

TAIWAN SEMICONDUCTOR MANUFACTURING CO LTD

Form 6-K

May 05, 2008

1934 Act Registration No. 1-14700

**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, DC 20549**  
**FORM 6-K**  
**REPORT OF FOREIGN PRIVATE ISSUER**  
**PURSUANT TO RULE 13a-16 OR 15d-16 OF**  
**THE SECURITIES EXCHANGE ACT OF 1934**  
**For the month of April 2008**  
**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  
Three Months Ended March 31, 2008 and 2007 and  
Independent Accountants' Review Report**

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**INDEPENDENT ACCOUNTANTS REVIEW REPORT**

The Board of Directors and Shareholders

Taiwan Semiconductor Manufacturing Company Limited

We have reviewed the accompanying balance sheets of Taiwan Semiconductor Manufacturing Company Limited as of March 31, 2008 and 2007, and the related statements of income and cash flows for the three months then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these financial statements based on our reviews.

We conducted our reviews in accordance with Statement on Auditing Standards No. 36, "Review of Financial Statements" issued by the Auditing Standards Committee of the Accounting Research and Development Foundation of the Republic of China. A review consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the Republic of China, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the financial statements referred to above for them to be 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. As discussed in Note 3 to the financial statements, effective January 1, 2008, Taiwan Semiconductor Manufacturing Company Limited adopted Interpretation 2007-052, "Accounting for Bonuses to Employees, Directors and Supervisors" issued by the Accounting Research and Development Foundation of the Republic of China and relevant requirements promulgated by the Financial Supervisory Commission of the Executive Yuan.

We have also reviewed, in accordance with Statement on Auditing Standards No. 36, the consolidated financial statements of Taiwan Semiconductor Manufacturing Company Limited and subsidiaries as of and for the three months ended March 31, 2008 and 2007, and have issued thereon an unqualified review report with an explanatory paragraph relating to the adoption of Interpretation 2007-052 and an unqualified review report, respectively.

April 9, 2008

Notice to Readers

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

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

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**Taiwan Semiconductor Manufacturing Company Limited**  
**BALANCE SHEETS**  
**MARCH 31, 2008 AND 2007**  
(In Thousands of New Taiwan Dollars, Except Par Value)  
(Reviewed, Not Audited)

	2008		2007	
	Amount	%	Amount	%
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Notes 2 and 4)	\$ 115,869,440	20	\$ 119,752,168	20
Financial assets at fair value through profit or loss (Notes 2 and 5)	160,249		159	
Available-for-sale financial assets (Notes 2 and 6)	18,591,721	4	26,325,390	4
Held-to-maturity financial assets (Notes 2 and 7)	9,976,745	2	6,523,668	1
Receivables from related parties (Note 24)	24,687,419	4	19,157,572	3
Notes and accounts receivable	16,099,860	3	14,682,899	3
Allowance for doubtful receivables (Notes 2 and 8)	(687,619)		(690,931)	
Allowance for sales returns and others (Notes 2 and 8)	(4,167,643)	(1)	(2,476,287)	
Other receivables from related parties (Note 24)	2,221,204		487,266	
Other financial assets	395,342		686,670	
Inventories, net (Notes 2 and 9)	19,252,120	4	19,933,360	3
Deferred income tax assets (Notes 2 and 17)	8,094,973	1	9,486,631	2
Prepaid expenses and other current assets	809,189		1,362,053	
<b>Total current assets</b>	<b>211,303,000</b>	<b>37</b>	<b>215,230,618</b>	<b>36</b>
<b>LONG-TERM INVESTMENTS (Notes 2, 6, 7, 10 and 11)</b>				
Investments accounted for using equity method	107,596,741	19	105,135,305	18
Available-for-sale financial assets			6,466,605	1
Held-to-maturity financial assets	8,023,394	1	26,697,128	5
Financial assets carried at cost	748,160		746,405	
<b>Total long-term investments</b>	<b>116,368,295</b>	<b>20</b>	<b>139,045,443</b>	<b>24</b>
<b>PROPERTY, PLANT AND EQUIPMENT (Notes 2, 12 and 24)</b>				
<b>Cost</b>				
Buildings	102,763,591	18	98,752,832	17
Machinery and equipment	598,750,110	103	538,459,403	91

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Office equipment	9,424,541	2	8,722,604	1
	710,938,242	123	645,934,839	109
Accumulated depreciation	(503,748,572)	(87)	(435,129,667)	(73)
Advance payments and construction in progress	28,503,739	5	11,740,887	2
Net property, plant and equipment	235,693,409	41	222,546,059	38
<b>INTANGIBLE ASSETS</b>				
Goodwill (Note 2)	1,567,756		1,567,756	
Deferred charges, net (Notes 2 and 13)	6,781,759	1	5,593,638	1
Total intangible assets	8,349,515	1	7,161,394	1
<b>OTHER ASSETS</b>				
Deferred income tax assets (Notes 2 and 17)	3,916,735	1	5,001,596	1
Refundable deposits	2,748,142		2,576,685	
Others (Note 2)	295,217		65,712	
Total other assets	6,960,094	1	7,643,993	1
TOTAL	\$ 578,674,313	100	\$ 591,627,507	100

	<b>2008</b>		<b>2007</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
<b>LIABILITIES AND SHAREHOLDERS EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Financial liabilities at fair value through profit or loss (Notes 2 and 5)	\$ 239,893		\$ 133,802	
Accounts payable	7,491,302	1	6,811,587	1
Payables to related parties (Note 24)	1,986,731		2,377,933	
Income tax payable (Notes 2 and 17)	13,743,060	3	9,801,787	2
Accrued bonuses to employees and directors (Notes 3 and 19)	4,321,538	1		
Accrued expenses and other current liabilities (Note 15)	9,925,414	2	8,497,965	1
Payables to contractors and equipment suppliers	11,413,544	2	8,694,304	2
Current portion of bonds payable (Note 14)	8,000,000	1	4,500,000	1
Total current liabilities	57,121,482	10	40,817,378	7

## LONG-TERM LIABILITIES

Bonds payable (Note 14)	4,500,000	1	12,500,000	2
Other long-term payables (Note 15)	1,335,996		1,623,181	

Total long-term liabilities	5,835,996	1	14,123,181	2
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## OTHER LIABILITIES

Accrued pension cost (Notes 2 and 16)	3,666,177	1	3,546,228	1
Guarantee deposits (Note 26)	1,869,126		3,424,737	1
Deferred credits (Notes 2 and 24)	887,838		1,090,364	

Total other liabilities	6,423,141	1	8,061,329	2
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Total liabilities	69,380,619	12	63,001,888	11
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## CAPITAL STOCK \$10 PAR VALUE

Authorized: 28,050,000 thousand shares in 2008

27,050,000 thousand shares in 2007

Issued: 25,629,242 thousand shares in 2008

25,832,959 thousand shares in 2007	256,292,416	44	258,329,592	44
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CAPITAL SURPLUS (Notes 2 and 19)	51,696,165	9	54,231,465	9
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## RETAINED EARNINGS (Note 19)

Appropriated as legal capital reserve	56,406,684	10	43,705,711	7
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Appropriated as special capital reserve	629,550		640,742	
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Unappropriated earnings	151,596,813	26	171,616,718	29
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	208,633,047	36	215,963,171	36
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## OTHERS (Notes 2, 21 and 23)

Cumulative translation adjustments	(6,810,720)	(1)	299,332	
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Unrealized gains on financial instruments	400,861		720,134	
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Treasury stock: 34,096 thousand shares in 2008	(918,075)		(918,075)	
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33,926 thousand shares in 2007	(7,327,934)	(1)	101,391	
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Total shareholders' equity	509,293,694	88	528,625,619	89
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TOTAL	\$ 578,674,313	100	\$ 591,627,507	100
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The accompanying notes are an integral part of the financial statements.  
(With Deloitte & Touche review report dated April 9, 2008)

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**Taiwan Semiconductor Manufacturing Company Limited**  
**STATEMENTS OF INCOME**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2008 AND 2007**  
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)  
(Reviewed, Not Audited)

	<b>2008</b>		<b>2007</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
GROSS SALES (Notes 2 and 24)	\$ 86,911,072		\$ 64,054,647	
SALES RETURNS AND ALLOWANCES (Notes 2 and 8)	1,680,969		708,058	
NET SALES	85,230,103	100	63,346,589	100
COST OF SALES (Notes 18 and 24)	47,864,496	56	39,378,386	62
GROSS PROFIT	37,365,607	44	23,968,203	38
UNREALIZED GROSS PROFIT FROM AFFILIATES (Note 2)	63,912		198,973	
REALIZED GROSS PROFIT	37,301,695	44	23,769,230	38
OPERATING EXPENSES (Notes 18 and 24)				
Research and development	4,912,037	6	3,479,141	5
General and administrative	2,388,738	3	1,617,600	3
Marketing	586,390		310,529	1
Total operating expenses	7,887,165	9	5,407,270	9
INCOME FROM OPERATIONS	29,414,530	35	18,361,960	29
NON-OPERATING INCOME AND GAINS				
Gain on settlement and disposal of financial instruments, net (Notes 2, 5 and 23)	1,638,057	2		
Equity in earnings of equity method investees, net (Notes 2 and 10)	1,043,790	1	853,184	1
Interest income	642,460	1	652,231	1
Technical service income (Notes 24 and 26)	205,295		161,161	

Valuation gain of financial instruments, net (Notes 2, 5 and 23)	125,919			
Gain on disposal of property, plant and equipment and other assets (Notes 2 and 24)	77,850		69,982	
Rental income (Note 24)	64,549		55,614	
Foreign exchange gain, net (Note 2)			440,867	1
Others (Note 24)	81,042		114,532	
Total non-operating income and gains	3,878,962	4	2,347,571	3

(Continued)

**Taiwan Semiconductor Manufacturing Company Limited**  
**STATEMENTS OF INCOME**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2008 AND 2007**  
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)  
(Reviewed, Not Audited)

	<b>2008</b>		<b>2007</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
<b>NON-OPERATING EXPENSES AND LOSSES</b>				
Foreign exchange loss, net (Note 2)	\$ 1,774,578	2	\$	
Interest expense	88,750		151,922	
Loss on settlement and disposal of financial instruments, net (Notes 2, 5 and 23)			480,826	1
Valuation loss on financial instruments, net (Notes 2, 5 and 23)			167,493	
Others	23,009		14,382	
<b>Total non-operating expenses and losses</b>	<b>1,886,337</b>	<b>2</b>	<b>814,623</b>	<b>1</b>
<b>INCOME BEFORE INCOME TAX EXPENSE</b>	<b>31,407,155</b>	<b>37</b>	<b>19,894,908</b>	<b>31</b>
<b>INCOME TAX EXPENSE (Notes 2 and 17)</b>	<b>3,263,773</b>	<b>4</b>	<b>1,056,269</b>	<b>1</b>
<b>NET INCOME</b>	<b>\$ 28,143,382</b>	<b>33</b>	<b>\$ 18,838,639</b>	<b>30</b>

	<b>2008</b>		<b>2007</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 22)</b>				
Basic earnings per share	\$ 1.23	\$ 1.10	\$ 0.75	\$ 0.71
Diluted earnings per share	\$ 1.23	\$ 1.10	\$ 0.75	\$ 0.71

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

	<b>2008</b>	<b>2007</b>
<b>NET INCOME</b>	<b>\$ 28,143,382</b>	<b>\$ 18,838,639</b>

**EARNINGS PER SHARE (NT\$)**

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Basic earnings per share	\$	1.10	\$	0.71
Diluted earnings per share	\$	1.10	\$	0.71

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

(With Deloitte & Touche review report dated April 9,  
2008)

(Concluded)

**Taiwan Semiconductor Manufacturing Company Limited**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2008 AND 2007**  
**(In Thousands of New Taiwan Dollars)**  
**(Reviewed, Not Audited)**

	<b>2008</b>	<b>2007</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ 28,143,382	\$ 18,838,639
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	18,041,872	18,488,096
Unrealized gross profit from affiliates	63,912	198,973
Amortization of premium/discount of financial assets	(25,931)	(31,517)
Gain on disposal of available-for-sale financial assets, net	(23,271)	(29,611)
Equity in earnings of equity method investees, net	(1,043,790)	(853,184)
Dividends received from equity method investees	589,071	
Gain on disposal of property, plant and equipment and other assets, net	(77,850)	(67,949)
Deferred income tax	498,225	(895,100)
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Financial assets and liabilities at fair value through profit or loss	(125,919)	167,493
Receivables from related parties	2,014,229	(2,288,063)
Notes and accounts receivable	1,811,468	1,595,265
Allowance for doubtful receivables	(1,353)	
Allowance for sales returns and others	310,958	(274,778)
Other receivables from related parties	64,957	(38,000)
Other financial assets	(63,644)	(33,210)
Inventories	1,735,022	(781,146)
Prepaid expenses and other current assets	52,276	(140,854)
Increase (decrease) in:		
Accounts payable	(1,994,516)	667,908
Payables to related parties	(1,012,899)	(948,983)
Income tax payable	2,765,097	1,951,369
Accrued bonuses to employees and directors	4,321,538	
Accrued expenses and other current liabilities	(1,581,849)	343,035
Accrued pension cost	8,498	16,112
Deferred credits	(23,937)	(23,936)
Net cash provided by operating activities	54,445,546	35,860,559
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisitions of:		
Available-for-sale financial assets		(2,151,253)
Financial assets carried at cost		(33,562)
Investments accounted for using equity method	(217,348)	(1,631,986)

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Property, plant and equipment	(14,294,648)	(13,783,013)
Proceeds from disposal or redemption of:		
Available-for-sale financial assets	5,154,736	2,080,000
Held-to-maturity financial assets	2,238,000	4,282,320
Property, plant and equipment and other assets	1,157	1,165
		(Continued)

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**Taiwan Semiconductor Manufacturing Company Limited**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2008 AND 2007**  
**(In Thousands of New Taiwan Dollars)**  
**(Reviewed, Not Audited)**

	<b>2008</b>	<b>2007</b>
Proceeds from return of capital by investees	\$ 55,056	\$ 14,068
Increase in deferred charges	(584,370)	(992,173)
Increase in refundable deposits	(6,604)	(1,270,451)
 Net cash used in investing activities	 (7,654,021)	 (13,484,885)
 <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of long-term bonds payable		(2,500,000)
Decrease in guarantee deposits	(371,551)	(385,224)
Proceeds from exercise of employee stock options	80,948	122,009
Payment for repurchase of treasury stock	(3,053,584)	
 Net cash used in financing activities	 (3,344,187)	 (2,763,215)
 <b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	 43,447,338	 19,612,459
 <b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	 72,422,102	 100,139,709
 <b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	 \$ 115,869,440	 \$ 119,752,168
 <b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Interest paid	\$ 355,000	\$ 420,000
Income tax paid	\$ 63,801	\$ 52,670
 <b>INVESTING AND FINANCING ACTIVITIES AFFECTING BOTH CASH AND NON-CASH ITEMS</b>		
Acquisition of property, plant and equipment	\$ 20,318,452	\$ 11,807,794
Decrease (increase) in payables to contractors and equipment suppliers	(6,023,804)	1,975,219
 Cash paid	 \$ 14,294,648	 \$ 13,783,013



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Disposal of property, plant and equipment and other assets	\$ 1,762,010	\$ 1,165
Increase in other payables to related parties	(1,760,853)	
Cash received	\$ 1,157	\$ 1,165

NON-CASH INVESTMENT AND FINANCING ACTIVITIES

Current portion of bonds payable	\$ 8,000,000	\$ 4,500,000
Current portion of other long-term payables (under accrued expenses and other current liabilities)	\$ 3,308,040	\$ 2,371,524

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

(With Deloitte & Touche review report dated April 9, 2008)

(Concluded)

**Taiwan Semiconductor Manufacturing Company Limited**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2008 AND 2007**  
**(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)**  
**(Reviewed, Not Audited)**

**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 March 31, 2008 and 2007, the Company had 20,519 and 20,222 employees, respectively.

