paid the entire license fee.

Research and development expenses

Winbond	\$	<u> -</u>	<u> -</u>	\$	<u> 3,531</u>	<u> -</u>
---------	----	------------------	--------------	----	----------------	--------------

At end of period

Receivable

ITRI	\$	56,078	6	\$	18,458	5
Philips and its affiliates		643,604	68		133,245	39
VIS		159,890	17		25,674	8
SSMC		89,154	9		5,353	1
TASMC		-	-		23,117	7
Winbond		-	-		131,927	39
Other		-	-		3,164	1
	\$	<u>948,726</u>	<u>100</u>	\$	<u>340,938</u>	<u>100</u>

Rental Prepayment – ITRI	\$	<u>42,664</u>	<u>6</u>	\$	<u>42,541</u>	<u>2</u>
--------------------------	----	---------------	----------	----	---------------	----------

Payable

Philips and its affiliates	\$	797,375	31	\$	305,757	29
VIS		1,808,964	69		184,741	18
TASMC		-	-		539,466	52
Syntek Design		-	-		6,385	1
	\$	<u>2,606,339</u>	<u>100</u>	\$	<u>1,036,349</u>	<u>100</u>

Sales to related parties are based on regular selling prices and collection terms, except for disposal of properties and technical service, which were in accordance with the underlying contracts.

19. LONG-TERM LEASES

TSMC leases from ITRI the land, building and certain machinery and equipment of its first manufacturing facility under agreements that will expire in March 2002. The annual rent and other related charges under such agreement amount to \$170,656. The agreements can be renewed upon their expiration.

TSMC leases the lands where its second through fourteen manufacturing facilities are located from the Science-Based Industrial Park Administration. These agreements will expire on various dates from March 2008 to November 2019 and have annual rentals aggregating \$172,000. The agreements can also be renewable upon their expiration.

TSMC-North America leases its office premises and certain equipment under a non-cancelable operating agreement, which will expire in September 2020. TSMC-Europe entered into an office lease agreement premise, which will expire in 2004; annual rental is \$57,379.

Future annual minimum rentals under the aforementioned leases are as follows:

<u>Year</u>	<u>Amount</u>
2001	433,792
2002	308,386
2003	268,387
2004	271,116
2005	269,068
2006-2020	<u>1,990,581</u>
	<u>\$ 3,541,330</u>

20. PLEDGED OR MORTGAGED ASSETS

Certain assets had been pledged or mortgaged as collateral for short and long-term loan, derivative financial instruments, letter of credit, customs duties, and guarantee deposits for foreign workers are as follows:

	<u>2000</u>	<u>1999</u>
Cash – for revolving credit agreement	\$ -	\$ 3,161,693
Short-term investments	937,428	-
Properties (net) – for bank loans	<u>7,171,081</u>	<u>46,343,950</u>
	<u>\$ 8,108,509</u>	<u>\$ 49,505,643</u>

Other than the collateral stated above, all of WaferTech LLC,'s assets (in US\$1,243,996 thousand) is secured by the long-term bank loans under the credit facility.

21. COMMITMENTS AS OF DECEMBER 31, 2000

The commitments as of December 31,2000 are as follows:

- a. Under a Technical Cooperation Agreement with Philips, as amended on May 12, 1997, TSMC shall pay technical assistance fee at a percentage of net sales, as defined in the agreement, of certain products. The agreement shall remain in force up to July 9, 2007 and thereafter be automatically renewed for successive periods of three years. Under the amended agreement, the fee is subject to deduction by the amounts TSMC pays to any third party for settling any licensing/infringement issue after the first five-year period of the amended agreement, provided that the fee after reduction will not be below a certain percentage of the net selling price.

- b. Subject to certain equity ownership and notification requirements, Philips and its affiliates can avail themselves each year up to 30% of TSMC's production capacity.
- c. Under a Submicron Technology License Agreement with ITRI, TSMC shall pay license fees of \$129,400 (including 5% value-added tax) to ITRI plus royalty fee at an agreed percentage of net sales of certain products through December 31, 2000 as amended. In addition, under a technical cooperation agreement with ITRI, TSMC shall reserve and allocate up to 35% of its production capacity for use by the Ministry of Economic Affairs (MOEA) or any other party designated by the MOEA.
- d. Under several foundry agreements, TSMC shall allocate a portion of its production output for sale to certain major customers from whom guarantee deposits of US\$213,865 thousand had been received as of December 31, 2000.
- e. Under a Shareholders Agreement entered into with Philips and EDB Investments Pte Ltd. dated March 30, 1999, the parties agreed to: (a) form a joint venture company to be named Systems on Silicon Manufacturing Company Pte Ltd. (SSMC) for the purpose of constructing an integrated circuit foundry in Singapore, (b) set SSMC's total authorized capital at about S\$1.2 billion, and, (c) allow TSMC to invest 32% of SSMC's capital. TSMC and Philips committed to buy a certain percentage of the production capacity of SSMC. If any party defaults on the agreement and the capacity utilization of SSMC falls below a certain percentage of its total capacity, the defaulting party should compensate SSMC for all related unavoidable costs.
- f. Under a Technical Cooperation Agreement with SSMC entered into on May 12, 1999, SSMC shall compensate TSMC for technology service provided to SSMC. The compensation shall be a certain percentage of net selling prices of certain products sold by SSMC. The agreement will remain in force for ten years and be automatically renewed for successive periods of five years unless predetermined by either party under certain conditions.
- g. Under a Technical Transfer Agreement with National Semiconductor Corporation ("National") entered into on June 27, 2000, TSMC shall receive payments for the technology transferred to National. The agreement will remain in force for ten years. After expiration, this agreement will be automatically renewed for successive periods of two years unless pre-terminated by either party under certain conditions.
- h. TSMC entered into a Manufacturing Agreement with Vanguard International Semiconductor Corp. ("VIS"). VIS agrees to reserve certain capacity to manufacture for TSMC certain devices on logic or other technologies required by TSMC's customers, at discounted actual setting prices as agreed by the parties. VIS shall return certain amount of the Bond without any interest to TSMC for some wafers ordered by TSMC. The contract will remain in force for five years.

