

TAIWAN SEMICONDUCTOR MANUFACTURING CO LTD

Form 6-K

August 29, 2007

1934 Act Registration No. 1-14700

**SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549**

**FORM 6-K**

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

**For the month of August 2007**

**Taiwan Semiconductor Manufacturing Company Ltd.**

(Translation of Registrant's Name Into English)

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

(Address of Principal Executive Offices)

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

Form 20-F

Form 40-F

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

Yes

No

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

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**Taiwan Semiconductor Manufacturing Company Limited**  
**Financial Statements for the**  
**Six Months Ended June 30, 2007 and 2006 and**  
**Independent Auditors Report**

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**INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Shareholders

Taiwan Semiconductor Manufacturing Company Limited

We have audited the accompanying balance sheets of Taiwan Semiconductor Manufacturing Company Limited as of June 30, 2007 and 2006, and the related statements of income, changes in shareholders' equity and cash flows for the six months then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Taiwan Semiconductor Manufacturing Company Limited as of June 30, 2007 and 2006, and the results of its operations and its cash flows for the six months then ended in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, requirements of the Business Accounting Law and Guidelines Governing Business Accounting with respect to financial accounting standards, and accounting principles generally accepted in the Republic of China.

We have also audited, in accordance with the Rules Governing the Audit of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China, the consolidated financial statements of Taiwan Semiconductor Manufacturing Company Limited and subsidiaries as of and for the six months ended June 30, 2007 and 2006, and have expressed an unqualified opinion on the consolidated financial statements.

July 12, 2007

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Notice to Readers

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

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

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**Taiwan Semiconductor Manufacturing Company Limited****BALANCE SHEETS****JUNE 30, 2007 AND 2006****(In Thousands of New Taiwan Dollars, Except Par Value)**

	<b>2007</b>		<b>2006</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Notes 2 and 4)	\$ 143,256,382	23	\$ 127,713,018	22
Financial assets at fair value through profit or loss (Notes 2, 3 and 5)	172,240		322,456	
Available-for-sale financial assets (Notes 2, 3 and 6)	15,259,717	3	62,102,387	11
Held-to-maturity financial assets (Notes 2 and 7)	9,909,497	2	5,738,737	1
Receivables from related parties (Note 23)	20,675,167	3	22,909,889	4
Notes and accounts receivable	16,923,301	3	19,713,819	4
Allowance for doubtful receivables (Note 2)	(694,039)		(975,704)	
Allowance for sales returns and others (Note 2)	(2,595,838)		(5,571,076)	(1)
Other receivables from related parties (Note 23)	1,280,419		1,659,482	
Other financial assets	545,717		872,627	
Inventories, net (Notes 2 and 8)	21,677,958	3	18,375,580	3
Deferred income tax assets (Notes 2 and 16)	5,622,000	1	6,084,277	1
Prepaid expenses and other current assets	1,197,661		954,026	
<b>Total current assets</b>	<b>233,230,182</b>	<b>38</b>	<b>259,899,518</b>	<b>45</b>
<b>LONG-TERM INVESTMENTS (Notes 2, 6, 7, 9 and 10)</b>				
Investments accounted for using equity method	105,071,276	17	54,000,233	9
Available-for-sale financial assets	4,518,721	1	4,873,970	1
Held-to-maturity financial assets	20,788,140	3	23,524,067	4
Financial assets carried at cost	747,218		818,969	
<b>Total long-term investments</b>	<b>131,125,355</b>	<b>21</b>	<b>83,217,239</b>	<b>14</b>
<b>PROPERTY, PLANT AND EQUIPMENT (Notes 2, 11 and 23)</b>				
<b>Cost</b>				
Buildings	99,707,179	16	91,815,148	16
Machinery and equipment	550,470,017	89	484,487,876	84
Office equipment	8,908,044	1	8,090,185	1
	659,085,240	106	584,393,209	101
Accumulated depreciation	(452,483,898)	(73)	(388,228,761)	(67)
Advance payments and construction in progress	31,434,579	5	27,054,673	5

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Net property, plant and equipment	238,035,921	38	223,219,121	39
<b>INTANGIBLE ASSETS</b>				
Goodwill (Note 2)	1,567,756		1,567,756	
Deferred charges, net (Notes 2 and 12)	5,179,415	1	6,163,992	1
Total intangible assets	6,747,171	1	7,731,748	1
<b>OTHER ASSETS</b>				
Deferred income tax assets (Notes 2 and 16)	8,489,812	1	7,394,956	1
Refundable deposits	2,552,561	1	83,655	
Assets leased to others, net (Note 2)	64,278		70,012	
Others			6,789	
Total other assets	11,106,651	2	7,555,412	1
<b>TOTAL</b>	<b>\$ 620,245,280</b>	<b>100</b>	<b>\$ 581,623,038</b>	<b>100</b>

**LIABILITIES AND SHAREHOLDERS EQUITY**

**CURRENT LIABILITIES**

Financial liabilities at fair value through profit or loss (Notes 2, 3 and 5)	\$ 3,460		\$ 599,909	
Accounts payable	7,497,105	1	6,772,076	1
Payables to related parties (Note 23)	3,108,623	1	3,281,423	
Income tax payable (Notes 2 and 16)	4,410,166	1	4,486,901	1
Cash dividends and bonus payable (Note 18)	82,061,862	13	65,257,190	11
Payables to contractors and equipment suppliers	16,515,598	3	16,952,057	3
Accrued expenses and other current liabilities (Note 14)	9,835,302	1	7,385,228	1
Current portion of bonds payable (Note 13)	4,500,000	1	2,500,000	1
Total current liabilities	127,932,116	21	107,234,784	18

**LONG-TERM LIABILITIES**

Bonds payable (Note 13)	12,500,000	2	17,000,000	3
Other long-term payables (Note 14)	1,343,935		1,458,603	
Other payables to related parties (Notes 23 and 25)			1,085,366	
Total long-term liabilities	13,843,935	2	19,543,969	3

**OTHER LIABILITIES**

Accrued pension cost (Notes 2 and 15)	3,583,542	1	3,484,350	1
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Guarantee deposits (Note 25)	3,001,515		3,354,046	1
Deferred credits (Notes 2 and 23)	997,610		1,173,542	
Total other liabilities	7,582,667	1	8,011,938	2
Total liabilities	149,358,718	24	134,790,691	23
CAPITAL STOCK \$10 PAR VALUE				
Authorized: 28,050,000 thousand shares in 2007				
27,050,000 thousand shares in 2006				
Issued: 26,423,517 thousand shares in 2007				
25,823,357 thousand shares in 2006	264,235,168	43	258,233,569	44
CAPITAL SURPLUS (Notes 2 and 18)	53,725,604	8	53,822,486	9
RETAINED EARNINGS (Note 18)				
Appropriated as legal capital reserve	56,406,684	9	43,705,711	8
Appropriated as special capital reserve	629,550		640,742	
Unappropriated earnings	96,973,825	16	92,376,976	16
	154,010,059	25	136,723,429	24
OTHERS (Notes 2, 3, 20 and 22)				
Cumulative translation adjustments	(613,674)		(1,145,616)	
Unrealized gain on financial instruments	447,480		116,554	
Treasury stock: 34,096 thousand shares in 2007 and 33,926 thousand shares in 2006	(918,075)		(918,075)	
	(1,084,269)		(1,947,137)	
Total shareholders equity	470,886,562	76	446,832,347	77
TOTAL	\$ 620,245,280	100	\$ 581,623,038	100

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



**Taiwan Semiconductor Manufacturing Company Limited**  
**STATEMENTS OF INCOME**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2007 AND 2006**  
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2007		2006	
	Amount	%	Amount	%
GROSS SALES (Notes 2 and 23)	\$ 138,166,350		\$ 161,789,754	
SALES RETURNS AND ALLOWANCES (Note 2)	1,967,831		3,269,063	
NET SALES	136,198,519	100	158,520,691	100
COST OF SALES (Notes 17 and 23)	81,342,396	60	80,991,942	51
GROSS PROFIT	54,856,123	40	77,528,749	49
UNREALIZED GROSS PROFIT FROM AFFILIATES	178,259			
REALIZED GROSS PROFIT	54,677,864	40	77,528,749	49
OPERATING EXPENSES (Notes 17 and 23)				
Research and development	7,279,536	5	7,255,721	4
General and administrative	3,436,220	2	3,379,438	2
Marketing	705,335	1	1,053,473	1
Total operating expenses	11,421,091	8	11,688,632	7
INCOME FROM OPERATIONS	43,256,773	32	65,840,117	42
NON-OPERATING INCOME AND GAINS				
Equity in earnings of equity method investees, net (Notes 2 and 9)	1,983,358	2	3,404,382	2
Interest income (Note 2)	1,447,702	1	1,910,958	1
Settlement income (Note 25)	491,385	1	483,734	1
Technical service income (Notes 23 and 25)	353,441		344,601	
Foreign exchange gain, net (Note 2)	214,508			
Rental income (Note 23)	200,453		100,858	
Gain on disposal of property, plant and equipment and other assets (Notes 2 and 23)	144,800		257,239	
	134,930			

Valuation gain on financial instruments, net (Notes 2, 5 and 22)

Gain on settlement and disposal of financial instruments, net (Notes 2, 5 and 22)

Others (Note 23)

287,575

468,482

71,693

Total non-operating income and gains

5,258,152

4

7,041,947

4

(Continued)

**Taiwan Semiconductor Manufacturing Company Limited**  
**STATEMENTS OF INCOME**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2007 AND 2006**  
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	<b>2007</b>		<b>2006</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
<b>NON-OPERATING EXPENSES AND LOSSES</b>				
Loss on settlement and disposal of financial instruments, net (Notes 2, 5 and 22)	\$ 480,606	1	\$	
Interest expense	300,973		330,600	
Foreign exchange loss, net (Note 2)			1,250,047	1
Valuation loss on financial instruments, net (Notes 2, 5 and 22)			277,453	
Others (Note 2)	29,957		117,909	
Total non-operating expenses and losses	811,536	1	1,976,009	1
<b>INCOME BEFORE INCOME TAX</b>	<b>47,703,389</b>	<b>35</b>	<b>70,906,055</b>	<b>45</b>
<b>INCOME TAX EXPENSE (Notes 2 and 16)</b>	<b>3,380,808</b>	<b>2</b>	<b>4,051,241</b>	<b>3</b>
<b>NET INCOME BEFORE CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES</b>	<b>44,322,581</b>	<b>33</b>	<b>66,854,814</b>	<b>42</b>
<b>CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES, NET OF TAX BENEFIT OF \$82,062 THOUSAND (Note 3)</b>			(246,186)	
<b>NET INCOME</b>	<b>\$ 44,322,581</b>	<b>33</b>	<b>\$ 66,608,628</b>	<b>42</b>

	<b>2007</b>		<b>2006</b>	
	<b>Before Income Tax</b>	<b>After Income Tax</b>	<b>Before Income Tax</b>	<b>After Income Tax</b>
<b>EARNINGS PER SHARE (NT\$, Note 21)</b>				
Basic earnings per share	\$ 1.81	\$ 1.68	\$ 2.68	\$ 2.53
Diluted earnings per share	\$ 1.81	\$ 1.68	\$ 2.67	\$ 2.52

(Continued)

**Taiwan Semiconductor Manufacturing Company Limited**  
**STATEMENTS OF INCOME**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2007 AND 2006**  
**(In Thousands of New Taiwan Dollars, Except Earnings Per Share)**

Certain pro forma information (after income tax) is shown as follows, based on the assumption that the Company's stock held by subsidiaries is treated as an investment instead of treasury stock (Notes 2 and 20):

	<b>2007</b>	<b>2006</b>
NET INCOME BEFORE CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES	\$ 44,424,343	\$ 66,937,134
NET INCOME	\$ 44,424,343	\$ 66,690,948
EARNINGS PER SHARE (NT\$)		
Basic earnings per share	\$ 1.68	\$ 2.53
Diluted earnings per share	\$ 1.68	\$ 2.52

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

(Concluded)

**Taiwan Semiconductor Manufacturing Company Limited**  
**STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2007 AND 2006**  
(In Thousands of New Taiwan Dollars, Except Dividends Per Share)

Capital Stock (in thousands)	Amount	Capital Surplus	Legal Capital Reserve	Retained Earnings		Total	Cumulative Translation Adjustments	Others	
				Special Capital Reserve	Unappropriated Earnings			Unrealized Gain on Financial Instruments	Treasury Stock
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)
			12,700,973		(12,700,973)				
				(11,192)	11,192				
					(4,572,798)	(4,572,798)			
280	4,572,798				(4,572,798)	(4,572,798)			
					(77,489,064)	(77,489,064)			
659	516,594				(516,594)	(516,594)			
					(285,800)	(285,800)			
489	774,891	(774,891)							
					44,322,581	44,322,581			
		68,411							

577,491

401 74,006 222,824

101,762

(83,408)

(30,727)

517 \$ 264,235,168 \$ 53,725,604 \$ 56,406,684 \$ 629,550 \$ 96,973,825 \$ 154,010,059 \$ (613,674) \$ 447,480 \$ (918,075) \$

(Continued)

Capital Stock in (s)	Amount	Capital Surplus	Legal Capital Reserve	Retained Earnings		Total	Cumulative Translation Adjustments	Others	
				Special Capital Reserve	Unappropriated Earnings			Gain on Financial Instruments	Treasury Stock
25	\$ 247,300,246	\$ 57,117,886	\$ 34,348,208	\$ 2,226,427	\$ 106,196,399	\$ 142,771,034	\$ (640,742)	\$	\$ (918,075)
			9,357,503		(9,357,503)				
				(1,585,685)	1,585,685				
					(3,432,129)	(3,432,129)			
3	3,432,129				(3,432,129)	(3,432,129)			
					(61,825,061)	(61,825,061)			
50	3,709,504				(3,709,504)	(3,709,504)			
					(257,410)	(257,410)			
50	3,709,504	(3,709,504)							
					66,608,628	66,608,628			
		87,920							

(504,874)

9 82,186 243,864

82,320

(191,469)

308,023

57 \$ 258,233,569 \$ 53,822,486 \$ 43,705,711 \$ 640,742 \$ 92,376,976 \$ 136,723,429 \$ (1,145,616) \$ 116,554 \$ (918,075)

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

(Concluded)



**Taiwan Semiconductor Manufacturing Company Limited**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2007 AND 2006**  
**(In Thousands of New Taiwan Dollars)**

	<b>2007</b>	<b>2006</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ 44,322,581	\$ 66,608,628
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	36,293,514	32,154,504
Unrealized gross profit from affiliates	178,259	
Amortization of premium/ discount of financial assets	(64,051)	43,781
Gain on disposal of available-for-sale financial assets, net	(233,970)	(1,116)
Gain on disposal of property, plant and equipment and other assets, net	(142,673)	(248,243)
Equity in earnings of equity method investees, net	(1,983,358)	(3,404,382)
Loss on idle assets		37,283
Deferred income tax	(518,685)	293,722
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Financial assets and liabilities at fair value through profit or loss	(134,930)	1,424,079
Receivables from related parties	(3,805,658)	(1,859,285)
Notes and accounts receivable	(645,137)	877,999
Allowance for doubtful receivables	3,108	(640)
Allowance for sales returns and others	(155,227)	1,301,107
Other receivables from related parties	(145,024)	473,280
Other financial assets	107,743	233,403
Inventories	(2,525,744)	(2,117,625)
Prepaid expenses and other current assets	23,538	217,747
Increase (decrease) in:		
Accounts payable	1,353,426	(1,280,030)
Payables to related parties	(218,293)	24,117
Income tax payable	(3,440,252)	671,013
Accrued expenses and other current liabilities	1,421,840	(645,267)
Accrued pension cost	53,426	22,958
Deferred credits	(47,872)	(47,872)
 Net cash provided by operating activities	 69,696,561	 94,779,161
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisitions of:		
Available-for-sale financial assets	(2,151,252)	(64,826,510)
Held-to-maturity financial assets		(7,754,790)
Financial assets carried at cost	(34,375)	(11,479)
Investments accounted for using equity method	(2,054,634)	(274,687)
Property, plant and equipment	(38,511,341)	(32,170,773)
Proceeds from disposal or redemption of:		

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Available-for-sale financial assets	15,163,560	44,101,660
Held-to-maturity financial assets	6,825,120	7,837,000
Property, plant and equipment and other assets	4,787	710,702

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**Taiwan Semiconductor Manufacturing Company Limited**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2007 AND 2006**  
**(In Thousands of New Taiwan Dollars)**

	<b>2007</b>	<b>2006</b>
Proceeds from return of capital by investees	\$ 44,258	\$ 102,662
Increase in deferred charges	(1,322,268)	(693,239)
Increase in refundable deposits	(1,246,327)	(13)
 Net cash used in investing activities	 (23,282,472)	 (52,979,467)
 <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase (decrease) in guarantee deposits	(808,446)	461,101
Repayment of long-term bonds payable	(2,500,000)	
Proceeds from exercise of employee stock options	296,830	326,050
Bonus to directors and supervisors	(285,800)	(257,410)
 Net cash provided by (used in) financing activities	 (3,297,416)	 529,741
 <b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	 43,116,673	 42,329,435
 <b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	 100,139,709	 85,383,583
 <b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	 \$ 143,256,382	 \$ 127,713,018
 <b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Interest paid	\$ 420,000	\$ 420,000
Income tax paid	\$ 7,330,375	\$ 2,994,232
 <b>INVESTING ACTIVITIES AFFECTING BOTH CASH AND NON-CASH ITEMS</b>		
Acquisition of property, plant and equipment	\$ 44,357,416	\$ 40,263,600
Increase in payables to contractors and equipment suppliers	(5,846,075)	(8,092,827)
Cash paid	\$ 38,511,341	\$ 32,170,773
 <b>NON-CASH FINANCING ACTIVITIES</b>		
Current portion of bonds payable	\$ 4,500,000	\$ 2,500,000

Current portion of other long-term payables (under accrued expenses and other current liabilities)	\$ 2,433,227	\$ 940,123
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The accompanying notes are an integral part of the financial statements. (Concluded)

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**Taiwan Semiconductor Manufacturing Company Limited**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE SIX MONTHS ENDED JUNE 30, 2007 AND 2006**

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

**1. GENERAL**

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

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

As of June 30, 2007 and 2006, the Company had 20,572 and 20,357 employees, respectively.

**2. SIGNIFICANT ACCOUNTING POLICIES**

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

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

Significant accounting policies are summarized as follows:

**Use of Estimates**

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

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

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

**Cash Equivalents**

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

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

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

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

**Available-for-Sale Financial Assets**

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.

Except structured time deposits whose fair value is estimated using valuation techniques, fair values of open-end mutual funds and publicly traded stocks are determined using the net assets value and the closing-price at the end of the period, respectively. For debt securities, fair value is determined using the average of bid and asked prices at the end of the period.

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 securities 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.

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### **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 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, shipment is made, price is fixed or determinable, and collectibility is reasonably assured. Revenues from the design and manufacturing of photo masks, which are used as manufacturing tools in the fabrication process, are recognized when the photo masks are qualified by customers. 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. Period-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 in Equity Securities (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. The accounting treatment for the investment premiums paid before January 1, 2006 is the same as that for goodwill which is no longer being amortized; while investment discounts continue to be amortized over the remaining periods. When an indication of impairment is identified, the carrying amount of the investment is reduced, with the related impairment loss recognized in earnings.

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

Gains or losses on sales from the Company to equity method investees are deferred in proportion to the Company's ownership percentage 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 Company's weighted-average ownership percentages in the investees that the record such gains or losses until they are realized through transactions with third parties.

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

#### **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 and Assets Leased to Others**

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

Significant additions, renewals and betterments incurred during the construction period are capitalized. Maintenance and repairs are expensed as incurred.

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

Upon sale or disposal of property, plant and equipment, 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.

#### **Goodwill**

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.

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### **Deferred Charges**

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

### **Research and Development**

Expenditures related to research activities and those related to development activities that do not meet the criteria for capitalization are charged to expense when incurred.

### **Pension Costs**

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

### **Income Tax**

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

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

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

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

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

### **Stock-based Compensation**

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

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**Treasury Stock**

The Company's stock held by its subsidiaries is treated as treasury stock and reclassified from investments accounted for using equity method to treasury stock. The gains resulted from disposal of the treasury stock held by subsidiaries and cash dividends received by subsidiaries from the Company are recorded under capital surplus treasury stock transactions.

**Foreign-currency Transactions**

Foreign-currency transactions are recorded in New Taiwan dollars at the rates of exchange in effect when the transactions occur. Exchange gains or losses derived from foreign-currency transactions or monetary assets and liabilities denominated in foreign currencies are recognized in earnings. At the balance sheet date, monetary assets and liabilities denominated in foreign currencies are revalued at prevailing exchange rates with the resulting gains or losses recognized in earnings.

**Recent Accounting Pronouncement**

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. The adoption of the SFAS did not have an effect on the Company's financial statements as of and for the six months ended June 30, 2007.

**3. ACCOUNTING CHANGES**

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

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

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

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

The adoption of the newly released SFASs resulted in a decrease in net income before cumulative effect of changes in accounting principles of NT\$31,267 thousand, a decrease in net income of NT\$277,453 thousand, and a decrease in basic earnings per share (after income tax) of NT\$0.01, for the six months ended June 30, 2006.

Effective January 1, 2006, the Company adopted the newly revised SFAS No. 5 and SFAS No. 25, which prescribe that investment premiums, representing goodwill, be assessed for impairment at least on an annual basis instead of being amortized. Such a change in accounting principle did not have a material effect on the Company's financial statements as of and for the six months ended June 30, 2006.

#### 4. CASH AND CASH EQUIVALENTS

	<b>June 30</b>	
	<b>2007</b>	<b>2006</b>
Cash and deposits in banks	\$ 84,229,386	\$ 67,694,314
Repurchase agreements collateralized by government bonds	58,429,635	59,351,764
Asset-backed commercial papers	597,361	
Corporate notes		666,940
	<b>\$ 143,256,382</b>	<b>\$ 127,713,018</b>

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

	<b>June 30</b>	
	<b>2007</b>	<b>2006</b>
<u>Derivatives - financial assets</u>		
Forward exchange contracts	\$ 15,335	\$ 322,456
Cross currency swap contracts	156,905	322,456
	<b>\$ 172,240</b>	<b>\$ 322,456</b>

#### Derivatives - financial liabilities

Forward exchange contracts	\$ 3,460	\$ 8,265
Cross currency swap contracts		591,644
	<b>\$ 3,460</b>	<b>\$ 599,909</b>

The Company entered into derivative contracts during the six months ended June 30, 2007 and 2006 to manage exposures due to fluctuations of foreign exchange rates. The derivative contracts entered into by the Company did not meet the criteria for hedge accounting prescribed by SFAS No. 34. Therefore, the Company did not apply hedge accounting treatment for its derivative contracts.

Outstanding forward exchange contracts as of June 30, 2007 and 2006:

	<b>Maturity Date</b>	<b>Contract Amount (in Thousands)</b>
<u>June 30, 2007</u>		

Sell EUR/buy NT\$	July 2007 to July 2008	EUR 50,700
<u>June 30, 2006</u>		
Sell US\$/buy NT\$	July 2006	US\$ 10,000
Sell EUR/buy US\$	July 2006	EUR 10,000

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Outstanding cross currency swap contracts as of June 30, 2007 and 2006:

<b>Maturity Date</b>	<b>Contract Amount (in Thousands)</b>	<b>Range of Interest Rates Paid</b>	<b>Range of Interest Rates Received</b>
<u>June 30, 2007</u>			
July 2007 to August 2007	US\$ 765,000	2.36%-5.43%	1.70%-4.21%

June 30, 2006

July 2006 to September 2006	US\$ 2,266,000	2.40%-5.57%	0.60%-2.78%
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For the six months ended June 30, 2007 and 2006, net losses and net gains arising from derivative financial instruments were NT\$579,646 thousand (including realized settlement losses of NT\$714,576 thousand and valuation gains of NT\$134,930 thousand) and NT\$189,913 thousand (including realized settlement gains of NT\$467,366 thousand and valuation losses of NT\$277,453 thousand), respectively.

#### 6. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	<b>June 30</b>	
	<b>2007</b>	<b>2006</b>
Open-end mutual funds	\$ 10,971,467	\$ 22,157,124
Corporate bonds	4,176,057	14,297,001
Government bonds	4,133,533	4,831,843
Structured time deposits	497,381	498,190
Agency bonds		13,787,394
Corporate issued asset-backed securities		10,921,185
Money market funds		385,937
Corporate notes		97,683
	19,778,438	66,976,357
Current portion	(15,259,717)	(62,102,387)
	\$ 4,518,721	\$ 4,873,970

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

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

	<b>Principal Amount</b>	<b>Carrying Amount</b>	<b>Interest Rate</b>	<b>Maturity Date</b>
<u>June 30, 2007</u>				
Step-up callable deposits				
Domestic deposits	\$ 500,000	\$ 497,381	1.76%	March 2008
<u>June 30, 2006</u>				
Step-up callable deposits				
Domestic deposits	\$ 500,000	\$ 498,190	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

	<b>June 30</b>	
	<b>2007</b>	<b>2006</b>
Corporate bonds	\$ 11,968,229	\$ 12,895,132
Structured time deposits	10,047,000	11,127,780
Government bonds	8,682,408	5,239,892
	30,697,637	29,262,804
Current portion	(9,909,497)	(5,738,737)
	\$ 20,788,140	\$ 23,524,067

Structured time deposits categorized as held-to-maturity financial assets consisted of the following:

	<b>Principal Amount</b>	<b>Interest Receivable</b>	<b>Range of Interest Rates</b>	<b>Maturity Date</b>
<u>June 30, 2007</u>				
Step-up callable deposits				
Domestic deposits	\$ 3,500,000	\$ 13,267	1.69%-1.83%	October 2007 to October 2008
Callable range accrual deposits				
Domestic deposits	3,928,200	4,556	(See below)	September 2009 to December 2009
Foreign deposits	2,618,800	4,828	(See below)	October 2009 to December 2009

\$ 10,047,000      \$      22,651

June 30, 2006

Step-up callable deposits

Domestic deposits	\$ 4,000,000	\$ 27,016	1.40%-2.01%	June 2007 to March 2009
Callable range accrual deposits				
Domestic deposits	3,887,880	4,725	(See below)	September 2009 to December 2009
Foreign deposits	3,239,900	4,914	(See below)	October 2009 to January 2010
	\$ 11,127,780	\$ 36,655		

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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 ranging 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 June 30, 2007 and 2006, the principal of the deposits that resided in banks located in Hong Kong amounted to US\$60,000 thousand and US\$80,000 thousand, respectively; the principal of those resided in banks located in Singapore amounted to US\$20,000 thousand.

## 8. INVENTORIES, NET

	June 30	
	2007	2006
Finished goods	\$ 4,545,835	\$ 4,163,346
Work in process	16,447,979	13,243,014
Raw materials	1,137,465	1,236,095
Supplies and spare parts	421,597	537,546
	22,552,876	19,180,001
Allowance for losses	(874,918)	(804,421)
	\$ 21,677,958	\$ 18,375,580

## 9. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	June 30			
	2007	% of	2006	% of
	Carrying	Owner-	Carrying	Owner-
	Amount	ship	Amount	ship
TSMC Global (Note 6)	\$ 43,613,633	100	\$	
TSMC International Investment Ltd. (TSMC International)	27,053,657	100	25,984,419	100
TSMC (Shanghai) Company Limited (TSMC-Shanghai)	8,799,540	100	9,093,788	100
Systems on Silicon Manufacturing Company Pte Ltd. (SSMC)	8,289,538	39	5,094,733	32
Vanguard International Semiconductor Corporation (VIS)	5,637,861	27	5,087,101	27
TSMC Partners, Ltd. (TSMC Partners)	4,567,193	100	4,225,071	100
TSMC North America (TSMC-North America)	2,207,039	100	1,790,365	100
Xintec Inc. (Xintec)	1,366,816	43		
VentureTech Alliance Fund II, L.P. (VTAF II)	858,453	98	707,835	98
VentureTech Alliance Fund III, L.P. (VTAF III)	756,146	98	145,055	98
Emerging Alliance Fund, L.P. (Emerging Alliance)	717,200	99	1,050,087	99
Global UniChip Corporation (GUC)	694,111	38	447,762	45
Chi Cherng Investment Co., Ltd. (Chi Cherng)	168,359	36	113,574	36
Hsin Ruey Investment Co., Ltd. (Hsin Ruey)	166,857	36	113,246	36
TSMC Japan Limited (TSMC-Japan)	94,250	100	96,536	100



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Taiwan Semiconductor Manufacturing Company				
Europe B.V. (TSMC-Europe)	65,109	100	36,909	100
TSMC Korea Limited (TSMC-Korea)	15,514	100	13,752	100
	\$ 105,071,276		\$ 54,000,233	

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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; the percentage of ownership increased from 32% to 39%.

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

For the six months ended June 30, 2007 and 2006, net equity in earnings of NT\$1,983,358 thousand and NT\$3,404,382 thousand was recognized, respectively. The carrying amounts of the investments accounted for using the equity method and the related equity in earnings or losses of equity method investees were determined based on the audited financial statements of the investees for the same periods as the Company.

#### 10. FINANCIAL ASSETS CARRIED AT COST

	<b>June 30</b>	
	<b>2007</b>	<b>2006</b>
Non-publicly traded stocks	\$ 364,913	\$ 472,500
Funds	382,305	346,469
	<b>\$ 747,218</b>	<b>\$ 818,969</b>

#### 11. PROPERTY, PLANT AND EQUIPMENT

Accumulated depreciation consisted of the following:

	<b>June 30</b>	
	<b>2007</b>	<b>2006</b>
Buildings	\$ 53,445,978	\$ 46,538,174
Machinery and equipment	392,217,826	335,618,032
Office equipment	6,820,094	6,072,555
	<b>\$ 452,483,898</b>	<b>\$ 388,228,761</b>

No interest was capitalized during the six months ended June 30, 2007 and 2006.