**2. SUMMARY OF 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 and asset-backed commercial papers acquired with maturities of less than three months from the date of purchase are classified as cash equivalents. The carrying amount approximates fair value.

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

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

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

### **Available-for-sale Financial Assets**

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

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

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**

Debt 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 the allowance for doubtful receivables by examining the aging analysis of outstanding notes and accounts receivable and current trends in the credit quality of its customers as well as its internal credit policies.

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

The Company recognizes revenue when evidence of an arrangement exists, the rewards of ownership and significant risk of the goods has been transferred to the buyer, price is fixed or determinable, and collectibility is reasonably assured. Provisions for estimated sales returns and others are 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. Effective January 1, 2006, pursuant to the revised Statement of Financial Accounting Standards No. 5, "Long-term Investments Accounted for Using the Equity Method", the cost of an investment shall be analyzed and the cost of investment in excess of the fair value of identifiable net assets acquired, representing goodwill, shall not be amortized and instead shall be tested for impairment annually. If the fair value of identifiable net assets acquired exceeds the cost of investment, the excess shall be proportionately allocated as reductions to fair values of non-current assets (except for financial assets other than investments accounted for using the equity method and deferred income tax assets). The accounting treatment for the investment premiums paid before January 1, 2006 is the same as that for goodwill which is no longer being amortized; while investment discounts continue to be amortized over the remaining periods. When an indication of impairment is identified, the carrying amount of the investment is reduced, with the related impairment loss recognized in earnings.

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

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

ownership percentages in the investees until they are realized through transactions with third parties. Gains or losses on sales between equity method investees over each of which the Company has control are deferred in proportion to the Company's weighted-average ownership percentage in the investee which records gains or losses. In transactions between equity method

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

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

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

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

Cash dividends are recognized as investment income upon resolution of shareholders of an investee but are accounted for as a reduction to the original cost of investment if such dividends are declared on the earnings of the investee attributable to the period prior to the purchase of the investment. Stock dividends are recorded as an increase in the number of shares held and do not affect investment income. The cost per share is recalculated based on the new total number of shares.

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

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

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

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

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

### **Intangible Assets**

Goodwill represents the excess of the consideration paid for acquisition over the fair value of identifiable net assets acquired. Prior to January 1, 2006, goodwill was amortized using the straight-line method over the estimated life of 10 years. Effective January 1, 2006, pursuant to the newly revised Statement of Financial Accounting Standards No. 25, Business Combinations - Accounting Treatment under Purchase Method, 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 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.

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

### **Pension Costs**

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

### **Income Tax**

The Company applies an inter-period allocation for its income tax whereby 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 (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 options that were modified or granted in the period from January 1, 2004 to December 31, 2007 are accounted for by the interpretations issued by the Accounting Research and Development Foundation of the Republic of China. The Company adopted the intrinsic value method and any compensation cost determined using this method is recognized in earnings over the employee vesting period. Employee stock option plans that were

granted or modified after December 31, 2007 are accounted for using fair value method in accordance with Statement of Financial Accounting Standards No. 39, Accounting for Share-based Payment . The Company did not grant or modify employee stock options during the three months ended March 31, 2008.

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### **Treasury Stock**

Treasury stock is stated at cost and shown as a deduction in shareholders' equity. When the Company retires treasury stock, the treasury stock account is reduced and the common stock as well as the capital surplus and additional paid-in capital are reversed on a pro rata basis. When the book value of the treasury stock exceeds the sum of the par value and additional paid-in capital, the difference is charged to capital surplus, treasury stock transactions and to retained earnings for any remaining amount.

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

### **Foreign-currency Transactions**

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

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

### **Recent Accounting Pronouncements**

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

## **3. ACCOUNTING CHANGES**

Effective January 1, 2008, the Company adopted Interpretation 2007-052, Accounting for Bonuses to Employees, Directors and Supervisors issued in March 2007 by the ARDF, which requires companies to record bonuses paid to employees, directors and supervisors as an expense rather than as an appropriation of earnings. The adoption of this interpretation resulted in a decrease in net income and earnings per share (after income tax) of NT\$3,586,877 thousand and NT\$0.14, respectively, for the three months ended March 31, 2008.

Effective January 1, 2008, the Company adopted Statement of Financial Accounting Standards No. 39, Accounting for Share-based Payment, which requires companies to record share-based payment transactions in the financial statements at fair value. Such a change in accounting principle did not have any effect on the Company's financial statements as of and for the three months ended March 31, 2008.

**4. CASH AND CASH EQUIVALENTS**

	<b>March 31</b>	
	<b>2008</b>	<b>2007</b>
Cash and deposits in banks	\$ 109,361,907	\$ 77,169,400
Repurchase agreements collateralized by government bonds	5,995,378	41,985,407
Asset-backed commercial papers	512,155	597,361
	<b>\$ 115,869,440</b>	<b>\$ 119,752,168</b>

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

	<b>March 31</b>	
	<b>2008</b>	<b>2007</b>
<b>Derivatives - financial assets</b>		
Cross currency swap contracts	\$ 160,249	\$ 159
<b>Derivatives - financial liabilities</b>		
Forward exchange contracts	\$ 121,599	\$ 18,717
Cross currency swap contracts	118,294	115,085
	<b>\$ 239,893</b>	<b>\$ 133,802</b>

The Company entered into derivative contracts during the three months ended March 31, 2008 and 2007 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. Therefore, the Company did not apply hedge accounting treatment for its derivative contracts.

Outstanding forward exchange contracts as of March 31, 2008 and 2007:

	<b>Maturity Date</b>	<b>Contract Amount (in Thousands)</b>
March 31, 2008		
Sell EUR/Buy NT\$	April 2008 to July 2008	EUR 44,500
March 31, 2007		
Sell EUR/Buy US\$	April 2007	EUR 23,000

Outstanding cross currency swap contracts as of March 31, 2008 and 2007:

<b>Maturity Date</b>	<b>Contract Amount (in Thousands)</b>	<b>Range of Interest Rates Paid</b>	<b>Range of Interest Rates Received</b>
March 31, 2008			
April 2008	US \$883,000	2.60%-3.75%	1.28%-2.42%
March 31, 2007			
April 2007 to June 2007	US \$835,000	2.65%-5.35%	1.65%-5.16%

For the three months ended March 31, 2008 and 2007, gains and losses arising from derivative financial instruments were net gains of NT\$1,740,705 thousand (including realized settlement gains of NT\$1,614,786 thousand and valuation gains of NT\$125,919 thousand) and net losses of NT\$677,929 thousand (including realized settlement losses of NT\$510,436 thousand and valuation losses of NT\$167,493 thousand), respectively.

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

	<b>March 31</b>	
	<b>2008</b>	<b>2007</b>
Open-end mutual funds	\$ 14,126,171	\$ 23,976,854
Corporate bonds	4,065,233	4,163,115
Government bonds	400,317	4,152,738
Structured time deposits		499,288
	18,591,721	32,791,995
Current portion	(18,591,721)	(26,325,390)
	\$	\$ 6,466,605

As of March 31, 2007, 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>
Step-up callable deposits				
Domestic deposits	\$ 500,000	\$ 499,288	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>March 31</b>	
	<b>2008</b>	<b>2007</b>
Corporate bonds	\$ 10,908,455	\$ 13,426,614
Government bonds	6,091,684	8,676,382
Structured time deposits	1,000,000	11,117,800
	18,000,139	33,220,796
Current portion	(9,976,745)	(6,523,668)
	\$ 8,023,394	\$ 26,697,128

As of March 31, 2008 and 2007, 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>
March 31, 2008				
Step-up callable deposits				
Domestic deposits	\$ 1,000,000	\$ 3,844	1.77%-1.83%	April 2008 to October 2008
March 31, 2007				
Step-up callable deposits				
Domestic deposits	\$ 4,500,000	\$ 13,593	1.50%-1.83%	June 2007 to October 2008
Callable range accrual deposits				
Domestic deposits	3,970,680	14,752	(See below)	September 2009 to December 2009
Foreign deposits	2,647,120	7,390	(See below)	October 2009 to December 2009
	\$ 11,117,800	\$ 35,735		

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

As of March 31, 2008, no structured time deposit resided in banks located in foreign countries. As of March 31, 2007, the principal of the deposits that resided in banks located in Hong Kong and Singapore amounted to US\$60,000 thousand and US\$20,000 thousand, respectively.

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

Movements of the allowance for doubtful receivables were as follows:

	<b>Three Months Ended</b>	
	<b>March 31</b>	
	<b>2008</b>	<b>2007</b>
Balance, beginning of period	\$ 688,972	\$ 690,931
Write-off	(1,353)	
Balance, end of period	\$ 687,619	\$ 690,931



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

	<b>Three Months Ended</b>	
	<b>March 31</b>	
	<b>2008</b>	<b>2007</b>
Balance, beginning of period	\$ 3,856,685	\$ 2,751,065
Provision	1,680,969	708,058
Write-off	(1,370,011)	(982,836)
Balance, end of period	\$ 4,167,643	\$ 2,476,287

#### 9. INVENTORIES, NET

	<b>March 31</b>	
	<b>2008</b>	<b>2007</b>
Finished goods	\$ 3,884,951	\$ 3,477,094
Work in process	14,335,798	15,567,178
Raw materials	1,217,429	1,197,164
Supplies and spare parts	604,237	449,237
Allowance for losses	20,042,415 (790,295)	20,690,673 (757,313)
	\$ 19,252,120	\$ 19,933,360

#### 10. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	<b>March 31</b>			
	<b>2008</b>		<b>2007</b>	
	<b>Carrying Amount</b>	<b>% of Owner- ship</b>	<b>Carrying Amount</b>	<b>% of Owner- ship</b>
TSMC Global Ltd. (TSMC Global)	\$ 41,971,629	100	\$ 43,771,405	100
TSMC International Investment Ltd. (TSMC International)	27,063,207	100	26,934,392	100
Vanguard International Semiconductor Corporation (VIS)	11,183,477	36	5,999,943	27
Systems on Silicon Manufacturing Company Pte Ltd. (SSMC)	8,352,727	39	8,134,439	39
TSMC (Shanghai) Company Limited (TSMC Shanghai)	7,895,259	100	9,127,747	100
TSMC Partners, Ltd. (TSMC Partners)	3,528,732	100	4,572,167	100
TSMC North America	2,184,900	100	2,107,864	100
XinTec Inc. (XinTec)	1,483,429	43	1,370,453	43

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VentureTech Alliance Fund II, L.P. (VTAF II)	1,039,699	98	801,222	98
VentureTech Alliance Fund III, L.P. (VTAF III)	1,037,387	98	438,480	98
Global UniChip Corporation (GUC)	891,488	37	692,434	38
Emerging Alliance Fund, L.P. (Emerging Alliance)	390,518	99	779,280	99
Chi Cherng Investment Co., Ltd. (Chi Cherng)	175,689	36	118,167	36

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	2008		March 31		2007	
	Carrying Amount	% of Ownership	Carrying Amount	% of Ownership	Carrying Amount	% of Ownership
Hsin Ruey Investment Co., Ltd. (Hsin Ruey)	\$ 173,804	36	\$ 116,793	36		
TSMC Japan Limited (TSMC Japan)	112,111	100	98,799	100		
Taiwan Semiconductor Manufacturing Company Europe B.V. (TSMC Europe)	97,152	100	56,633	100		
TSMC Korea Limited (TSMC Korea)	15,533	100	15,087	100		
	\$ 107,596,741		\$ 105,135,305			

(Concluded)

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

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

For the three months ended March 31, 2008 and 2007, net equity in earnings of equity method investees of NT\$1,043,790 thousand and NT\$853,184 thousand was recognized, respectively. The related equity in earnings of equity method investees was determined based on the reviewed financial statements of the investees for the same periods as the Company.

As of March 31, 2008 and 2007, fair value of publicly traded stocks in investments accounted for using equity method was NT\$22,267,805 thousand and NT\$23,975,319 thousand, respectively.

