

**Taiwan Semiconductor Manufacturing  
Company Limited**

**Financial Statements for the  
Years Ended December 31, 2007 and 2006 and  
Independent Auditors' Report**

## **INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Shareholders  
Taiwan Semiconductor Manufacturing Company Limited

We have audited the accompanying balance sheets of Taiwan Semiconductor Manufacturing Company Limited as of December 31, 2007 and 2006, and the related statements of income, changes in shareholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Taiwan Semiconductor Manufacturing Company Limited as of December 31, 2007 and 2006, and the results of its operations and its cash flows for the years then ended in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, requirements of the Business Accounting Law and Guidelines Governing Business Accounting with respect to financial accounting standards, and accounting principles generally accepted in the Republic of China.

We have also audited, in accordance with the Rules Governing the Audit of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China, the consolidated financial statements of Taiwan Semiconductor Manufacturing Company Limited and subsidiaries as of and for the years ended December 31, 2007 and 2006, and have expressed an unqualified opinion on the consolidated financial statements.

January 10, 2008

Notice to Readers

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

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

## Taiwan Semiconductor Manufacturing Company Limited

### BALANCE SHEETS

DECEMBER 31, 2007 AND 2006

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

ASSETS	2007		2006	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Notes 2 and 4)	\$ 72,422,102	13	\$ 100,139,709	17
Financial assets at fair value through profit or loss (Notes 2, 3 and 5)	42,083	-	44,601	-
Available-for-sale financial assets (Notes 2, 3 and 6)	22,267,223	4	25,967,061	5
Held-to-maturity financial assets (Notes 2 and 7)	11,526,946	2	8,510,823	2
Receivables from related parties (Note 24)	26,701,648	5	16,869,509	3
Notes and accounts receivable	17,911,328	3	16,278,164	3
Allowance for doubtful receivables (Notes 2 and 8)	(688,972)	-	(690,931)	-
Allowance for sales returns and others (Notes 2 and 8)	(3,856,685)	-	(2,751,065)	-
Other receivables from related parties (Note 24)	525,308	-	449,266	-
Other financial assets	331,698	-	653,460	-
Inventories, net (Notes 2 and 9)	20,987,142	4	19,152,214	3
Deferred income tax assets (Notes 2 and 17)	5,268,000	1	7,832,000	1
Prepaid expenses and other current assets	861,465	-	1,221,199	-
Total current assets	<u>174,299,286</u>	<u>32</u>	<u>193,676,010</u>	<u>34</u>
<b>LONG-TERM INVESTMENTS (Notes 2, 3, 6, 7, 10 and 11)</b>				
Investments accounted for using equity method	113,048,081	21	101,044,356	18
Available-for-sale financial assets	1,397,186	-	6,647,511	1
Held-to-maturity financial assets	8,697,726	2	28,973,495	5
Financial assets carried at cost	748,160	-	712,843	-
Total long-term investments	<u>123,891,153</u>	<u>23</u>	<u>137,378,205</u>	<u>24</u>
<b>PROPERTY, PLANT AND EQUIPMENT (Notes 2, 12 and 24)</b>				
Cost				
Buildings	101,907,892	18	96,961,851	17
Machinery and equipment	589,131,625	107	527,850,728	92
Office equipment	9,167,107	2	8,659,225	2
	<u>700,206,624</u>	<u>127</u>	<u>633,471,804</u>	<u>111</u>
Accumulated depreciation	(486,725,019)	(88)	(417,467,250)	(73)
Advance payments and construction in progress	21,082,953	4	12,230,805	2
Net property, plant and equipment	<u>234,564,558</u>	<u>43</u>	<u>228,235,359</u>	<u>40</u>
<b>INTANGIBLE ASSETS</b>				
Goodwill (Note 2)	1,567,756	-	1,567,756	-
Deferred charges, net (Notes 2 and 13)	7,172,413	1	5,593,068	1
Total intangible assets	<u>8,740,169</u>	<u>1</u>	<u>7,160,824</u>	<u>1</u>
<b>OTHER ASSETS</b>				
Deferred income tax assets (Notes 2 and 17)	7,241,933	1	5,761,127	1
Refundable deposits	2,741,538	-	1,306,234	-
Others (Note 2)	293,986	-	67,145	-
Total other assets	<u>10,277,457</u>	<u>1</u>	<u>7,134,506</u>	<u>1</u>
<b>TOTAL</b>	<u>\$ 551,772,623</u>	<u>100</u>	<u>\$ 573,584,904</u>	<u>100</u>

LIABILITIES AND SHAREHOLDERS' EQUITY	2007		2006	
	Amount	%	Amount	%
<b>CURRENT LIABILITIES</b>				
Financial liabilities at fair value through profit or loss (Notes 2, 3 and 5)	\$ 247,646	-	\$ 10,751	-
Accounts payable	9,485,818	2	6,143,679	1
Payables to related parties (Note 24)	2,999,630	-	3,326,916	1
Income tax payable (Notes 2 and 17)	10,977,963	2	7,850,418	1
Accrued expenses and other current liabilities (Note 15)	14,700,013	3	7,903,867	1
Payables to contractors and equipment suppliers	5,389,740	1	10,669,523	2
Current portion of bonds payable (Note 14)	-	-	7,000,000	1
Total current liabilities	<u>43,800,810</u>	<u>8</u>	<u>42,905,154</u>	<u>7</u>
<b>LONG-TERM LIABILITIES</b>				
Bonds payable (Note 14)	12,500,000	3	12,500,000	2
Other long-term payables (Note 15)	1,501,462	-	1,271,896	-
Other payables to related parties (Notes 24 and 26)	-	-	403,375	-
Total long-term liabilities	<u>14,001,462</u>	<u>3</u>	<u>14,175,271</u>	<u>2</u>
<b>OTHER LIABILITIES</b>				
Accrued pension cost (Notes 2 and 16)	3,657,679	1	3,530,116	1
Guarantee deposits (Note 26)	2,240,677	-	3,809,961	1
Deferred credits (Notes 2 and 24)	980,593	-	1,183,118	-
Total other liabilities	<u>6,878,949</u>	<u>1</u>	<u>8,523,195</u>	<u>2</u>
Total liabilities	<u>64,681,221</u>	<u>12</u>	<u>65,603,620</u>	<u>11</u>
<b>CAPITAL STOCK - NT\$10 PAR VALUE</b>				
Authorized: 28,050,000 thousand shares in 2007				
27,050,000 thousand shares in 2006				
Issued: 26,427,104 thousand shares in 2007				
25,829,688 thousand shares in 2006				
	<u>264,271,037</u>	<u>48</u>	<u>258,296,879</u>	<u>45</u>
<b>CAPITAL SURPLUS (Notes 2 and 19)</b>	<u>53,732,682</u>	<u>10</u>	<u>54,107,498</u>	<u>10</u>
<b>RETAINED EARNINGS (Note 19)</b>				
Appropriated as legal capital reserve	56,406,684	10	43,705,711	8
Appropriated as special capital reserve	629,550	-	640,742	-
Unappropriated earnings	161,828,337	29	152,778,079	26
	<u>218,864,571</u>	<u>39</u>	<u>197,124,532</u>	<u>34</u>
<b>OTHERS (Notes 2, 3, 21 and 23)</b>				
Cumulative translation adjustments	(1,072,853)	-	(1,191,165)	-
Unrealized gains on financial instruments	680,997	-	561,615	-
Treasury stock: 834,096 thousand shares in 2007	(49,385,032)	(9)	(918,075)	-
33,926 thousand shares in 2006	(49,776,888)	(9)	(1,547,625)	-
Total shareholders' equity	<u>487,091,402</u>	<u>88</u>	<u>507,981,284</u>	<u>89</u>
<b>TOTAL</b>	<u>\$ 551,772,623</u>	<u>100</u>	<u>\$ 573,584,904</u>	<u>100</u>

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

# Taiwan Semiconductor Manufacturing Company Limited

## STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

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

	2007		2006	
	Amount	%	Amount	%
GROSS SALES (Notes 2 and 24)	\$ 319,167,299		\$ 319,210,148	
SALES RETURNS AND ALLOWANCES (Note 2)	<u>5,519,655</u>		<u>5,328,513</u>	
NET SALES	313,647,644	100	313,881,635	100
COST OF SALES (Notes 18 and 24)	<u>176,223,224</u>	<u>56</u>	<u>164,163,235</u>	<u>52</u>
GROSS PROFIT	137,424,420	44	149,718,400	48
UNREALIZED GROSS PROFIT FROM AFFILIATES (Note 2)	<u>265,106</u>	-	<u>-</u>	-
REALIZED GROSS PROFIT	<u>137,159,314</u>	<u>44</u>	<u>149,718,400</u>	<u>48</u>
OPERATING EXPENSES (Notes 18 and 24)				
Research and development	15,913,834	5	14,601,385	5
General and administrative	7,660,776	3	7,190,422	2
Marketing	<u>1,332,657</u>	-	<u>1,626,734</u>	<u>1</u>
Total operating expenses	<u>24,907,267</u>	<u>8</u>	<u>23,418,541</u>	<u>8</u>
INCOME FROM OPERATIONS	<u>112,252,047</u>	<u>36</u>	<u>126,299,859</u>	<u>40</u>
NON-OPERATING INCOME AND GAINS				
Equity in earnings of equity method investees, net (Notes 2 and 10)	5,468,230	2	5,526,727	2
Interest income (Note 2)	2,634,636	1	3,382,868	1
Settlement income (Note 26)	985,114	-	967,506	1
Technical service income (Notes 24 and 26)	712,162	-	670,297	-
Rental income (Note 24)	368,748	-	224,281	-
Gain on disposal of property, plant and equipment and other assets (Notes 2 and 24)	305,201	-	596,459	-
Foreign exchange gain, net (Note 2)	71,128	-	-	-
Valuation gain on financial instruments, net (Notes 2, 5 and 23)	-	-	33,850	-
Others (Note 24)	<u>289,479</u>	-	<u>194,739</u>	-
Total non-operating income and gains	<u>10,834,698</u>	<u>3</u>	<u>11,596,727</u>	<u>4</u>
NON-OPERATING EXPENSES AND LOSSES				
Provision for litigation loss (Note 26j)	1,008,635	-	-	-
Interest expense	584,736	-	661,200	-
Loss on settlement and disposal of financial instruments, net (Notes 2, 5 and 23)	413,809	-	1,623,882	1

(Continued)

# Taiwan Semiconductor Manufacturing Company Limited

## STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

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

	2007		2006	
	Amount	%	Amount	%
Valuation loss on financial instruments, net (Notes 2, 5, and 23)	\$ 239,413	-	\$ -	-
Loss on disposal of property, plant and equipment and other assets (Note 2)	4,814	-	240,985	-
Foreign exchange loss, net (Note 2)	-	-	412,726	-
Others	<u>83,932</u>	-	<u>151,294</u>	-
Total non-operating expenses and losses	<u>2,335,339</u>	-	<u>3,090,087</u>	1
INCOME BEFORE INCOME TAX	120,751,406	39	134,806,499	43
INCOME TAX EXPENSE (Notes 2 and 17)	<u>(11,574,313)</u>	<u>(4)</u>	<u>(7,550,582)</u>	<u>(2)</u>
NET INCOME BEFORE CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES	109,177,093	35	127,255,917	41
CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES, NET OF TAX BENEFIT OF NT\$82,062 THOUSAND (Note 3)	-	-	(246,186)	-
NET INCOME	<u>\$ 109,177,093</u>	<u>35</u>	<u>\$ 127,009,731</u>	<u>41</u>

	2007		2006	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
EARNINGS PER SHARE (NT\$, Note 22)				
Basic earnings per share	<u>\$ 4.58</u>	<u>\$ 4.14</u>	<u>\$ 5.10</u>	<u>\$ 4.82</u>
Diluted earnings per share	<u>\$ 4.58</u>	<u>\$ 4.14</u>	<u>\$ 5.09</u>	<u>\$ 4.81</u>

Certain pro forma information (after income tax) is shown as follows, based on the assumption that the Company's stock held by subsidiaries is treated as available-for-sale financial assets instead of treasury stock (Notes 2 and 21):

	2007	2006
NET INCOME BEFORE CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES	<u>\$ 109,278,855</u>	<u>\$ 127,338,237</u>
NET INCOME	<u>\$ 109,278,855</u>	<u>\$ 127,092,051</u>
EARNINGS PER SHARE (NT\$)		
Basic earnings per share	<u>\$ 4.14</u>	<u>\$ 4.81</u>
Diluted earnings per share	<u>\$ 4.14</u>	<u>\$ 4.81</u>

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

(Concluded)

## Taiwan Semiconductor Manufacturing Company Limited

### STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006 (In Thousands of New Taiwan Dollars, Except Dividends Per Share)

	Capital Stock		Capital Surplus	Retained Earnings				Others			Total Shareholders' Equity
	Shares (in Thousands)	Amount		Legal Capital Reserve	Special Capital Reserve	Unappropriated Earnings	Total	Cumulative Translation Adjustments	Unrealized Gain on Financial Instruments	Treasury Stock	
BALANCE, JANUARY 1, 2006	24,730,025	\$ 247,300,246	\$ 57,117,886	\$ 34,348,208	\$ 2,226,427	\$ 106,196,399	\$ 142,771,034	\$ (640,742)	\$ -	\$ (918,075)	\$ 445,630,349
Appropriations of prior year's earnings											
Legal capital reserve	-	-	-	9,357,503	-	(9,357,503)	-	-	-	-	-
Reversal of special capital reserve	-	-	-	-	(1,585,685)	1,585,685	-	-	-	-	-
Bonus to employees - in cash	-	-	-	-	-	(3,432,129)	(3,432,129)	-	-	-	(3,432,129)
Bonus to employees - in stock	343,213	3,432,129	-	-	-	(3,432,129)	(3,432,129)	-	-	-	-
Cash dividends to shareholders - NT\$2.50 per share	-	-	-	-	-	(61,825,061)	(61,825,061)	-	-	-	(61,825,061)
Stock dividends to shareholders - NT\$0.15 per share	370,950	3,709,504	-	-	-	(3,709,504)	(3,709,504)	-	-	-	-
Bonus to directors and supervisors	-	-	-	-	-	(257,410)	(257,410)	-	-	-	(257,410)
Capital surplus transferred to capital stock	370,950	3,709,504	(3,709,504)	-	-	-	-	-	-	-	-
Net income in 2006	-	-	-	-	-	127,009,731	127,009,731	-	-	-	127,009,731
Adjustment arising from changes in percentage of ownership in equity method investees	-	-	187,095	-	-	-	-	-	-	-	187,095
Translation adjustments	-	-	-	-	-	-	-	(550,423)	-	-	(550,423)
Issuance of stock from exercising stock options	14,550	145,496	429,701	-	-	-	-	-	-	-	575,197
Cash dividends received by subsidiaries from the Company	-	-	82,320	-	-	-	-	-	-	-	82,320
Valuation gain on available-for-sale financial assets	-	-	-	-	-	-	-	-	242,248	-	242,248
Equity in the valuation gain on available-for-sale financial assets held by equity method investees	-	-	-	-	-	-	-	-	319,367	-	319,367
BALANCE, DECEMBER 31, 2006	25,829,688	258,296,879	54,107,498	43,705,711	640,742	152,778,079	197,124,532	(1,191,165)	561,615	(918,075)	507,981,284
Appropriations of prior year's earnings											
Legal capital reserve	-	-	-	12,700,973	-	(12,700,973)	-	-	-	-	-
Reversal of special capital reserve	-	-	-	-	(11,192)	11,192	-	-	-	-	-
Bonus to employees - in cash	-	-	-	-	-	(4,572,798)	(4,572,798)	-	-	-	(4,572,798)
Bonus to employees - in stock	457,280	4,572,798	-	-	-	(4,572,798)	(4,572,798)	-	-	-	-
Cash dividends to shareholders - NT\$3.00 per share	-	-	-	-	-	(77,489,064)	(77,489,064)	-	-	-	(77,489,064)
Stock dividends to shareholders - NT\$0.02 per share	51,659	516,594	-	-	-	(516,594)	(516,594)	-	-	-	-
Bonus to directors and supervisors	-	-	-	-	-	(285,800)	(285,800)	-	-	-	(285,800)
Capital surplus transferred to capital stock	77,489	774,891	(774,891)	-	-	-	-	-	-	-	-
Net income in 2007	-	-	-	-	-	109,177,093	109,177,093	-	-	-	109,177,093
Adjustment arising from changes in percentage of ownership in equity method investees	-	-	(28,639)	-	-	-	-	-	-	-	(28,639)
Translation adjustments	-	-	-	-	-	-	-	118,312	-	-	118,312
Issuance of stock from exercising stock options	10,988	109,875	326,952	-	-	-	-	-	-	-	436,827
Cash dividends received by subsidiaries from the Company	-	-	101,762	-	-	-	-	-	-	-	101,762
Valuation gain on available-for-sale financial assets	-	-	-	-	-	-	-	-	24,325	-	24,325
Equity in the valuation gain on available-for-sale financial assets held by equity method investees	-	-	-	-	-	-	-	-	95,057	-	95,057
Treasury stock repurchased by the Company	-	-	-	-	-	-	-	-	-	(48,466,957)	(48,466,957)
BALANCE, DECEMBER 31, 2007	<u>26,427,104</u>	<u>\$ 264,271,037</u>	<u>\$ 53,732,682</u>	<u>\$ 56,406,684</u>	<u>\$ 629,550</u>	<u>\$ 161,828,337</u>	<u>\$ 218,864,571</u>	<u>\$ (1,072,853)</u>	<u>\$ 680,997</u>	<u>\$ (49,385,032)</u>	<u>\$ 487,091,402</u>

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

# Taiwan Semiconductor Manufacturing Company Limited

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006 (In Thousands of New Taiwan Dollars)

	2007	2006
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ 109,177,093	\$ 127,009,731
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	72,820,579	66,699,455
Unrealized gross profit from affiliates	265,106	-
Amortization of premium/discount of financial assets	(117,159)	2,399
Loss (gain) on disposal of available-for-sale financial assets, net	(271,094)	485
Equity in earnings of equity method investees, net	(5,468,230)	(5,526,727)
Dividends received from equity method investees	677,147	626,367
Gain on disposal of investments accounted for using equity method investees, net	-	(26,031)
Gain on disposal of financial assets carried at cost, net	-	(212)
Loss on impairment of financial assets carried at cost	-	36,608
Gain on disposal of property, plant and equipment and other assets, net	(300,387)	(355,474)
Deferred income tax	1,083,194	179,828
Loss on idle assets	-	44,072
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Financial assets and liabilities at fair value through profit or loss	239,413	1,112,776
Receivables from related parties	(9,832,139)	4,181,095
Notes and accounts receivable	(1,633,164)	4,313,654
Allowance for doubtful receivables	(1,959)	(285,413)
Allowance for sales returns and others	1,105,620	(1,518,904)
Other receivables from related parties	(76,042)	985,419
Other financial assets	321,762	(99,109)
Inventories	(1,834,928)	(2,894,259)
Prepaid expenses and other current assets	359,734	(49,426)
Increase (decrease) in:		
Accounts payable	3,342,139	(1,908,427)
Payables to related parties	(327,286)	(612,381)
Income tax payable	3,127,545	4,034,530
Accrued expenses and other current liabilities	1,259,738	157,262
Accrued pension cost	127,563	68,724
Deferred credits	72,747	(95,745)
Net cash provided by operating activities	<u>174,116,992</u>	<u>196,080,297</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisitions of:		
Available-for-sale financial assets	(9,547,253)	(98,679,832)
Held-to-maturity financial assets	-	(18,554,027)
Investments accounted for using equity method	(7,358,685)	(5,515,466)
Financial assets carried at cost	(36,333)	(12,940)
Property, plant and equipment	(81,303,047)	(77,215,811)

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# Taiwan Semiconductor Manufacturing Company Limited

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006 (In Thousands of New Taiwan Dollars)

	2007	2006
Proceeds from disposal or redemption of:		
Available-for-sale financial assets	\$ 18,844,520	\$ 73,212,019
Held-to-maturity financial assets	17,325,120	10,410,000
Financial assets carried at cost	-	71,191
Investments accounted for using equity method	-	37,946
Property, plant and equipment and other assets	54,509	1,277,729
Proceeds from return of capital by investees	433,551	162,354
Increase in deferred charges	(2,685,610)	(1,272,355)
Increase in refundable deposits	(1,435,304)	(1,222,592)
Increase in other asset	(232,575)	-
	<u>(65,941,107)</u>	<u>(117,301,784)</u>
Net cash used in investing activities		
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of bonds payable	(7,000,000)	-
Increase (decrease) in guarantee deposits	(1,569,284)	917,016
Cash dividends	(77,489,064)	(61,825,061)
Cash bonus paid to employees	(4,572,798)	(3,432,129)
Bonus to directors and supervisors	(285,800)	(257,410)
Repurchase of treasury stock	(45,413,373)	-
Proceeds from exercise of employee stock options	436,827	575,197
	<u>(135,893,492)</u>	<u>(64,022,387)</u>
Net cash used in financing activities		
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(27,717,607)	14,756,126
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>100,139,709</u>	<u>85,383,583</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 72,422,102</u>	<u>\$ 100,139,709</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Interest paid	<u>\$ 661,200</u>	<u>\$ 661,200</u>
Income tax paid	<u>\$ 7,330,401</u>	<u>\$ 3,189,528</u>
<b>INVESTING AND FINANCING ACTIVITIES AFFECTING BOTH CASH AND NON-CASH ITEMS</b>		
Acquisition of property, plant, and equipment	\$ 76,023,264	\$ 79,026,104
Decrease (increase) in payables to contractors and equipment suppliers	<u>5,279,783</u>	<u>(1,810,293)</u>
Cash paid	<u>\$ 81,303,047</u>	<u>\$ 77,215,811</u>
Repurchase of treasury stock	\$ 48,466,957	\$ -
Increase in accrued expenses and other current liabilities	<u>(3,053,584)</u>	<u>-</u>
Cash paid	<u>\$ 45,413,373</u>	<u>\$ -</u>

(Continued)

# Taiwan Semiconductor Manufacturing Company Limited

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006 (In Thousands of New Taiwan Dollars)

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	2007	2006
NON-CASH INVESTING AND FINANCING ACTIVITIES		
Current portion of bonds payable	\$ <u>          -</u>	\$ <u>7,000,000</u>
Current portion of other payables to related parties (under payables to related parties)	\$ <u>          -</u>	\$ <u>688,591</u>
Current portion of other long-term payable (under accrued expenses and other current liabilities)	\$ <u>3,673,182</u>	\$ <u>617,892</u>
Transfer of available-for-sale financial assets and other net assets to investments accounted for using equity method (Note 6)	\$ <u>          -</u>	\$ <u>39,687,637</u>

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

(Concluded)

# Taiwan Semiconductor Manufacturing Company Limited

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

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

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### 1. GENERAL

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

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

As of December 31, 2007 and 2006, the Company had 20,555 and 20,202 employees, respectively.

### 2. SIGNIFICANT ACCOUNTING POLICIES

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

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

Significant accounting policies are summarized as follows:

#### Use of Estimates

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

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

Current assets are assets held for trading purposes and assets expected to be converted to cash, sold or consumed within one year from the balance sheet date. Current liabilities are obligations incurred for trading purposes and obligations expected to be settled within one year from the balance sheet date. Assets and liabilities that are not classified as current are noncurrent assets and liabilities, respectively.

#### Cash Equivalents

Repurchase agreements collateralized by government bonds, asset-backed commercial papers and corporate notes acquired with maturities of less than three months from the date of purchase are classified as cash equivalents. The carrying amount approximates fair value.

### **Financial Assets/Liabilities at Fair Value Through Profit or Loss**

Derivatives that do not meet the criteria for hedge accounting are initially recognized at fair value, with transaction costs expensed as incurred. The derivatives are remeasured at fair value subsequently with changes in fair value recognized in earnings. A regular way purchase or sale of financial assets is accounted for using settlement date accounting.