#### 12. DEFERRED CHARGES, NET

	<b>June 30</b>	
	<b>2007</b>	<b>2006</b>
Technology license fees	\$ 3,723,447	\$ 4,708,484
Software and system design costs	1,155,163	1,401,428
Others	300,805	54,080
	<b>\$ 5,179,415</b>	<b>\$ 6,163,992</b>

**13. BONDS PAYABLE**

	<b>June 30</b>	
	<b>2007</b>	<b>2006</b>
Domestic unsecured bonds:		
Issued in December 2000 and repayable in December 2007, 5.36% interest payable annually	\$ 4,500,000	\$ 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	12,500,000	15,000,000
	17,000,000	19,500,000
Current portion	(4,500,000)	(2,500,000)
	<b>\$ 12,500,000</b>	<b>\$ 17,000,000</b>

As of June 30, 2007, future principal repayments for the Company's bonds were as follows:

<b>Year of Repayment</b>	<b>Amount</b>
2007 (4 <sup>th</sup> quarter)	\$ 4,500,000
2009	8,000,000
2012	4,500,000
	<b>\$ 17,000,000</b>

**14. OTHER LONG-TERM PAYABLES**

Most of the payables resulted from license agreements for certain semiconductor-related patents. As of June 30, 2007, future payments for other long-term payables were as follows:

<b>Year of Payment</b>	<b>Amount</b>
2007 (3 <sup>rd</sup> and 4 <sup>th</sup> quarter)	\$ 2,094,747
2008	743,575
2009	338,480
2010	338,480
2011	261,880
	3,777,162
Current portion (classified under accrued expenses and other current liabilities)	(2,433,227)
	<b>\$ 1,343,935</b>

**15. PENSION PLANS**

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



The pension mechanism under the Act is deemed a defined contribution plan. Pursuant to the Act, the Company has made monthly contributions equal to 6% of each employee's monthly salary to employees' pension accounts starting from July 1, 2005, and recognized pension costs of NT\$298,794 thousand and NT\$ 309,691 thousand for the six months ended June 30, 2007 and 2006, respectively.

The Company has a defined benefit plan under the Labor Standards Law that provides benefits based on an employee's service years and average monthly salary for the six-month period prior to retirement. The Company contributes an amount equal to 2% of salaries paid each month to a pension fund (the Fund), which is administered by the pension fund monitoring committee (the Committee) and deposited in the Committee's name in the Central Trust of China. The Company recognized pension costs of NT\$162,308 thousand and NT\$152,702 thousand for the six months ended June 30, 2007 and 2006, respectively.

Changes in the Fund and accrued pension cost under the defined benefit plan are summarized as follows:

	<b>Six Months Ended June 30</b>	
	<b>2007</b>	<b>2006</b>
<b>The Fund</b>		
Balance, beginning of period	\$ 1,913,002	\$ 1,658,864
Contributions	111,502	131,250
Interest	46,279	34,384
Payments		(4,677)
Balance, end of period	\$ 2,070,783	\$ 1,819,821
<b>Accrued pension cost</b>		
Balance, beginning of period	\$ 3,530,116	\$ 3,461,392
Accruals	53,426	22,958
Balance, end of period	\$ 3,583,542	\$ 3,484,350

## **16. INCOME TAX**

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

	<b>Six Months Ended June 30</b>	
	<b>2007</b>	<b>2006</b>
Income tax expense based on income before income tax at statutory rate (25%)	\$ 11,925,847	\$ 17,726,514
Tax effect of the following:		
Tax-exempt income	(2,770,225)	(6,411,975)
Temporary and permanent differences	(320,582)	(721,070)
Additional tax at 10% on unappropriated earnings	2,686,561	1,156,130
Cumulative effect of changes in accounting principles		(82,062)
Investment tax credits used	(7,260,151)	(7,462,975)
Income tax currently payable	\$ 4,261,450	\$ 4,204,562



b. Income tax expense consisted of the following:

	<b>Six Months Ended June 30</b>	
	<b>2007</b>	<b>2006</b>
Income tax currently payable	\$ 4,261,450	\$ 4,204,562
Other income tax adjustments	(361,957)	(447,043)
Net change in deferred income tax assets		
Investment tax credits	3,082,172	2,756,331
Temporary differences	(760,228)	(1,423,579)
Valuation allowance	(2,840,629)	(1,039,030)
Income tax expense	\$ 3,380,808	\$ 4,051,241

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

	<b>June 30</b>	
	<b>2007</b>	<b>2006</b>
Current deferred income tax assets		
Investment tax credits	\$ 5,622,000	\$ 6,084,277
Noncurrent deferred income tax assets		
Investment tax credits	\$ 11,252,720	\$ 15,025,163
Temporary differences	1,600,692	741,309
Valuation allowance	(4,363,600)	(8,371,516)
	\$ 8,489,812	\$ 7,394,956

d. Integrated income tax information:

The balance of the imputation credit account as of June 30, 2007 and 2006 was NT\$2,759,715 thousand and NT\$743,590 thousand, respectively.

The creditable ratios for distribution of earnings of 2006 and 2005 were 5.23% (expected) and 2.88%, respectively.

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

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

f. As of June 30, 2007, investment tax credits consisted of the following:

<b>Law/Statute</b>	<b>Item</b>	<b>Total Creditable Amount</b>	<b>Remaining Creditable Amount</b>	<b>Expiry Year</b>
Statute for Upgrading Industries	Purchase of machinery and equipment	\$ 238,012	\$	2007
		3,177,526		2008
		6,029,482	5,114,037	2009
		6,424,473	6,424,473	2010
		832,574	832,574	2011

\$ 16,702,067      \$ 12,371,084

(Continued)

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<b>Law/Statute</b>	<b>Item</b>	<b>Total Creditable Amount</b>	<b>Remaining Creditable Amount</b>	<b>Expiry Year</b>
Statute for Upgrading Industries	Research and development expenditures	\$ 1,245,142	\$	2007
		1,627,095		2008
		1,534,230	1,534,230	2009
		1,944,546	1,944,546	2010
		869,050	869,050	2011
		\$ 7,220,063	\$ 4,347,826	
Statute for Upgrading Industries	Personnel training expenditures	\$ 16,197	\$	2007
		40,734		2008
		40,442	40,442	2009
		35,564	35,564	2010
		\$ 132,937	\$ 76,006	
Statute for Upgrading Industries	Investments in important technology-based enterprises	\$ 79,804	\$ 79,804	2010

(Concluded)

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

	<b>Tax-Exemption Period</b>
Construction of Fab 12 Module A	2004 to 2007
Construction of Fab 14 Module A	2006 to 2010

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

### 17. LABOR COST, DEPRECIATION AND AMORTIZATION

	<b>Six Months Ended June 30, 2007</b>		
	<b>Classified as Cost of Sales</b>	<b>Classified as Operating Expenses</b>	<b>Total</b>
Labor cost			
Salary	\$ 4,405,268	\$ 2,160,377	\$ 6,565,645
Labor and health insurance	277,788	150,831	428,619
Pension	298,525	162,577	461,102

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Meal	213,703	80,294	293,997
Welfare	109,186	66,138	175,324
Others	62,796	3,017	65,813
	\$ 5,367,266	\$ 2,623,234	\$ 7,990,500
Depreciation	\$ 33,044,630	\$ 1,919,406	\$ 34,964,036
Amortization	\$ 905,291	\$ 403,390	\$ 1,308,681

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	<b>Six Months Ended June 30, 2006</b>		
	<b>Classified</b>		
	<b>as</b>		
	<b>Classified</b>	<b>Operating</b>	
	<b>as</b>	<b>Expenses</b>	<b>Total</b>
	<b>Cost of</b>		
	<b>Sales</b>		
Labor cost			
Salary	\$ 5,183,360	\$ 2,144,658	\$ 7,328,018
Labor and health insurance	340,274	167,998	508,272
Pension	309,451	152,942	462,393
Meal	225,304	76,220	301,524
Welfare	94,186	48,784	142,970
Others	103,858	12,901	116,759
	<b>\$ 6,256,433</b>	<b>\$ 2,603,503</b>	<b>\$ 8,859,936</b>
Depreciation	\$ 29,319,569	\$ 1,617,095	\$ 30,936,664
Amortization	\$ 722,358	\$ 479,323	\$ 1,201,681

## 18. SHAREHOLDERS EQUITY

As of June 30, 2007, 1,134,382 thousand ADSs of the Company were traded on the NYSE. The number of common shares represented by the ADSs was 5,671,912 thousand (one ADS represents five common shares).

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

Capital surplus consisted of the following:

	<b>June 30</b>	
	<b>2007</b>	<b>2006</b>
From merger	\$ 24,003,546	\$ 24,003,546
Additional paid-in capital	19,422,365	19,788,594
From convertible bonds	9,360,424	9,360,424
From treasury stock transactions	490,950	389,188
From long-term investments	448,264	280,679
Donations	55	55
	<b>\$ 53,725,604</b>	<b>\$ 53,822,486</b>

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

- a. Legal capital reserve at 10% of the profits left over, until the accumulated legal capital reserve has equaled the Company's paid-in capital;

- b. Special capital reserve in accordance with relevant laws or regulations or as requested by the authorities in charge;
-

c. Bonus to directors and bonus to employees of the Company of not more than 0.3% and not less than 1% of the remainder, respectively. Directors who also serve as executive officers of the Company are not entitled to receive the bonus to directors. The Company may issue stock bonuses to employees of an affiliated company meeting the conditions set by the Board of Directors or, by the person duly authorized by the Board of Directors;

d. Any balance left over shall be allocated according to the resolution of the shareholders' meeting.

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

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

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

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

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

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

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	For Fiscal	For Fiscal	For	For
	Year 2006	Year 2005	Fiscal Year 2006	Fiscal Year 2005
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	285,800	257,410		
	\$ 100,126,835	\$ 80,428,051		

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

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

The information about the appropriations of bonuses 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, the R.O.C. resident shareholders are allowed a tax credit for their proportionate share of the income tax paid by the Company on earnings generated since January 1, 1998.

#### **19. STOCK-BASED COMPENSATION PLANS**

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

Options of the plans that had never been granted or had been granted but subsequently canceled had expired as of June 30, 2007.

Information about outstanding options for the six months ended June 30, 2007 and 2006 was as follows:

	<b>Number of Options (in Thousands)</b>	<b>Weighted- average Exercise Price (NT\$)</b>
<u>Six months ended June 30, 2007</u>		
Balance, beginning of period	52,814	\$ 37.9
Options granted	1,094	37.9
Options exercised	(7,401)	40.1
Options canceled	(598)	45.2
 Balance, end of period	 45,909	 37.6
<u>Six months ended June 30, 2006</u>		
Balance, beginning of period	67,758	39.4
Options granted	2,517	39.7
Options exercised	(8,219)	39.7
Options canceled	(2,304)	44.5

Balance, end of period	59,752	39.6
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The number of outstanding options and exercise prices have been adjusted to reflect the distribution of dividends in accordance with the plans. The options granted were the result of the aforementioned adjustment. As of June 30, 2007, information about 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	30,754	3.66	\$33.2	30,754	\$33.2
\$38.9-\$51.3	15,155	5.41	46.6	9,264	46.3
	45,909		37.6	40,018	36.2

No compensation cost was recognized under the intrinsic value method for the six months ended June 30, 2007 and 2006. Had the Company used the fair value based method (based on the Black-Scholes model) to evaluate the options granted after January 1, 2004, the assumptions and pro forma results of the Company would have been as follows:

	Six Months Ended June 30	
	2007	2006
Assumptions:		
Expected dividend yield	1.00%-3.44%	1.00%-3.44%
Expected volatility	43.77%-46.15%	43.77%-46.15%
Risk free interest rate	3.07%-3.85%	3.07%-3.85%
Expected life	5 years	5 years
Net income:		
Net income as reported	\$ 44,322,581	\$ 66,608,628
Pro forma net income	44,287,092	66,552,140
Earnings per share (EPS) after income tax (NT\$):		
Basic EPS as reported	\$ 1.68	\$ 2.53
Pro forma basic EPS	1.68	2.52
Diluted EPS as reported	1.68	2.52
Pro forma diluted EPS	1.68	2.52

## 20. TREASURY STOCK

(Shares in Thousands)

	Beginning Shares	Stock Dividend	Disposal	Ending Shares
<u>Six months ended June 30, 2007</u>				
Parent company stock held by subsidiaries	33,926	170		34,096
<u>Six months ended June 30, 2006</u>				
Parent company stock held by subsidiaries	32,938	988		33,926





As of June 30, 2007 and 2006, the book value of the treasury stock was NT\$918,075 thousand each; the market value was NT\$2,417,400 thousand and NT\$1,952,452 thousand, respectively. The Company's stock held by subsidiaries is treated as treasury stock and the holders are entitled to the rights of shareholders, with the exception of voting rights.

## 21. EARNINGS PER SHARE

	Six Months Ended June 30			
	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	\$ 1.81	\$ 1.68	\$ 2.69	\$ 2.54
Cumulative effect of changes in accounting principles			(0.01)	(0.01)
Income for the period	\$ 1.81	\$ 1.68	\$ 2.68	\$ 2.53
Diluted EPS (NT\$)				
Income before cumulative effect of change in accounting principles	\$ 1.81	\$ 1.68	\$ 2.68	\$ 2.53
Cumulative effect of changes in accounting principles			(0.01)	(0.01)
Income for the period	\$ 1.81	\$ 1.68	\$ 2.67	\$ 2.52

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>Six months ended June 30, 2007</u>					
Basic EPS					
Income available to shareholders	\$ 47,703,389	\$ 44,322,581	26,385,050	\$ 1.81	\$ 1.68
Effect of dilutive potential common stock					
stock options			23,482		
Diluted EPS					
Income available to shareholders (including effect of dilutive potential common stock)	\$ 47,703,389	\$ 44,322,581	26,408,532	\$ 1.81	\$ 1.68

Six months ended June 30, 2006

Basic EPS

Income available to shareholders	\$ 70,577,807	\$ 66,608,628	26,371,073	\$ 2.68	\$ 2.53
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Effect of dilutive potential common stock stock options			22,850		
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Diluted EPS

Income available to shareholders (including effect of dilutive potential common stock)	\$ 70,577,807	\$ 66,608,628	26,393,923	\$ 2.67	\$ 2.52
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**22. DISCLOSURES FOR FINANCIAL INSTRUMENTS**

a. Fair values of financial instruments were as follows:

	June 30			
	2007		2006	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>Assets</u>				
Financial assets at fair value through profit or loss	\$ 172,240	\$ 172,240	\$ 322,456	\$ 322,456
Available-for-sale financial assets	19,778,438	19,778,438	66,976,357	66,976,357
Held-to-maturity financial assets	30,697,637	30,616,918	29,262,804	28,857,510
Investments accounted for using equity method (with market price)	6,331,972	28,683,049	5,087,101	9,567,918
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss	3,460	3,460	599,909	599,909
Bonds payable (including current portion)	17,000,000	17,241,349	19,500,000	19,888,147
Other long-term payable (including current portion)	3,777,162	3,777,162	3,484,092	3,484,092

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

- 1) The aforementioned financial instruments do not include cash and cash equivalents, receivables, other financial assets, payables, and payables to contractors and equipment suppliers. The carrying amounts of these financial instruments approximate their fair values due to their short maturities.
  - 2) Fair values of financial assets/liabilities at fair value through profit or loss were determined using valuation techniques incorporating estimates and assumptions that were consistent with prevailing market conditions.
  - 3) Fair values of available-for-sale and held-to-maturity financial assets were based on their quoted market prices; while fair values of structured time deposits were estimated using valuation techniques.
  - 4) Fair value of bonds payable was based on their quoted market price.
  - 5) Fair value of other long-term payables was based on the present value of expected cash flows, which approximates their carrying amount.
- c. Gains and losses recognized for the changes in fair value of derivatives estimated using valuation techniques were NT\$134,930 thousand and NT\$277,453 thousand for the six months ended June 30, 2007 and 2006, respectively.
- d. As of June 30, 2007 and 2006, financial assets exposed to fair value interest rate risk were NT\$50,648,315 thousand and NT\$96,561,617 thousand, respectively; financial liabilities exposed to fair value interest rate risk were NT\$3,460 thousand and NT\$599,909 thousand, respectively, and financial assets exposed to cash flow interest rate risk were NT\$6,547,000 thousand and NT\$7,127,780 thousand, respectively.



- e. The Company recognized an unrealized gain of NT\$150,562 thousand and an unrealized loss of NT\$190,353 thousand directly in shareholders' equity for the changes in fair value of available-for-sale financial assets for the six months ended June 30, 2007 and 2006, respectively; the Company recognized gains of NT\$233,970 thousand and NT\$1,116 thousand which was removed from shareholders' equity and recognized in earnings for the six months ended June 30, 2007 and 2006, respectively. The Company also recognized unrealized losses of NT\$30,727 thousand and unrealized gains of NT\$308,023 thousand in shareholders' equity for the changes in fair value of available-for-sale financial assets held by equity method investees for the six months ended June 30, 2007 and 2006, respectively.
- f. Information about financial risks
- 1) Market risk. The derivative financial instruments categorized as financial assets/liabilities at fair value through profit or loss are mainly used to hedge the exchange rate fluctuations of foreign-currency assets and liabilities; therefore, the market risk of derivatives will be offset by the foreign exchange risk of these hedged items. Available-for-sale financial assets held by the Company are mainly fixed-interest-rate debt securities; therefore, the fluctuations in market interest rates will result in changes in fair values of these debt securities.
  - 2) Credit risk. Credit risk represents the potential loss that would be incurred by the Company if the counter-parties or third-parties breached contracts. Financial instruments with positive fair values at the balance sheet date are evaluated for credit risk. The counter-parties or third-parties to the foregoing financial instruments are reputable financial institutions, business organizations and government agencies. Management believes that the Company's exposure to default by those parties is low.
  - 3) Liquidity risk. The Company has sufficient operating capital to meet cash needs upon settlement of derivative financial instruments and bonds payable. Therefore, the liquidity risk is low.
  - 4) Cash flow interest rate risk. The Company mainly invests in fixed-interest-rate debt securities. Therefore, cash flows are not expected to fluctuate significantly due to changes in market interest rates.

### **23. RELATED PARTY TRANSACTIONS**

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

a. Philips, a major shareholder of the Company.

b. Subsidiaries

TSMC-North America

TSMC-Shanghai

TSMC-Europe

TSMC-Japan

c. Investees

GUC (with a controlling financial interest)

VIS (accounted for using equity method)

SSMC (accounted for using equity method)

## d. Indirect subsidiaries

WaferTech, LLC (WaferTech)  
TSMC Technology, Inc. (TSMC Technology)

## e. Indirect investee

VisEra (accounted for using equity method)

## f. Others

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

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

	<b>2007</b>		<b>2006</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
<u>For the six months ended June 30</u>				
Sales				
TSMC-North America	\$ 83,546,469	60	\$ 94,075,632	58
Philips			2,318,898	2
Others	465,685	1	406,336	
	\$ 84,012,154	61	\$ 96,800,866	60
Purchases				
WaferTech	\$ 4,804,106	21	\$ 6,505,148	28
SSMC	2,765,116	12	3,718,466	16
TSMC-Shanghai	2,485,579	11	1,918,584	8
VIS	1,681,324	8	1,712,082	7
Others	732			
	\$ 11,736,857	52	\$ 13,854,280	59
Manufacturing expenses				
VisEra	\$ 20,500		\$	
Philips (technical assistance fees, see Note 25a)			377,952	1
	\$ 20,500		\$ 377,952	1
Marketing expenses - commission				
TSMC-Europe	\$ 146,354	21	\$ 116,934	11

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TSMC-Japan	115,663	16	125,553	12
Others	11,146	2	1,118	
	\$ 273,163	39	\$ 243,605	23

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	2007		2006	
	Amount	%	Amount	%
General and administrative expenses				
rental				
GUC	\$ 3,473		\$ 7,659	
Research and development expenses				
TSMC Technology	\$ 145,596	2	\$	
Others	59,381	1	19,582	
	\$ 204,977	3	\$ 19,582	
Sales of property, plant and equipment				
TSMC-Shanghai	\$ 2,378	33	\$ 173,299	42
Non-operating income and gains				
VisEra	\$ 177,414	4	\$ 140,079	2
VIS (primarily technical service income, see Note 25h)	173,765	3	105,937	2
TSMC-Shanghai	168,625	3	123,891	2
SSMC (primarily technical service income, see Note 25e)	116,257	2	147,219	2
	\$ 636,061	12	\$ 517,126	8
As of June 30				
Receivables				
TSMC-North America	\$ 20,642,259	100	\$ 22,374,338	98
Philips			382,251	2
Others	32,908		153,300	
	\$ 20,675,167	100	\$ 22,909,889	100
Other receivables				
VIS	\$ 809,153	63	\$ 688,807	42
VisEra	147,186	11	17,376	1
SSMC	97,977	8	92,700	6
TSMC-North America	88,131	7	205,327	12
TSMC-Shanghai	60,263	5	167,585	10
TSMC Technology			485,449	29

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Others	77,709	6	2,238	
	\$ 1,280,419	100	\$ 1,659,482	100
Payables				
WaferTech	\$ 804,285	26	\$ 1,155,023	35
VIS	780,221	25	943,129	29
SSMC	728,808	23	662,385	20
TSMC-Shanghai	611,054	20	401,379	12
Others	184,255	6	119,507	4
	\$ 3,108,623	100	\$ 3,281,423	100

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	2007		2006	
	Amount	%	Amount	%
Other long-term payables				
Philips (Note 25a)	\$		\$ 1,085,366	100
Deferred credits				
TSMC-Shanghai	\$ 617,113	62	\$ 635,124	54
VisEra	93,262	9	155,437	13
	\$ 710,375	71	\$ 790,561	67

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

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

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

#### 24. SIGNIFICANT LONG-TERM LEASES

The Company leases several parcels of land from the Science Park Administration. These operating leases expire on various dates from December 2007 to December 2026 and can be renewed upon expiration.

As of June 30, 2007, future lease payments were as follows:

Year	Amount
2007 (3 <sup>rd</sup> and 4 <sup>th</sup> quarter)	\$ 170,581
2008	301,926
2009	292,960
2010	243,762
2011	242,180
2012 and thereafter	1,820,594
	\$ 3,072,003

#### 25. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

The significant commitments and contingencies of the Company as of June 30, 2007, except as disclosed in other notes, were as follows:

- a. On June 20, 2004, the Company and Philips (Philips parted with its semiconductor company which was renamed as NXP B.V. in September 2006) amended the Technical Cooperation Agreement, which was originally signed on May 12, 1997. The amended Technical Cooperation Agreement is for five years beginning from January 1, 2004. Upon expiration, this amended Technical Cooperation Agreement will be terminated and will not be automatically renewed; however, the patent cross license arrangement between the Company and Philips (now NXP B.V.) will survive the expiration of the amended Technical Cooperation Agreement. Under this amended Technical Cooperation Agreement, the Company will pay Philips (now NXP B.V.) royalties based on a fixed amount mutually agreed-on,



rather than under a certain percentage of the Company's annual net sales. The Company and Philips (now NXP B.V.) agreed to cross license the patents owned by each party. The Company also obtained through Philips (now NXP B.V.) a number of cross patent licenses.

- b. Under a technical cooperation agreement with ITRI, the R.O.C. Government or its designee approved by 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, the Company shall reserve a portion of its production capacity for certain major customers that have guarantee deposits with the Company. As of June 30, 2007, the Company had a total of US\$90,985 thousand of guarantee deposits.
- d. Under a Shareholders Agreement entered into with Philips and EDB Investments Pte Ltd. on March 30, 1999, the parties formed a joint venture company, SSMC, which is an integrated circuit foundry in Singapore. The Company's equity interest in SSMC was 32%. Nevertheless, Philips parted with its semiconductor company which was renamed as NXP B.V. in September 2006. The Company and NXP B.V. purchased all the SSMC shares owned by EDB Investments Pte Ltd. pro rata according to the Shareholders Agreement on November 15, 2006. After the purchase, the Company and NXP B.V. currently own approximately 39% and 61% of the SSMC shares, respectively. The Company and Philips (now NXP B.V.) committed to buy specific percentages of the production capacity of SSMC. The Company and Philips (now NXP B.V.) are required, in the aggregate, to purchase up to 70% of SSMC's capacity, but the Company alone is not required to purchase more than 28% of the capacity. If any party defaults on the commitment and the capacity utilization of SSMC falls below a specific percentage of its capacity, the defaulting party is required to compensate SSMC for all related unavoidable costs.
- e. The Company provides technical services to SSMC under a Technical Cooperation Agreement (the Agreement) entered into on May 12, 1999. The Company receives compensation for such services computed at a specific percentage of net selling price of all products sold by SSMC. The Agreement shall remain in force for ten years and may be automatically renewed for successive periods of five years each unless pre-terminated by either party under certain conditions.
- f. Under a Technology Transfer Agreement (TTA) with National Semiconductor Corporation (National) entered into on June 27, 2000, the Company shall receive payments for the licensing of certain technology to National. The agreement was to remain in force for ten years and could be automatically renewed for successive periods of two years thereafter unless either party gives written notice for early termination under certain conditions. In January 2003, the Company and National entered into a Termination Agreement whereby the TTA was terminated. Under the Termination Agreement, the Company will be relieved of any further obligation to transfer any additional technology. In addition, the Company granted National an option to request the transfer of certain technologies under the same terms and conditions as the terminated TTA. The option will expire in January 2008.
- g. In December 2003, the Company entered into a Technology Development and License Agreement with Freescale Semiconductor, Inc. to jointly develop 65-nm SOI (silicon on insulator) technology. The Company will also license related 90-nm SOI technology from Freescale Semiconductor, Inc. Any intellectual properties arising out of the co-development project shall be jointly owned by the parties. In accordance with the agreement, the Company will pay royalties to Freescale Semiconductor, Inc. and will share a portion of the costs associated with the joint development project.



- h. The Company provides a technology transfer to VIS under a Manufacturing License and Technology Transfer Agreement entered into on April 1, 2004. The Company receives compensation for such technology transfer in the form of royalty payments from VIS computed at specific percentages of net selling price of certain products sold by VIS. VIS agreed to reserve its certain capacity to manufacture for the Company certain products at prices as agreed by the parties.
- i. TSMC, TSMC-North America and WaferTech filed a series of lawsuits in late 2003 and 2004 against Semiconductor Manufacturing International Corporation ( SMIC ), SMIC (Shanghai) and SMIC Americas. The lawsuits alleged that SMIC companies infringed multiple TSMC patents and misappropriated TSMC's trade secrets. These suits were settled out of court on January 30, 2005. As part of the settlement, SMIC shall pay TSMC US\$175,000 thousand over six years to resolve TSMC's claims. As of June 30, 2007, SMIC had paid US\$75,000 thousand 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 in the same court, alleging TSMC of breach of the settlement agreement and implied covenant of good faith and fair dealing, in response to TSMC'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 result of the above-mentioned litigation cannot be determined at this time.
- j. Amounts available under unused letters of credit as of June 30, 2007 were NT\$6,480 thousand.

## 27. ADDITIONAL DISCLOSURES

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

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

the paid-in capital: Please see Table 4 attached;

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

TSMC-Shanghai entered into forward exchange contracts during the six months ended June 30, 2007 to manage exposures due to foreign exchange rate fluctuations.

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Outstanding forward exchange contracts as of June 30, 2007:

	<b>Maturity Date</b>	<b>Contract Amount (in Thousands)</b>
Sell RMB/buy EUR	July 2007	EUR 189

Net realized settlement losses and valuation gains arising from TSMC-Shanghai's forward exchange transactions for the six months ended June 30, 2007 were NT\$669 thousand and NT\$130 thousand, respectively. Xintec entered into forward exchange contracts during the six months ended June 30, 2007 to manage exposures due to foreign exchange rate fluctuations.

