

**Taiwan Semiconductor Manufacturing
Company Limited and Subsidiaries**

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

REPRESENTATION LETTER

The entities that are required to be included in the combined financial statements of Taiwan Semiconductor Manufacturing Company Limited as of and for the year ended December 31, 2007, under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the revised Statement of Financial Accounting Standards No. 7, "Consolidated Financial Statements". In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries do not prepare a separate set of combined financial statements.

Very truly yours,

TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LIMITED

By

MORRIS CHANG
Chairman

January 10, 2008

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Taiwan Semiconductor Manufacturing Company Limited

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

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Taiwan Semiconductor Manufacturing Company Limited and subsidiaries as of December 31, 2007 and 2006, and the results of their consolidated operations and their consolidated 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.

January 10, 2008

Notice to Readers

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

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

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2007 AND 2006

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

ASSETS	2007		2006		LIABILITIES AND SHAREHOLDERS' EQUITY	2007		2006	
	Amount	%	Amount	%		Amount	%	Amount	%
CURRENT ASSETS					CURRENT LIABILITIES				
Cash and cash equivalents (Notes 2 and 4)	\$ 94,986,488	16	\$ 117,837,192	20	Financial liabilities at fair value through profit or loss (Notes 2, 3 and 5)	\$ 249,313	-	\$ 10,864	-
Financial assets at fair value through profit or loss (Notes 2, 3 and 5)	1,632,387	-	1,206,854	-	Notes and accounts payable	11,574,882	2	7,934,388	1
Available-for-sale financial assets (Notes 2, 3 and 6)	66,688,368	12	67,523,858	12	Payables to related parties (Note 25)	1,503,376	1	1,867,728	-
Held-to-maturity financial assets (Notes 2 and 7)	11,526,946	2	8,510,823	2	Income tax payable (Notes 2 and 18)	11,126,128	2	7,946,473	2
Receivables from related parties (Note 25)	10,885	-	252,339	-	Accrued expenses and other current liabilities (Notes 16 and 28)	17,714,763	3	11,328,350	2
Notes and accounts receivable	47,204,126	8	34,957,650	6	Payables to contractors and equipment suppliers	6,256,732	1	10,768,591	2
Allowance for doubtful receivables (Notes 2 and 8)	(701,807)	-	(749,888)	-	Current portion of bonds payable and long-term liabilities (Notes 14, 15 and 26)	280,813	-	7,004,137	1
Allowance for sales returns and others (Notes 2 and 8)	(4,089,035)	(1)	(2,870,802)	(1)					
Other receivables from related parties (Note 25)	243,620	-	256,863	-	Total current liabilities	48,706,007	9	46,860,531	8
Other financial assets (Note 26)	1,515,527	-	2,356,542	1					
Inventories, net (Notes 2 and 9)	23,862,260	4	21,430,728	4	LONG-TERM LIABILITIES				
Deferred income tax assets, net (Notes 2 and 18)	5,572,334	1	8,013,992	1	Bonds payable (Note 14)	12,500,000	2	12,500,000	2
Prepaid expenses and other current assets	1,370,230	-	1,591,017	-	Long-term bank loans (Notes 15 and 26)	1,722,196	-	653,959	-
					Other long-term payables (Notes 16 and 28)	9,409,978	2	8,703,267	2
Total current assets	249,822,329	42	260,317,168	45	Other payables to related parties (Notes 25 and 28)	-	-	403,375	-
					Obligations under capital leases (Note 2)	652,296	-	612,941	-
LONG-TERM INVESTMENTS (Notes 2, 3, 6, 7, 10 and 11)									
Investments accounted for using equity method	22,517,289	4	15,000,891	2	Total long-term liabilities	24,284,470	4	22,873,542	4
Available-for-sale financial assets	1,400,691	-	6,648,485	1					
Held-to-maturity financial assets	8,697,726	2	28,973,495	5	OTHER LIABILITIES				
Financial assets carried at cost	3,845,619	1	3,272,280	1	Accrued pension cost (Notes 2 and 17)	3,665,522	1	3,540,060	1
					Guarantee deposits (Note 28)	2,243,009	-	3,817,132	1
Total long-term investments	36,461,325	7	53,895,151	9	Deferred credits (Notes 2 and 25)	1,236,873	-	1,177,138	-
					Others	43,774	-	78,640	-
PROPERTY, PLANT AND EQUIPMENT (Notes 2, 12 and 26)									
Cost					Total other liabilities	7,189,178	1	8,612,970	2
Land and land improvements	942,197	-	844,644	-					
Buildings	118,640,027	21	112,595,124	19	Total liabilities	80,179,655	14	78,347,043	14
Machinery and equipment	646,419,427	113	579,825,289	99					
Office equipment	11,829,640	2	10,646,725	2	EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT				
Leased assets	652,296	-	612,941	-	Capital stock - \$10 par value				
	778,483,587	136	704,524,723	120	Authorized: 28,050,000 thousand shares in 2007				
Accumulated depreciation	(540,099,567)	(94)	(463,038,084)	(79)	27,050,000 thousand shares in 2006				
Advance payments and construction in progress	21,868,167	4	12,607,551	2	Issued: 26,427,104 thousand shares in 2007				
					25,829,688 thousand shares in 2006	264,271,037	46	258,296,879	44
Net property, plant and equipment	260,252,187	46	254,094,190	43	Capital surplus (Notes 2 and 20)	53,732,682	9	54,107,498	9
					Retained earnings (Note 20)				
INTANGIBLE ASSETS					Appropriated as legal capital reserve	56,406,684	10	43,705,711	7
Goodwill (Note 2)	5,987,582	1	5,984,993	1	Appropriated as special capital reserve	629,550	-	640,742	-
Deferred charges, net (Notes 2 and 13)	7,923,601	2	5,936,915	1	Unappropriated earnings	161,828,337	28	152,778,079	26
						218,864,571	38	197,124,532	33
Total intangible assets	13,911,183	3	11,921,908	2	Others (Notes 2, 3, 22 and 24)				
					Cumulative translation adjustments	(1,072,853)	-	(1,191,165)	-
OTHER ASSETS					Unrealized gain on financial instruments	680,997	-	561,615	-
Deferred income tax assets, net (Notes 2 and 18)	7,313,283	1	5,802,142	1	Treasury stock: 834,096 thousand shares in 2007				
Refundable deposits	2,777,769	1	1,331,245	-	33,926 thousand shares in 2006	(49,385,032)	(8)	(918,075)	-
Others	327,150	-	123,355	-		(49,776,888)	(8)	(1,547,625)	-
					Equity attributable to shareholders of the parent	487,091,402	85	507,981,284	86
Total other assets	10,418,202	2	7,256,742	1					
					MINORITY INTERESTS (Note 2)	3,594,169	1	1,156,832	-
TOTAL	\$ 570,865,226	100	\$ 587,485,159	100	Total shareholders' equity	490,685,571	86	509,138,116	86
					TOTAL	\$ 570,865,226	100	\$ 587,485,159	100

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

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

CONSOLIDATED STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

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

	2007		2006	
	Amount	%	Amount	%
GROSS SALES (Notes 2 and 25)	\$ 328,336,172		\$ 322,883,499	
SALES RETURNS AND ALLOWANCES (Note 2)	<u>5,705,576</u>		<u>5,476,328</u>	
NET SALES	322,630,596	100	317,407,171	100
COST OF SALES (Notes 19 and 25)	<u>180,280,385</u>	<u>56</u>	<u>161,597,081</u>	<u>51</u>
GROSS PROFIT	<u>142,350,211</u>	<u>44</u>	<u>155,810,090</u>	<u>49</u>
OPERATING EXPENSES (Notes 19 and 25)				
Research and development	17,946,322	5	16,076,432	5
General and administrative	8,963,836	3	8,716,653	3
Marketing	<u>3,718,146</u>	<u>1</u>	<u>3,752,311</u>	<u>1</u>
Total operating expenses	<u>30,628,304</u>	<u>9</u>	<u>28,545,396</u>	<u>9</u>
INCOME FROM OPERATIONS	<u>111,721,907</u>	<u>35</u>	<u>127,264,694</u>	<u>40</u>
NON-OPERATING INCOME AND GAINS				
Interest income (Note 2)	5,651,700	2	4,542,149	2
Equity in earnings of equity method investees, net (Notes 2 and 10)	2,507,869	1	2,347,153	1
Settlement income (Note 28)	985,114	1	979,214	-
Gain on settlement and disposal of financial instruments, net (Notes 2, 5 and 24)	633,109	-	-	-
Technical service income (Notes 25 and 28)	590,391	-	571,500	-
Rental income (Note 25)	378,643	-	224,290	-
Subsidy income (Note 2)	364,321	-	334,478	-
Valuation gain on financial instruments, net (Notes 2, 5 and 24)	304,578	-	-	-
Gain on disposal of property, plant and equipment and other assets (Notes 2 and 25)	91,210	-	421,051	-
Foreign exchange gain, net (Note 2)	80,922	-	-	-
Others (Note 25)	<u>345,946</u>	<u>-</u>	<u>285,757</u>	<u>-</u>
Total non-operating income and gains	<u>11,933,803</u>	<u>4</u>	<u>9,705,592</u>	<u>3</u>
NON-OPERATING EXPENSES AND LOSSES				
Provision for litigation loss (Note 28k)	1,008,635	1	-	-
Interest expense	842,242	-	890,602	1
Loss on impairment of financial assets (Note 2)	54,208	-	279,690	-
Loss on disposal of property, plant and equipment (Note 2)	6,190	-	241,397	-

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Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

CONSOLIDATED 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)