Fair value is estimated using valuation techniques incorporating estimates and assumptions that are consistent with prevailing market conditions. When the fair value is positive, the derivative is recognized as a financial asset; when the fair value is negative, the derivative is recognized as a financial liability.

### **Available-for-Sale Financial Assets**

Available-for-sale financial assets are initially recognized at fair value plus transaction costs that are directly attributable to the acquisition. Changes in fair value from subsequent remeasurement are reported as a separate component of shareholders' equity. The corresponding accumulated gains or losses are recognized in earnings when the financial asset is derecognized from the balance sheet. A regular way purchase or sale of financial assets is accounted for using settlement date accounting.

The fair value of structured time deposits is estimated using valuation techniques. Fair value of open-end mutual funds is determined using the net assets value at the end of the year. For debt securities, fair value is determined using the average of bid and asked prices at the end of the year.

If there is objective evidence which indicates that a financial asset is impaired, a loss is recognized. If, in a subsequent period, the amount of the impairment loss decreases, for debt securities, the amount of the decrease is recognized in earnings, provided that the decrease is clearly attributable to an event which occurred after the impairment loss was recognized.

### **Held-to-maturity Financial Assets**

Financial instruments for which the Company has a positive intention and ability to hold to maturity are categorized as held-to-maturity financial assets and are carried at amortized cost under the effective interest method except for structured time deposits which are carried at acquisition cost. Those financial assets are initially recognized at fair value plus transaction costs that are directly attributable to the acquisition. Gains or losses are recognized at the time of derecognition, impairment or amortization. A regular way purchase or sale of financial assets is accounted for using settlement date accounting.

If there is objective evidence which indicates that a financial asset is impaired, a loss is recognized. If, in a subsequent period, the amount of the impairment loss decreases and the decrease is clearly attributable to an event which occurred after the impairment loss was recognized, the previously recognized impairment loss is reversed to the extent of the decrease. The reversal may not result in a carrying amount that exceeds the amortized cost that would have been determined as if no impairment loss had been recognized.

### **Allowance for Doubtful Receivables**

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

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

The Company recognizes revenue when evidence of an arrangement exists, the rewards of ownership and significant risk of the goods has been transferred to the buyer, price is fixed or determinable, and collectibility is reasonably assured. Provisions for estimated sales returns and others are generally recorded in the period the related revenue is recognized, based on historical experience, management's judgment, and any known factors that would significantly affect the allowance.

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

## **Inventories**

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

## **Investments Accounted for Using Equity Method**

Investments in companies wherein the Company exercises significant influence over the operating and financial policy decisions are accounted for using the equity method. The Company's share of the net income or net loss of an investee is recognized in the "equity in earnings/losses of equity method investees, net" account. Prior to January 1, 2006, the difference, if any, between the cost of investment and the Company's proportionate share of the investee's equity was amortized by the straight-line method over five years, with the amortization recorded in the "equity in earnings/losses of equity method investees, net" account. Effective January 1, 2006, pursuant to the revised Statement of Financial Accounting Standards No. 5, "Long-term Investments Accounted for Using the Equity Method" (SFAS No. 5), the cost of an investment shall be analyzed and the cost of investment in excess of the fair value of identifiable net assets acquired, representing goodwill, shall not be amortized and instead shall be tested for impairment annually. If the fair value of identifiable net assets acquired exceeds the cost of investment, the excess shall be proportionately allocated as reductions to fair values of non-current assets (except for financial assets other than investments accounted for using the equity method and deferred income tax assets). The accounting treatment for the investment premiums paid before January 1, 2006 is the same as that for goodwill which is no longer being amortized; while investment discounts continue to be amortized over the remaining periods. When an indication of impairment is identified, the carrying amount of the investment is reduced, with the related impairment loss recognized in earnings.

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

Gains or losses on sales from the Company to equity method investees are deferred in proportion to the Company's ownership percentages in the investees until such gains or losses are realized through transactions with third parties. The entire amount of the gains or losses on sales to investees over which the Company has a controlling interest is deferred until such gains or losses are realized through subsequent sales of the related products to third parties. Gains or losses on sales from equity method investees to the Company are deferred in proportion to the Company's ownership percentages in the investees until they are

realized through transactions with third parties. Gains or losses on sales between equity method investees over each of which the Company has control are deferred in proportion to the Company's weighted-average ownership percentage in the investee which records gains or losses. In transactions between equity method investees over either or both of which the Company has no control, gains or losses on sales are deferred in proportion to the multiplication of the Company's weighted-average ownership percentages in the investees. Such gains or losses are recorded until they are realized through transactions with third parties.

If an investee's functional currency is a foreign currency, differences will result from the translation of the investee's financial statements into the reporting currency of the Company. Such differences are charged or credited to cumulative translation adjustments, a separate component of shareholders' equity.

### **Financial Assets Carried at Cost**

Investments for which the Company does not exercise significant influence and that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, such as non-publicly traded stocks and mutual funds, are carried at their original cost. The costs of non-publicly traded stocks and mutual funds are determined using the weighted-average method. If there is objective evidence which indicates that a financial asset is impaired, a loss is recognized. A subsequent reversal of such impairment loss is not allowed.

Cash dividends are recognized as investment income upon resolution of shareholders of an investee but are accounted for as a reduction to the original cost of investment if such dividends are declared on the earnings of the investee attributable to the period prior to the purchase of the investment. Stock dividends are recorded as an increase in the number of shares held and do not affect investment income. The cost per share is recalculated based on the new total number of shares. Any difference between the initial carrying amount of a debt security and the amount due at maturity is amortized using the effective interest method, with the amortization recognized in earnings.

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

Property, plant and equipment and assets leased to others are stated at cost less accumulated depreciation. When an indication of impairment is identified, any excess of the carrying amount of an asset over its recoverable amount is recognized as a loss. If the recoverable amount increases in a subsequent period, the amount previously recognized as impairment would be reversed and recognized as a gain. However, the adjusted amount may not exceed the carrying amount that would have been determined, net of depreciation, as if no impairment loss had been recognized. Significant additions, renewals and betterments incurred during the construction period are capitalized. Maintenance and repairs are expensed as incurred.

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

Upon sale or disposal of property, plant and equipment and assets leased to others, the related cost and accumulated depreciation are deducted from the corresponding accounts, with any gain or loss recorded as non-operating gains or losses in the period of sale or disposal.

When property, plant and equipment are determined to be idle or useless, they are transferred to idle assets at the lower of the net realizable value or carrying amount. Depreciation on the idle assets is provided continuously, and the idle assets are tested for impairment on a periodical basis.

### **Intangible Assets**

Goodwill represents the excess of the consideration paid for acquisition over the fair value of identifiable net assets acquired. Prior to January 1, 2006, goodwill was amortized using the straight-line method over the estimated life of 10 years. Effective January 1, 2006, pursuant to the newly revised Statement of Financial Accounting Standards No. 25, "Business Combinations - Accounting Treatment under Purchase Method" (SFAS No. 25), goodwill is no longer amortized and instead is tested for impairment annually. If

an event occurs or circumstances change which indicated that the fair value of goodwill is more likely than not below its carrying amount, an impairment loss is recognized. A subsequent reversal of such impairment loss is not allowed.

Deferred charges consist of technology license fees, software and system design costs and other charges. The amounts are amortized over the following periods: Technology license fees - the shorter of the estimated life of the technology or the term of the technology transfer contract; software and system design costs and other charges - 3 years. When an indication of impairment is identified, any excess of the carrying amount of an asset over its recoverable amount is recognized as a loss. If the recoverable amount increases in a subsequent period, the previously recognized impairment loss would be reversed and recognized as a gain. However, the adjusted amount may not exceed the carrying amount that would have been determined, net of amortization, as if no impairment loss had been recognized.

Effective January 1, 2007, the Company adopted the newly released Statement of Financial Accounting Standards No. 37, "Accounting for Intangible Assets". The Company had reassessed the useful lives and the amortization method of its recognized intangible assets at the effective date. Expenditures related to research activities and those related to development activities that do not meet the criteria for capitalization are charged to expenses when incurred.

### **Pension Costs**

For employees who participate in defined contribution pension plans, pension costs are recorded based on the actual contributions made to employees' individual pension accounts during their service periods. For employees who participate in defined benefit pension plans, pension costs are recorded based on actuarial calculations.

### **Income Tax**

The Company applies intra-period and inter-period allocations for its income tax whereby (1) a portion of current year's income tax expense is allocated to the cumulative effect of changes in accounting principles; and (2) deferred income tax assets and liabilities are recognized for the tax effects of temporary differences and unused tax credits. Valuation allowances are provided to the extent, if any, that it is more likely than not that deferred income tax assets will not be realized. A deferred tax asset or liability is classified as current or noncurrent in accordance with the classification of its related asset or liability. However, if a deferred tax asset or liability does not relate to an asset or liability in the financial statements, then it is classified as either current or noncurrent based on the expected length of time before it is realized or settled.

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

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

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

The R.O.C. government enacted the Alternative Minimum Tax Act (the AMT Act), which became effective on January 1, 2006. The alternative minimum tax (AMT) imposed under the AMT Act is a supplemental tax levied at a rate of 10% which is payable if the income tax payable determined pursuant to the Income Tax Law is below the minimum amount prescribed under the AMT Act. The taxable income for calculating the AMT includes most of the tax-exempt income under various laws and statutes. The Company has considered the impact of the AMT Act in the determination of its tax liabilities.

### **Stock-based Compensation**

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

### **Treasury Stock**

Treasury stock is stated at cost and shown as a deduction in shareholders' equity. When the Company retires treasury stock, the treasury stock account is reduced and the common stock as well as the capital surplus - additional paid-in capital are reversed on a pro rata basis. When the book value of the treasury stock exceeds the sum of the par value and additional paid-in capital, the difference is charged to capital surplus - treasury stock transactions and to retained earnings for any remaining amount. The Company's stock held by its subsidiaries is treated as treasury stock and reclassified from investments accounted for using equity method to treasury stock. The gains resulted from disposal of the treasury stock held by subsidiaries and cash dividends received by subsidiaries from the Company are recorded under capital surplus - treasury stock transactions.

### **Foreign-currency Transactions**

Foreign-currency transactions are recorded in New Taiwan dollars at the rates of exchange in effect when the transactions occur. Exchange gains or losses derived from foreign-currency transactions or monetary assets and liabilities denominated in foreign currencies are recognized in earnings.

At the balance sheet date, monetary assets and liabilities denominated in foreign currencies are revalued at prevailing exchange rates with the resulting gains or losses recognized in earnings.

### **Recent Accounting Pronouncements**

In March 2007, the Accounting Research and Development Foundation of the R.O.C. issued an interpretation that requires companies to record the bonus paid to directors, supervisors and employees as an expense rather than an appropriation of earnings. This interpretation should be applied to financial statements for fiscal years beginning on or after January 1, 2008.

The Accounting Research and Development Foundation of the R.O.C. issued Statement of Financial Accounting Standards No. 39, "Accounting for Share-based Payment" (SFAS No. 39) in August 2007, which requires companies to record share-based payment transactions in the financial statements at fair value. SFAS No.39 should be applied to financial statements for fiscal years beginning on or after January 1, 2008.

The Accounting Research and Development Foundation of the R.O.C. revised Statement of Financial Accounting Standards No. 10, "Accounting for Inventories" (SFAS No. 10) in November 2007, which requires inventories to be stated at the lower of cost or net realizable value item by item. Inventories are recorded by the specific identification method, first-in, first-out method or weighted average method. The last-in, first-out method is no longer permitted. The revised SFAS No. 10 should be applied to financial statements for the fiscal years beginning on or after January 1, 2009. Early adoption is permitted.

## **3. ACCOUNTING CHANGES**

On January 1, 2006, the Company adopted the newly released Statements of Financial Accounting Standards No. 34, "Financial Instruments: Recognition and Measurement" (SFAS No. 34) and No. 36, "Financial Instruments: Disclosure and Presentation."



The Company had categorized its financial assets and liabilities upon initial adoption of the newly released SFASs. The adjustments made to the carrying amounts of the financial instruments categorized as financial assets or liabilities at fair value through profit or loss were included in the cumulative effect of changes in accounting principles; the adjustments made to the carrying amounts of those categorized as available-for-sale financial assets were recognized as adjustments to shareholders' equity.

The effect of adopting the newly released SFASs is summarized as follows:

	<b>Recognized as Cumulative Effect of Changes in Accounting Principles (Net of Tax)</b>	<b>Recognized as a Separate Component of Shareholders' Equity</b>
Financial assets or liabilities at fair value through profit or loss	\$ (246,186)	\$ -
Available-for-sale financial assets	<u>-</u>	<u>-</u>
	<u>\$ (246,186)</u>	<u>\$ -</u>

The adoption of the newly released SFASs resulted in an increase in net income before cumulative effect of changes in accounting principles of NT\$280,036 thousand, an increase in net income of NT\$33,850 thousand, and an increase in basic earnings per share (after income tax) of NT\$0.001, for the year ended December 31, 2006.

Effective January 1, 2006, the Company adopted the newly revised SFAS No. 5 and SFAS No. 25, which prescribe that investment premiums, representing goodwill, be assessed for impairment at least on an annual basis instead of being amortized. Such a change in accounting principle did not have a material effect on the Company's financial statements as of and for the year ended December 31, 2006.

#### 4. CASH AND CASH EQUIVALENTS

	<b>December 31</b>	
	<b>2007</b>	<b>2006</b>
Cash and deposits in banks	\$ 61,832,143	\$ 68,898,115
Repurchase agreements collateralized by government bonds	10,067,843	31,241,594
Asset-backed commercial papers	<u>522,116</u>	<u>-</u>
	<u>\$ 72,422,102</u>	<u>\$ 100,139,709</u>

## 5. FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	<b>December 31</b>	
	<b>2007</b>	<b>2006</b>
<u>Derivatives - financial assets</u>		
Forward exchange contracts	\$ 6,516	\$ -
Cross currency swap contracts	<u>35,567</u>	<u>44,601</u>
	<u>\$ 42,083</u>	<u>\$ 44,601</u>
<u>Derivatives - financial liabilities</u>		
Forward exchange contracts	\$ 183,916	\$ -
Cross currency swap contracts	<u>63,730</u>	<u>10,751</u>
	<u>\$ 247,646</u>	<u>\$ 10,751</u>

The Company entered into derivative contracts during the years ended December 31, 2007 and 2006 to manage exposures due to fluctuations of foreign exchange rates. The derivative contracts entered into by the Company did not meet the criteria for hedge accounting prescribed by SFAS No. 34. Therefore, the Company did not apply hedge accounting treatment for its derivative contracts.

Outstanding forward exchange contracts as of December 31, 2007:

	<b>Maturity Date</b>	<b>Contract Amount (in Thousands)</b>
<u>December 31, 2007</u>		
Sell US\$/buy NT\$	January 2008	US\$ 100,000
Sell EUR/buy NT\$	February 2008 to July 2008	EUR 48,000

Outstanding cross currency swap contracts as of December 31, 2007 and 2006:

<b>Maturity Date</b>	<b>Contract Amount (in Thousands)</b>	<b>Range of Interest Rates Paid</b>	<b>Range of Interest Rates Received</b>
<u>December 31, 2007</u>			
January 2008 to February 2008	US\$ 975,000	3.53%-5.60%	0.02%-3.01%
<u>December 31, 2006</u>			
January 2007 to February 2007	US\$ 820,000	3.19%-5.91%	0.90%-3.25%

For the years ended December 31, 2007 and 2006, net losses arising from derivative financial instruments were NT\$924,316 thousand (including realized settlement losses of NT\$684,903 thousand and valuation losses of NT\$239,413 thousand) and NT\$1,615,796 thousand (including realized settlement losses of NT\$1,649,646 thousand and valuation gains of NT\$33,850 thousand), respectively.

## 6. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	<u>December 31</u>	
	2007	2006
Open-end mutual funds	\$ 14,966,675	\$ 25,967,061
Government bonds	4,146,082	1,998,067
Corporate bonds	4,052,242	4,150,202
Structured time deposits	<u>499,410</u>	<u>499,242</u>
	23,664,409	32,614,572
Current portion	<u>(22,267,223)</u>	<u>(25,967,061)</u>
	<u>\$ 1,397,186</u>	<u>\$ 6,647,511</u>

In 2004, the Company entered into investment management agreements with three well-known financial institutions (fund managers) to manage its investment portfolios. In accordance with the investment guidelines and terms specified in these agreements, the securities invested by the fund managers cannot be below a pre-defined credit rating. In the second half year of 2006, the Company transferred investment portfolios managed by the fund managers of US\$1,277,789 thousand to TSMC Global Ltd. (TSMC-Global), a subsidiary of TSMC. The transferred investment portfolios held by TSMC Global are still being managed by the same fund managers in accordance with the aforementioned investment guidelines and terms.

Structured time deposits categorized as available-for-sale financial assets consisted of the following:

	Principal Amount	Carrying Amount	Interest Rate	Maturity Date
<u>December 31, 2007</u>				
Step-up callable deposits				
Domestic deposits	<u>\$ 500,000</u>	<u>\$ 499,410</u>	1.76%	March 2008
<u>December 31, 2006</u>				
Step-up callable deposits				
Domestic deposits	<u>\$ 500,000</u>	<u>\$ 499,242</u>	1.76%	March 2008

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

## 7. HELD-TO-MATURITY FINANCIAL ASSETS

	<u>December 31</u>	
	2007	2006
Corporate bonds	\$ 10,900,247	\$ 13,742,541
Government bonds	7,824,425	12,070,657
Structured time deposits	<u>1,500,000</u>	<u>11,671,120</u>
	20,224,672	37,484,318
Current portion	<u>(11,526,946)</u>	<u>(8,510,823)</u>
	<u>\$ 8,697,726</u>	<u>\$ 28,973,495</u>

As of December 31, 2007 and 2006, structured time deposits categorized as held-to-maturity financial assets consisted of the following:

	<b>Principal Amount</b>	<b>Interest Receivable</b>	<b>Range of Interest Rates</b>	<b>Maturity Date</b>
<u>December 31, 2007</u>				
Step-up callable deposits				
Domestic deposits	\$ <u>1,500,000</u>	\$ <u>5,585</u>	1.77%-1.83%	April 2008 to October 2008
<u>December 31, 2006</u>				
Step-up callable deposits				
Domestic deposits	\$ 4,500,000	\$ 13,928	1.40%-1.83%	June 2007 to October 2008
Callable range accrual deposits				
Domestic deposits	3,911,520	4,808	(See below)	September 2009 to December 2009
Foreign deposits	<u>3,259,600</u>	<u>4,998</u>	(See below)	October 2009 to January 2010
	<u>\$ 11,671,120</u>	<u>\$ 23,734</u>		

The amount of interest earned from the callable range accrual deposits is based on a pre-defined range as determined by the 3-month or 6-month LIBOR plus an agreed upon rate ranging between 2.10% and 3.45%. Based on the terms of the contracts, if the 3-month or 6-month LIBOR moves outside of the pre-defined range, the interest paid to the Company is at a fixed rate between zero and 1.5%. Under the terms of the contracts, the bank has the right to cancel the contracts prior to the maturity date.

As of December 31, 2007, no structured time deposit was resided in banks located in foreign countries. As of December 31, 2006, the principal of the deposits that resided in banks located in Hong Kong and Singapore amounted to US\$80,000 thousand and US\$20,000 thousand, respectively.

## 8. ALLOWANCES FOR DOUBTFUL RECEIVABLES, SALES RETURNS AND OTHERS

Movements of the allowance for doubtful receivables were as follows:

	<u>Years Ended December 31</u>	
	<u>2007</u>	<u>2006</u>
Balance, beginning of year	\$ 690,931	\$ 976,344
Write-off	<u>(1,959)</u>	<u>(285,413)</u>
Balance, end of year	<u>\$ 688,972</u>	<u>\$ 690,931</u>

Movements of the allowance for sales returns and others were as follows:

	<u>Years Ended December 31</u>	
	<u>2007</u>	<u>2006</u>
Balance, beginning of year	\$ 2,751,065	\$ 4,269,969
Provision	5,519,655	5,328,513
Write-off	<u>(4,414,035)</u>	<u>(6,847,417)</u>
Balance, end of year	<u>\$ 3,856,685</u>	<u>\$ 2,751,065</u>

## 9. INVENTORIES, NET

	<u>December 31</u>	
	<u>2007</u>	<u>2006</u>
Finished goods	\$ 3,811,212	\$ 4,754,342
Work in process	15,867,005	13,251,174
Raw materials	1,428,592	1,515,996
Supplies and spare parts	<u>612,128</u>	<u>421,648</u>
	21,718,937	19,943,160
Allowance for losses	<u>(731,795)</u>	<u>(790,946)</u>
	<u>\$ 20,987,142</u>	<u>\$ 19,152,214</u>

## 10. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	<u>December 31</u>			
	<u>2007</u>		<u>2006</u>	
	<u>Carrying Amount</u>	<u>% of Owner- ship</u>	<u>Carrying Amount</u>	<u>% of Owner- ship</u>
TSMC Global (Note 6)	\$ 44,204,188	100	\$ 42,496,592	100
TSMC International Investment Ltd. (TSMC International)	27,688,565	100	26,593,749	100
Vanguard International Semiconductor Corporation (VIS)	11,024,568	36	5,741,870	27
Systems on Silicon Manufacturing Company Pte Ltd. (SSMC)	9,092,741	39	7,960,869	39
TSMC (Shanghai) Company Limited (TSMC-Shanghai)	8,622,715	100	9,027,984	100
TSMC Partners, Ltd. (TSMC Partners)	4,734,180	100	4,433,819	100
TSMC North America (TSMC-North America)	2,255,647	100	2,014,990	100
Xintec Inc. (Xintec)	1,501,521	43	-	-
VentureTech Alliance Fund II, L.P. (VTAF II)	1,170,841	98	733,130	98
VentureTech Alliance Fund III, L.P. (VTAF III)	906,536	98	228,005	98
Global UniChip Corporation (GUC)	823,552	37	629,755	38
Emerging Alliance Fund, L.P. (Emerging Alliance)	467,873	99	793,585	99
Chi Cherng Investment Co., Ltd. (Chi Cherng)	173,429	36	115,507	36
Hsin Ruey Investment Co., Ltd. (Hsin Ruey)	171,658	36	114,297	36
TSMC Japan Limited (TSMC-Japan)	104,929	100	95,757	100
Taiwan Semiconductor Manufacturing Company Europe B.V. (TSMC-Europe)	88,702	100	49,741	100
TSMC Korea Limited (TSMC-Korea)	<u>16,436</u>	100	<u>14,706</u>	100
	<u>\$ 113,048,081</u>		<u>\$ 101,044,356</u>	

In November 2006, the Company acquired 81 thousand shares in SSMC for SGD115,227 thousand from EDB Investments Pte Ltd. under a Shareholders Agreement. After the acquisition, the number of SSMC shares owned by the Company increased to 463 thousand and the Company's percentage of ownership increased from 32% to 39%.

In January 2007, the Company acquired 90,526 thousand shares in Xintec, representing 43% of its total common shares, for NT\$1,357,890 thousand.

In August 2007, the Company acquired additional 169,600 thousand shares in VIS for NT\$4,927,865 thousand; after the acquisition, the Company's percentage of ownership in VIS increased from 27% to 36%.

For the years ended December 31, 2007 and 2006, net equity in earnings of equity method investees of NT\$5,468,230 thousand and NT\$5,526,727 thousand were recognized, respectively. The related equity in earnings of equity method investees were determined based on the audited financial statements of the investees for the same periods as the Company.

As of December 31, 2007 and 2006, fair values of publicly traded stocks in investments accounted for using equity method were NT\$24,319,275 thousand and NT\$17,044,040 thousand, respectively.