Movements of the difference between the cost of investments and the Company's share in investees' net assets allocated to depreciable assets for the three months ended March 31, 2008 and 2007 were as follows:

	Three Months Ended	
	2008	2007
Balance, beginning of period	\$ 2,677,388	\$ 943,277
Additions		105,000
Depreciation/Amortization	(156,034)	(49,959)
Balance, end of period	\$ 2,521,354	\$ 998,318

Movements of the aforementioned difference allocated to goodwill for the three months ended March 31, 2008 and 2007 were as follows:

	Three Months Ended	
	2008	2007
Balance, beginning of period	\$ 987,349	\$ 213,984

Additions

Balance, end of period	\$ 987,349	\$ 213,984
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**11. FINANCIAL ASSETS CARRIED AT COST**

	<b>March 31</b>	
	<b>2008</b>	<b>2007</b>
Non-publicly traded stocks	\$ 364,913	\$ 364,913
Mutual funds	383,247	381,492
	<b>\$ 748,160</b>	<b>\$ 746,405</b>

**12. PROPERTY, PLANT AND EQUIPMENT**

	<b>Three Months Ended March 31, 2008</b>				
	<b>Balance, Beginning of Period</b>	<b>Additions</b>	<b>Disposals</b>	<b>Reclassification</b>	<b>Balance, End of Period</b>
Cost					
Buildings	\$ 101,907,892	\$ 856,009	\$	\$ (310)	\$ 102,763,591
Machinery and equipment	589,131,625	11,778,538	(2,145,226)	(14,827)	598,750,110
Office equipment	9,167,107	263,119	(5,875)	190	9,424,541
	<b>700,206,624</b>	<b>\$ 12,897,666</b>	<b>\$ (2,151,101)</b>	<b>\$ (14,947)</b>	<b>710,938,242</b>
Accumulated depreciation					
Buildings	57,349,828	1,935,317	\$	\$ (4)	59,285,141
Machinery and equipment	422,278,071	15,254,323	(392,248)	2	437,140,148
Office equipment	7,097,120	232,012	(5,875)	26	7,323,283
	<b>486,725,019</b>	<b>\$ 17,421,652</b>	<b>\$ (398,123)</b>	<b>\$ 24</b>	<b>503,748,572</b>
Advance payments and construction in progress	21,082,953	\$ 7,420,786	\$	\$	28,503,739
Net	<b>\$ 234,564,558</b>				<b>\$ 235,693,409</b>

	<b>Three Months Ended March 31, 2007</b>				
	<b>Balance, Beginning of Period</b>	<b>Additions (Deductions)</b>	<b>Disposals</b>	<b>Reclassification</b>	<b>Balance, End of Period</b>
Cost					
Buildings	\$ 96,961,851	\$ 1,822,770	\$ (31,789)	\$	\$ 98,752,832
Machinery and equipment	527,850,728	10,618,588	(9,866)	(47)	538,459,403
Office equipment	8,659,225	182,745	(118,556)	(810)	8,722,604

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	633,471,804	\$ 12,624,103	\$ (160,211)	\$ (857)	645,934,839
Accumulated depreciation					
Buildings	49,595,917	\$ 1,918,600	\$ (30,911)	\$	51,483,606
Machinery and equipment	361,401,800	15,633,685	(8,764)	(47)	377,026,674
Office equipment	6,469,533	268,360	(118,553)	47	6,619,387
	417,467,250	\$ 17,820,645	\$ (158,228)	\$	435,129,667
Advance payments and construction in progress	12,230,805	\$ (816,309)	\$	\$ 326,391	11,740,887
Net	\$ 228,235,359				\$ 222,546,059

No interest was capitalized during the three months ended March 31, 2008 and 2007.

**13. DEFERRED CHARGES, NET****Three Months Ended March 31, 2008**

	<b>Balance, Beginning of Period</b>	<b>Additions</b>	<b>Amortization</b>	<b>Disposals</b>	<b>Reclassification</b>	<b>Balance, End of Period</b>
Technology license fees	\$ 5,349,937	\$	\$ (390,922)	\$	\$	\$ 4,959,015
Software and system design costs	1,309,272	215,826	(181,138)		(74)	1,343,886
Others	513,204		(34,346)			478,858
	\$ 7,172,413	\$ 215,826	\$ (606,406)	\$	\$ (74)	\$ 6,781,759

**Three Months Ended March 31, 2007**

	<b>Balance, Beginning of Period</b>	<b>Additions</b>	<b>Amortization</b>	<b>Disposals</b>	<b>Reclassification</b>	<b>Balance, End of Period</b>
Technology license fees	\$ 4,038,551	\$ 825,550	\$ (438,247)	\$	\$	\$ 4,425,854
Software and system design costs	1,517,575	166,623	(221,146)	(51)	(325,534)	1,137,467
Others	36,942		(6,625)			30,317
	\$ 5,593,068	\$ 992,173	\$ (666,018)	\$ (51)	\$ (325,534)	\$ 5,593,638

**14. BONDS PAYABLE**

	<b>March 31</b>	
	<b>2008</b>	<b>2007</b>
Domestic unsecured bonds:		
Issued in December 2000 and repayable in December 2007, 5.36% interest payable annually	\$	\$ 4,500,000
Issued in January 2002 and repayable in January 2009 and 2012 in two installments, 2.75% and 3.00% interest payable annually, respectively	12,500,000	12,500,000
	12,500,000	17,000,000
Current portion	(8,000,000)	(4,500,000)
	\$ 4,500,000	\$ 12,500,000

As of March 31, 2008, future principal repayments for the Company's bonds were as follows:

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



**15. OTHER LONG-TERM PAYABLES**

Most of the payables resulted from license agreements for certain semiconductor-related patents. As of March 31, 2008, future payments for other long-term payables were as follows:

<b>Year of Payment</b>	<b>Amount</b>
2008 (2 <sup>nd</sup> to 4 <sup>th</sup> quarter)	\$ 3,236,893
2009	545,466
2010	466,412
2011	395,265
	4,644,036
Current portion (classified under accrued expenses and other current liabilities)	(3,308,040)
	<b>\$ 1,335,996</b>

**16. PENSION PLANS**

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

The pension mechanism under the Act is deemed a defined contribution plan. Pursuant to the Act, the Company has made monthly contributions equal to 6% of each employee's monthly salary to employees' pension accounts starting from July 1, 2005, and recognized pension cost of NT\$164,396 thousand and NT\$148,533 thousand for the three months ended March 31, 2008 and 2007, respectively.

The Company has a defined benefit plan under the Labor Standards Law that provides benefits based on an employee's length of service and average monthly salary for the six-month period prior to retirement. The Company contributes an amount equal to 2% of salaries paid each month to a pension fund (the Fund), which is administered by the Labor Pension Fund Supervisory Committee (the Committee) and deposited in the Committee's name in the Bank of Taiwan (originally the Central Trust of China, which was merged into the Bank of Taiwan on July 1, 2007). The Company recognized pension cost of NT\$67,246 thousand and NT\$81,154 thousand for the three months ended March 31, 2008 and 2007, respectively. As of March 31, 2008 and 2007, the balance of the Fund was NT\$2,278,579 thousand and NT\$2,027,436 thousand, respectively.

**17. INCOME TAX**

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

	<b>Three Months Ended March 31</b>	
	<b>2008</b>	<b>2007</b>
Income tax expense based on income before income tax at statutory rate (25%)	\$ 7,851,789	\$ 4,973,727
Tax effect of the following:		
Tax-exempt income	(2,634,089)	(991,862)
Temporary and permanent differences	271,414	(79,127)
Others	41,235	
Income tax credits used	(2,764,800)	(1,951,369)
Income tax currently payable	\$ 2,765,549	\$ 1,951,369

- b. Income tax expense consisted of the following:

Income tax currently payable	\$ 2,765,549	\$ 1,951,369
Net change in deferred income tax assets		
Investment tax credits	1,457,032	509,910
Temporary differences	(51,527)	(708,401)
Valuation allowance	(907,281)	(696,609)
Income tax expense	\$ 3,263,773	\$ 1,056,269

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

	<b>March 31</b>	
	<b>2008</b>	<b>2007</b>
Current deferred income tax assets		
Investment tax credits	\$ 8,094,974	\$ 9,486,631
Noncurrent deferred income tax assets, net		
Investment tax credits	\$ 5,284,749	\$ 9,960,351
Temporary differences	1,194,838	1,548,865
Valuation allowance	(2,562,852)	(6,507,620)
	\$ 3,916,735	\$ 5,001,596

- d. Integrated income tax information:

The balance of the imputation credit account as of March 31, 2008 and 2007 was NT\$3,012,848 thousand and NT\$828,612 thousand, respectively.

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

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

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

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f. As of March 31, 2008, investment tax credits consisted of the following:

Law/Statute	Item	Total Creditable Amount	Remaining Creditable Amount	Expiry Year
Statute for Upgrading Industries	Purchase of machinery and equipment	\$ 6,076,148	\$ 4,841,869	2010
		4,439,860	4,439,860	2011
		13,547	13,547	2012
		\$ 10,529,555	\$ 9,295,276	
Statute for Upgrading Industries	Research and development expenditures	\$ 1,508,726	\$	2009
		1,781,376	1,781,376	2010
		1,654,065	1,654,065	2011
		523,083	523,083	2012
		\$ 5,467,250	\$ 3,958,524	
Statute for Upgrading Industries	Personnel training expenditures	\$ 21,795	\$	2009
		46,119	46,119	2010
		\$ 67,914	\$ 46,119	
Statute for Upgrading Industries	Investments in important technology-based enterprises	\$ 79,804	\$ 79,804	2010

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

	Tax-Exemption Period
Construction of Fab 14 Module A	2006 to 2010
Construction of Fab 14 Module B	2007 to 2011

h. The tax authorities have examined income tax returns of the Company through 2005.

### 18. LABOR COST, DEPRECIATION AND AMORTIZATION

Three Months Ended March 31, 2008  
Classified  
as  
Classified  
as Operating

	<b>Cost of Sales</b>	<b>Expenses</b>	<b>Total</b>
Labor cost			
Salary	\$ 4,535,435	\$ 3,206,078	\$ 7,741,513
Labor and health insurance	171,065	96,691	267,756
Pension	147,988	83,654	231,642
Meal	110,622	44,839	155,461
Welfare	46,066	26,074	72,140
Others	48,224	1,251	49,475
	\$ 5,059,400	\$ 3,458,587	\$ 8,517,987
Depreciation	\$ 16,397,601	\$ 1,016,959	\$ 17,414,560
Amortization	\$ 448,400	\$ 158,006	\$ 606,406

	<b>Three Months Ended March 31, 2007</b>		
	<b>Classified</b>	<b>Classified</b>	
	<b>as Cost</b>	<b>as</b>	
	<b>of Sales</b>	<b>Operating</b>	<b>Total</b>
		<b>Expenses</b>	
Labor cost			
Salary	\$ 2,219,384	\$ 1,048,077	\$ 3,267,461
Labor and health insurance	160,974	86,039	247,013
Pension	149,674	80,013	229,687
Meal	104,780	38,199	142,979
Welfare	55,674	31,019	86,693
Others	30,552	1,171	31,723
	<b>\$ 2,721,038</b>	<b>\$ 1,284,518</b>	<b>\$ 4,005,556</b>
Depreciation	\$ 16,857,622	\$ 957,405	\$ 17,815,027
Amortization	\$ 458,751	\$ 206,968	\$ 665,719

## 19. SHAREHOLDERS EQUITY

As of March 31, 2008, 1,110,083 thousand ADSs of the Company were traded on the NYSE. The number of common shares represented by the ADSs was 5,550,414 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>March 31</b>	
	<b>2008</b>	<b>2007</b>
From merger	\$ 23,276,911	\$ 24,003,546
Additional paid-in capital	18,994,954	20,063,728
From convertible bonds	9,077,065	9,360,424
From long-term investments	347,180	414,524
Donations	55	55
From treasury stock transactions		389,188
	<b>\$ 51,696,165</b>	<b>\$ 54,231,465</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;

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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 bonus 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 subject to shareholders' approval in the following year.

For the three months ended March 31, 2008, the Company has recorded bonuses to employees and directors with a charge to earnings of approximately 15.3% of net income. Material differences between such estimated amounts and the amounts proposed by the Board of Directors subsequently are retroactively adjusted for in the current year. If the actual amounts subsequently resolved by the shareholders differ from the proposed amounts, the differences are recorded in the year of shareholders' resolution as a change in accounting estimate.

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 2007 and 2006 had been approved in a Board of Directors' meeting held on February 19, 2008 and a shareholders' meeting held on May 7, 2007, respectively. The appropriations and dividends per share were as follows:

	Appropriations of Earnings		Dividends Per Share	
			(NT\$)	
	For Fiscal Year 2007	For Fiscal Year 2006	For Fiscal Year 2007	For Fiscal Year 2006
Legal capital reserve	\$ 10,917,709	\$ 12,700,973		
Special capital reserve	(237,693)	(11,192)		
Bonus to employees in cash	3,939,883	4,572,798		
Bonus to employees in stock	3,939,883	4,572,798		
Cash dividends to shareholders	76,881,311	77,489,064	\$ 3.00	\$ 3.00
Stock dividends to shareholders	512,542	516,594	0.02	0.02
Bonus to directors and supervisors	176,890	285,800		
	\$ 96,130,525	\$ 100,126,835		





The Board of Directors meeting held on February 19, 2008 and the shareholders meeting held on May 7, 2007 also resolved to distribute stock dividends out of capital surplus in the amount of NT\$768,813 thousand and NT\$774,891 thousand, respectively.

The amounts of the appropriations of earnings for 2006 are consistent with the resolutions of the meeting of the Board of Directors held on February 6, 2007. The amounts of the appropriations of earnings for 2007 and the stock dividends to be distributed out of capital surplus have not yet been resolved by the shareholders. If the above bonuses to employees, directors and supervisors had been paid entirely in cash and charged to earnings of 2007 and 2006, the basic earnings per share (after income tax) for the years ended December 31, 2007 and 2006 shown in the respective financial statements would have decreased from NT\$4.14 to NT\$3.84 and NT\$4.93 to NT\$4.56, respectively. The shares distributed as a bonus to employees represented 1.49% and 1.77% of the Company's total outstanding common shares as of December 31, 2007 and 2006, 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, R.O.C. resident shareholders are allowed a tax credit for their proportionate share of the income tax paid by the Company on earnings generated since January 1, 1998.