	Equity Attributable to Shareholders of the Parent										Others		Total Shareholders' Equity	
	Capital Stock		Capital Surplus	Retained Earnings				Cumulative Translation Adjustments	Unrealized Gain (Loss) on Financial Instruments	Treasury Stock	Total	Total		Minority Interests
	Shares (in Thousands)	Amount		Legal Capital Reserve	Capital Reserve	Special Unappropriated Earnings	Total							
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)	\$ (1,558,817)	\$ 445,630,349	\$ 608,359	\$ 446,238,708
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)	-	-	(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)	-	-	(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)	-	-	(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	185,515	127,195,246
Adjustment arising from changes in percentage of ownership in equity method investees	-	-	187,095	-	-	-	-	-	-	-	-	187,095	-	187,095
Translation adjustments	-	-	-	-	-	-	-	(550,423)	-	-	(550,423)	(550,423)	(126,206)	(676,629)
Issuance of stock from exercising employee stock options	14,550	145,496	429,701	-	-	-	-	-	-	-	-	575,197	-	575,197
Cash dividends received by subsidiaries from parent company	-	-	82,320	-	-	-	-	-	-	-	-	82,320	-	82,320
Valuation gain on available-for-sale financial assets	-	-	-	-	-	-	-	-	386,017	-	386,017	386,017	2,147	388,164
Equity in the valuation gain on available-for-sale financial assets held by equity method investees	-	-	-	-	-	-	-	-	175,598	-	175,598	175,598	-	175,598
Increase in minority interests	-	-	-	-	-	-	-	-	-	-	-	-	487,017	487,017
BALANCE, JANUARY 1, 2007	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)	(1,547,625)	507,981,284	1,156,832	509,138,116
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)	-	-	(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)	-	-	(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)	-	-	(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	755,307	109,932,400
Adjustment arising from changes in percentage of ownership in equity method investees	-	-	(28,639)	-	-	-	-	-	-	-	-	(28,639)	31,862	3,223
Translation adjustments	-	-	-	-	-	-	-	118,312	-	-	118,312	118,312	(99,318)	18,994
Issuance of stock from exercising employee stock options	10,988	109,875	326,952	-	-	-	-	-	-	-	-	436,827	-	436,827
Cash dividends received by subsidiaries from parent company	-	-	101,762	-	-	-	-	-	-	-	-	101,762	-	101,762
Valuation gain on available-for-sale financial assets	-	-	-	-	-	-	-	-	241,821	-	241,821	241,821	19,487	261,308
Equity in the valuation loss on available-for-sale financial assets held by equity method investees	-	-	-	-	-	-	-	-	(122,439)	-	(122,439)	(122,439)	-	(122,439)
Treasury stock repurchased by the Company	-	-	-	-	-	-	-	-	(48,466,957)	(48,466,957)	(48,466,957)	(48,466,957)	-	(48,466,957)
Increase in minority interests	-	-	-	-	-	-	-	-	-	-	-	-	1,729,999	1,729,999
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>\$ (49,776,888)</u>	<u>\$ 487,091,402</u>	<u>\$ 3,594,169</u>	<u>\$ 490,685,571</u>

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

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

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

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income attributable to shareholders of the parent	\$ 109,177,093	\$ 127,009,731
Net income attributable to minority interests	755,307	185,515
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	80,005,395	73,715,242
Amortization of premium/discount of financial assets	(117,159)	2,399
Loss on impairment of financial assets	54,208	279,690
Gain on disposal of available-for-sale financial assets, net	(610,167)	(90,826)
Equity in earnings of equity method investees, net	(2,507,869)	(2,347,153)
Dividends received from equity method investees	625,130	614,567
Gain on disposal of financial assets carried at cost, net	(264,503)	(16,210)
Gain on disposal of property, plant and equipment and other assets, net	(85,020)	(179,654)
Deferred income tax	943,797	121,590
Loss on idle assets	-	44,072
Net changes in operating assets and liabilities:		
Decrease (increase) in:		
Financial assets and liabilities at fair value through profit or loss	(187,084)	340,176
Receivables from related parties	629,467	440,927
Notes and accounts receivable	(12,134,176)	8,124,625
Allowance for doubtful receivables	(48,126)	(230,706)
Allowance for sales returns and others	1,205,277	(1,446,611)
Other receivables from related parties	13,243	341,047
Other financial assets	842,136	(738,745)
Inventories	(2,226,106)	(3,702,425)
Prepaid expenses and other current assets	290,434	(170,576)
Increase (decrease) in:		
Notes and accounts payable	3,218,255	(1,487,064)
Payables to related parties	(375,731)	(572,441)
Income tax payable	3,179,655	3,931,022
Accrued expenses and other current liabilities	913,872	862,428
Accrued pension cost	125,462	65,676
Deferred credits	343,878	(99,310)
Net cash provided by operating activities	<u>183,766,668</u>	<u>204,996,986</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of:		
Available-for-sale financial assets	(87,550,197)	(119,291,685)
Held-to-maturity financial assets	-	(18,554,027)
Investments accounted for using equity method	(5,803,826)	(2,613,009)
Financial assets carried at cost	(911,323)	(511,632)
Property, plant and equipment	(84,000,985)	(78,737,265)

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Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

CONSOLIDATED 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	\$ 94,908,666	\$ 91,620,367
Held-to-maturity financial assets	17,325,120	10,410,000
Financial assets carried at cost	410,465	126,465
Property, plant and equipment and other assets	60,535	518,705
Increase in deferred charges	(3,059,155)	(1,414,742)
Increase in refundable deposits	(1,434,895)	(1,224,443)
Net cash paid for acquisition of subsidiaries	(404,445)	-
Increase in other assets	<u>(228,747)</u>	<u>(52,086)</u>
Net cash used in investing activities	<u>(70,688,787)</u>	<u>(119,723,352)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in short-term bank loans	(89,720)	(328,500)
Increase in long-term bank loans	653,000	-
Repayments of:		
Bonds payable	(7,000,000)	-
Long-term bank loans	(196,173)	(5,489)
Increase (decrease) in guarantee deposits	(1,574,131)	920,702
Cash dividends	(77,387,302)	(61,742,741)
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
Increase in minority interests	<u>19,004</u>	<u>487,017</u>
Net cash used in financing activities	<u>(135,410,466)</u>	<u>(63,783,353)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(22,332,585)	21,490,281
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(518,119)	(136,796)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>117,837,192</u>	<u>96,483,707</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 94,986,488</u>	<u>\$ 117,837,192</u>
SUPPLEMENTAL INFORMATION		
Interest paid	<u>\$ 922,079</u>	<u>\$ 951,450</u>
Income tax paid	<u>\$ 7,585,727</u>	<u>\$ 3,630,029</u>

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Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

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

	2007	2006
INVESTING ACTIVITIES AFFECTING BOTH CASH AND NON-CASH ITEMS		
Acquisition of property, plant and equipment	\$ 78,889,954	\$ 80,675,310
Decrease (increase) in payables to contractors and equipment suppliers	5,111,031	(1,702,555)
Increase in other long-term payables	-	(235,490)
Cash paid	<u>\$ 84,000,985</u>	<u>\$ 78,737,265</u>
Repurchase of treasury stock	\$ 48,466,957	\$ -
Increase in accrued expenses and other current liabilities	(3,053,584)	-
Cash paid	<u>\$ 45,413,373</u>	<u>\$ -</u>
NONCASH FINANCING ACTIVITIES		
Current portion of bonds payable and long-term liabilities	<u>\$ 280,813</u>	<u>\$ 7,004,137</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 payables and other liabilities (under accrued expenses and other current liabilities)	<u>\$ 3,735,875</u>	<u>\$ 617,892</u>

The Company acquired controlling interests in Xintec Inc. (Xintec) and Mutual-Pak Technology Co., Ltd. (Mutual-Pak) in March 2007 and July 2007, respectively, and consolidated the revenue/income and expenses/losses of the two companies from the respective acquisition dates. Fair values of assets acquired and liabilities assumed were as follows:

Current assets	\$ 3,101,718
Property, plant and equipment	2,339,546
Other assets	436,692
Current liabilities	(1,937,407)
Long-term liabilities	(701,855)
Net amount	<u>\$ 3,238,694</u>
Purchase price for Xintec and Mutual-Pak	\$ 1,413,585
Less: Cash balance of Xintec and Mutual-Pak at acquisition	<u>(1,009,140)</u>
Net cash paid for acquisition of Xintec and Mutual-Pak	<u>\$ 404,445</u>

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

(Concluded)

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

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

1. GENERAL

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

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

As of December 31, 2007 and 2006, TSMC and its subsidiaries had 25,258 and 22,969 employees, respectively.

2. SIGNIFICANT ACCOUNTING POLICIES

The consolidated 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 consolidated 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 consolidated financial statements shall prevail.

Significant accounting policies are summarized as follows:

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of all directly and indirectly majority owned subsidiaries of TSMC, and the accounts of investees in which TSMC's ownership percentage is less than 50% but over which TSMC has a controlling interest. All significant intercompany balances and transactions are eliminated upon consolidation.

The consolidated entities were as follows:

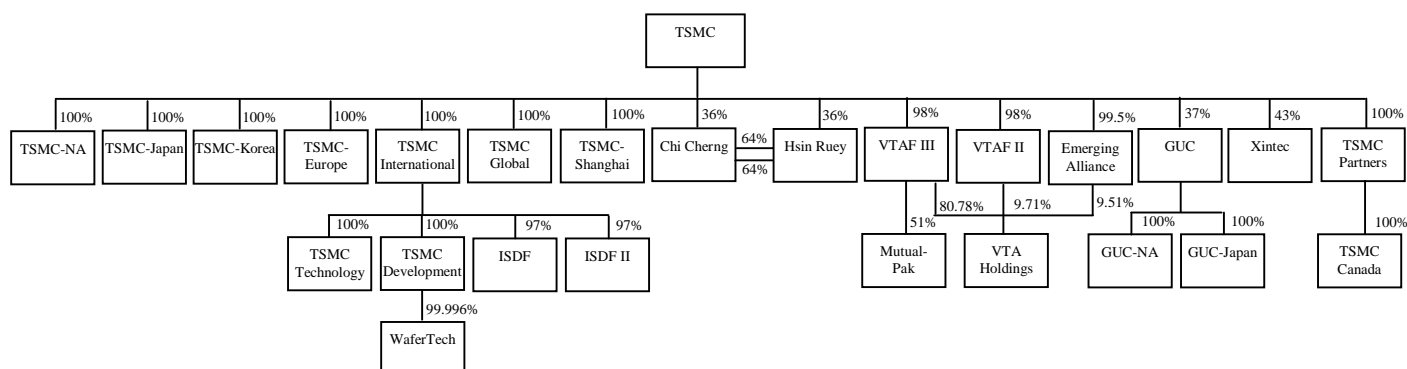
<u>Name of Investor</u>	<u>Name of Investee</u>	<u>Percentage of Ownership</u>		<u>Remark</u>
		<u>December 31, 2007</u>	<u>December 31, 2006</u>	
TSMC	TSMC North America (TSMC-NA)	100%	100%	-
	TSMC Japan Limited (TSMC-Japan)	100%	100%	-
	TSMC Korea Limited (TSMC-Korea)	100%	100%	-
	Taiwan Semiconductor Manufacturing Company Europe B.V. (TSMC-Europe)	100%	100%	-
	TSMC International Investment Ltd. (TSMC International)	100%	100%	-
	TSMC Global, Ltd. (TSMC Global)	100%	100%	-
	TSMC (Shanghai) Company Limited (TSMC-Shanghai)	100%	100%	-
	Chi Cherng Investment Co., Ltd. (Chi Cherng)	36%	36%	TSMC and Hsin Ruey held in aggregate a 100% ownership of Chi Cherng. As of December 31, 2007, Chi Cherng held 17,032 thousand common shares in TSMC (approximately 0.06% of issued common shares).
	Hsin Ruey Investment Co., Ltd. (Hsin Ruey)	36%	36%	TSMC and Chi Cherng held in aggregate a 100% ownership of Hsin Ruey. As of December 31, 2007, Hsin Ruey held 17,064 thousand common shares in TSMC (approximately 0.06% of issued common shares).
	VentureTech Alliance Fund III, L.P. (VTAF III)	98%	98%	-
	VentureTech Alliance Fund II, L.P. (VTAF II)	98%	98%	-
	Emerging Alliance Fund, L.P. (Emerging Alliance)	99.5%	99.5%	-
	Global Unichip Corporation (GUC)	37%	38%	GUC became a consolidated entity of TSMC as GUC's president was assigned by TSMC and TSMC has a controlling interest over the financial, operating and personnel hiring decisions of GUC.
	Xintec Inc. (Xintec)	43%	-	TSMC obtained three out of five director positions in March 2007, and TSMC has a controlling interest over Xintec.
	TSMC Partners, Ltd. (TSMC Partners)	100%	100%	-
TSMC International	TSMC Technology, Inc. (TSMC Technology)	100%	100%	-
	TSMC Development, Inc. (TSMC Development)	100%	100%	-
	InveStar Semiconductor Development Fund, Inc. (ISDF)	97%	97%	-
	InveStar Semiconductor Development Fund, Inc. (II) LDC (ISDF II)	97%	97%	-
TSMC Development	WaferTech, LLC (WaferTech)	99.996%	99.996%	-

(Continued)

Name of Investor	Name of Investee	Percentage of Ownership		Remark
		December 31, 2007	December 31, 2006	
VTAF III	Mutual-Pak Technology Co., Ltd. (Mutual-Pak)	51%	13%	VTAF III acquired a controlling interest in Mutual-Pak in July 2007.
VTAF III, VTAF II and Emerging Alliance	VentureTech Alliance Holdings, LLC (VTA Holdings)	100%	-	Newly established.
GUC	Global Unichip Corp.-North America (GUC-NA)	100%	100%	-
	Global Unichip Japan Co., Ltd. (GUC-Japan)	100%	100%	-
TSMC Partners	TSMC Design Technology Canada, Inc. (TSMC Canada)	100%	-	Newly established.

(Concluded)

The following diagram presents information regarding the relationship and ownership percentages between TSMC and its subsidiaries as of December 31, 2007:



TSMC-NA is engaged in selling and marketing of integrated circuits and semiconductor devices. TSMC-Japan, TSMC-Korea and TSMC-Europe are engaged mainly in marketing activities. TSMC International is engaged in investment in companies involved in the design, manufacture, and other related business in the semiconductor industry. TSMC Global, TSMC Partners, TSMC Development, Chi Cherng and Hsin Ruey are engaged in investing activities. TSMC-Shanghai is engaged in the manufacturing and selling of integrated circuits pursuant to the orders from and product design specifications provided by customers. Emerging Alliance, VTAF II, VTAF III, VTA Holdings, ISDF, and ISDF II are engaged in investing in new start-up technology companies. TSMC Canada and TSMC Technology are engaged mainly in engineering support activities. WaferTech is engaged in the manufacturing, selling, testing and computer-aided designing of integrated circuits and other semiconductor devices. GUC is engaged in researching, developing, manufacturing, testing and marketing of integrated circuits. GUC-NA and GUC-Japan are engaged in providing products consulting in North America and Japan, respectively. Xintec is engaged in the provision of wafer packaging service. Mutual-Pak is engaged in the manufacturing and selling of electronic parts, and researching, developing and testing of RFID.

TSMC together with its subsidiaries are hereinafter referred to collectively as the “Company”.

Minority interests in the aforementioned subsidiaries are presented as a separate component of shareholders’ equity.

Use of Estimates

The preparation of consolidated 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, corporate notes, and treasury bills 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 and financial assets acquired principally for the purpose of selling them in the near term are initially recognized at fair value, with transaction costs expensed as incurred. The derivatives and financial assets 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 determined as follows: Publicly-traded stocks - closing prices at the end of the year; derivatives - 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

Investments designated as available-for-sale financial assets include debt securities and equity securities. 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.

Fair value is determined as follows: Structured time deposits - using valuation techniques; open-end mutual funds and money market funds - net asset value at the end of the year; publicly-traded stocks - closing prices at the end of the year; and other debt securities - average of bid and asked prices at the end of the year.

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.

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 equity securities, the previously recognized impairment loss is reversed to the extent of the decrease and recorded as an adjustment to shareholders' equity; 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). 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 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.

The accounting treatment for cash dividends and stock dividends arising from financial assets carried at cost is the same as that for cash and stock dividends arising from available-for-sale financial assets.

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. Properties covered by agreements qualifying as capital leases are carried at the lower of the leased equipment's market value or the present value of the minimum lease payments at the inception date of the lease, with the corresponding amount recorded as obligations under capital leases. 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: Land improvements - 20 years; buildings - 10 to 20 years; machinery and equipment - 3 to 10 years; office equipment - 3 to 15 years; and leased assets - 20 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 - 2 to 5 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.

Government Subsidies

Income-related subsidies from governments are recognized in earnings when the requirements for subsidies are met.

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, net operating loss carryforwards 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 (excluding earnings from foreign consolidated subsidiaries) 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. TSMC and subsidiaries domiciled in the R.O.C. have considered the impact of the AMT Act in the determination of their 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 TSMC 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. TSMC'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 TSMC 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.

Translation of Foreign-currency Financial Statements

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

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. also 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:

	Recognized as Cumulative Effect of Changes in Accounting Principles (Net of Tax)	Recognized as a Separate Component of Shareholders' Equity
Financial assets or liabilities at fair value through profit or loss	\$ 1,606,749	\$ -
Available-for-sale financial assets	<u>-</u>	<u>306,531</u>
	<u>\$ 1,606,749</u>	<u>\$ 306,531</u>

The adoption of the newly released SFASs resulted in a decrease in net income before cumulative effect of changes in accounting principles of NT\$1,083,574 thousand, an increase in net income of NT\$523,175 thousand, and an increase in basic earnings per share (after income tax) of NT\$0.02, 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 consolidated financial statements as of and for the year ended December 31, 2006.

4. CASH AND CASH EQUIVALENTS

	December 31	
	2007	2006
Cash and deposits in banks	\$ 84,105,377	\$ 85,496,085
Repurchase agreements collateralized by government bonds	10,067,843	31,241,594
Asset-backed commercial papers	522,116	-
Corporate notes	291,152	1,026,522
Treasury bills	<u>-</u>	<u>72,991</u>
	<u>\$ 94,986,488</u>	<u>\$ 117,837,192</u>

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

	<u>December 31</u>	
	<u>2007</u>	<u>2006</u>
Trading financial assets		
Publicly-traded stocks	\$ 1,590,188	\$ 1,162,253
Cross currency swap contracts	35,567	44,601
Forward exchange contracts	<u>6,632</u>	<u>-</u>
	<u>\$ 1,632,387</u>	<u>\$ 1,206,854</u>
Trading financial liabilities		
Forward exchange contracts	\$ 185,583	\$ 113
Cross currency swap contracts	<u>63,730</u>	<u>10,751</u>
	<u>\$ 249,313</u>	<u>\$ 10,864</u>

The Company entered into derivative contracts during the years ended December 31, 2007 and 2006 to manage exposures due to the 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 financial contracts.

Outstanding forward contracts as of December 31, 2007 and 2006:

	Maturity Date	Contract Amount (in Thousands)
<u>December 31, 2007</u>		
Sell US\$/Buy NT\$	January 2008	US\$ 111,000
Sell EUR\$/Buy NT\$	February 2008 to July 2008	EUR 48,000
<u>December 31, 2006</u>		
Sell JPY\$/Buy US\$	January 2007	JPY 38,610

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

Maturity Date	Contract Amount (in Thousands)	Range of Interest Rates Paid	Range of Interest Rates Received
<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\$924,969 thousand (including realized settlement losses of NT\$684,122 thousand and valuation losses of NT\$240,847 thousand) and NT\$1,613,366 thousand (including realized settlement losses of NT\$1,647,103 thousand and valuation gain of NT\$33,737 thousand), respectively.

6. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31	
	2007	2006
Money market funds	\$ 19,212,110	\$ 667,828
Open-end mutual funds	14,966,675	26,147,276
Corporate bonds	10,745,145	16,494,244
Agency bonds	8,635,796	12,691,612
Government bonds	7,767,637	6,921,532
Corporate issued asset-backed securities	5,357,032	10,541,679
Publicly-traded stocks	905,254	208,930
Structured time deposits	<u>499,410</u>	<u>499,242</u>
	68,089,059	74,172,343
Current portion	<u>(66,688,368)</u>	<u>(67,523,858)</u>
	<u>\$ 1,400,691</u>	<u>\$ 6,648,485</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. The investment portfolios included securities such as corporate bonds, agency bonds, government bonds, asset-backed securities and others. Securities acquired with maturities of less than three months from the date of purchase were classified as cash equivalents.