- i. Under a management agreement, InveStar capital Inc. and InveStar capital Inc. II., (ISC) of the Cayman Islands provides investment and administrative services to TSMC. ISC should receive quarterly, starting from October 1, 1996, a management fee of 2% each year of total weighted average paid-in capital and capital surplus of TSMC, excluding retained earnings and losses.
- j. WaferTech had recorded a reserve of US\$ 16,000 thousand for a litigation arising from a charge by certain contractors that Wafertech caused the contractors to incur additional labor and material costs outside the contracts. The reserve is reflected in accrued construction and equipment payable with the offset to construction in progress. On January 19, 2000, WaferTech entered into a settlement agreement with one of the construction contractors in the amount of US\$10,750 thousand. Payment of the settlement amount will be made in four installments throughout fiscal year 2000. The remaining accrued reserve of US\$5,250 thousand is sufficient for payments to the other construction contractors.
- k. In 1996, WaferTech adopted an Executive Incentive Plan, which was amended in 1997. Under the 1997 amendment, the Board of Directors approved the Senior Executive Incentive Plan and the Employee Incentive Plan (“Plan”) under which officers, key employees and nonemployee directors may be granted option rights. However, WaferTech is a limited liability company and does not have shares of stock. Thus, each option right granted under the Plan provides grantees rights to buy ownership interests in WaferTech. The Plans also provides for approximately 6% of the total ownership interests to be available for grant, represented by 15.15 million-option rights. For option rights granted to date, the option purchase price exceeded fair value as of the date of the grant. While WaferTech may grant employees option rights that are exercisable at different times or within different periods, it has generally granted option rights which are exercisable on a cumulative basis in annual installments of 25% each on the first, second, third, and fourth anniversaries of the date of grant.

The following table summarizes information about the Plans:

	Option Rights Available For Grant	Outstanding Option Rights	
		Number of Option Rights	Exercise Price (US\$)
Balance, December 31, 1998	6,400,252	7,099,748	\$0.74
Options granted			
Option price > fair market value	(3,084,305)	3,084,305	0.86
Options exercised	-	(1,119,323)	0.74
Options cancelled	<u>838,650</u>	<u>(838,650)</u>	0.74
Balance, December 31, 1999	4,154,597	8,226,080	0.78
Additional option rights authorized	1,650,000	-	-
Options granted			
Option price > fair market value	(3,203,302)	3,203,302	1.86
Options exercised	-	(3,411,867)	0.74
Options cancelled	<u>1,180,871</u>	<u>(1,180,871)</u>	1.09

Balance, December 31, 2000	<u>3,782,166</u>	<u>6,836,644</u>	1.23
----------------------------	------------------	------------------	------

These options will expire if not exercised at specific dates between May 2006 to December 2010.

- l. WaferTech, LLC was assessed by the Department of Revenue of the State of Washington deficiency excise taxes of approximately US\$8,800 thousand. WaferTech, LLC intends to appeal the assessment. As of December 31, 2000, WaferTech, has recorded a reserve that management believes is sufficient to address any exposure related to this tax assessment.
- m. TSMC-North America started a stock appreciation right program whereby the employees received cash bonuses based on the appreciation of the quoted market price of the shares of stock of TSMC. Compensation expenses are recorded based on the difference between the grant price and market price at the end of each period. This expense is recognized ratably over the vesting period and adjusted based on period fluctuations in the stock. In view of depreciation of the stock from December 1, to December 31, 2000, TSMC-North America did not have any compensation expense or liability related to this program.
- n. As of TSMC provided a guarantee for loans of US\$268,000 thousand and US\$40,000 thousand obtained by TSMC Development, Inc. and TSMC-North America.
- o. Unused credit lines for TSMC as of December 31, 2000 were approximately \$250,338.