## 20. STOCK-BASED COMPENSATION PLANS

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

Options of the aforementioned plans that had never been granted or had been granted but subsequently cancelled had expired as of March 31, 2008.

Information about outstanding options for the three months ended March 31, 2008 and 2007 was as follows:

	<b>Number of Options (in Thousands)</b>	<b>Weighted- Average Exercise Price (NT\$)</b>
Three months ended March 31, 2008		
Balance, beginning of period	41,875	\$ 37.4
Options exercised	(2,138)	37.9
Options cancelled	(193)	46.8
Balance, end of period	39,544	37.3

(Continued)

	<b>Number of Options (in Thousands)</b>	<b>Weighted- Average Exercise Price (NT\$)</b>
Three months ended March 31, 2007		
Balance, beginning of period	52,814	\$ 39.6
Options exercised	(3,271)	37.3
Options cancelled	(252)	47.2
Balance, end of period	49,291	39.7

(Concluded)

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

As of March 31, 2008, information about outstanding and exercisable options was as follows:

<b>Range of Exercise Price (NT\$)</b>	<b>Options Outstanding</b>			<b>Options Exercisable</b>	
	<b>Number of Options (in Thousands)</b>	<b>Weighted- average Remaining Contractual Life (Years)</b>	<b>Weighted- average Exercise Price (NT\$)</b>	<b>Number of Options (in Thousands)</b>	<b>Weighted- average Exercise Price (NT\$)</b>
\$25.9-\$36.4	27,070	4.91	\$33.0	27,070	\$33.0
38.9 51.3	12,474	6.65	46.6	6,162	46.4
	39,544		37.3	33,232	35.5

No compensation cost was recognized under the intrinsic value method for the three months ended March 31, 2008 and 2007. Had the Company used the fair value based method to evaluate the options using the Black-Scholes model, the assumptions and pro forma results of the Company for the three months ended March 31, 2008 and 2007 would have been as follows:

	<b>Three Months Ended March 31 2008</b>	<b>2007</b>
Assumptions:		
Expected dividend yield	1.00%-3.44%	1.00%-3.44%
Expected volatility	43.77%-46.15%	43.77%-46.15%
Risk free interest rate	3.07%-3.85%	3.07%-3.85%
Expected life	5 years	5 years
Net income:		

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Net income as reported	\$ 28,143,382	\$ 18,838,639
Pro forma net income	28,081,304	18,790,682
Earnings per share (EPS) after income tax (NT\$):		
Basic EPS as reported	\$ 1.10	\$ 0.71
Pro forma basic EPS	1.10	0.71
Diluted EPS as reported	1.10	0.71
Pro forma diluted EPS	1.10	0.71

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**21. TREASURY STOCK**

(Shares in Thousands)

	Beginning Shares	Addition	Retirement	Ending Shares
Three months ended March 31, 2008				
Parent company stock held by subsidiaries	34,096			34,096
Repurchase under share buyback plan	800,000		800,000	
	834,096		800,000	34,096
Three months ended March 31, 2007				
Parent company stock held by subsidiaries	33,926			33,926

As of March 31, 2008 and 2007, the book value of the treasury stock was NT\$918,075 thousand each and its market value was NT\$2,151,452 thousand and NT\$2,303,596 thousand, respectively. The Company's common shares held by subsidiaries were treated as treasury stock and the holders are entitled to the rights of shareholders, with the exception of voting rights.

The Company held a meeting of the Board of Directors and approved a share buyback plan to repurchase the Company's common shares up to 800,000 shares listed on the TSE during the period from November 14, 2007 to January 13, 2008 for the buyback price in the range from NT\$43.2 to NT\$94.2. As of December 31, 2007, the Company had repurchased 800,000 thousand common shares. All the treasury stock repurchased was retired on February 27, 2008.

**22. EARNINGS PER SHARE**

EPS was 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
Three months ended March 31, 2008					
Basic EPS					
Income available to common shareholders	\$ 31,407,155	\$ 28,143,382	25,593,835	\$ 1.23	\$ 1.10
Effect of dilutive potential common stock stock options			16,225		
Diluted EPS					
Income available to common shareholders (including effect of	\$ 31,407,155	\$ 28,143,382	25,610,060	\$ 1.23	\$ 1.10

dilutive potential common stock)

Three months ended March 31,  
2007

Basic EPS

Income available to common shareholders	\$ 19,894,908	\$ 18,838,639	26,384,121	\$ 0.75	\$ 0.71
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Effect of dilutive potential common  
stock stock options

21,538

Diluted EPS

Income available to common shareholders (including effect of dilutive potential common stock)	\$ 19,894,908	\$ 18,838,639	26,405,659	\$ 0.75	\$ 0.71
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The average number of shares outstanding for EPS calculation has been retroactively adjusted for the issuance of stock dividends and employee stock bonuses. This adjustment caused each of the basic and diluted after income tax EPS for the three months ended March 31, 2007 to decrease from NT\$0.73 to NT\$0.71.

### 23. DISCLOSURES FOR FINANCIAL INSTRUMENTS

a. Fair values of financial instruments were as follows:

	2008		March 31		2007	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<b>Assets</b>						
Financial assets at fair value through profit or loss	\$ 160,249	\$ 160,249	\$ 159		\$ 159	
Available-for-sale financial assets	18,591,721	18,591,721	32,791,995		32,791,995	
Held-to-maturity financial assets	18,000,139	18,001,071	33,220,796		33,203,292	
<b>Liabilities</b>						
Financial liabilities at fair value through profit or loss	239,893	239,893	133,802		133,802	
Bonds payable (including current portion)	12,500,000	12,657,936	17,000,000		17,279,497	
Other long-term payables (including current portion)	4,644,036	4,644,036	3,994,705		3,994,705	

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

- 1) The aforementioned financial instruments do not include cash and cash equivalents, receivables, other financial assets, payables, and payables to contractors and equipment suppliers. The carrying amounts of these financial instruments approximate their fair values due to their short maturities.
- 2) Fair values of financial assets/liabilities at fair value through profit or loss were estimated using valuation techniques incorporating estimates and assumptions that were consistent with prevailing market conditions.
- 3) Fair values of available-for-sale and held-to-maturity financial assets were based on their quoted market prices, except for structured time deposits of which fair values were estimated using valuation techniques.
- 4) Fair value of bonds payable was based on their quoted market price.
- 5) Fair value of other long-term payables was based on the present value of expected cash flows, which approximates their carrying amount.

c. The changes in fair value during the three months ended March 31, 2008 and 2007 of derivatives estimated using valuation techniques were recognized as gains of NT\$125,919 thousand and losses of NT\$167,493 thousand, respectively.

- d. As of March 31, 2008 and 2007, financial assets exposed to fair value interest rate risk were NT\$36,752,109 thousand and NT\$66,012,950 thousand, respectively, financial liabilities exposed to fair value interest rate risk were NT\$239,893 thousand and NT\$133,802 thousand, respectively, and financial assets exposed to cash flow interest rate risk were nil and NT\$6,617,800 thousand, respectively.
- e. Movements of unrealized gains or losses on financial instruments for the three months ended March 31, 2008 and 2007 were as follows:

	<b>Three Months Ended March 31, 2008</b>		
	<b>Valuation Gain on Available- for-sale Financial Assets</b>	<b>Equity in Valuation Gain on Available-for- sale Financial Assets Held by Investees</b>	<b>Total</b>
Balance, beginning of period	\$ 266,573	\$ 414,424	\$ 680,997
Recognized directly in shareholders' equity	69,584	(326,449)	(256,865)
Removed from shareholders' equity and recognized in earnings	(23,271)		(23,271)
Balance, end of period	\$ 312,886	\$ 87,975	\$ 400,861

	<b>Three Months Ended March 31, 2007</b>		
	<b>Valuation Gain on Available- for-sale Financial Assets</b>	<b>Equity in Valuation Gain on Available-for- sale Financial Assets Held by Investees</b>	<b>Total</b>
Balance, beginning of period	\$ 242,248	\$ 319,367	\$ 561,615
Recognized directly in shareholders' equity	93,451	94,679	188,130
Removed from shareholders' equity and recognized in earnings	(29,611)		(29,611)
Balance, end of period	\$ 306,088	\$ 414,046	\$ 720,134

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 value of these debt securities.

- 2) Credit risk. Credit risk represents the potential loss that would be incurred by the Company if the counter-parties or third-parties breached contracts. Financial instruments with positive fair values at the balance sheet date are evaluated for credit risk. The counter-parties or third-parties to the foregoing financial instruments are reputable financial institutions, business organizations, and government agencies. Management believes that the Company's exposure to default by those parties is low.

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- 3) Liquidity risk. The Company has sufficient operating capital to meet cash needs upon settlement of derivative financial instruments and bonds payable. Therefore, the liquidity risk is low.
- 4) Cash flow interest rate risk. The Company mainly invests in fixed-interest-rate debt securities. Therefore, cash flows are not expected to fluctuate significantly due to changes in market interest rates.

## 24. RELATED PARTY TRANSACTIONS

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

a. Subsidiaries

TSMC North America  
 TSMC Shanghai  
 TSMC Europe  
 TSMC Japan  
 TSMC Korea

b. Investees

GUC (with a controlling interest)  
 VIS (accounted for using equity method)  
 SSMC (accounted for using equity method)

c. Indirect subsidiaries

WaferTech, LLC (WaferTech)  
 TSMC Technology, Inc. (TSMC Technology)  
 TSMC Design Technology Canada Inc. (TSMC Canada) (established in May 2007)

d. Indirect investee

VisEra Technology Company, Ltd. (VisEra), an indirect investee accounted for using equity method.

e. 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:

	2008		2007	
	Amount	%	Amount	%
For the three months ended March 31				
Sales				
TSMC North America	\$ 54,293,942	63	\$ 39,207,204	61
Others	345,421		209,901	1
	\$ 54,639,363	63	\$ 39,417,105	62



	2008		2007	
	Amount	%	Amount	%
Purchases				
WaferTech	\$ 2,378,352	21	\$ 2,359,717	23
SSMC	1,358,468	12	1,386,200	13
TSMC Shanghai	1,220,202	11	1,233,506	12
VIS	793,272	7	686,332	6
	\$ 5,750,294	51	\$ 5,665,755	54
Manufacturing expenses – outsourcing				
VisEra	\$ 315		\$	
Marketing expenses – commission				
TSMC Europe	\$ 76,949	13	\$ 53,775	17
TSMC Japan	45,186	8	45,512	15
TSMC Korea	5,198	1	4,197	1
	\$ 127,333	22	\$ 103,484	33
General and administrative expenses – rental				
GUC	\$ 262		\$ 3,473	
Research and development expenses				
TSMC Technology (primarily consulting fee)	\$ 89,660	2	\$ 17,346	1
TSMC Canada (primarily consulting fee)	53,937	1		
Others	10,118		6,456	
	\$ 153,715	3	\$ 23,802	1
Sales of property, plant and equipment				
TSMC Shanghai	\$ 1,760,853	99	\$	
Non-operating income and gains				
VIS (primarily technical service income, see Note 26h)	\$ 106,748	3	\$ 86,762	4
TSMC Shanghai (primarily technical service income)	88,760	2	76,455	3
SSMC (primarily technical service income, see Note 26e)	61,712	2	58,483	2

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VisEra	55,225	1	42,089	2
	\$ 312,445	8	\$ 263,789	11

As of March 31

Receivables				
TSMC North America	\$ 24,508,626	99	\$ 18,993,076	99
Others	178,793	1	164,496	1
	\$ 24,687,419	100	\$ 19,157,572	100

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	2008		2007	
	Amount	%	Amount	%
Other receivables				
TSMC Shanghai	\$ 1,942,566	87	\$ 144,605	30
VIS	108,629	5	155,657	32
SSMC	77,688	4	82,868	17
TSMC North America	44,392	2	51,251	10
VisEra	29,335	1	40,567	8
Others	18,594	1	12,318	3
	\$ 2,221,204	100	\$ 487,266	100
Payables				
WaferTech	\$ 602,332	30	\$ 627,230	26
VIS	476,214	24	438,785	18
SSMC	465,295	24	694,554	29
TSMC Shanghai	304,048	15	512,066	22
Others	138,842	7	105,298	5
	\$ 1,986,731	100	\$ 2,377,933	100
Deferred credits				
TSMC Shanghai	\$ 457,290	52	\$ 670,387	61
VisEra	46,631	5	108,806	10
	\$ 503,921	57	\$ 779,193	71

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

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

## 25. SIGNIFICANT LONG-TERM LEASES

The Company leases several parcels of land from the Science Park Administration. These operating leases expire on various dates from December 2008 to December 2028 and can be renewed upon expiration.