Outstanding forward exchange contracts as of June 30, 2007:

	<b>Maturity Date</b>	<b>Contract Amount (in Thousands)</b>
Sell US\$/buy NT\$	July 2007	US\$ 2,000

Net realized settlement losses and valuation gains arising from Xintec's forward exchange transactions for the six months ended June 30, 2007 were NT\$1,500 thousand and NT\$176 thousand, respectively.

k. Information on investment in Mainland China

- 1) The name of the investee in mainland China, the main businesses and products, its issued capital, method of investment, information on inflow or outflow of capital, percentage of ownership, equity in the net gain or net loss, ending balance, amount received as dividends from the investee, and the limitation on investee: Please see Table 7 attached.
  - 2) Significant direct or indirect transactions with the investee, its prices and terms of payment, unrealized gain or loss, and other related information which is helpful to understand the impact of investment in mainland China on financial reports: Please see Note 23.
-

**TABLE 1**

**Taiwan Semiconductor Manufacturing Company Limited and Investees**  
**MARKETABLE SECURITIES HELD**  
**JUNE 30, 2007**  
**(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

June 30, 2007

Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	Shares/Units (in Thousands)	Carrying Value (US\$ in Thousands)	Per Share
<u>Government Bond</u>					
Government Bond Series B		Available-for-sale financial assets		\$2,344,207	
Government Bond Series B				1,192,161	
Government Bond Series G				198,586	
Government Bond Series D				398,579	
Government Bond Series F		Held-to-maturity financial assets		798,163	
Government Bond Series D				3,654,613	
Government Bond Series B				1,647,899	
Government Bond Series H				401,144	
Kaohsiung Municipal Series A				620,000	
Kaohsiung Municipal Series B				249,998	
Asian Development Bank Govt.				845,464	
Asian Investment Bank Bonds				376,047	
European Bank for Reconstruction and Development Govt. Bond Series A				89,080	
<u>Exchange traded mutual funds</u>					
Bond Fund		Available-for-sale financial assets	12,239	2,028,897	
Taiwan Bond			102,783	1,380,442	
International Financial Bond Fund			83,306	1,226,681	
Taiwan Bond			79,132	1,123,358	
Taiwan Income Fund			63,947	1,020,211	
Diamond Bond Fund			70,262	814,510	
Golden Lucky Fund			68,945	712,420	
De-Bao Fund			63,273	706,359	
Emerald Bond DAM Fund			54,286	633,827	
Taiwan Money Management			34,093	510,018	
Taiwan Bond Fund			26,542	408,003	
SCO Bond Fund			27,176	406,741	
<u>Corporate Bond</u>					
Industrial Bank		Available-for-sale financial assets		1,559,462	
Commercial Bank				1,169,901	

n Power Company		1,048,083
sa Petrochemical Corporation		398,611
sa Petrochemical Corporation	Held-to-maturity financial assets	3,574,211
n Power Company		3,262,876
a Plastics Corporation		2,003,757
Corporation, Taiwan		1,450,830
Steel Corporation		1,000,000
sa Plastic Corporation		386,989
hai commercial & Saving Bank		289,566

(Continued)



Type and Name	Relationship with the Company	Financial Statement Account	Shares/Unit (in Thousands)	Carrying (US Thousands)
	Subsidiary	Investment accounted for using equity method	1	\$43,0
	Subsidiary		987,968	27,0
	Investee accounted for using equity method		463	8,2
	Investee accounted for using equity method		442,262	5,0
	Subsidiary		300	4,5
	Subsidiary		11,000	2,2
	Investee with a controlling interest		90,526	1,3
	Investee with a controlling interest		41,263	0
	Subsidiary		6	
	Subsidiary			
	Subsidiary		80	
s Co., Ltd.		Financial assets carried at cost	16,783	1
aiwan Co., Ltd.			10,500	1
d IV			4,000	
tal Co., Ltd.			2,633	
		Financial assets carried at cost		3
	Subsidiary	Investment accounted for using equity method		8,7
	Subsidiary			8
	Subsidiary			7
	Subsidiary			7
	Subsidiary			
	Subsidiary			

Parent Company	Available-for-sale financial assets	17,032	1,2
Investee accounted for using equity method	Investments accounted for using equity method	5,032	1
Parent Company	Available-for-sale financial assets	17,064	1,2
Investee accounted for using equity method	Investments accounted for using equity method	3,711	
Subsidiary	Investments accounted for using equity method	9,207	US\$
Subsidiary		51,300	US\$
Subsidiary		1	US\$
Subsidiary		1	US\$

(Continued)

June 30, 2019

Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	Shares/Units (in thousands)	Carrying Value (US\$ in thousands)
WaferTech	Subsidiary	Investments accounted for using equity method		US\$ 249,316
<u>Common stock</u>				
VisEra Holding Company	Investee accounted for using equity method	Investments accounted for using equity method	43,000	US\$ 63,098
<u>Common stock</u>				
NetLogic Microsystems, Inc.		Financial assets at fair value through profit or loss	55	US\$ 1,767
kanos Communication, Inc.		Available-for-sale financial assets	515	US\$ 3,917
Global Investment Holding, Inc.		Financial assets carried at cost	10,800	\$ 100,000
RichWave Technology Corp.			4,247	US\$ 1,648
ixim, Inc.			1,036	US\$ 275
<u>Preferred stock</u>				
ixim, Inc.		Financial assets carried at cost	3,606	US\$ 862
Mosaic Systems, Inc.			2,481	US\$ 12
Reflectivity, Inc.			3,252	US\$ 102
Miradia, Inc.			3,040	US\$ 1,000
Axiom Microdevices, Inc.			1,000	US\$ 1,000
Optichron, Inc.			714	US\$ 1,000
NuCORE Technology, Inc.			2,254	US\$ 1,388
Next IO, Inc.			800	US\$ 500
Audience, Inc.			1,654	US\$ 250
Centrality Communications			1,325	US\$ 1,800
teknovus, Inc.			6,977	US\$ 1,327
Optimal Corporation			583	US\$ 600
Mobilygen			1,415	US\$ 750
<u>Common stock</u>				
Yobon		Financial assets carried at cost	1,875	US\$ 919
entelic			1,200	US\$ 2,040
eadtrend			1,150	US\$ 660
RichWave Technology Corp.			500	US\$ 231
<u>Preferred stock</u>				
Powerprecise Solutions, Inc.		Financial assets carried at cost	1,445	US\$ 1,400
Zero Technologies, Inc.			730	US\$ 1,500
Miradia, Inc.			2,740	US\$ 2,424

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Axiom Microdevices, Inc.	4,142	US\$	1,812
Next IO, Inc.	216	US\$	182
Ageia Technologies, Inc.	2,030	US\$	2,074
Audience, Inc.	2,208	US\$	474
GemFire Corporation	600	US\$	68
Optichron, Inc.	353	US\$	869
Keive	714	US\$	1,000
V Technologies, Inc.	2,357	US\$	1,768
Power Analog Microelectronics	2,000	US\$	1,500
mpinj, Inc.	475	US\$	1,000
Beceem Communications	650	US\$	1,600
Teknovus, Inc.	518	US\$	119
Quantia Corporation	1,264	US\$	1,150
ixim, Inc.	3,279	US\$	641

(Continued)

June 30, 2018

Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	Carrying Perce	
			Shares/Units (in thousands)	Value (US\$ in thousands)
<b>Preferred stock</b>				
Mutual-Pak Limited		Financial assets carried at cost	370	US\$ 112
Quellan, Inc			2,231	US\$ 2,500
M2000, Inc.			1,500	US\$ 1,500
SynDiTec, Inc.			4,296	US\$ 720
Validity Sensors, Inc.			5,333	US\$ 2,000
Silicon Technical Services, LLC			915	US\$ 1,000
Neoconix, Inc.			2,458	US\$ 4,000
Advasense Sensors, Inc.			1,624	US\$ 1,500
Tilera, Inc.			1,698	US\$ 2,360
<b>Corporate Bond</b>				
GTBF, Inc.		Financial assets carried at cost		US\$ 1,500
<b>Common stock</b>				
Monolithic Power Systems, Inc.		Financial assets at fair value through profit or loss	1,975	US\$ 34,458
Advanced Power Electronics Corp.		Available-for-sale financial assets	58	US\$ 20
Capella Microsystems (Taiwan), Inc.		Financial assets carried at cost	530	US\$ 154
<b>Preferred stock</b>				
Integrated Memory Logic, Inc.		Financial assets carried at cost	2,831	US\$ 1,221
IP Unity, Inc.			1,008	US\$ 494
Sonics, Inc.			1,843	US\$ 3,530
NanoAmp Solutions, Inc.			541	US\$ 853
Memsic, Inc.			2,727	US\$ 1,500
<b>Common stock</b>				
Monolithic Power Systems, Inc.		Financial assets at fair value through profit or loss	864	US\$ 15,085
Geo Vision, Inc.			6	US\$ 40
Rich Tek Technology Corp.			132	US\$ 2,088
Geo Vision, Inc.		Available-for-sale financial assets	15	US\$ 91
Rich Tek Technology Corp.			227	US\$ 3,597
Ralink Technology (Taiwan), Inc.		Financial assets carried at cost	2,383	US\$ 791
Capella Microsystems (Taiwan), Inc.			534	US\$ 210
Auden Technology MFG. Co., Ltd.			1,049	US\$ 223
EoNEX Technologies, Inc.			55	US\$ 3,048



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Goyatek Technology, Corp.	2,088	US\$	545
Trendchip Technologies Corp.	1,000	US\$	574
EON Technology, Corp.	4,243	US\$	1,175
eLCOS Microdisplay Technology, Ltd.	270	US\$	27
Epic Communication, Inc.	191	US\$	37
Sonics, Inc.	2,220	US\$	32

Preferred stock

Memsic, Inc.	Financial assets carried at cost	2,289	US\$	1,560
NanoAmp Solutions, Inc.		375	US\$	1,500
Kilopass Technology, Inc.		3,887	US\$	2,000
FangTek, Inc.		6,930	US\$	3,250
Sonics, Inc.		2,115	US\$	3,082
eLCOS Microdisplay Technology, Ltd.		3,500	US\$	3,500
Alchip Technologies Limited		6,128	US\$	2,450

(Continued)

June 30, 2016

Table Securities Type and Name	Relationship with the Company	Financial Statement Account	Shares/Units (in Thousands)	Carrying Value (US\$ in Thousands)	P
<u>Government bonds</u>					
States Treas Nts		Available-for-sale financial assets		US\$ 300	N
States Treas Nts				US\$41,177	N
States Treas Nts				US\$16,896	N
States Treas Nts				US\$46,322	N
States Treas Nts				US\$ 5,724	N
States Treas Nt				US\$26,065	N
States Treas Nts				US\$20,611	N
States Treas Nts				US\$14,742	N
States Treas Nts				US\$ 5,829	N
asury Nts				US\$ 4,841	N
asury Nts				US\$ 2,480	N
asury Nts				US\$ 2,483	N
s Nts				US\$10,290	N
<u>State bonds</u>					
o Tr I		Available-for-sale financial assets		US\$ 970	N
l, Inc.				US\$ 2,118	N
Labs				US\$ 2,538	N
Labs				US\$ 1,503	N
Life Global Fdg Secd				US\$ 2,978	N
n Gen Fin Corp.				US\$ 3,198	N
n Gen Fin Corp. Mtn				US\$ 3,458	N
n Gen Fin Corp. Mtn				US\$ 1,970	N
n Honda Fin Corp. Mtn				US\$ 9,310	N
n Honda Fin Corp. Mtn				US\$ 800	N
Inc.				US\$ 2,909	N
es Corp. North Amer				US\$ 2,529	N
Richfield Co				US\$ 2,168	N
Mkts P L C				US\$ 4,447	N
ew York, Inc.				US\$ 1,496	N
ne Corp.				US\$ 2,017	N
ne Corp.				US\$ 1,461	N
d Houston Tx Mtn				US\$ 522	N
al Corp. Mtn Bk Entry				US\$ 2,286	N
on Res, Inc.				US\$ 3,639	N
up Hldgs, Inc.				US\$ 3,018	N
up, Inc. New				US\$ 2,504	N

Manhattan Corp. New	US\$ 2,102 N
Manhattan Corp. New	US\$ 5,059 N
Corp.	US\$ 2,123 N
ix Energy, Inc.	US\$ 3,701 N
Pipeline Co.	US\$ 1,479 N
dated Edison, Inc.	US\$ 2,938 N
wide Fdg Corp. Mtn	US\$ 2,026 N
uisse First Boston Usa	US\$ 3,119 N
uisse First Boston Usa	US\$ 2,185 N
uisse First Boston	US\$ 732 N
chrysler North Amer	US\$ 988 N
chrysler North Amer Hld	US\$ 751 N
Hudson Corp.	US\$ 2,014 N
ohn Cap Corp. Mtn Bk Ent	US\$ 2,159 N
ohn Cap Corp.	US\$ 5,927 N

(Continued)

June 30, 2011

Table Securities Type and Name	Relationship with the Company	Financial Statement Account	Shares/Units (in Thousands)	Carrying Value (US\$ in Thousands)	P
Computer Corp.		Available-for-sale financial assets		US\$ 2,809	N
Plc				US\$ 3,478	N
n Elec Co.				US\$ 3,208	N
n Invt Bk				US\$ 6,054	N
Home Ln Bks				US\$ 7,937	N
ird Bk Cinc.Innati Oh				US\$ 2,448	N
l Group, Inc. New				US\$ 902	N
ston Corp.				US\$ 2,614	N
al Ins Hldg Corp.				US\$ 1,893	N
Dynamics Corp.				US\$ 2,064	N
Elec Cap Corp. Mtn				US\$ 1,167	N
Elec Cap Corp. Mtn				US\$ 3,907	N
Elec Cap Corp. Mtn				US\$ 2,094	N
Elec Cap Corp. Mtn				US\$ 11,267	N
Re Corp.				US\$ 3,233	N
th Finl, Inc.				US\$ 3,245	N
oint Finl Corp.				US\$ 980	N
c Medium Term Sr Nts				US\$ 2,976	N
k John Global Fdg Ii Mtn				US\$ 5,065	N
k John Global Fdg Mtn				US\$ 982	N
k John Global Fdg Ii Mtn				US\$ 2,920	N
l Finl Svcs Group, Inc.				US\$ 1,338	N
l Finl Svcs Group, Inc.				US\$ 5,025	N
inl, Inc.				US\$ 1,908	N
Packard Co.				US\$ 1,829	N
old Fin Corp.				US\$ 3,075	N
old Fin Corp.				US\$ 2,916	N
ton National Bank				US\$ 1,862	N
Life Instl Fdg				US\$ 2,478	N
onal Business Machs				US\$ 3,455	N
se Fin Corp. Mtn				US\$ 2,951	N
se Fin Corp. Mtn				US\$ 4,159	N
gan Chase + Co.				US\$ 3,285	N
Na Med Term Nts Bk Entr				US\$ 4,423	N
o. Mtn Book Entry				US\$ 3,016	N
Brothers Hldgs, Inc.				US\$ 1,067	N
Brothers Hldgs, Inc.				US\$ 3,150	N
Brothers Hldgs, Inc.				US\$ 486	N
Brothers Hldgs, Inc.				US\$ 983	N

Brothers Hldgs, Inc.	US\$ 1,162 N
Brothers Hldgs, Inc.	US\$ 1,628 N
merica Bank Na Y	US\$ 6,418 N
vt Corp.	US\$ 1,197 N
ch Capital Funding Co.	US\$ 2,785 N
l + Ilsley Corp.	US\$ 8,435 N
tual Global Fdg Ii Mtn	US\$ 3,627 N
litan Life Global Mtn	US\$ 3,415 N
ental Global Fdg Ii	US\$ 1,471 N
netal Global Fdg Ii	US\$ 1,959 N
roup, Inc.	US\$ 2,142 N
Stanley	US\$ 1,931 N
Stanley	US\$ 5,458 N

(Continued)

June 30, 2018

Investable Securities Type and Name	Relationship with the Company	Financial Statement Account (in Thousands)	Shares/Units	Carrying Value (US\$ in Thousands)	Percentage
Bank of America Corp.		Available-for-sale financial assets		US\$3,443	N/A
Bank of Montreal Westminister Bk Plc				US\$1,308	N/A
Bank of Montreal Global Life Global Fdg I				US\$3,477	N/A
Bank of Montreal Corp. / Ozark Hldg, Inc.				US\$1,966	N/A
Bank of Montreal Corp.				US\$1,001	N/A
Bank of Montreal, Inc. Mtn Book Entry				US\$3,616	N/A
Bank of Montreal North Amer, Inc.				US\$2,907	N/A
Bank of Montreal, Inc.				US\$3,122	N/A
Bank of Montreal Intl, Inc.				US\$2,706	N/A
Bank of Montreal Global Fdg I Mtn				US\$3,421	N/A
Bank of Montreal Finl Group Australia				US\$1,001	N/A
Bank of Montreal Life Global Fdg I Gl				US\$1,172	N/A
Bank of Montreal Life Secd Trs				US\$2,935	N/A
Bank of Montreal Life Secd Trs Mtn				US\$3,403	N/A
Bank of Montreal Svc Elec Gas Co.				US\$3,706	N/A
Bank of Montreal s Finl Corp. New				US\$2,381	N/A
Bank of Montreal o Fin(Cayman)				US\$2,167	N/A
Bank of Montreal Communications, Inc.				US\$3,312	N/A
Bank of Montreal Communications, Inc.				US\$ 695	N/A
Bank of Montreal verassests Ltd Global				US\$ 980	N/A
Bank of Montreal Corp.				US\$ 711	N/A
Bank of Montreal Cos, Inc. Mtn Bk Ent				US\$2,536	N/A
Bank of Montreal Ppty Group L P				US\$2,177	N/A
Bank of Montreal Ppty Group Lp				US\$ 998	N/A
Bank of Montreal st Bk Atlanta Ga Medium				US\$3,454	N/A
Bank of Montreal Natl Assn Cincinnati Oh				US\$2,935	N/A
Bank of Montreal one Airtouch Plc				US\$1,662	N/A
Bank of Montreal resources Corp.				US\$1,029	N/A
Bank of Montreal via Corp. New				US\$3,479	N/A
Bank of Montreal via Corp. New				US\$3,125	N/A
Bank of Montreal ngton Mut, Inc.				US\$1,698	N/A
Bank of Montreal ngton Post Co.				US\$3,001	N/A
Bank of Montreal Fargo + Co. New				US\$2,961	N/A
Bank of Montreal Fargo + Co. New Med Trm				US\$4,310	N/A
Bank of Montreal eld Cap Corp. Ltd				US\$2,003	N/A
<u>State issued asset-backed securities</u>					
Bank of Montreal ean Home Mtg Invt Tr		Available-for-sale financial assets		US\$ 53	N/A

credit Automobile Rec Tr	US\$3,253 N
credit Automobile Rec Tr	US\$2,294 N
credit Auto Rec Tr	US\$1,000 N
credit Automobile Receivb	US\$1,996 N
credit Automobile Receiva	US\$2,728 N
c City Elc Trns Fdglc	US\$ 298 N
Card Tr	US\$4,264 N
amer Fdg 2006 I Tr	US\$4,044 N
earn Coml Mtg Secs, Inc.	US\$3,518 N
earn Alt A Tr	US\$ 532 N
earn Arm Tr	US\$3,259 N
earn Arm Tr	US\$1,943 N
ip Coll Tr	US\$ 893 N
ip Coll Tr	US\$3,986 N
quip Tr	US\$ 276 N

(Continued)

		June 30, 2007			Market
					Value or
					Net
		Carrying Percentage			
		Shares/Units	Value	of	Asset Value
Held	Relationship				
Company	with Financial				
Name	the Statement (in	(US\$ in			(US\$ in
Name	Marketable Securities Type and Name	Thousands)	Thousands)	Ownership	Thousands) Note
		Available-for-sale			
		financial			
		assets			
	Cwabs, Inc.		US\$ 139	N/A	US\$ 139
	Cwabs		US\$ 3,619	N/A	US\$ 3,619
	Cwmbs, Inc.		US\$ 784	N/A	US\$ 784
	Capital Auto Receivables Asset		US\$ 3,236	N/A	US\$ 3,236
	Capital Auto Receivables Asset		US\$ 2,238	N/A	US\$ 2,238
	Capital One Auto Fin Tr		US\$ 2,628	N/A	US\$ 2,628
	Capital One Auto Fin Tr		US\$ 2,995	N/A	US\$ 2,995
	Capital One Auto Fin Tr		US\$ 4,997	N/A	US\$ 4,997
	Capital One Multi Asset Execut		US\$ 3,961	N/A	US\$ 3,961
	Capital One Multi Asset Execut		US\$ 2,965	N/A	US\$ 2,965
	Capital One Prime Auto Receiv		US\$ 1,414	N/A	US\$ 1,414
	Capital One Prime Auto Rec		US\$ 3,968	N/A	US\$ 3,968
	Caterpillar Finl Asset Tr		US\$ 8,198	N/A	US\$ 8,198
	Cbass Tr		US\$ 4,248	N/A	US\$ 4,248
	Cendant Rent Car Fdg Aesop Llc		US\$ 9,361	N/A	US\$ 9,361
	Chase Mtge Finance Corp.		US\$ 2,763	N/A	US\$ 2,763
	Chase Mtg Fin Tr		US\$ 2,881	N/A	US\$ 2,881
	Chase Mtge Finance Corp.		US\$ 1,831	N/A	US\$ 1,831
	Chase Mtg Fin Tr		US\$ 950	N/A	US\$ 950
	Chase Mtg Fin Tr		US\$ 1,900	N/A	US\$ 1,900
	Citicorp Mtg Secs		US\$ 375	N/A	US\$ 375
	Citibank Cr Card Issuance Tr		US\$ 9,970	N/A	US\$ 9,970
	Credit Suisse First Boston Mtg		US\$ 7,629	N/A	US\$ 7,629
	Credit Suisse First Boston Mtg		US\$ 7,677	N/A	US\$ 7,677
	Credit Suisse First Boston Mtg		US\$ 300	N/A	US\$ 300
	Credit Suisse First Boston Mtg		US\$ 3,563	N/A	US\$ 3,563
	Credit Suisse First Boston Mtg		US\$ 3,715	N/A	US\$ 3,715
	Daimlerchrysler Auto Tr		US\$ 1,694	N/A	US\$ 1,694
	Daimlerchrysler Auto Tr		US\$ 4,295	N/A	US\$ 4,295
	Deere John Owner Tr		US\$ 2,447	N/A	US\$ 2,447
	Drive Auto Receivables Tr		US\$ 2,306	N/A	US\$ 2,306
	First Franklin Mtg Ln Tr		US\$ 4,187	N/A	US\$ 4,187
	First Horizon Abs Tr		US\$ 422	N/A	US\$ 422
	First Union Lehman Bros Mtg Tr		US\$ 795	N/A	US\$ 795
	First Un Natl Bk Coml Mtg Tr		US\$ 2,854	N/A	US\$ 2,854



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Ford Credit Auto Owner Trust	US\$ 4,299	N/A	US\$ 4,299
Ge Cap Cr Card Master Nt Tr	US\$ 2,827	N/A	US\$ 2,827
Gs Mtg Secs Corp.	US\$ 4,127	N/A	US\$ 4,127
Harley Davidson Motorcycle Tr	US\$ 4,943	N/A	US\$ 4,943
Hertz Veh Fing Llc	US\$ 5,320	N/A	US\$ 5,320
Home Equity Mtg Tr 2006 4	US\$ 4,167	N/A	US\$ 4,167
Honda Auto Receivables	US\$ 3,362	N/A	US\$ 3,362
Hsbc Automotive Tr	US\$ 2,690	N/A	US\$ 2,690
Hyundai Auto Receivables Tr	US\$ 4,083	N/A	US\$ 4,083
Hyundai Auto Receivables Tr	US\$ 3,941	N/A	US\$ 3,941
J P Morgan Mtg Tr	US\$ 955	N/A	US\$ 955
J P Morgan Mtg Tr	US\$ 943	N/A	US\$ 943
J P Morgan Mtg Tr	US\$ 938	N/A	US\$ 938
Jp Morgan Mtg Tr	US\$ 924	N/A	US\$ 924
Lb Ubs Coml Mtg Tr	US\$ 3,318	N/A	US\$ 3,318
Mbna Cr Card Master Nt Tr	US\$ 4,449	N/A	US\$ 4,449
Mastr Asset Backed	US\$ 3,510	N/A	US\$ 3,510

(Continued)

		June 30, 2007			
		Carrying Percentage		Market Value or Net	
		Shares/Units	Value	of	Asset Value
Held	Relationship	with Financial		Statement (in	
Company	the	(in	(US\$ in	(US\$ in	(US\$ in
Name	Marketable Securities Type and Name	Thousands)	Thousands)	Ownership	Thousands) Note
		Available-for-sale	financial		
	Merrill Lynch Mtg Invs, Inc.	assets	US\$ 5,262	N/A	US\$ 5,262
	Morgan Stanley Ixis Estate Tr		US\$ 3,113	N/A	US\$ 3,113
	Nomura Asset Accep Corp.		US\$ 4,138	N/A	US\$ 4,138
	Onyx Accep Owner Tr		US\$ 2,542	N/A	US\$ 2,542
	Pg+E Energy Recovery Fdg Llc		US\$ 3,231	N/A	US\$ 3,231
	Reliant Energy Transition Bd		US\$ 1,630	N/A	US\$ 1,630
	Residential Asset Mtg Prods		US\$ 2,374	N/A	US\$ 2,374
	Residential Asset Sec Mtg Pass		US\$ 1,096	N/A	US\$ 1,096
	Residential Asset Sec Mtg Pass		US\$ 2,062	N/A	US\$ 2,062
	Residential Fdg Mtg Secs I, Inc.		US\$ 1,770	N/A	US\$ 1,770
	Residential Fdg Mtg Secs I, Inc.		US\$ 3,718	N/A	US\$ 3,718
	Sequoia Mtg Tr		US\$ 560	N/A	US\$ 560
	Sequoia Mtg Tr		US\$ 364	N/A	US\$ 364
	Sequoia Mtg Tr		US\$ 422	N/A	US\$ 422
	Structured Adj Rate Mtg Ln Tr		US\$ 1,140	N/A	US\$ 1,140
	Structured Adj Rate Mtg Ln Tr		US\$ 387	N/A	US\$ 387
	Txu Elec Delivery Transition		US\$ 1,844	N/A	US\$ 1,844
	Terwin Mtg Tr		US\$ 4,068	N/A	US\$ 4,068
	Usaa Auto Owner Tr		US\$ 4,221	N/A	US\$ 4,221
	Wamu Mtg		US\$ 3,545	N/A	US\$ 3,545
	Wamu Mtg Pass Thru Ctf Tr		US\$ 4,405	N/A	US\$ 4,405
	Wfs Finl 2004 4 Owner Tr		US\$ 368	N/A	US\$ 368
	Wfs Finl 2005 2 Oner Tr		US\$ 2,222	N/A	US\$ 2,222
	Wamu Mtg		US\$ 925	N/A	US\$ 925
	Washington Mut Mtg Secs Corp.		US\$ 2,626	N/A	US\$ 2,626
	Wells Fargo Mtg Backed Secs		US\$ 4,066	N/A	US\$ 4,066
	Wells Fargo Finl Auto Owner Tr		US\$ 4,922	N/A	US\$ 4,922
	Wells Fargo Mtg Bkd Secs		US\$ 2,501	N/A	US\$ 2,501
	Wells Fargo Mtg Bkd Secs		US\$ 3,152	N/A	US\$ 3,152
	Wells Fargo Mtg Bkd Secs Tr		US\$ 2,334	N/A	US\$ 2,334
	Whole Auto Ln Tr		US\$ 624	N/A	US\$ 624
	Whole Auto Ln Tr		US\$ 2,982	N/A	US\$ 2,982
	<u>Agency bonds</u>				
	Fed Hm Ln Pc Pool M80855		US\$ 3,099	N/A	US\$ 3,099

Available-for-sale  
financial  
assets

Fed Hm Ln Pc Pool G11295	US\$ 1,217	N/A	US\$ 1,217
Fed Hm Ln Pc Pool E89857	US\$ 1,401	N/A	US\$ 1,401
Fed Hm Ln Pc Pool 1b1107	US\$ 590	N/A	US\$ 590
Fed Hm Ln Pc Pool 1b1150	US\$ 1,121	N/A	US\$ 1,121
Fed Hm Ln Pc Pool 1b1225	US\$ 154	N/A	US\$ 154
Fed Hm Ln Pc Pool 1b2776	US\$ 365	N/A	US\$ 365
Fed Hm Ln Pc Pool 1b2792	US\$ 239	N/A	US\$ 239
Fed Hm Ln Pc Pool 1b2566	US\$ 176	N/A	US\$ 176
Fed Hm Ln Pc Pool 1b2632	US\$ 191	N/A	US\$ 191
Fed Hm Ln Pc Pool 1b2642	US\$ 264	N/A	US\$ 264
Fed Hm Ln Pc Pool 1b2810	US\$ 316	N/A	US\$ 316
Fed Hm Ln Pc Pool 847628	US\$ 3,467	N/A	US\$ 3,467
Fed Hm Ln Pc Pool 1j0410	US\$ 5,820	N/A	US\$ 5,820
Fed Hm Ln Pc Pool G12009	US\$ 3,900	N/A	US\$ 3,900
Fed Hm Ln Pc Pool 1g0038	US\$ 318	N/A	US\$ 318
Fed Hm Ln Pc Pool 1g0053	US\$ 403	N/A	US\$ 403
Fed Hm Ln Pc Pool 1g0104	US\$ 157	N/A	US\$ 157
Fed Hm Ln Pc Pool 1g1282	US\$ 4,388	N/A	US\$ 4,388

(Continued)

		June 30, 2007			
		Carrying Percentage		Market	
		Shares/Units	Value	Value or	
		of		Net	
		Asset Value			
Held	Relationship				
Company	with Financial				
Name	the Statement (in	(US\$ in	(US\$ in		
Marketable Securities Type and Name	Company Account	Thousands)	Thousands)	Ownership	
		Thousands	Thousands	Thousands)	
		Note			
		Available-for-sale			
		financial			
		assets			
	Fed Hm Ln Pc Pool 1g1411		US\$ 4,126	N/A	US\$ 4,126
	Fed Hm Ln Pc Pool 1h2520		US\$ 2,861	N/A	US\$ 2,861
	Fed Hm Ln Pc Pool 1h2524		US\$ 2,166	N/A	US\$ 2,166
	Fed Hm Ln Pc Pool 1g2593		US\$ 5,554	N/A	US\$ 5,554
	Fed Hm Ln Pc Pool 1g1921		US\$ 4,344	N/A	US\$ 4,344
	Fed Hm Ln Pc Pool B19205		US\$ 7,598	N/A	US\$ 7,598
	Federal Home Ln Mtg Corp.		US\$ 3,753	N/A	US\$ 3,753
	Fed Hm Ln Pc Pool 780870		US\$ 825	N/A	US\$ 825
	Fed Hm Ln Pc Pool 781959		US\$ 4,945	N/A	US\$ 4,945
	Fed Hm Ln Pc Pool 782785		US\$ 280	N/A	US\$ 280
	Fed Hm Ln Pc Pool 782837		US\$ 538	N/A	US\$ 538
	Fed Hm Ln Pc Pool 782968		US\$ 1,219	N/A	US\$ 1,219
	Fed Hm Ln Pc Pool 783022		US\$ 571	N/A	US\$ 571
	Fed Hm Ln Pc Pool 783026		US\$ 334	N/A	US\$ 334
	Fed Hm Ln Pc Pool 783058		US\$ 1,122	N/A	US\$ 1,122
	Fnma Pool 254507		US\$ 1,355	N/A	US\$ 1,355
	Fnma Pool 254834		US\$ 1,272	N/A	US\$ 1,272
	Fnma Pool 255883		US\$ 3,258	N/A	US\$ 3,258
	Fnma Pool 555549		US\$ 1,450	N/A	US\$ 1,450
	Fnma Pool 555715		US\$ 182	N/A	US\$ 182
	Fnma Pool 632399		US\$ 402	N/A	US\$ 402
	Fnma Pool 662401		US\$ 602	N/A	US\$ 602
	Fnma Pool 667766		US\$ 1,384	N/A	US\$ 1,384
	Fnma Pool 681393		US\$ 2,498	N/A	US\$ 2,498
	Fnma Pool 680932		US\$ 1,173	N/A	US\$ 1,173
	Federal Natl Mtg Assn		US\$ 209	N/A	US\$ 209
	Federal Natl Mtg Assn		US\$ 3,888	N/A	US\$ 3,888
	Federal Natl Mtg Assn		US\$ 1,998	N/A	US\$ 1,998
	Federal Natl Mtg Assn		US\$ 3,625	N/A	US\$ 3,625
	Federal Home Ln Mtg Corp.		US\$ 3,864	N/A	US\$ 3,864
	Federal Home Ln Mtg Corp.		US\$ 1,339	N/A	US\$ 1,339
	Federal Natl Mtg Assn		US\$ 2,641	N/A	US\$ 2,641
	Federal Natl Mtg Assn		US\$ 1,684	N/A	US\$ 1,684
	Federal Natl Mtg Assn Gtd		US\$ 1,960	N/A	US\$ 1,960
	Federal Natl Mtg Assn		US\$ 2,410	N/A	US\$ 2,410