22. ADDITIONAL DISCLOSURES

Following are the additional disclosures required by the SFC for TSMC and investees:

- 1) Financing provided to other parties: Please see table 1 attached.
- 2) Collateral provided to other parties: Please see table 2 attached.
- 3) Marketable Securities held: Please see table 3 attached.
- 4) Balance of marketable securities acquired and disposed of, exceeding NTD 100 million or 20% of the issued capital: Please see table 4 attached.
- 5) Acquisition of properties exceeding NTD 100 million or 20% of the issued capital: Please see table 5 attached.
- 6) Disposal of properties exceeding NTD 100 million or 20% of the issued capital: None.
- 7) Transaction of purchase or sales with related parties amounting to more than NTD 100 million or 20% of the issued capital: Please see table 6 attached.
- 8) Receivable from related parties amounting to more than NTD 100 million or 20% of the issued capital: Please see table 7 attached.

9) Information regarding names and locations etc. of investee on which the Company exercises significant influences: Please see table 8 attached.

10) Derivative financial transactions

The relevant information on the derivative financial instruments entered into by the Company and subsidiaries are as follows:

a) Outstanding forward exchange contracts as of December 31, 2000:

	Currency	Contract Amount (Thousand)	Fair Value (Thousand)	Settlement Date	Maturity Amount (Thousand)
Buy	US\$	US\$ 60,000	NTD 1,978,998	Jan. 2001	NTD 1,989,006
Buy	EUR	EUR 28,968	US\$ 27,080	Jan. to Sep. 2001	US\$ 26,823
Buy	JPY	JPY 42,772	US\$ 374	Jan. 2001	US\$ 374
Sell	US\$	US\$ 106,993	NTD 3,582,959	Jan. to Feb. 2001	NTD 3,553,080
Sell	US\$	US\$ 156,875	NTD 5,100,386	Jan. 2001	NTD 5,091,560
Sell	US\$	US\$ 365,000	NTD 12,105,459	Jan. to Dec. 2001	NTD 12,032,465

Receivables from forward exchange contracts (shown in the balance sheet as part of "Other current assets" account) as of December 31, 2000 aggregated to \$119,227, and payables from forward exchange contracts (shown in the balance sheet as part of "Other current liabilities" account) aggregated to \$180,256 as of December 31, 2000. Net exchange gains for the year ended December 31, 2000 was \$266,393.

The net assets or liabilities that have been hedged by the above forward exchange contracts are as follows:

	Amount (Thousand) 2000
Accounts receivable	US\$ 813,685
Payable to contractors and equipment suppliers	US\$ 571,332
	JPY 21,237,708
	EUR 62,480

b) Interest rate swaps

TSMC has entered into interest rate swap transactions to hedge exposure to rising interest rates on its floating rate long-term bank loans. These significant transactions are summarized as follows:

Contract Date	Period	Amount
April 28, 1998	May 21, 1998 to May 21, 2003	\$ 2,000,000
April 29, 1998	May 21, 1998 to May 21, 2003	1,000,000
June 26, 1998	June 26, 1998 to June 26, 2003	1,000,000
June 26, 1998	July 6, 1998 to July 6, 2003	1,000,000

Interest expenses on these transactions for the years ended December 31, 2000 was \$113,683.

c) Option contracts

Outstanding option contracts as of December 31, 2000 were as follows:

Contract	Currency	Contract Amount (Thousand)	Carrying Value	Fair Value	Strike Price	Maturity
Put option sell	EUR	EUR 525,537	\$ -	(\$189,735)	0.8870~0.9680(US\$/EUR)	May 2001
Call option sell	US\$	US\$ 203,500	-	(264,885)	107.77~110.5(US\$/JPY)	Mar. 2001
Call option sell	US\$	US\$ 20,000	-	(1,485)	32.42(US\$/NTD)	Jan. 2001
Put option buy	US\$	US\$ 15,000	-	37	110~110.5(US\$/JPY)	Feb. 2001

For the year ended December 31, 2000, TSMC realized premium income of \$116,248 on foreign currency options written and incurred premium expenses of \$108,133 on foreign currency options bought.

d) Transaction risk

- (1) Credit risk. The banks, which are the counter-parties to the foregoing derivative financial instruments, are reputable financial institutions. Management believes its exposures related to the potential default by those counter parties are low.
- (2) Market price risk. The Company is exposed to market risks arising from changes in currency exchange rates due to U.S. dollar-denominated accounts receivable, Yen-dominated accounts payable, Euro-denominated accounts payables, and U.S. dollar-denominated debt related to its importation of materials and machinery and equipment and long-term bank loans. The Company enters into forward contracts and option contracts to manage its exposures. The Company uses interest rate swap contracts with banks to principally manage the risks arising from the changes in interest rates of its obligations. It enters into financial derivative contracts based on analysis of specific and known economic exposures and by policy prohibits entering into such contracts for trading purposes. Its hedging strategy is to use financial instruments having negative correlation to fair value of the hedged items as hedging instruments and periodically evaluates the effectiveness of these instruments as hedges of its interest rate exposures.
- (3) Liquidity and cash flow requirements. The cash flow requirements with respect to the Company's derivative financial instruments are as follows: (i) forward contracts – the net differences between the spot rates and contracted forward rates, (ii) options – the exercise price but the options may not have to be exercised at all in cases where the strike price is higher than the related market price at exercise dates, and (iii) interest rate swap agreements – equal to the net difference between the interest receivables and payables under the agreements.