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

	December 31	
	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:

	Principal Amount	Interest Receivable	Range of Interest Rates	Maturity Date
<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 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:

	Years Ended December 31	
	2007	2006
Balance, beginning of year	\$ 749,888	\$ 980,594
Effect of inclusion of newly consolidated subsidiaries	45	-
Provision	2,964	54,713
Write-off	<u>(51,090)</u>	<u>(285,419)</u>
Balance, end of year	<u>\$ 701,807</u>	<u>\$ 749,888</u>

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

	Years Ended December 31	
	2007	2006
Balance, beginning of year	\$ 2,870,802	\$ 4,317,413
Effect of inclusion of newly consolidated subsidiaries	12,956	-
Provision	5,773,383	5,382,146
Write-off	<u>(4,568,106)</u>	<u>(6,828,757)</u>
Balance, end of year	<u>\$ 4,089,035</u>	<u>\$ 2,870,802</u>

9. INVENTORIES, NET

	December 31	
	2007	2006
Finished goods	\$ 4,321,870	\$ 5,146,839
Work in process	17,346,862	14,688,719
Raw materials	1,862,543	1,673,982
Supplies and spare parts	<u>1,261,715</u>	<u>926,120</u>
	24,792,990	22,435,660
Allowance for losses	<u>(930,730)</u>	<u>(1,004,932)</u>
	<u>\$ 23,862,260</u>	<u>\$ 21,430,728</u>

10. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	December 31			
	2007		2006	
	Carrying Amount	% of Owner- ship	Carrying Amount	% of Owner- ship
Vanguard International Semiconductor Corporation (VIS)	\$ 11,220,101	37	\$ 5,931,755	27
Systems on Silicon Manufacturing Company Pte Ltd. (SSMC)	9,092,741	39	7,960,869	39
VisEra Holding Company (VisEra Holding)	<u>2,204,447</u>	49	<u>1,108,267</u>	49
	<u>\$ 22,517,289</u>		<u>\$ 15,000,891</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 August 2007, the Company acquired 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 37%.

For the years ended December 31, 2007 and 2006, net equity in earnings of NT\$2,507,869 thousand and NT\$2,347,153 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\$15,189,200 thousand and NT\$11,027,066 thousand, respectively.

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

	<u>Years Ended December 31</u>	
	2007	2006
Balance, beginning of year	\$ 952,159	\$ -
Addition	1,968,622	1,010,846
Reduction	<u>(331,039)</u>	<u>(58,687)</u>
Balance, end of year	<u>\$ 2,589,742</u>	<u>\$ 952,159</u>

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

	<u>Years 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	\$ 3,462,372	\$ 2,924,350
Mutual funds	<u>383,247</u>	<u>347,930</u>
	<u>\$ 3,845,619</u>	<u>\$ 3,272,280</u>

12. PROPERTY, PLANT AND EQUIPMENT

	<u>Year Ended December 31, 2007</u>						
	Balance, Beginning of Year	Effect of Inclusion of Newly Consolidated Subsidiaries	Additions	Sale or Disposal	Reclassification	Effect of Exchange Rate Changes	Balance, Ending of Year
Cost							
Land and land improvements	\$ 844,644	\$ 101,518	\$ -	\$ -	\$ -	\$ (3,965)	\$ 942,197
Buildings	112,595,124	71,053	5,522,828	(31,836)	(11,518)	494,376	118,640,027
Machinery and equipment	579,825,289	2,430,982	63,828,487	(504,132)	241,750	597,051	646,419,427
Office equipment	10,646,725	547,188	1,064,259	(350,611)	(78,898)	977	11,829,640
Leased asset	612,941	-	-	-	-	39,355	652,296
Total	<u>704,524,723</u>	<u>\$ 3,150,741</u>	<u>\$ 70,415,574</u>	<u>\$ (886,579)</u>	<u>\$ 151,334</u>	<u>\$ 1,127,794</u>	<u>778,483,587</u>
Accumulated depreciation							
Land and land improvements	234,377	\$ -	\$ 29,798	\$ -	\$ -	\$ (1,472)	262,703
Buildings	54,288,225	1,111	8,901,910	(30,957)	2,709	76,924	63,239,922
Machinery and equipment	400,579,587	584,690	67,018,215	(255,143)	(156,839)	(105,438)	467,665,072
Office equipment	7,839,303	76,238	1,232,781	(350,147)	(2,362)	939	8,796,752
Leased asset	96,592	-	31,429	-	-	7,097	135,118
Total	<u>463,038,084</u>	<u>\$ 662,039</u>	<u>\$ 77,214,133</u>	<u>\$ (636,247)</u>	<u>\$ (156,492)</u>	<u>\$ (21,950)</u>	<u>540,099,567</u>
Advance payments and construction in progress	<u>12,607,551</u>	<u>\$ 480,580</u>	<u>\$ 8,474,380</u>	<u>\$ -</u>	<u>\$ 288,805</u>	<u>\$ 16,851</u>	<u>21,868,167</u>
Net	<u>\$ 254,094,190</u>						<u>\$ 260,252,187</u>

Year Ended December 31, 2006

	Balance, Beginning of Year	Additions	Sale or Disposal	Reclassification	Effect of Exchange Rate Changes	Balance, Ending of Year
Cost						
Land and land improvements	\$ 851,225	\$ -	\$ -	\$ -	\$ (6,581)	\$ 844,644
Buildings	105,832,028	7,595,171	(964,370)	2,393	129,902	112,595,124
Machinery and equipment	510,922,064	74,313,257	(4,876,809)	(235,999)	(297,224)	579,825,289
Office equipment	9,670,611	1,236,205	(204,200)	(40,550)	(15,341)	10,646,725
Leased asset	597,669	-	-	-	15,272	612,941
Total	<u>627,873,597</u>	<u>\$ 83,144,633</u>	<u>\$ (6,045,379)</u>	<u>\$ (274,156)</u>	<u>\$ (173,972)</u>	<u>704,524,723</u>
Accumulated depreciation						
Land and land improvements	206,408	\$ 29,499	\$ -	\$ -	\$ (1,530)	234,377
Buildings	46,560,127	8,465,728	(748,011)	81	10,300	54,288,225
Machinery and equipment	344,431,001	61,516,317	(4,748,334)	(235,908)	(383,489)	400,579,587
Office equipment	6,862,502	1,190,650	(203,404)	(6,423)	(4,022)	7,839,303
Leased asset	64,569	29,682	-	-	2,341	96,592
Total	<u>398,124,607</u>	<u>\$ 71,231,876</u>	<u>\$ (5,699,749)</u>	<u>\$ (242,250)</u>	<u>\$ (376,400)</u>	<u>463,038,084</u>
Advance payments and construction in progress	15,074,302	\$ (2,469,323)	\$ -	\$ -	\$ 2,572	12,607,551
Net	<u>\$ 244,823,292</u>					<u>\$ 254,094,190</u>

13. DEFERRED CHARGES, NET

Year Ended December 31, 2007

	Balance, Beginning of Year	Effect of Inclusion of Newly Consolidated Subsidiaries	Additions	Amortization	Disposal	Reclassification	Effect of Exchange Rate Changes	Balance, Ending of Year
Technology license fee	\$ 4,132,174	\$ 201,941	\$ 3,515,908	\$ (1,739,949)	\$ -	\$ (296,423)	\$ 5,497	\$ 5,819,148
Software and system design costs	1,669,781	2,778	1,275,329	(929,920)	(321)	(569,648)	1,604	1,449,603
Others	134,960	29,779	311,827	(124,209)	(134)	296,423	6,204	654,850
Total	<u>\$ 5,936,915</u>	<u>\$ 234,498</u>	<u>\$ 5,103,064</u>	<u>\$ (2,794,078)</u>	<u>\$ (455)</u>	<u>\$ (569,648)</u>	<u>\$ 13,305</u>	<u>\$ 7,923,601</u>

Year Ended December 31, 2006

	Balance, Beginning of Year	Additions	Amortization	Reclassification	Effect of Exchange Rate Changes	Balance, Ending of Year
Technology license fee	\$ 5,099,227	\$ 402,001	\$ (1,365,685)	\$ -	\$ (3,369)	\$ 4,132,174
Software and system design costs	1,737,384	1,012,741	(1,083,083)	1,139	1,600	1,669,781
Others	169,639	-	(37,113)	-	2,434	134,960
Total	<u>\$ 7,006,250</u>	<u>\$ 1,414,742</u>	<u>\$ (2,485,881)</u>	<u>\$ 1,139</u>	<u>\$ 665</u>	<u>\$ 5,936,915</u>

14. BONDS PAYABLE

	December 31	
	2007	2006
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 bonds payable were as follows:

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

15. LONG-TERM BANK LOANS

	<u>December 31</u>	
	<u>2007</u>	<u>2006</u>
Secured loans:		
US\$20,000 thousand, repayable in full in one lump sum payment in November 2010, annual interest at 5.88% in 2007 and 5.91% in 2006	\$ 648,941	\$ 651,871
Repayable from August 2009 in 17 quarterly installments, annual interest at 2.91%-2.99%	630,000	-
Repayable from December 2007 in 8 semi-annual installments, annual interest at 2.39%-3.20%	456,750	-
Repayable from March 2007 in 12 quarterly installments, annual interest at 2.79%-3.16%	124,944	-
Repayable from May 2007 in 16 quarterly installments, annual interest at 2.48%-2.85%	54,641	-
Repayable from April 2005 in 16 quarterly installments, annual interest at 2.51%-2.85%	44,975	-
Repayable from February 2005 in 17 quarterly installments, annual interest at 2.65%-4.53%	40,670	-
Unsecured loans:		
Science Park Administration (SPA) SOC loan, repayable from October 2003 in 20 quarterly installments, interest-free	2,088	4,873
SPA DSP loan, repayable from July 2002 in 20 quarterly installments, interest-free	<u>-</u>	<u>1,352</u>
	2,003,009	658,096
Current portion	<u>(280,813)</u>	<u>(4,137)</u>
	<u>\$ 1,722,196</u>	<u>\$ 653,959</u>

Pursuant to the loan agreements, financial ratios calculated based on annual audited financial statements of TSMC-Shanghai as well as semi-annual and annual financial statements of Xintec must comply with certain financial covenants. As of December 31, 2007, TSMC-Shanghai and Xintec were in compliance with all such financial covenants.