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Federal Natl Mtg Assn Gtd	US\$ 1,576	N/A	US\$ 1,576
Federal Home Ln Mtg Corp.	US\$ 2,688	N/A	US\$ 2,688
Federal Home Ln Mtg Corp.	US\$ 1,659	N/A	US\$ 1,659
Federal Home Ln Mtg Corp.	US\$ 504	N/A	US\$ 504
Federal National Mort Assoc	US\$ 3,192	N/A	US\$ 3,192
Federal Home Ln Mtg Corp.	US\$ 3,621	N/A	US\$ 3,621
Federal Home Ln Mtg Corp.	US\$ 2,675	N/A	US\$ 2,675
Federal Home Ln Mtg Corp.	US\$ 3,611	N/A	US\$ 3,611
Federal Home Ln Mtg Corp.	US\$ 3,247	N/A	US\$ 3,247
Federal Home Ln Mtg Corp.	US\$ 2,532	N/A	US\$ 2,532
Federal Home Ln Mtg Corp.	US\$ 2,778	N/A	US\$ 2,778
Federal Home Ln Mtg Corp.	US\$ 3,842	N/A	US\$ 3,842
Federal Home Ln Mtg Corp.	US\$ 2,517	N/A	US\$ 2,517
Federal Home Ln Mtg	US\$ 2,596	N/A	US\$ 2,596
Federal Home Ln Mtg Corp.	US\$ 3,876	N/A	US\$ 3,876
Federal Home Ln Mtg Corp.	US\$ 7,683	N/A	US\$ 7,683
Federal Home Ln Mtg Corp.	US\$ 4,119	N/A	US\$ 4,119

(Continued)

June 30, 2007					
Held Company Name	Marketable Securities Type and Name	Relationship with the Company Account	Carrying Percentage		Market
			Shares/Units Value	of	Value or Net Asset Value
			(US\$ in Thousands)	(US\$ in Thousands)	(US\$ in Thousands)
		Available-for-sale financial assets		Ownership	Note
	Federal Home Ln Mtg		US\$5,996	N/A	US\$ 5,996
	Federal Home Ln Mtg Corp.		US\$1,241	N/A	US\$ 1,241
	Federal Home Ln Mtg Corp.		US\$4,359	N/A	US\$ 4,359
	Fnma Pool 685116		US\$ 602	N/A	US\$ 602
	Fnma Pool 694287		US\$ 25	N/A	US\$ 25
	Fnma Pool 703711		US\$ 488	N/A	US\$ 488
	Fnma Pool 725095		US\$1,077	N/A	US\$ 1,077
	Fnma Pool 730033		US\$1,300	N/A	US\$ 1,300
	Fnma Pool 740934		US\$1,172	N/A	US\$ 1,172
	Fnma Pool 742232		US\$ 24	N/A	US\$ 24
	Fnma Pool 750798		US\$ 22	N/A	US\$ 22
	Fnma Pool 773246		US\$ 245	N/A	US\$ 245
	Fnma Pool 790828		US\$2,244	N/A	US\$ 2,244
	Fnma Pool 793025		US\$2,134	N/A	US\$ 2,134
	Fnma Pool 793932		US\$ 521	N/A	US\$ 521
	Fnma Pool 794040		US\$ 743	N/A	US\$ 743
	Fnma Pool 795548		US\$ 301	N/A	US\$ 301
	Fnma Pool 799664		US\$ 103	N/A	US\$ 103
	Fnma Pool 799868		US\$ 33	N/A	US\$ 33
	Fnma Pool 804764		US\$ 434	N/A	US\$ 434
	Fnma Pool 804852		US\$ 370	N/A	US\$ 370
	Fnma Pool 804962		US\$ 424	N/A	US\$ 424
	Fnma Pool 805163		US\$ 438	N/A	US\$ 438
	Fnma Pool 806642		US\$1,124	N/A	US\$ 1,124
	Fnma Pool 806721		US\$ 679	N/A	US\$ 679
	Fnma Pool 813641		US\$3,299	N/A	US\$ 3,299
	Fnma Pool 814418		US\$ 368	N/A	US\$ 368
	Fnma Pool 815626		US\$2,597	N/A	US\$ 2,597
	Fnma Pool 816594		US\$1,932	N/A	US\$ 1,932
	Fnma Pool 819423		US\$ 563	N/A	US\$ 563
	Fnma Pool 821129		US\$ 568	N/A	US\$ 568
	Fnma Pool 825395		US\$2,615	N/A	US\$ 2,615
	Fnma Pool 825398		US\$3,864	N/A	US\$ 3,864
	Fnma Pool 841069		US\$2,616	N/A	US\$ 2,616
	Fnma Pool 879906		US\$1,484	N/A	US\$ 1,484
	Fnma Pool 888388		US\$6,540	N/A	US\$ 6,540
	Fnma Pool 888249		US\$4,672	N/A	US\$ 4,672

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Fnma Pool 888527	US\$ 75	N/A	US\$ 75
Fnma Pool 888499	US\$2,884	N/A	US\$ 2,884
Fnma Pool 888502	US\$ 253	N/A	US\$ 253
Fnma Pool 888507	US\$ 960	N/A	US\$ 960
Fnma Pool 888515	US\$2,295	N/A	US\$ 2,295
Fnma Pool 888519	US\$ 146	N/A	US\$ 146
Fnma Pool 900296	US\$3,513	N/A	US\$ 3,513
Gnma Ii Pool 081150	US\$ 534	N/A	US\$ 534
Gnma Ii Pool 081153	US\$1,777	N/A	US\$ 1,777
Federal Home Ln Mtg Corp.	US\$5,946	N/A	US\$ 5,946
Federal Home Ln Mtg Corp.	US\$5,987	N/A	US\$ 5,987
Federal Farm Cr Bks	US\$3,380	N/A	US\$ 3,380
Federal Home Ln Bks	US\$4,877	N/A	US\$ 4,877
Federal Home Ln Bks	US\$2,374	N/A	US\$ 2,374
Federal Home Ln Bks	US\$5,352	N/A	US\$ 5,352

(Continued)

June 30, 2007					
Held Company Name	Marketable Securities Type and Name	Relationship with Financial the Statement Company Account Available-for-sale financial	Carrying Percentage		Market
			Shares/Units Value	of	Value or Net Asset Value
			(US\$ in Thousands)	Ownership Thousands)	Note
		assets	US\$ 3,014	N/A	US\$ 3,014
			US\$ 4,901	N/A	US\$ 4,901
			US\$ 8,782	N/A	US\$ 8,782
			US\$ 8,852	N/A	US\$ 8,852
			US\$ 5,876	N/A	US\$ 5,876
			US\$ 5,896	N/A	US\$ 5,896
			US\$ 7,952	N/A	US\$ 7,952
			US\$ 6,154	N/A	US\$ 6,154
			US\$ 12,338	N/A	US\$ 12,338
			US\$ 6,915	N/A	US\$ 6,915
			US\$ 7,501	N/A	US\$ 7,501
			US\$ 8,004	N/A	US\$ 8,004
			US\$ 4,986	N/A	US\$ 4,986
			US\$ 4,478	N/A	US\$ 4,478
			US\$ 8,972	N/A	US\$ 8,972
			US\$ 4,477	N/A	US\$ 4,477
			US\$ 3,443	N/A	US\$ 3,443
			US\$ 4,983	N/A	US\$ 4,983
			US\$ 6,485	N/A	US\$ 6,485
			US\$ 8,477	N/A	US\$ 8,477
			US\$ 4,967	N/A	US\$ 4,967
			US\$ 4,470	N/A	US\$ 4,470
			US\$ 1,944	N/A	US\$ 1,944
			US\$ 4,297	N/A	US\$ 4,297
			US\$ 4,387	N/A	US\$ 4,387
			US\$ 7,893	N/A	US\$ 7,893
			US\$ 19,838	N/A	US\$ 19,838
			US\$ 2,945	N/A	US\$ 2,945
			US\$ 2,935	N/A	US\$ 2,935
			US\$ 3,111	N/A	US\$ 3,111
			US\$ 5,353	N/A	US\$ 5,353
			US\$ 3,414	N/A	US\$ 3,414
			US\$ 4,996	N/A	US\$ 4,996
			US\$ 6,014	N/A	US\$ 6,014

Money market funds



Ssga Cash Mgmt Global Offshore	Available-for-sale financial assets	US\$ 6,256	N/A	US\$ 6,256 (Concluded)
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**TABLE 2**

**Taiwan Semiconductor Manufacturing Company Limited and Investees**  
**MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST**  
**NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2007**  
**(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

Series Type and	Financial Statement Account	Counter-party Relationship	Beginning Balance		Acquisition		Disposal (Note 1)		Carrying Value (US\$ Thousands)
			Nature of Shares/Units (in thousands)	Amount (US\$ Thousands)	Amount (US\$ Thousands)	Shares/Units (in thousands)	Amount (US\$ Thousands)		
Series B	Available-for-sale financial assets	Chung Shing Bills Finance Corp. and several financial institutions		\$ 999,779	\$ 200,280		\$	\$	
Series B				998,288	1,348,634				
Series G					201,561				
Series D					400,778				
Series A	Held-to-maturity financial assets			3,049,919			3,050,000	3,050,000	
Series B				350,399			350,000	350,000	
	Available-for-sale financial assets	National Investment Trust Co., Ltd.	22,219	3,655,939		9,980	1,650,000	1,621,000	
		ING Securities Investment Trust Co., Ltd.	175,156	2,639,459		175,156	2,656,012	2,604,000	
		Cathay Securities Investment Trust Co., Ltd.	109,720	1,265,092		109,720	1,271,995	1,251,000	
		National Investment Trust Co., Ltd.	93,312	1,314,669		14,180	200,000	197,000	
Fund		Allianz Global Investors Taiwan Ltd.	95,553	1,107,206		41,267	480,000	472,000	
Fund		JF Asset Management (Taiwan) Limited	66,826	939,082		66,826	944,083	926,000	
		JF Asset Management (Taiwan) Limited	85,145	1,299,088		58,603	900,000	883,000	
Fund		ING Securities Investment Trust Co., Ltd.	76,593	868,076		76,593	872,639	857,000	
			44,685	554,863		44,685	557,263	550,000	

nd Fund	Taiwan International Investment management Prudential Financial Securities Investment Trust Enterprise	103,751	1,516,294	20,445	300,000	295,
d	Jih Sun Securities Investment Trust Co., Ltd.	88,165	1,202,901	88,165	1,209,618	1,200,
nd Fund	AIG Global Asset management Corporation(Taiwan) Ltd.	78,629	1,002,595	78,629	1,008,733	1,000,
Fund	Shinkong Investment Trust Co., Ltd.	62,183	890,660	62,183	896,299	879,
Fund	President Investment Trust Co., Ltd.	65,496	1,010,426	65,496	1,016,917	1,000,
	Mega Investment Trust Co., Ltd.	139,333	1,602,947	69,071	800,000	793,
	Fuh Hwa Investment Trust Co., Ltd.	125,122	1,667,908	22,339	300,000	295,
	Taishin Investment Trust Co., Ltd.	78,624	806,386	9,679	100,000	98,

(Continued)

Financial Statement Account	Counter-party	Beginning Balance	Acquisition	Disposal
		Shares/Units (in thousands)	Shares/Units (in thousands)	Shares/Units (in thousands)
		Relationship	Amount (US\$ thousands)	Amount (US\$ thousands)
Held-to-maturity financial assets	Chung Shing Bills Finance Corp.		\$	\$
			4,080,391	825,000
			516,663	136,000
			2,773,810	772,000
Investment accounted for using equity method		Investee with a controlling interest	90,526	1,357,890
Investment accounted for using equity method		Subsidiary	733,130	134,165
		Subsidiary	228,005	542,831
Available-for-sale financial assets			US\$ 5,059	US\$ 5,007
			US\$ 42,302	US\$ 16,173
			US\$ 5,936	US\$ 5,936
			US\$ 12,350	US\$ 9,860
			US\$ 4,009	US\$ 4,019
			US\$ 204,525	US\$ 163,117
			US\$ 34,573	US\$ 34,574
			US\$ 56,526	US\$ 187,636
			US\$ 60,929	US\$ 43,769
			US\$ 52,529	US\$ 5,997
			US\$ 16,788	US\$ 11,017
			US\$ 20,692	
			US\$ 17,331	US\$ 2,562
			US\$ 17,464	US\$ 11,690
			US\$ 14,102	US\$ 3,793
Available-for-sale financial assets			US\$ 3,452	US\$ 3,466
			US\$ 3,092	US\$ 6,220

US\$	3,379			US\$	3,395
		US\$	4,496		
		US\$	3,648		
		US\$	3,175		
US\$	4,928			US\$	4,945
		US\$	5,900		
US\$	3,970			US\$	3,973
US\$	8,759			US\$	7,627
		US\$	3,250		
US\$	3,456			US\$	3,471
US\$	4,989			US\$	5,011
US\$	3,205			US\$	3,215
		US\$	3,120		

(Continued)

Marketable Securities Type and Name	Financial Statement	Beginning Balance	Acquisition		Disposal (Note 1)		Gain (Loss) on Disposal
			Amount	Amount	Amount	Carrying Value	
			Shares/Unit (in thousands)	Shares/Unit (in thousands)	Shares/Unit (in thousands)	(US\$ in thousands)	
oc Fin Corp.	Available-for-sale financial assets	US\$3,028	US\$	US\$3,028	US\$3,028	US\$	
oc Fin Corp. Mtn		US\$5,096		US\$5,114	US\$5,066	US\$	48
International Business Machs			US\$3,496				
erman Brothers Hldgs, Inc.			US\$3,150				
erman Brothers Hldgs, Inc.		US\$3,150		US\$3,152	US\$3,150	US\$	2
ssmutual Global Fdg Ii Mtn			US\$3,647				
rrill Lynch + Co., Inc.		US\$3,453		US\$3,464	US\$3,426	US\$	38
rrill Lynch + Co., Inc.		US\$4,865		US\$4,880	US\$4,842	US\$	38
rgan Stanley		US\$2,126	US\$3,337				
cor Corp.		US\$3,797		US\$3,790	US\$3,811	US\$	(21)
n Corp. Medium Term Nts		US\$8,998		US\$9,008	US\$8,949	US\$	59
chovia Corp. New			US\$3,491				
chovia Corp. New		US\$2,040	US\$1,534	US\$3,563	US\$3,582	US\$	(19)
chovia Corp. New			US\$3,100				
ashington Mut Bk Fa		US\$3,997		US\$3,998	US\$4,000	US\$	(2)
<u>Corporate issued asset-backed securities</u>							
dit Suisse First Boston Mtg	Available-for-sale financial assets		US\$7,613				
dit Suisse First Boston Mtg			US\$7,654				
amp Tr		US\$4,251		US\$3,868	US\$4,241	US\$	(373)
nda Auto Receivables			US\$3,373				
na Cr Card Master Nt Tr			US\$4,500				
na Master Cr Card Tr Ii		US\$7,605		US\$7,552	US\$7,653	US\$	(101)
san Auto Receivables		US\$3,928		US\$3,928	US\$3,943	US\$	(15)
vidian Gateway Owner Tr		US\$3,942		US\$3,961	US\$3,911	US\$	50
Hotel Fdg 2005 Llc		US\$4,103		US\$3,325	US\$3,338	US\$	(13)
umu Mtg			US\$3,656				
umu Mtg Pass Thru Ctf Tr			US\$4,854				
lls Fargo Finl Auto Owner Tr		US\$4,986		US\$3,535	US\$3,515	US\$	20
<u>Agency Bonds</u>							
l Hm Ln Pc Pool 1g1282	Available-for-sale financial assets		US\$4,378				
l Hm Ln Pc Pool 1g1411			US\$4,424				
l Hm Ln Pc Pool 1g1921			US\$4,404				
l Hm Ln Pc Pool 1g2593			US\$5,600				
l Hm Ln Pc Pool 1j0410			US\$6,024				

l Hm Ln Pc Pool G12009	US\$3,935
leral Home Ln Mtg	US\$6,513
leral Home Ln Mtg Corp.	US\$3,868
leral Home Ln Mtg Corp	US\$4,354
leral National Mort Assoc	US\$3,250
na Pool 888249	US\$4,822
na Pool 888388	US\$6,530
na Pool 900296	US\$4,336
l Home Ln Bank	US\$5,035
leral Farm Cr Bks	US\$3,411
leral Home Ln Bks	US\$5,365

(Continued)

Marketable Securities Type and Name	Financial Statement	Beginning Balance	Acquisition	Disposal (Note 1)			Gain (Loss) on Disposal		
				Nature	Amount	Amount		Amount	Carrying Value
Federal Home Ln Bks	Available-for-sale financial assets	US\$ 4,920	US\$	US\$ 4,938	US\$ 4,872	US\$ 66			
Federal Home Ln Bks			US\$4,494						
Federal Home Ln Bks			US\$8,983						
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 Loan Bank			US\$4,518						
Federal Home Loan Bank			US\$5,083	US\$ 4,981	US\$ 5,083	US\$(102)			
Federal Home Loan Bank			US\$3,453						
Federal Natl Mtg Assn			US\$4,982						
Federal Natl Mtg Assn			US\$6,500						
Federal Natl Mtg Assn			US\$8,458						
Federal Natl Mtg Assn			US\$4,997						
Federal Natl Mtg Assn			US\$4,500						
Federal Natl Mtg Assn		US\$14,973		US\$14,993	US\$14,931	US\$ 62			
Federal Natl Mtg Assn			US\$4,368						
Federal Natl Mtg Assn		US\$ 6,511		US\$ 6,514	US\$ 6,516	US\$ (2)			
Federal Natl Mtg Assn		US\$ 3,943		US\$ 3,957	US\$ 3,950	US\$ 7			
Federal Natl Mtg Assn		US\$10,467		US\$10,477	US\$10,459	US\$ 18			
Federal Natl Mtg Assn			US\$4,994						
Federal Natl Mtg Assn		US\$ 5,915		US\$ 5,933	US\$ 5,885	US\$ 48			

Note 1: The proceeds of bond investments matured are excluded.

Note 2: The ending balance included the amortization of premium/discount on bonds investments, unrealized valuation gains/losses on financial assets or equity in earnings of equity method



investees.

(Concluded)

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**TABLE 3**

**Taiwan Semiconductor Manufacturing Company Limited**  
**ACQUISITION OF INDIVIDUAL REAL ESTATE PROPERTIES AT COSTS OF AT LEAST NT\$100**  
**MILLION OR 20% OF THE PAID-IN CAPITAL**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2007**  
**(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

<b>Transaction</b>	<b>Amount</b>	<b>Payment Term</b>	<b>Counter-party</b>	<b>Nature of Relationships</b>	<b>Prior Transaction of Owner</b>	<b>Relationships</b>	<b>Related Transfer Date</b>	<b>Counter-party Amount</b>	<b>R</b>
2007	\$198,000	By the construction progress	Lead Fu Industry Corp.		N/A	N/A	N/A	N/A	Pt bi

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**TABLE 4**

**Taiwan Semiconductor Manufacturing Company Limited**  
**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST NT\$100 MILLION OR**  
**20% OF THE PAID-IN CAPITAL**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2007**  
**(Amounts in Thousands of New Taiwan Dollars)**

Company Name	Related Party	Nature of Relationships	Purchase/ Sales	Transaction Details			Notes/Accounts Payable or Receivable	
				Amount	% to	Payment Terms (Note)	Ending Balance	% to
Company	TSMC-NA	Subsidiary	Sales	\$83,546,469	60	Net 30 days after invoice date	\$20,642,259	55
	GUC	Investee with a controlling interest	Sales	427,557		Net 30 days after monthly closing	32,762	
	WaferTech	Indirect subsidiary	Purchases	4,804,106	21	Net 30 days after monthly closing	(804,285)	8
	SSMC	Investee accounted for using equity method	Purchases	2,765,116	12	Net 30 days after monthly closing	(728,808)	7
	TSMC-Shanghai	Subsidiary	Purchases	2,485,579	11	Net 30 days after monthly closing	(611,054)	6
	VIS	Investee accounted for using equity method	Purchases	1,681,324	8	Net 30 days after monthly closing	(780,221)	7
	C	TSMC-NA	Same parent company	Purchases	697,701	66	Net 30 days after invoice date/Net 45 days after monthly closing	(149,929)
VisEra		Same president	Sales	1,033,712	76	Net 45 days after shipping	332,178	66
OmniVision		Director (represented for Xintec)	Sales	110,776	8	Net 45 days after shipping	110,222	22

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.

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**TABLE 5**

**Taiwan Semiconductor Manufacturing Company Limited**  
**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20%**  
**OF THE PAID-IN CAPITAL**  
**JUNE 30, 2007**  
**(Amounts in Thousands of New Taiwan Dollars)**

<b>Company Name</b>	<b>Related Party</b>	<b>Nature of Relationships</b>	<b>Ending Balance</b>	<b>Turnover Days (Note)</b>	<b>Amounts</b>	<b>Overdue</b>	<b>Action Taken</b>	<b>Amounts Received in Subsequent Period</b>	<b>Allowance for Bad Debts</b>
The Company	TSMC-NA	Subsidiary	\$20,730,390	41	\$5,312,050			\$11,951,492	\$
	VIS	Investee accounted for using equity method	809,153		87,894			87,894	
	VisEra	Investee accounted for using equity method	147,332	30					
Xintec	VisEra						Accelerate demand on account receivable		
	OmniVision	Same president Director (represented for Xintec)	332,178	64	133				
			110,222	91					

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

**TABLE 6**

**Taiwan Semiconductor Manufacturing Company Limited**  
**NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEES OVER WHICH THE**  
**COMPANY EXERCISES SIGNIFICANT INFLUENCE**  
**JUNE 30, 2007**  
**(Amounts in Thousands of New Taiwan Dollars)**

Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of June 30, 2007			Net Income (Losses) of the Investee
			June 30, 2007	December 31, 2006	Shareholders (in Thousands)	Percentage of Ownership	Carrying Value (Note 1)	
Global	Tortola, British Virgin Islands	Investment activities	\$42,327,245	\$42,327,245	1	100	\$43,613,633	\$1,014,649
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	27,053,657	292,101
-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	8,799,540	(503,187)
	Singapore	Fabrication and supply of integrated circuits	8,840,895	8,840,895	463	39	8,289,538	1,035,374
	Hsin-Chu, Taiwan	Research, design, development, manufacture, packaging, testing and sale of memory integrated circuits, LSI, VLSI and related parts	8,119,816	8,119,816	442,262	27	5,637,861	1,914,583
Partners	Tortola, British Virgin Islands	Investment activities	10,350	10,350	300	100	4,567,193	127,093
-NA	San Jose, California, U.S.A.	Sales and marketing of integrated circuits and semiconductor devices	333,718	333,718	11,000	100	2,207,039	185,026
	Taoyuan, Taiwan	Wafer level chip size packaging service	1,357,890		90,526	43	1,366,816	117,703

II	Cayman Islands	Investing in new start-up technology companies	919,630	785,465		98	858,453	(10,994)
III	Cayman Islands	Investing in new start-up technology companies	786,376	243,545		98	756,146	(11,153)
ing Alliance	Cayman Islands	Investing in new start-up technology companies	1,394,208	1,418,717		99	717,200	(38,158)
	Hsin-Chu, Taiwan	Researching, developing, manufacturing, testing and marketing of integrated circuits	386,568	386,568	41,263	38	694,111	332,078
erng	Taipei, Taiwan	Investment activities	300,000	300,000		36	168,359	52,759
uey	Taipei, Taiwan	Investment activities	300,000	300,000		36	166,857	52,473
-Japan	Yokohama, Japan	Marketing activities	83,760	83,760	6	100	94,250	1,551
-Europe	Amsterdam, the Netherlands	Marketing activities	15,749	15,749		100	65,109	14,011
-Korea	Seoul, Korea	Marketing activities	13,656	13,656	80	100	15,514	651

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

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

**TABLE 7**

**Taiwan Semiconductor Manufacturing Company Limited**  
**INFORMATION OF INVESTMENT IN MAINLAND CHINA**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2007**

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

Total Amount of Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of <b>January 1, 2007</b>	<b>Investment Flows</b>	Accumulated Outflow of Investment from Taiwan as of <b>June 30, 2007</b>	Equity in the Earnings Percentage of <b>(Losses)</b>
		(US\$ in Thousand)	(US\$ in Thousand) Inflow	(US\$ in Thousand)	<b>Ownership</b> (Note 2)
(RMB in Thousand)		(US\$ in Thousand)	(US\$ in Thousand) Inflow	(US\$ in Thousand)	
Manufacturing and sales of integrated circuits at the order of pursuant to product design specifications provided by customers	(Note 1)	\$12,180,367 (US\$371,000)	\$	\$12,180,367 (US\$371,000)	100% \$(496,220)

**Accumulated Investment in Mainland  
China as of June 30, 2007**  
**(US\$ in Thousand)**  
\$12,180,367  
(US\$371,000)

**Investment Amounts Authorized by  
Investment Commission, MOEA**  
**(US\$ in Thousand)**  
\$12,180,367  
(US\$371,000)

**Upper Limit on Investment**  
**(US\$ in Thousand)**  
\$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 audited financial  
statements.



**Taiwan Semiconductor Manufacturing  
Company Limited and Subsidiaries  
Consolidated Financial Statements for the  
Six Months Ended June 30, 2007 and 2006 and  
Independent Auditors Report**

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## **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 June 30, 2007 and 2006, and the related consolidated statements of income, changes in shareholders' equity and cash flows for the six months 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 June 30, 2007 and 2006, and the results of their consolidated operations and their consolidated cash flows for the six months 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.

July 12, 2007

### 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 consolidated 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 consolidated financial statements shall prevail.*

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**Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries**  
**CONSOLIDATED BALANCE SHEETS**  
**JUNE 30, 2007 AND 2006**  
(In Thousands of New Taiwan Dollars, Except Par Value)

	<b>2007</b>		<b>2006</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Notes 2 and 4)	\$ 163,391,305	26	\$ 141,451,709	24
Financial assets at fair value through profit or loss (Notes 2, 3 and 5)	1,921,749		1,970,690	
Available-for-sale financial assets (Notes 2, 3 and 6)	57,853,490	9	62,429,761	11
Held-to-maturity financial assets (Notes 2 and 7)	9,909,497	2	5,738,737	1
Receivables from related parties (Note 25)	332,324		387,388	
Notes and accounts receivable	40,247,300	7	44,231,283	8
Allowance for doubtful receivables (Note 2)	(767,296)		(991,840)	
Allowance for sales returns and others (Note 2)	(2,758,552)	(1)	(5,657,954)	(1)
Other receivables from related parties (Note 25)	1,072,728		798,883	
Other financial assets	1,839,292		1,625,406	
Inventories, net (Notes 2 and 8)	24,045,344	4	20,051,180	3
Deferred income tax assets (Notes 2 and 18)	5,896,785	1	6,258,263	1
Prepaid expenses and other current assets	1,654,895		1,396,823	
<b>Total current assets</b>	<b>304,638,861</b>	<b>48</b>	<b>279,690,329</b>	<b>47</b>
<b>LONG-TERM INVESTMENTS (Notes 2, 6, 7, 9 and 10)</b>				
Investments accounted for using equity method	16,179,072	2	11,011,139	2
Available-for-sale financial assets	4,521,756	1	4,955,849	1
Held-to-maturity financial assets	20,788,140	3	23,524,067	4
Financial assets carried at cost	3,664,311	1	3,287,050	
<b>Total long-term investments</b>	<b>45,153,279</b>	<b>7</b>	<b>42,778,105</b>	<b>7</b>
<b>PROPERTY, PLANT AND EQUIPMENT (Notes 2 and 11)</b>				
<b>Cost</b>				
Land and land improvements	949,763		839,539	
Buildings	116,035,030	18	106,751,906	18
Machinery and equipment	606,041,018	95	534,997,102	90
Office equipment	11,423,299	2	9,901,513	2
Leased assets	631,297		595,172	
	735,080,407	115	653,085,232	110
Accumulated depreciation	(502,494,821)	(79)	(429,993,526)	(72)
Advance payments and construction in progress	32,019,694	5	28,038,154	5

Net property, plant and equipment	264,605,280	41	251,129,860	43
<b>INTANGIBLE ASSETS</b>				
Goodwill (Note 2)	6,008,309	1	5,953,802	1
Deferred charges, net (Notes 2 and 12)	5,777,355	1	6,512,023	1
Total intangible assets	11,785,664	2	12,465,825	2
<b>OTHER ASSETS</b>				
Deferred income tax assets (Notes 2 and 18)	8,530,640	1	7,428,728	1
Refundable deposits	2,592,974	1	106,600	
Others	127,046		143,562	
Total other assets	11,250,660	2	7,678,890	1
<b>TOTAL</b>	<b>\$ 637,433,744</b>	<b>100</b>	<b>\$ 593,743,009</b>	<b>100</b>

**LIABILITIES AND SHAREHOLDERS EQUITY****CURRENT LIABILITIES**

Short-term bank loans (Note 13)	\$ 98,580		\$	
Financial liabilities at fair value through profit or loss (Notes 2, 3 and 5)	3,474		601,086	
Accounts payable	9,635,834	1	8,676,146	2
Payables to related parties (Note 25)	1,521,372		1,605,514	
Income tax payable (Notes 2 and 18)	4,552,458	1	4,602,621	1
Cash dividends and bonus payable (Note 20)	82,090,806	13	65,174,870	11
Payables to contractors and equipment suppliers	17,010,117	3	17,214,474	3
Accrued expenses and other current liabilities (Note 16)	12,718,548	2	9,920,464	2
Current portion of bonds payable and long-term bank loans (Notes 14 and 15)	4,781,509	1	2,505,489	
Total current liabilities	132,412,698	21	110,300,664	19

**LONG-TERM LIABILITIES**

Bonds payable (Note 14)	12,500,000	2	17,000,000	3
Long-term bank loans (Note 15)	1,238,094		651,604	
Other long-term payables (Note 16)	8,997,855	2	8,466,995	2
Other payables to related parties (Notes 25 and 27)			1,085,366	
Obligations under capital leases (Note 2)	631,297		595,172	