e) Fair value of financial instruments

	<u>December 31, 2000</u>		<u>December 31, 1999</u>	
	Carrying/ Notional		Carrying/ Notional	
	<u>Amount</u>	<u>Fair Value</u>	<u>Amount</u>	<u>Fair Value</u>
<u>Nonderivative financial instruments</u>				
Assets				
Cash and cash equivalents	\$ 38,840,217	\$ 38,840,217	\$ 29,517,682	\$ 29,517,682
Short-term investments	2,351,560	2,351,560	965,397	965,397
Receivables from related parties	948,726	948,726	340,938	340,938
Accounts and notes receivable	27,055,432	27,055,432	13,321,987	13,321,987
Long-term investments	9,814,342	14,353,717	16,164,676	28,181,143
Refundable deposits	979,067	979,067	59,371	59,371
Pledge time deposits	-	-	3,161,693	3,161,693
Liabilities				
Short-term bank loan	3,833,841	3,833,841	5,026,631	5,026,631
Commercial paper payable	-	-	94,797	94,797
Payable to related parties	2,606,339	2,606,339	1,036,348	1,036,348
Accounts payable	8,507,827	8,507,827	3,273,894	3,273,894
Payable to contractor and equipment suppliers	25,550,273	25,550,273	12,593,712	12,593,712
Long-term liabilities (including current portion)	23,390,422	23,390,422	23,390,422	22,748,831
Long-term bonds	29,000,000	29,035,803	20,000,000	20,222,611
Guarantee deposits	7,086,379	7,086,379	5,185,362	5,185,362
<u>Derivative financial instruments</u>				
Forward exchange contracts (buy)	2,820,220	2,887,126	2,372,219	2,306,638
Forward exchange contracts (sell)	20,802,311	20,788,804	3,998,698	3,998,108
Interest rate swaps	1,601	234,017	7,488	7,488
Option	-	(456,068)	6,946	6,946

Fair values of financial instruments were determined as follows:

- (1) Short-term financial instruments – carrying values.
- (2) Short-term investments – market values.
- (3) Long-term investments – market value for listed companies and net equity value for the others.
- (4) Refundable deposits and guarantees deposits – carrying values.
- (5) Long-term liabilities – based on forecasted cash flows discounted at interest rates of similar long-term liabilities. Long-term bonds payable is discounted at present value. Fair values of other long-term liabilities are also their carrying values as they use floating interest rates.
- (6) Derivative financial instruments – based on outright forward rates and interest rate in each contract.

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

23. SEGMENT FINANCIAL INFORMATION

a. Geographic information:

	<u>Overseas</u>	<u>Domestic</u>	<u>Adjustments and Elimination</u>	<u>Consolidated</u>
<u>2000</u>				
Sales to unaffiliated customers	\$ -	\$ 166,197,604	\$ -	\$ 166,197,604
Transfers between geographic areas	<u>14,451,231</u>	<u>30,816</u>	<u>(14,482,047)</u>	<u>-</u>
Total sales	<u>\$ 14,451,231</u>	<u>\$ 166,228,420</u>	<u>(\$ 14,482,047)</u>	<u>\$ 166,197,604</u>
Gross profit	<u>\$ 3,970,099</u>	<u>\$ 73,924,745</u>	<u>(\$ 1,379,004)</u>	\$ 76,515,840
Operating expenses				(15,221,152)
Non-operating income				6,227,936
Non-operating expenses				<u>(3,621,100)</u>
Income before income tax				<u>\$ 63,901,524</u>
Minority interest loss				<u>\$ 36,786</u>
Identifiable assets	<u>\$ 64,659,712</u>	<u>\$ 320,273,323</u>	<u>(\$ 23,861,398)</u>	\$ 361,071,637
Long-term investments				<u>9,814,342</u>
Total assets				<u>\$ 370,885,979</u>
<u>1999</u>				
Sales to unaffiliated customers	\$ 5,193,000	\$ 71,112,102	\$ -	\$ 76,305,102
Transfers between geographic areas	<u>975,431</u>	<u>4,696,218</u>	<u>(5,671,649)</u>	<u>-</u>
Total sales	<u>\$ 6,168,431</u>	<u>\$ 75,808,320</u>	<u>(\$ 5,671,649)</u>	<u>\$ 76,305,102</u>
Gross profit	<u>\$ 5,670,076</u>	<u>\$ 30,069,272</u>	<u>(\$ 5,671,649)</u>	\$ 30,067,699
Operating expenses				(7,797,710)
Non-operating income				1,682,327
Non-operating expenses				<u>(3,324,002)</u>
Income before income tax				<u>\$ 20,628,314</u>
Minority interest				<u>\$ 515,898</u>
Identifiable assets	<u>\$ 34,807,935</u>	<u>\$ 185,054,075</u>	<u>(\$ 591,172)</u>	\$ 219,270,838
Long-term investments				<u>16,164,676</u>
Total assets				<u>\$ 235,435,514</u>

b. Gross export sales

<u>Area</u>	<u>2000</u>	<u>1999</u>
America	\$ 81,655,987	\$ 38,418,426
Asia	42,906,968	16,744,842
Europe	<u>11,360,517</u>	<u>4,778,646</u>
	<u>\$ 135,923,472</u>	<u>\$ 59,941,914</u>

The export sales information is presented by billed regions.