As of December 31, 2007, future principal repayments for the long-term bank loans were as follows:

Year of Repayment	Amount
2008	\$ 280,813
2009	302,090
2010	947,453
2011	220,653
2012 and thereafter	<u>252,000</u>
	<u>\$ 2,003,009</u>

16. OTHER LONG-TERM PAYABLES

	December 31	
	2007	2006
Payables for acquisition of property, plant and equipment (Note 281)	\$ 7,908,516	\$ 7,431,371
Payables for royalties	<u>5,174,644</u>	<u>1,889,788</u>
	13,083,160	9,321,159
Current portion (classified under accrued expenses and other current liabilities)	<u>(3,673,182)</u>	<u>(617,892)</u>
	<u>\$ 9,409,978</u>	<u>\$ 8,703,267</u>

The payables for royalties were primarily attributable to several license arrangements that TSMC entered into for certain semiconductor-related patents.

As of December 31, 2007, future payments for other long-term payables were as follows:

Year of Payment	Amount
2008	\$ 3,673,182
2009	582,027
2010	497,676
2011	421,759
2012 and thereafter	<u>7,908,516</u>
	<u>\$ 13,083,160</u>

17. PENSION PLANS

The Labor Pension Act (the Act) became effective on July 1, 2005. The employees of TSMC, GUC, and Xintec 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 TSMC, GUC, Xintec and Mutual-Pak 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, TSMC, GUC, Xintec and Mutual-Pak have made monthly contributions equal to 6% of each employee's monthly salary to employees' pension accounts starting from July 1, 2005. Furthermore, TSMC-NA, TSMC-Shanghai, TSMC-Europe and TSMC Canada are required by local regulations to make contributions at certain percentages of the monthly basic salary of their employees. Pursuant to the aforementioned Act and local regulations, the Company recognized pension costs of NT\$725,789 thousand and NT\$679,919 thousand for the years ended December 31, 2007 and 2006, respectively.

TSMC, GUC and Xintec have defined benefit plans under the Labor Standards Law that provide benefits based on an employee's length of service and average monthly salary for the six-month period prior to retirement. TSMC, GUC and Xintec contribute an amount equal to 2% of salaries paid each month to their respective pension funds (the Funds), which are administered by the pension fund monitoring committees (the Committees) and deposited in the name of the Committees 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 plans is summarized as follows:

a. Components of net periodic pension cost for the year

	2007	2006
Service cost	\$ 184,275	\$ 178,460
Interest cost	156,391	164,168
Projected return on plan assets	(51,309)	(49,399)
Amortization	<u>35,853</u>	<u>12,096</u>
Net periodic pension cost	<u>\$ 325,210</u>	<u>\$ 305,325</u>

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

	2007	2006
Benefit obligation		
Vested benefit obligation	\$ 120,146	\$ 102,920
Nonvested benefit obligation	<u>3,479,132</u>	<u>3,883,344</u>
Accumulated benefit obligation	3,599,278	3,986,264
Additional benefits based on future salaries	<u>2,444,451</u>	<u>2,969,830</u>
Projected benefit obligation	6,043,729	6,956,094
Fair value of plan assets	<u>(2,238,997)</u>	<u>(1,958,595)</u>
Funded status	3,804,732	4,997,499
Unrecognized net transition obligation	(109,873)	(118,420)
Unrecognized net loss	<u>(41,995)</u>	<u>(1,339,019)</u>
Accrued pension cost	<u>\$ 3,652,864</u>	<u>\$ 3,540,060</u>
Vested benefit	<u>\$ 120,146</u>	<u>\$ 106,645</u>

c. Actuarial assumptions at December 31, 2007 and 2006

Discount rate used in determining present values	2.75%-3.00%	2.25%-3.50%
Future salary increase rate	2.00%-3.00%	2.00%-3.00%
Expected rate of return on plan assets	2.50%-3.00%	2.50%

d. Contributions to the Funds for the year

<u>\$ 209,423</u>	<u>\$ 233,111</u>
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e. Payments from the Funds for the year

<u>\$ 15,003</u>	<u>\$ 7,407</u>
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18. INCOME TAX

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

	<u>Years Ended December 31</u>	
	2007	2006
Income tax expense based on “income before income tax” at statutory rates	\$ 30,829,431	\$ 34,786,278
The effect of the following:		
Tax-exempt income	(7,668,367)	(12,281,413)
Temporary and permanent differences	(150,946)	(2,817,104)
Cumulative effect of changes in accounting principles	-	(82,062)
Additional tax at 10% on unappropriated earnings	2,710,909	1,170,108
Investment tax credits used	<u>(14,713,748)</u>	<u>(12,769,386)</u>
Income tax currently payable	<u>\$ 11,007,279</u>	<u>\$ 8,006,421</u>

- b. Income tax expense consisted of the following:

Income tax currently payable	\$ 11,007,279	\$ 8,006,421
Other income tax adjustments	(240,779)	(328,152)
Net change in deferred income tax assets		
Investment tax credits	5,122,450	3,914,757
Temporary differences	(800,374)	(2,181,558)
Net operating loss carryforwards	841,502	1,412,946
Valuation allowance	<u>(4,220,452)</u>	<u>(3,050,703)</u>
Income tax expense	<u>\$ 11,709,626</u>	<u>\$ 7,773,711</u>

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

	<u>December 31</u>	
	2007	2006
Current deferred income tax assets, net		
Investment tax credits	\$ 5,372,761	\$ 7,870,800
Temporary differences	674,154	584,210
Valuation allowance	<u>(474,581)</u>	<u>(441,018)</u>
	<u>\$ 5,572,334</u>	<u>\$ 8,013,992</u>
Noncurrent deferred income tax assets, net		
Investment tax credits	\$ 9,885,452	\$ 12,252,389
Temporary differences	(2,848,052)	(3,580,754)
Net operating loss carryforwards	3,963,123	4,816,846
Valuation allowance	<u>(3,687,240)</u>	<u>(7,686,339)</u>
	<u>\$ 7,313,283</u>	<u>\$ 5,802,142</u>

As of December 31, 2007, the net operating loss carryforwards were generated by WaferTech, TSMC Development and TSMC Technology and would expire on various dates through 2026.

d. Integrated income tax information:

The balance of the imputation credit account (ICA) of TSMC 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 TSMC's earnings of 2007 and 2006 was 1.86% and 5.23%, respectively.

The imputation credit allocated to the 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 of TSMC's earnings generated prior to December 31, 1997 have been appropriated.

f. As of December 31, 2007, investment tax credits of TSMC, GUC, Xintec and Mutual-Pak consisted of the following:

Law/Statute	Item	Total Creditable Amount	Remaining Creditable Amount	Expiry Year
Statute for Upgrading Industries	Purchase of machinery and equipment	\$ 306,118	\$ -	2007
		3,202,103	24,335	2008
		6,044,032	14,328	2009
		6,625,081	6,625,081	2010
		<u>3,703,939</u>	<u>3,703,939</u>	2011
		<u>\$ 19,881,273</u>	<u>\$ 10,367,683</u>	
Statute for Upgrading Industries	Research and development expenditures	\$ 1,295,681	\$ -	2007
		2,599,538	6,600	2008
		1,546,606	1,078,326	2009
		1,887,404	1,887,404	2010
		<u>1,749,252</u>	<u>1,749,252</u>	2011
		<u>\$ 9,078,481</u>	<u>\$ 4,721,582</u>	
Statute for Upgrading Industries	Personnel training expenditures	\$ 16,379	\$ -	2007
		16,218	20	2008
		46,353	46,353	2009
		42,271	42,271	2010
		<u>500</u>	<u>500</u>	2011
		<u>\$ 121,721</u>	<u>\$ 89,144</u>	
Statute for Upgrading Industries	Investments in important technology-based enterprises	<u>\$ 79,804</u>	<u>\$ 79,804</u>	2010

20. SHAREHOLDERS' EQUITY

As of December 31, 2007, 1,132,867 thousand ADSs of TSMC were traded on the NYSE. The number of common shares represented by the ADSs was 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 TSMC's paid-in capital.

Capital surplus consisted of the following:

	December 31	
	2007	2006
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>

TSMC's Articles of Incorporation provide that, when allocating the net profits for each fiscal year, TSMC 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 TSMC'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 TSMC of not more than 0.3% and not less than 1% of the remainder, respectively. Directors who also serve as executive officers of TSMC are not entitled to receive the bonus to directors. TSMC 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.

TSMC's Articles of Incorporation also provide that profits of TSMC 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.

TSMC 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 TSMC'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 TSMC has no unappropriated earnings and the reserve balance has exceeded 50% of TSMC's paid-in capital. The Company Law also prescribes that, when the reserve has reached 50% of TSMC'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 TSMC's 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</u> (NT\$)	
	<u>For Fiscal</u> <u>Year 2006</u>	<u>For Fiscal</u> <u>Year 2005</u>	<u>For Fiscal</u> <u>Year 2006</u>	<u>For Fiscal</u> <u>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 TSMC'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 TSMC on earnings generated since January 1, 1998.

21. STOCK-BASED COMPENSATION PLANS

TSMC's Employee Stock Option Plans, under the TSMC 2004 Plan, TSMC 2003 Plan, and TSMC 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 TSMC 2004 Plan, TSMC 2003 Plan and TSMC 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 TSMC or any of its domestic or foreign subsidiaries, in which TSMC's shareholding with voting rights, directly or indirectly, is more than fifty percent (50%). The 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 TSMC'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 subsequently cancelled had expired as of December 31, 2007.

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

	Number of Options (in Thousands)	Weighted- average Exercise Price (NT\$)
<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
<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 number 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 TSMC's outstanding and exercisable options was as follows:

Range of Exercise Price (NT\$)	Options Outstanding			Options Exercisable	
	Number of Options (in Thousands)	Weighted-average Remaining Contractual Life (Years)	Weighted-average Exercise Price (NT\$)	Number of Options (in Thousands)	Weighted-average Exercise Price (NT\$)
\$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

GUC's Employee Stock Option Plans, consisting of the GUC 2003 Plan and GUC 2002 Plan, were approved by its Board of Directors on January 23, 2003 and July 1, 2002, respectively. The maximum number of options authorized to be granted under the GUC 2003 Plan and GUC 2002 Plan was 7,535 and 5,000, respectively, with each option eligible to subscribe for one thousand common shares when exercisable. The options may be granted to qualified employees of GUC. The options of all the plans are valid for six years and exercisable at certain percentages subsequent to the second anniversary of the grant date.