Total long-term liabilities	23,367,246	4	27,799,137	5
<b>OTHER LIABILITIES</b>				
Accrued pension cost (Notes 2 and 17)	3,592,377	1	3,495,542	1
Guarantee deposits (Note 27)	3,011,372		3,357,528	
Deferred credits (Notes 2 and 25)	1,111,710		1,219,120	
Others	66,145		71,794	
Total other liabilities	7,781,604	1	8,143,984	1
Total liabilities	163,561,548	26	146,243,785	25
<b>EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT</b>				
Capital stock \$10 par value				
Authorized: 28,050,000 thousand shares in 2007				
27,050,000 thousand shares in 2006				
Issued: 26,423,517 thousand shares in 2007				
25,823,357 thousand shares in 2006	264,235,168	42	258,233,569	43
Capital surplus (Notes 2 and 20)	53,725,604	8	53,822,486	9
Retained earnings (Note 20)				
Appropriated as legal capital reserve	56,406,684	9	43,705,711	7
Appropriated as special capital reserve	629,550		640,742	
Unappropriated earnings	96,973,825	15	92,376,976	16
	154,010,059	24	136,723,429	23
Others (Notes 2, 3, 22 and 24)				
Cumulative translation adjustments	(613,674)		(1,145,616)	
Unrealized gain on financial instruments	447,480		116,554	
Treasury stock (at cost), 34,096 thousand shares in 2007 and 33,926 thousand shares in 2006	(918,075)		(918,075)	
	(1,084,269)		(1,947,137)	
Equity attributable to shareholders of the parent	470,886,562	74	446,832,347	75
MINORITY INTERESTS (Note 2)	2,985,634		666,877	
Total shareholders equity	473,872,196	74	447,499,224	75

TOTAL \$ 637,433,744 100 \$ 593,743,009 100

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

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**Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries**  
**CONSOLIDATED STATEMENTS OF INCOME**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2007 AND 2006**  
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2007		2006	
	Amount	%	Amount	%
GROSS SALES (Notes 2 and 25)	\$ 141,909,970		\$ 163,304,513	
SALES RETURNS AND ALLOWANCES (Note 2)	2,094,657		3,336,353	
NET SALES	139,815,313	100	159,968,160	100
COST OF SALES (Notes 19 and 25)	83,024,940	59	79,742,976	50
GROSS PROFIT	56,790,373	41	80,225,184	50
OPERATING EXPENSES (Notes 19 and 25)				
Research and development	8,243,229	6	7,936,052	5
General and administrative	4,053,083	3	3,950,419	3
Marketing	1,882,770	1	2,113,687	1
Total operating expenses	14,179,082	10	14,000,158	9
INCOME FROM OPERATIONS	42,611,291	31	66,225,026	41
NON-OPERATING INCOME AND GAINS				
Interest income (Note 2)	2,923,331	2	2,136,142	1
Equity in earnings of equity method investees, net (Notes 2 and 9)	849,164	1	1,249,875	1
Valuation gain on financial instruments, net (Notes 2, 5 and 24)	750,558	1		
Settlement income (Note 27)	491,385		483,840	
Subsidy income (Note 2)	357,916		329,312	
Technical service income (Notes 25 and 27)	293,617		302,720	
Foreign exchange gain, net (Note 2)	212,058			
Gain on settlement and disposal of financial instruments, net (Notes 2, 5 and 24)			812,356	1
Others (Note 25)	563,958	1	404,198	
Total non-operating income and gains	6,441,987	5	5,718,443	3

NON-OPERATING EXPENSES AND LOSSES

Loss on settlement and disposal of financial instruments, net (Notes 2, 5 and 24)	431,605	1	
Interest expense	423,979		437,365
Loss on impairment of financial assets (Note 2)	56,684		171,394

(Continued)



**Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries**  
**CONSOLIDATED STATEMENTS OF INCOME**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2007 AND 2006**  
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2007		2006	
	Amount	%	Amount	%
Foreign exchange loss, net (Note 2)	\$		\$ 1,244,308	1
Valuation loss on financial instruments, net (Notes 2, 5 and 24)			770,634	
Others	48,606		129,228	
Total non-operating expenses and losses	960,874	1	2,752,929	1
INCOME BEFORE INCOME TAX	48,092,404	35	69,190,540	43
INCOME TAX EXPENSE (Notes 2 and 18)	3,501,445	3	4,135,397	2
NET INCOME BEFORE CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES	44,590,959	32	65,055,143	41
CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES, NET OF INCOME TAX BENEFIT OF \$82,062 THOUSAND (Note 3)			1,606,749	1
NET INCOME	\$ 44,590,959	32	\$ 66,661,892	42
ATTRIBUTABLE TO:				
Shareholders of the parent	\$ 44,322,581	32	\$ 66,608,628	42
Minority interests	268,378		53,264	
	\$ 44,590,959	32	\$ 66,661,892	42

	2007		2006	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
EARNINGS PER SHARE (NT\$, Note 23)				
Basic earnings per share	\$ 1.81	\$ 1.68	\$ 2.68	\$ 2.53
Diluted earnings per share	\$ 1.81	\$ 1.68	\$ 2.68	\$ 2.52

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

(Concluded)

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**Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries**  
**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2007 AND 2006**  
(In Thousands of New Taiwan Dollars, Except Dividends Per Share)

	Equity Attributable to Shareholders of the Parent					Others			Others Total
	Capital Surplus	Legal Capital Reserve	Special Capital Reserve	Retained Earnings Unappropriated Earnings	Retained Earnings Total	Cumulative Translation Adjustments	Unrealized Gain (Loss) on Financial Instruments	Treasury Stock	
2007	\$ 54,107,498	\$ 43,705,711	\$ 640,742	\$ 152,778,079	\$ 197,124,532	\$ (1,191,165)	\$ 561,615	\$ (918,075)	\$ (1,547,625)
		12,700,973		(12,700,973)					
			(11,192)	11,192					
				(4,572,798)	(4,572,798)				
				(4,572,798)	(4,572,798)				
				(77,489,064)	(77,489,064)				
				(516,594)	(516,594)				
				(285,800)	(285,800)				
	(774,891)								
				44,322,581	44,322,581				

68,411

577,491

577,491

006 222,824

101,762

(114,326)

(114,326)

191

191

68 \$ 53,725,604 \$ 56,406,684 \$ 629,550 \$ 96,973,825 \$ 154,010,059 \$ (613,674) \$ 447,480 \$ (918,075) \$ (1,084,269) \$

46 \$ 57,117,886 \$ 34,348,208 \$ 2,226,427 \$ 106,196,399 \$ 142,771,034 \$ (640,742) \$ (918,075) \$ (1,558,817) \$

9,357,503

(9,357,503)

		(1,585,685)	1,585,685		
			(3,432,129)	(3,432,129)	
29			(3,432,129)	(3,432,129)	
			(61,825,061)	(61,825,061)	
04			(3,709,504)	(3,709,504)	
			(257,410)	(257,410)	
04	(3,709,504)				
			66,608,628	66,608,628	
	87,920				
				(504,874)	(504,874)
86	243,864				
	82,320				
				102,614	102,614

13,940

13,940

69 \$ 53,822,486 \$ 43,705,711 \$ 640,742 \$ 92,376,976 \$ 136,723,429 \$(1,145,616) \$ 116,554 \$(918,075) \$(1,947,137) S

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

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**Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2007 AND 2006**  
(In Thousands of New Taiwan Dollars)

	<b>2007</b>	<b>2006</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income attributable to shareholders of the parent	\$ 44,322,581	\$ 66,608,628
Net income attributable to minority interests	268,378	53,264
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	39,866,833	35,621,785
Amortization of premium/discount of financial assets	(64,051)	43,781
Loss on impairment of financial assets	56,684	171,394
Gain on disposal of available-for-sale financial assets, net	(231,130)	(51,671)
Equity in earnings of equity method investees, net	(849,164)	(1,249,875)
Gain on disposal of property, plant and equipment and other assets, net	(33,104)	(167,066)
Loss on idle assets		37,283
Deferred income tax	(601,291)	250,733
Net changes in operating assets and liabilities:		
Decrease (increase) in:		
Financial assets and liabilities at fair value through profit or loss	(722,285)	166,562
Notes and accounts receivable	(5,177,350)	(1,149,008)
Receivables from related parties	308,028	305,878
Allowance for doubtful receivables	17,363	11,246
Allowance for sales returns and others	(125,206)	1,340,541
Other receivables from related parties	(815,865)	413,595
Other financial assets	518,223	(7,609)
Inventories	(2,409,190)	(2,322,877)
Prepaid expenses and other current assets	5,309	23,618
Increase (decrease) in:		
Accounts payable	1,279,612	(745,306)
Payables to related parties	(357,735)	(137,555)
Income tax payable	(3,394,015)	587,170
Accrued expenses and other current liabilities	1,011,436	(436,589)
Accrued pension cost	52,317	21,158
Deferred credits	(37,260)	(84,275)
 Net cash provided by operating activities	 72,889,118	 99,304,805
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisitions of:		
Available-for-sale financial assets	(30,029,555)	(64,826,510)
Held-to-maturity financial assets		(7,754,790)
Financial assets carried at cost	(429,869)	(289,572)
Property, plant and equipment	(39,303,256)	(32,900,861)
Investments accounted for using equity method		(48,084)

Proceeds from disposal or redemption of:

Available-for-sale financial assets	42,446,786	44,169,400
Held-to-maturity financial assets	6,825,120	7,837,000

(Continued)

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**Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2007 AND 2006**  
(In Thousands of New Taiwan Dollars)

	<b>2007</b>	<b>2006</b>
Financial assets carried at cost	\$ 14,142	\$ 247,133
Property, plant and equipment and other assets	11,074	247,133
Net cash paid for acquisition of Xintec	(422,098)	
Increase in deferred charges	(1,430,388)	(739,933)
Decrease (increase) in refundable deposits	(1,250,108)	202
Decrease (increase) in other assets	1,256	(55,749)
Net cash used in investing activities	(23,566,896)	(54,361,764)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase (decrease) in short-term bank loans	8,860	(328,500)
Increase of long-term bank loans	23,000	
Proceeds from long-term bank loans	(71,945)	(2,745)
Repayment of bonds payable	(2,500,000)	
Increase (decrease) in guarantee deposits	(805,768)	461,098
Proceeds from exercise of employee stock options	296,830	326,050
Bonus to directors and supervisors	(285,800)	(257,410)
Increase (decrease) in minority interests	13,553	(8,125)
Net cash provided by (used in) financing activities	(3,321,270)	190,368
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>46,000,952</b>	<b>45,133,409</b>
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>	<b>(446,839)</b>	<b>(165,407)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	<b>117,837,192</b>	<b>96,483,707</b>
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	<b>\$ 163,391,305</b>	<b>\$ 141,451,709</b>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>		
Interest paid	\$ 557,490	\$ 608,339
Income tax paid	\$ 7,566,329	\$ 3,391,986

INVESTING ACTIVITIES AFFECTING BOTH CASH AND NON-CASH  
ITEMS

Acquisition of property, plant and equipment	\$ 45,237,664	\$ 41,049,299
Increase in payables to contractors and equipment suppliers	(5,934,408)	(8,148,438)
Cash paid	\$ 39,303,256	\$ 32,900,861

(Continued)

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**Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2007 AND 2006**  
(In Thousands of New Taiwan Dollars)

	<b>2007</b>	<b>2006</b>
NON-CASH FINANCING ACTIVITIES		
Current portion of long-term liabilities	\$ 4,781,509	\$ 2,505,489
Current portion of other long-term payables (classified under accrued expenses and other current liabilities)	\$ 2,433,227	\$ 940,123

The Company acquired a controlling interest in Xintec Inc. (Xintec) in March 2007 and then commenced to include its income and expenses in consolidated financial statements. Fair values of assets acquired and liabilities assumed at acquisition were as follows:

Current assets	\$ 3,027,910
Property, plant and equipment	2,335,158
Other assets	432,937
Current liabilities	(1,936,266)
Long-term liabilities	(701,855)
Net amount	3,157,884
Percentage of ownership acquired	43%
Purchase price for Xintec	1,357,890
Less: Cash balance of Xintec at acquisition	(935,792)
Net cash paid for acquisition of Xintec	\$ 422,098

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

(Concluded)

**Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED JUNE 30, 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 June 30, 2007 and 2006, TSMC and its subsidiaries had 24,652 and 23,044 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:

<b>Name of Investor</b>	<b>Name of Investee</b>	<b>Percentage of Ownership at June 30, 2007</b>	<b>Percentage of Ownership at June 30, 2006</b>	<b>Remark</b>
TSMC	TSMC North America (TSMC-NA)	100%	100%	
	TSMC Japan Limited (TSMC-Japan)	100%	100%	
	TSMC Korea Limited (TSMC-Korea)	100%	100%	



<b>Name of Investor</b>	<b>Name of Investee</b>	<b>Percentage of Ownership at June 30, 2007</b>	<b>Percentage of Ownership at June 30, 2006</b>	<b>Remark</b>
	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%		TSMC Global was acquired in August 2006.
	TSMC Partners, Ltd. (TSMC Partners)	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 June 30, 2007, Chi Cherng held 17,032 thousand common shares in TSMC (approximately 0.06% of outstanding 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 June 30, 2007, Hsin Ruey held 17,064 thousand common shares in TSMC (approximately 0.06% of outstanding common shares).
	TSMC (Shanghai) Company Limited (TSMC-Shanghai)	100%	100%	
	Emerging Alliance Fund, L.P. (Emerging Alliance)	99.5%	99.5%	
	VentureTech Alliance Fund II, L.P. (VTAF II)	98%	98%	
	VentureTech Alliance Fund III, L.P. (VTAF III)	98%	98%	
	Global Unichip Corporation (GUC)	38%	45%	GUC became a consolidated entity of

				TSMC as GUC's president was assigned by TSMC and TSMC has control over the financial, operating and personnel hiring decisions of GUC. TSMC has obtained three out of five director positions since March 2007. Also Xintec's Chairman was assigned by TSMC and TSMC has control over Xintec.
	Xintec	43%		
TSMC International	TSMC Technology, Inc. (TSMC Technology)	100%	100%	
	TSMC Development, Inc. (TSMC Development)	100%	100%	

(Continued)

Name of Investor	Name of Investee	Percentage of Ownership at June 30, 2007	Percentage of Ownership at June 30, 2006	Remark
	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%	
GUC	Global Unichip Corp.-North America (GUC-NA)	100%	100%	GUC-NA, a subsidiary of GUC, became a consolidated entity of TSMC since TSMC has control over GUC.
	Global Unichip Japan Co., Ltd. (GUC-Japan)	100%	100%	GUC-Japan, a subsidiary of GUC, became a consolidated entity of TSMC since TSMC has control over GUC.

(Concluded)

The following diagram presents information regarding the relationship and ownership percentages between TSMC and its consolidated investees as of June 30, 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, ISDF and ISDF II are engaged in investing in new start-up technology companies. TSMC Technology is 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.

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 period; and 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 period; publicly-traded stocks' closing prices at the end of the period; and other debt securities' average of bid and asked prices at the end of the period.

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.

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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 securities 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 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, shipment is made, price is fixed or determinable, and collectibility is reasonably assured. Revenues from the design and manufacture of photo masks, which are used as manufacturing tools in the fabrication process, are recognized when the photo masks are qualified by customers. 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. Period-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.

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### **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 in Equity Securities (SFAS No. 5), the cost of an investment shall be analyzed and the difference between the cost of investment and the fair value of identifiable net assets acquired, representing goodwill, shall not be amortized and instead shall be tested for impairment annually. The accounting treatment for the investment premiums paid before January 1, 2006 is the same as that for goodwill which is no longer being amortized. 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 percentage in the investees until such gains or losses are realized through transactions with 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.

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

### **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**

Property, plant and equipment 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.

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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, 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.

**Goodwill**

Goodwill represents the excess of the consideration paid for an 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**

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.

**Research and Development**

Expenditures related to research activities and those related to development activities that do not meet the criteria for capitalization are charged to expense 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.

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### **Income Tax**

The Company applies intra-period and inter-period allocations for its income tax, whereby (1) a portion of current period'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 period'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. The Company has considered the impact of the AMT Act in the determination of its tax liabilities.

### **Stock-based Compensation**

Employee stock option plans that are amended or have options granted on or after January 1, 2004 are accounted for by the interpretations issued by the Accounting Research and Development Foundation. 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**

TSMC's stock held by 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.

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**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 period-end; shareholders equity historical rates; income and expenses average rates during the period. The resulting translation adjustments are recorded as a separate component of shareholders equity.

**Recent Accounting Pronouncement**

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. The adoption of the SFAS did not have an effect on the Company's consolidated financial statements as of and for the six months ended June 30, 2007.

**3. ACCOUNTING CHANGES**

On January 1, 2006, the Company adopted the newly released Statement 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 the initial adoption of the newly released SFASs. The adjustments made to the carrying amounts of the financial instruments categorized as financial assets or liabilities at fair value through profit or loss were included in the cumulative effect of changes in accounting principles; the adjustments made to the carrying amounts of those categorized as available-for-sale financial assets were recognized as adjustments to shareholders equity.

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

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

The adoption of the newly released SFASs resulted in a decrease in net income before cumulative effect of changes in accounting principles of NT\$839,900 thousand, an increase in net income of NT\$766,849 thousand, and an increase in basic earnings per share (after income tax) of NT\$0.03, for the six months ended June 30, 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 six months ended June 30, 2006.

**4. CASH AND CASH EQUIVALENTS**

	<b>June 30</b>	
	<b>2007</b>	<b>2006</b>
Cash and deposits in bank	\$ 103,698,865	\$ 81,433,005
Repurchase agreements collateralized by government bonds	58,429,635	59,351,764
Asset-backed commercial papers	597,361	
Corporate notes	366,750	666,940
Treasury bills	298,694	
	\$ 163,391,305	\$ 141,451,709

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

	<b>June 30</b>	
	<b>2007</b>	<b>2006</b>
<u>Trading financial assets</u>		
Publicly-traded stocks	\$ 1,749,306	\$ 1,648,234
Forward exchange contracts	15,538	
Cross currency swap contracts	156,905	322,456
	\$ 1,921,749	\$ 1,970,690
<u>Trading financial liabilities</u>		
Forward exchange contracts	\$ 3,474	\$ 9,442
Cross currency swap contracts		591,644
	\$ 3,474	\$ 601,086

The Company entered into derivative contracts during the six months ended June 30, 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 contracts.

Outstanding forward contracts as of June 30, 2007 and 2006:

	<b>Maturity Date</b>	<b>Contract Amount (in Thousands)</b>
<u>June 30, 2007</u>		
Sell US\$/Buy NTD	July 2007	US\$ 2,000
Sell EUR/Buy NTD	July 2007 to July 2008	EUR 50,700

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Sell RMB/Buy EUR	July 2007	EUR	189
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June 30, 2006

Sell US\$/Buy NTD	July 2006	US\$	10,000
Sell EUR/Buy US\$	July 2006	EUR	10,000
Sell EUR/Buy US\$	July 2006	EUR	1,134
Sell JPY/Buy US\$	July 2006	JPY	13,500

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Outstanding cross currency swap contracts as of June 30, 2007 and 2006:

<b>Maturity Date</b>	<b>Contract Amount (in Thousands)</b>	<b>Range of Interest Rates Paid</b>	<b>Range of Interest Rates Received</b>
<u>June 30, 2007</u>			
July 2007 to August 2007	US\$ 765,000	2.36%-5.43%	1.70%-4.21%

June 30, 2006

July 2006 to September 2006	US\$2,266,000	2.40%-5.57%	0.60%-2.78%
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For the six months ended June 30, 2007 and 2006, derivative transactions resulted in net losses of NT\$581,509 thousand (including realized settlement losses of NT\$716,745 thousand and valuation gains of NT\$135,236 thousand) and net gains of NT\$191,799 thousand (including realized settlement gains of NT\$470,429 thousand and valuation losses of NT\$278,630 thousand), respectively.

**6. AVAILABLE-FOR-SALE FINANCIAL ASSETS**

	<b>June 30</b>	
	<b>2007</b>	<b>2006</b>
Corporate bonds	\$ 15,313,054	\$ 14,297,001
Agency bonds	15,200,563	13,787,394
Open-end mutual funds	10,971,467	22,157,124
Government bonds	10,607,206	4,831,843
Corporate issued asset-backed securities	9,331,177	10,921,185
Structured time deposits	497,381	498,190
Publicly-traded stocks	249,608	409,253
Money market funds	204,790	385,937
Corporate notes		97,683
	62,375,246	67,385,610
Current portion	(57,853,490)	(62,429,761)
	\$ 4,521,756	\$ 4,955,849

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. As of June 30, 2007, the Company's investment portfolios managed by these fund managers aggregated to an original amount of US\$1,206,211 thousand. 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:

	<b>Principal Amount</b>	<b>Carrying Amount</b>	<b>Interest Rate</b>	<b>Maturity Date</b>
<u>June 30, 2007</u>				
Step-up callable deposits				
Domestic deposits	\$ 500,000	\$ 497,381	1.76%	March 2008

June 30, 2006

Step-up callable deposits				
Domestic deposits	\$ 500,000	\$ 498,190	1.76%	March 2008

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

**7. HELD-TO-MATURITY FINANCIAL ASSETS**

	<b>June 30</b>	
	<b>2007</b>	<b>2006</b>
Corporate bonds	\$ 11,968,229	\$ 12,895,132
Structured time deposits	10,047,000	11,127,780
Government bonds	8,682,408	5,239,892
	30,697,637	29,262,804
Current portion	(9,909,497)	(5,738,737)
	\$ 20,788,140	\$ 23,524,067

Structured time deposits categorized as held-to-maturity financial assets consisted of the following:

	<b>Principal Amount</b>	<b>Interest Receivable</b>	<b>Range of Interest Rates</b>	<b>Maturity Date</b>
<u>June 30, 2007</u>				
Step-up callable deposits				
Domestic deposits	\$ 3,500,000	\$ 13,267	1.69%-1.83%	October 2007 to October 2008
Callable range accrual deposits			(See below)	September 2009 to December 2009
Domestic deposits	3,928,200	4,556	(See below)	October 2009 to December 2009
Foreign deposits	2,618,800	4,828	(See below)	October 2009 to December 2009

\$ 10,047,000      \$ 22,651

June 30, 2006

Step-up callable deposits

Domestic deposits	\$ 4,000,000	\$ 27,016	1.40%-2.01%	June 2007 to March 2009
Callable range accrual deposits				
Domestic deposits	3,887,880	4,725	(See below)	September 2009 to December 2009
Foreign deposits	3,239,900	4,914	(See below)	October 2009 to January 2010
	\$ 11,127,780	\$ 36,655		

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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 deposits, 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 ranging 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 June 30, 2007 and 2006, the principal of the deposits that resided in banks located in Hong Kong amounted to US\$60,000 thousand and US\$80,000 thousand, respectively; the principal of those resided in banks located in Singapore amounted to US\$20,000 thousand.

## 8. INVENTORIES, NET

	June 30	
	2007	2006
Finished goods	\$ 4,970,246	\$ 4,298,472
Work in process	17,709,335	14,439,386
Raw materials	1,492,129	1,299,483
Supplies and spare parts	991,054	1,042,615
	25,162,764	21,079,956
Allowance for losses	(1,117,420)	(1,028,776)
	\$ 24,045,344	\$ 20,051,180

## 9 INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	June 30			
	2007	% of Ownership	2006	% of Ownership
Carrying Amount	Carrying Amount			
Systems on Silicon Manufacturing Company Pte Ltd. (SSMC)	\$ 8,289,538	39	\$ 5,094,733	32
Vanguard International Semiconductor Corporation (VIS)	5,824,030	27	5,135,185	27
VisEra Holding Company	2,065,504	49	781,221	48
	\$ 16,179,072		\$ 11,011,139	

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; the percentage of ownership increased from 32% to 39%.

For the six months ended June 30, 2007 and 2006, net equity in earnings of NT\$849,164 thousand and NT\$1,249,875 thousand was recognized, respectively. The carrying amounts of the investments accounted for using the equity method and the related equity in earnings or losses of equity method investees were determined based on the audited financial statements of the investees for the same periods as the Company.

**10. FINANCIAL ASSETS CARRIED AT COST**

	<b>June 30</b>	
	<b>2007</b>	<b>2006</b>
Non-publicly traded stocks	\$ 3,282,006	\$ 2,940,582
Funds	382,305	346,468
	<b>\$ 3,664,311</b>	<b>\$ 3,287,050</b>

**11. PROPERTY, PLANT AND EQUIPMENT**

Accumulated depreciation consisted of the following:

	<b>June 30</b>	
	<b>2007</b>	<b>2006</b>
Land improvements	\$ 250,222	\$ 218,267
Buildings	58,736,156	50,653,432
Machinery and equipment	435,008,740	371,700,414
Office equipment	8,384,576	7,342,367
Leased assets	115,127	79,046
	<b>\$ 502,494,821</b>	<b>\$ 429,993,526</b>

**12. DEFERRED CHARGES, NET**

	<b>June 30</b>	
	<b>2007</b>	<b>2006</b>
Technology license fees	\$ 4,005,187	\$ 4,809,479
Software and system design costs	1,332,089	1,552,297
Others	440,079	150,247
	<b>\$ 5,777,355</b>	<b>\$ 6,512,023</b>

**13. SHORT-TERM BANK LOANS**

	<b>June 30</b>	
	<b>2007</b>	<b>2006</b>
Unsecured loan:		
Repayable by October 2007, annual interest at 6.22%	\$ 98,580	\$

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**14. BONDS PAYABLE**

	<b>June 30</b>	
	<b>2007</b>	<b>2006</b>
Domestic unsecured bonds:		
Issued in December 2000 and repayable in December 2007, 5.36% interest payable annually	\$ 4,500,000	\$ 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	12,500,000	15,000,000
	17,000,000	19,500,000
Current portion	(4,500,000)	(2,500,000)
	\$ 12,500,000	\$ 17,000,000

As of June 30, 2007, future principal repayments for the bonds were as follows:

<b>Year of Repayment</b>	<b>Amount</b>
2007 (4 <sup>th</sup> quarter)	\$ 4,500,000
2009	8,000,000
2012	4,500,000
	\$ 17,000,000

**15. LONG-TERM BANK LOANS**

	<b>June 30</b>	
	<b>2007</b>	<b>2006</b>
Secured loans:		
US\$20,000 thousand, repayable from November 2008 in 5 semi-annual installments, annual interest at 5.77% in 2007 and 5.66% in 2006	\$ 654,780	\$ 648,123
Repayable from December 2007 in 8 semi-annual installments, annual interest at 2.39%-3.20%	522,000	
Repayable from March 2007 in 12 quarterly installments, annual interest at 2.79%-3.02%	156,180	
Repayable from May 2007 in 16 quarterly installments, annual interest at 2.48%-2.61%	63,047	
Repayable from April 2005 in 16 quarterly installments, annual interest at 2.51%-2.61%	62,965	
Repayable from February 2005 in 17 quarterly installments, annual interest at 2.65%-4.53%	57,150	
Unsecured loans:		
Science Park Administration (SPA) SOC loan, repayable from October 2003 in 20 quarterly installments, interest-free	3,481	6,265
SPA DSP loan, repayable from July 2002 in 20 quarterly installments, interest-free		2,705

Current portion	1,519,603 (281,509)	657,093 (5,489)
	\$ 1,238,094	\$ 651,604

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As of June 30, 2007, certain assets of TSMC-Shanghai with an aggregate carrying amount of NT\$3,722,485 thousand (RMB865,896 thousand) and of Xintec with an aggregate carrying amount of NT\$1,167,299 thousand were provided as collateral for the aforementioned secured loans. 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 June 30, 2007, TSMC-Shanghai and Xintec were in compliance with all such financial covenants.

As of June 30, 2007, future principal repayments for the long-term bank loans were as follows:

<b>Year of Repayment</b>	<b>Amount</b>
2007 (3 <sup>rd</sup> and 4 <sup>th</sup> quarter)	\$ 140,754
2008	411,769
2009	488,402
2010	409,225
2011	69,453
	\$ 1,519,603

## 16. OTHER LONG-TERM PAYABLES

	<b>June 30</b>	
	<b>2007</b>	<b>2006</b>
Payables for acquisition of property, plant and equipment (Note 27k.)	\$ 7,653,920	\$ 7,008,392
Payables for royalties	3,777,162	2,398,726
	11,431,082	9,407,118
Current portion (classified under accrued expenses and other current liabilities)	(2,433,227)	(940,123)
	\$ 8,997,855	\$ 8,466,995

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

As of June 30, 2007, future payments for other long-term payables were as follows:

<b>Year of Payment</b>	<b>Amount</b>
2007 (3 <sup>rd</sup> and 4 <sup>th</sup> quarter)	\$ 2,094,747
2008	743,575
2009	338,480
2010	338,480
2011	261,880
2012 and thereafter	7,653,920
	\$ 11,431,082



**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 or Xintec 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 and Xintec 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 and TSMC-Europe are required by local regulations to make monthly contributions at certain percentages of the basic salary of their employees. Pursuant to the aforementioned Act and local regulations, the Company recognized pension cost of NT\$349,974 thousand and NT\$347,709 thousand for the six months ended June 30, 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 service years 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 and deposited in the name of the committees in the Central Trust of China. The Company recognized pension cost of NT\$162,471 thousand and NT\$152,702 thousand for the six months ended June 30, 2007 and 2006, respectively.