- c. TSMC and subsidiaries has no single customer that accounts for at least 10% of its total sales.

TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LTD. AND SUBSIDIARIES

FINANCING PROVIDED TO OTHER PARTIES
 For the Year Ended December 31, 2000
 (Amounts in Thousand New Taiwan Dollars, Unless Otherwise Specified)

Table 1

No.	Financing Provider Company Name	Transaction Entity	Accounts	Limitation on Financing	Maximum Balance for the Period	Ending Balance (Thousand)	Interest Rate	Financing Reasons	Allowance for Bad Debt	Mortgage		Transaction Amount	Amount Limited on Financing
										Item	Value		
2	VIS	VIS America	Prepaid expenses	(Note 1)	\$6,122	\$1,232	-	Prepayments for product development	-	-	\$ -	\$5,706	\$4,400,000 (Note 2)

Note 1: Not exceeding 10% of the issued capital of VIS for each transaction entity, and also limiting to 30% of the issued capital of each transaction entity.

Note 2: Not exceeding 20% of the issued capital of VIS.

TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LTD. AND SUBSIDIARIES

COLLATERAL PROVIDED TO OTHER PARTIES

For the Year Ended December 31, 2000

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

Table 2

No.	Collateral Provider Name	Transaction Entity		Limitation on Collateral	Maximum Balance for the Period (US in thousand)	Ending Balance (US in thousand)	Amount of Properties Guaranteed by Collateral	Percentage of Accumulated Amount of Collateral on Net Equity of the Latest Financial Statement	Amount Limited on Collateral (Note 1)
		Name	Nature of the Relationship (Note 2)						
0	TSMC	TSMC Development Inc.	3	(Note 2)	\$ 8,865,172 (US\$ 268,000)	\$ 8,865,172 (US\$ 268,000)	\$ 8,865,172	3.39%	\$ 38,968,094
		TSMC - North America	2		1,323,160 (US\$ 40,000)	1,323,160 (US\$ 40,000)	1,323,160	0.51%	

Note 1: 30% of the issued capital of TSMC.

Note 2: Not exceeding 10% of the issued capital of the Company, and also limiting to the issued capital of the transaction entity with the exception of approval from BOD.

Note 3: The number 2 represent subsidiary that directly holds exceeding 50% of the issued.

The number 3 represents the investee that has over 50% of the common stocks holds by the parent company and subsidiary.

TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

December 31, 2000

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

Table 3

Held Company Name	Marketable Securities Name and Type	Nature of the Relationship	Account	December 31, 2000				Note
				Shares (Thousand)	Carrying Value (Thousand)	Percentage of Ownership	Market Value or Net Asset Value (Thousand)	
TSMC	VIS - Stock	Investee	Long-term investment	556,133	\$ 5,615,075	25	\$ 8,642,314	
	SSMC - Stock	Investee	Long-term investment	90	935,870	32	935,870	
	Taiwan Mask Corp. - Stock	-	Long-term investment	6,887	32,129	2	87,325	
	United Industrial Gases Co., Ltd. - Stock	-	Long-term investment	10,058	146,250	10	155,041	
	Shin-Etsu Handotai Taiwan Co., Ltd. - Stock	-	Long-term investment	10,500	105,000	7	105,476	
	W.K. Technology Fund IV - Stock	-	Long-term investment	5,000	50,000	4	81,059	
	Taiwan Semiconductor Technology Corp. - Stock	-	Long-term investment	50,000	500,000	19	434,385	
	Hon Tung Ventures Capital - Stock	-	Long-term investment	12,000	120,000	10	125,927	
	Crimson Asia Capital Fund - Equity	-	Long-term investment	-	64,547	N/A	64,547	
	Horizon Ventures Fund - Equity	-	Long-term investment	-	93,304	N/A	93,304	
Chi Cherng Investment	TSMC - Stock	Major shareholder	Short-term investment	2,160	98,282	-	184,451	
Kung Cherng Investment	TSMC - Stock	Major shareholder	Short-term investment	4,827	226,819	-	412,317	4,827 thousands shares - pledged
Po Cherng Investment	TSMC - Stock	Major shareholder	Short-term investment	3,814	236,150	-	325,790	2,814 thousands shares - pledged
Cherng Huei Investment	TSMC - Stock	Major shareholder	Short-term investment	4,298	243,391	-	367,074	3,297 thousands shares - pledged
Chi Hsin Investment	TSMC - Stock	Major shareholder	Short-term investment	2,544	138,747	-	217,270	2,543 thousands shares - pledged
Hsin Ruey Investment	TSMC - Stock	Major shareholder	Short-term investment	1,006	85,850	-	85,936	
TSMC-BVI	3DFX. Interactive Inc. - Stock	-	Long-term investment	68	USD 297	-	USD 84	
VIS	VIS Associates Inc. - Stock	Subsidiary	Long-term investment	23,570	464,077	100	464,077	
	PowerChip Semiconductor Inc. - Stock	Investee	Long-term investment	168,488	2,651,216	9	3,315,837	
	Etron Technology Inc. - Stock	-	Long-term investment	5,590	310,132	3	278,118	
	Walsin Technology Inc. - Stock	Investee	Long-term investment	31,410	414,481	10	414,481	
	MEGIC Corporation - Stock	-	Long-term investment	16,500	177,000	15	177,000	
	Form Factor Inc. - Stock	-	Long-term investment	267	64,360	1	64,360	
United Industrial Gases Co., Ltd. - Stock	-	Long-term investment	2,313	29,250	2	29,250		
TSMC Partners	TSMC - ADR	Parent Company	Short-term investment	495	USD 7,357	-	USD 8,916	