Movements of the difference between the cost of investments and the Company's share in investees' net assets allocated to depreciable assets for the years ended December 31, 2007 and 2006 were as follows:

	<u>Year Ended December 31</u>	
	2007	2006
Balance, beginning of year	\$ 943,277	\$ (17,764)
Addition	2,081,282	1,010,846
Reduction	<u>(347,171)</u>	<u>(49,805)</u>
Balance, end of year	<u>\$ 2,677,388</u>	<u>\$ 943,277</u>

Movements of the aforementioned difference allocated to goodwill for the years ended December 31, 2007 and 2006 were as follows:

	<u>Year Ended December 31</u>	
	2007	2006
Balance, beginning of year	\$ 213,984	\$ -
Addition	<u>773,365</u>	<u>213,984</u>
Balance, end of year	<u>\$ 987,349</u>	<u>\$ 213,984</u>

## 11. FINANCIAL ASSETS CARRIED AT COST

	<u>December 31</u>	
	2007	2006
Non-publicly traded stocks	\$ 364,913	\$ 364,913
Mutual funds	<u>383,247</u>	<u>347,930</u>
	<u>\$ 748,160</u>	<u>\$ 712,843</u>

## 12. PROPERTY, PLANT AND EQUIPMENT

<b>Year Ended December 31, 2007</b>					
	<b>Balance, Beginning of Year</b>	<b>Additions</b>	<b>Disposals</b>	<b>Reclassification</b>	<b>Balance, End of Year</b>
Cost					
Buildings	\$ 96,961,851	\$ 5,025,296	\$ (31,835)	\$ (47,420)	\$ 101,907,892
Machinery and equipment	527,850,728	61,793,498	(487,386)	(25,215)	589,131,625
Office equipment	<u>8,659,225</u>	<u>936,003</u>	<u>(328,555)</u>	<u>(99,566)</u>	<u>9,167,107</u>
	<u>633,471,804</u>	<u>\$ 67,754,797</u>	<u>\$ (847,776)</u>	<u>\$ (172,201)</u>	<u>700,206,624</u>
Accumulated depreciation					
Buildings	49,595,917	7,783,832	\$ (30,957)	1,036	57,349,828
Machinery and equipment	361,401,800	61,492,223	(459,113)	(156,839)	422,278,071
Office equipment	<u>6,469,533</u>	<u>958,315</u>	<u>(328,363)</u>	<u>(2,365)</u>	<u>7,097,120</u>
	<u>417,467,250</u>	<u>\$ 70,234,370</u>	<u>\$ (818,433)</u>	<u>\$ (158,168)</u>	<u>486,725,019</u>
Advance payments and construction in progress	<u>12,230,805</u>	<u>\$ 8,268,467</u>	<u>\$ -</u>	<u>\$ 583,681</u>	<u>21,082,953</u>
Net	<u>\$ 228,235,359</u>				<u>\$ 234,564,558</u>

<b>Year Ended December 31, 2006</b>					
	<b>Balance, Beginning of Year</b>	<b>Additions (Deduction)</b>	<b>Disposals</b>	<b>Reclassification</b>	<b>Balance, End of Year</b>
Cost					
Buildings	\$ 90,769,622	\$ 7,160,975	\$ (964,370)	\$ (4,376)	\$ 96,961,851
Machinery and equipment	459,850,773	73,454,632	(5,218,678)	(235,999)	527,850,728
Office equipment	<u>7,850,035</u>	<u>1,046,724</u>	<u>(196,984)</u>	<u>(40,550)</u>	<u>8,659,225</u>
	<u>558,470,430</u>	<u>\$ 81,662,331</u>	<u>\$ (6,380,032)</u>	<u>\$ (280,925)</u>	<u>633,471,804</u>
Accumulated depreciation					
Buildings	42,902,526	7,441,573	(748,011)	(171)	49,595,917
Machinery and equipment	310,626,317	55,880,978	(4,869,587)	(235,908)	361,401,800
Office equipment	<u>5,662,986</u>	<u>1,009,599</u>	<u>(196,629)</u>	<u>(6,423)</u>	<u>6,469,533</u>
	<u>359,191,829</u>	<u>\$ 64,332,150</u>	<u>\$ (5,814,227)</u>	<u>\$ (242,502)</u>	<u>417,467,250</u>
Advance payments and construction in progress	<u>14,867,032</u>	<u>\$ (2,636,227)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>12,230,805</u>
Net	<u>\$ 214,145,633</u>				<u>\$ 228,235,359</u>

No interest was capitalized during the years ended December 31, 2007 and 2006.

## 13. DEFERRED CHARGES, NET

<b>Year Ended December 31, 2007</b>						
	<b>Balance, Beginning of Year</b>	<b>Additions</b>	<b>Amortization</b>	<b>Deduction</b>	<b>Reclassification</b>	<b>Balance, End of Year</b>
Technology license fees	\$ 4,038,551	\$ 3,263,950	\$ (1,656,113)	\$ -	\$ (296,451)	\$ 5,349,937
Software and system design costs	1,517,575	1,181,579	(820,183)	(51)	(569,648)	1,309,272
Others	<u>36,942</u>	<u>283,990</u>	<u>(104,179)</u>	<u>-</u>	<u>296,451</u>	<u>513,204</u>
	<u>\$ 5,593,068</u>	<u>\$ 4,729,519</u>	<u>\$ (2,580,475)</u>	<u>\$ (51)</u>	<u>\$ (569,648)</u>	<u>\$ 7,172,413</u>

<b>Year Ended December 31, 2006</b>						
	<b>Balance, Beginning of Year</b>	<b>Additions</b>	<b>Amortization</b>	<b>Deduction</b>	<b>Reclassification</b>	<b>Balance, End of Year</b>
Technology license fees	\$ 4,985,806	\$ 373,054	\$ (1,320,309)	\$ -	\$ -	\$ 4,038,551
Software and system design costs	1,623,276	899,301	(1,006,141)	-	1,139	1,517,575
Others	<u>72,062</u>	<u>-</u>	<u>(35,120)</u>	<u>-</u>	<u>-</u>	<u>36,942</u>
	<u>\$ 6,681,144</u>	<u>\$ 1,272,355</u>	<u>\$ (2,361,570)</u>	<u>\$ -</u>	<u>\$ 1,139</u>	<u>\$ 5,593,068</u>

#### 14. BONDS PAYABLE

	<b>December 31</b>	
	<b>2007</b>	<b>2006</b>
Domestic unsecured bonds:		
Issued in December 2000 and repayable in December 2007, 5.36% interest payable annually	\$ -	\$ 4,500,000
Issued in January 2002 and repayable in January 2007, 2009 and 2012 in three installments, 2.60%, 2.75% and 3.00% interest payable annually, respectively	<u>12,500,000</u>	<u>15,000,000</u>
	12,500,000	19,500,000
Current portion	<u>-</u>	<u>(7,000,000)</u>
	<u>\$ 12,500,000</u>	<u>\$ 12,500,000</u>

As of December 31, 2007, future principal repayments for the Company's bonds were as follows:

<b>Year of Repayment</b>	<b>Amount</b>
2009	\$ 8,000,000
2012	<u>4,500,000</u>
	<u>\$ 12,500,000</u>

#### 15. OTHER LONG-TERM PAYABLES

Most of the payables resulted from license agreements for certain semiconductor-related patents. As of December 31, 2007, future payments for other long-term payables were as follows:

<b>Year of Payment</b>	<b>Amount</b>
2008	\$ 3,673,182
2009	582,027
2010	497,676
2011	<u>421,759</u>
	5,174,644
Current portion (classified under accrued expenses and other current liabilities)	<u>(3,673,182)</u>
	<u>\$ 1,501,462</u>



## 16. PENSION PLANS

The Labor Pension Act (the Act) became effective on July 1, 2005. The employees who were subject to the Labor Standards Law prior to July 1, 2005 were allowed to choose to be subject to the pension mechanism under the Act with their seniority as of July 1, 2005 retained or continue to be subject to the pension mechanism under the Labor Standards Law. Employees who joined the Company after July 1, 2005 can only be subject to the pension mechanism under the Act.

The pension mechanism under the Act is deemed a defined contribution plan. Pursuant to the Act, the Company has made monthly contributions equal to 6% of each employee's monthly salary to employees' pension accounts starting from July 1, 2005, and recognized pension costs of NT\$616,548 thousand and NT\$618,975 thousand for the years ended December 31, 2007 and 2006, respectively.

The Company has a defined benefit plan under the Labor Standards Law that provides benefits based on an employee's length of service and average monthly salary for the six-month period prior to retirement. The Company contributes an amount equal to 2% of salaries paid each month to a pension fund (the Fund), which is administered by the pension fund monitoring committee (the Committee) and deposited in the Committee's name in the Bank of Taiwan (originally the Central Trust of China, which was merged into the Bank of Taiwan on July 1, 2007).

Pension information on the defined benefit plan is summarized as follows:

a. Components of net periodic pension cost for the year

	<b>2007</b>	<b>2006</b>
Service cost	\$ 184,232	\$ 178,432
Interest cost	155,297	163,740
Projected return on plan assets	(50,326)	(49,115)
Amortization	<u>35,596</u>	<u>12,339</u>
Net periodic pension cost	<u>\$ 324,799</u>	<u>\$ 305,396</u>

b. Reconciliation of funded status of the plan and accrued pension cost at December 31, 2007 and 2006

	<b>2007</b>	<b>2006</b>
Benefit obligation		
Vested benefit obligation	\$ 120,146	\$ 102,920
Nonvested benefit obligation	<u>3,450,818</u>	<u>3,873,239</u>
Accumulated benefit obligation	3,570,964	3,976,159
Additional benefits based on future salaries	<u>2,428,786</u>	<u>2,964,923</u>
Projected benefit obligation	5,999,750	6,941,082
Fair value of plan assets	<u>(2,199,189)</u>	<u>(1,945,572)</u>
Funded status	3,800,561	4,995,510
Unrecognized net transition obligation	(107,891)	(116,191)
Unrecognized net loss	<u>(34,991)</u>	<u>(1,349,203)</u>
Accrued pension cost	<u>\$ 3,657,679</u>	<u>\$ 3,530,116</u>
Vested benefits	<u>\$ 125,443</u>	<u>\$ 106,645</u>

	<b>2007</b>	<b>2006</b>
c. Actuarial assumptions at December 31, 2007 and 2006		
Discount rate used in determining present values	2.75%	2.25%
Future salary increase rate	3.00%	3.00%
Expected rate of return on plan assets	3.00%	2.50%
d. Contributions to the Fund for the year	<u>\$ 200,732</u>	<u>\$ 230,577</u>
e. Payments from the Fund for the year	<u>\$ 15,003</u>	<u>\$ 10,823</u>

## 17. INCOME TAX

- a. A reconciliation of income tax expense based on "income before income tax" at statutory rate and income tax currently payable was as follows:

	<u><b>Years Ended December 31</b></u>	
	<b>2007</b>	<b>2006</b>
Income tax expense based on "income before income tax" at statutory rate (25%)	\$ 30,187,852	\$ 33,701,625
Tax effect of the following:		
Tax-exempt income	(7,602,675)	(12,274,041)
Temporary and permanent differences	(789,073)	(2,080,110)
Cumulative effect of changes in accounting principles	-	(82,062)
Additional tax at 10% on unappropriated earnings	2,686,561	1,156,130
Income tax credits used	<u>(13,740,683)</u>	<u>(12,715,377)</u>
Income tax currently payable	<u>\$ 10,741,982</u>	<u>\$ 7,706,165</u>

- b. Income tax expense consisted of the following:

	<u><b>Years Ended December 31</b></u>	
	<b>2007</b>	<b>2006</b>
Income tax currently payable	\$ 10,741,982	\$ 7,706,165
Other income tax adjustments	(250,863)	(335,411)
Net change in deferred income tax assets		
Investment tax credits	5,120,137	3,908,879
Temporary differences	(302,847)	(1,522,734)
Valuation allowance	<u>(3,734,096)</u>	<u>(2,206,317)</u>
Income tax expense	<u>\$ 11,574,313</u>	<u>\$ 7,550,582</u>

c. Net deferred income tax assets consisted of the following:

	<b>December 31</b>	
	<b>2007</b>	<b>2006</b>
Current deferred income tax assets		
Investment tax credits	\$ 5,268,000	\$ 7,832,000
Noncurrent deferred income tax assets, net		
Investment tax credits	\$ 9,568,755	\$ 12,124,892
Temporary differences	1,143,311	840,464
Valuation allowance	<u>(3,470,133)</u>	<u>(7,204,229)</u>
	<u>\$ 7,241,933</u>	<u>\$ 5,761,127</u>

d. Integrated income tax information:

The balance of the imputation credit account as of December 31, 2007 and 2006 was NT\$3,012,848 thousand and NT\$828,612 thousand, respectively.

The estimated creditable ratio for distribution of earnings of 2007 and 2006 was 1.86% and 5.23%, respectively.

The imputation credit allocated to shareholders is based on its balance as of the date of dividend distribution. The estimated creditable ratio may change when the actual distribution of imputation credit is made.

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

f. As of December 31, 2007, investment tax credits consisted of the following:

Law/Statute	Item	Total Creditable Amount	Remaining Creditable Amount	Expiry Year
Statute for Upgrading Industries	Purchase of machinery and equipment	\$ 238,012	\$ -	2007
		3,177,254	-	2008
		6,029,704	-	2009
		6,508,673	6,508,673	2010
		<u>3,696,375</u>	<u>3,696,375</u>	2011
		<u>\$ 19,650,018</u>	<u>\$ 10,205,048</u>	
Statute for Upgrading Industries	Research and development expenditures	\$ 1,245,142	\$ -	2007
		2,560,454	-	2008
		1,486,845	1,029,080	2009
		1,781,376	1,781,376	2010
		<u>1,654,065</u>	<u>1,654,065</u>	2011
		<u>\$ 8,727,882</u>	<u>\$ 4,464,521</u>	

(Continued)

Law/Statute	Item	Total Creditable Amount	Remaining Creditable Amount	Expiry Year
Statute for Upgrading Industries	Personnel training expenditures	\$ 16,197	\$ -	2007
		16,155	-	2008
		46,130	46,130	2009
		<u>41,252</u>	<u>41,252</u>	2010
		<u>\$ 119,734</u>	<u>\$ 87,382</u>	
Statute for Upgrading Industries	Investments in important technology-based enterprises	<u>\$ 79,804</u>	<u>\$ 79,804</u>	2010

(Concluded)

- g. The profits generated from the following projects are exempt from income tax for a four- or five-year period:

**Tax-exemption Period**

Construction of Fab 12 - module A	2004 to 2007
Construction of Fab 14 - module A	2006 to 2010
Construction of Fab 14 - module B	2007 to 2011

- h. The tax authorities have examined income tax returns of the Company through 2004.

**18. LABOR COST, DEPRECIATION AND AMORTIZATION**

	Year Ended December 31, 2007		
	Classified as Cost of Sales	Classified as Operating Expenses	Total
Labor cost			
Salary	\$ 9,201,605	\$ 4,392,243	\$ 13,593,848
Labor and health insurance	608,748	337,124	945,872
Pension	605,879	335,596	941,475
Meal	434,106	167,962	602,068
Welfare	183,463	110,894	294,357
Others	<u>175,781</u>	<u>12,011</u>	<u>187,792</u>
	<u>\$ 11,209,582</u>	<u>\$ 5,355,830</u>	<u>\$ 16,565,412</u>
Depreciation	<u>\$ 66,375,152</u>	<u>\$ 3,816,399</u>	<u>\$ 70,191,551</u>
Amortization	<u>\$ 1,801,193</u>	<u>\$ 778,185</u>	<u>\$ 2,579,378</u>

	<b>Year Ended December 31, 2006</b>		
	<b>Classified as Cost of Sales</b>	<b>Classified as Operating Expenses</b>	<b>Total</b>
Labor cost			
Salary	\$ 9,877,603	\$ 4,172,915	\$ 14,050,518
Labor and health insurance	686,125	352,085	1,038,210
Pension	610,873	313,416	924,289
Meal	449,505	159,302	608,807
Welfare	184,560	99,323	283,883
Others	<u>225,615</u>	<u>19,784</u>	<u>245,399</u>
	<u>\$ 12,034,281</u>	<u>\$ 5,116,825</u>	<u>\$ 17,151,106</u>
Depreciation	<u>\$ 61,028,727</u>	<u>\$ 3,296,764</u>	<u>\$ 64,325,491</u>
Amortization	<u>\$ 1,430,069</u>	<u>\$ 918,011</u>	<u>\$ 2,348,080</u>

## 19. SHAREHOLDERS' EQUITY

As of December 31, 2007, 1,132,867 thousand ADSs of the Company were traded on the NYSE. The number of common shares represented by the ADSs is 5,664,337 thousand (one ADS represents five common shares).

Capital surplus can only be used to offset a deficit under the Company Law. However, the capital surplus generated from donations and the excess of the issuance price over the par value of capital stock (including the stock issued for new capital, mergers, convertible bonds and the surplus from treasury stock transactions) may be appropriated as stock dividends, which are limited to a certain percentage of the Company's paid-in capital.

Capital surplus consisted of the following:

	<b>December 31</b>	
	<b>2007</b>	<b>2006</b>
From merger	\$ 24,003,546	\$ 24,003,546
Additional paid-in capital	19,526,492	19,974,431
From convertible bonds	9,360,424	9,360,424
From treasury stock transactions	490,950	389,188
From long-term investments	351,215	379,854
Donations	<u>55</u>	<u>55</u>
	<u>\$ 53,732,682</u>	<u>\$ 54,107,498</u>

The Company's Articles of Incorporation provide that, when allocating the net profits for each fiscal year, the Company shall first offset its losses in previous years and then set aside the following items accordingly:

- a. Legal capital reserve at 10% of the profits left over, until the accumulated legal capital reserve has equaled the Company's paid-in capital;
- b. Special capital reserve in accordance with relevant laws or regulations or as requested by the authorities in charge;

- c. Bonus to directors and bonus to employees of the Company of not more than 0.3% and not less than 1% of the remainder, respectively. Directors who also serve as executive officers of the Company are not entitled to receive the bonus to directors. The Company may issue stock bonuses to employees of an affiliated company meeting the conditions set by the Board of Directors or, by the person duly authorized by the Board of Directors;
- d. Any balance left over shall be allocated according to the resolution of the shareholders' meeting.

The Company's Articles of Incorporation also provide that profits of the Company may be distributed by way of cash dividend and/or stock dividend. However, distribution of profits shall be made preferably by way of cash dividend. Distribution of profits may also be made by way of stock dividend; provided that the ratio for stock dividend shall not exceed 50% of the total distribution.

Any appropriations of the profits are recorded in the year of shareholder approval and given effect to in the financial statements of that year.

The Company no longer has supervisors since January 1, 2007. The required duties of supervisors are being fulfilled by the Audit Committee.

The appropriation for legal capital reserve shall be made until the reserve equals the Company's paid-in capital. The reserve may be used to offset a deficit, or be distributed as dividends and bonuses for the portion in excess of 50% of the paid-in capital if the Company has no unappropriated earnings and the reserve balance has exceeded 50% of the Company's paid-in capital. The Company Law also prescribes that, when the reserve has reached 50% of the Company's paid-in capital, up to 50% of the reserve may be transferred to capital.

A special capital reserve equivalent to the net debit balance of the other components of shareholders' equity (for example, cumulative translation adjustments and unrealized loss on financial assets, but excluding treasury stock) shall be made from unappropriated earnings pursuant to existing regulations promulgated by the Securities and Futures Bureau (SFB). Any special reserve appropriated may be reversed to the extent that the net debit balance reverses.

The appropriations of earnings for 2006 and 2005 had been approved in the shareholders' meetings held on May 7, 2007 and May 16, 2006, respectively. The appropriations and dividends per share were as follows:

	<u>Appropriation of Earnings</u>		<u>Dividends Per Share (NT\$)</u>	
	<u>For Fiscal Year 2006</u>	<u>For Fiscal Year 2005</u>	<u>For Fiscal Year 2006</u>	<u>For Fiscal Year 2005</u>
Legal capital reserve	\$ 12,700,973	\$ 9,357,503		
Special capital reserve	(11,192)	(1,585,685)		
Bonus to employees - in cash	4,572,798	3,432,129		
Bonus to employees - in stock	4,572,798	3,432,129		
Cash dividends to shareholders	77,489,064	61,825,061	\$ 3.00	\$ 2.50
Stock dividends to shareholders	516,594	3,709,504	0.02	0.15
Bonus to directors and supervisors	<u>285,800</u>	<u>257,410</u>		
	<u>\$ 100,126,835</u>	<u>\$ 80,428,051</u>		

The shareholders' meeting held on May 7, 2007 also resolved to distribute stock dividends out of capital surplus in the amount of NT\$774,891 thousand.

The amounts of the appropriations of earnings for 2006 and 2005 were consistent with the resolutions of the meetings of the Board of Directors held on February 6, 2007 and February 14, 2006, respectively. If the above bonus to employees, directors and supervisors had been paid entirely in cash and charged to earnings of 2006 and 2005, the basic earnings per share (after income tax) for the years ended December 31, 2006 and 2005 shown in the respective financial statements would have decreased from NT\$4.93 to NT\$4.56 and NT\$3.79 to NT\$3.50, respectively. The shares distributed as a bonus to employees represented 1.77 % and 1.39% of the Company's total outstanding common shares as of December 31, 2006 and 2005, respectively.

As of January 10, 2008, the Board of Directors had not resolved the appropriation for earnings of 2007.

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

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

## 20. STOCK-BASED COMPENSATION PLANS

The Company's Employee Stock Option Plans under the 2004 Plan, 2003 Plan and 2002 Plan were approved by the SFB on January 6, 2005, October 29, 2003 and June 25, 2002, respectively. The maximum number of options authorized to be granted under the 2004 Plan, 2003 Plan and 2002 Plan was 11,000 thousand, 120,000 thousand and 100,000 thousand, respectively, with each option eligible to subscribe for one common share when exercisable. The options may be granted to qualified employees of the Company or any of its domestic or foreign subsidiaries, in which the Company's shareholding with voting rights, directly or indirectly, is more than fifty percent (50%). The options of all the plans are valid for ten years and exercisable at certain percentages subsequent to the second anniversary of the grant date. Under the terms of the plans, the options are granted at an exercise price equal to the closing price of the Company's common shares listed on the TSE on the grant date.

Options of the plans that had never been granted or had been granted but were subsequently cancelled had expired as of December 31, 2007.

Information about outstanding options for the years ended December 31, 2007 and 2006 was as follows:

	<b>Number of Options (in Thousands)</b>	<b>Weighted- Average Exercise Price (NT\$)</b>
<u>Year ended December 31, 2007</u>		
Balance, beginning of year	52,814	\$37.9
Options granted	1,094	37.9
Options exercised	(10,988)	39.8
Options cancelled	<u>(1,045)</u>	45.9
Balance, end of year	<u>41,875</u>	37.4

	<b>Number of Options (in Thousands)</b>	<b>Weighted- Average Exercise Price (NT\$)</b>
<u>Year ended December 31, 2006</u>		
Balance, beginning of year	67,758	\$ 39.4
Options granted	2,758	40.1
Options exercised	(14,550)	40.1
Options cancelled	<u>(3,152)</u>	43.7
Balance, end of year	<u>52,814</u>	39.6

The numbers of outstanding options and exercise prices have been adjusted to reflect the appropriations of earnings in accordance with the plans. The options granted were the result of the aforementioned adjustment.