Changes in the Funds and accrued pension cost under the defined benefit plans are summarized as follows:

	<b>Six Months Ended June 30</b>	
	<b>2007</b>	<b>2006</b>
<b>The Funds</b>		
Balance, beginning of period	\$ 1,942,850	\$ 1,669,102
Contributions	117,333	132,536
Interest	46,911	34,469
Payments		(4,677)
Balance, end of period	\$ 2,107,094	\$ 1,831,430
<b>Accrued pension cost</b>		
Balance, beginning of period	\$ 3,540,060	\$ 3,473,941
Accruals	52,317	21,601
Balance, end of period	\$ 3,592,377	\$ 3,495,542

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**18. INCOME TAX**

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

	<b>Six Months Ended June 30</b>	
	<b>2007</b>	<b>2006</b>
Income tax expense based on income before income tax at statutory rate (25%)	\$ 12,194,593	\$ 18,266,397
Tax-exempt income	(2,797,992)	(6,411,975)
Temporary and permanent differences	22,136	(1,144,388)
Additional tax at 10% on unappropriated earnings	2,710,911	1,170,031
Cumulative effect of changes in accounting principles		(82,062)
Net operating loss carryforwards used	(394,260)	(6,785)
Investment tax credits used	(7,326,453)	(7,462,975)
Income tax currently payable	\$ 4,408,935	\$ 4,328,243

- b. Income tax expense consisted of the following:

Income tax currently payable	\$ 4,408,935	\$ 4,328,243
Other income tax adjustments	(353,921)	(445,618)
Net change in deferred income tax assets		
Investment tax credits	3,031,364	2,775,753
Net operating loss carryforwards	385,717	865,927
Temporary differences	(929,952)	(1,837,418)
Adjustments in valuation allowance	(3,040,698)	(1,551,490)
Income tax expense	\$ 3,501,445	\$ 4,135,397

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

	<b>June 30</b>	
	<b>2007</b>	<b>2006</b>
Current deferred income tax assets		
Investment tax credits	\$ 5,705,247	\$ 6,104,899
Net operating loss carryforwards		9,040
Temporary differences	721,288	588,984
Valuation allowance	(529,750)	(444,660)
	\$ 5,896,785	\$ 6,258,263
Noncurrent deferred income tax assets		
Investment tax credits	\$ 11,604,631	\$ 15,196,138
Net operating loss carryforwards	4,419,258	5,303,080
Temporary differences	(2,606,878)	(3,882,178)

Valuation allowance	(4,886,371)	(9,188,312)
	\$ 8,530,640	\$ 7,428,728

As of June 30, 2007, the net operating loss carryforwards were generated by WaferTech, TSMC Development and TSMC Technology and would expire on various dates through 2026.

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## d. Integrated income tax information:

The balance of the imputation credit account (ICA) of TSMC as of June 30, 2007 and 2006 was NT\$2,759,715 thousand and NT\$743,590 thousand, respectively.

The creditable ratio for distribution of TSMC's earnings of 2006 and 2005 was 5.23% (expected) and 2.88%, respectively.

The imputation credit allocated to the shareholders is based on its balance as of the date of dividend distribution. The expected 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 June 30, 2007, investment tax credits of TSMC, GUC and Xintec consisted of the following:

<b>Law/Statute</b>	<b>Item</b>	<b>Total Creditable Amount</b>	<b>Remaining Creditable Amount</b>	<b>Expiry Year</b>
Statute for Upgrading Industries	Purchase of machinery and equipment	\$ 306,118	\$ 34,327	2007
		3,202,375	24,849	2008
		6,043,810	5,128,365	2009
		6,520,910	6,520,910	2010
		832,614	832,614	2011
		\$ 16,905,827	\$ 12,541,065	
Statute for Upgrading Industries	Research and development expenditures	\$ 1,295,681	\$ 13,930	2007
		1,666,179	39,084	2008
		1,593,991	1,593,991	2009
		2,050,574	2,050,574	2010
		913,687	913,687	2011
		\$ 7,520,112	\$ 4,611,266	
Statute for Upgrading Industries	Personnel training expenditures	\$ 16,379	\$ 182	2007
		40,797	63	2008
		40,665	40,665	2009
		36,583	36,583	2010
		250	250	2011

\$ 134,674 \$ 77,743

Statute for Upgrading Industries	Investments in important technology-based enterprises	\$ 79,804	\$ 79,804	2010
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g. The profits generated from the following projects of TSMC, GUC and Xintec are exempt from income tax:

	<b>Tax-Exemption Periods</b>
Construction of Fab 12 Module A	2004 to 2007
Construction of Fab 14 Module A	2006 to 2010
2003 plant expansion of GUC	2007 to 2011
2003 plant expansion of Xintec	2007 to 2011

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h. The tax authorities have examined income tax returns of TSMC through 2004.

## 19. LABOR COST, DEPRECIATION AND AMORTIZATION

	<b>Six Months Ended June 30, 2007</b>		
	<b>Classified as</b>	<b>Classified</b>	<b>Total</b>
	<b>Cost of Sales</b>	<b>as</b> <b>Operating</b> <b>Expenses</b>	
Labor cost			
Salary	\$ 5,563,485	\$ 3,658,331	\$ 9,221,816
Labor and health insurance	308,652	185,827	494,479
Pension	315,671	196,774	512,445
Meal	225,688	85,861	311,549
Welfare	135,627	127,894	263,521
Others	62,907	238,830	301,737
	<b>\$ 6,612,030</b>	<b>\$ 4,493,517</b>	<b>\$ 11,105,547</b>
Depreciation	\$ 36,367,346	\$ 2,055,785	\$ 38,423,131
Amortization	\$ 945,814	\$ 481,249	\$ 1,427,063

	<b>Six Months Ended June 30, 2006</b>		
	<b>Classified as</b>	<b>Classified</b>	<b>Total</b>
	<b>Cost of Sales</b>	<b>as</b> <b>Operating</b> <b>Expenses</b>	
Labor cost			
Salary	\$ 6,081,251	\$ 3,231,766	\$ 9,313,017
Labor and health insurance	352,183	193,046	545,229
Pension	317,709	182,702	500,411
Meal	228,844	84,037	312,881
Welfare	114,761	85,204	199,965
Others	104,187	138,639	242,826
	<b>\$ 7,198,935</b>	<b>\$ 3,915,394</b>	<b>\$ 11,114,329</b>
Depreciation	\$ 32,621,813	\$ 1,729,941	\$ 34,351,754
Amortization	\$ 725,722	\$ 532,234	\$ 1,257,956

## 20. SHAREHOLDERS EQUITY

As of June 30, 2007, 1,134,382 thousand ADSs of TSMC were traded on the NYSE. The number of common shares represented by the ADSs was 5,671,912 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.

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Capital surplus consisted of the following:

	<b>June 30</b>	
	<b>2007</b>	<b>2006</b>
From merger	\$ 24,003,546	\$ 24,003,546
Additional paid-in capital	19,422,365	19,788,594
From convertible bonds	9,360,424	9,360,424
From treasury stock transactions	490,950	389,188
From long-term investments	448,264	280,679
Donations	55	55
	<b>\$ 53,725,604</b>	<b>\$ 53,822,486</b>

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 instruments, 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:

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	For Fiscal	For Fiscal	For	For
	Year 2006	Year 2005	Fiscal Year 2006	Fiscal Year 2005
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	285,800	257,410		
	\$ 100,126,835	\$ 80,428,051		

TSMC's 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 TSMC's 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.

The information about the appropriations of bonuses 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, the R.O.C. resident shareholders are allowed a tax credit for their proportionate share of the income tax paid by TSMC on earnings generated since January 1, 1998.

## 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 equals 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 canceled had expired as of June 30, 2007.

Information about TSMC's outstanding stock options for the six months ended June 30, 2007 and 2006 was as follows:

	<b>Number of Options (in Thousands)</b>	<b>Weighted- average Exercise Price (NT\$)</b>
<u>Six months ended June 30, 2007</u>		
Balance, beginning of period	52,814	\$37.9
Options granted	1,094	37.9
Options exercised	(7,401)	40.1
Options canceled	(598)	45.2
 Balance, end of period	 45,909	 37.6
<u>Six months ended June 30, 2006</u>		
Balance, beginning of period	67,758	\$39.4
Options granted	2,517	39.7
Options exercised	(8,219)	39.7
Options canceled	(2,304)	44.5
 Balance, end of period	 59,752	 39.6

The number of outstanding options and exercise prices have been adjusted to reflect the distribution of dividends in accordance with the plans. The options granted were the result of the aforementioned adjustment.

As of June 30, 2007, information about TSMC's outstanding and exercisable options was as follows:

<b>Range of Exercise Price (NT\$)</b>	<b>Options Outstanding</b>			<b>Options Exercisable</b>	
	<b>Number of Options (in Thousands)</b>	<b>Weighted- average Remaining Contractual Life (Years)</b>	<b>Weighted- average Exercise Price (NT\$)</b>	<b>Number of Options (in Thousands)</b>	<b>Weighted- average Exercise Price (NT\$)</b>
\$25.9-\$36.4	30,754	3.66	\$ 33.2	30,754	\$ 33.2
\$38.9-\$51.3	15,155	5.41	46.6	9,264	46.3
	45,909		37.6	40,018	36.2

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 of GUC 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.

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

Information about GUC's outstanding stock options for the six months ended June 30, 2007 and 2006 was as follows:

	Number of Options	Weighted- average Exercise Prices (NT\$)
<u>Six months ended June 30, 2007</u>		
Balance, beginning of period	7,342	\$ 14.0
Options exercised	(935)	10.2
Options canceled	(68)	16.3
Balance, end of period	6,339	14.6
 <u>Six months ended June 30, 2006</u>		
Balance, beginning of period	7,132	\$ 10.7
Options exercised	(629)	10.5
Options canceled	(216)	10.9
Balance, end of period	6,287	10.7

As of June 30, 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\$)
\$10.0-\$18.4	6,339	1.08-4.25	\$ 14.6	835	\$ 10.4

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. 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 stock options for the six months ended June 30, 2007 was as follows:

	Number of Options (in Thousands)	Weighted- average Exercise Price (NT\$)
<u>Six months ended June 30, 2007</u>		
Balance, beginning of period	4,968	\$ 13.0
Options exercised	3,555	15.7
Options canceled	(567)	13.9
Balance, end of period	7,956	14.2

As of June 30, 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\$)
\$13.0 - \$16.0	7,956	9.25-10	\$ 14.2		\$

No compensation cost was recognized under the intrinsic value method for the six months ended June 30, 2007 and 2006. Had the Company used the fair value based method (based on the Black-Scholes model) to evaluate the options granted after January 1, 2004, the assumptions and pro forma results of the Company would have been as follows:

		Six Months Ended June 30 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		
	Expected volatility	22.65%-41.74%	22.65%-41.74%
	Risk free interest rate	2.23%-2.56%	2.56%
	Expected life	3-6 years	6 years
Xintec	Expected dividend yield		
	Expected volatility	37.73%-47.42%	
	Risk free interest rate	1.88%-1.94%	
	Expected life	3 years	

Net income attributable to shareholders of the parent:		
As reported	\$44,322,581	\$66,608,628
Pro forma	44,284,161	66,551,357

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	<b>Six Months Ended June 30</b>	
	<b>2007</b>	<b>2006</b>
Earnings per share (EPS) after income tax (NT\$):		
Basic EPS as reported	\$ 1.68	\$ 2.53
Pro forma basic EPS	1.68	2.52
Diluted EPS as reported	1.68	2.52
Pro forma diluted EPS	1.68	2.52

**22. TREASURY STOCK**

(Shares in Thousands)

	<b>Beginning Shares</b>	<b>Stock Dividend</b>	<b>Disposal</b>	<b>Ending Shares</b>
<u>Six months ended June 30, 2007</u>				
Parent company stock held by subsidiaries	33,926	170		34,096
<u>Six months ended June 30, 2006</u>				
Parent company stock held by subsidiaries	32,938	988		33,926

As of June 30, 2007 and 2006, the book value of the treasury stock was NT\$918,075 thousand each; the market value was NT\$2,417,400 thousand and NT\$1,952,452 thousand, respectively. TSMC's stock held by subsidiaries is treated as treasury stock and the holders are entitled to the rights of shareholders, with the exception of voting right.

**23. EARNINGS PER SHARE**

	<b>Six Months Ended June 30</b>			
	<b>2007</b>		<b>2006</b>	
	<b>Before Income Tax</b>	<b>After Income Tax</b>	<b>Before Income Tax</b>	<b>After Income Tax</b>
Basic EPS (NT\$)				
Income before cumulative effect of changes in accounting principles attributable to shareholders of the parent	\$ 1.81	\$ 1.68	\$ 2.62	\$ 2.47
Cumulative effect of changes in accounting principles attributable to shareholders of the parent			0.06	0.06
Income attributable to shareholders of the parent	\$ 1.81	\$ 1.68	\$ 2.68	\$ 2.53
Diluted EPS (NT\$)				
Income before cumulative effect of changes in accounting principles attributable to shareholders of the parent	\$ 1.81	\$ 1.68	\$ 2.62	\$ 2.46
			0.06	0.06



Cumulative effect of changes in accounting principles attributable to shareholders of the parent

Income attributable to shareholders of the parent	\$ 1.81	\$ 1.68	\$ 2.68	\$ 2.52
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EPS for the six months ended June 30, 2007 and 2006 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>Six months ended June 30, 2007</u>					
Basic EPS					
Income attributable to shareholders of the parent	\$ 47,816,720	\$ 44,322,581	26,385,050	\$ 1.81	\$ 1.68
Effect of dilutive potential common stock stock options			23,482		
Diluted EPS					
Income attributable to shareholders of the parent (including effect of dilutive potential common stock)	\$ 47,816,720	\$ 44,322,581	26,408,532	\$ 1.81	\$ 1.68
<u>Six months ended June 30, 2006</u>					
Basic EPS					
Income attributable to shareholders of the parent	\$ 70,661,864	\$ 66,608,628	26,371,073	\$ 2.68	\$ 2.53
Effect of dilutive potential common stock stock options			22,850		
Diluted EPS					
Income attributable to shareholders of the parent (including effect of dilutive potential common stock)	\$ 70,661,864	\$ 66,608,628	26,393,923	\$ 2.68	\$ 2.52

## 24. DISCLOSURES FOR FINANCIAL INSTRUMENTS

a. Fair values of financial instruments were as follows:

	June 30			
	2007		2006	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>Assets</u>				
Financial assets at fair value through profit or loss	\$ 1,921,749	\$ 1,921,749	\$ 1,970,690	\$ 1,970,690

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Available-for-sale financial assets	62,375,246	62,375,246	67,385,610	67,385,610
Held-to-maturity financial assets	30,697,637	30,616,918	29,262,804	28,857,510
Investments accounted for using equity method (with market price)	5,824,030	14,838,055	5,135,185	9,613,553

Liabilities

Financial liabilities at fair value through profit or loss	3,474	3,474	601,086	601,086
Bonds payable (including current portion)	17,000,000	17,241,349	19,500,000	19,888,147
Long-term bank loans (including current portion)	1,519,603	1,519,603	657,093	657,093
Other long-term payables (including current portion)	11,431,082	11,431,082	10,492,484	10,492,484
Obligations under capital leases	631,297	631,297	595,172	595,172

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

- 1) The aforementioned financial instruments do not include cash and cash equivalents, receivables, other financial assets, short-term bank loans, payables, and payables to contractors and equipment suppliers. The carrying amounts of these financial instruments approximate their fair values due to their short maturities.
- 2) Fair values of financial assets/liabilities at fair value through profit or loss, 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 approximates their carrying amount.
  - c. The changes in fair value during the six months ended June 30, 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 gains of NT\$750,558 thousand and losses of NT\$770,634 thousand, respectively.
  - d. As of June 30, 2007 and 2006, financial assets exposed to fair value interest rate risk were NT\$92,995,718 thousand and NT\$96,561,617 thousand, respectively; financial liabilities exposed to fair value interest rate risk were NT\$3,474 thousand and NT\$601,086 thousand, respectively, and financial assets exposed to cash flow interest rate risk were NT\$6,547,000 thousand and NT\$7,127,780 thousand, respectively.
  - e. The Company recognized an unrealized gain of NT\$118,295 thousand (NT\$115,935 thousand was attributable to shareholders of the parent and NT\$2,360 thousand was attributable to minority interests) and NT\$158,899 thousand (NT\$154,032 thousand was attributable to shareholders of the parent and NT\$4,867 thousand was attributable to minority interests) directly in shareholders' equity for the changes in fair value of available-for-sale financial assets for the six months ended June 30, 2007 and 2006, respectively. The Company recognized a gain of NT\$231,130 thousand (NT\$230,261 thousand was attributable to shareholders of the parent and NT\$869 thousand was attributable to minority interests) and NT\$51,671 thousand (NT\$51,418 thousand was attributable to shareholders of the parent and NT\$253 thousand was attributable to minority interests) which was removed from shareholders' equity and recognized in earnings for the six months ended June 30, 2007 and 2006, respectively. The Company also recognized unrealized gains of NT\$191 thousand and NT\$13,940 thousand in shareholders' equity for the changes in fair value of available-for-sale financial assets held by equity method investees for the six months ended June 30, 2007 and 2006, respectively.
  - 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 the 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-denominated 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 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.
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- 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, a major shareholder of TSMC

- 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

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

	2007		2006	
	Amount	%	Amount	%
<u>Six months ended June 30</u>				
Sales				
VisEra	\$ 695,618		\$ 78,877	
Philips			2,318,898	1
Others	4,867		16,185	
	\$ 700,485		\$ 2,413,960	1
Purchases				
SSMC	\$ 2,765,116	3	\$ 3,718,466	5
VIS	1,692,673	2	1,712,082	2
VisEra	128			
	\$ 4,457,917	5	\$ 5,430,548	7
Manufacturing expenses				
VisEra	\$ 68,949		\$	
VIS	366			
Philips (technical assistance fees, see Note 27a)			377,952	
	\$ 69,315		\$ 377,952	
Research and development expenses VisEra	\$ 25,436		\$	



	2007		2006	
	Amount	%	Amount	%
Non-operating income and gains				
VisEra	\$ 177,433	3	\$ 140,079	2
VIS (primarily technical service income; see Note 27h)	173,765	2	105,937	2
SSMC (primarily technical service income; see Note 27e)	116,257	2	147,219	3
	\$ 467,455	7	\$ 393,235	7

As of June 30

## Receivables

VisEra	\$ 332,324	100	\$ 237	
Philips			382,251	99
Others			4,900	1
	\$ 332,324	100	\$ 387,388	100

## Other receivables

VIS	\$ 809,153	75	\$ 688,807	86
VisEra	165,598	16	17,376	2
SSMC	97,977	9	92,700	12
	\$ 1,072,728	100	\$ 798,883	100

## Payables

VIS	\$ 781,488	51	\$ 943,129	59
SSMC	728,808	48	662,385	41
VisEra	11,076	1		
	\$ 1,521,372	100	\$ 1,605,514	100

## Other long-term payables

Philips (see Note 27a)	\$		\$ 1,085,366	100
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## Deferred credits

VisEra	\$ 93,262	8	\$ 155,437	13
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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 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.

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**26. 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 December 2007 to December 2026 and can be renewed upon expiration.

The Company entered into lease agreements for its office premises and certain equipment located in North America, Japan and Shanghai. These operating leases expire between 2007 and 2011 and can be renewed upon expiration.

As of June 30, 2007, future lease payments were as follows:

<b>Year</b>	<b>Amount</b>
2007 (3 <sup>rd</sup> and 4 <sup>th</sup> quarter)	\$ 250,468
2008	451,783
2009	442,548
2010	369,514
2011	263,841
2012 and thereafter	1,870,953
	<b>\$ 3,649,107</b>

**27. SIGNIFICANT COMMITMENTS AND CONTINGENCIES**

The significant commitments and contingencies of the Company as of June 30, 2007, except as 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 June 30, 2007, TSMC had a total of US\$90,985 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. TSMC and Philips (now NXP B.V.) 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 falls 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 the transfer of certain technologies under the same terms and conditions as the terminated TTA. The option will expire 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 will expire on December 31, 2008.
-

- j. TSMC, TSMC-North America and WaferTech filed a series of lawsuits in late 2003 and 2004 against Semiconductor Manufacturing International Corporation (SMIC), SMIC (Shanghai) and SMIC Americas. The lawsuits alleged that SMIC companies infringed multiple TSMC patents and misappropriated TSMC's trade secrets. These suits were settled out of court on January 30, 2005. As part of the settlement, SMIC shall pay TSMC US\$175,000 thousand over six years to resolve TSMC's claims. As of June 30, 2007, SMIC had paid US\$75,000 thousand 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 in the same court, alleging TSMC of breach of the settlement agreement and implied covenant of good faith and fair dealing, in response to TSMC'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 result of the above-mentioned litigation cannot be determined at this time.
- k. 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.
- l. Amounts available under unused letters of credit as of June 30, 2007 were NT\$134,477 thousand.

## **28. 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;
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- 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 investment: 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.
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**TABLE 1****Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries****MARKETABLE SECURITIES HELD****JUNE 30, 2007****(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

Held Company Name	Marketable Securities Type and Name	Relationship	June 30, 2007			
			Shares/Units	Carrying Value	Percentage of Asset Value	Market Value or Net Asset Value
		Financial Statement (in thousands)	(US\$ in thousands)	Ownership	(US\$ in thousands)	Note
The Company	<u>Government Bond</u>					
		Available-for-sale financial assets	\$2,344,207	N/A	\$2,344,207	
	2003 Government Bond Series B					
	2004 Government Bond Series B		1,192,161	N/A	1,192,161	
	2004 Government Bond Series G		198,586	N/A	198,586	
	2006 Government Bond Series D		398,579	N/A	398,579	
		Held-to-maturity financial assets	798,163	N/A	844,440	
	2003 Government Bond Series F					
	2006 Government Bond Series D		3,654,613	N/A	3,637,028	
	2003 Government Bond Series B		1,647,899	N/A	1,643,938	
	2003 Government Bond Series H		401,144	N/A	399,721	
	2004 Kaohsiung Municipal Series A		620,000	N/A	620,273	
	2004 Kaohsiung Municipal Series B		249,998	N/A	250,004	
	2003 Asian Development Bank Govt. Bond		845,464	N/A	875,103	
	European Investment Bank Bonds		376,047	N/A	400,000	
	2003 European Bank for Reconstruction and Development Govt. Bond Series A		89,080	N/A	90,000	
	<u>Open-end mutual funds</u>					
		Available-for-sale financial assets	\$2,028,897	N/A	2,028,897	
	NITC Bond Fund					
	Fuh Hwa Bond		102,783	1,380,442	N/A	1,380,442
	Prudential Financial Bond Fund		83,306	1,226,681	N/A	1,226,681
	NITC Taiwan Bond		79,132	1,123,358	N/A	1,123,358
	ING Taiwan Income Fund		63,947	1,020,211	N/A	1,020,211
	Mega Diamond Bond Fund		70,262	814,510	N/A	814,510
	Taishin Lucky Fund		68,945	712,420	N/A	712,420
	Polaris De-Bao Fund		63,273	706,359	N/A	706,359

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Dresdner Bond DAM Fund	54,286	633,827	N/A	633,827
HSBC Taiwan Money Management	34,093	510,018	N/A	510,018
JF Taiwan Bond Fund	26,542	408,003	N/A	408,003
INVESCO Bond Fund	27,176	406,741	N/A	406,741

Corporate Bond

	Available-for-sale	559,462	N/A	1,559,462
	financial			
	assets			
Hua Nan Bank				
Cathay Bank		1,169,901	N/A	1,169,901
Taiwan Power Company		1,048,083	N/A	1,048,083
Formosa Petrochemical Corporation		398,611	N/A	398,611
	Held-to-maturity	3,574,211	N/A	3,555,654
	financial			
	assets			
Formosa Petrochemical Corporation				
Taiwan Power Company		3,262,876	N/A	3,262,707
Nan Ya Plastics Corporation		2,003,757	N/A	2,000,821
CPC Corporation, Taiwan		1,450,830	N/A	1,449,750
China Steel Corporation		1,000,000	N/A	996,986
Formosa Plastic Corporation		386,989	N/A	386,866
Shanghai commercial & Saving Bank		289,566	N/A	289,495

(Continued)

Type and Name	Relationship with the Company	Financial Statement Account	Shares/Unit (in Thousands)	Carrying (US Thousands)
	Subsidiary	Investment accounted for using equity method	1	\$43,000
	Subsidiary		987,968	27,000
	Investee accounted for using equity method		463	8,200
	Investee accounted for using equity method		442,262	5,000
	Subsidiary		300	4,500
	Subsidiary		11,000	2,200
	Investee with a controlling interest		90,526	1,300
	Investee with a controlling interest		41,263	600
	Subsidiary		6	
	Subsidiary			
	Subsidiary		80	
s Co., Ltd.		Financial assets carried at cost	16,783	1,000
aiwan Co., Ltd.			10,500	1,000
d IV			4,000	
tal Co., Ltd.			2,633	
		Financial assets carried at cost		3,000
	Subsidiary	Investment accounted for using equity method		8,200
	Subsidiary			8,200
	Subsidiary			2,200
	Subsidiary			2,200
	Subsidiary			1,300
	Subsidiary			1,300

Parent Company	Available-for-sale financial assets	17,032	1,2
Investee accounted for using equity method	Investments accounted for using equity method	5,032	
Parent Company	Available-for-sale financial assets	17,064	1,2
Investee accounted for using equity method	Investments accounted for using equity method	3,711	
Subsidiary	Investments accounted for using equity method	9,207	US\$
Subsidiary		51,300	US\$
Subsidiary		1	US\$
Subsidiary		1	US\$

(Continued)

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June 30, 2007

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	June 30, 2007		Market Value or Net Asset Value (US\$ in thousands)	Note
			Shares/Units	Carrying Value (US\$ in thousands)		
TSMC-Development	WaferTech	Subsidiary	Investments accounted for using equity method	US\$ 249,316	100	US\$ 249,316
TSMC Partners	<u>Common stock</u> VisEra Holding Company	Investee accounted for using equity method	Investments accounted for using equity method	US\$ 63,098	49	US\$ 63,098
Emerging Alliance	<u>Common stock</u> NetLogic Microsystems, Inc.	Financial assets at fair value through profit or loss	Available-for-sale financial assets	US\$ 1,767		US\$ 1,767
	Ikanos Communication, Inc.	Financial assets at fair value through profit or loss	Available-for-sale financial assets	US\$ 3,917	2	US\$ 3,917
	Global Investment Holding, Inc.	Financial assets at fair value through profit or loss	Available-for-sale financial assets	\$ 100,000	6	\$ 100,000
	RichWave Technology Corp.	Financial assets at fair value through profit or loss	Available-for-sale financial assets	US\$ 1,648	13	US\$ 1,648
	Pixim, Inc.	Financial assets at fair value through profit or loss	Available-for-sale financial assets	US\$ 275	2	US\$ 275
	<u>Preferred stock</u> Pixim, Inc.	Financial assets at fair value through profit or loss	Available-for-sale financial assets	US\$ 862		US\$ 862

	carried at cost				
Mosaic Systems, Inc.	2,481	US\$	12	6	US\$ 12
Reflectivity, Inc.	3,252	US\$	102	4	US\$ 102
Miradia, Inc.	3,040	US\$	1,000	3	US\$ 1,000
Axiom Microdevices, Inc.	1,000	US\$	1,000	1	US\$ 1,000
Optichron, Inc.	714	US\$	1,000	4	US\$ 1,000
NuCORE Technology, Inc.	2,254	US\$	1,388	2	US\$ 1,388
Next IO, Inc.	800	US\$	500	2	US\$ 500
Audience, Inc.	1,654	US\$	250	1	US\$ 250
Centrality Communications	1,325	US\$	1,800	3	US\$ 1,800
Teknovus, Inc.	6,977	US\$	1,327	3	US\$ 1,327
Optimal Corporation	583	US\$	600	4	US\$ 600
Mobilygen	1,415	US\$	750	1	US\$ 750

VTAF II

Common stock

	Financial assets carried at cost				
	1,875	US\$	919	13	US\$ 919
Yobon					
Sentelic	1,200	US\$	2,040	15	US\$ 2,040
Leadtrend	1,150	US\$	660	6	US\$ 660
RichWave Technology Corp.	500	US\$	231	2	US\$ 231

Preferred stock

	Financial assets carried at cost				
	1,445	US\$	1,400	11	US\$ 1,400
Powerprecise Solutions, Inc.					
Tzero Technologies, Inc.	730	US\$	1,500	2	US\$ 1,500
Miradia, Inc.	2,740	US\$	2,424	3	US\$ 2,424
Axiom Microdevices, Inc.	4,142	US\$	1,812	4	US\$ 1,812
Next IO, Inc.	216	US\$	182		US\$ 182
Ageia Technologies, Inc.	2,030	US\$	2,074	2	US\$ 2,074
Audience, Inc.	2,208	US\$	474	1	US\$ 474
GemFire Corporation	600	US\$	68	1	US\$ 68
Optichron, Inc.	353	US\$	869	2	US\$ 869
Xceive	714	US\$	1,000	2	US\$ 1,000
5V Technologies, Inc.	2,357	US\$	1,768	11	US\$ 1,768
Power Analog Microelectronics	2,000	US\$	1,500	13	US\$ 1,500
Impinj, Inc.	475	US\$	1,000		US\$ 1,000
Beceem Communications	650	US\$	1,600	1	US\$ 1,600
Teknovus, Inc.	518	US\$	119		US\$ 119
Aquantia Corporation	1,264	US\$	1,150	5	US\$ 1,150
Pixim, Inc.	3,279	US\$	641	2	US\$ 641

(Continued)

		June 30, 2007			
		Carrying		Percentage	
		Shares/Units	Value	of	Asset Value
Held Company Name	Marketable Securities Type and Name	Relationship	Value	Ownership	Market Value or Net
VTAF III	<u>Preferred stock</u>	with Financial Statements (in thousands)	(US\$ in thousands)	(in thousands)	(US\$ in thousands)
		Financial	370 US\$ 112	13	US\$ 112
		assets carried at cost			
	Mutual-Pak Limited				
	Quellan, Inc		2,231 US\$ 2,500	7	US\$ 2,500
	M2000, Inc.		1,500 US\$ 1,500	4	US\$ 1,500
	SynDiTec, Inc.		4,296 US\$ 720	7	US\$ 720
	Validity Sensors, Inc.		5,333 US\$ 2,000	7	US\$ 2,000
	Silicon Technical Services, LLC		915 US\$ 1,000	2	US\$ 1,000
	Neoconix, Inc.		2,458 US\$ 4,000	6	US\$ 4,000
	Advasense Sensors, Inc.		1,624 US\$ 1,500	6	US\$ 1,500
	Tilera, Inc.		1,698 US\$ 2,360	3	US\$ 2,360
	<u>Corporate Bond</u>				
		Financial	US\$ 1,500	N/A	US\$ 1,500
		assets carried at cost			
	GTBF, Inc.				
Investar	<u>Common stock</u>				
		Financial	975 US\$ 34,458	7	US\$ 34,458
		assets at fair value through profit or loss			
	Monolithic Power Systems, Inc.		Available for sale financial assets		
			58 US\$ 20		US\$ 20
	Advanced Power Electronics Corp.				
	Capella Microsystems (Taiwan), Inc.	Financial	530 US\$ 154	2	US\$ 154
		assets			

carried  
at  
cost

Preferred stock

	Financial	1,221	US\$	1,221	9	US\$	1,221
	assets						
	carried						
	at						
	cost						
Integrated Memory Logic, Inc.							
IP Unity, Inc.	1,008	US\$	494	1	US\$	494	
Sonics, Inc.	1,843	US\$	3,530	2	US\$	3,530	
NanoAmp Solutions, Inc.	541	US\$	853	2	US\$	853	
Memsic, Inc.	2,727	US\$	1,500	9	US\$	1,500	