(Forward)

InveStar Semiconductor Development Fund Inc.	Silicon Image, Inc. – Stock	-	Short-term investment	411	USD	720	-	USD	2,237
	Sage, Inc. – Stock	-	Short-term investment	140	USD	506	-	USD	2,065
	Centillum Tec. Corp. – Stock	-	Short-term investment	165	USD	650	-	USD	3,671
	Marvell Technology Group Ltd. – Stock	-	Short-term investment	4,665	USD	4,579	-	USD	102,347
	Silicon Laboratories – Stock	-	Short-term investment	15	USD	482	-	USD	219
	Programmable Microelectronics – Stock	-	Long-term investment	1,113	USD	1,500	-	USD	1,500
	Capella Microsystems, Inc. – Stock	-	Long-term investment	42	USD	10	-	USD	10
	Equator Technologies, Inc. – Stock	-	Long-term investment	133	USD	90	-	USD	260
	Scenix Semiconductor Inc. – Stock	-	Long-term investment	861	USD	172	-	USD	172
	Global Test Corp. – Stock	-	Long-term investment	11,292	USD	5,559	-	USD	9,242
	Chip strate – Stock	-	Long-term investment	6,660	USD	2,142	-	USD	2,190
	Ritch Tech – Stock	-	Long-term investment	790	USD	313	-	USD	302
	APE Fu Ding Technology – Stock	-	Long-term investment	2,750	USD	1,518	-	USD	1,411
	Integrated Memory Logic, Inc. - Preferred Stock	-	Long-term investment	1,831	USD	1,809	-	USD	2,559
	Divio (Next wave) - Preferred Stock	-	Long-term investment	667	USD	500	-	USD	2,233
	SiRF Technology Inc. – Preferred Stock	-	Long-term investment	306	USD	1,333	-	USD	1,771
	Rise – Preferred Stock – Preferred Stock	-	Long-term investment	600	USD	1,500	-	USD	1,500
	Capella Microsystems, Inc. - Preferred Stock	-	Long-term investment	1,383	USD	1,298	-	USD	1,383
	Sensory, Inc. - Preferred Stock	-	Long-term investment	1,404	USD	1,250	-	USD	1,250
	Equator Technologies, Inc. - Preferred Stock	-	Long-term investment	443	USD	1,338	-	USD	864
	Light Speed Semiconductor Corporation - Preferred Stock	-	Long-term investment	2,252	USD	3,064	-	USD	5,639
	Empower Tel Networks, Inc. - Preferred Stock	-	Long-term investment	3,840	USD	5,128	-	USD	14,980
	Lara Networks, Inc. - Preferred Stock	-	Long-term investment	1,544	USD	772	-	USD	10,034
	Scenix Semiconductor Inc. - Preferred Stock	-	Long-term investment	1,056	USD	1,361	-	USD	2,919
	RapidSteam - Preferred Stock	-	Long-term investment	2,056	USD	1,050	-	USD	7,286
	Tropian, Inc (Premier R.F., Inc.) – Preferred Stock	-	Long-term investment	1,758	USD	2,334	-	USD	7,498
	Sonics, Inc. - Preferred Stock	-	Long-term investment	2,686	USD	3,530	-	USD	4,110
	Pico Turbo, Inc - Preferred Stock	-	Long-term investment	1,050	USD	1,250	-	USD	1,250
	T-Span Systems Corporation – Preferred Stock	-	Long-term investment	1,266	USD	1,385	-	USD	3,653
	NanoAmp Solutions, Inc. - Preferred Stock	-	Long-term investment	541	USD	853	-	USD	1,900
	Formfactor, Inc. - Preferred Stock	-	Long-term investment	267	USD	2,000	-	USD	2,747
	Monolithic Power Systems, Inc – Preferred Stock	-	Long-term investment	2,521	USD	2,000	-	USD	2,000
	Memsic, Inc - Preferred Stock	-	Long-term investment	3	USD	1,500	-	USD	1,500
Reflectivity, Inc. - Preferred Stock	-	Long-term investment	1,064	USD	2,000	-	USD	2,000	
Signia - Preferred Stock	-	Long-term investment	3,000	USD	1,500	-	USD	1,500	
Match Lab, Inc. - Preferred Stock	-	Long-term investment	1,875	USD	1,500	-	USD	1,500	
HINT Corporation – Preferred Stock	-	Long-term investment	1,000	USD	1,000	-	USD	1,000	
Creosys, Inc. - Preferred Stock	-	Long-term investment	1,500	USD	1,500	-	USD	1,500	
Incentia Design Systems, Inc. - Preferred Stock	-	Long-term investment	286	USD	500	-	USD	500	
Rise - Bond	-	Long-term investment	N/A	USD	300	-	USD	300	