Moreover, the GUC 2007 Plan, GUC 2006 Plan, and GUC 2004 Plan were approved by the SFB on November 28, 2007, July 3, 2006, and August 16, 2004 to grant a maximum of 1,999 options, 3,665 options and 2,500 options, respectively, with each option eligible to subscribe for one thousand common shares when exercisable. The options may be granted to qualified employees of GUC or any of its subsidiaries. Except for the options of the GUC 2006 Plan which are valid until August 15, 2011, the options of the other two GUC option Plans are valid for six years. Options of all three Plans are exercisable at certain percentages subsequent to the second anniversary of the grant date.

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

	Number of Options	Weighted-average Exercise Prices (NT\$)
<u>Year ended December 31, 2007</u>		
Balance, beginning of year	7,342	\$ 14.0
Options granted	2,053	183.6
Options exercised	(1,563)	10.2
Options cancelled	<u>(234)</u>	13.5
Balance, end of year	<u>7,598</u>	60.3
<u>Year ended December 31, 2006</u>		
Balance, beginning of year	7,132	\$ 10.7
Options granted	3,689	19.5
Options exercised	(2,862)	10.5
Options cancelled	<u>(617)</u>	12.1
Balance, end of year	<u>7,342</u>	14.0

The number of outstanding options and exercise prices have been adjusted to reflect the distribution of earnings by GUC in accordance with the plans. The options granted shown above included options resulting from the aforementioned adjustment and options newly granted in accordance with the plans.

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

Range of Exercise Price (NT\$)	Options Outstanding			Options Exercisable	
	Number of Options	Weighted-average Remaining Contractual Life (Years)	Weighted-average Exercise Price (NT\$)	Number of Options	Weighted-average Exercise Price (NT\$)
\$9.6-\$10.5	2,247	0.58-3.75	\$ 10.0	850	\$10.2
17.7	3,418	3.67	17.7	-	-
194.0	<u>1,933</u>	6.00	194.0	<u>-</u>	-
	<u>7,598</u>		60.3	<u>850</u>	10.2

Xintec's Employee Stock Option Plans, consisting of the Xintec 2007 Plan and Xintec 2006 Plan, were approved by the SFB on June 26, 2007 and July 3, 2006, respectively. The maximum number of options authorized to be granted under the Xintec 2007 Plan and Xintec 2006 Plan was 6,000 thousand each, with each option eligible to subscribe for one common share of Xintec when exercisable. The options may be granted to qualified employees of Xintec or any of its subsidiaries. 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.

Information about Xintec's outstanding options for the year ended December 31, 2007 was as follows:

	Number of Options (in Thousands)	Weighted-average Exercise Price (NT\$)
<u>Year ended December 31, 2007</u>		
Balance, beginning of year	4,968	\$13.0
Options granted	5,555	17.3
Options cancelled	<u>(881)</u>	14.1
Balance, end of year	<u>9,642</u>	15.1

The number of outstanding options and exercise prices have been adjusted to reflect the distribution of earnings by Xintec in accordance with the plans.

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

Range of Exercise Price (NT\$)	Options Outstanding			Options Exercisable	
	Number of Options (in Thousands)	Weighted-average Remaining Contractual Life (Years)	Weighted-average Exercise Price (NT\$)	Number of Options (in Thousands)	Weighted-average Exercise Price (NT\$)
\$12.7-\$20.0	9,642	8.75-9.96	\$15.1	-	\$ -

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:

		2007	2006
Assumptions:			
TSMC	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
GUC	Expected dividend yield	0.00%-0.60%	-
	Expected volatility	22.65%-45.47%	22.65%-41.74%
	Risk free interest rate	2.12%-2.56%	2.23%-2.56%
	Expected life	3-6 years	3-6 years
Xintec	Expected dividend yield	0.80%	-
	Expected volatility	31.79%-47.42%	-
	Risk free interest rate	1.88%-2.45%	-
	Expected life	3 years	-
Net income attributable to shareholders of the parent:			
As reported		\$ 109,177,093	\$ 127,009,731
Pro forma		109,089,016	126,887,247
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

22. 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, respectively; 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.

TSMC held a meeting of the Board of Directors and approved a share buyback plan to repurchase TSMC'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, TSMC 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.

23. 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 attributable to shareholders of the parent	\$ 4.59	\$ 4.14	\$ 5.05	\$ 4.76
Cumulative effect of changes in accounting principles attributable to shareholders of the parent	-	-	0.06	0.06
Income attributable to shareholders of the parent	<u>\$ 4.59</u>	<u>\$ 4.14</u>	<u>\$ 5.11</u>	<u>\$ 4.82</u>
Diluted EPS (NT\$)				
Income before cumulative effect of changes in accounting principles attributable to shareholders of the parent	\$ 4.58	\$ 4.14	\$ 5.04	\$ 4.75
Cumulative effect of changes in accounting principles attributable to shareholders of the parent	-	-	0.06	0.06
Income attributable to shareholders of the parent	<u>\$ 4.58</u>	<u>\$ 4.14</u>	<u>\$ 5.10</u>	<u>\$ 4.81</u>

Consolidated EPS is computed as follows:

	Amounts (Numerator)		Number of Shares (Denominator) (in Thousands)	EPS (NT\$)	
	Before Income Tax	After Income Tax		Before Income Tax	After Income Tax
<u>Year ended December 31, 2007</u>					
Basic EPS					
Income attributable to shareholders of the parent	\$ 120,890,678	\$ 109,177,093	26,346,582	<u>\$ 4.59</u>	<u>\$ 4.14</u>
Effect of dilutive potential common stock - stock options	-	-	21,668		
Diluted EPS					
Income attributable to shareholders of the parent (including effect of dilutive potential common stock)	<u>\$ 120,890,678</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 attributable to shareholders of the parent	\$ 134,698,725	\$ 127,009,731	26,374,757	<u>\$ 5.11</u>	<u>\$ 4.82</u>
Effect of dilutive potential common stock - stock options	-	-	24,101		
Diluted EPS					
Income attributable to shareholders of the parent (including effect of dilutive potential common stock)	<u>\$ 134,698,725</u>	<u>\$ 127,009,731</u>	<u>26,398,858</u>	<u>\$ 5.10</u>	<u>\$ 4.81</u>

24. DISCLOSURES FOR FINANCIAL INSTRUMENTS

- a. Fair values of financial instruments were as follows:

	December 31			
	2007		2006	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>Assets</u>				
Financial assets at fair value through profit or loss	\$ 1,632,387	\$ 1,632,387	\$ 1,206,854	\$ 1,206,854
Available-for-sale financial assets	68,089,059	68,089,059	74,172,343	74,172,343
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	249,313	249,313	10,864	10,864
Bonds payable (including current portion)	12,500,000	12,669,987	19,500,000	19,817,149
Long-term bank loans (including current portion)	2,003,009	2,003,009	658,096	658,096
Other long-term payables (including current portion)	13,083,160	13,083,160	10,413,125	10,413,125
Obligations under capital leases	652,296	652,296	612,941	612,941

- b. Methods and assumptions used in estimating 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 at fair value through profit or loss, available-for-sale and held-to-maturity financial assets other than derivatives and structured time deposits were based on their quoted market prices.
 - 3) Fair values of derivatives and structured time deposits were determined using valuation techniques incorporating estimates and assumptions that were consistent with prevailing market conditions.
 - 4) Fair value of bonds payable was based on their quoted market price.
 - 5) Fair values of long-term bank loans, other long-term payables and obligations under capital leases were based on the present value of expected cash flows, which approximate their carrying amounts.
- c. The changes in fair value during the years ended December 31, 2007 and 2006 of financial assets/liabilities at fair value through profit or loss, including derivatives estimated using valuation techniques and publicly-traded stocks, were recognized as losses of NT\$240,847 thousand and gains of NT\$33,737 thousand, respectively.
- d. As of December 31, 2007 and 2006, financial assets exposed to fair value interest rate risk were NT\$87,450,676 thousand and NT\$111,492,332 thousand, respectively; financial liabilities exposed to fair value interest rate risk were NT\$249,313 thousand and NT\$10,864 thousand, respectively. As of December 31, 2006, financial assets exposed to cash flow interest rate risk were NT\$7,171,120 thousand.

- e. Movements of the unrealized gain/loss on financial instruments for the years ended December 31, 2007 and 2006 were as follows:

	Year Ended December 31, 2007		
	Valuation Gain on Available-for-sale Financial Assets	Equity in Valuation Gain on Available-for-sale Financial Assets Held by Investees	Total
Balance, beginning of year	\$ 386,017	\$ 175,598	\$ 561,615
Recognized directly in shareholders' equity	849,823	(122,439)	727,384
Removed from shareholders' equity and recognized in earnings	<u>(608,002)</u>	<u>-</u>	<u>(608,002)</u>
Balance, end of year	<u>\$ 627,838</u>	<u>\$ 53,159</u>	<u>\$ 680,997</u>

	Year Ended December 31, 2006		
	Valuation Gain on Available-for-sale Financial Assets	Equity in Valuation Gain on Available-for-sale Financial Assets Held by Investees	Total
Balance, beginning of year	\$ 302,376	\$ -	\$ 302,376
Recognized directly in shareholders' equity	174,212	175,598	349,810
Removed from shareholders' equity and recognized in earnings	<u>(90,571)</u>	<u>-</u>	<u>(90,571)</u>
Balance, end of year	<u>\$ 386,017</u>	<u>\$ 175,598</u>	<u>\$ 561,615</u>

- f. Information about financial risk

- 1) Market risk. The publicly-traded stocks categorized as financial assets at fair value through profit or loss are exposed to market price fluctuations. 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 would result in changes in fair value 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, bonds payable and bank loans. 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.