As of March 31, 2008, future lease payments were as follows:

<b>Year</b>	<b>Amount</b>
2008 (2 <sup>nd</sup> to 4 <sup>th</sup> quarter)	\$ 262,988
2009	340,443
2010	291,245
2011	289,664
2012	289,664
2013 and thereafter	2,315,796
	\$ 3,789,800

## 26. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

The significant commitments and contingencies of the Company as of March 31, 2008, except those disclosed in other notes, were as follows:

- a. On June 20, 2004, the Company and Philips (Philips parted with its semiconductor company which was renamed as NXP B.V. in September 2006) amended the Technical Cooperation Agreement, which was originally signed on May 12, 1997. The amended Technical Cooperation Agreement is for five years beginning from January 1, 2004. Upon expiration, this amended Technical Cooperation Agreement will be terminated and will not be automatically renewed; however, the patent cross license arrangement between the Company and Philips (now NXP B.V.) will survive the expiration of the amended Technical Cooperation Agreement. Under this amended Technical Cooperation Agreement, the Company will pay Philips (now NXP B.V.) royalties based on a fixed amount mutually agreed-on, rather than under a certain percentage of the Company's annual net sales. The Company and Philips (now NXP B.V.) agreed to cross license the patents owned by each party. The Company also obtained through Philips (now NXP B.V.) a number of cross patent licenses.
- b. Under a technical cooperation agreement with ITRI, the R.O.C. Government or its designee approved by the Company can use up to 35% of the Company's capacity if the Company's outstanding commitments to its customers are not prejudiced. The term of this agreement is for five years beginning from January 1, 1987 and is automatically renewed for successive periods of five years unless otherwise terminated by either party with one year prior notice.
- 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 March 31, 2008, the Company had a total of US\$60,730 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) 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 fall 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) effective March 30, 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 would be relieved of any further obligation to transfer any additional technology. In addition, the Company granted National an option to request prior to January 2008 the transfer of certain technologies under the same terms and conditions as the terminated TTA. National did not make such request by the deadline, therefore the option expired in January 2008.
- g. In December 2003, the Company entered into a Technology Development and License Agreement with Freescale Semiconductor, Inc. to jointly develop 65-nm SOI (silicon on insulator) technology. The Company would 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 would pay royalties to Freescale Semiconductor, Inc. and would share a portion of the costs associated with the joint development project. The agreement expired in December 2007. The Company did not capitalize related intellectual properties arising from the co-development project because those intellectual properties did not meet the capitalization criteria set forth in Statement of Financial Accounting Standards No. 37 Accounting for Intangible Assets .
- h. The Company provides a technology transfer to VIS under a Manufacturing License and Technology Transfer Agreement entered into on April 1, 2004. The Company receives compensation for such technology transfer in the form of royalty payments from VIS computed at specific percentages of net selling price of certain products sold by VIS. VIS agreed to reserve its certain capacity to manufacture for the Company certain products at prices as agreed by the parties.
- i. TSMC, TSMC North America and WaferTech filed a series of lawsuits in late 2003 and 2004 against Semiconductor Manufacturing International Corporation, SMIC (Shanghai) and SMIC Americas (aggregately referring to as SMIC ). The lawsuits alleged that SMIC infringed multiple TSMC, TSMC North America and WaferTech patents and misappropriated TSMC, TSMC North America and WaferTech s trade secrets. These suits were settled out of court on January 30, 2005. As part of the settlement, Semiconductor Manufacturing International Corporation shall pay US\$175 million over six years to resolve TSMC, TSMC North America and WaferTech s claims. As of March 31, 2008, SMIC had paid US\$90 million in accordance with the terms of this settlement agreement. In August 2006, TSMC, TSMC North America and WaferTech filed a lawsuit against SMIC in Alameda County Superior Court in California for breach of aforementioned settlement agreement, breach of promissory notes and trade secret misappropriation, seeking injunctive relief and monetary damages. In September 2006, SMIC filed a cross-complaint against TSMC, TSMC North America and WaferTech in the same court, alleging TSMC, TSMC North America and WaferTech of breach of the settlement agreement and implied covenant of good faith and fair dealing, in response to TSMC, TSMC North America and WaferTech s August complaint. In November 2006, SMIC filed a complaint with Beijing People s High Court against TSMC, TSMC North America and WaferTech alleging defamation and breach of good faith. The California State Superior Court of Alameda County issued an Order on TSMC, TSMC North America and WaferTech s pre-trial motion for a preliminary injunction against SMIC on September 7, 2007. In the Order, the Court found TSMC has demonstrated a significant likelihood that it will ultimately prevail on the merits of its claim for breach of certain paragraphs of the (2005) Settlement Agreement with SMIC. The Court also found TSMC has demonstrated a significant probability of establishing that SMIC retains and is using TSMC Information in SMIC s 0.13um and smaller technologies, and there is significant threat of serious irreparable harm to TSMC if SMIC were to disclose or transfer that information before final resolution of the case. Therefore, the Court ordered that, effective immediately, SMIC must provide advance notice and

an opportunity for TSMC, TSMC North America and WaferTech to object before disclosing items enumerated in the Court Order to SMIC's third party partners. The Court, however, did not grant a preliminary injunction as requested by TSMC, TSMC North America and WaferTech. The result of the above-mentioned litigation cannot be determined at this time.

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- j. In April 2004, UniRAM Technology, Inc. ( UniRAM ) filed an action against MoSys Inc., TSMC and TSMC North America in the U.S. District Court for the Northern District of California, alleging patent infringement and trade secret misappropriation and seeking injunctive relief and damages. UniRAM later dropped its patent infringement claims during the course of litigation, but TSMC's inequitable conduct counterclaim against UniRAM's asserted patents remained. In 2007, the trade secret misappropriation portion of the case went to trial, and in September 2007, a jury-rendered a verdict awarding US\$30.5 million to UniRAM Technology, Inc. The court held a separate bench trial on the inequitable conduct counterclaims in January 2008, but has yet to issue a decision as of March 25, 2008. During the January bench trial, UniRAM has also raised anew its motion to enjoin TSMC from offering certain technologies that UniRAM alleges to contain its confidential information. This issue has also not been decided. As a procedural matter, the jury verdict cannot be entered into the record while the inequitable conduct issues remain undecided. Nevertheless, as a result of the verdict, TSMC has accrued the full amount of the jury award in September 2007 as part of the non-operating expenses. TSMC intends to continue to pursue remedies against this verdict.

## 27. ADDITIONAL DISCLOSURES

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

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

## j. Information about derivatives of investees over which the Company has a controlling interest:

TSMC Shanghai entered into forward exchange contracts during the three months ended March 31, 2008 to manage exposures due to foreign exchange rate fluctuations. Outstanding forward exchange contracts outstanding as of March 31, 2008:

	<b>Maturity Date</b>	<b>Contract Amount (in Thousands)</b>
Sell RMB/buy US\$	April 2008 to July 2008	RMB 369,259
Sell US\$/buy JPY	April 2008	US\$ 886

For the three months ended March 31, 2008, net losses arising from forward exchange contracts of TSMC Shanghai were NT\$2,151 thousand (including realized settlement gains of NT\$907 thousand and valuation losses of NT\$3,058 thousand).

XinTec entered into forward exchange contracts during the three months ended March 31, 2008 to manage exposures due to foreign exchange rate fluctuations. Outstanding forward exchange contract as of March 31, 2008:

	<b>Maturity Date</b>	<b>Contract Amount (in Thousands)</b>
Sell US\$/buy NT\$	April 2008	US \$5,000

For the three months ended March 31, 2008, net gains arising from forward exchange contracts of XinTec were NT\$12,727 thousand (including realized settlement gains of NT\$11,276 thousand and valuation gains of NT\$1,451 thousand).

## k. Information on investment in Mainland China

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

**TABLE 1**

**Taiwan Semiconductor Manufacturing Company Limited and Investees**  
**MARKETABLE SECURITIES HELD**  
**MARCH 31, 2008**  
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

		<b>March 31, 2008</b>			
		<b>Carrying</b>	<b>Percentage</b>	<b>Ass</b>	
<b>Marketable Securities</b>		<b>Shares/Units</b>	<b>Value</b>	<b>of</b>	<b>Value</b>
<b>Type and Name</b>	<b>Relationship with the Company</b>	<b>(in</b>	<b>(US\$ in</b>	<b>Ownership</b>	<b>(US\$</b>
		<b>Thousands)</b>	<b>Thousands)</b>	<b>(%)</b>	<b>Thousands)</b>
ny Open-end mutual funds					
Fuh Hwa Bond	Available-for-sale financial assets	132,997	\$ 1,809,322	N/A	\$ 1,809,322
NITC Bond Fund		10,449	1,753,671	N/A	1,753,671
ING Taiwan Bond Fund		85,581	1,315,559	N/A	1,315,559
NITC Taiwan Bond		89,078	1,280,609	N/A	1,280,609
President James Bond		77,128	1,213,913	N/A	1,213,913
Prudential Financial Bond Fund		69,864	1,041,330	N/A	1,041,330
JF Taiwan Bond Fund		59,049	918,978	N/A	918,978
ING Taiwan Income Fund		54,621	882,358	N/A	882,358
Taishin Lucky Fund		68,945	721,555	N/A	721,555
Cathay Bond Fund		60,126	706,650	N/A	706,650
Dresdner Bond DAM Fund		54,319	642,089	N/A	642,089
AIG Taiwan Bond Fund		39,028	507,080	N/A	507,080
JF First Bond Fund		35,324	506,251	N/A	506,251
HSBC Taiwan Money Management Fund		27,416	415,187	N/A	415,187
INVESCO Bond Fund		27,176	411,619	N/A	411,619
Corporate bond					
Hua Nan Bank	Available-for-sale financial assets		1,580,206	N/A	1,580,206
Cathay Bank			1,185,660	N/A	1,185,660
Taiwan Power Company			899,778	N/A	899,778
Formosa Petrochemical Corporation			399,589	N/A	399,589
			3,585,384	N/A	3,585,384

Formosa Plastic Corporation Taiwan Power Company Nan Ya Plastics Corporation CPC Corporation, Taiwan China Steel Corporation Formosa Petrochemical Corporation Shanghai Commercial & Saving Bank	Held-to-maturity financial assets	2,631,183	N/A	2,631,183
		1,804,129	N/A	1,797,000
		1,200,269	N/A	1,199,000
		1,000,000	N/A	988,000
		393,200	N/A	393,200
		294,290	N/A	294,290
Government bond 2006 Government Bond Series D 2006 Government Bond Series D 2003 Asian Development Bank Govt. Bond 2003 Government Bond Series F 2003 Government Bond Series H European Investment Bank Bonds	Available-for-sale financial assets Held-to-maturity financial assets	400,317	N/A	400,317
		3,650,463	N/A	3,652,000
		859,900	N/A	893,000
		799,488	N/A	800,000
		400,493	N/A	401,000
		381,340	N/A	400,000

				March 31, 2008				
				Carrying Value		Percentage of Asset Value		Market Value of Net
Marketable Securities				Shares/Units (in Thousands)	Value (US\$ in Thousands)	Ownership (%)	(US\$ in Thousands)	(US\$ in Thousands)
Type and Name	Relationship with the Company	Financial Statement Account						
Stocks								
TSMC Global	Subsidiary	Investment accounted for using equity method		1	41,971,629	100	41,971,629	41,971,629
TSMC International VIS	Subsidiary	Investee accounted for using equity method		987,968	27,063,207	100	27,063,207	27,063,207
SSMC	Investee accounted for using equity method			616,240	11,183,477	36	13,434,000	13,434,000
TSMC Partners	Subsidiary			463	8,352,727	39	7,432,800	7,432,800
				300	3,528,732	100	3,528,732	3,528,732

(Continued)





ocks SMC	Parent company	Available-for-sale financial assets	17,032	1,074,719	1,074,7
S	Investee accounted for using equity method	Investments accounted for using equity method	5,082	111,992	110,7
ocks SMC	Parent company	Available-for-sale financial assets	17,064	1,076,733	1,076,7
S	Investee accounted for using equity method	Investments accounted for using equity method	3,748	87,295	81,6
ocks veStar emiconductor evelopment Fund, c. (ISDF)	Subsidiary	Investments accounted for using equity method	8,721 US\$	33,117	97 US\$ 33,1
veStar emiconductor evelopment Fund, c. (II) LDC. (ISDF )	Subsidiary		43,048 US\$	49,250	97 US\$ 49,2
SMC Development, c. (TSMC evelopment)	Subsidiary		1 US\$	675,384	100 US\$ 675,3
SMC Technology	Subsidiary		1 US\$	8,000	100 US\$ 8,0
ocks aferTech	Subsidiary	Investments accounted for using equity method		US\$ 235,394	100 US\$ 235,3
ommon stock					

			March 31, 2008			
					Market Value of Net	
					Carrying Percentage	
by Marketable Securities			Shares/Units	Value	of Ownership	Asset Value
Type and Name	Relationship with the Company	Financial Statement Account	(in thousands)	(US\$ in thousands)	(%)	(US\$ in thousands)
VisEra Holding Company	Investee accounted for using equity method	Investments accounted for using equity method	43,000	US\$72,628	49	US\$72,628
TSMC Canada	Subsidiary		2,300	US\$ 2,749	100	US\$ 2,749

(Continued)

		March 31, 2008					
				Carrying Value		Market Value or	
Marketable Securities		Shares/Units	Value	Percentage of Ownership	Asset Value	Market Value	
Type and Name	Relationship with the Company	(in thousands)	(US\$ Thousands)	(%)	(US\$ Thousands)	(US\$ Thousands)	
Common stock							
Pixim, Inc.		1,036	US\$ 275		US\$ 275		
RichWave Technology Corp.		4,247	US\$ 1,648	12	US\$ 1,648		
Global Investment Holding Inc.		10,800	\$100,000	6	\$100,000		
Preferred stock							
Audience, Inc.		1,654	US\$ 250	1	US\$ 250		
Axiom Microdevices, Inc.		1,000	US\$ 1,000	1	US\$ 1,000		
Miradia, Inc.		3,040	US\$ 1,000	3	US\$ 1,000		
Mobilygen		1,415	US\$ 750	1	US\$ 750		
Mosaic Systems, Inc.		2,481	US\$ 12	6	US\$ 12		
Next IO, Inc.		800	US\$ 500	4	US\$ 500		
Optichron, Inc.		714	US\$ 1,000	3	US\$ 1,000		
Optimal Corporation			US\$ 229		US\$ 229		
Pixim, Inc.		3,606	US\$ 862	2	US\$ 862		
QST Holding, LLC			US\$ 131	3	US\$ 131		
Teknovus, Inc.		6,977	US\$ 1,327	2	US\$ 1,327		
Capital							
VentureTech Alliance Holdings, L.L.C. (VTA Holdings)	Subsidiary						9
Investments accounted for using equity method							
Common stock							
Yobon		1,875	US\$ 919	13	US\$ 919		
Sentelic		1,200	US\$ 2,040	15	US\$ 2,040		
Leadtrend		1,265	US\$ 660	5	US\$ 660		
RichWave Technology Corp.		1,043	US\$ 730	2	US\$ 730		
Preferred stock							
5V Technologies, Inc.		2,357	US\$ 1,768	11	US\$ 1,768		
Aquantia Corporation		2,108	US\$ 2,573	5	US\$ 2,573		
Audience, Inc.		5,335	US\$ 1,390	2	US\$ 1,390		
Axiom Microdevices, Inc.		5,044	US\$ 2,088	4	US\$ 2,088		
		650	US\$ 1,600	1	US\$ 1,600		