As of December 31, 2007, information about outstanding and exercisable options was as follows:

<b>Range of Exercise Price (NT\$)</b>	<b>Options Outstanding</b>			<b>Options Exercisable</b>	
	<b>Number of Options (in Thousands)</b>	<b>Weighted- average Remaining Contractual Life (Years)</b>	<b>Weighted- average Exercise Price (NT\$)</b>	<b>Number of Options (in Thousands)</b>	<b>Weighted- average Exercise Price (NT\$)</b>
\$25.9-\$36.4	28,527	5.16	\$ 33.1	28,528	\$ 33.1
\$38.9-\$51.3	<u>13,348</u>	6.89	46.6	<u>6,838</u>	46.4
	<u>41,875</u>		37.4	<u>35,366</u>	35.6

No compensation cost was recognized under the intrinsic value method for the years ended December 31, 2007 and 2006. Had the Company used the fair value based method to evaluate the options granted after January 1, 2004, using the Black-Scholes model, the assumptions and pro forma results of the Company would have been as follows:

	<b>Years Ended December 31</b>	
	<b>2007</b>	<b>2006</b>
Assumptions:		
Expected dividend yield	1.00%-3.44%	1.00%-3.44%
Expected volatility	43.77%-46.15%	43.77%-46.15%
Risk free interest rate	3.07%-3.85%	3.07%-3.85%
Expected life	5 years	5 years
Net income:		
Net income as reported	\$ 109,177,093	\$ 127,009,731
Pro forma net income	109,095,663	126,889,209
Earnings per share (EPS) - after income tax (NT\$):		
Basic EPS as reported	\$4.14	\$4.82
Pro forma basic EPS	4.14	4.81
Diluted EPS as reported	4.14	4.81
Pro forma diluted EPS	4.14	4.81



## 21. TREASURY STOCK

(Shares in Thousands)

	Beginning Shares	Addition	Stock Dividends	Ending Shares
<u>Year ended December 31, 2007</u>				
Parent company stock held by subsidiaries	33,926	-	170	34,096
Repurchase under share buyback plan	<u>-</u>	<u>800,000</u>	<u>-</u>	<u>800,000</u>
	<u>33,926</u>	<u>800,000</u>	<u>170</u>	<u>834,096</u>
<u>Year ended December 31, 2006</u>				
Parent company stock held by subsidiaries	<u>32,938</u>	<u>-</u>	<u>988</u>	<u>33,926</u>

As of December 31, 2007 and 2006, the book value of the treasury stock was NT\$49,385,032 thousand and NT\$918,075 thousand; the market value was NT\$51,713,947 thousand and NT\$2,290,026 thousand, respectively. The Company's common shares held by subsidiaries were treated as treasury stock and the holders are entitled to the rights of shareholders, with the exception of voting rights.

The Company held a meeting of the Board of Directors and approved a share buyback plan to repurchase the Company's common shares up to 800,000 shares listed on the TSE during the period from November 14, 2007 to January 13, 2008 for the buyback price in the range from NT\$43.2 to NT\$94.2. As of December 31, 2007, the Company had repurchased 800,000 thousand common shares for a total cost of NT\$48,466,957 thousand. All the treasury stock repurchased will be retired in 2008.

## 22. EARNINGS PER SHARE

	Years Ended December 31			
	2007		2006	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
Basic EPS (NT\$)				
Income before cumulative effect of changes in accounting principles	\$ 4.58	\$ 4.14	\$ 5.11	\$ 4.83
Cumulative effect of changes in accounting principles	<u>-</u>	<u>-</u>	<u>(0.01)</u>	<u>(0.01)</u>
Income for the year	<u>\$ 4.58</u>	<u>\$ 4.14</u>	<u>\$ 5.10</u>	<u>\$ 4.82</u>
Diluted EPS (NT\$)				
Income before cumulative effect of changes in accounting principles	\$ 4.58	\$ 4.14	\$ 5.10	\$ 4.82
Cumulative effect of changes in accounting principles	<u>-</u>	<u>-</u>	<u>(0.01)</u>	<u>(0.01)</u>
Income for the year	<u>\$ 4.58</u>	<u>\$ 4.14</u>	<u>\$ 5.09</u>	<u>\$ 4.81</u>

EPS is computed as follows:

	<u>Amounts (Numerator)</u>		<u>Number of Shares (Denominator) (in Thousands)</u>	<u>EPS (NT\$)</u>	
	<u>Before Income Tax</u>	<u>After Income Tax</u>		<u>Before Income Tax</u>	<u>After Income Tax</u>
<u>Year ended December 31, 2007</u>					
Basic EPS					
Income available to common shareholders	\$ 120,751,406	\$ 109,177,093	26,346,582	<u>\$ 4.58</u>	<u>\$ 4.14</u>
Effect of dilutive potential common stock - stock options	-	-	21,668		
Diluted EPS					
Income available to common shareholders (including effect of dilutive potential common stock)	<u>\$ 120,751,406</u>	<u>\$ 109,177,093</u>	<u>26,368,250</u>	<u>\$ 4.58</u>	<u>\$ 4.14</u>
<u>Year ended December 31, 2006</u>					
Basic EPS					
Income available to common shareholders	\$ 134,478,251	\$ 127,009,731	26,374,757	<u>\$ 5.10</u>	<u>\$ 4.82</u>
Effect of dilutive potential common stock - stock options	-	-	24,101		
Diluted EPS					
Income available to common shareholders (including effect of dilutive potential common stock)	<u>\$ 134,478,251</u>	<u>\$ 127,009,731</u>	<u>26,398,858</u>	<u>\$ 5.09</u>	<u>\$ 4.81</u>

## 23. DISCLOSURES FOR FINANCIAL INSTRUMENTS

a. Fair values of financial instruments were as follows:

	<u>December 31</u>			
	<u>2007</u>		<u>2006</u>	
	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
<u>Assets</u>				
Financial assets at fair value through profit or loss	\$ 42,083	\$ 42,083	\$ 44,601	\$ 44,601
Available-for-sale financial assets	23,664,409	23,664,409	32,614,572	32,614,572
Held-to-maturity financial assets	20,224,672	20,192,188	37,484,318	37,375,517
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss	\$ 247,646	\$ 247,646	\$ 10,751	\$ 10,751
Bonds payable (including current portion)	12,500,000	12,669,987	19,500,000	19,817,149
Other long-term payables (including current portion)	5,174,644	5,174,644	2,981,754	2,981,754

b. Methods and assumptions used in the estimation of fair values of financial instruments

- 1) The aforementioned financial instruments do not include cash and cash equivalents, receivables, other financial assets, payables, and payables to contractors and equipment suppliers. The carrying amounts of these financial instruments approximate their fair values due to their short maturities.
- 2) Fair values of financial assets/liabilities at fair value through profit or loss were estimated using valuation techniques incorporating estimates and assumptions that were consistent with prevailing market conditions.

- 3) Fair values of available-for-sale and held-to-maturity financial assets were based on their quoted market prices; except for structured time deposits of which the fair values were estimated using valuation techniques.
- 4) Fair value of bonds payable was based on their quoted market price.
- 5) Fair value of other long-term payables was based on the present value of expected cash flows, which approximates their carrying amount.
- c. The changes in fair value during the years ended December 31, 2007 and 2006 of derivatives estimated using valuation techniques were recognized as losses of NT\$239,413 thousand and gains of NT\$33,850 thousand, respectively.
- d. As of December 31, 2007 and 2006, financial assets exposed to fair value interest rate risk were NT\$43,931,164 thousand and NT\$70,143,491 thousand, respectively; financial liabilities exposed to fair value interest rate risk were NT\$247,646 thousand and NT\$10,751 thousand, respectively, and financial assets exposed to cash flow interest rate risk were nil and NT\$7,171,120 thousand, respectively.
- e. Movements of the unrealized gain on financial instruments for the years ended December 31, 2007 and 2006 were as follows:

	<b>Year Ended December 31, 2007</b>		
	<b>Valuation Gain on Available-for-sale Financial Assets</b>	<b>Equity in Valuation Gain on Available-for-sale Financial Assets Held by Investees</b>	<b>Total</b>
Balance, beginning of year	\$ 242,248	\$ 319,367	\$ 561,615
Recognized directly in shareholders' equity	295,419	95,057	390,476
Removed from shareholders' equity and recognized in earnings	<u>(271,094)</u>	<u>-</u>	<u>(271,094)</u>
Balance, end of year	<u>\$ 266,573</u>	<u>\$ 414,424</u>	<u>\$ 680,997</u>
	<b>Year Ended December 31, 2006</b>		
	<b>Valuation Gain on Available-for-sale Financial Assets</b>	<b>Equity in Valuation Gain on Available-for-sale Financial Assets Held by Investees</b>	<b>Total</b>
Balance, beginning of year	\$ -	\$ -	\$ -
Recognized directly in shareholders' equity	241,763	319,367	561,130
Removed from shareholders' equity and recognized in losses	<u>485</u>	<u>-</u>	<u>485</u>
Balance, end of year	<u>\$ 242,248</u>	<u>\$ 319,367</u>	<u>\$ 561,615</u>

- f. Information about financial risks
- 1) Market risk. The derivative financial instruments categorized as financial assets/liabilities at fair value through profit or loss are mainly used to hedge the exchange rate fluctuations of foreign-currency assets and liabilities; therefore, the market risk of derivatives will be offset by the foreign exchange risk of these hedged items. Available-for-sale financial assets held by the Company are mainly fixed-interest-rate debt securities; therefore, the fluctuations in market interest rates will result in changes in fair values of these debt securities.
  - 2) Credit risk. Credit risk represents the potential loss that would be incurred by the Company if the counter-parties or third-parties breached contracts. Financial instruments with positive fair values at the balance sheet date are evaluated for credit risk. The counter-parties or third-parties to the foregoing financial instruments are reputable financial institutions, business organizations, and government agencies. Management believes that the Company's exposure to default by those parties is low.
  - 3) Liquidity risk. The Company has sufficient operating capital to meet cash needs upon settlement of derivative financial instruments and bonds payable. Therefore, the liquidity risk is low.
  - 4) Cash flow interest rate risk. The Company mainly invests in fixed-interest-rate debt securities. Therefore, cash flows are not expected to fluctuate significantly due to changes in market interest rates.

## 24. RELATED PARTY TRANSACTIONS

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

- a. Philips, one of the major shareholders of the Company, which has become a non-related party since March 2007.
- b. Subsidiaries
  - TSMC-North America
  - TSMC-Europe
  - TSMC-Japan
  - TSMC-Shanghai
  - TSMC-Korea
- c. Investees
  - GUC (with a controlling interest)
  - VIS (accounted for using equity method)
  - SSMC (accounted for using equity method)
- d. Indirect subsidiaries
  - WaferTech, LLC (WaferTech)
  - TSMC Technology, Inc. (TSMC Technology)
  - TSMC Design Technology Canada, Inc. (TSMC Canada)
- e. Indirect investee
  - VisEra Technology Company, Ltd. (VisEra), an indirect investee accounted for using equity method.

f. Others

Related parties over which the Company has control or exercises significant influence but with which the Company had no material transactions.

Transactions with the aforementioned parties, other than those disclosed in other notes, are summarized as follows:

	<u>2007</u>		<u>2006</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
<u>For the year</u>				
Sales				
TSMC-North America	\$ 192,846,641	61	\$ 190,459,073	60
Philips	-	-	4,024,990	1
Others	<u>1,072,708</u>	<u>-</u>	<u>972,872</u>	<u>-</u>
	<u>\$ 193,919,349</u>	<u>61</u>	<u>\$ 195,456,935</u>	<u>61</u>
Purchases				
WaferTech	\$ 8,774,750	18	\$ 12,530,552	27
TSMC-Shanghai	5,828,541	12	4,405,843	10
SSMC	5,468,410	11	6,820,632	15
VIS	4,188,107	9	3,911,838	8
Others	<u>1,028</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 24,260,836</u>	<u>50</u>	<u>\$ 27,668,865</u>	<u>60</u>
Manufacturing expenses				
VisEra	\$ 39,078	-	\$ -	-
Philips	<u>-</u>	<u>-</u>	<u>755,904</u>	<u>1</u>
	<u>\$ 39,078</u>	<u>-</u>	<u>\$ 755,904</u>	<u>1</u>
Marketing expenses - commission				
TSMC-Europe	\$ 316,748	24	\$ 236,454	15
TSMC-Japan	220,858	16	254,758	16
TSMC-Korea	<u>26,818</u>	<u>2</u>	<u>9,981</u>	<u>-</u>
	<u>\$ 564,424</u>	<u>42</u>	<u>\$ 501,193</u>	<u>31</u>
General and administrative expenses - rental				
GUC	<u>\$ 6,139</u>	<u>-</u>	<u>\$ 14,606</u>	<u>-</u>
Research and development expenses				
TSMC Technology (primarily consulting fees)	\$ 354,423	2	\$ 37,559	-
TSMC Canada (primarily consulting fees)	129,665	1	-	-
GUC	56,887	1	39,421	-
Others	<u>44,168</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 585,143</u>	<u>4</u>	<u>\$ 76,980</u>	<u>-</u>

	<b>2007</b>		<b>2006</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
Sales of property, plant and equipment				
TSMC-Shanghai	\$ 3,295	6	\$ 401,561	44
WaferTech	546	1	-	-
	<u>\$ 3,841</u>	<u>7</u>	<u>\$ 401,561</u>	<u>44</u>
Non-operating income and gains				
VIS (primarily technical service income, see Note 26h)	\$ 346,260	3	\$ 261,237	2
TSMC-Shanghai (primarily technical service income)	338,038	3	278,295	2
VisEra (primarily rental income)	321,799	3	246,242	2
SSMC (primarily technical service income, see Note 26e)	290,586	3	314,953	3
Others	1,731	-	-	-
	<u>\$ 1,298,414</u>	<u>12</u>	<u>\$ 1,100,727</u>	<u>9</u>
<u>As of December 31</u>				
Receivables				
TSMC-North America	\$ 26,626,880	100	\$ 16,461,956	97
Philips	-	-	250,919	2
Others	74,768	-	156,634	1
	<u>\$ 26,701,648</u>	<u>100</u>	<u>\$ 16,869,509</u>	<u>100</u>
Other receivables				
TSMC-Shanghai	\$ 151,037	29	\$ 123,853	28
VIS	118,749	22	121,911	27
TSMC-North America	98,885	19	59,547	13
SSMC	84,778	16	69,568	15
VisEra	40,101	8	58,980	13
Others	31,758	6	15,407	4
	<u>\$ 525,308</u>	<u>100</u>	<u>\$ 449,266</u>	<u>100</u>
Payables				
VIS	\$ 838,584	28	\$ 717,562	22
WaferTech	784,280	26	864,733	26
SSMC	655,029	22	459,305	14
TSMC-Shanghai	596,581	20	478,714	14
Philips	-	-	688,591	21
Others	125,156	4	118,011	3
	<u>\$ 2,999,630</u>	<u>100</u>	<u>\$ 3,326,916</u>	<u>100</u>
Other long-term payables				
Philips (Note 25a)	\$ -	-	\$ 403,375	100

	<u>2007</u>		<u>2006</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Deferred credits				
TSMC-Shanghai	\$ 510,564	52	\$ 723,661	61
VisEra	<u>62,175</u>	<u>6</u>	<u>124,350</u>	<u>11</u>
	<u>\$ 572,739</u>	<u>58</u>	<u>\$ 848,011</u>	<u>72</u>

The terms of sales to related parties were not significantly different from those of sales to third parties. For other related party transactions, prices were determined in accordance with mutual agreements.

The Company deferred the gains (classified under the deferred credits) derived from sales of property, plant and equipment to TSMC-Shanghai and VisEra, and then recognized such gains (classified under the non-operating income and gains) over the depreciable lives of the disposed assets.

The Company leased part of its office space from GUC and also leased certain buildings and facilities to VisEra. The related rental expense and rental income were classified under non-operating expenses and income, respectively. The lease terms and prices were determined in accordance with mutual agreements.

## 25. SIGNIFICANT LONG-TERM LEASES

The Company leases several parcels of land from the Science Park Administration. These operating leases expire on various dates from March 2008 to December 2027 and can be renewed upon expiration.

As of December 31, 2007, future lease payments were as follows:

<b>Year</b>	<b>Amount</b>
2008	\$ 325,608
2009	304,578
2010	255,380
2011	253,798
2012	253,798
2013 and thereafter	<u>1,741,955</u>
	<u>\$ 3,135,117</u>

## 26. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

The significant commitments and contingencies of the Company as of December 31, 2007, except those disclosed in other notes, were as follows:

- a. On June 20, 2004, the Company and Philips (Philips parted with its semiconductor company which was renamed as NXP B.V. in September 2006) amended the Technical Cooperation Agreement, which was originally signed on May 12, 1997. The amended Technical Cooperation Agreement is for five years beginning from January 1, 2004. Upon expiration, this amended Technical Cooperation Agreement will be terminated and will not be automatically renewed; however, the patent cross license arrangement between the Company and Philips (now NXP B.V.) will survive the expiration of the amended Technical Cooperation Agreement. Under this amended Technical Cooperation Agreement, the Company will pay Philips (now NXP B.V.) royalties based on a fixed amount mutually agreed-on, rather than under a certain percentage of the Company's annual net sales. The Company and Philips (now NXP B.V.) agreed to cross license the patents owned by each party. The Company also obtained through Philips (now NXP B.V.) a number of cross patent licenses.

- b. Under a technical cooperation agreement with ITRI, the R.O.C. Government or its designee approved by the Company can use up to 35% of the Company's capacity if the Company's outstanding commitments to its customers are not prejudiced. The term of this agreement is for five years beginning from January 1, 1987 and is automatically renewed for successive periods of five years unless otherwise terminated by either party with one year prior notice. The agreement was automatically renewed in 1992, 1997, 2002, and on January 1, 2007.
- c. Under several foundry agreements, the Company shall reserve a portion of its production capacity for certain major customers that have guarantee deposits with the Company. As of December 31, 2007, the Company had a total of US\$68,391 thousand of guarantee deposits.
- d. Under a Shareholders Agreement entered into with Philips and EDB Investments Pte Ltd. on March 30, 1999, the parties formed a joint venture company, SSMC, which is an integrated circuit foundry in Singapore. The Company's equity interest in SSMC was 32%. Nevertheless, Philips parted with its semiconductor company which was renamed as NXP B.V. in September 2006. The Company and NXP B.V. purchased all the SSMC shares owned by EDB Investments Pte Ltd. pro rata according to the Shareholders Agreement on November 15, 2006. After the purchase, the Company and NXP B.V. currently own approximately 39% and 61% of the SSMC shares, respectively. The Company and Philips (now NXP B.V.) committed to buy specific percentages of the production capacity of SSMC. The Company and Philips (now NXP B.V.) are required, in the aggregate, to purchase up to 70% of SSMC's capacity, but the Company alone is not required to purchase more than 28% of the capacity. If any party defaults on the commitment and the capacity utilization of SSMC falls below a specific percentage of its capacity, the defaulting party is required to compensate SSMC for all related unavoidable costs.
- e. The Company provides technical services to SSMC under a Technical Cooperation Agreement (the Agreement) entered into on May 12, 1999. The Company receives compensation for such services computed at a specific percentage of net selling price of all products sold by SSMC. The Agreement shall remain in force for ten years and may be automatically renewed for successive periods of five years each unless pre-terminated by either party under certain conditions.
- f. Under a Technology Transfer Agreement (TTA) with National Semiconductor Corporation (National) entered into on June 27, 2000, the Company shall receive payments for the licensing of certain technology to National. The agreement was to remain in force for ten years and could be automatically renewed for successive periods of two years thereafter unless either party gives written notice for early termination under certain conditions. In January 2003, the Company and National entered into a Termination Agreement whereby the TTA was terminated. Under the Termination Agreement, the Company will be relieved of any further obligation to transfer any additional technology. In addition, the Company granted National an option to request prior to January 2008 the transfer of certain technologies under the same terms and conditions as the terminated TTA. National did not make such request by the deadline, therefore the option has expired in January 2008.
- g. In December 2003, the Company entered into a Technology Development and License Agreement with Freescale Semiconductor, Inc. to jointly develop 65-nm SOI (silicon on insulator) technology. The Company will also license related 90-nm SOI technology from Freescale Semiconductor, Inc. Any intellectual properties arising out of the co-development project shall be jointly owned by the parties. In accordance with the agreement, the Company will pay royalties to Freescale Semiconductor, Inc. and will share a portion of the costs associated with the joint development project.
- h. The Company provides a technology transfer to VIS under a Manufacturing License and Technology Transfer Agreement entered into on April 1, 2004. The Company receives compensation for such technology transfer in the form of royalty payments from VIS computed at specific percentages of net selling price of certain products sold by VIS. VIS agreed to reserve its certain capacity to manufacture for the Company certain products at prices as agreed by the parties.



- i. TSMC, TSMC-North America and WaferTech filed a series of lawsuits in late 2003 and 2004 against Semiconductor Manufacturing International Corporation, SMIC (Shanghai) and SMIC Americas (aggregately referring to as "SMIC"). The lawsuits alleged that SMIC infringed multiple TSMC, TSMC-North America and WaferTech patents and misappropriated TSMC, TSMC-North America and WaferTech's trade secrets. These suits were settled out of court on January 30, 2005. As part of the settlement, Semiconductor Manufacturing International Corporation shall pay US\$175 million over six years to resolve TSMC, TSMC-North America and WaferTech's claims. As of December 31, 2007, SMIC had paid US\$ 90 million in accordance with the terms of this settlement agreement. In August 2006, TSMC, TSMC-North America and WaferTech filed a lawsuit against SMIC in Alameda County Superior Court in California for breach of aforementioned settlement agreement, breach of promissory notes and trade secret misappropriation, seeking injunctive relief and monetary damages. In September 2006, SMIC filed a cross-complaint against TSMC, TSMC-North America and WaferTech in the same court, alleging TSMC, TSMC-North America and WaferTech of breach of the settlement agreement and implied covenant of good faith and fair dealing, in response to TSMC, TSMC-North America and WaferTech's August complaint. In November 2006, SMIC filed a complaint with Beijing People's High Court against TSMC, TSMC-North America and WaferTech alleging defamation and breach of good faith. The California State Superior Court of Alameda County issued an Order on TSMC, TSMC-North America and WaferTech's pre-trial motion for a preliminary injunction against SMIC on September 7, 2007. In the Order, the Court found "TSMC has demonstrated a significant likelihood that it will ultimately prevail on the merits of its claim for breach of certain paragraphs of the (2005) Settlement Agreement" with SMIC. The Court also found "TSMC has demonstrated a significant probability of establishing that SMIC retains and is using TSMC Information in SMIC's 0.13um and smaller technologies, and there is significant threat of serious irreparable harm to TSMC if SMIC were to disclose or transfer that information before final resolution of the case." Therefore, the Court ordered that, effective immediately, SMIC must provide advance notice and an opportunity for TSMC, TSMC-North America and WaferTech to object before disclosing items enumerated in the Court Order to SMIC's third party partners. The Court, however, did not grant a preliminary injunction as requested by TSMC, TSMC-North America and WaferTech. The result of the above-mentioned litigation cannot be determined at this time.
- j. In April 2004, UniRAM Technology, Inc. filed an action with the US District Court in the Northern District of California against TSMC and TSMC North America, alleging patent infringement and trade secret misappropriation and seeking injunctive relief and damages. A jury in the District Court made a verdict in September 2007, awarding US\$30.5 million to the plaintiff. TSMC intends to pursue remedies against this verdict.

## **27. ADDITIONAL DISCLOSURES**

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

- a. Financing provided: None;
- b. Endorsement/guarantee provided: None;
- c. Marketable securities held: Please see Table 1 attached;
- d. Marketable securities acquired or disposed of at costs or prices of at least NT\$100 million or 20% of the paid-in capital: Please see Table 2 attached;
- e. Acquisition of individual real estate properties at costs of at least NT\$100 million or 20% of the paid-in capital: Please see Table 3 attached;
- f. Disposal of individual real estate properties at prices of at least NT\$100 million or 20% of the paid-in capital: None;

- g. Total purchases from or sales to related parties of at least NT\$100 million or 20% of the paid-in capital: Please see Table 4 attached;
- h. Receivable from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Please see Table 5 attached;
- i. Names, locations, and related information of investees on which the Company exercises significant influence: Please see Table 6 attached;
- j. Information about derivatives of investees over which the Company has a controlling interest:

TSMC-Shanghai entered into forward exchange contracts during the year ended December 31, 2007 to manage exposures due to foreign exchange rate fluctuations. As of December 31, 2007, no forward exchange contract was outstanding.

For the year ended December 31, 2007, net gains arising from forward exchange contracts of TSMC-Shanghai were NT\$2,181 thousand (including realized settlement gains of NT\$2,064 thousand and valuation losses of NT\$117 thousand).

Xintec entered into forward exchange contracts during the year ended December 31, 2007 to manage exposures due to foreign exchange rate fluctuations. Outstanding forward exchange contracts as of December 31, 2007:

	<b>Maturity Date</b>	<b>Contract Amount (in Thousands)</b>
Sell US\$/buy NT\$	January 2008	US\$ 11,000

For the year ended December 31, 2007, net losses arising from forward exchange contracts of Xintec were NT\$2,834 thousand (including realized settlement losses of NT\$1,283 thousand and valuation losses of NT\$1,551 thousand).