(Forward)

InveStar Semiconductor Development Fund (II) Inc.	Lara Networks, Inc. - Preferred Stock	-	Long-term investment	188	USD	1,500	-	USD	1,500
	Seagull Semiconductor, Inc. - Preferred tock	-	Long-term investment	1,389	USD	1,250	-	USD	1,250
	Memsic, Inc. - Preferred Stock	-	Long-term investment	1,818	USD	1,000	-	USD	1,000
	OEpic – Preferred Stock	-	Long-term investment	600	USD	750	-	USD	750
	FabCentric, Inc. - Preferred Stock	-	Long-term investment	500	USD	250	-	USD	250
	Equator Technologies, Inc. - Preferred Stock	-	Long-term investment	770	USD	1,501	-	USD	1,501
	NanAmp Solutions, Inc. - Preferred Stock	-	Long-term investment	250	USD	1,000	-	USD	1,000
	RapidStream, Inc. - Preferred Stock	-	Long-term investment	246	USD	1,057	-	USD	1,057
	FabCentric, Inc. – Bond	-	Long-term investment	N/A	USD	250	-	USD	250
	Signia Technologies, Inc. - Bond	-	Long-term investment	N/A	USD	500	-	USD	500
Advanced Analogic Technology, Inc. - Bond	-	Long-term investment	N/A	USD	1,250	-	USD	1,250	

TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LTD. AND SUBSIDIARIES

BALANCE OF MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF
EXCEEDING NTD 100 MILLION OR 20% OF THE ISSUED CAPITAL
For the Year Ended December 31, 2000
(Amounts in Thousand New Taiwan Dollars, Unless Otherwise Specified)

Table 4

Company Name	Marketable Securities Type and Name	Account	Transaction Entity	Nature of the Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Shares (Thousand)	Amount	Shares (Thousand)	Amount	Share (Thousand)	Amount	Carrying Value	Gain (loss)	Shares (Thousand)	Amount
TSMC	Taipei Bank Stock	Short-term investment	-	-	8,750	\$ 236,250	-	\$ -	8,750	\$ 288,719	\$ 236,250	\$ 52,469	-	\$ -
	The Wan Pao Securities Investment Trust Fund	Short-term investment	-	-	-	-	18,207	230,000	18,207	231,644	230,000	1,644	-	-
	Kwang Hua Bond Fund	Short-term investment	-	-	-	-	25,495	323,000	25,495	326,273	323,000	3,273	-	-
	Jin-sun Bond Fund	Short-term investment	-	-	-	-	26,382	300,000	26,382	302,604	300,000	2,604	-	-
	Capital Safe Income Securities Investment Trust Fund	Short-term investment	-	-	-	-	24,468	300,000	24,468	302,748	300,000	2,748	-	-
	First Global Investment Trust Wan Tai Bond Fund	Short-term investment	-	-	-	-	25,484	300,000	25,484	302,523	300,000	2,523	-	-
	President Home Run Bond Fund	Short-term investment	-	-	-	-	28,222	332,000	28,222	333,627	332,000	1,627	-	-
	Grand Cathay Bond Fund	Short-term investment	-	-	-	-	57,900	630,000	57,900	633,522	630,000	3,522	-	-
	The GP ROC Bond Fund	Short-term investment	-	-	-	-	26,842	340,000	26,842	341,476	340,000	1,476	-	-
	Flemings Taiwan Bond Fund	Short-term investment	-	-	-	-	25,593	330,000	25,593	332,564	330,000	2,564	-	-
	National Investment Taiwan Bond Fund	Short-term investment	-	-	-	-	25,556	300,000	25,556	301,955	300,000	1,955	-	-
	National Investment Bond Fund	Short-term investment	-	-	-	-	2,956	410,000	2,956	411,752	410,000	1,752	-	-
	United Bond Fund	Short-term investment	-	-	-	-	30,054	330,000	30,054	331,605	300,000	1,605	-	-
	President Investment Bond Fund	Short-term investment	-	-	-	-	46,405	600,000	46,405	603,210	600,000	3,210	-	-
VIS Stock	Long-term investment	VIS	Investee	556,133	5,010,897	-	-	-	-	-	-	-	556,133	5,615,075
SSMC Stock	Long-term investment	SSMC	Investee	26	360,177	64	989,690	-	-	-	-	-	90	935,870
Kung Cherng Investment	TSMC Stock	Short-term investment	-	-	984	50,509	4,682	219,376	839	172,270	43,066	129,204	4,827	226,819
Po Cherng Investment	TSMC Stock	Short-term investment	-	-	642	88,519	3,603	206,936	430	88,166	59,306	28,860	3,814	236,150
Cherng Huei Investment	TSMC Stock	Short-term investment	-	-	642	88,732	4,288	239,512	632	119,571	84,853	34,718	4,298	243,391
Chi Hsin Investment	TSMC Stock	Short-term investment	-	-	642	87,157	2,439	124,547	537	110,211	72,957	37,254	2,544	138,747
TSMC Partners	TSMC ADR	Short-term investment	-	-	302	USD 3,703	193	USD 3,654	-	-	-	-	495	USD 7,357
InveStar Semiconductor Development Fund Inc.	Empower Tel Networks, Inc. Stock	Long-term investment	Empower Tel Networks, Inc.	Investee	3,087	USD 1,878	752	USD 3,250	-	-	-	-	3,840	USD 5,128
	Global Test Corp. Stock	Long-term investment	Global Test Corp.	Investee	7,500	USD 2,281	3,792	USD 3,278	-	-	-	-	11,292	USD 5,559
VIS	The GP Bond Fund	-	-	-	-	-	58,761	750,000	58,761	761,731	750,000	11,731	-	-
	Kwang Hua Bond Fund	-	-	-	-	-	42,671	550,000	42,671	558,584	550,000	8,584	-	-
	Ta Chong Investment Bond Fund	-	-	-	-	-	16,199	180,000	16,199	182,393	180,000	2,393	-	-
	National Investment Bond Fund	-	-	-	-	-	3,921	550,000	3,921	558,516	550,000	8,516	-	-
	First Global Investment Trust Wan Tai Bond Fund	-	-	-	-	-	45,921	550,000	45,921	558,212	550,000	8,212	-	-
	Money Mgmt Fund	-	-	-	-	-	31,415	400,000	31,415	404,997	400,000	4,997	-	-
Grand Cathay Bond Fund	-	-	-	-	-	21,446	240,000	21,446	242,656	240,000	2,656	-	-	