Beceem Communications					
GemFire Corporation	600	US\$	68	1	US\$
Impinj, Inc.	475	US\$	1,000		US\$ 1,0
Miradia, Inc.	3,416	US\$	3,106	5	US\$ 3,1
Mobilygen	569	US\$	149	1	US\$ 1
Next IO, Inc.	1,915	US\$	607	2	US\$ 6
Optichron, Inc.	1,050	US\$	1,844	4	US\$ 1,8
Pixim, Inc.	6,348	US\$	1,141	2	US\$ 1,1
Power Analog Microelectronics	3,324	US\$	2,409	14	US\$ 2,4
QST Holding, LLC		US\$	145	3	US\$ 1
Teknovus, Inc.	1,599	US\$	454		US\$ 4
Tzero Technologies, Inc.	1,167	US\$	2,007	2	US\$ 2,0
Xceive	714	US\$	1,000	2	US\$ 1,0



				March 31, 2008				
Held				Carrying	Percentage		Market	
Company	Marketable Securities	Relationship with	Financial Statement Account	Shares/Units	Value	of	Asset Value	
Name	Type and Name	the Company	(in	(in	(US\$ in	Ownership	(US\$ in	Not
			Thousands)	Thousands)	Thousands)	(%)	Thousands)	
	Auramicro, Inc.		Financial assets carried at cost	2,500	US\$ 750	17	US\$ 750	
	BridgeLux, Inc.			3,333	US\$ 5,000	3	US\$ 5,000	
	Exclara, Inc. (formerly Synpitech, Inc.)			14,513	US\$ 2,412	19	US\$ 2,412	
	GTBF, Inc.				US\$ 1,500	N/A	US\$ 1,500	
	M2000, Inc.			3,000	US\$ 3,000	5	US\$ 3,000	
	Neoconix, Inc.			2,458	US\$ 4,000	6	US\$ 4,000	
	Powervation, Ltd.			191	US\$ 2,930	19	US\$ 2,930	
	Quellan, Inc.			3,106	US\$ 3,500	6	US\$ 3,500	
	Silicon Technical Services, LLC			1,055	US\$ 1,208	2	US\$ 1,208	
	Tilera, Inc.			1,698	US\$ 2,360	3	US\$ 2,360	
	Validity Sensors, Inc.			6,424	US\$ 2,545	3	US\$ 2,545	
	Capital VTA Holdings	Subsidiary	Investments accounted for using equity method			81		
SDF	Common stock Monolithic Power Systems, Inc.		Financial assets at fair value through profit or loss	1,352	US\$23,833	4	US\$23,833	
	Memsic, Inc.		Available-for-sale financial assets	1,364	US\$ 8,195	6	US\$ 8,195	
	Capella Microsystems (Taiwan), Inc.		Financial assets carried at cost	530	US\$ 154	2	US\$ 154	
	Preferred stock Integrated Memory Logic, Inc.		Financial assets carried at cost	2,872	US\$ 1,221	9	US\$ 1,221	
	IP Unity, Inc.			1,008	US\$ 494	1	US\$ 494	
	NanoAmp Solutions, Inc.			541	US\$ 853	2	US\$ 853	
	Sonics, Inc.			1,843	US\$ 3,530	18	US\$ 3,530	
SDF II	Common stock Monolithic Power Systems, Inc.		Financial assets at fair value through profit or loss	864	US\$15,241	3	US\$15,241	

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Rich Tek Technology Corp.		96	US\$	763		US\$	763
Geo Vision, Inc.		6	US\$	45		US\$	45
Memsic, Inc.	Available-for-sale financial assets	1,145	US\$	6,879	5	US\$	6,879
Rich Tek Technology Corp.		261	US\$	2,081		US\$	2,081
Geo Vision, Inc.		3	US\$	21		US\$	21
eLCOS Microdisplay Technology, Ltd.	Financial assets carried at cost	270	US\$	14	1	US\$	14
EoNEX Technologies, Inc.		55	US\$	2,286	5	US\$	2,286
Sonics, Inc.		2,220	US\$	32	21	US\$	32
Epic Communication, Inc.		191	US\$	37	1	US\$	37
EON Technology, Corp.		3,074	US\$	851	4	US\$	851
Goyatek Technology, Corp.		2,088	US\$	545	7	US\$	545
Trendchip Technologies Corp.		1,000	US\$	574	3	US\$	574
Capella Microsystems (Taiwan), Inc.		534	US\$	210	2	US\$	210
Ralink Technology (Taiwan), Inc.		2,094	US\$	662	2	US\$	662
Auden Technology MFG. Co., Ltd.		1,049	US\$	223	3	US\$	223
Preferred stock Alchip Technologies Limited	Financial assets carried at cost	5,194	US\$	2,950	15	US\$	2,950

				<b>March 31, 2008</b>			
						<b>Market Value or Net</b>	
				<b>Carrying</b>		<b>Asset</b>	
<b>Held</b>	<b>Company</b>	<b>Marketable Securities</b>	<b>Relationship with</b>	<b>Shares/Units</b>	<b>Value</b>	<b>of</b>	<b>Value</b>
<b>Name</b>	<b>Type and Name</b>	<b>the Company</b>	<b>Financial Statement Account</b>	<b>(in thousands)</b>	<b>(US\$ in thousands)</b>	<b>Ownership (%)</b>	<b>(US\$ in thousands)</b>
	eLCOS Microdisplay Technology, Ltd.			3,500	US\$ 1,950	8	US\$ 1,950
	FangTek, Inc.			6,806	US\$ 3,250	15	US\$ 3,250
	Kilopass Technology, Inc.			3,887	US\$ 2,000	5	US\$ 2,000
	NanoAmp Solutions, Inc.			375	US\$ 1,500	1	US\$ 1,500
	Sonics, Inc.			2,115	US\$ 3,082	21	US\$ 3,082

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Fed Hm Ln Pc Pool 782837	US\$	480	N/A	US\$	480
Fed Hm Ln Pc Pool 782968	US\$	23	N/A	US\$	23
Fed Hm Ln Pc Pool 783022	US\$	521	N/A	US\$	521
Fed Hm Ln Pc Pool 783026	US\$	292	N/A	US\$	292
Fed Hm Ln Pc Pool B19205	US\$	6,731	N/A	US\$	6,731
Fed Hm Ln Pc Pool E01492	US\$	1,749	N/A	US\$	1,749
Fed Hm Ln Pc Pool E89857	US\$	1,294	N/A	US\$	1,294
Fed Hm Ln Pc Pool G11295	US\$	1,082	N/A	US\$	1,082
Fed Hm Ln Pc Pool M80855	US\$	2,903	N/A	US\$	2,903
Federal Home Ln Mtg Corp.	US\$	1,370	N/A	US\$	1,370
Federal Home Ln Mtg Corp.	US\$	1,426	N/A	US\$	1,426
Federal Home Ln Mtg Corp.	US\$	2,189	N/A	US\$	2,189
Federal Home Ln Mtg Corp.	US\$	2,486	N/A	US\$	2,486
Federal Home Ln Mtg Corp.	US\$	1,954	N/A	US\$	1,954
Federal Home Ln Mtg Corp.	US\$	3,526	N/A	US\$	3,526
Federal Home Ln Mtg Corp.	US\$	1,941	N/A	US\$	1,941
Federal Home Ln Mtg Corp.	US\$	3,058	N/A	US\$	3,058
Federal Home Ln Mtg Corp.	US\$	2,849	N/A	US\$	2,849
Federal National Mort Assoc	US\$	2,655	N/A	US\$	2,655
Federal Natl Mtg Assn	US\$	1,869	N/A	US\$	1,869
Federal Natl Mtg Assn	US\$	1,980	N/A	US\$	1,980

March 31, 2008

Market  
Value or  
Net

Held

Carrying Percentage

Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	Shares/Units (in Thousands)	Value (US\$ in Thousands)	Percentage of Ownership (%)	Asset Value (US\$ in Thousands)	Note
	Federal Natl Mtg Assn				US\$ 2,014	N/A	US\$ 2,014	
	Federal Natl Mtg Assn				US\$ 3,425	N/A	US\$ 3,425	
	Federal Natl Mtg Assn Gtd				US\$ 1,607	N/A	US\$ 1,607	
	Fnma Pool 255883				US\$ 3,094	N/A	US\$ 3,094	
	Fnma Pool 555549				US\$ 1,340	N/A	US\$ 1,340	
	Fnma Pool 555715				US\$ 168	N/A	US\$ 168	
	Fnma Pool 632399				US\$ 382	N/A	US\$ 382	
	Fnma Pool 662401				US\$ 533	N/A	US\$ 533	
	Fnma Pool 667766				US\$ 1,288	N/A	US\$ 1,288	
	Fnma Pool 680932				US\$ 1,050	N/A	US\$ 1,050	
	Fnma Pool 681393				US\$ 2,307	N/A	US\$ 2,307	

(Continued)

March 31, 2008

Market  
Value or  
Net

Held

Carrying  
Percentage

Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	Shares/Units (in Thousands)	Value (US\$ in Thousands)	Percentage of Ownership (%)	Asset Value (US\$ in Thousands)	Note
	Fnma Pool 685116		Available-for-sale financial assets		US\$ 546	N/A	US\$ 546	
	Fnma Pool 691283				US\$ 3,396	N/A	US\$ 3,396	
	Fnma Pool 694287				US\$ 20	N/A	US\$ 20	
	Fnma Pool 703711				US\$ 454	N/A	US\$ 454	
	Fnma Pool 725095				US\$ 1,002	N/A	US\$ 1,002	
	Fnma Pool 730033				US\$ 161	N/A	US\$ 161	
	Fnma Pool 740934				US\$ 1,078	N/A	US\$ 1,078	
	Fnma Pool 742232				US\$ 22	N/A	US\$ 22	
	Fnma Pool 750798				US\$ 22	N/A	US\$ 22	
	Fnma Pool 773246				US\$ 218	N/A	US\$ 218	
	Fnma Pool 790828				US\$ 1,951	N/A	US\$ 1,951	
	Fnma Pool 793932				US\$ 432	N/A	US\$ 432	
	Fnma Pool 794040				US\$ 605	N/A	US\$ 605	
	Fnma Pool 795548				US\$ 179	N/A	US\$ 179	
	Fnma Pool 799664				US\$ 88	N/A	US\$ 88	
	Fnma Pool 799868				US\$ 31	N/A	US\$ 31	
	Fnma Pool 804764				US\$ 381	N/A	US\$ 381	
	Fnma Pool 804852				US\$ 312	N/A	US\$ 312	
	Fnma Pool 804962				US\$ 370	N/A	US\$ 370	
	Fnma Pool 805163				US\$ 401	N/A	US\$ 401	
	Fnma Pool 806642				US\$ 594	N/A	US\$ 594	
	Fnma Pool 806721				US\$ 619	N/A	US\$ 619	
	Fnma Pool 814418				US\$ 340	N/A	US\$ 340	
	Fnma Pool 815626				US\$ 2,173	N/A	US\$ 2,173	
	Fnma Pool 819423				US\$ 522	N/A	US\$ 522	
	Fnma Pool 821129				US\$ 495	N/A	US\$ 495	
	Fnma Pool 888499				US\$ 2,100	N/A	US\$ 2,100	
	Fnma Pool 888502				US\$ 229	N/A	US\$ 229	
	Fnma Pool 888507				US\$ 881	N/A	US\$ 881	
	Fnma Pool 888515				US\$ 1,210	N/A	US\$ 1,210	
	Fnma Pool 888519				US\$ 118	N/A	US\$ 118	
	Fnma Pool 888527				US\$ 67	N/A	US\$ 67	
	Fnma Pool 888738				US\$ 4,656	N/A	US\$ 4,656	
	Fnma Pool 888793				US\$ 5,279	N/A	US\$ 5,279	
	Fnma Pool 900296				US\$ 3,130	N/A	US\$ 3,130	
	Gnma Ii Pool 081150				US\$ 432	N/A	US\$ 432	
	Gnma Ii Pool 081153				US\$ 1,322	N/A	US\$ 1,322	
	Gnma Pool 646061				US\$ 3,906	N/A	US\$ 3,906	
	Fed Home Ln Bank				US\$ 5,307	N/A	US\$ 5,307	

Federal Farm Cr Bks  
Federal Home Ln Bks

US\$ 3,602 N/A US\$ 3,602  
US\$17,652 N/A US\$17,652

March 31, 2008

Market  
Value or  
Net

Held

Carrying Percentage

Company	Marketable Securities	Relationship with	Financial Statement Account	Shares/Units (in Thousands)	Value (US\$ in Thousands)	Percentage of Ownership (%)	Asset Value (US\$ in Thousands)	Note
	Federal Home Ln Bks				US\$ 5,289	N/A	US\$ 5,289	
	Federal Home Ln Bks				US\$ 12,628	N/A	US\$ 12,628	
	Federal Home Ln Mtg				US\$ 5,228	N/A	US\$ 5,228	
	Federal Home Ln Mtg Corp.				US\$ 7,627	N/A	US\$ 7,627	
	Federal Home Ln Mtg Disc Nts				US\$ 17,646	N/A	US\$ 17,646	
	Federal Home Loan Bank				US\$ 4,720	N/A	US\$ 4,720	
	Federal Home Loan Banks				US\$ 17,714	N/A	US\$ 17,714	
	Federal Natl Mtg Assn				US\$ 10,468	N/A	US\$ 10,468	
	Federal Natl Mtg Assn				US\$ 2,660	N/A	US\$ 2,660	
	Federal Natl Mtg Assn				US\$ 4,102	N/A	US\$ 4,102	
	Federal Natl Mtg Assn Mtn				US\$ 3,107	N/A	US\$ 3,107	
	Tennessee Valley Auth				US\$ 6,114	N/A	US\$ 6,114	

(Continued)