## Investar II

Common stock

	Financial	15,085	US\$	15,085	3	US\$	15,085
	assets						
	at						
	fair						
	value						
	through						
	profit						
	or						
	loss						
Monolithic Power Systems, Inc.							
Geo Vision, Inc.	6	US\$	40		US\$	40	
Rich Tek Technology Corp.	132	US\$	2,088		US\$	2,088	
	Available for	15	US\$	91		US\$	91
	financial						
	assets						
Geo Vision, Inc.							
Rich Tek Technology Corp.	227	US\$	3,597		US\$	3,597	
	Financial	791	US\$	791	3	US\$	791
	assets						
	carried						
	at						
	cost						
Ralink Technology (Taiwan), Inc.							
Capella Microsystems (Taiwan), Inc.	534	US\$	210	2	US\$	210	
Auden Technology MFG. Co., Ltd.	1,049	US\$	223	4	US\$	223	
EoNEX Technologies, Inc.	55	US\$	3,048	5	US\$	3,048	
Goyatek Technology, Corp.	2,088	US\$	545	7	US\$	545	
Trendchip Technologies Corp.	1,000	US\$	574	4	US\$	574	
EON Technology, Corp.	4,243	US\$	1,175	6	US\$	1,175	
eLCOS Microdisplay Technology, Ltd.	270	US\$	27	1	US\$	27	
Epic Communication, Inc.	191	US\$	37	1	US\$	37	
Sonics, Inc.	2,220	US\$	32	3	US\$	32	

Preferred stock

Memsic, Inc.	Financial	1,560	US\$	1,560	7	US\$	1,560
	assets						
	carried						
	at						
	cost						

	cost			
NanoAmp Solutions, Inc.	375	US\$ 1,500	1	US\$ 1,500
Kilopass Technology, Inc.	3,887	US\$ 2,000	6	US\$ 2,000
FangTek, Inc.	6,930	US\$ 3,250	16	US\$ 3,250
Sonics, Inc.	2,115	US\$ 3,082	3	US\$ 3,082
eLCOS Microdisplay Technology, Ltd.	3,500	US\$ 3,500	8	US\$ 3,500
Alchip Technologies Limited	6,128	US\$ 2,450	15	US\$ 2,450

(Continued)

		June 30, 2007			
		Carrying		Market	
		Percentage		Value or	
		of		Net	
		Asset		Value	
		Value		Value	
		(US\$ in		(US\$ in	
		Thousands)		Thousands)	
Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Shares/Units	Ownership	Note
TSMC Global	<u>Government bonds</u>	Available-for-sale financial assets	(in thousands)	(in thousands)	(in thousands)
	United States Treas Nts		US\$ 300	N/A	US\$ 300
	United States Treas Nts		US\$ 41,177	N/A	US\$ 41,177
	United States Treas Nts		US\$ 16,896	N/A	US\$ 16,896
	United States Treas Nts		US\$ 46,322	N/A	US\$ 46,322
	United States Treas Nts		US\$ 5,724	N/A	US\$ 5,724
	United States Treas Nt		US\$ 26,065	N/A	US\$ 26,065
	United States Treas Nts		US\$ 20,611	N/A	US\$ 20,611
	United States Treas Nts		US\$ 14,742	N/A	US\$ 14,742
	United States Treas Nts		US\$ 5,829	N/A	US\$ 5,829
	Us Treasury Nts		US\$ 4,841	N/A	US\$ 4,841
	Us Treasury Nts		US\$ 2,480	N/A	US\$ 2,480
	Us Treasury Nts		US\$ 2,483	N/A	US\$ 2,483
	Us Treas Nts		US\$ 10,290	N/A	US\$ 10,290
	<u>Corporate bonds</u>		Available-for-sale financial assets		US\$ 970
	Anz Cap Tr I		US\$ 2,118	N/A	US\$ 2,118
	Axa Finl, Inc.		US\$ 2,538	N/A	US\$ 2,538
	Abbott Labs		US\$ 1,503	N/A	US\$ 1,503
	Allstate Life Global Fdg Secd		US\$ 2,978	N/A	US\$ 2,978
	American Gen Fin Corp.		US\$ 3,198	N/A	US\$ 3,198
	American Gen Fin Corp. Mtn		US\$ 3,458	N/A	US\$ 3,458
	American Gen Fin Corp. Mtn		US\$ 1,970	N/A	US\$ 1,970
	American Honda Fin Corp. Mtn		US\$ 9,310	N/A	US\$ 9,310
	American Honda Fin Corp. Mtn		US\$ 800	N/A	US\$ 800
	Amgen, Inc.		US\$ 2,909	N/A	US\$ 2,909
	Associates Corp. North Amer		US\$ 2,529	N/A	US\$ 2,529
	Atlantic Richfield Co		US\$ 2,168	N/A	US\$ 2,168
	Bp Cap Mkts P L C		US\$ 4,447	N/A	US\$ 4,447
	Bank New York, Inc.		US\$ 1,496	N/A	US\$ 1,496
	Bank One Corp.		US\$ 2,017	N/A	US\$ 2,017
	Bank One Corp.		US\$ 1,461	N/A	US\$ 1,461

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Bank Utd Houston Tx Mtn	US\$ 522	N/A	US\$ 522
Beneficial Corp. Mtn Bk Entry	US\$ 2,286	N/A	US\$ 2,286
Burlington Res, Inc.	US\$ 3,639	N/A	US\$ 3,639
Cit Group Hldgs, Inc.	US\$ 3,018	N/A	US\$ 3,018
Cit Group, Inc. New	US\$ 2,504	N/A	US\$ 2,504
Chase Manhattan Corp. New	US\$ 2,102	N/A	US\$ 2,102
Chase Manhattan Corp. New	US\$ 5,059	N/A	US\$ 5,059
Chubb Corp.	US\$ 2,123	N/A	US\$ 2,123
Cogentrix Energy, Inc.	US\$ 3,701	N/A	US\$ 3,701
Colonial Pipeline Co.	US\$ 1,479	N/A	US\$ 1,479
Consolidated Edison, Inc.	US\$ 2,938	N/A	US\$ 2,938
Countrywide Fdg Corp. Mtn	US\$ 2,026	N/A	US\$ 2,026
Credit Suisse First Boston Usa	US\$ 3,119	N/A	US\$ 3,119
Credit Suisse First Boston Usa	US\$ 2,185	N/A	US\$ 2,185
Credit Suisse First Boston	US\$ 732	N/A	US\$ 732
Daimlerchrysler North Amer	US\$ 988	N/A	US\$ 988
Daimlerchrysler North Amer Hld	US\$ 751	N/A	US\$ 751
Dayton Hudson Corp.	US\$ 2,014	N/A	US\$ 2,014
Deere John Cap Corp. Mtn Bk Ent	US\$ 2,159	N/A	US\$ 2,159
Deere John Cap Corp.	US\$ 5,927	N/A	US\$ 5,927

(Continued)

		June 30, 2007			
		Carrying Percentage		Market Value or Net	
		Shares/Units	Value	of	Asset Value
Held Company Name	Relationship with Financial the Statement (in Thousands)	(US\$ in Thousands)	Ownership	(US\$ in Thousands)	Note
Name	Marketable Securities Type and Name Company Account	Available-for-sale financial assets	(US\$ in Thousands)	(US\$ in Thousands)	Note
	Dell Computer Corp.		US\$ 2,809	N/A	US\$ 2,809
	Diageo Plc		US\$ 3,478	N/A	US\$ 3,478
	Emerson Elec Co.		US\$ 3,208	N/A	US\$ 3,208
	European Invt Bk		US\$ 6,054	N/A	US\$ 6,054
	Federal Home Ln Bks		US\$ 7,937	N/A	US\$ 7,937
	Fifth Third Bk Cinc.Innati Oh		US\$ 2,448	N/A	US\$ 2,448
	Fleet Finl Group, Inc. New		US\$ 902	N/A	US\$ 902
	Fleet Boston Corp.		US\$ 2,614	N/A	US\$ 2,614
	Ge Global Ins Hldg Corp.		US\$ 1,893	N/A	US\$ 1,893
	General Dynamics Corp.		US\$ 2,064	N/A	US\$ 2,064
	General Elec Cap Corp. Mtn		US\$ 1,167	N/A	US\$ 1,167
	General Elec Cap Corp. Mtn		US\$ 3,907	N/A	US\$ 3,907
	General Elec Cap Corp. Mtn		US\$ 2,094	N/A	US\$ 2,094
	General Elec Cap Corp. Mtn		US\$ 11,267	N/A	US\$ 11,267
	General Re Corp.		US\$ 3,233	N/A	US\$ 3,233
	Genworth Finl, Inc.		US\$ 3,245	N/A	US\$ 3,245
	Greenpoint Finl Corp.		US\$ 980	N/A	US\$ 980
	Hbos Plc Medium Term Sr Nts		US\$ 2,976	N/A	US\$ 2,976
	Hancock John Global Fdg Ii Mtn		US\$ 5,065	N/A	US\$ 5,065
	Hancock John Global Fdg Mtn		US\$ 982	N/A	US\$ 982
	Hancock John Global Fdg Ii Mtn		US\$ 2,920	N/A	US\$ 2,920
	Hartford Finl Svcs Group, Inc.		US\$ 1,338	N/A	US\$ 1,338
	Hartford Finl Svcs Group, Inc.		US\$ 5,025	N/A	US\$ 5,025
	Heller Finl, Inc.		US\$ 1,908	N/A	US\$ 1,908
	Hewlett Packard Co.		US\$ 1,829	N/A	US\$ 1,829
	Household Fin Corp.		US\$ 3,075	N/A	US\$ 3,075
	Household Fin Corp.		US\$ 2,916	N/A	US\$ 2,916
	Huntington National Bank		US\$ 1,862	N/A	US\$ 1,862
	Ing Sec Life Instl Fdg		US\$ 2,478	N/A	US\$ 2,478
	International Business Machs		US\$ 3,455	N/A	US\$ 3,455
	Intl Lease Fin Corp. Mtn		US\$ 2,951	N/A	US\$ 2,951
	Intl Lease Fin Corp. Mtn		US\$ 4,159	N/A	US\$ 4,159
	J P Morgan Chase + Co.		US\$ 3,285	N/A	US\$ 3,285
	Key Bk Na Med Term Nts Bk Entr		US\$ 4,423	N/A	US\$ 4,423
	KeyCorp. Mtn Book Entry		US\$ 3,016	N/A	US\$ 3,016
	Lehman Brothers Hldgs, Inc.		US\$ 1,067	N/A	US\$ 1,067



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Lehman Brothers Hldgs, Inc.	US\$ 3,150	N/A	US\$ 3,150
Lehman Brothers Hldgs, Inc.	US\$ 486	N/A	US\$ 486
Lehman Brothers Hldgs, Inc.	US\$ 983	N/A	US\$ 983
Lehman Brothers Hldgs, Inc.	US\$ 1,162	N/A	US\$ 1,162
Lehman Brothers Hldgs, Inc.	US\$ 1,628	N/A	US\$ 1,628
Mbna America Bank Na Y	US\$ 6,418	N/A	US\$ 6,418
Mgic Invt Corp.	US\$ 1,197	N/A	US\$ 1,197
Ameritech Capital Funding Co.	US\$ 2,785	N/A	US\$ 2,785
Marshall + Ilsley Corp.	US\$ 8,435	N/A	US\$ 8,435
Massmutual Global Fdg Ii Mtn	US\$ 3,627	N/A	US\$ 3,627
Metropolitan Life Global Mtn	US\$ 3,415	N/A	US\$ 3,415
Monumental Global Fdg Ii	US\$ 1,471	N/A	US\$ 1,471
Monunmetal Global Fdg Ii	US\$ 1,959	N/A	US\$ 1,959
Mony Group, Inc.	US\$ 2,142	N/A	US\$ 2,142
Morgan Stanley	US\$ 1,931	N/A	US\$ 1,931
Morgan Stanley	US\$ 5,458	N/A	US\$ 5,458

(Continued)

		June 30, 2007			Market
					Value or
					Net
		Carrying Percentage			
		Shares/Units	Value	of	Asset Value
Held	Relationship				
Company	with Financial				
Name	the Statement (in	(US\$ in			(US\$ in
Marketable Securities	Type and Name Company Account	Thousands)	Thousands)	Ownership	Thousands) Note
		Available-for-sale			
		financial			
		assets			
	National City Corp.		US\$ 3,443	N/A	US\$ 3,443
	National Westminster Bk Plc		US\$ 1,308	N/A	US\$ 1,308
	Nationwide Life Global Fdg I		US\$ 3,477	N/A	US\$ 3,477
	Oracle Corp. / Ozark Hldg, Inc.		US\$ 1,966	N/A	US\$ 1,966
	Pnc Fdg Corp.		US\$ 1,001	N/A	US\$ 1,001
	Pepsico, Inc. Mtn Book Entry		US\$ 3,616	N/A	US\$ 3,616
	Popular North Amer, Inc.		US\$ 2,907	N/A	US\$ 2,907
	Praxair, Inc.		US\$ 3,122	N/A	US\$ 3,122
	Premark Intl, Inc.		US\$ 2,706	N/A	US\$ 2,706
	Pricoa Global Fdg I Mtn		US\$ 3,421	N/A	US\$ 3,421
	Principal Finl Group Australia		US\$ 1,001	N/A	US\$ 1,001
	Principal Life Global Fdg I Gl		US\$ 1,172	N/A	US\$ 1,172
	Protective Life Secd Trs		US\$ 2,935	N/A	US\$ 2,935
	Protective Life Secd Trs Mtn		US\$ 3,403	N/A	US\$ 3,403
	Public Svc Elec Gas Co.		US\$ 3,706	N/A	US\$ 3,706
	Regions Finl Corp. New		US\$ 2,381	N/A	US\$ 2,381
	Mizuho Fin(Cayman)		US\$ 2,167	N/A	US\$ 2,167
	Sbc Communications, Inc.		US\$ 3,312	N/A	US\$ 3,312
	Sbc Communications, Inc.		US\$ 695	N/A	US\$ 695
	Sp Powerassests Ltd Global		US\$ 980	N/A	US\$ 980
	Safeco Corp.		US\$ 711	N/A	US\$ 711
	St Paul Cos, Inc. Mtn Bk Ent		US\$ 2,536	N/A	US\$ 2,536
	Simon Ppty Group L P		US\$ 2,177	N/A	US\$ 2,177
	Simon Ppty Group Lp		US\$ 998	N/A	US\$ 998
	Suntrust Bk Atlanta Ga Medium		US\$ 3,454	N/A	US\$ 3,454
	Us Bk Natl Assn Cincinnati Oh		US\$ 2,935	N/A	US\$ 2,935
	Vodafone Airtouch Plc		US\$ 1,662	N/A	US\$ 1,662
	Wps Resources Corp.		US\$ 1,029	N/A	US\$ 1,029
	Wachovia Corp. New		US\$ 3,479	N/A	US\$ 3,479
	Wachovia Corp. New		US\$ 3,125	N/A	US\$ 3,125
	Washington Mut, Inc.		US\$ 1,698	N/A	US\$ 1,698
	Washington Post Co.		US\$ 3,001	N/A	US\$ 3,001
	Wells Fargo + Co. New		US\$ 2,961	N/A	US\$ 2,961
	Wells Fargo + Co. New Med Trm		US\$ 4,310	N/A	US\$ 4,310
	Westfield Cap Corp. Ltd		US\$ 2,003	N/A	US\$ 2,003

Corporate issued asset-backed securities

	Available-for-sale financial assets			
American Home Mtg Invt Tr	US\$ 53	N/A	US\$ 53	
Americredit Automobile Rec Tr	US\$ 3,253	N/A	US\$ 3,253	
Americredit Automobile Rec Tr	US\$ 2,294	N/A	US\$ 2,294	
Americredit Auto Rec Tr	US\$ 1,000	N/A	US\$ 1,000	
Americredit Automobile Receivb	US\$ 1,996	N/A	US\$ 1,996	
Americredit Automobile Receiva	US\$ 2,728	N/A	US\$ 2,728	
Atlantic City Elc Trns Fdglc	US\$ 298	N/A	US\$ 298	
Ba Cr Card Tr	US\$ 4,264	N/A	US\$ 4,264	
Banc Amer Fdg 2006 I Tr	US\$ 4,044	N/A	US\$ 4,044	
Bear Stearns Coml Mtg Secs, Inc.	US\$ 3,518	N/A	US\$ 3,518	
Bear Stearns Alt A Tr	US\$ 532	N/A	US\$ 532	
Bear Stearns Arm Tr	US\$ 3,259	N/A	US\$ 3,259	
Bear Stearns Arm Tr	US\$ 1,943	N/A	US\$ 1,943	
Cit Equip Coll Tr	US\$ 893	N/A	US\$ 893	
Cit Equip Coll Tr	US\$ 3,986	N/A	US\$ 3,986	
Cnh Equip Tr	US\$ 276	N/A	US\$ 276	

(Continued)

		June 30, 2007			Market Value or Net
		Carrying Percentage			
		Shares/Units	Value	of	Asset Value
Held Company Name	Relationship with Financial the Statement (in Company Account Available-for-sale financial	(in thousands)	(US\$ in thousands)	Ownership	(US\$ in thousands) Note
	Cwabs, Inc.		US\$ 139	N/A	US\$ 139
	Cwabs		US\$ 3,619	N/A	US\$ 3,619
	Cwmbs, Inc.		US\$ 784	N/A	US\$ 784
	Capital Auto Receivables Asset		US\$ 3,236	N/A	US\$ 3,236
	Capital Auto Receivables Asset		US\$ 2,238	N/A	US\$ 2,238
	Capital One Auto Fin Tr		US\$ 2,628	N/A	US\$ 2,628
	Capital One Auto Fin Tr		US\$ 2,995	N/A	US\$ 2,995
	Capital One Auto Fin Tr		US\$ 4,997	N/A	US\$ 4,997
	Capital One Multi Asset Execut		US\$ 3,961	N/A	US\$ 3,961
	Capital One Multi Asset Execut		US\$ 2,965	N/A	US\$ 2,965
	Capital One Prime Auto Receiv		US\$ 1,414	N/A	US\$ 1,414
	Capital One Prime Auto Rec		US\$ 3,968	N/A	US\$ 3,968
	Caterpillar Finl Asset Tr		US\$ 8,198	N/A	US\$ 8,198
	Cbass Tr		US\$ 4,248	N/A	US\$ 4,248
	Cendant Rent Car Fdg Aesop Llc		US\$ 9,361	N/A	US\$ 9,361
	Chase Mtge Finance Corp.		US\$ 2,763	N/A	US\$ 2,763
	Chase Mtg Fin Tr		US\$ 2,881	N/A	US\$ 2,881
	Chase Mtge Finance Corp.		US\$ 1,831	N/A	US\$ 1,831
	Chase Mtg Fin Tr		US\$ 950	N/A	US\$ 950
	Chase Mtg Fin Tr		US\$ 1,900	N/A	US\$ 1,900
	Citicorp Mtg Secs		US\$ 375	N/A	US\$ 375
	Citibank Cr Card Issuance Tr		US\$ 9,970	N/A	US\$ 9,970
	Credit Suisse First Boston Mtg		US\$ 7,629	N/A	US\$ 7,629
	Credit Suisse First Boston Mtg		US\$ 7,677	N/A	US\$ 7,677
	Credit Suisse First Boston Mtg		US\$ 300	N/A	US\$ 300
	Credit Suisse First Boston Mtg		US\$ 3,563	N/A	US\$ 3,563
	Credit Suisse First Boston Mtg		US\$ 3,715	N/A	US\$ 3,715
	Daimlerchrysler Auto Tr		US\$ 1,694	N/A	US\$ 1,694
	Daimlerchrysler Auto Tr		US\$ 4,295	N/A	US\$ 4,295
	Deere John Owner Tr		US\$ 2,447	N/A	US\$ 2,447
	Drive Auto Receivables Tr		US\$ 2,306	N/A	US\$ 2,306
	First Franklin Mtg Ln Tr		US\$ 4,187	N/A	US\$ 4,187
	First Horizon Abs Tr		US\$ 422	N/A	US\$ 422
	First Union Lehman Bros Mtg Tr		US\$ 795	N/A	US\$ 795
	First Un Natl Bk Coml Mtg Tr		US\$ 2,854	N/A	US\$ 2,854

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Ford Credit Auto Owner Trust	US\$ 4,299	N/A	US\$ 4,299
Ge Cap Cr Card Master Nt Tr	US\$ 2,827	N/A	US\$ 2,827
Gs Mtg Secs Corp.	US\$ 4,127	N/A	US\$ 4,127
Harley Davidson Motorcycle Tr	US\$ 4,943	N/A	US\$ 4,943
Hertz Veh Fing Llc	US\$ 5,320	N/A	US\$ 5,320
Home Equity Mtg Tr 2006 4	US\$ 4,167	N/A	US\$ 4,167
Honda Auto Receivables	US\$ 3,362	N/A	US\$ 3,362
Hsbc Automotive Tr	US\$ 2,690	N/A	US\$ 2,690
Hyundai Auto Receivables Tr	US\$ 4,083	N/A	US\$ 4,083
Hyundai Auto Receivables Tr	US\$ 3,941	N/A	US\$ 3,941
J P Morgan Mtg Tr	US\$ 955	N/A	US\$ 955
J P Morgan Mtg Tr	US\$ 943	N/A	US\$ 943
J P Morgan Mtg Tr	US\$ 938	N/A	US\$ 938
Jp Morgan Mtg Tr	US\$ 924	N/A	US\$ 924
Lb Ubs Coml Mtg Tr	US\$ 3,318	N/A	US\$ 3,318
Mbna Cr Card Master Nt Tr	US\$ 4,449	N/A	US\$ 4,449
Mastr Asset Backed	US\$ 3,510	N/A	US\$ 3,510

(Continued)

		June 30, 2007			
		Carrying Percentage		Market Value or Net	
		Shares/Units	Value	of	Asset Value
Held Company Name	Relationship with Financial the Statement (in thousands)	(in thousands)	(US\$ in thousands)	Ownership	(US\$ in thousands) Note
Name	Marketable Securities Type and Name Company Account	Available-for-sale	financial		
	Merrill Lynch Mtg Invs, Inc.	assets	US\$ 5,262	N/A	US\$ 5,262
	Morgan Stanley Ixis Estate Tr		US\$ 3,113	N/A	US\$ 3,113
	Nomura Asset Accep Corp.		US\$ 4,138	N/A	US\$ 4,138
	Onyx Accep Owner Tr		US\$ 2,542	N/A	US\$ 2,542
	Pg+E Energy Recovery Fdg Llc		US\$ 3,231	N/A	US\$ 3,231
	Reliant Energy Transition Bd		US\$ 1,630	N/A	US\$ 1,630
	Residential Asset Mtg Prods		US\$ 2,374	N/A	US\$ 2,374
	Residential Asset Sec Mtg Pass		US\$ 1,096	N/A	US\$ 1,096
	Residential Asset Sec Mtg Pass		US\$ 2,062	N/A	US\$ 2,062
	Residential Fdg Mtg Secs I, Inc.		US\$ 1,770	N/A	US\$ 1,770
	Residential Fdg Mtg Secs I, Inc.		US\$ 3,718	N/A	US\$ 3,718
	Sequoia Mtg Tr		US\$ 560	N/A	US\$ 560
	Sequoia Mtg Tr		US\$ 364	N/A	US\$ 364
	Sequoia Mtg Tr		US\$ 422	N/A	US\$ 422
	Structured Adj Rate Mtg Ln Tr		US\$ 1,140	N/A	US\$ 1,140
	Structured Adj Rate Mtg Ln Tr		US\$ 387	N/A	US\$ 387
	Txu Elec Delivery Transition		US\$ 1,844	N/A	US\$ 1,844
	Terwin Mtg Tr		US\$ 4,068	N/A	US\$ 4,068
	Usaa Auto Owner Tr		US\$ 4,221	N/A	US\$ 4,221
	Wamu Mtg		US\$ 3,545	N/A	US\$ 3,545
	Wamu Mtg Pass Thru Ctf Tr		US\$ 4,405	N/A	US\$ 4,405
	Wfs Finl 2004 4 Owner Tr		US\$ 368	N/A	US\$ 368
	Wfs Finl 2005 2 Oner Tr		US\$ 2,222	N/A	US\$ 2,222
	Wamu Mtg		US\$ 925	N/A	US\$ 925
	Washington Mut Mtg Secs Corp.		US\$ 2,626	N/A	US\$ 2,626
	Wells Fargo Mtg Backed Secs		US\$ 4,066	N/A	US\$ 4,066
	Wells Fargo Finl Auto Owner Tr		US\$ 4,922	N/A	US\$ 4,922
	Wells Fargo Mtg Bkd Secs		US\$ 2,501	N/A	US\$ 2,501
	Wells Fargo Mtg Bkd Secs		US\$ 3,152	N/A	US\$ 3,152
	Wells Fargo Mtg Bkd Secs Tr		US\$ 2,334	N/A	US\$ 2,334
	Whole Auto Ln Tr		US\$ 624	N/A	US\$ 624
	Whole Auto Ln Tr		US\$ 2,982	N/A	US\$ 2,982
<u>Agency bonds</u>					
	Fed Hm Ln Pc Pool M80855		US\$ 3,099	N/A	US\$ 3,099

Available-for-sale  
financial  
assets

Fed Hm Ln Pc Pool G11295	US\$ 1,217	N/A	US\$ 1,217
Fed Hm Ln Pc Pool E89857	US\$ 1,401	N/A	US\$ 1,401
Fed Hm Ln Pc Pool 1b1107	US\$ 590	N/A	US\$ 590
Fed Hm Ln Pc Pool 1b1150	US\$ 1,121	N/A	US\$ 1,121
Fed Hm Ln Pc Pool 1b1225	US\$ 154	N/A	US\$ 154
Fed Hm Ln Pc Pool 1b2776	US\$ 365	N/A	US\$ 365
Fed Hm Ln Pc Pool 1b2792	US\$ 239	N/A	US\$ 239
Fed Hm Ln Pc Pool 1b2566	US\$ 176	N/A	US\$ 176
Fed Hm Ln Pc Pool 1b2632	US\$ 191	N/A	US\$ 191
Fed Hm Ln Pc Pool 1b2642	US\$ 264	N/A	US\$ 264
Fed Hm Ln Pc Pool 1b2810	US\$ 316	N/A	US\$ 316
Fed Hm Ln Pc Pool 847628	US\$ 3,467	N/A	US\$ 3,467
Fed Hm Ln Pc Pool 1j0410	US\$ 5,820	N/A	US\$ 5,820
Fed Hm Ln Pc Pool G12009	US\$ 3,900	N/A	US\$ 3,900
Fed Hm Ln Pc Pool 1g0038	US\$ 318	N/A	US\$ 318
Fed Hm Ln Pc Pool 1g0053	US\$ 403	N/A	US\$ 403
Fed Hm Ln Pc Pool 1g0104	US\$ 157	N/A	US\$ 157
Fed Hm Ln Pc Pool 1g1282	US\$ 4,388	N/A	US\$ 4,388

(Continued)

		June 30, 2007			
		Carrying Percentage		Market	
		Shares/Units	Value	Value or	
		of		Net	
		Asset Value			
Held	Relationship				
Company	with Financial				
Name	the Statement (in	(US\$ in	(US\$ in		
Marketable Securities Type and Name	Company Account	Thousands)	Thousands)	Ownership	
	Available-for-sale			Thousands) Note	
	financial				
	assets				
	Fed Hm Ln Pc Pool 1g1411		US\$ 4,126	N/A	US\$ 4,126
	Fed Hm Ln Pc Pool 1h2520		US\$ 2,861	N/A	US\$ 2,861
	Fed Hm Ln Pc Pool 1h2524		US\$ 2,166	N/A	US\$ 2,166
	Fed Hm Ln Pc Pool 1g2593		US\$ 5,554	N/A	US\$ 5,554
	Fed Hm Ln Pc Pool 1g1921		US\$ 4,344	N/A	US\$ 4,344
	Fed Hm Ln Pc Pool B19205		US\$ 7,598	N/A	US\$ 7,598
	Federal Home Ln Mtg Corp.		US\$ 3,753	N/A	US\$ 3,753
	Fed Hm Ln Pc Pool 780870		US\$ 825	N/A	US\$ 825
	Fed Hm Ln Pc Pool 781959		US\$ 4,945	N/A	US\$ 4,945
	Fed Hm Ln Pc Pool 782785		US\$ 280	N/A	US\$ 280
	Fed Hm Ln Pc Pool 782837		US\$ 538	N/A	US\$ 538
	Fed Hm Ln Pc Pool 782968		US\$ 1,219	N/A	US\$ 1,219
	Fed Hm Ln Pc Pool 783022		US\$ 571	N/A	US\$ 571
	Fed Hm Ln Pc Pool 783026		US\$ 334	N/A	US\$ 334
	Fed Hm Ln Pc Pool 783058		US\$ 1,122	N/A	US\$ 1,122
	Fnma Pool 254507		US\$ 1,355	N/A	US\$ 1,355
	Fnma Pool 254834		US\$ 1,272	N/A	US\$ 1,272
	Fnma Pool 255883		US\$ 3,258	N/A	US\$ 3,258
	Fnma Pool 555549		US\$ 1,450	N/A	US\$ 1,450
	Fnma Pool 555715		US\$ 182	N/A	US\$ 182
	Fnma Pool 632399		US\$ 402	N/A	US\$ 402
	Fnma Pool 662401		US\$ 602	N/A	US\$ 602
	Fnma Pool 667766		US\$ 1,384	N/A	US\$ 1,384
	Fnma Pool 681393		US\$ 2,498	N/A	US\$ 2,498
	Fnma Pool 680932		US\$ 1,173	N/A	US\$ 1,173
	Federal Natl Mtg Assn		US\$ 209	N/A	US\$ 209
	Federal Natl Mtg Assn		US\$ 3,888	N/A	US\$ 3,888
	Federal Natl Mtg Assn		US\$ 1,998	N/A	US\$ 1,998
	Federal Natl Mtg Assn		US\$ 3,625	N/A	US\$ 3,625
	Federal Home Ln Mtg Corp.		US\$ 3,864	N/A	US\$ 3,864
	Federal Home Ln Mtg Corp.		US\$ 1,339	N/A	US\$ 1,339
	Federal Natl Mtg Assn		US\$ 2,641	N/A	US\$ 2,641
	Federal Natl Mtg Assn		US\$ 1,684	N/A	US\$ 1,684
	Federal Natl Mtg Assn Gtd		US\$ 1,960	N/A	US\$ 1,960
	Federal Natl Mtg Assn		US\$ 2,410	N/A	US\$ 2,410