- k. Information on investment in Mainland China
  - 1) The name of the investee in mainland China, the main businesses and products, its issued capital, method of investment, information on inflow or outflow of capital, percentage of ownership, equity in the net gain or net loss, ending balance, amount received as dividends from the investee, and the limitation on investee: Please see Table 7 attached.
  - 2) Significant direct or indirect transactions with the investee, its prices and terms of payment, unrealized gain or loss, and other related information which is helpful to understand the impact of investment in mainland China on financial reports: Please see Note 24.

## 28. SEGMENT FINANCIAL INFORMATION

- a. Industry financial information

The Company operates in one industry. Therefore, the disclosure of industry financial information is not applicable to the Company.

b. Geographic information

The Company has no significant foreign operations. Therefore, the disclosure of geographic information is not applicable to the Company.

c. Export sales

<b>Area</b>	<b>Years Ended December 31</b>	
	<b>2007</b>	<b>2006</b>
Americas	\$ 159,721,699	\$ 153,974,683
Asia	77,616,258	102,121,046
Europe and others	<u>40,287,628</u>	<u>29,109,649</u>
	<u>\$ 277,625,585</u>	<u>\$ 285,205,378</u>

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

d. Major customers representing at least 10% of gross sales

	<b>Years Ended December 31</b>			
	<b>2007</b>		<b>2006</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
Customer A	\$ 37,350,210	12	\$ 33,610,918	11

Sales to Customer A above were made through TSMC-North America.

## Taiwan Semiconductor Manufacturing Company Limited and Investees

## MARKETABLE SECURITIES HELD

DECEMBER 31, 2007

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

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	December 31, 2007				Note
				Shares/Units (in Thousands)	Carrying Value (US\$ in Thousands)	Percentage of Ownership	Market Value or Net Asset Value (US\$ in Thousands)	
The Company	<u>Open-end mutual funds</u>							
	NITC Bond Fund	-	Available-for-sale financial assets	12,239	\$ 2,045,935	N/A	\$ 2,045,935	
	Fuh Hwa Bond	-	"	132,997	1,801,674	N/A	1,801,674	
	NITC Taiwan Bond	-	"	103,016	1,474,856	N/A	1,474,856	
	ING Taiwan Bond Fund	-	"	85,581	1,310,030	N/A	1,310,030	
	Prudential Financial Bond Fund	-	"	83,306	1,236,728	N/A	1,236,728	
	President James Bond	-	"	77,128	1,208,799	N/A	1,208,799	
	JF Taiwan Bond Fund	-	"	59,049	915,252	N/A	915,252	
	ING Taiwan Income Fund	-	"	54,621	878,682	N/A	878,682	
	Taishin Lucky Fund	-	"	68,945	718,556	N/A	718,556	
	AIG Taiwan Bond Fund	-	"	54,469	705,033	N/A	705,033	
	Cathay Bond Fund	-	"	60,126	703,824	N/A	703,824	
	Dresdner Bond DAM Fund	-	"	54,319	639,542	N/A	639,542	
	JF First Bond Fund	-	"	35,324	504,206	N/A	504,206	
	HSBC Taiwan Money Management Fund	-	"	27,416	413,504	N/A	413,504	
	INVESCO Bond Fund	-	"	27,176	410,054	N/A	410,054	
	<u>Government bond</u>							
	2003 Government Bond Series B	-	Available-for-sale financial assets	-	2,349,163	N/A	2,349,163	
	2004 Government Bond Series B	-	"	-	1,197,121	N/A	1,197,121	
	2006 Government Bond Series D	-	"	-	399,733	N/A	399,733	
	2004 Government Bond Series G	-	"	-	200,065	N/A	200,065	
	2006 Government Bond Series D	-	Held-to-maturity financial assets	-	3,651,840	N/A	3,647,566	
	2003 Government Bond Series B	-	"	-	1,647,947	N/A	1,647,413	
	2003 Asian Development Bank Govt. Bond	-	"	-	855,088	N/A	875,103	
	2003 Government Bond Series F	-	"	-	799,049	N/A	797,744	
	2003 Government Bond Series H	-	"	-	400,709	N/A	399,825	
	European Investment Bank Bonds	-	"	-	379,829	N/A	400,000	
	2003 European Bank for Reconstruction and Development Govt. Bond Series A	-	"	-	89,963	N/A	90,000	
	<u>Corporate bond</u>							
	Hua Nan Bank	-	Available-for-sale financial assets	-	1,573,338	N/A	1,573,338	
	Cathay Bank	-	"	-	1,180,440	N/A	1,180,440	
	Taiwan Power Company	-	"	-	899,200	N/A	899,200	
	Formosa Petrochemical Corporation	-	"	-	399,264	N/A	399,264	
	Formosa Petrochemical Corporation	-	Held-to-maturity financial assets	-	3,581,667	N/A	3,547,308	
	Taiwan Power Company	-	"	-	2,630,064	N/A	2,629,939	
	Nan Ya Plastics Corporation	-	"	-	1,804,346	N/A	1,796,764	
	CPC Corporation, Taiwan	-	"	-	1,200,318	N/A	1,199,461	
	China Steel Corporation	-	"	-	1,000,000	N/A	987,430	
	Formosa Plastic Corporation	-	"	-	391,134	N/A	391,011	
	Shanghai commercial & Saving Bank	-	"	-	292,718	N/A	292,648	

(Continued)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	December 31, 2007				Note
				Shares/Units (in Thousands)	Carrying Value (US\$ in Thousands)	Percentage of Ownership	Market Value or Net Asset Value (US\$ in Thousands)	
	<u>Stocks</u>							
	TSMC Global	Subsidiary	Investment accounted for using equity method	1	\$ 44,204,188	100	\$ 44,204,188	
	TSMC International	Subsidiary	"	987,968	27,688,565	100	27,688,565	
	VIS	Investee accounted for using equity method	"	616,240	11,024,568	36	14,974,643	
	SSMC	Investee accounted for using equity method	"	463	9,092,741	39	8,123,596	
	TSMC Partners	Subsidiary	"	300	4,734,180	100	4,734,180	
	TSMC-North America	Subsidiary	"	11,000	2,255,647	100	2,255,647	
	Xintec	Investee with a controlling financial interest	"	91,703	1,501,521	43	1,419,627	
	GUC	Investee with a controlling financial interest	"	42,572	823,552	37	9,344,632	
	TSMC-Japan	Subsidiary	"	6	104,929	100	104,929	
	TSMC-Europe	Subsidiary	"	-	88,702	100	88,702	
	TSMC-Korea	Subsidiary	"	80	16,436	100	16,436	
	United Industrial Gases Co., Ltd.	-	Financial assets carried at cost	16,783	193,584	10	305,599	
	Shin-Etsu Handotai Taiwan Co., Ltd.	-	"	10,500	105,000	7	321,254	
	W.K. Technology Fund IV	-	"	4,000	40,000	2	52,690	
	Hontung Venture Capital Co., Ltd.	-	"	2,633	26,329	10	20,536	
	<u>Fund</u>							
	Horizon Ventures Fund	-	Financial assets carried at cost	-	312,949	12	312,949	
	Crimson Asia Capital	-	"	-	70,298	1	70,298	
	<u>Capital</u>							
	TSMC-Shanghai	Subsidiary	Investment accounted for using equity method	-	8,622,715	100	8,621,163	
	VTAF II	Subsidiary	"	-	1,170,841	98	1,166,386	
	VTAF III	Subsidiary	"	-	906,536	98	896,703	
	Emerging Alliance	Subsidiary	"	-	467,873	99	467,873	
	Chi Cheng	Subsidiary	"	-	173,429	36	631,993	Treasury stock of NTS\$458,564 thousand is deducted from the carrying value
	Hsin Ruey	Subsidiary	"	-	171,658	36	631,169	Treasury stock of NTS\$459,511 thousand is deducted from the carrying value
Chi Cherng	<u>Stocks</u>							
	TSMC	Parent Company	Available-for-sale financial assets	17,032	1,055,984	-	1,055,984	
	VIS	Investee accounted for using equity method	Investments accounted for using equity method	5,082	109,815	-	123,491	
Hsin Ruey	<u>Stocks</u>							
	TSMC	Parent Company	Available-for-sale financial assets	17,064	1,057,963	-	1,057,963	
	VIS	Investee accounted for using equity method	Investments accounted for using equity method	3,748	85,718	-	91,067	
TSMC International	<u>Stocks</u>							
	InveStar	Subsidiary	Investments accounted for using equity method	8,721	US\$ 42,038	97	US\$ 42,038	
	InveStar II	Subsidiary	"	43,048	US\$ 57,594	97	US\$ 57,594	
	TSMC Development	Subsidiary	"	1	US\$ 674,084	100	US\$ 674,084	
	TSMC Technology	Subsidiary	"	1	US\$ 6,592	100	US\$ 6,592	

(Continued)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	December 31, 2007				Note
				Shares/Units (in Thousands)	Carrying Value (US\$ in Thousands)	Percentage of Ownership	Market Value or Net Asset Value (US\$ in Thousands)	
TSMC Development	<u>Stocks</u> WaferTech	Subsidiary	Investments accounted for using equity method	-	US\$ 227,469	100	US\$ 227,469	
TSMC Partners	<u>Common stock</u> VisEra Holding Company	Investee accounted for using equity method	Investments accounted for using equity method	43,000	US\$ 67,948	49	US\$ 67,948	
	TSMC Canada	Subsidiary	"	2,300	US\$ 2,877	100	US\$ 2,877	
Emerging Alliance	<u>Common stock</u> Pixim, Inc.	-	Financial assets carried at cost	1,036	US\$ 275	-	US\$ 275	
	RichWave Technology Corp.	-	"	4,247	US\$ 1,648	13	US\$ 1,648	
	Global Investment Holding Inc.	-	"	10,800	\$ 100,000	6	\$ 100,000	
	<u>Preferred stock</u> Audience, Inc.	-	Financial assets carried cost	1,654	US\$ 250	1	US\$ 250	
	Axiom Microdevices, Inc.	-	"	1,000	US\$ 1,000	1	US\$ 1,000	
	Miradia, Inc.	-	"	3,040	US\$ 1,000	3	US\$ 1,000	
	Mobilygen	-	"	1,415	US\$ 750	1	US\$ 750	
	Mosaic Systems, Inc.	-	"	2,481	US\$ 12	6	US\$ 12	
	Next IO, Inc.	-	"	800	US\$ 500	4	US\$ 500	
	Optichron, Inc.	-	"	714	US\$ 1,000	3	US\$ 1,000	
	Optimal Corporation	-	"	-	US\$ 229	-	US\$ 229	
	Pixim, Inc.	-	"	3,606	US\$ 862	2	US\$ 862	
	Teknovus, Inc.	-	"	6,977	US\$ 1,327	2	US\$ 1,327	
	<u>Capital</u> VentureTech Alliance Holdings	Subsidiary	Investments accounted for using equity method	-	-	10	-	
VTAF II	<u>Common stock</u> Yobon	-	Financial assets carried at cost	1,875	US\$ 919	13	US\$ 919	
	Sentelic	-	"	1,200	US\$ 2,040	15	US\$ 2,040	
	Leadtrend	-	"	1,265	US\$ 660	5	US\$ 660	
	RichWave Technology Corp.	-	"	1,043	US\$ 730	2	US\$ 730	
	<u>Preferred stock</u> 5V Technologies, Inc.	-	Financial assets carried cost	2,357	US\$ 1,768	11	US\$ 1,768	
	Ageia Technologies, Inc.	-	"	2,030	US\$ 2,074	2	US\$ 2,074	
	Aquantia Corporation	-	"	1,786	US\$ 2,273	5	US\$ 2,273	
	Audience, Inc.	-	"	2,989	US\$ 814	2	US\$ 814	
	Axiom Microdevices, Inc.	-	"	5,044	US\$ 2,088	4	US\$ 2,088	
	Beceem Communications	-	"	650	US\$ 1,600	1	US\$ 1,600	
	GemFire Corporation	-	"	600	US\$ 68	1	US\$ 68	
	Impinj, Inc.	-	"	475	US\$ 1,000	-	US\$ 1,000	
	Miradia, Inc.	-	"	3,416	US\$ 3,106	3	US\$ 3,106	
	Mobilygen	-	"	569	US\$ 149	1	US\$ 149	
	Next IO, Inc.	-	"	216	US\$ 182	-	US\$ 182	
	Optichron, Inc.	-	"	1,050	US\$ 1,844	2	US\$ 1,844	
	Pixim, Inc.	-	"	3,279	US\$ 641	2	US\$ 641	
	Power Analog Microelectronics	-	"	3,039	US\$ 2,409	13	US\$ 2,409	
	QST Holding, LLC	-	"	-	US\$ 145	3	US\$ 145	
	Teknovus, Inc.	-	"	1,599	US\$ 454	-	US\$ 454	

(Continued)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	December 31, 2007				Note
				Shares/Units (in Thousands)	Carrying Value (US\$ in Thousands)	Percentage of Ownership	Market Value or Net Asset Value (US\$ in Thousands)	
VTAF III	Tzero Technologies, Inc.	-	Financial assets carried cost	730	US\$ 1,500	2	US\$ 1,500	
	Xceive	-	"	714	US\$ 1,000	2	US\$ 1,000	
	<u>Capital</u>							
	VentureTech Alliance Holdings	Subsidiary	Investments accounted for using equity method	-	-	10	-	
	<u>Common stock</u>							
	Mutual-pak Technology Co., Ltd.	Subsidiary	Investments accounted for using equity method	4,590	US\$ 1,672	51	US\$ 1,672	
	<u>Preferred stock</u>							
	Advasense Sensors, Inc.	-	"	1,929	US\$ 1,834	6	US\$ 1,834	
	Auramicro, Inc.	-	"	2,500	US\$ 750	17	US\$ 750	
	Exclara, Inc. (Formerly Synpitech, Inc.)	-	"	14,513	US\$ 2,412	19	US\$ 2,412	
	M2000, Inc.	-	"	3,000	US\$ 3,000	5	US\$ 3,000	
	Neoconix, Inc.	-	"	2,458	US\$ 4,000	6	US\$ 4,000	
	Powervation, Ltd.	-	"	191	US\$ 2,930	19	US\$ 2,930	
	Quellan, Inc	-	"	3,106	US\$ 3,500	6	US\$ 3,500	
	Silicon Technical Services, LLC	-	"	1,055	US\$ 1,208	2	US\$ 1,208	
Tilera, Inc.	-	"	1,698	US\$ 2,360	3	US\$ 2,360		
Validity Sensors, Inc.	-	"	6,424	US\$ 2,545	3	US\$ 2,545		
<u>Convertible bond</u>								
GTBF, Inc.	-	Financial assets carried at cost	-	US\$ 1,500	N/A	US\$ 1,500		
<u>Capital</u>								
VentureTech Alliance Holdings	Subsidiary	Investments accounted for using equity method	-	-	80	-		
InveStar	<u>Common stock</u>							
	Monolithic Power Systems, Inc.	-	Financial assets at fair value through profit or loss	1,352	US\$ 29,024	7	US\$ 29,024	
	Memsic, Inc.	-	Available-for-sale financial assets	1,364	US\$ 13,812	9	US\$ 13,812	
	Capella Microsystems (Taiwan), Inc	-	Financial assets carried at cost	530	US\$ 154	2	US\$ 154	
	<u>Preferred stock</u>							
	Integrated Memory Logic, Inc.	-	Financial assets carried at cost	2,872	US\$ 1,221	9	US\$ 1,221	
InveStar II	IP Unity, Inc.	-	"	1,008	US\$ 494	1	US\$ 494	
	NanoAmp Solutions, Inc.	-	"	541	US\$ 853	2	US\$ 853	
	Sonics, Inc.	-	"	1,844	US\$ 3,530	2	US\$ 3,530	
	<u>Common stock</u>							
	Monolithic Power Systems, Inc	-	Financial assets at fair value through profit or loss	864	US\$ 18,561	3	US\$ 18,561	
	Rich Tek Technology Corp.	-	"	152	US\$ 1,371	-	US\$ 1,371	
	Geo Vision, Inc.	-	"	6	US\$ 59	-	US\$ 59	
	Memsic, Inc.	-	Available-for-sale financial assets	1,145	US\$ 11,594	7	US\$ 11,594	
	Rich Tek Technology Corp.	-	"	261	US\$ 2,362	-	US\$ 2,362	
	Geo Vision, Inc.	-	"	15	US\$ 135	-	US\$ 135	
eLCOS Microdisplay Technology, Ltd.	-	Financial assets carried at cost	270	US\$ 27	1	US\$ 27		
EoNEX Technologies, Inc.	-	"	55	US\$ 3,048	5	US\$ 3,048		
Sonics, Inc.	-	"	2,220	US\$ 32	-	US\$ 32		
Epic Communication, Inc.	-	"	191	US\$ 37	1	US\$ 37		
EON Technology, Corp.	-	"	4,243	US\$ 1,175	6	US\$ 1,175		
Goyatek Technology, Corp.	-	"	2,088	US\$ 545	7	US\$ 545		
Trendchip Technologies Corp.	-	"	1,000	US\$ 574	4	US\$ 574		

(Continued)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	December 31, 2007				Note
				Shares/Units (in Thousands)	Carrying Value (US\$ in Thousands)	Percentage of Ownership	Market Value or Net Asset Value (US\$ in Thousands)	
Tsmc Global	Capella Microsystems (Taiwan), Inc	-	Financial assets carried at cost	534	US\$ 210	2	US\$ 210	
	Ralink Technology (Taiwan), Inc.	-	"	2,383	US\$ 791	3	US\$ 791	
	Auden Technology MFG. Co., Ltd	-	"	1,049	US\$ 223	4	US\$ 223	
	<u>Preferred stock</u>							
	Alchip Technologies Limited	-	Financial assets carried at cost	6,128	US\$ 2,950	15	US\$ 2,950	
	eLCOS Microdisplay Technology, Ltd.	-	"	3,500	US\$ 3,500	8	US\$ 3,500	
	FangTek, Inc.	-	"	6,931	US\$ 3,250	16	US\$ 3,250	
	Kilopass Technology, Inc.	-	"	3,887	US\$ 2,000	6	US\$ 2,000	
	NanoAmp Solutions, Inc.	-	"	375	US\$ 1,500	1	US\$ 1,500	
	Sonics, Inc.	-	"	2,115	US\$ 3,082	6	US\$ 3,082	
	<u>Agency bonds</u>							
	Fed Hm Ln Pc Pool 1b1225	-	Available-for-sale financial assets	-	US\$ 139	N/A	US\$ 139	
	Fed Hm Ln Pc Pool 1b2566	-	"	-	US\$ 157	N/A	US\$ 157	
	Fed Hm Ln Pc Pool 1b2632	-	"	-	US\$ 178	N/A	US\$ 178	
	Fed Hm Ln Pc Pool 1b2642	-	"	-	US\$ 234	N/A	US\$ 234	
	Fed Hm Ln Pc Pool 1b2776	-	"	-	US\$ 340	N/A	US\$ 340	
	Fed Hm Ln Pc Pool 1b2792	-	"	-	US\$ 223	N/A	US\$ 223	
	Fed Hm Ln Pc Pool 1b2810	-	"	-	US\$ 296	N/A	US\$ 296	
	Fed Hm Ln Pc Pool 1b7453	-	"	-	US\$ 2,805	N/A	US\$ 2,805	
	Fed Hm Ln Pc Pool 1g0038	-	"	-	US\$ 296	N/A	US\$ 296	
	Fed Hm Ln Pc Pool 1g0053	-	"	-	US\$ 367	N/A	US\$ 367	
	Fed Hm Ln Pc Pool 1g0104	-	"	-	US\$ 142	N/A	US\$ 142	
	Fed Hm Ln Pc Pool 1g1282	-	"	-	US\$ 4,077	N/A	US\$ 4,077	
	Fed Hm Ln Pc Pool 1g1411	-	"	-	US\$ 3,618	N/A	US\$ 3,618	
	Fed Hm Ln Pc Pool 1h2520	-	"	-	US\$ 2,669	N/A	US\$ 2,669	
	Fed Hm Ln Pc Pool 1h2524	-	"	-	US\$ 1,970	N/A	US\$ 1,970	
	Fed Hm Ln Pc Pool 780870	-	"	-	US\$ 721	N/A	US\$ 721	
	Fed Hm Ln Pc Pool 781959	-	"	-	US\$ 3,834	N/A	US\$ 3,834	
	Fed Hm Ln Pc Pool 782785	-	"	-	US\$ 254	N/A	US\$ 254	
	Fed Hm Ln Pc Pool 782837	-	"	-	US\$ 494	N/A	US\$ 494	
	Fed Hm Ln Pc Pool 782968	-	"	-	US\$ 1,147	N/A	US\$ 1,147	
	Fed Hm Ln Pc Pool 783022	-	"	-	US\$ 536	N/A	US\$ 536	
	Fed Hm Ln Pc Pool 783026	-	"	-	US\$ 303	N/A	US\$ 303	
	Fed Hm Ln Pc Pool B19205	-	"	-	US\$ 7,103	N/A	US\$ 7,103	
	Fed Hm Ln Pc Pool E89857	-	"	-	US\$ 1,347	N/A	US\$ 1,347	
	Fed Hm Ln Pc Pool G11295	-	"	-	US\$ 1,126	N/A	US\$ 1,126	
Fed Hm Ln Pc Pool M80855	-	"	-	US\$ 2,942	N/A	US\$ 2,942		
Federal Home Ln Mtg Corp.	-	"	-	US\$ 1,784	N/A	US\$ 1,784		
Federal Home Ln Mtg Corp.	-	"	-	US\$ 1,832	N/A	US\$ 1,832		
Federal Home Ln Mtg Corp.	-	"	-	US\$ 2,360	N/A	US\$ 2,360		
Federal Home Ln Mtg Corp.	-	"	-	US\$ 2,742	N/A	US\$ 2,742		
Federal Home Ln Mtg Corp.	-	"	-	US\$ 2,178	N/A	US\$ 2,178		
Federal Home Ln Mtg Corp.	-	"	-	US\$ 3,665	N/A	US\$ 3,665		
Federal Home Ln Mtg Corp.	-	"	-	US\$ 2,136	N/A	US\$ 2,136		
Federal Home Ln Mtg Corp.	-	"	-	US\$ 3,275	N/A	US\$ 3,275		
Federal Home Ln Mtg Corp.	-	"	-	US\$ 3,044	N/A	US\$ 3,044		
Federal National Mort Assoc	-	"	-	US\$ 2,844	N/A	US\$ 2,844		
Federal Natl Mtg Assn	-	"	-	US\$ 2,059	N/A	US\$ 2,059		
Federal Natl Mtg Assn	-	"	-	US\$ 2,194	N/A	US\$ 2,194		
Federal Natl Mtg Assn	-	"	-	US\$ 2,011	N/A	US\$ 2,011		
Federal Natl Mtg Assn	-	"	-	US\$ 3,567	N/A	US\$ 3,567		
Federal Natl Mtg Assn Gtd	-	"	-	US\$ 1,717	N/A	US\$ 1,717		

(Continued)



Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	December 31, 2007				Note
				Shares/Units (in Thousands)	Carrying Value (US\$ in Thousands)	Percentage of Ownership	Market Value or Net Asset Value (US\$ in Thousands)	
	Fnma Pool 255883	-	Available-for-sale financial assets	-	US\$ 3,126	N/A	US\$ 3,126	
	Fnma Pool 555549	-	"	-	US\$ 1,385	N/A	US\$ 1,385	
	Fnma Pool 555715	-	"	-	US\$ 171	N/A	US\$ 171	
	Fnma Pool 632399	-	"	-	US\$ 390	N/A	US\$ 390	
	Fnma Pool 662401	-	"	-	US\$ 560	N/A	US\$ 560	
	Fnma Pool 667766	-	"	-	US\$ 1,310	N/A	US\$ 1,310	
	Fnma Pool 680932	-	"	-	US\$ 1,110	N/A	US\$ 1,110	
	Fnma Pool 681393	-	"	-	US\$ 2,388	N/A	US\$ 2,388	
	Fnma Pool 685116	-	"	-	US\$ 599	N/A	US\$ 599	
	Fnma Pool 691283	-	"	-	US\$ 3,442	N/A	US\$ 3,442	
	Fnma Pool 694287	-	"	-	US\$ 20	N/A	US\$ 20	
	Fnma Pool 703711	-	"	-	US\$ 467	N/A	US\$ 467	
	Fnma Pool 725095	-	"	-	US\$ 1,023	N/A	US\$ 1,023	
	Fnma Pool 730033	-	"	-	US\$ 169	N/A	US\$ 169	
	Fnma Pool 740934	-	"	-	US\$ 1,110	N/A	US\$ 1,110	
	Fnma Pool 742232	-	"	-	US\$ 23	N/A	US\$ 23	
	Fnma Pool 750798	-	"	-	US\$ 22	N/A	US\$ 22	
	Fnma Pool 773246	-	"	-	US\$ 229	N/A	US\$ 229	
	Fnma Pool 790828	-	"	-	US\$ 2,009	N/A	US\$ 2,009	
	Fnma Pool 793932	-	"	-	US\$ 438	N/A	US\$ 438	
	Fnma Pool 794040	-	"	-	US\$ 608	N/A	US\$ 608	
	Fnma Pool 795548	-	"	-	US\$ 234	N/A	US\$ 234	
	Fnma Pool 799664	-	"	-	US\$ 94	N/A	US\$ 94	
	Fnma Pool 799868	-	"	-	US\$ 32	N/A	US\$ 32	
	Fnma Pool 804764	-	"	-	US\$ 396	N/A	US\$ 396	
	Fnma Pool 804852	-	"	-	US\$ 330	N/A	US\$ 330	
	Fnma Pool 804962	-	"	-	US\$ 388	N/A	US\$ 388	
	Fnma Pool 805163	-	"	-	US\$ 408	N/A	US\$ 408	
	Fnma Pool 806642	-	"	-	US\$ 777	N/A	US\$ 777	
	Fnma Pool 806721	-	"	-	US\$ 635	N/A	US\$ 635	
	Fnma Pool 814418	-	"	-	US\$ 343	N/A	US\$ 343	
	Fnma Pool 815626	-	"	-	US\$ 2,301	N/A	US\$ 2,301	
	Fnma Pool 819423	-	"	-	US\$ 538	N/A	US\$ 538	
	Fnma Pool 821129	-	"	-	US\$ 512	N/A	US\$ 512	
	Fnma Pool 888249	-	"	-	US\$ 60	N/A	US\$ 60	
	Fnma Pool 888499	-	"	-	US\$ 2,438	N/A	US\$ 2,438	
	Fnma Pool 888502	-	"	-	US\$ 236	N/A	US\$ 236	
	Fnma Pool 888507	-	"	-	US\$ 911	N/A	US\$ 911	
	Fnma Pool 888515	-	"	-	US\$ 1,730	N/A	US\$ 1,730	
	Fnma Pool 888519	-	"	-	US\$ 123	N/A	US\$ 123	
	Fnma Pool 888527	-	"	-	US\$ 69	N/A	US\$ 69	
	Fnma Pool 888738	-	"	-	US\$ 4,935	N/A	US\$ 4,935	
	Fnma Pool 888793	-	"	-	US\$ 5,697	N/A	US\$ 5,697	
	Fnma Pool 900296	-	"	-	US\$ 3,276	N/A	US\$ 3,276	
	Gnma li Pool 081150	-	"	-	US\$ 470	N/A	US\$ 470	
	Gnma li Pool 081153	-	"	-	US\$ 1,423	N/A	US\$ 1,423	
	Fed Home Ln Bks	-	"	-	US\$ 5,175	N/A	US\$ 5,175	
	Federal Farm Cr Bks	-	"	-	US\$ 3,511	N/A	US\$ 3,511	
	Federal Home Ln Bks	-	"	-	US\$ 8,977	N/A	US\$ 8,977	
	Federal Home Ln Bks	-	"	-	US\$ 8,939	N/A	US\$ 8,939	
	Federal Home Ln Bks	-	"	-	US\$ 4,965	N/A	US\$ 4,965	
	Federal Home Ln Bks	-	"	-	US\$ 5,969	N/A	US\$ 5,969	
	Federal Home Ln Bks	-	"	-	US\$ 4,980	N/A	US\$ 4,980	

(Continued)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	December 31, 2007				Note
				Shares/Units (in Thousands)	Carrying Value (US\$ in Thousands)	Percentage of Ownership	Market Value or Net Asset Value (US\$ in Thousands)	
	Federal Home Ln Bks	-	Available-for-sale financial assets	-	US\$ 19,023	N/A	US\$ 19,023	
	Federal Home Ln Bks	-	"	-	US\$ 5,134	N/A	US\$ 5,134	
	Federal Home Ln Mtg Disc Nts	-	"	-	US\$ 22,342	N/A	US\$ 22,342	
	Federal Home Loan Bank	-	"	-	US\$ 4,621	N/A	US\$ 4,621	
	Federal Home Loan Banks	-	"	-	US\$ 21,500	N/A	US\$ 21,500	
	Federal Natl Mtg Assn	-	"	-	US\$ 5,169	N/A	US\$ 5,169	
	Federal Natl Mtg Assn Medium	-	"	-	US\$ 3,512	N/A	US\$ 3,512	
	Federal Natl Mtg Assn Mtn	-	"	-	US\$ 2,982	N/A	US\$ 2,982	
	Federal Natl Mtg Assn Mtn	-	"	-	US\$ 3,171	N/A	US\$ 3,171	
	Federal Natl Mtg Assn Mtn	-	"	-	US\$ 3,398	N/A	US\$ 3,398	
	Federal Natl Mtg Assn Mtn	-	"	-	US\$ 3,066	N/A	US\$ 3,066	
	Tennessee Valley Auth	-	"	-	US\$ 6,068	N/A	US\$ 6,068	
	<u>Corporate bonds</u>							
	Abbott Labs	-	Available-for-sale financial assets	-	US\$ 1,510	N/A	US\$ 1,510	
	American Gen Fin Corp.	-	"	-	US\$ 3,139	N/A	US\$ 3,139	
	American Gen Fin Corp. Mtn	-	"	-	US\$ 3,451	N/A	US\$ 3,451	
	American Gen Fin Corp. Mtn	-	"	-	US\$ 1,962	N/A	US\$ 1,962	
	American Honda Fin Corp. Mtn	-	"	-	US\$ 3,107	N/A	US\$ 3,107	
	Ameritech Capital Funding Co.	-	"	-	US\$ 489	N/A	US\$ 489	
	Amgen Inc.	-	"	-	US\$ 2,978	N/A	US\$ 2,978	
	Anz Cap Tr I	-	"	-	US\$ 984	N/A	US\$ 984	
	Atlantic Richfield Co.	-	"	-	US\$ 2,216	N/A	US\$ 2,216	
	Axa Finl Inc.	-	"	-	US\$ 2,147	N/A	US\$ 2,147	
	Beneficial Corp. Mtn Bk Entry	-	"	-	US\$ 2,274	N/A	US\$ 2,274	
	Burlington Res Inc.	-	"	-	US\$ 3,653	N/A	US\$ 3,653	
	Chase Manhattan Corp. New	-	"	-	US\$ 1,520	N/A	US\$ 1,520	
	Chase Manhattan Corp. New	-	"	-	US\$ 2,099	N/A	US\$ 2,099	
	Chase Manhattan Corp. New	-	"	-	US\$ 3,483	N/A	US\$ 3,483	
	Cit Group Hldgs Inc.	-	"	-	US\$ 2,982	N/A	US\$ 2,982	
	Cit Group Inc. New	-	"	-	US\$ 2,435	N/A	US\$ 2,435	
	Consolidated Edison Inc.	-	"	-	US\$ 2,990	N/A	US\$ 2,990	
	Credit Suisse First Boston Usa	-	"	-	US\$ 2,229	N/A	US\$ 2,229	
	Deere John Cap Corp. Mtn Bk Ent	-	"	-	US\$ 2,215	N/A	US\$ 2,215	
	Depfa Acs Bank	-	"	-	US\$ 20,402	N/A	US\$ 20,402	
	Fleet Boston Corp.	-	"	-	US\$ 2,620	N/A	US\$ 2,620	
	Ge Global Ins Hldg Corp.	-	"	-	US\$ 1,914	N/A	US\$ 1,914	
	General Dynamics Corp.	-	"	-	US\$ 2,133	N/A	US\$ 2,133	
	General Elec Cap Corp. Mtn	-	"	-	US\$ 3,978	N/A	US\$ 3,978	
	General Elec Cap Corp. Mtn	-	"	-	US\$ 3,047	N/A	US\$ 3,047	
	General Elec Cap Corp. Mtn	-	"	-	US\$ 2,118	N/A	US\$ 2,118	
	General Re Corp.	-	"	-	US\$ 3,263	N/A	US\$ 3,263	
	Genworth Finl Inc.	-	"	-	US\$ 3,279	N/A	US\$ 3,279	
	Hancock John Global Fdg Ii Mtn	-	"	-	US\$ 5,111	N/A	US\$ 5,111	
	Hancock John Global Fdg Mtn	-	"	-	US\$ 993	N/A	US\$ 993	
	Hartford Finl Svcs Group Inc.	-	"	-	US\$ 1,336	N/A	US\$ 1,336	
	Hbos Plc Medium Term Sr Nts	-	"	-	US\$ 3,001	N/A	US\$ 3,001	
	Heller Finl Inc.	-	"	-	US\$ 1,950	N/A	US\$ 1,950	
	Hewlett Packard Co.	-	"	-	US\$ 1,884	N/A	US\$ 1,884	
	Household Fin Corp.	-	"	-	US\$ 2,950	N/A	US\$ 2,950	
	Household Fin Corp.	-	"	-	US\$ 3,046	N/A	US\$ 3,046	
	Ing Sec Life Instl Fdg	-	"	-	US\$ 2,582	N/A	US\$ 2,582	
	International Business Machs	-	"	-	US\$ 3,555	N/A	US\$ 3,555	
	Intl Lease Fin Corp. Mtn	-	"	-	US\$ 2,985	N/A	US\$ 2,985	

(Continued)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	December 31, 2007				Note
				Shares/Units (in Thousands)	Carrying Value (US\$ in Thousands)	Percentage of Ownership	Market Value or Net Asset Value (US\$ in Thousands)	
	JP Morgan Chase	-	Available-for-sale financial assets	-	US\$ 2,001	N/A	US\$ 2,001	
	Keycorp Mtn Book Entry	-	"	-	US\$ 3,053	N/A	US\$ 3,053	
	Lehman Brothers Hldgs Inc.	-	"	-	US\$ 1,643	N/A	US\$ 1,643	
	Lehman Brothers Hldgs Inc.	-	"	-	US\$ 490	N/A	US\$ 490	
	Lehman Brothers Hldgs Inc.	-	"	-	US\$ 989	N/A	US\$ 989	
	Lehman Brothers Hldgs Inc.	-	"	-	US\$ 3,052	N/A	US\$ 3,052	
	Lehman Brothers Hldgs Inc.	-	"	-	US\$ 1,060	N/A	US\$ 1,060	
	Massmutual Global Fdg Ii Mtn	-	"	-	US\$ 3,737	N/A	US\$ 3,737	
	Metropolitan Life Golbal Mtn	-	"	-	US\$ 3,366	N/A	US\$ 3,366	
	Mgic Invt Corp.	-	"	-	US\$ 1,059	N/A	US\$ 1,059	
	Mizuho Fin (Cayman)	-	"	-	US\$ 2,148	N/A	US\$ 2,148	
	Monumental Global Fdg Ii	-	"	-	US\$ 1,494	N/A	US\$ 1,494	
	Monunmetal Global Fdg Ii	-	"	-	US\$ 2,000	N/A	US\$ 2,000	
	Mony Group Inc.	-	"	-	US\$ 2,137	N/A	US\$ 2,137	
	Morgan Stanley	-	"	-	US\$ 5,531	N/A	US\$ 5,531	
	Morgan Stanley	-	"	-	US\$ 1,951	N/A	US\$ 1,951	
	National City Corp.	-	"	-	US\$ 3,488	N/A	US\$ 3,488	
	Nationwide Life Global Fdg I	-	"	-	US\$ 3,631	N/A	US\$ 3,631	
	Oracle Corp. / Ozark Hldg Inc.	-	"	-	US\$ 2,019	N/A	US\$ 2,019	
	Pepsico Inc. Mtn Book Entry	-	"	-	US\$ 3,607	N/A	US\$ 3,607	
	Praxair Inc.	-	"	-	US\$ 3,111	N/A	US\$ 3,111	
	Premark Intl Inc.	-	"	-	US\$ 2,679	N/A	US\$ 2,679	
	Pricoa Global Fdg I Mtn	-	"	-	US\$ 3,462	N/A	US\$ 3,462	
	Principal Finl Group Australia	-	"	-	US\$ 1,008	N/A	US\$ 1,008	
	Protective Life Secd Trs Mtn	-	"	-	US\$ 3,484	N/A	US\$ 3,484	
	Sbc Communications Inc.	-	"	-	US\$ 3,372	N/A	US\$ 3,372	
	Sbc Communications Inc.	-	"	-	US\$ 711	N/A	US\$ 711	
	Simon Pty Group LP	-	"	-	US\$ 2,513	N/A	US\$ 2,513	
	Simon Pty Group LP	-	"	-	US\$ 1,010	N/A	US\$ 1,010	
	Sp Powerassests Ltd. Global	-	"	-	US\$ 993	N/A	US\$ 993	
	Suntrust Bk Atlanta Ga Medium	-	"	-	US\$ 3,482	N/A	US\$ 3,482	
	Unitedhealth Group Inc.	-	"	-	US\$ 1,408	N/A	US\$ 1,408	
	Wachovia Corp. New	-	"	-	US\$ 3,168	N/A	US\$ 3,168	
	Washington Post Co.	-	"	-	US\$ 3,018	N/A	US\$ 3,018	
	Wells Fargo + Co. New Med Trm	-	"	-	US\$ 4,413	N/A	US\$ 4,413	
	<u>Corporate issued asset-backed securities</u>							
	Americredit Auto Rec Tr	-	Available-for-sale financial assets	-	US\$ 1,001	N/A	US\$ 1,001	
	Americredit Automobile Rec Tr	-	"	-	US\$ 894	N/A	US\$ 894	
	Americredit Automobile Receiva	-	"	-	US\$ 1,176	N/A	US\$ 1,176	
	Atlantic City Elc Trns Fdglle	-	"	-	US\$ 162	N/A	US\$ 162	
	Banc Amer Coml Mtg Inc.	-	"	-	US\$ 4,591	N/A	US\$ 4,591	
	Banc Amer Fdg 2006 I Tr	-	"	-	US\$ 3,762	N/A	US\$ 3,762	
	Bear Stearns Adjustable Rate	-	"	-	US\$ 110	N/A	US\$ 110	
	Bear Stearns Arm Tr	-	"	-	US\$ 3,081	N/A	US\$ 3,081	
	Bear Stearns Arm Tr	-	"	-	US\$ 1,951	N/A	US\$ 1,951	
	Bear Stearns Arm Tr	-	"	-	US\$ 247	N/A	US\$ 247	
	Bear Stearns Coml Mtg Secs Inc.	-	"	-	US\$ 3,179	N/A	US\$ 3,179	
	Bear Stearns Coml Mtg Secs Inc.	-	"	-	US\$ 5,099	N/A	US\$ 5,099	
	Capital One Auto Fin Tr	-	"	-	US\$ 906	N/A	US\$ 906	
	Capital One Auto Fin Tr	-	"	-	US\$ 3,685	N/A	US\$ 3,685	
	Capital One Multi Asset Exec	-	"	-	US\$ 9,118	N/A	US\$ 9,118	
	Capital One Multi Asset Execut	-	"	-	US\$ 3,991	N/A	US\$ 3,991	

(Continued)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	December 31, 2007				Note
				Shares/Units (in Thousands)	Carrying Value (US\$ in Thousands)	Percentage of Ownership	Market Value or Net Asset Value (US\$ in Thousands)	
	Capital One Multi Asset Execut	-	Available-for-sale financial assets	-	US\$ 2,995	N/A	US\$ 2,995	
	Capital One Prime Auto Receiva	-	"	-	US\$ 3,498	N/A	US\$ 3,498	
	Capital One Prime Auto Receiv	-	"	-	US\$ 464	N/A	US\$ 464	
	Cbass Tr	-	"	-	US\$ 1,297	N/A	US\$ 1,297	
	Cendant Rent Car Fdg Aesop LLC.	-	"	-	US\$ 2,663	N/A	US\$ 2,663	
	Chase Mtg Fin Tr	-	"	-	US\$ 887	N/A	US\$ 887	
	Chase Mtg Fin Tr	-	"	-	US\$ 1,745	N/A	US\$ 1,745	
	Chase Mtg Fin Tr	-	"	-	US\$ 2,605	N/A	US\$ 2,605	
	Chase Mtge Finance Corp.	-	"	-	US\$ 1,678	N/A	US\$ 1,678	
	Cit Equip Coll Tr	-	"	-	US\$ 4,033	N/A	US\$ 4,033	
	Citicorp Mtg Secs	-	"	-	US\$ 261	N/A	US\$ 261	
	Credit Suisse First Boston Mtg	-	"	-	US\$ 1,738	N/A	US\$ 1,738	
	Credit Suisse First Boston Mtg	-	"	-	US\$ 6,842	N/A	US\$ 6,842	
	Credit Suisse First Boston Mtg	-	"	-	US\$ 6,704	N/A	US\$ 6,704	
	Daimlerchrysler Auto Tr	-	"	-	US\$ 4,337	N/A	US\$ 4,337	
	Daimlerchrysler Auto Tr	-	"	-	US\$ 1,698	N/A	US\$ 1,698	
	Deere John Owner Tr	-	"	-	US\$ 2,488	N/A	US\$ 2,488	
	First Franklin Mtg Ln Tr	-	"	-	US\$ 1,659	N/A	US\$ 1,659	
	First Horizon	-	"	-	US\$ 45	N/A	US\$ 45	
	First Un Natl Bk Coml Mtg Tr	-	"	-	US\$ 2,595	N/A	US\$ 2,595	
	First Un Natl Bk Coml Mtg Tr	-	"	-	US\$ 5,172	N/A	US\$ 5,172	
	First Un Natl Bk Coml Mtg Tr	-	"	-	US\$ 2,186	N/A	US\$ 2,186	
	Gs Mtg Secs Corp.	-	"	-	US\$ 1,709	N/A	US\$ 1,709	
	Home Equity Mortgage Trust	-	"	-	US\$ 2,659	N/A	US\$ 2,659	
	Home Equity Mtg Tr 2006 4	-	"	-	US\$ 970	N/A	US\$ 970	
	Hyundai Auto Receivables Tr	-	"	-	US\$ 1,519	N/A	US\$ 1,519	
	JP Morgan Mtg Tr	-	"	-	US\$ 888	N/A	US\$ 888	
	JP Morgan Mtg Tr	-	"	-	US\$ 910	N/A	US\$ 910	
	JP Morgan Mtg Tr	-	"	-	US\$ 863	N/A	US\$ 863	
	Lb Ubs Coml Mtg Tr	-	"	-	US\$ 3,884	N/A	US\$ 3,884	
	Nomura Asset Accep Corp.	-	"	-	US\$ 1,542	N/A	US\$ 1,542	
	Residential Asset Mtg Prods	-	"	-	US\$ 2,200	N/A	US\$ 2,200	
	Residential Fdg Mtg Secs I Inc.	-	"	-	US\$ 1,594	N/A	US\$ 1,594	
	Residential Fdg Mtg Secs I Inc.	-	"	-	US\$ 3,454	N/A	US\$ 3,454	
	Sequoia Mtg Tr	-	"	-	US\$ 265	N/A	US\$ 265	
	Sequoia Mtg Tr	-	"	-	US\$ 340	N/A	US\$ 340	
	Sequoia Mtg Tr	-	"	-	US\$ 433	N/A	US\$ 433	
	Terwin Mtg Tr	-	"	-	US\$ 3,317	N/A	US\$ 3,317	
	Tiaa Seasoned Coml Mtg Tr	-	"	-	US\$ 4,016	N/A	US\$ 4,016	
	Usaa Auto Owner Tr	-	"	-	US\$ 4,998	N/A	US\$ 4,998	
	Wamu Mtg	-	"	-	US\$ 3,242	N/A	US\$ 3,242	
	Wamu Mtg Pass Through Ctfs	-	"	-	US\$ 166	N/A	US\$ 166	
	Washington Mut Mtg Secs Corp.	-	"	-	US\$ 2,422	N/A	US\$ 2,422	
	Wells Fargo Finl Auto Owner Tr	-	"	-	US\$ 4,956	N/A	US\$ 4,956	
	Wells Fargo Mtg Backed Secs	-	"	-	US\$ 3,816	N/A	US\$ 3,816	
	Wells Fargo Mtg Backed Secs	-	"	-	US\$ 3,865	N/A	US\$ 3,865	
	Wells Fargo Mtg Backed Secs	-	"	-	US\$ 3,931	N/A	US\$ 3,931	
	Wells Fargo Mtg Bkd Secs	-	"	-	US\$ 3,029	N/A	US\$ 3,029	
	Wells Fargo Mtg Bkd Secs	-	"	-	US\$ 1,763	N/A	US\$ 1,763	
	Whole Auto Ln Tr	-	"	-	US\$ 1,828	N/A	US\$ 1,828	
	<u>Government bonds</u>							
	United States Treas Nts	-	Available-for-sale financial assets	-	US\$ 5,070	N/A	US\$ 5,070	
	United States Treas Nts	-	"	-	US\$ 5,613	N/A	US\$ 5,613	

(Continued)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	December 31, 2007				Note
				Shares/Units (in Thousands)	Carrying Value (US\$ in Thousands)	Percentage of Ownership	Market Value or Net Asset Value (US\$ in Thousands)	
	United States Treas Nts	-	Available-for-sale financial assets	-	US\$ 42,509	N/A	US\$ 42,509	
	United States Treas Nts	-	"	-	US\$ 5,160	N/A	US\$ 5,160	
	United States Treas Nts	-	"	-	US\$ 3,359	N/A	US\$ 3,359	
	United States Treas Nts	-	"	-	US\$ 7,758	N/A	US\$ 7,758	
	United States Treas Nts	-	"	-	US\$ 25,924	N/A	US\$ 25,924	
	United States Treas Nts	-	"	-	US\$ 9,735	N/A	US\$ 9,735	
	Wi Treasury Sec	-	"	-	US\$ 6,500	N/A	US\$ 6,500	
	<u>Money market funds</u>							
	Ssga Cash Mgmt Global Offshore	-	Available-for-sale financial assets	-	US\$ 592,180	N/A	US\$ 592,180	

(Concluded)

## Taiwan Semiconductor Manufacturing Company Limited

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE YEAR ENDED DECEMBER 30, 2007