				March 31, 2008			
				Market Value or Net			
				Carrying Percentage			
				Shares/Units of Asset Value			
				(in US\$ in Ownership (US\$ in			
				Thousands) (%) Thousands)			
Company Name	Marketable Securities	Relationship with the Company	Financial Statement Account	Thousands	Thousands	(%)	Thousands
Type and Name							
	Corporate bonds						
	Abbott Labs		Available-for-sale financial assets	US\$ 2,005	N/A		US\$ 2,005
	Abbott Labs			US\$ 1,519	N/A		US\$ 1,519
	American Gen Fin Corp.			US\$ 3,162	N/A		US\$ 3,162
	American Gen Fin Corp. Mtn			US\$ 3,498	N/A		US\$ 3,498
	American Gen Fin Corp. Mtn			US\$ 1,998	N/A		US\$ 1,998
	American Honda Fin Corp. Mtn			US\$ 3,136	N/A		US\$ 3,136
	Ameritech Capital Funding Co.			US\$ 494	N/A		US\$ 494
	Amgen Inc.			US\$ 3,017	N/A		US\$ 3,017
	Anz Cap Tr I			US\$ 988	N/A		US\$ 988
	Atlantic Richfield Co.			US\$ 2,252	N/A		US\$ 2,252
	Axa Finl Inc.			US\$ 2,193	N/A		US\$ 2,193
	Beneficial Corp. Mtn						
	Bk Entry			US\$ 2,279	N/A		US\$ 2,279
	Bp Cap Mkts P L C			US\$ 2,833	N/A		US\$ 2,833
	Burlington Res Inc.			US\$ 3,723	N/A		US\$ 3,723
	Chase Manhattan Corp. New			US\$ 1,529	N/A		US\$ 1,529
	Chase Manhattan Corp. New			US\$ 2,108	N/A		US\$ 2,108
	Chase Manhattan Corp. New			US\$ 3,514	N/A		US\$ 3,514
	Consolidated Edison Inc.			US\$ 3,011	N/A		US\$ 3,011
	Credit Suisse First Boston USA			US\$ 2,261	N/A		US\$ 2,261
	Deere John Cap Corp. Mtn Bk Ent			US\$ 2,269	N/A		US\$ 2,269
	Depfa Acs Bank			US\$ 17,809	N/A		US\$ 17,809
	European Invt Bk			US\$ 10,842	N/A		US\$ 10,842
	Fleet Boston Corp.			US\$ 2,626	N/A		US\$ 2,626
	Ge Global Ins Hldg Corp.			US\$ 1,944	N/A		US\$ 1,944

General Dynamics Corp.	US\$ 2,182	N/A	US\$ 2,182
General Elec Cap Corp. Mtn	US\$ 4,050	N/A	US\$ 4,050
General Elec Cap Corp. Mtn	US\$ 3,102	N/A	US\$ 3,102
General Elec Cap Corp. Mtn	US\$ 2,149	N/A	US\$ 2,149
General Re Corp.	US\$ 3,280	N/A	US\$ 3,280
Genworth Finl Inc.	US\$ 3,281	N/A	US\$ 3,281
Hancock John Global Fdg II Mtn	US\$ 5,228	N/A	US\$ 5,228
Hancock John Global Fdg Mtn	US\$ 1,005	N/A	US\$ 1,005
Hartford Finl Svcs Group Inc.	US\$ 1,341	N/A	US\$ 1,341
Heller Finl Inc.	US\$ 1,979	N/A	US\$ 1,979
Hewlett Packard Co.	US\$ 1,936	N/A	US\$ 1,936
Household Fin Corp.	US\$ 2,975	N/A	US\$ 2,975
Household Fin Corp.	US\$ 3,123	N/A	US\$ 3,123
Ing Sec Life Instl Fdg	US\$ 2,572	N/A	US\$ 2,572
International Business Machs	US\$ 3,637	N/A	US\$ 3,637
Intl Lease Fin Corp. Mtn	US\$ 2,989	N/A	US\$ 2,989
JP Morgan Chase	US\$ 2,034	N/A	US\$ 2,034



				March 31, 2008			
				Market Value or Net			
				Carrying Percentage Asset			
				Shares/Units Value of Value			
				(in US\$ in Ownership US\$ in			
				Thousands) (%) Thousands)			
Company Name	Marketable Securities	Type and Name	Relationship with the Company	Financial Statement Account	Thousands	Thousands	Thousands
		Keycorp Mtn Book Entry			US\$3,081	N/A	US\$3,081
		Lehman Brothers Hldgs Inc.			US\$2,005	N/A	US\$2,005
		Lehman Brothers Hldgs Inc.			US\$ 948	N/A	US\$ 948
		Lehman Brothers Hldgs Inc.			US\$ 631	N/A	US\$ 631
		Massmutual Global Fdg II Mtn			US\$3,851	N/A	US\$3,851
		Metropolitan Life Global Mtn			US\$3,399	N/A	US\$3,399
		Mgic Invt Corp.			US\$ 932	N/A	US\$ 932
		Mizuho Fin (Cayman)			US\$2,103	N/A	US\$2,103
		Monumental Global Fdg II			US\$1,517	N/A	US\$1,517
		Monunmetal Global Fdg II			US\$2,029	N/A	US\$2,029
		Mony Group Inc.			US\$2,179	N/A	US\$2,179
		Morgan Stanley			US\$1,579	N/A	US\$1,579

(Continued)

			March 31, 2008			
			Market Value or Net			
			Carrying Percentage Asset			
			Shares/Units Value of Value			
			(in (US\$ in Ownership)(US\$ in			
			Thousands) (%) Thousands)			
Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	Thousands	Thousands	Thousands
	Morgan Stanley		Available-for-sale financial assets	US\$3,382	N/A	US\$3,382
	National City Corp.			US\$3,500	N/A	US\$3,500
	Nationwide Life Global Fdg I			US\$3,690	N/A	US\$3,690
	Oracle Corp./Ozark Hldg Inc.			US\$2,053	N/A	US\$2,053
	Premark Intl Inc.			US\$2,694	N/A	US\$2,694
	Pricoa Global Fdg I Mtn			US\$3,512	N/A	US\$3,512
	Principal Finl Group Australia			US\$1,009	N/A	US\$1,009
	Protective Life Secd Trs Mtn			US\$3,510	N/A	US\$3,510
	Sbc Communications Inc.			US\$3,417	N/A	US\$3,417
	Sbc Communications Inc.			US\$ 720	N/A	US\$ 720
	Simon Ppty Group L P			US\$2,484	N/A	US\$2,484
	Simon Ppty Group Lp			US\$ 991	N/A	US\$ 991
	Sp Powerassests Ltd. Global			US\$1,003	N/A	US\$1,003
	Suntrust Bk Atlanta Ga Medium			US\$3,504	N/A	US\$3,504
	Unitedhealth Group Inc.			US\$1,420	N/A	US\$1,420
	Wachovia Corp. New			US\$3,207	N/A	US\$3,207
	Washington Post Co.			US\$3,051	N/A	US\$3,051
	Wells Fargo + Co. New Med Trm			US\$4,503	N/A	US\$4,503
	Corporate issued asset-backed securities					
	Atlantic City Elc Trns Fdgllc		Available-for-sale financial assets	US\$ 96	N/A	US\$ 96
	Banc Amer Coml Mtg Inc.			US\$5,592	N/A	US\$5,592
	Banc Amer Fdg 2006 I Tr			US\$3,656	N/A	US\$3,656

Bear Stearns Adjustable Rate	US\$ 91	N/A	US\$ 91
Bear Stearns Arm Tr	US\$2,972	N/A	US\$2,972
Bear Stearns Arm Tr	US\$1,831	N/A	US\$1,831
Bear Stearns Arm Tr	US\$ 234	N/A	US\$ 234
Bear Stearns Coml Mtg Secs Inc.	US\$2,164	N/A	US\$2,164
Bear Stearns Coml Mtg Secs Inc.	US\$4,948	N/A	US\$4,948
Capital One Multi Asset Exec	US\$9,155	N/A	US\$9,155
Capital One Multi Asset Execut	US\$4,000	N/A	US\$4,000
Capital One Multi Asset Execut	US\$3,008	N/A	US\$3,008
Capital One Prime Auto Receiva	US\$3,542	N/A	US\$3,542
Capital One Prime Auto Receiv	US\$ 65	N/A	US\$ 65
Cbass Tr	US\$1,358	N/A	US\$1,358
Chase Mtg Fin Tr	US\$ 869	N/A	US\$ 869
Chase Mtg Fin Tr	US\$1,687	N/A	US\$1,687
Chase Mtg Fin Tr	US\$2,523	N/A	US\$2,523
Chase Mtge Finance Corp.	US\$1,567	N/A	US\$1,567
Cit Equip Coll Tr	US\$4,071	N/A	US\$4,071
Citicorp Mtg Secs	US\$ 231	N/A	US\$ 231
Credit Suisse First Boston Mtg	US\$1,322	N/A	US\$1,322

				March 31, 2008		
				Market Value or Net		
				Carrying Percentage Asset		
				Shares/Units Value of Value		
				(in US\$ in Ownership US\$ in		
				Thousands) (%) Thousands)		
Company Name	Marketable Securities	Relationship with the Company	Financial Statement Account	Thousands	Thousands	Thousands
	Credit Suisse First Boston Mtg			US\$5,051	N/A	US\$5,051
	Credit Suisse First Boston Mtg			US\$5,895	N/A	US\$5,895
	Daimlerchrysler Auto Tr			US\$4,393	N/A	US\$4,393
	Daimlerchrysler Auto Tr			US\$1,709	N/A	US\$1,709
	Deere John Owner Tr			US\$2,519	N/A	US\$2,519
	First Franklin Mtg Ln Tr			US\$1,406	N/A	US\$1,406
	First Horizon			US\$ 43	N/A	US\$ 43
	First Un Natl Bk Coml Mtg Tr			US\$2,498	N/A	US\$2,498
	First Un Natl Bk Coml Mtg Tr			US\$5,097	N/A	US\$5,097
	First Un Natl Bk Coml Mtg Tr			US\$2,159	N/A	US\$2,159
	Ford Cr Auto Owner Tr			US\$2,512	N/A	US\$2,512
	Gs Mtg Secs Corp.			US\$1,481	N/A	US\$1,481
	Home Equity Mortgage Trust			US\$1,798	N/A	US\$1,798

(Continued)

							March 31, 2008			
								Market Value or Net		
								Carrying Percentage		
Company Marketable Securities								of Asset Value		
Name	Type and Name	Relationship with the Company	Financial Statement Account	Shares/Units	Value (in US\$ in Thousands)	Ownership (%)	Value (in US\$ in Thousands)			
	Home Equity Mtg Tr 2006 4		Available-for-sale financial assets		US\$ 810	N/A	US\$ 810			
	Hyundai Auto Receivables Tr				US\$ 1,221	N/A	US\$ 1,221			
	JP Morgan Mtg Tr				US\$ 857	N/A	US\$ 857			
	JP Morgan Mtg Tr				US\$ 886	N/A	US\$ 886			
	JP Morgan Mtg Tr				US\$ 834	N/A	US\$ 834			
	Lb Ubs Coml Mtg Tr				US\$ 3,821	N/A	US\$ 3,821			
	Nomura Asset Accep Corp.				US\$ 1,656	N/A	US\$ 1,656			
	Residential Asset Mtg Prods				US\$ 2,129	N/A	US\$ 2,129			
	Residential Fdg Mtg Secs I Inc.				US\$ 1,477	N/A	US\$ 1,477			
	Residential Fdg Mtg Secs I Inc.				US\$ 3,294	N/A	US\$ 3,294			
	Sequoia Mtg Tr				US\$ 230	N/A	US\$ 230			
	Sequoia Mtg Tr				US\$ 310	N/A	US\$ 310			
	Sequoia Mtg Tr				US\$ 425	N/A	US\$ 425			
	Terwin Mtg Tr				US\$ 1,454	N/A	US\$ 1,454			
	Tiaa Seasoned Coml Mtg Tr				US\$ 3,912	N/A	US\$ 3,912			
	Usaa Auto Owner Tr				US\$ 5,059	N/A	US\$ 5,059			
	Wamu Mtg				US\$ 3,154	N/A	US\$ 3,154			
	Wamu Mtg Pass Through Cdfs				US\$ 162	N/A	US\$ 162			
	Wamu Mtg Pass Through Cdfs				US\$ 2,295	N/A	US\$ 2,295			
	Washington Mut Mtg Secs Corp.				US\$ 2,203	N/A	US\$ 2,203			
	Wells Fargo Finl Auto Owner Tr				US\$ 5,015	N/A	US\$ 5,015			
	Wells Fargo Mtg Backed Secs				US\$ 3,698	N/A	US\$ 3,698			
	Wells Fargo Mtg Backed Secs				US\$ 3,790	N/A	US\$ 3,790			
	Wells Fargo Mtg Backed Secs				US\$ 3,701	N/A	US\$ 3,701			
					US\$ 2,887	N/A	US\$ 2,887			

Wells Fargo Mtg Bkd Secs				
Wells Fargo Mtg Bkd Secs			US\$ 1,394	N/A US\$ 1,394
Whole Auto Ln Tr			US\$ 1,272	N/A US\$ 1,272
Government bonds				
United States Treas Nts	Available-for-sale financial assets		US\$ 6,082	N/A US\$ 6,082
United States Treas Nts			US\$48,271	N/A US\$48,271
United States Treas Nts			US\$ 5,225	N/A US\$ 5,225
United States Treas Nts			US\$ 3,955	N/A US\$ 3,955
United States Treas Nts			US\$ 5,757	N/A US\$ 5,757
United States Treas Nts			US\$ 4,234	N/A US\$ 4,234
United States Treas Nts			US\$11,159	N/A US\$11,159
United States Treas Nts			US\$ 5,330	N/A US\$ 5,330
United States Treas Nts			US\$10,715	N/A US\$10,715
United States Treas Nts			US\$ 3,453	N/A US\$ 3,453
United States Treas Nts			US\$12,288	N/A US\$12,288

(Concluded)

**TABLE 2**

**Taiwan Semiconductor Manufacturing Company Limited**  
**MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST**  
**NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2008**  
**(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