25. RELATED PARTY TRANSACTIONS

Except as disclosed in the consolidated financial statements and other notes, the following is a summary of significant related party transactions:

- a. Philips, one of the major shareholders of TSMC, which has become a non-related party since March, 2007.
- b. Investees of TSMC
 - VIS (accounted for using equity method)
 - SSMC (accounted for using equity method)
- c. VisEra Technology Company, Ltd. (VisEra), an indirect investee accounted for using equity method by TSMC
- d. Others: Related parties over which the Company exercises significant influence but with which the Company had no material transactions

	<u>2007</u>		<u>2006</u>	
	Amount	%	Amount	%
<u>For the year</u>				
Sales				
VisEra	\$ 739,879	-	\$ 99,367	-
VIS	59,163	-	14,454	-
SSMC	2,928	-	6,514	-
Philips	-	-	4,024,990	1
Others	-	-	42,008	-
	<u>\$ 801,970</u>	<u>-</u>	<u>\$ 4,187,333</u>	<u>1</u>
Purchases				
SSMC	\$ 5,468,410	3	\$ 6,820,632	4
VIS	4,208,207	2	3,919,566	3
VisEra	594	-	-	-
	<u>\$ 9,677,211</u>	<u>5</u>	<u>\$ 10,740,198</u>	<u>7</u>
Manufacturing expenses - technical assistance fees				
VisEra	\$ 63,933	-	\$ -	-
VIS	366	-	-	-
Philips	-	-	755,904	-
	<u>\$ 64,299</u>	<u>-</u>	<u>\$ 755,904</u>	<u>-</u>

	<u>2007</u>		<u>2006</u>	
	Amount	%	Amount	%
Research and development expenses				
VisEra	\$ 43,056	-	\$ -	-
Non-operating income and gains				
VIS (primarily technical service income; see Note 28h)	\$ 346,260	3	\$ 261,245	3
VisEra	321,819	3	246,242	2
SSMC (primarily technical service income; see Note 28e)	<u>290,586</u>	<u>2</u>	<u>314,953</u>	<u>3</u>
	<u>\$ 958,665</u>	<u>8</u>	<u>\$ 822,440</u>	<u>8</u>
<u>As of December 31</u>				
Receivables				
VisEra	\$ 10,885	100	\$ 1,033	-
Philips	-	-	250,919	99
Others	<u>-</u>	<u>-</u>	<u>387</u>	<u>1</u>
	<u>\$ 10,885</u>	<u>100</u>	<u>\$ 252,339</u>	<u>100</u>
Other receivables				
VIS	\$ 118,749	49	\$ 121,911	47
SSMC	84,778	35	69,568	27
VisEra	40,093	16	58,989	23
Others	<u>-</u>	<u>-</u>	<u>6,395</u>	<u>3</u>
	<u>\$ 243,620</u>	<u>100</u>	<u>\$ 256,863</u>	<u>100</u>
Payables				
VIS	\$ 839,624	56	\$ 719,832	38
SSMC	655,029	44	459,305	25
VisEra	8,723	-	-	-
Philips	<u>-</u>	<u>-</u>	<u>688,591</u>	<u>37</u>
	<u>\$ 1,503,376</u>	<u>100</u>	<u>\$ 1,867,728</u>	<u>100</u>
Other long-term payables				
Philips (see Note 28a)	<u>\$ -</u>	<u>-</u>	<u>\$ 403,375</u>	<u>100</u>
Deferred credits				
VisEra	<u>\$ 62,175</u>	<u>1</u>	<u>\$ 124,350</u>	<u>11</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.

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

TSMC leased certain buildings and facilities to VisEra. The related rental income was classified under non-operating income. The lease terms and prices were determined in accordance with mutual agreements.

26. PLEDGED OR MORTGAGED ASSETS

The Company provided certain assets as collateral mainly for long-term bank loans and land lease agreements, which were as follows:

	<u>December 31</u>	
	<u>2007</u>	<u>2006</u>
Other financial assets	\$ 48,929	\$ 52,858
Property, plant and equipment, net	<u>5,733,263</u>	<u>4,293,595</u>
	<u>\$ 5,782,192</u>	<u>\$ 4,346,453</u>

27. SIGNIFICANT LONG-TERM LEASES

The Company leases several parcels of land and office premises from the SPA and Jhongli Industrial Park Service Center. These operating leases expire on various dates from March 2008 to December 2027 and can be renewed upon expiration.

The Company entered into lease agreements for its office premises and certain equipment located in the United States, Japan, Shanghai and Taiwan. These operating leases expire between 2008 and 2016 and can be renewed upon expiration.

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

Year	Amount
2008	\$ 556,943
2009	544,866
2010	458,770
2011	319,274
2012 and thereafter	<u>2,582,888</u>
	<u>\$ 4,462,741</u>

28. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

Significant commitments and contingencies of the Company as of December 31, 2007, excluding those disclosed in other notes, were as follows:

- a. On June 20, 2004, TSMC 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 TSMC and Philips (now NXP B.V.) will survive the expiration of the amended Technical Cooperation Agreement. Under this amended Technical Cooperation Agreement, TSMC will pay Philips (now NXP B.V.) royalties based on a fixed amount mutually agreed-on, rather than under a certain percentage of TSMC's annual net sales. TSMC and Philips (now NXP B.V.) agreed to cross license the patents owned by each party. TSMC 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 TSMC can use up to 35% of TSMC's capacity if TSMC'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, TSMC shall reserve a portion of its production capacity for certain major customers that have guarantee deposits with TSMC. As of December 31, 2007, TSMC 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. TSMC's equity interest in SSMC was 32%. Nevertheless, Philips parted with its semiconductor company which was renamed as NXP B.V. in September 2006. TSMC 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, TSMC and NXP B.V. currently own approximately 39% and 61% of the SSMC shares respectively. The Company and Philips (now NXP) committed to buy specific percentages of the production capacity of SSMC. TSMC and Philips (now NXP B.V.) are required, in the aggregate, to purchase up to 70% of SSMC's capacity, but TSMC 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 fall below a specific percentage of its capacity, the defaulting party is required to compensate SSMC for all related unavoidable costs.
- e. TSMC provides technical services to SSMC under a Technical Cooperation Agreement (the Agreement) entered into on May 12, 1999. TSMC receives compensation for such services computed at a specific percentage of net selling price of 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, TSMC shall receive payments for the licensing of certain technology to National. The agreement was to remain in force for ten years and could be automatically renewed for successive periods of two years thereafter unless either party gives written notice for early termination under certain conditions. In January 2003, TSMC and National entered into a Termination Agreement whereby the TTA was terminated. Under the Termination Agreement, TSMC will be relieved of any further obligation to transfer any additional technology. In addition, TSMC granted National an option to request 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, TSMC entered into a Technology Development and License Agreement with Freescale Semiconductor, Inc. to jointly develop 65-nm SOI (silicon on insulator) technology. TSMC 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, TSMC will pay royalties to Freescale Semiconductor, Inc. and will share a portion of the costs associated with the joint development project.
- h. TSMC provides a technology transfer to VIS under a Manufacturing License and Technology Transfer Agreement entered into on April 1, 2004. TSMC receives compensation for such technology transfer in the form of royalty payments from VIS computed at specific percentages of net selling price of certain products sold by VIS. VIS agreed to reserve its certain capacity to manufacture for TSMC certain products at prices as agreed by the parties.

- i. Effective January 1, 2006, The Company entered into the Joint Technology Cooperation Agreement with Philips (now NXP B.V.), Freescale Semiconductor, Inc. and STMicroelectronics to jointly develop 45-nm and beyond advanced CMOS Logic and e-DRAM technologies. The Company will contribute process technologies and share a portion of the costs associated with this joint development project. This agreement was to expire on December 31, 2008, but the Company has ended its participation in the project. For the Company, this agreement will terminate as of January 26, 2008.
- j. 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.
- k. 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.
- l. TSMC-Shanghai entered into an agreement with a certain foreign company. In accordance with the agreement, TSMC-Shanghai is obligated to purchase certain property, plant and equipment at the agreed-upon price within the contract period. If the purchase is not completed, TSMC-Shanghai is obligated to compensate the counterparty for the loss incurred.
- m. Amounts available under unused letters of credit as of December 31, 2007 were NT\$36,589 thousand.

29. ADDITIONAL DISCLOSURES

Following are the additional disclosures required by the SFB for TSMC 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 and 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 amounting to 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 over which TSMC exercises significant influence: Please see Table 6 attached;
- j. 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 Table 8 attached.
- k. Intercompany relationships and significant intercompany transactions: Please see Table 8 attached.

30. SEGMENT FINANCIAL INFORMATION

- a. Industry financial information

The Company is engaged mainly in the manufacturing, selling, packaging and testing of integrated circuits. Therefore, the disclosure of industry financial information is not applicable to the Company.

b. Geographic information:

	North America and Others	Taiwan	Adjustments and Elimination	Consolidated
<u>2007</u>				
Sales to other than consolidated entities	\$ 193,066,238	\$ 129,564,358	\$ -	\$ 322,630,596
Sales among consolidated entities	<u>18,084,068</u>	<u>194,035,526</u>	<u>(212,119,594)</u>	<u>-</u>
Total sales	<u>\$ 211,150,306</u>	<u>\$ 323,599,884</u>	<u>\$ (212,119,594)</u>	<u>\$ 322,630,596</u>
Gross profit	<u>\$ 3,895,144</u>	<u>\$ 139,227,508</u>	<u>\$ (772,441)</u>	\$ 142,350,211
Operating expenses				(30,628,304)
Non-operating income and gains				11,933,803
Non-operating expenses and losses				<u>(2,013,684)</u>
Income before income tax				<u>\$ 121,642,026</u>
Identifiable assets	<u>\$ 145,483,411</u>	<u>\$ 439,675,938</u>	<u>\$ (50,755,448)</u>	\$ 534,403,901
Long-term investments				<u>36,461,325</u>
Total assets				<u>\$ 570,865,226</u>
<u>2006</u>				
Sales to other than consolidated entities	\$ 191,511,929	\$ 125,895,242	\$ -	\$ 317,407,171
Sales among consolidated entities	<u>18,998,614</u>	<u>191,345,140</u>	<u>(210,343,754)</u>	<u>-</u>
Total sales	<u>\$ 210,510,543</u>	<u>\$ 317,240,382</u>	<u>\$ (210,343,754)</u>	<u>\$ 317,407,171</u>
Gross profit	<u>\$ 5,641,405</u>	<u>\$ 150,498,038</u>	<u>\$ (329,353)</u>	\$ 155,810,090
Operating expenses				(28,545,396)
Non-operating income and gains				9,705,592
Non-operating expenses and losses				<u>(3,608,078)</u>
Income before income tax				<u>\$ 133,362,208</u>
Identifiable assets	<u>\$ 133,341,631</u>	<u>\$ 441,339,388</u>	<u>\$ (41,091,011)</u>	\$ 533,590,008
Long-term investments				<u>53,895,151</u>
Total assets				<u>\$ 587,485,159</u>

c. Export sales

Area	Years Ended December 31	
	2007	2006
Asia	\$ 40,609,413	\$ 62,434,071
Europe and others	<u>34,518,668</u>	<u>23,764,877</u>
	<u>\$ 75,128,081</u>	<u>\$ 86,198,948</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