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

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal (Note 2)				Ending Balance	
					Shares/Units (in Thousands)	Amount (US\$ in Thousands)	Shares/Units (in Thousands) (Note 1)	Amount (US\$ in Thousands)	Shares/Units (In Thousands)	Amount (US\$ in Thousands)	Carrying Value (US\$ in Thousands)	Gain (Loss) or Disposal (US\$ in Thousands)	Shares/Units (In Thousands)	Amount (US\$ in Thousands) (Note 3)
The Company	<u>Open-end mutual funds</u>													
	NITC Bond Fund	Available-for-sale financial assets	National Investment Trust Co., Ltd.	-	22,219	\$ 3,655,939	-	\$ -	9,980	\$ 1,650,000	\$ 1,621,826	\$ 28,174	12,239	\$ 2,045,935
	Fuh Hwa Bond	"	Fuh Hwa Investment Trust Co., Ltd	-	125,122	1,667,908	41,289	556,000	33,414	450,000	442,919	7,081	132,997	1,801,674
	NITC Taiwan Bond	"	National Investment Trust Co., Ltd.	-	93,312	1,314,669	23,884	340,000	14,180	200,000	197,557	2,443	103,016	1,474,856
	ING Taiwan Bond Fund	"	ING Securities Investment Trust Co., Ltd	-	175,156	2,639,459	85,581	1,300,000	175,156	2,656,012	2,604,862	51,150	85,581	1,310,030
	Prudential Financial Bond Fund	"	Prudential Financial Securities Investment Trust Enterprise	-	103,751	1,516,294	-	-	20,445	300,000	295,582	4,418	83,306	1,236,728
	President James Bond	"	Uni-President Assets Management Corp.	-	65,496	1,010,426	77,128	1,200,000	65,496	1,016,917	1,000,599	16,318	77,128	1,208,799
	JF Taiwan Bond Fund	"	JF Asset Management (Taiwan) Ltd.	-	85,145	1,299,088	32,507	500,000	58,603	900,000	883,347	16,653	59,049	915,252
	ING Taiwan Income Bond Fund	"	ING Securities Investment Trust Co., Ltd	-	63,947	1,012,377	-	-	9,326	150,000	145,851	4,149	54,621	878,682
	Taishin Lucky Fund	"	Taishin Investment Trust Co., Ltd	-	78,624	806,386	-	-	9,679	100,000	98,476	1,524	68,945	718,556
	AIG Taiwan Bond Fund	"	AIG Global Asset management Corporation (Taiwan) Ltd.	-	78,629	1,002,595	54,469	700,000	78,629	1,008,733	1,000,000	8,733	54,469	705,033
	Cathay Bond Fund	"	Cathay Securities Investment Trust Co., Ltd	-	109,720	1,265,092	60,126	700,000	109,720	1,271,995	1,251,264	20,731	60,126	703,824
	Dresdner Bond DAM Fund	"	Allianz Global Investors Taiwan Ltd.	-	95,553	1,107,206	17,082	200,000	58,316	680,000	668,136	11,864	54,319	639,542
	JF Taiwan First Bond Fund	"	JF Asset Management (Taiwan) Limited	-	66,826	939,082	42,360	600,000	73,862	1,044,083	1,026,603	17,480	35,324	504,206
	HSBC Taiwan Money Management	"	HSBC Asset Management (Taiwan) Ltd.	-	34,093	506,250	-	-	6,677	100,000	98,059	1,941	27,416	413,504
	ING Taiwan Select Bond Fund	"	ING Securities Investment Trust Co., Ltd	-	76,593	868,076	-	-	76,593	872,639	857,682	14,957	-	-
	Shinkong Chi-Shin Fund	"	Shinkong Investment Trust Co., Ltd	-	62,183	890,660	-	-	62,183	896,299	879,940	16,359	-	-
	TIIM High Yield Fund	"	Taiwan International Investment management	-	44,685	554,863	-	-	44,685	557,263	550,724	6,539	-	-
	JIH SUN Bond Fund	"	JIH SUN Securities Investment Trust Co., Ltd	-	88,165	1,202,901	-	-	88,165	1,209,618	1,200,000	9,618	-	-
	Mega Diamond Bond Fund	"	Mega Investment Trust Co., Ltd	-	139,333	1,602,947	94,744	1,100,000	234,077	2,721,023	2,700,000	21,023	-	-
	Polaris De-Bao Fund	"	Polaris Internationa Securities Investment Trust Co., Ltd	-	63,273	701,069	17,862	200,000	81,135	909,936	900,000	9,936	-	-
	<u>Government bond</u>													
	2003 Government Bond Series B	Available-for-sale financial assets	Chung Shing Bills Finance Corp. and several financial institutions	-	-	998,288	-	1,348,634	-	-	-	-	-	2,349,163
	2004 Government Bond Series B	"	"	-	-	999,779	-	200,280	-	-	-	-	-	1,197,121
	2006 Government Bond Series D	"	"	-	-	-	-	400,778	-	-	-	-	-	399,733
	2004 Government Bond Series G	"	"	-	-	-	-	201,561	-	-	-	-	-	200,065

(Continued)

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal (Note 2)				Ending Balance		
					Shares/Units (in Thousands)	Amount (US\$ in Thousands)	Shares/Units (in Thousands) (Note 1)	Amount (US\$ in Thousands)	Shares/Units (In Thousands)	Amount (US\$ in Thousands)	Carrying Value (US\$ in Thousands)	Gain (Loss) or Disposal (US\$ in Thousands)	Shares/Units (In Thousands)	Amount (US\$ in Thousands) (Note 3)	
	2005 Government Bond Series A	Held-to-maturity financial assets	Chung Shing Bills Finance Corp. and several financial institutions	-	-	\$ 3,049,919	-	\$ -	-	\$ 3,050,000	\$ 3,050,000	\$ -	-	\$ -	
	2002 Government Bond Series B	"	"	-	-	350,399	-	-	-	350,000	350,000	-	-	-	
	2004 Kaohsiung Municipal Series A	"	"	-	-	620,000	-	-	-	620,000	620,000	-	-	-	
	2004 Kaohsiung Municipal Series B	"	"	-	-	249,998	-	-	-	250,000	250,000	-	-	-	
	<u>Corporate bond</u>														
	Taiwan Power Company	Available-for-sale financial assets	Chung Shing Bills Finance Corp.	-	-	1,046,799	-	-	-	150,000	150,000	-	-	899,200	
	Taiwan Power Company	Held-to-maturity financial assets	"	-	-	4,080,391	-	-	-	1,460,000	1,460,000	-	-	2,630,064	
	Nan Ya Plastics Corporation	"	"	-	-	2,773,810	-	-	-	970,000	970,000	-	-	1,804,346	
	CPC Corporation, Taiwan	"	"	-	-	1,451,378	-	-	-	250,000	250,000	-	-	1,200,318	
	Formosa Plastic Corporation	"	"	-	-	516,663	-	-	-	136,000	136,000	-	-	391,134	
	<u>Stock</u>														
	VIS	Investee accounted for using equity method	-	Investment accounted for using equity method	442,262	5,741,870	173,979	4,927,865	-	-	-	-	-	616,240	11,024,568
	Xintec	"	-	Investee with a controlling financial interest	-	-	91,703	1,357,890	-	-	-	-	-	91,703	1,501,521
	<u>Capital</u>														
	VTAF II	Investee accounted for using equity method	-	Subsidiary	-	733,130	-	310,157	-	-	-	-	-	-	1,170,841
	VTAF III	"	-	"	-	228,005	-	729,914	-	-	-	-	-	-	906,536
TSMC Global	<u>Agency bonds</u>														
	Fed Hm Ln Pc Pool 1g1282	Available-for-sale financial assets	-	-	-	-	-	US\$ 4,378	-	-	-	-	-	-	US\$ 4,077
	Fed Hm Ln Pc Pool 1g1411	"	-	-	-	-	-	US\$ 4,424	-	-	-	-	-	-	US\$ 3,618
	Fed Hm Ln Pc Pool 1g1616	"	-	-	-	-	-	US\$ 4,436	-	US\$ 4,329	US\$ 4,280	US\$ 49	-	-	
	Fed Hm Ln Pc Pool 1g1921	"	-	-	-	-	-	US\$ 4,404	-	US\$ 4,276	US\$ 4,277	US\$ (1)	-	-	
	Fed Hm Ln Pc Pool 1g2162	"	-	-	-	-	-	US\$ 5,757	-	US\$ 5,749	US\$ 5,723	US\$ 26	-	-	
	Fed Hm Ln Pc Pool 1g2593	"	-	-	-	-	-	US\$ 5,600	-	US\$ 5,587	US\$ 5,557	US\$ 30	-	-	
	Fed Hm Ln Pc Pool 1j0410	"	-	-	-	-	-	US\$ 6,024	-	US\$ 5,650	US\$ 5,644	US\$ 6	-	-	
	Fed Hm Ln Pc Pool 847628	"	-	-	-	US\$ 3,796	-	-	-	US\$ 3,101	US\$ 3,091	US\$ 10	-	-	
	Fed Hm Ln Pc Pool G12009	"	-	-	-	-	-	US\$ 3,935	-	US\$ 3,603	US\$ 3,563	US\$ 40	-	-	
	Federal Home Ln Mtg	"	-	-	-	-	-	US\$ 6,513	-	US\$ 5,270	US\$ 5,247	US\$ 23	-	-	
	Federal Home Ln Mtg Corp	"	-	-	-	US\$ 3,917	-	-	-	US\$ 3,257	US\$ 3,225	US\$ 32	-	-	
	Federal Home Ln Mtg Corp	"	-	-	-	US\$ 4,464	-	-	-	US\$ 3,194	US\$ 3,175	US\$ 19	-	-	
	Federal Home Ln Mtg Corp	"	-	-	-	US\$ 8,535	-	-	-	US\$ 6,783	US\$ 6,743	US\$ 40	-	-	
	Federal Home Ln Mtg Corp	"	-	-	-	US\$ 3,743	-	-	-	US\$ 3,511	US\$ 3,492	US\$ 19	-	-	
	Federal Home Ln Mtg Corp	"	-	-	-	-	-	US\$ 3,258	-	US\$ 3,258	US\$ 3,246	US\$ 12	-	-	
	Federal Home Ln Mtg Corp	"	-	-	-	-	-	US\$ 4,354	-	US\$ 3,626	US\$ 3,622	US\$ 4	-	-	
	Federal National Mort Assoc	"	-	-	-	-	-	US\$ 3,250	-	-	-	-	-	US\$ 2,844	
	Federal Natl Mtg Assn	"	-	-	-	US\$ 4,290	-	-	-	US\$ 3,170	US\$ 3,159	US\$ 11	-	-	

(Continued)

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal (Note 2)				Ending Balance	
					Shares/Units (in Thousands)	Amount (US\$ in Thousands)	Shares/Units (in Thousands) (Note 1)	Amount (US\$ in Thousands)	Shares/Units (In Thousands)	Amount (US\$ in Thousands)	Carrying Value (US\$ in Thousands)	Gain (Loss) or Disposal (US\$ in Thousands)	Shares/Units (In Thousands)	Amount (US\$ in Thousands) (Note 3)
	Federal Natl Mtg Assn Mtn	Available-for-sale financial assets	-	-	-	US\$ -	-	US\$ 3,733	-	US\$ 3,489	US\$ 3,464	US\$ 25	-	US\$ -
	Fnma Pool 691283	"	-	-	-	-	-	US\$ 3,486	-	-	-	-	-	US\$ 3,442
	Fnma Pool 813641	"	-	-	-	US\$ 3,720	-	-	-	US\$ 3,004	US\$ 2,989	US\$ 15	-	-
	Fnma Pool 825398	"	-	-	-	US\$ 4,224	-	-	-	US\$ 3,606	US\$ 3,555	US\$ 51	-	-
	Fnma Pool 888249	"	-	-	-	-	-	US\$ 4,822	-	US\$ 4,402	US\$ 4,364	US\$ 38	-	US\$ 60
	Fnma Pool 888388	"	-	-	-	-	-	US\$ 6,530	-	US\$ 6,270	US\$ 6,217	US\$ 53	-	-
	Fnma Pool 888738	"	-	-	-	-	-	US\$ 5,062	-	-	-	-	-	US\$ 4,935
	Fnma Pool 888793	"	-	-	-	-	-	US\$ 5,823	-	-	-	-	-	US\$ 5,697
	Fnma Pool 900296	"	-	-	-	-	-	US\$ 4,336	-	-	-	-	-	US\$ 3,276
	Fed Home Ln Bank	"	-	-	-	-	-	US\$ 5,035	-	-	-	-	-	US\$ 5,175
	Federal Farm Cr Bks	"	-	-	-	-	-	US\$ 3,411	-	-	-	-	-	US\$ 3,511
	Federal Home Ln Bks	"	-	-	-	US\$ 4,920	-	-	-	US\$ 4,938	US\$ 4,872	US\$ 66	-	-
	Federal Home Ln Bks	"	-	-	-	US\$ 2,991	-	-	-	US\$ 3,027	US\$ 2,987	US\$ 40	-	-
	Federal Home Ln Bks	"	-	-	-	US\$ 12,279	-	-	-	US\$ 12,367	US\$ 12,233	US\$ 134	-	-
	Federal Home Ln Bks	"	-	-	-	-	-	US\$ 5,365	-	US\$ 5,532	US\$ 5,365	US\$ 167	-	-
	Federal Home Ln Bks	"	-	-	-	US\$ 6,905	-	-	-	US\$ 6,947	US\$ 6,881	US\$ 66	-	-
	Federal Home Ln Bks	"	-	-	-	US\$ 5,898	-	-	-	US\$ 6,032	US\$ 5,907	US\$ 125	-	-
	Federal Home Ln Bks	"	-	-	-	-	-	US\$ 18,951	-	-	-	-	-	US\$ 19,023
	Federal Home Ln Bks	"	-	-	-	-	-	US\$ 5,098	-	-	-	-	-	US\$ 5,134
	Federal Home Ln Bks	"	-	-	-	-	-	US\$ 4,494	-	US\$ 4,610	US\$ 4,494	US\$ 116	-	-
	Federal Home Ln Bks	"	-	-	-	-	-	US\$ 8,983	-	US\$ 9,000	US\$ 8,983	US\$ 17	-	-
	Federal Home Ln Bks	"	-	-	-	-	-	US\$ 8,137	-	US\$ 8,235	US\$ 8,137	US\$ 98	-	-
	Federal Home Ln Bks	"	-	-	-	US\$ 7,506	-	-	-	US\$ 7,500	US\$ 7,490	US\$ 10	-	-
	Federal Home Ln Mtg Corp	"	-	-	-	US\$ 5,948	-	-	-	US\$ 5,966	US\$ 5,930	US\$ 36	-	-
	Federal Home Ln Mtg Corp	"	-	-	-	US\$ 6,440	-	-	-	US\$ 6,453	US\$ 6,410	US\$ 43	-	-
	Federal Home Ln Mtg Corp	"	-	-	-	-	-	US\$ 6,000	-	-	-	-	-	-
	Federal Home Ln Mtg Corp Mtn	"	-	-	-	-	-	US\$ 3,199	-	US\$ 3,236	US\$ 3,199	US\$ 37	-	-
	Federal Home Ln Mtg Disc Nts	"	-	-	-	-	-	US\$ 21,985	-	-	-	-	-	US\$ 22,342
	Federal Home Loan Bank	"	-	-	-	-	-	US\$ 5,075	-	US\$ 5,158	US\$ 5,075	US\$ 83	-	-
	Federal Home Loan Bank	"	-	-	-	-	-	US\$ 5,083	-	US\$ 4,981	US\$ 5,083	US\$ (102)	-	-
	Federal Home Loan Bank	"	-	-	-	-	-	US\$ 4,518	-	-	-	-	-	US\$ 4,621
	Federal Home Loan Bank	"	-	-	-	-	-	US\$ 3,453	-	US\$ 3,472	US\$ 3,453	US\$ 19	-	-
	Federal Home Loan Banks	"	-	-	-	US\$ 8,049	-	US\$ 21,356	-	US\$ 8,201	US\$ 8,081	US\$ 120	-	US\$ 21,500
	Federal Natl Mtg Assn	"	-	-	-	US\$ 4,365	-	-	-	US\$ 4,440	US\$ 4,364	US\$ 76	-	-
	Federal Natl Mtg Assn	"	-	-	-	US\$ 5,915	-	-	-	US\$ 5,933	US\$ 5,885	US\$ 48	-	-
	Federal Natl Mtg Assn	"	-	-	-	US\$ 19,766	-	-	-	US\$ 19,844	US\$ 19,702	US\$ 142	-	-
	Federal Natl Mtg Assn	"	-	-	-	-	-	US\$ 4,595	-	US\$ 4,652	US\$ 4,595	US\$ 57	-	-
	Federal Natl Mtg Assn	"	-	-	-	-	-	US\$ 4,982	-	US\$ 5,093	US\$ 4,982	US\$ 111	-	-
	Federal Natl Mtg Assn	"	-	-	-	-	-	US\$ 4,500	-	US\$ 4,509	US\$ 4,500	US\$ 9	-	-
	Federal Natl Mtg Assn	"	-	-	-	-	-	US\$ 5,102	-	-	-	-	-	US\$ 5,169
	Federal Natl Mtg Assn	"	-	-	-	US\$ 10,467	-	-	-	US\$ 10,477	US\$ 10,459	US\$ 18	-	-
	Federal Natl Mtg Assn	"	-	-	-	US\$ 7,868	-	-	-	US\$ 7,926	US\$ 7,834	US\$ 92	-	-
	Federal Natl Mtg Assn	"	-	-	-	US\$ 14,974	-	-	-	US\$ 14,993	US\$ 14,931	US\$ 62	-	-
	Federal Natl Mtg Assn	"	-	-	-	US\$ 3,943	-	-	-	US\$ 3,957	US\$ 3,950	US\$ 7	-	-
	Federal Natl Mtg Assn	"	-	-	-	-	-	US\$ 6,500	-	US\$ 6,505	US\$ 6,500	US\$ 5	-	-
	Federal Natl Mtg Assn	"	-	-	-	-	-	US\$ 4,982	-	US\$ 5,002	US\$ 4,982	US\$ 20	-	-
	Federal Natl Mtg Assn	"	-	-	-	-	-	US\$ 8,458	-	US\$ 8,542	US\$ 8,458	US\$ 84	-	-
	Federal Natl Mtg Assn	"	-	-	-	-	-	US\$ 4,997	-	US\$ 5,027	US\$ 4,997	US\$ 30	-	-
	Federal Natl Mtg Assn	"	-	-	-	-	-	US\$ 4,994	-	US\$ 5,024	US\$ 4,994	US\$ 30	-	-
	Federal Natl Mtg Assn	"	-	-	-	US\$ 6,511	-	-	-	US\$ 6,514	US\$ 6,516	US\$ (2)	-	-
	Federal Natl Mtg Assn	"	-	-	-	-	-	US\$ 4,368	-	US\$ 4,319	US\$ 4,368	US\$ (49)	-	-
	Federal Natl Mtg Assn	"	-	-	-	-	-	US\$ 4,500	-	-	-	-	-	-

(Continued)



Company Name	Marketable Securities Type and Name	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal (Note 2)				Ending Balance	
					Shares/Units (in Thousands)	Amount (US\$ in Thousands)	Shares/Units (in Thousands) (Note 1)	Amount (US\$ in Thousands)	Shares/Units (In Thousands)	Amount (US\$ in Thousands)	Carrying Value (US\$ in Thousands)	Gain (Loss) or Disposal (US\$ in Thousands)	Shares/Units (In Thousands)	Amount (US\$ in Thousands) (Note 3)
	<u>Corporate bonds</u>													
	American Express Co	Available-for-sale financial assets	-	-	-	US\$ 3,452	-	US\$ -	-	US\$ 3,466	US\$ 3,431	US\$ 35	-	US\$ -
	American Honda Fin Corp Mtn	"	-	-	-	US\$ 3,092	-	US\$ 6,220	-	US\$ 6,297	US\$ 6,220	US\$ 77	-	US\$ 3,107
	Bank One Corp	"	-	-	-	US\$ 3,365	-	-	-	US\$ 3,422	US\$ 3,325	US\$ 97	-	-
	Bear Stearns Cos Inc	"	-	-	-	US\$ 3,379	-	-	-	US\$ 3,395	US\$ 3,340	US\$ 55	-	-
	Bp Cap Mkts P L C	"	-	-	-	-	-	US\$ 4,496	-	US\$ 4,575	US\$ 4,496	US\$ 79	-	-
	Burlington Res Inc	"	-	-	-	-	-	US\$ 3,648	-	-	-	-	-	US\$ 3,653
	Chase Manhattan Corp New	"	-	-	-	US\$ 5,077	-	-	-	US\$ 3,536	US\$ 3,565	US\$ (29)	-	US\$ 1,520
	Chase Manhattan Corp New	"	-	-	-	-	-	US\$ 3,480	-	-	-	-	-	US\$ 3,483
	Citigroup Fdg Inc	"	-	-	-	-	-	US\$ 4,587	-	US\$ 4,591	US\$ 4,587	US\$ 4	-	-
	Credit Suisse First Boston Usa	"	-	-	-	-	-	US\$ 3,175	-	US\$ 3,105	US\$ 3,175	US\$ (70)	-	-
	Deere John Cap Corp	"	-	-	-	US\$ 4,928	-	-	-	US\$ 4,945	US\$ 4,899	US\$ 46	-	-
	Deere John Cap Corp	"	-	-	-	-	-	US\$ 5,900	-	US\$ 6,005	US\$ 5,900	US\$ 105	-	-
	Depfa Acs Bank	"	-	-	-	-	-	US\$ 19,985	-	-	-	-	-	US\$ 20,402
	Emerson Elec Co	"	-	-	-	US\$ 3,215	-	-	-	US\$ 3,217	US\$ 3,222	US\$ (5)	-	-
	European Invt Bk	"	-	-	-	US\$ 3,970	-	-	-	US\$ 3,973	US\$ 3,930	US\$ 43	-	-
	European Invt Bk	"	-	-	-	US\$ 6,057	-	-	-	US\$ 6,317	US\$ 5,994	US\$ 323	-	-
	Federal Home Ln Bks	"	-	-	-	US\$ 7,937	-	-	-	US\$ 7,964	US\$ 7,937	US\$ 27	-	-
	General Elec Cap Corp Mtn	"	-	-	-	US\$ 8,759	-	-	-	US\$ 8,793	US\$ 8,716	US\$ 77	-	-
	General Elec Cap Corp Mtn	"	-	-	-	-	-	US\$ 4,816	-	US\$ 4,816	US\$ 4,816	-	-	-
	General Elec Cap Corp Mtn	"	-	-	-	US\$ 8,282	-	US\$ 2,993	-	US\$ 8,414	US\$ 8,268	US\$ 146	-	US\$ 3,047
	Genworth Finl Inc	"	-	-	-	-	-	US\$ 3,250	-	-	-	-	-	US\$ 3,279
	Goldman Sachs Group Inc	"	-	-	-	US\$ 4,989	-	-	-	US\$ 5,011	US\$ 4,941	US\$ 70	-	-
	Goldman Sachs Group Inc	"	-	-	-	US\$ 3,456	-	-	-	US\$ 3,471	US\$ 3,453	US\$ 18	-	-
	Hartford Finl Svcs Group Inc	"	-	-	-	US\$ 5,037	-	-	-	US\$ 5,023	US\$ 5,048	US\$ (25)	-	-
	Hbos Plc Medium Term Sr Nts	"	-	-	-	US\$ 3,205	-	-	-	US\$ 3,215	US\$ 3,182	US\$ 33	-	-
	Household Fin Corp	"	-	-	-	-	-	US\$ 3,120	-	-	-	-	-	US\$ 3,046
	Hsbc Fin Corp	"	-	-	-	US\$ 3,028	-	-	-	US\$ 3,028	US\$ 3,028	-	-	-
	Hsbc Fin Corp	"	-	-	-	-	-	US\$ 4,468	-	US\$ 4,469	US\$ 4,468	US\$ 1	-	-
	Hsbc Fin Corp Mtn	"	-	-	-	US\$ 5,096	-	-	-	US\$ 5,114	US\$ 5,066	US\$ 48	-	-
	International Business Machs	"	-	-	-	-	-	US\$ 3,496	-	-	-	-	-	US\$ 3,555
	Intl Lease Fin Corp Mtn	"	-	-	-	US\$ 4,138	-	-	-	US\$ 4,161	US\$ 4,118	US\$ 43	-	-
	J P Morgan Chase + Co	"	-	-	-	US\$ 3,298	-	-	-	US\$ 3,288	US\$ 3,310	US\$ (22)	-	-
	Key Bk Na Med Term Nts Bk Entr	"	-	-	-	US\$ 4,401	-	-	-	US\$ 4,435	US\$ 4,393	US\$ 42	-	-
	Lehman Brothers Hldgs Inc	"	-	-	-	US\$ 3,150	-	-	-	US\$ 3,152	US\$ 3,150	US\$ 2	-	-
	Lehman Brothers Hldgs Inc	"	-	-	-	-	-	US\$ 3,150	-	-	-	-	-	US\$ 3,052
	Marshall + Isley Corp	"	-	-	-	US\$ 8,420	-	-	-	US\$ 8,487	US\$ 8,453	US\$ 34	-	-
	Massmutual Global Fdg li Mtn	"	-	-	-	-	-	US\$ 3,647	-	-	-	-	-	US\$ 3,737
	Mbna America Bank Na Y	"	-	-	-	US\$ 6,403	-	-	-	US\$ 6,490	US\$ 6,437	US\$ 53	-	-
	Merrill Lynch + Co Inc	"	-	-	-	US\$ 3,453	-	-	-	US\$ 3,464	US\$ 3,426	US\$ 38	-	-
	Merrill Lynch + Co Inc	"	-	-	-	US\$ 4,865	-	-	-	US\$ 4,880	US\$ 4,842	US\$ 38	-	-
	Metropolitan Life Global Mtn	"	-	-	-	US\$ 3,369	-	-	-	US\$ 3,452	US\$ 3,361	US\$ 91	-	-
	Metropolitan Life Golbal Mtn	"	-	-	-	-	-	US\$ 3,325	-	-	-	-	-	US\$ 3,366
	Morgan Stanley	"	-	-	-	US\$ 2,126	-	US\$ 3,337	-	-	-	-	-	US\$ 5,531
	Nucor Corp	"	-	-	-	US\$ 3,797	-	-	-	US\$ 3,790	US\$ 3,811	US\$ (21)	-	-
	Public Svc Elec Gas Co	"	-	-	-	US\$ 3,682	-	-	-	US\$ 3,735	US\$ 3,684	US\$ 51	-	-
	Slm Corp Medium Term Nts	"	-	-	-	US\$ 8,998	-	-	-	US\$ 9,008	US\$ 8,949	US\$ 59	-	-
	Vodafone Airtouch Plc	"	-	-	-	US\$ 4,449	-	-	-	US\$ 4,403	US\$ 4,477	US\$ (74)	-	-
	Wachovia Corp New	"	-	-	-	-	-	US\$ 3,100	-	-	-	-	-	US\$ 3,168
	Wachovia Corp New	"	-	-	-	-	-	US\$ 3,491	-	US\$ 3,484	US\$ 3,491	US\$ (7)	-	-