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Federal Natl Mtg Assn Gtd	US\$ 1,576	N/A	US\$ 1,576
Federal Home Ln Mtg Corp.	US\$ 2,688	N/A	US\$ 2,688
Federal Home Ln Mtg Corp.	US\$ 1,659	N/A	US\$ 1,659
Federal Home Ln Mtg Corp.	US\$ 504	N/A	US\$ 504
Federal National Mort Assoc	US\$ 3,192	N/A	US\$ 3,192
Federal Home Ln Mtg Corp.	US\$ 3,621	N/A	US\$ 3,621
Federal Home Ln Mtg Corp.	US\$ 2,675	N/A	US\$ 2,675
Federal Home Ln Mtg Corp.	US\$ 3,611	N/A	US\$ 3,611
Federal Home Ln Mtg Corp.	US\$ 3,247	N/A	US\$ 3,247
Federal Home Ln Mtg Corp.	US\$ 2,532	N/A	US\$ 2,532
Federal Home Ln Mtg Corp.	US\$ 2,778	N/A	US\$ 2,778
Federal Home Ln Mtg Corp.	US\$ 3,842	N/A	US\$ 3,842
Federal Home Ln Mtg Corp.	US\$ 2,517	N/A	US\$ 2,517
Federal Home Ln Mtg	US\$ 2,596	N/A	US\$ 2,596
Federal Home Ln Mtg Corp.	US\$ 3,876	N/A	US\$ 3,876
Federal Home Ln Mtg Corp.	US\$ 7,683	N/A	US\$ 7,683
Federal Home Ln Mtg Corp.	US\$ 4,119	N/A	US\$ 4,119

(Continued)

June 30, 2007						
Held Company Name	Marketable Securities Type and Name	Relationship with the Company Account	Carrying Percentage		Market Value or Net Asset Value (US\$ in Thousands)	Note
			Shares/Units Value (US\$ in Thousands)	of Ownership (US\$ in Thousands)		
		Available-for-sale financial assets	US\$5,996	N/A	US\$ 5,996	
	Federal Home Ln Mtg Corp.		US\$1,241	N/A	US\$ 1,241	
	Federal Home Ln Mtg Corp.		US\$4,359	N/A	US\$ 4,359	
	Fnma Pool 685116		US\$ 602	N/A	US\$ 602	
	Fnma Pool 694287		US\$ 25	N/A	US\$ 25	
	Fnma Pool 703711		US\$ 488	N/A	US\$ 488	
	Fnma Pool 725095		US\$1,077	N/A	US\$ 1,077	
	Fnma Pool 730033		US\$1,300	N/A	US\$ 1,300	
	Fnma Pool 740934		US\$1,172	N/A	US\$ 1,172	
	Fnma Pool 742232		US\$ 24	N/A	US\$ 24	
	Fnma Pool 750798		US\$ 22	N/A	US\$ 22	
	Fnma Pool 773246		US\$ 245	N/A	US\$ 245	
	Fnma Pool 790828		US\$2,244	N/A	US\$ 2,244	
	Fnma Pool 793025		US\$2,134	N/A	US\$ 2,134	
	Fnma Pool 793932		US\$ 521	N/A	US\$ 521	
	Fnma Pool 794040		US\$ 743	N/A	US\$ 743	
	Fnma Pool 795548		US\$ 301	N/A	US\$ 301	
	Fnma Pool 799664		US\$ 103	N/A	US\$ 103	
	Fnma Pool 799868		US\$ 33	N/A	US\$ 33	
	Fnma Pool 804764		US\$ 434	N/A	US\$ 434	
	Fnma Pool 804852		US\$ 370	N/A	US\$ 370	
	Fnma Pool 804962		US\$ 424	N/A	US\$ 424	
	Fnma Pool 805163		US\$ 438	N/A	US\$ 438	
	Fnma Pool 806642		US\$1,124	N/A	US\$ 1,124	
	Fnma Pool 806721		US\$ 679	N/A	US\$ 679	
	Fnma Pool 813641		US\$3,299	N/A	US\$ 3,299	
	Fnma Pool 814418		US\$ 368	N/A	US\$ 368	
	Fnma Pool 815626		US\$2,597	N/A	US\$ 2,597	
	Fnma Pool 816594		US\$1,932	N/A	US\$ 1,932	
	Fnma Pool 819423		US\$ 563	N/A	US\$ 563	
	Fnma Pool 821129		US\$ 568	N/A	US\$ 568	
	Fnma Pool 825395		US\$2,615	N/A	US\$ 2,615	
	Fnma Pool 825398		US\$3,864	N/A	US\$ 3,864	
	Fnma Pool 841069		US\$2,616	N/A	US\$ 2,616	
	Fnma Pool 879906		US\$1,484	N/A	US\$ 1,484	
	Fnma Pool 888388		US\$6,540	N/A	US\$ 6,540	
	Fnma Pool 888249		US\$4,672	N/A	US\$ 4,672	

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Fnma Pool 888527	US\$ 75	N/A	US\$ 75
Fnma Pool 888499	US\$2,884	N/A	US\$ 2,884
Fnma Pool 888502	US\$ 253	N/A	US\$ 253
Fnma Pool 888507	US\$ 960	N/A	US\$ 960
Fnma Pool 888515	US\$2,295	N/A	US\$ 2,295
Fnma Pool 888519	US\$ 146	N/A	US\$ 146
Fnma Pool 900296	US\$3,513	N/A	US\$ 3,513
Gnma Ii Pool 081150	US\$ 534	N/A	US\$ 534
Gnma Ii Pool 081153	US\$1,777	N/A	US\$ 1,777
Federal Home Ln Mtg Corp.	US\$5,946	N/A	US\$ 5,946
Federal Home Ln Mtg Corp.	US\$5,987	N/A	US\$ 5,987
Federal Farm Cr Bks	US\$3,380	N/A	US\$ 3,380
Federal Home Ln Bks	US\$4,877	N/A	US\$ 4,877
Federal Home Ln Bks	US\$2,374	N/A	US\$ 2,374
Federal Home Ln Bks	US\$5,352	N/A	US\$ 5,352

(Continued)

June 30, 2007					
					Market
					Value or Net
					Asset Value
					Carrying Percentage
					of
					Shares/Units Value
					(US\$ in
					Thousands)
					Ownership
					Thousands)
					Note
Held	Relationship				
Company	with Financial				
Name	the Statement (in				
Marketable Securities Type and Name	Company Account				
Name	Available-for-sale				
Name	financial				
Name	assets				
Federal Home Ln Bks			US\$ 3,014	N/A	US\$ 3,014
Federal Home Ln Bks			US\$ 4,901	N/A	US\$ 4,901
Federal Home Ln Bks			US\$ 8,782	N/A	US\$ 8,782
Federal Home Ln Bks			US\$ 8,852	N/A	US\$ 8,852
Federal Home Ln Bks			US\$ 5,876	N/A	US\$ 5,876
Federal Home Ln Bks			US\$ 5,896	N/A	US\$ 5,896
Federal Home Ln Bks			US\$ 7,952	N/A	US\$ 7,952
Federal Home Ln Bks			US\$ 6,154	N/A	US\$ 6,154
Federal Home Ln Bks			US\$ 12,338	N/A	US\$ 12,338
Federal Home Ln Bks			US\$ 6,915	N/A	US\$ 6,915
Federal Home Ln Bks			US\$ 7,501	N/A	US\$ 7,501
Federal Home Loan Banks			US\$ 8,004	N/A	US\$ 8,004
Fed Home Ln Bank			US\$ 4,986	N/A	US\$ 4,986
Federal Home Ln Bks			US\$ 4,478	N/A	US\$ 4,478
Federal Home Ln Bks			US\$ 8,972	N/A	US\$ 8,972
Federal Home Loan Bank			US\$ 4,477	N/A	US\$ 4,477
Federal Home Loan Bank			US\$ 3,443	N/A	US\$ 3,443
Federal Natl Mtg Assn			US\$ 4,983	N/A	US\$ 4,983
Federal Natl Mtg Assn			US\$ 6,485	N/A	US\$ 6,485
Federal Natl Mtg Assn			US\$ 8,477	N/A	US\$ 8,477
Federal Natl Mtg Assn			US\$ 4,967	N/A	US\$ 4,967
Federal Natl Mtg Assn			US\$ 4,470	N/A	US\$ 4,470
Federal Natl Mtg Assn			US\$ 1,944	N/A	US\$ 1,944
Federal Natl Mtg Assn			US\$ 4,297	N/A	US\$ 4,297
Federal Natl Mtg Assn			US\$ 4,387	N/A	US\$ 4,387
Federal Natl Mtg Assn			US\$ 7,893	N/A	US\$ 7,893
Federal Natl Mtg Assn			US\$ 19,838	N/A	US\$ 19,838
Federal Natl Mtg Assn Mtn			US\$ 2,945	N/A	US\$ 2,945
Federal Natl Mtg Assn Mtn			US\$ 2,935	N/A	US\$ 2,935
Federal Natl Mtg Assn Mtn			US\$ 3,111	N/A	US\$ 3,111
Federal Natl Mtg Assn Mtn			US\$ 5,353	N/A	US\$ 5,353
Federal Natl Mtg Assn Medium			US\$ 3,414	N/A	US\$ 3,414
Federal Natl Mtg Assn			US\$ 4,996	N/A	US\$ 4,996
Tennessee Valley Auth			US\$ 6,014	N/A	US\$ 6,014

Money market funds

Ssga Cash Mgmt Global Offshore	Available-for-sale financial assets	US\$ 6,256	N/A	US\$ 6,256 (Concluded)
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**TABLE 2**

**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 SIX MONTHS ENDED JUNE 30, 2007**  
**(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

Security Type and	Financial Statement Account	Counter-party Relationship	Beginning Balance		Acquisition		Disposal (Note 1)		Carrying Value (US\$ Thousands)
			Nature of Shares/Units (in Thousands)	Amount (US\$ Thousands)	Amount (US\$ Thousands)	Shares/Units (in Thousands)	Amount (US\$ Thousands)		
Series B	Available-for-sale financial assets	Chung Shing Bills Finance Corp. and several financial institutions		\$ 999,779	\$ 200,280		\$	\$	
Series B				998,288	1,348,634				
Series G					201,561				
Series D					400,778				
Series A	Held-to-maturity financial assets			3,049,919			3,050,000	3,050,000	
Series B				350,399			350,000	350,000	
	Available-for-sale financial assets	National Investment Trust Co., Ltd.	22,219	3,655,939		9,980	1,650,000	1,621,000	
		ING Securities Investment Trust Co., Ltd.	175,156	2,639,459		175,156	2,656,012	2,604,000	
		Cathay Securities Investment Trust Co., Ltd.	109,720	1,265,092		109,720	1,271,995	1,251,000	
		National Investment Trust Co., Ltd.	93,312	1,314,669		14,180	200,000	197,000	
Fund		Allianz Global Investors Taiwan Ltd.	95,553	1,107,206		41,267	480,000	472,000	
Fund		JF Asset Management (Taiwan) Limited	66,826	939,082		66,826	944,083	926,000	
		JF Asset Management (Taiwan) Limited	85,145	1,299,088		58,603	900,000	883,000	
Fund		ING Securities Investment Trust Co., Ltd.	76,593	868,076		76,593	872,639	857,000	
			44,685	554,863		44,685	557,263	550,000	

nd Fund	Taiwan International Investment management Prudential Financial Securities Investment Trust Enterprise	103,751	1,516,294	20,445	300,000	295,
d	Jih Sun Securities Investment Trust Co., Ltd.	88,165	1,202,901	88,165	1,209,618	1,200,
nd Fund	AIG Global Asset management Corporation(Taiwan) Ltd.	78,629	1,002,595	78,629	1,008,733	1,000,
Fund	Shinkong Investment Trust Co., Ltd.	62,183	890,660	62,183	896,299	879,
Fund	President Investment Trust Co., Ltd.	65,496	1,010,426	65,496	1,016,917	1,000,
	Mega Investment Trust Co., Ltd.	139,333	1,602,947	69,071	800,000	793,
	Fuh Hwa Investment Trust Co., Ltd.	125,122	1,667,908	22,339	300,000	295,
	Taishin Investment Trust Co., Ltd.	78,624	806,386	9,679	100,000	98,

(Continued)

Financial Statement Account	Counter-party	Beginning Balance	Acquisition	Disposal
		Shares/Units (in thousands)	Shares/Units (in thousands)	Shares/Units (in thousands)
		Relationship	Amount (US\$ in thousands)	Amount (US\$ in thousands)
Held-to-maturity financial assets	Chung Shing Bills Finance Corp.		\$	\$
			4,080,391	825,000
			516,663	136,000
			2,773,810	772,000
Investment accounted for using equity method		Investee with a controlling interest	90,526	1,357,890
Investment accounted for using equity method		Subsidiary	733,130	134,165
		Subsidiary	228,005	542,831
Available-for-sale financial assets			US\$ 5,059	US\$ 5,007
			US\$ 42,302	US\$ 16,173
			US\$ 5,936	US\$ 5,936
			US\$ 12,350	US\$ 9,860
			US\$ 4,009	US\$ 4,019
			US\$ 204,525	US\$ 163,117
			US\$ 34,573	US\$ 34,574
			US\$ 56,526	US\$ 187,636
			US\$ 60,929	US\$ 43,769
			US\$ 52,529	US\$ 5,997
			US\$ 16,788	US\$ 11,017
			US\$ 20,692	
			US\$ 17,331	US\$ 2,562
			US\$ 17,464	US\$ 11,690
			US\$ 14,102	US\$ 3,793
Available-for-sale financial assets			US\$ 3,452	US\$ 3,466
			US\$ 3,092	US\$ 6,220



US\$	3,379			US\$	3,395
		US\$	4,496		
		US\$	3,648		
		US\$	3,175		
US\$	4,928			US\$	4,945
		US\$	5,900		
US\$	3,970			US\$	3,973
US\$	8,759			US\$	7,627
		US\$	3,250		
US\$	3,456			US\$	3,471
US\$	4,989			US\$	5,011
US\$	3,205			US\$	3,215
		US\$	3,120		

(Continued)

Marketable Securities Type and Name	Financial Statement	Beginning Balance	Acquisition		Disposal (Note 1)		Gain (Loss) on Disposal
			Amount	Amount	Amount	Carrying Value	
			Shares/Unit (in thousands)	Shares/Unit (in thousands)	Shares/Unit (in thousands)	(US\$ in thousands)	
oc Fin Corp.	Available-for-sale financial assets	US\$3,028	US\$	US\$3,028	US\$3,028	US\$	
oc Fin Corp. Mtn		US\$5,096		US\$5,114	US\$5,066	US\$	48
International Business Machs			US\$3,496				
anman Brothers Hldgs, Inc.			US\$3,150				
anman Brothers Hldgs, Inc.		US\$3,150		US\$3,152	US\$3,150	US\$	2
ssmutual Global Fdg Ii Mtn			US\$3,647				
rrill Lynch + Co., Inc.		US\$3,453		US\$3,464	US\$3,426	US\$	38
rrill Lynch + Co., Inc.		US\$4,865		US\$4,880	US\$4,842	US\$	38
rgan Stanley		US\$2,126	US\$3,337				
cor Corp.		US\$3,797		US\$3,790	US\$3,811	US\$	(21)
n Corp. Medium Term Nts		US\$8,998		US\$9,008	US\$8,949	US\$	59
chovia Corp. New			US\$3,491				
chovia Corp. New		US\$2,040	US\$1,534	US\$3,563	US\$3,582	US\$	(19)
chovia Corp. New			US\$3,100				
ashington Mut Bk Fa		US\$3,997		US\$3,998	US\$4,000	US\$	(2)
<u>Corporate issued asset-backed securities</u>							
dit Suisse First Boston Mtg	Available-for-sale financial assets		US\$7,613				
dit Suisse First Boston Mtg			US\$7,654				
amp Tr		US\$4,251		US\$3,868	US\$4,241	US\$	(373)
nda Auto Receivables			US\$3,373				
na Cr Card Master Nt Tr			US\$4,500				
na Master Cr Card Tr Ii		US\$7,605		US\$7,552	US\$7,653	US\$	(101)
san Auto Receivables		US\$3,928		US\$3,928	US\$3,943	US\$	(15)
vidian Gateway Owner Tr		US\$3,942		US\$3,961	US\$3,911	US\$	50
Hotel Fdg 2005 Llc		US\$4,103		US\$3,325	US\$3,338	US\$	(13)
umu Mtg			US\$3,656				
umu Mtg Pass Thru Ctf Tr			US\$4,854				
lls Fargo Finl Auto Owner Tr		US\$4,986		US\$3,535	US\$3,515	US\$	20
<u>Municipal Bonds</u>							
l Hm Ln Pc Pool 1g1282	Available-for-sale financial assets		US\$4,378				
l Hm Ln Pc Pool 1g1411			US\$4,424				
l Hm Ln Pc Pool 1g1921			US\$4,404				
l Hm Ln Pc Pool 1g2593			US\$5,600				
l Hm Ln Pc Pool 1j0410			US\$6,024				

l Hm Ln Pc Pool G12009	US\$3,935
leral Home Ln Mtg	US\$6,513
leral Home Ln Mtg Corp.	US\$3,868
leral Home Ln Mtg Corp	US\$4,354
leral National Mort Assoc	US\$3,250
na Pool 888249	US\$4,822
na Pool 888388	US\$6,530
na Pool 900296	US\$4,336
l Home Ln Bank	US\$5,035
leral Farm Cr Bks	US\$3,411
leral Home Ln Bks	US\$5,365

(Continued)

Marketable Securities Type and Name	Financial Statement	Beginning Balance	Acquisition	Disposal (Note 1)			Gain (Loss) on Disposal		
				Nature	Amount	Amount		Amount	Carrying Value
Federal Home Ln Bks	Available-for-sale financial assets	US\$ 4,920	US\$	US\$ 4,938	US\$ 4,872	US\$ 66			
Federal Home Ln Bks			US\$4,494						
Federal Home Ln Bks			US\$8,983						
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 Loan Bank			US\$4,518						
Federal Home Loan Bank			US\$5,083	US\$ 4,981	US\$ 5,083	US\$(102)			
Federal Home Loan Bank			US\$3,453						
Federal Natl Mtg Assn			US\$4,982						
Federal Natl Mtg Assn			US\$6,500						
Federal Natl Mtg Assn			US\$8,458						
Federal Natl Mtg Assn			US\$4,997						
Federal Natl Mtg Assn			US\$4,500						
Federal Natl Mtg Assn		US\$14,973		US\$14,993	US\$14,931	US\$ 62			
Federal Natl Mtg Assn			US\$4,368						
Federal Natl Mtg Assn		US\$ 6,511		US\$ 6,514	US\$ 6,516	US\$ (2)			
Federal Natl Mtg Assn		US\$ 3,943		US\$ 3,957	US\$ 3,950	US\$ 7			
Federal Natl Mtg Assn		US\$10,467		US\$10,477	US\$10,459	US\$ 18			
Federal Natl Mtg Assn			US\$4,994						
Federal Natl Mtg Assn		US\$ 5,915		US\$ 5,933	US\$ 5,885	US\$ 48			

Note 1: The proceeds of bond investments matured are excluded.

Note 2: The ending balance included the amortization of premium/discount on bonds investments, unrealized valuation gains/losses on financial assets or equity in earnings of equity method

investees.

(Concluded)

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**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 SIX MONTHS ENDED JUNE 30, 2007**

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

<b>Transaction</b>	<b>Amount</b>	<b>Payment Term</b>	<b>Counter-party</b>	<b>Nature of Relationships</b>	<b>Prior Transaction of Owner</b>	<b>Relationships</b>	<b>Related Transfer Date</b>	<b>Counter-party Amount</b>	<b>R</b>
2007	\$198,000	By the construction progress	Lead Fu Industry Corp.		N/A	N/A	N/A	N/A	Pu bi

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**TABLE 4**

**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 SIX MONTHS ENDED JUNE 30, 2007**  
**(Amounts in Thousands of New Taiwan Dollars)**

Company Name	Related Party	Nature of Relationships	Purchase/ Sales	Transaction Details			Notes/Accounts Payable or Receivable	
				Amount	% to	Payment Terms (Note)	Ending Balance	% to
Company	TSMC-NA	Subsidiary	Sales	\$83,546,469	60	Net 30 days after invoice date	\$20,642,259	55
	GUC	Investee with a controlling interest	Sales	427,557		Net 30 days after monthly closing	32,762	
	WaferTech	Indirect subsidiary	Purchases	4,804,106	21	Net 30 days after monthly closing	(804,285)	8
	SSMC	Investee accounted for using equity method	Purchases	2,765,116	12	Net 30 days after monthly closing	(728,808)	7
	TSMC-Shanghai	Subsidiary	Purchases	2,485,579	11	Net 30 days after monthly closing	(611,054)	6
	VIS	Investee accounted for using equity method	Purchases	1,681,324	8	Net 30 days after monthly closing	(780,221)	7
	C	TSMC-NA	Same parent company	Purchases	697,701	66	Net 30 days after invoice date/Net 45 days after monthly closing	(149,929)
VisEra		Same president	Sales	1,033,712	76	Net 45 days after shipping	332,178	66
OmniVision		Director (represented for Xintec)	Sales	110,776	8	Net 45 days after shipping	110,222	22

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.

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**TABLE 5**

**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**  
**JUNE 30, 2007**  
**(Amounts in Thousands of New Taiwan Dollars)**

<b>Company Name</b>	<b>Related Party</b>	<b>Nature of Relationships</b>	<b>Ending Balance</b>	<b>Turnover Days (Note)</b>	<b>Amounts</b>	<b>Overdue</b>	<b>Action Taken</b>	<b>Amounts Received in Subsequent Period</b>	<b>Allowance for Bad Debts</b>
The Company	TSMC-NA	Subsidiary	\$20,730,390	41	\$5,312,050			\$11,951,492	\$
	VIS	Investee accounted for using equity method	809,153		87,894			87,894	
	VisEra	Investee accounted for using equity method	147,332	30					
Xintec	VisEra						Accelerate demand on account receivable		
	OmniVision	Same president Director (represented for Xintec)	332,178	64	133				
			110,222	91					

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

**TABLE 6**

**Taiwan Semiconductor Manufacturing Company Limited and subsidiaries  
 NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEES OVER WHICH THE  
 COMPANY EXERCISES SIGNIFICANT INFLUENCE  
 JUNE 30, 2007**

(Amounts in Thousands of New Taiwan Dollars)

Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of June 30, 2007			Net Income (Losses) of the Investee
			June 30, 2007	December 31, 2006	Shareholders (in Thousands)	Percentage of Ownership	Carrying Value (Note 1)	
Global	Tortola, British Virgin Islands	Investment activities	\$42,327,245	\$42,327,245	1	100	\$43,613,633	\$1,014,649
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	27,053,657	292,101
-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	8,799,540	(503,187)
	Singapore	Fabrication and supply of integrated circuits	8,840,895	8,840,895	463	39	8,289,538	1,035,374
	Hsin-Chu, Taiwan	Research, design, development, manufacture, packaging, testing and sale of memory integrated circuits, LSI, VLSI and related parts	8,119,816	8,119,816	442,262	27	5,637,861	1,914,583
Partners	Tortola, British Virgin Islands	Investment activities	10,350	10,350	300	100	4,567,193	127,093
-NA	San Jose, California, U.S.A.	Sales and marketing of integrated circuits and semiconductor devices	333,718	333,718	11,000	100	2,207,039	185,026
	Taoyuan, Taiwan	Wafer level chip size packaging service	1,357,890		90,526	43	1,366,816	117,703

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II	Cayman Islands	Investing in new start-up technology companies	919,630	785,465		98	858,453	(10,994)
III	Cayman Islands	Investing in new start-up technology companies	786,376	243,545		98	756,146	(11,153)
Investing Alliance	Cayman Islands	Investing in new start-up technology companies	1,394,208	1,418,717		99	717,200	(38,158)
	Hsin-Chu, Taiwan	Researching, developing, manufacturing, testing and marketing of integrated circuits	386,568	386,568	41,263	38	694,111	332,078
erng	Taipei, Taiwan	Investment activities	300,000	300,000		36	168,359	52,759
uey	Taipei, Taiwan	Investment activities	300,000	300,000		36	166,857	52,473
-Japan	Yokohama, Japan	Marketing activities	83,760	83,760	6	100	94,250	1,551
-Europe	Amsterdam, the Netherlands	Marketing activities	15,749	15,749		100	65,109	14,011
-Korea	Seoul, Korea	Marketing activities	13,656	13,656	80	100	15,514	651

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

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

**TABLE 7**

**Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries**  
**INFORMATION OF INVESTMENT IN MAINLAND CHINA**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2007**  
**(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

Total Amount of Paid-in Capital (RMB in Thousand)	Method of Investment (Note 1)	Accumulated Outflow of Investment from Taiwan as of January 1, 2007 (US\$ in Thousand)	Investment Flows Outflow (US\$ in Thousand)	Inflow \$	Accumulated Outflow of Investment from Taiwan as of June 30, 2007 (US\$ in Thousand)	Ownership Percentage of (Note 2)	Equity in the Earnings (Losses)
Manufacturing and sales of integrated circuits at the order of pursuant to product design specifications provided by customers		\$12,180,367 (RMB3,070,623)	\$12,180,367 (US\$371,000)	\$	\$12,180,367 (US\$371,000)	100%	\$(496,220)

**Accumulated Investment in Mainland  
China as of June 30, 2007  
(US\$ in Thousand)**  
\$12,180,367  
(US\$371,000)

**Investment Amounts Authorized by  
Investment Commission, MOEA  
(US\$ in Thousand)**  
\$12,180,367  
(US\$371,000)

**Upper Limit on Investment  
(US\$ in Thousand)**  
\$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 audited financial  
statements.

**TABLE 8**

**Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries**  
**INTERCOMPANY BUSINESS RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS**  
(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)  
**A. FOR THE SIX MONTHS ENDED JUNE 30, 2007**

No.	Company Name	Counter Party	Nature of Relationship (Note 1)	Intercompany Transactions		
				Financial Statement Item	Amount	Percentage of Consolidated Total Term Gross Sales or Total Assets (Note 2)
		TSMC-NA	1	Sales	\$83,546,469	60%
				Receivables from related parties	20,642,259	3%
				Other receivables from related parties	88,131	
				Payables to related parties	22,342	
		TSMC-Shanghai	1	Sales	13,717	
				Purchases	2,485,579	2%
				Gain on disposal of property, plant and equipment	108,802	
				Technical service income	59,823	
				Other receivables from related parties	60,263	
				Payables to related parties	611,054	
				Deferred credits	617,113	
		TSMC-Japan	1	Marketing expenses - commission	115,663	
				Payables to related parties	42,468	
0	TSMC	TSMC-Europe	1	Marketing expenses - commission	146,354	
				Payables to related parties	58,105	
		TSMC-Korea	1	Marketing expenses - commission	10,713	
		GUC	1	Sales	427,557	
				General and administrative expenses - rental	3,473	
				Research and development expenses	33,483	
				Receivables from related parties	32,762	
				Other receivables from related parties	52,817	
				Payables to related parties	6,910	

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	TSMC Technology	1	Payables to related parties	43,971		
			Research and development expenses	145,596		
	WaferTech	1	Purchases	4,804,106	3%	
			Payables to related parties	804,285		
1	TSMC International	TSMC Technology	3	Deferred royalty income	646,424	
2	TSMC Partners	TSMC International	3	Other receivables	9,990,661	2%
				Deferred revenue	8,852,419	1%
3	GUC	TSMC-NA	3	Purchases	697,701	
				Manufacturing overhead	134,023	
				Payables to related parties	149,929	
		GUC-NA	3	Operating expenses	25,266	

Note 1: No. 1 represents transactions between parent company to subsidiaries.

No. 3 represents 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 SIX MONTHS ENDED JUNE 30, 2006**

No.	Company Name	Counter Party	Nature of Relationship (Note 1)	Intercompany Transactions		Percentage of Consolidated Total Terms Gross Sales or Assets (Note 2)
				Financial Statement Item	Amount	
				Sales	\$94,075,632	59%
		TSMC-NA	1	Receivables from related parties	22,374,338	4%
				Other receivables from related parties	205,327	
				Payables to related parties	44,352	
				Sales	19,926	
				Purchases	1,918,584	1%
		TSMC-Shanghai	1	Gain on disposal of property, plant and equipment	82,010	
				Technical service income	41,881	
				Proceeds from disposal of property, plant and equipment	173,299	
				Other receivables from related parties	167,585	
				Payables to related parties	401,379	
				Deferred credits	635,124	
		TSMC-Japan	1	Marketing expenses - commission	125,553	
0	TSMC			Payables to related parties	45,176	
		TSMC-Europe	1	Marketing expenses - commission	116,934	
				Payables to related parties	9,604	
		GUC	1	Sales	332,080	
				Research and development expenses	19,582	
				General and administrative expenses - rental	7,659	
				Receivables from related parties	148,386	

			Payables to related parties	12,804	
	TSMC Technology	1	Other receivables from related parties	485,449	
			Payables to related parties	6,453	
	WaferTech	1	Purchases	6,505,148	4%
			Payables to related parties	1,155,023	
1	TSMC International	3	Interest income	7,963	
	TSMC Technology	3	Deferred royalty income	639,789	
2	TSMC Partners	3	Other receivables	9,943,193	2%
			Deferred revenue	8,761,555	1%
3	TSMC Technology	3	Management service income	6,719	
			Purchases	253,238	
4	GUC	3	Manufacturing overhead	186,954	
			Payables to related parties	75,348	
	GUC-NA	3	Operating expenses	19,534	

Note 1: No. 1 represents transactions between parent company to subsidiaries.

No. 3 represents 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)

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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Taiwan Semiconductor Manufacturing  
Company Ltd.

Date: August 21, 2007

By /s/ Lora Ho  
Lora Ho  
Vice President & Chief Financial Officer