Note 1: The ending balance included the recognition of the investment income (loss) by the equity method and the accumulated translation adjustment.

TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LTD. AND SUBSIDIARIES
ACQUISITION OF PROPERTIES EXCEEDING NTD 100 MILLION OR 20% OF ISSUED CAPITAL
For the Year Ended December 31, 2000
(Amounts in Thousand New Taiwan Dollars, Unless Otherwise Specified)

Table 5

Company Name	Properties	Transaction Date	Transaction Amount	Payment Term	Transaction Entity	Nature of the Relationship	Former Transaction Detail when Transacting with Related Parties				Reference of Price Determined	Purpose of Acquisition	Other Commitments
							Owner	Relationship	Transfer Date	Amount			
TSMC	Fab 6 and office	Feb. 16, 2000 ~ Dec. 31, 2000	\$3,254,412	Depend on the progress of the construction	Fu Tsu Construction Co., Ltd.	-	N/A	N/A	N/A	N/A	Public bidding	Manufacturing purpose	None

TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LTD. AND SUBSIDIARIES

TRANSACTION OF PURCHASE OR SALES WITH RELATED PARTIES AMOUNTING TO MORE THAN NTD 100 MILLION OR 20% OF THE ISSUED CAPITAL

For the Year Ended December 31, 2000

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

Table 6

Company Name	Transaction Entity	Nature of the Relationship	Transaction Detail				Abnormal Transaction		Notes, Accounts Payable or Receivables		Note
			Purchase or Sales	Amount	%	Collection Terms	Unit Price	Collection Terms	Ending Balance	%	
TSMC	ITRI	It's director is TSMC's chairman	Sales	\$ 198,146	-	Net 45 days from monthly closing date	None	None	\$ 56,078	6	
	Phillips and its affiliates	Major shareholder	Sales	5,289,927	3	Net 30 days from invoice date	None	None	643,604	68	
	VIS	Investee	Purchase	6,572,110	19	Net 45 days from monthly closing date	None	None	(1,808,964)	(69)	

TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LTD. AND SUBSIDIARIES

RECEIVABLE FROM RELATED PARTIES AMOUNTING TO MORE
THAN NTD 100 MILLION OR 20% OF THE ISSUED CAPITAL
December 31, 2000

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

Table 7

Company Name	Transaction Entity	Nature Of the Relationship	Ending Balance	Turnover	Overdue		Amounts Received from December 31, 2000 Up-to-Date	Allowance for Bad Debts
					Amount	Management		
TSMC	Phillips and its affiliates VIS	Major shareholder Investee	\$ 643,604	27 days	\$ 175,828	Accelerate demand on account receivables	\$ 193,403	\$ -
			159,890	N/A	10,080	Accelerate demand on account receivables	-	-

TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LTD. AND SUBSIDIARIES

INFORMATION REGARDING NAMES, LOCATIONS AND OTHERS OF INVESTEE ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCES

December 31, 2000

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

Table 8

Company Name	Investee	Location	Businesses Activity	Original Investment Amount		Balance as of December 31, 2000			Net Income (Loss) of the Investee	Recognized Gain (Loss) on Recognized	Note
				Dec.31.2000	Dec.31.1999	Shares (Thousand)	%	Carrying Value			
TSMC	VIS SSMC	Hsin-Chu, Taiwan Singapore	IC Design and manufacturing Manufacture of wafer	\$ 6,503,640 1,432,482	\$ 6,503,640 442,792	556,133 90	25 32	\$ 5,615,075 935,870	\$ 2,573,745 (1,480,190)	\$ 597,812 (473,661)	Investee Investee