(Continued)

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal (Note 2)				Ending Balance	
					Shares/Units (in Thousands)	Amount (US\$ in Thousands)	Shares/Units (in Thousands) (Note 1)	Amount (US\$ in Thousands)	Shares/Units (In Thousands)	Amount (US\$ in Thousands)	Carrying Value (US\$ in Thousands)	Gain (Loss) or Disposal (US\$ in Thousands)	Shares/Units (In Thousands)	Amount (US\$ in Thousands) (Note 3)
	Wachovia Corp New	Available-for-sale financial assets	-	-	-	US\$ 2,040	-	US\$ 1,534	-	US\$ 3,563	US\$ 3,582	US\$ (19)	-	US\$ -
	Washington Mut Bk Fa	"	-	-	-	US\$ 3,997	-	-	-	US\$ 3,998	US\$ 4,000	US\$ (2)	-	US\$ -
	Corporate issued asset-backed securities													
	American Home Mtg Assets Tr	Available-for-sale financial assets	-	-	-	-	-	US\$ 3,382	-	US\$ 3,187	US\$ 3,380	US\$ (193)	-	US\$ -
	Americredit Automobile Rec Tr	"	-	-	-	US\$ 3,269	-	-	-	US\$ 3,196	US\$ 3,216	US\$ (20)	-	US\$ -
	Ba Cr Card Tr	"	-	-	-	US\$ 4,300	-	-	-	US\$ 4,260	US\$ 4,350	US\$ (90)	-	US\$ -
	Banc Amer Coml Mtg Inc	"	-	-	-	-	-	US\$ 4,591	-	-	-	-	-	US\$ 4,591
	Bear Stearns Coml Mtg Secs Inc	"	-	-	-	-	-	US\$ 5,259	-	-	-	-	-	US\$ 5,099
	Capital Auto Receivables Asset	"	-	-	-	US\$ 3,243	-	-	-	US\$ 3,243	US\$ 3,232	US\$ 11	-	US\$ -
	Capital One Multi Asset Exec	"	-	-	-	-	-	US\$ 8,998	-	-	-	-	-	US\$ 9,118
	Capital One Prime Auto Rec	"	-	-	-	US\$ 3,981	-	-	-	US\$ 3,995	US\$ 3,999	US\$ (4)	-	US\$ -
	Capital One Prime Auto Receivea	"	-	-	-	-	-	US\$ 3,500	-	-	-	-	-	US\$ 3,498
	Caterpillar Finl Asset Tr	"	-	-	-	US\$ 8,142	-	-	-	US\$ 8,181	US\$ 8,089	US\$ 92	-	US\$ -
	Cendant Rent Car Fdg Aesop Llc	"	-	-	-	US\$ 9,297	-	-	-	US\$ 4,493	US\$ 4,433	US\$ 60	-	US\$ 2,663
	Credit Suisse First Boston Mtg	"	-	-	-	-	-	US\$ 7,613	-	-	-	-	-	US\$ 6,842
	Credit Suisse First Boston Mtg	"	-	-	-	-	-	US\$ 7,637	-	-	-	-	-	US\$ 6,704
	First Un Natl Bk Coml Mtg Tr	"	-	-	-	-	-	US\$ 5,188	-	-	-	-	-	US\$ 5,172
	Ford Credit Auto Owner Trust	"	-	-	-	US\$ 4,324	-	-	-	US\$ 4,321	US\$ 4,310	US\$ 11	-	US\$ -
	Gsamp Tr	"	-	-	-	US\$ 4,251	-	-	-	US\$ 3,868	US\$ 4,241	US\$ (373)	-	US\$ -
	Harley Davidson Motorcycle Tr	"	-	-	-	US\$ 5,825	-	-	-	US\$ 3,933	US\$ 3,904	US\$ 29	-	US\$ -
	Hertz Veh Fing Llc	"	-	-	-	US\$ 5,319	-	-	-	US\$ 5,278	US\$ 5,284	US\$ (6)	-	US\$ -
	Honda Auto Receivables	"	-	-	-	-	-	US\$ 3,373	-	US\$ 3,381	US\$ 3,373	US\$ 8	-	US\$ -
	Hyundai Auto Receivables Tr	"	-	-	-	US\$ 3,928	-	-	-	US\$ 3,460	US\$ 3,443	US\$ 17	-	US\$ -
	Lb Ubs Coml Mtg Tr	"	-	-	-	US\$ 3,493	-	-	-	US\$ 3,177	US\$ 3,101	US\$ 76	-	US\$ -
	Lb Ubs Coml Mtg Tr	"	-	-	-	-	-	US\$ 3,884	-	-	-	-	-	US\$ 3,884
	Mbna Cr Card Master Nt Tr	"	-	-	-	-	-	US\$ 4,500	-	US\$ 4,449	US\$ 4,500	US\$ (51)	-	US\$ -
	Mbna Master Cr Card Tr Ii	"	-	-	-	US\$ 7,605	-	-	-	US\$ 7,552	US\$ 7,653	US\$ (101)	-	US\$ -
	Merrill Lynch Mtg Invs Inc	"	-	-	-	US\$ 5,887	-	-	-	US\$ 4,630	US\$ 4,988	US\$ (358)	-	US\$ -
	Nissan Auto Receivables	"	-	-	-	US\$ 3,928	-	-	-	US\$ 3,928	US\$ 3,943	US\$ (15)	-	US\$ -
	Providian Gateway Owner Tr	"	-	-	-	US\$ 3,942	-	-	-	US\$ 3,961	US\$ 3,911	US\$ 50	-	US\$ -
	Stuctured Adj Rate Mtg Ln Tr	"	-	-	-	-	-	US\$ 3,981	-	US\$ 3,786	US\$ 3,887	US\$ (101)	-	US\$ -
	Tiaa Seasoned Coml Mtg Tr	"	-	-	-	-	-	US\$ 4,171	-	-	-	-	-	US\$ 4,016
	Tw Hotel Fdg 2005 Llc	"	-	-	-	US\$ 4,103	-	-	-	US\$ 3,325	US\$ 3,338	US\$ (13)	-	US\$ -
	Usaa Auto Owner Tr	"	-	-	-	-	-	US\$ 4,999	-	-	-	-	-	US\$ 4,998
	Usaa Auto Owner Tr	"	-	-	-	US\$ 4,238	-	-	-	US\$ 4,260	US\$ 4,246	US\$ 14	-	US\$ -
	Wamu Mtg	"	-	-	-	-	-	US\$ 3,656	-	-	-	-	-	US\$ 3,242
	Wamu Mtg Pass Thru Cfts Tr	"	-	-	-	-	-	US\$ 4,854	-	US\$ 3,760	US\$ 4,048	US\$ (288)	-	US\$ -
	Wells Fargo Finl Auto Owner Tr	"	-	-	-	US\$ 4,986	-	-	-	US\$ 3,535	US\$ 3,515	US\$ 20	-	US\$ -
	Wells Fargo Mtg Backed Secs	"	-	-	-	-	-	US\$ 3,935	-	-	-	-	-	US\$ 3,816
	Wells Fargo Mtg Backed Secs	"	-	-	-	-	-	US\$ 4,008	-	-	-	-	-	US\$ 3,931
	Government bonds													
	United States Treas Nt	Available-for-sale financial assets	-	-	-	-	-	US\$ 42,302	-	US\$ 42,891	US\$ 42,302	US\$ 589	-	US\$ -
	United States Treas Nt	"	-	-	-	-	-	US\$ 5,059	-	US\$ 5,007	US\$ 5,059	US\$ (52)	-	US\$ -
	United States Treas Nts	"	-	-	-	-	-	US\$ 60,837	-	US\$ 34,754	US\$ 34,896	US\$ (142)	-	US\$ 25,924
	United States Treas Nts	"	-	-	-	-	-	US\$ 6,837	-	US\$ 7,052	US\$ 6,837	US\$ 215	-	US\$ -
	United States Treas Nts	"	-	-	-	-	-	US\$ 8,073	-	US\$ 3,037	US\$ 3,036	US\$ 1	-	US\$ 5,070
	United States Treas Nts	"	-	-	-	-	-	US\$ 33,800	-	US\$ 34,440	US\$ 33,800	US\$ 640	-	US\$ -
	United States Treas Nts	"	-	-	-	-	-	US\$ 25,041	-	US\$ 25,606	US\$ 25,041	US\$ 565	-	US\$ -

(Continued)

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal (Note 2)				Ending Balance	
					Shares/Units (in Thousands)	Amount (US\$ in Thousands)	Shares/Units (in Thousands) (Note 1)	Amount (US\$ in Thousands)	Shares/Units (In Thousands)	Amount (US\$ in Thousands)	Carrying Value (US\$ in Thousands)	Gain (Loss) or Disposal (US\$ in Thousands)	Shares/Units (In Thousands)	Amount (US\$ in Thousands) (Note 3)
	United States Treas Nts	Available-for-sale financial assets	-	-	-	US\$ -	-	US\$ 11,676	-	US\$ 6,121	US\$ 6,092	US\$ 29	-	US\$ 5,613
	United States Treas Nts	"	-	-	-	US\$ 5,936	-	-	-	US\$ 5,936	US\$ 5,944	US\$ (8)	-	-
	United States Treas Nts	"	-	-	-	-	-	US\$ 12,876	-	US\$ 13,318	US\$ 12,876	US\$ 442	-	-
	United States Treas Nts	"	-	-	-	-	-	US\$ 6,957	-	US\$ 6,935	US\$ 6,957	US\$ (22)	-	-
	United States Treas Nts	"	-	-	-	-	-	US\$ 15,113	-	US\$ 10,313	US\$ 10,056	US\$ 257	-	US\$ 5,160
	United States Treas Nts	"	-	-	-	-	-	US\$ 10,746	-	US\$ 10,768	US\$ 10,746	US\$ 22	-	-
	United States Treas Nts	"	-	-	-	-	-	US\$ 5,078	-	US\$ 5,170	US\$ 5,078	US\$ 92	-	-
	United States Treas Nts	"	-	-	-	US\$ 12,350	-	-	-	US\$ 12,363	US\$ 12,295	US\$ 68	-	-
	United States Treas Nts	"	-	-	-	-	-	US\$ 109,310	-	US\$ 67,657	US\$ 67,440	US\$ 217	-	US\$ 42,509
	United States Treas Nts	"	-	-	-	-	-	US\$ 46,901	-	US\$ 44,003	US\$ 43,603	US\$ 400	-	US\$ 3,359
	United States Treas Nts	"	-	-	-	-	-	US\$ 20,692	-	US\$ 21,138	US\$ 20,692	US\$ 446	-	-
	United States Treas Nts	"	-	-	-	-	-	US\$ 34,573	-	US\$ 34,574	US\$ 34,573	US\$ 1	-	-
	United States Treas Nts	"	-	-	-	US\$ 60,929	-	-	-	US\$ 60,813	US\$ 61,165	US\$ (352)	-	-
	United States Treas Nts	"	-	-	-	-	-	US\$ 19,628	-	US\$ 19,903	US\$ 19,628	US\$ 275	-	-
	United States Treas Nts	"	-	-	-	-	-	US\$ 26,131	-	US\$ 26,501	US\$ 26,131	US\$ 370	-	-
	United States Treas Nts	"	-	-	-	-	-	US\$ 146,634	-	US\$ 139,925	US\$ 138,892	US\$ 1,033	-	US\$ 7,758
	United States Treas Nts	"	-	-	-	-	-	US\$ 16,788	-	US\$ 16,766	US\$ 16,788	US\$ (22)	-	-
	United States Treas Nts	"	-	-	-	-	-	US\$ 271,758	-	US\$ 271,969	US\$ 271,758	US\$ 211	-	-
	United States Treas Nts	"	-	-	-	US\$ 4,009	-	-	-	US\$ 4,019	US\$ 3,996	US\$ 23	-	-
	United States Treas Nts	"	-	-	-	-	-	US\$ 29,438	-	US\$ 20,089	US\$ 19,959	US\$ 130	-	US\$ 9,735
	United States Treas Nts	"	-	-	-	US\$ 56,526	-	US\$ 131,185	-	US\$ 187,636	US\$ 187,804	US\$ (168)	-	-
	United States Treas Nts	"	-	-	-	-	-	US\$ 8,596	-	US\$ 8,552	US\$ 8,596	US\$ (44)	-	-
	Us Treas Nts	"	-	-	-	-	-	US\$ 14,102	-	US\$ 14,203	US\$ 14,102	US\$ 101	-	-
	Us Treasury Nts	"	-	-	-	US\$ 4,834	-	-	-	US\$ 4,927	US\$ 4,827	US\$ 100	-	-
	Us Treasury Nts	"	-	-	-	-	-	US\$ 30,867	-	US\$ 31,573	US\$ 30,867	US\$ 706	-	-
	Us Treasury Nts	"	-	-	-	US\$ 5,467	-	-	-	US\$ 5,517	US\$ 5,456	US\$ 61	-	-
	Us Treasury Nts	"	-	-	-	-	-	US\$ 10,362	-	US\$ 10,369	US\$ 10,362	US\$ 7	-	-
	Wi Treasury Sec	"	-	-	-	-	-	US\$ 59,595	-	US\$ 53,577	US\$ 53,189	US\$ 388	-	US\$ 6,500

Note 1: The shares/units and amount of marketable securities acquired do not include stock dividends from investees.

Note 2: The data for marketable securities disposed, exclude bonds maturities.

Note 3: The ending balance includes the amortization of premium/discount on bonds investments, unrealized valuation gains/ losses on financial assets or equity in earnings of equity method investees.

(Concluded)

**Taiwan Semiconductor Manufacturing Company Limited**

**ACQUISITION OF INDIVIDUAL REAL ESTATE PROPERTIES AT COSTS OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 2007**

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

Company Name	Types of Property	Transaction Date	Transaction Amount	Payment Term	Counter-party	Nature of Relationships	Prior Transaction of Related Counter-party				Price Reference	Purpose of Acquisition	Other Terms
							Owner	Relationships	Transfer Date	Amount			
The Company	Fab	January 4, 2007	\$198,000	By the construction progress	Lead Fu Industry Corp.	-	N/A	N/A	N/A	N/A	Public bidding	Manufacturing purpose	None

**Taiwan Semiconductor Manufacturing Company Limited and Investees**

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 2007  
(Amounts in Thousands of New Taiwan Dollars)**

Company Name	Related Party	Nature of Relationships	Transaction Details				Abnormal Transaction		Notes/Accounts Payable or Receivable		Note
			Purchases/ Sales	Amount	% to Total	Payment Terms	Unit Price (Note)	Payment Terms (Note)	Ending Balance	% to Total	
The Company	TSMC-North America GUC	Subsidiary	Sales	\$ 192,846,641	61	Net 30 days after invoice date	-	-	\$ 26,626,880	60	
		Investee with a controlling financial interest	Sales	795,232	-	Net 30 days after monthly closing	-	-	74,003	-	
	TSMC-Shanghai WaferTech	Subsidiary	Sales	155,799	-	Net 30 days after monthly closing	-	-	-	-	
		Indirect subsidiary	Purchases	8,774,750	18	Net 30 days after monthly closing	-	-	(784,280)	6	
	TSMC-Shanghai SSMC	Subsidiary	Purchases	5,828,541	12	Net 30 days after monthly closing	-	-	(596,581)	5	
		Investee accounted for using equity method	Purchases	5,468,410	11	Net 30 days after monthly closing	-	-	(655,029)	5	
	VIS	Investee accounted for using equity method	Purchases	4,188,107	9	Net 30 days after monthly closing	-	-	(838,584)	7	
GUC	TSMC-North America	Same parent company	Purchases	1,766,788	54	Net 30 days after invoice date/net 45 days after monthly closing	-	-	(139,402)	16	
Xintec	VisEra OmniVision	Same president	Sales	1,050,497	31	Net 45 days after shipping	-	-	10,120	2	
		Parent company of director (represented for Xintec)	Sales	1,813,412	54	Net 45 days after shipping	-	-	431,801	84	

Note: The terms of sales to related parties are not significantly different from those to third parties. For purchase transactions, prices are determined in accordance with the related contractual agreements and no other similar transaction could be compared with.

**Taiwan Semiconductor Manufacturing Company Limited and Investees**

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
DECEMBER 31, 2007  
(Amounts in Thousands of New Taiwan Dollars)**

Company Name	Related Party	Nature of Relationships	Ending Balance	Turnover Days (Note)	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amounts	Action Taken		
The Company	TSMC-North America	Subsidiary	\$ 26,725,765	41	\$ 8,164,297	Accelerate demand on account receivable	\$ 4,521,960	\$ -
	TSMC-Shanghai	Subsidiary	151,037	-	-	-	-	-
	GUC	Investee with a controlling financial interest	118,749	-	8,081	Accelerate demand on account receivable	-	-
Xintec	VisEra	Same president	10,120	69	1,075	Accelerate demand on account receivable	-	-
	OmniVision	Parent company of director (represented for Xintec)	431,801	43	-	-	-	-

Note: The calculation of turnover days excludes other receivables from related parties.

## Taiwan Semiconductor Manufacturing Company Limited

## NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE

DECEMBER 31, 2007

(Amounts in Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2007			Net Income (Losses) of the Investee	Equity in the Earnings (Losses) (Note 2)	Note
				December 31, 2007	December 31, 2006	Shares (in Thousands)	Percentage of Ownership	Carrying Value (Note 1)			
The Company	TSMC Global	Tortola, British Virgin Islands	Investment activities	\$ 42,327,245	\$ 42,327,245	1	100	\$ 44,204,188	\$ 2,321,568	\$ 2,321,568	Subsidiary
	TSMC International	Tortola, British Virgin Islands	Providing investment in companies involved in the design, manufacture, and other related business in the semiconductor industry	31,445,780	31,445,780	987,968	100	27,688,565	562,155	562,155	Subsidiary
	VIS	Hsin-Chu, Taiwan	Research, design, development, manufacture, packaging, testing and sale of memory integrated circuits, LSI, VLSI and related parts	13,047,681	8,119,816	616,240	36	11,024,568	4,321,071	1,085,203	Investee accounted for using equity method
	SSMC	Singapore	Fabrication and supply of integrated circuits	8,840,895	8,840,895	463	39	9,092,741	3,552,556	1,180,962	Investee accounted for using equity method
	TSMC-Shanghai	Shanghai, China	Manufacturing and sales of integrated circuits at the order of and pursuant to product design specifications provided by customers	12,180,367	12,180,367	-	100	8,622,715	(959,387)	(957,835)	Subsidiary
	TSMC Partners	Tortola, British Virgin Islands	Investment activities	10,350	10,350	300	100	4,734,180	302,505	302,505	Subsidiary
	TSMC-North America	San Jose, California, U.S.A.	Sales and marketing of integrated circuits and semiconductor devices	333,718	333,718	11,000	100	2,255,647	253,276	253,276	Subsidiary
	Xintec	Taoyuan, Taiwan	Wafer level chip size packaging service	1,357,890	-	91,703	43	1,501,521	501,174	182,265	Investee with a controlling financial interest
	VTAF II	Cayman Islands	Investing in new start-up technology companies	1,095,622	785,465	-	98	1,170,841	140,497	137,687	Subsidiary
	VTAF III	Cayman Islands	Investing in new start-up technology companies	973,459	243,545	-	98	906,536	(41,533)	(40,702)	Subsidiary
	GUC	Hsin-Chu, Taiwan	Researching, developing, manufacturing, testing and marketing of integrated circuits	386,568	386,568	42,572	37	823,552	732,585	251,198	Investee with a controlling financial interest
	Emerging Alliance	Cayman Islands	Investing in new start-up technology companies	1,019,042	1,418,717	-	99	467,873	137,202	136,516	Subsidiary
	Chi Cherng	Taipei, Taiwan	Investment activities	300,000	300,000	-	36	173,429	59,407	8,573	Subsidiary
	Hsin Ruey	Taipei, Taiwan	Investment activities	300,000	300,000	-	36	171,658	58,751	7,822	Subsidiary
	TSMC-Japan	Yokohama, Japan	Marketing activities	83,760	83,760	6	100	104,929	3,531	3,531	Subsidiary
TSMC-Europe	Amsterdam, the Netherlands	Marketing activities	15,749	15,749	-	100	88,702	31,366	31,366	Subsidiary	
TSMC-Korea	Seoul, Korea	Marketing activities	13,656	13,656	80	100	16,436	2,140	2,140	Subsidiary	

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

Note 2: Equity in earnings/losses of investees include the effect of unrealized gross profit from affiliates.

**Taiwan Semiconductor Manufacturing Company Limited**

**INFORMATION OF INVESTMENT IN MAINLAND CHINA  
FOR THE YEAR ENDED DECEMBER 31, 2007**

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

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital (RMB in Thousand)	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2007 (US\$ in Thousand)	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2007 (US\$ in Thousand)	Percentage of Ownership	Equity in the Earnings (Losses) (Note 2)	Carrying Value as of December 31, 2007	Accumulated Inward Remittance of Earnings as of December 31, 2007
					Outflow (US\$ in Thousand)	Inflow					
TSMC (Shanghai) Company Limited	Manufacturing and sales of integrated circuits at the order of and pursuant to product design specifications provided by customers	\$12,180,367 (RMB3,070,623)	(Note 1)	\$12,180,367 (US\$371,000)	\$ -	\$ -	\$12,180,367 (US\$371,000)	100%	\$(957,835)	\$8,622,715	\$ -

Accumulated Investment in Mainland China as of December 31, 2007 (US\$ in Thousand)	Investment Amounts Authorized by Investment Commission, MOEA (US\$ in Thousand)	Upper Limit on Investment (US\$ in Thousand)
\$12,180,367 (US\$371,000)	\$12,180,367 (US\$371,000)	\$12,180,367 (US\$371,000)

Note 1: Direct investments US\$371,000 thousand in TSMC-Shanghai.

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