	Years Ended December 31			
	2007		2006	
	Amount	%	Amount	%
Customer A	\$ 37,731,028	11	\$ 33,950,441	11

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

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			Market Value or Net Asset Value (US\$ in Thousands)	Note
				Shares/Units (in Thousands)	Carrying Value (US\$ in Thousands)	Percentage of Ownership		
	<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	
	Memic, 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	
	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		
InveStar II	<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	
	Memic, 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 Bank	-	"	-	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	

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Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	December 31, 2007			Market Value or Net Asset Value (US\$ in Thousands)	Note
				Shares/Units (in Thousands)	Carrying Value (US\$ in Thousands)	Percentage of Ownership		
	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 Invst 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 Ppty Group LP	-	"	-	US\$ 2,513	N/A	US\$ 2,513	
	Simon Ppty 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	

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Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	December 31, 2007			Market Value or Net Asset Value (US\$ in Thousands)	Note
				Shares/Units (in Thousands)	Carrying Value (US\$ in Thousands)	Percentage of Ownership		
	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 and Subsidiaries

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\$ 3,246	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 + Ilsley 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)	-	-
	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)	-	-
	Americredit Automobile Rec Tr	"	-	-	-	US\$ 3,269	-	-	-	US\$ 3,196	US\$ 3,216	US\$ (20)	-	-
	Ba Cr Card Tr	"	-	-	-	US\$ 4,300	-	-	-	US\$ 4,260	US\$ 4,350	US\$ (90)	-	-
	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	-	-
	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)	-	-
	Capital One Prime Auto Receiva	"	-	-	-	-	-	US\$ 3,500	-	-	-	-	-	US\$ 3,498
	Caterpillar Finl Asset Tr	"	-	-	-	US\$ 8,142	-	-	-	US\$ 8,181	US\$ 8,089	US\$ 92	-	-
	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	-	-
	Gsamp Tr	"	-	-	-	US\$ 4,251	-	-	-	US\$ 3,868	US\$ 4,241	US\$ (373)	-	-
	Harley Davidson Motorcycle Tr	"	-	-	-	US\$ 5,825	-	-	-	US\$ 3,933	US\$ 3,904	US\$ 29	-	-
	Hertz Veh Fing Llc	"	-	-	-	US\$ 5,319	-	-	-	US\$ 5,278	US\$ 5,284	US\$ (6)	-	-
	Honda Auto Receivables	"	-	-	-	-	-	US\$ 3,373	-	US\$ 3,381	US\$ 3,373	US\$ 8	-	-
	Hyundai Auto Receivables Tr	"	-	-	-	US\$ 3,928	-	-	-	US\$ 3,460	US\$ 3,443	US\$ 17	-	-
	Lb Ubs Coml Mtg Tr	"	-	-	-	US\$ 3,493	-	-	-	US\$ 3,177	US\$ 3,101	US\$ 76	-	-
	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)	-	-
	Mbna Master Cr Card Tr Ii	"	-	-	-	US\$ 7,605	-	-	-	US\$ 7,552	US\$ 7,653	US\$ (101)	-	-
	Merrill Lynch Mtg Invs Inc	"	-	-	-	US\$ 5,887	-	-	-	US\$ 4,630	US\$ 4,988	US\$ (358)	-	-
	Nissan Auto Receivables	"	-	-	-	US\$ 3,928	-	-	-	US\$ 3,928	US\$ 3,943	US\$ (15)	-	-
	Providian Gateway Owner Tr	"	-	-	-	US\$ 3,942	-	-	-	US\$ 3,961	US\$ 3,911	US\$ 50	-	-
	Stuctured Adj Rate Mtg Ln Tr	"	-	-	-	-	-	US\$ 3,981	-	US\$ 3,786	US\$ 3,887	US\$ (101)	-	-
	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)	-	-
	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	-	-
	Wamu Mtg	"	-	-	-	-	-	US\$ 3,656	-	-	-	-	-	US\$ 3,242
	Wamu Mtg Pass Thru Cfs Tr	"	-	-	-	-	-	US\$ 4,854	-	US\$ 3,760	US\$ 4,048	US\$ (288)	-	-
	Wells Fargo Finl Auto Owner Tr	"	-	-	-	US\$ 4,986	-	-	-	US\$ 3,535	US\$ 3,515	US\$ 20	-	-
	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	-	-
	United States Treas Nt	"	-	-	-	-	-	US\$ 5,059	-	US\$ 5,007	US\$ 5,059	US\$ (52)	-	-
	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	-	-
	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	-	-
	United States Treas Nts	"	-	-	-	-	-	US\$ 25,041	-	US\$ 25,606	US\$ 25,041	US\$ 565	-	-

(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)

TABLE 3**Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries**

**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 Subsidiaries

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 Subsidiaries

**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 and Subsidiaries

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 and Subsidiaries

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.

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

A. FOR THE YEAR ENDED DECEMBER 31, 2007

No.	Company Name	Counter Party	Nature of Relationship (Note 1)	Intercompany Transactions			
				Financial Statements Item	Amount	Terms (Note 2)	Percentage of Consolidated Total Gross Sales or Total Assets
0	TSMC	TSMC-NA	1	Sales	\$ 192,846,641	-	59%
				Receivables from related parties	26,626,880	-	5%
				Other receivables from related parties	98,885	-	-
				Payables to related parties	13,392	-	-
		TSMC-Shanghai	1	Sales	155,799	-	-
				Purchases	5,828,541	-	2%
				Gain on disposal of property, plant and equipment	216,267	-	-
				Technical service income	121,771	-	-
				Other receivables from related parties	151,037	-	-
				Payables to related parties	596,581	-	-
		TSMC-Japan	1	Marketing expenses - commission	220,858	-	-
				Payables to related parties	18,449	-	-
		TSMC-Europe	1	Marketing expenses - commission	316,748	-	-
				Payables to related parties	37,046	-	-
		TSMC-Korea	1	Marketing expenses - commission	26,818	-	-
		GUC	1	Sales	795,232	-	-
				General and administrative expenses - rental expense	6,139	-	-
				Research and development expenses	56,887	-	-
				Receivables from related parties	74,003	-	-
		TSMC Technology	1	Payables to related parties	7,411	-	-
Research and development expenses	39,403			-	-		
WaferTech	1	Sales	354,423	-	-		
		Purchases	10,301	-	-		
		Payables to related parties	8,774,750	-	3%		
TSMC Canada	1	Research and development expenses	784,280	-	-		
1	TSMC International	TSMC Technology	3	Deferred royalty income	129,665	-	-
				Other receivables	640,658	-	-
2	TSMC Partners	TSMC International	3	Other receivables	9,901,544	-	2%
				Deferred revenue	8,773,454	-	2%
3	GUC	TSMC-NA	3	Purchases	1,766,788	-	1%
				Manufacturing overhead	189,410	-	-
		GUC-NA	3	Payables to related parties	139,402	-	-
				Operating expenses	60,010	-	-

Note 1: No. 1 represents the transactions from parent company to subsidiary.
No. 3 represents the transactions between subsidiaries.

Note 2: The terms of intercompany sales are not significantly different from those to third parties. For other intercompany transactions, prices are determined in accordance with mutual agreements.

(Continued)

B. FOR THE YEAR ENDED DECEMBER 31, 2006

No.	Company Name	Counter Party	Nature of Relationship (Note 1)	Intercompany Transactions			
				Financial Statements Item	Amount	Terms (Note 2)	Percentage of Consolidated Total Gross Sales or Total Assets
0	TSMC	TSMC-NA	1	Sales	\$ 190,459,073	-	60%
				Receivables from related parties	16,461,956	-	3%
				Other receivables from related parties	59,547	-	-
				Payables to related parties	27,455	-	-
		TSMC-Shanghai	1	Sales	61,951	-	-
				Purchases	4,405,843	-	1%
				Gain on disposal of property, plant and equipment	179,498	-	-
				Technical service income	98,797	-	-
				Proceeds from disposal of property, plant and equipment	401,561	-	-
				Other receivables from related parties	123,853	-	-
				Payables to related parties	478,714	-	-
		TSMC-Japan	1	Marketing expenses - commission	254,758	-	-
				Payables to related parties	20,295	-	-
		TSMC-Europe	1	Marketing expenses - commission	236,454	-	-
				Payables to related parties	22,158	-	-
		GUC	1	Sales	755,710	-	-
				General and administrative expenses - rental expense	14,606	-	-
				Research and development expenses	39,421	-	-
				Receivables from related parties	155,216	-	-
		TSMC Technology	1	Payables to related parties	2,117	-	-
Other receivables from related parties	3,785			-	-		
WaferTech	1	Payables to related parties	42,389	-	-		
		Sales	34,517	-	-		
		Purchases	12,530,552	-	4%		
1	TSMC International	TSMC Development	3	Interest income	8,029	-	-
		TSMC Technology	3	Deferred royalty income	643,679	-	-
2	TSMC Partners	TSMC International	3	Other receivables	10,003,652	-	3%
				Deferred revenue	8,814,830	-	3%
3	TSMC Technology	WaferTech	3	Receivables from related parties	1,366	-	-
4	GUC	TSMC-NA	3	Purchases	920,045	-	-
				Manufacturing overhead	330,129	-	-
		GUC-NA	3	Payables to related parties	301,507	-	-
				Operating expenses	41,984	-	-

Note 1: No. 1 represents the transactions from parent company to subsidiary.
No. 3 represents the transactions between subsidiaries.

Note 2: The terms of intercompany sales are not significantly different from those to third parties. For other intercompany transactions, prices are determined in accordance with mutual agreements.

(Concluded)