Financial Statement Account	Counter-party Relationship	Nature of Shares/Units (in Thousands)	Beginning Balance		Acquisition		Disposal (Note 2)	
			Amount (US\$ in Thousands)	Shares/Units (in Thousands) (Note 1)	Amount (US\$ in Thousands)	Shares/Units (In Thousands)	Amount (US\$ in Thousands)	Carrying Value (US\$ in Thousands)
Available-for-sale financial assets	National Investment Trust Co., Ltd.		12,239	\$2,045,935	\$	1,790	\$ 300,000	\$ 291,010
	National Investment Trust Co., Ltd.		103,016	1,474,856		13,938	200,000	195,160
	Prudential Financial Securities Investment Trust Enterprise		83,306	1,236,728		13,442	200,000	194,340
	AIG Global Asset management Corporation (Taiwan) Ltd.		54,469	705,033		15,441	200,000	198,430
Available-for-sale financial assets	Chung Shing Bills Finance Corp. and several financial institutions			2,349,163			2,350,000	2,350,000
				1,197,121			1,203,435	1,201,660
				200,065			201,301	200,840
Held-to-maturity financial assets				1,647,947			1,648,000	1,648,000

Investee accounted for using equity method	Subsidiary	906,536	204,884		
Available-for-sale financial assets		US\$ 592,180	US\$ 198,872	US\$ 331,893	US\$ 331,893
Available-for-sale financial assets			US\$ 4,352		
		US\$ 8,977		US\$ 9,002	US\$ 8,711
		US\$ 8,939		US\$ 9,003	US\$ 8,731
		US\$ 4,965		US\$ 5,003	US\$ 4,851
		US\$ 4,980		US\$ 4,999	US\$ 4,881
			US\$ 12,464		
			US\$ 5,186		
			US\$ 7,572		
		US\$ 22,342		US\$ 5,018	US\$ 4,911
		US\$ 21,500		US\$ 4,111	US\$ 4,061
			US\$ 10,291		
			US\$ 4,151		
		US\$ 2,982		US\$ 3,006	US\$ 2,901
		US\$ 3,171		US\$ 3,201	US\$ 3,091

(Continued)



Marketable Securities and Name	Financial Statement Account	Counter-party Relationship	Nature of Shares/Units (in thousands)	Beginning Balance	Acquisition	Disposal (Note 2)		Carrying Value (US\$ in Thousands)	Gain or Loss on Disposal (US\$ in Thousands)
				Amount (US\$ in thousands)	Shares/Units (in thousands) 1)	Amount (US\$ in thousands)	Shares/Units (in thousands)		
Government bonds	Available-for-sale financial assets			US\$20,402	US\$	US\$ 3,074	US\$ 2,998	US\$	
US Bank					US\$10,576				
Government bonds	Available-for-sale financial assets				US\$17,813	US\$11,827	US\$11,803	US\$	
Government Treas Nts				US\$25,924		US\$26,091	US\$25,941	US\$	
Government Treas Nts					US\$33,779	US\$34,000	US\$33,779	US\$2	
Government Treas Nts					US\$ 3,958				
Government Treas Nts				US\$42,509		US\$42,867	US\$41,870	US\$9	
Government Treas Nts					US\$ 4,200				
Government Treas Nts					US\$11,167				
Government Treas Nts					US\$10,525				
Government Treas Nts				US\$ 7,758		US\$ 7,855	US\$ 7,743	US\$1	
Government Treas Nts				US\$ 9,735		US\$ 9,757	US\$ 9,479	US\$2	
Government Treas Nts					US\$12,259				
Government Treas Nts					US\$60,564	US\$12,309	US\$12,294	US\$	
Government Treasury Sec				US\$ 6,500		US\$ 6,594	US\$ 6,407	US\$1	

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

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

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

(Concluded)

**TABLE 3**

**Taiwan Semiconductor Manufacturing Company Limited  
 ACQUISITION OF INDIVIDUAL REAL ESTATE PROPERTIES AT COSTS OF AT LEAST NT\$100  
 MILLION OR 20% OF THE PAID-IN CAPITAL  
 FOR THE THREE MONTHS ENDED MARCH 31, 2008  
 (Amounts in Thousands of New Taiwan Dollars)**

Types of Property	Transaction Date	Transaction		Counter-party	Nature of Relationship	Prior Transaction of Related Counter-party Transfer				Price Reference
		Amount	Payment Term			Date	Amount			
Fab	January 16, 2008 to January 19, 2008	\$4,045,220	By the construction progress	Tasa Construction Corporation, Fu Tsu Construction, and China Steel Structure Co., Ltd.		N/A	N/A	N/A	N/A	Public bidding

**TABLE 4**

**Taiwan Semiconductor Manufacturing Company Limited and Investees**  
**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST NT\$100 MILLION OR**  
**20% OF THE PAID-IN CAPITAL**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2008**  
**(Amounts in Thousands of New Taiwan Dollars)**

Related Party	Nature of Relationships	Purchases/ Sales	Amount	Transaction Details		Notes/ Abnormal Transaction Pa Payment or Re Unit PrTerms Endi (Note) Balan
				% to Total	Payment Terms	
TSMC North America GUC	Subsidiary Investee with a controlling financial interest	Sales Sales	\$54,293,942 289,452	63	Net 30 days after invoice date Net 30 days after monthly closing	\$24,508 178
WaferTech SSMC	Indirect subsidiary Investee accounted for using equity method	Purchases Purchases	2,378,352 1,358,468	21 12	Net 30 days after monthly closing Net 30 days after monthly closing	(602 (465
TSMC Shanghai VIS	Subsidiary Investee accounted for using equity method	Purchases Purchases	1,220,202 793,272	11 7	Net 30 days after monthly closing Net 30 days after monthly closing	(304 (476
TSMC North America	Same parent company	Purchases	537,761	50	Net 30 days after invoice date/net 45 days after monthly closing	(261
OmniVision	Parent company of director (represented for XinTec)	Sales	540,745	79	Net 30 days after shipping	183

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 Investees**  
**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20%**  
**OF THE PAID-IN CAPITAL**  
**MARCH 31, 2008**  
**(Amounts in Thousands of New Taiwan Dollars)**

<b>Related Party</b>	<b>Nature of Relationships</b>	<b>Ending Balance</b>	<b>Turnover Days (Note 1)</b>	<b>Amounts</b>	<b>Overdue Action Taken</b>
TSMC North America	Subsidiary	\$24,553,018	43	\$8,153,441	
TSMC Shanghai	Subsidiary	1,942,566	(Note 2)		
GUC	Investee with a controlling financial interest	178,766	40		
VIS	Investee accounted for using equity method	108,629	(Note 2)	19,954	Accelerate demand on account receivable
OmniVision	Parent company of director (represented for XinTec)	183,301	52	74,615	

Note 1: The calculation of turnover days excludes other receivables from related parties.

Note 2: The ending balance primarily consisted of other receivables, which is not applicable for the calculation of turnover days.

**TABLE 6**

**Taiwan Semiconductor Manufacturing Company Limited**  
**NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEES OVER WHICH THE**  
**COMPANY EXERCISES SIGNIFICANT INFLUENCE**  
**MARCH 31, 2008**  
**(Amounts in Thousands of New Taiwan Dollars)**

Location	Main Businesses and Products	Balance as of March 31, 2008					
		Original Investment Amount March 31, 2008	December 31, 2007	Shares (in Thousands)	Percentage of Ownership	Carrying Value (Note 1)	Net Income (Losses the Investee)
Tortola, British Virgin Islands	Investment activities	\$42,327,245	\$42,327,245	1	100	\$41,971,625	\$ 568
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	27,063,207	1,459
Hsin-Chu, Taiwan	Research, design, development, manufacture, packaging, testing and sale of memory integrated circuits, LSI, VLSI and related parts	13,047,681	13,047,681	616,240	36	11,183,477	766
Singapore	Fabrication and supply of integrated circuits	8,840,895	8,840,895	463	39	8,352,727	1,096
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	7,895,259	(571)
Tortola, British Virgin Islands	Investment activities	10,350	10,350	300	100	3,528,732	(1,068)
San Jose, California, U.S.A.	Sales and marketing of integrated circuits and semiconductor devices	333,718	333,718	11,000	100	2,184,900	73
Taoyuan, Taiwan	Wafer level chip size packaging service	1,357,890	1,357,890	91,703	43	1,483,429	(27)
Cayman Islands	Investing in new start-up technology companies	1,095,622	1,095,622		98	1,039,699	(61)
Cayman Islands	Investing in new start-up technology companies	1,178,343	973,459		98	1,037,387	(11)

Hsin-Chu, Taiwan	Researching, developing, manufacturing, testing and marketing of integrated circuits	386,568	386,568	42,572	37	891,488	187
Cayman Islands	Investing in new start-up technology companies	976,449	1,019,042		99	390,518	(6)
Taipei, Taiwan	Investment activities	300,000	300,000		36	175,689	2
Taipei, Taiwan	Investment activities	300,000	300,000		36	173,084	2
Yokohama, Japan	Marketing activities	83,760	83,760	6	100	112,111	
Amsterdam, the Netherlands	Marketing activities	15,749	15,749		100	97,152	7
Seoul, Korea	Marketing activities	13,656	13,656	80	100	15,533	1

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

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

**TABLE 7**

**Taiwan Semiconductor Manufacturing Company Limited**  
**INFORMATION OF INVESTMENT IN MAINLAND CHINA**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2008**

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

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital (RMB Thousand)	Method of Investment (Note 2)	Accumulated Outflow of Investment from Taiwan	Accumulated Outflow of Investment from Taiwan	Equity in the Earnings (Losses) Percentage of Ownership (Note 2)	Accumulated Carrying Inward Value as of March 31, 2008	Remittance of Earnings as of March 31, 2008
				as of January 1, 2008 (US\$ Thousand)	as of March 31, 2008 (US\$ Thousand)			
TSMC Shanghai	Manufacturing and sales of integrated circuits at the order of and pursuant to product design specifications provided by customers	\$12,180,367 (RMB3,070,623)	(Note 1)	\$12,180,367 (US\$371,000)	\$12,180,367 (US\$371,000)	70%	\$ (529,639)	\$ 7,895,259
<b>Accumulated Investment in Mainland China as of March 31, 2008</b> <b>(US\$ in Thousand)</b>		\$12,180,367 (US\$371,000)		\$12,180,367 (US\$371,000)			\$12,180,367 (US\$371,000)	
				<b>Investment Amounts Authorized by Investment Commission, MOEA</b> <b>(US\$ in Thousand)</b>			<b>Upper Limit on Investment</b> <b>(US\$ in Thousand)</b>	
				\$12,180,367 (US\$371,000)			\$12,180,367 (US\$371,000)	

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



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

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**Taiwan Semiconductor Manufacturing  
Company Limited and Subsidiaries  
Consolidated Financial Statements for the  
Three Months Ended March 31, 2008 and 2007 and  
Independent Accountants Review Report**

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**INDEPENDENT ACCOUNTANTS REVIEW REPORT**

The Board of Directors and Shareholders

Taiwan Semiconductor Manufacturing Company Limited

We have reviewed the accompanying consolidated balance sheets of Taiwan Semiconductor Manufacturing Company Limited and subsidiaries as of March 31, 2008 and 2007, and the related consolidated statements of income and cash flows for the three months then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these consolidated financial statements based on our reviews. We conducted our reviews in accordance with Statement on Auditing Standards No. 36, Review of Financial Statements issued by the Auditing Standards Committee of the Accounting Research and Development Foundation of the Republic of China. A review consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the Republic of China, the objective of which is the expression of an opinion regarding the consolidated financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the consolidated financial statements referred to above for them to be 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.

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As discussed in Note 3 to the consolidated financial statements, effective January 1, 2008, Taiwan Semiconductor Manufacturing Company Limited and subsidiaries adopted Interpretation 2007-052, Accounting for Bonuses to Employees, Directors and Supervisors issued by the Accounting Research and Development Foundation of the Republic of China and relevant requirements promulgated by the Financial Supervisory Commission of the Executive Yuan.

April 9, 2008

Notice to Readers

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

*For the convenience of readers, the accountants' review report and the accompanying 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 accountants' review report and consolidated financial statements shall prevail.*

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**Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries**  
**CONSOLIDATED BALANCE SHEETS**  
**MARCH 31, 2008 AND 2007**  
(In Thousands of New Taiwan Dollars, Except Par Value)  
(Reviewed, Not Audited)

	<b>2008</b>		<b>2007</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)	\$ 144,277,026	24	\$ 140,273,779	23
Financial assets at fair value through profit or loss (Notes 2 and 5)	1,375,693		1,364,325	
Available-for-sale financial assets (Notes 2 and 6)	54,681,566	9	69,208,468	11
Held-to-maturity financial assets (Notes 2 and 7)	9,976,745	2	6,523,668	1
Receivables from related parties (Note 26)	7,790		362,547	
Notes and accounts receivable	43,211,493	7	36,118,110	6
Allowance for doubtful receivables (Notes 2 and 8)	(702,051)		(765,771)	
Allowance for sales returns and others (Notes 2 and 8)	(4,566,637)	(1)	(2,620,585)	
Other receivables from related parties (Note 26)	215,645		279,095	
Other financial assets (Note 27)	1,453,071		1,559,876	
Inventories, net (Notes 2 and 9)	21,889,637	4	22,259,440	4
Deferred income tax assets, net (Notes 2 and 19)	8,479,964	1	9,757,688	2
Prepaid expenses and other current assets	1,155,394		1,758,325	
<b>Total current assets</b>	<b>281,455,336</b>	<b>46</b>	<b>286,078,965</b>	<b>47</b>
<b>LONG-TERM INVESTMENTS (Notes 2, 6, 7, 10 and 11)</b>				
Investments accounted for using equity method	21,943,759	4	15,496,239	3
Available-for-sale financial assets	2,502		6,469,097	1
Held-to-maturity financial assets	8,023,394	1	26,697,128	4
Financial assets carried at cost	3,723,589	1	3,522,123	1
<b>Total long-term investments</b>	<b>33,693,244</b>	<b>6</b>	<b>52,184,587</b>	<b>9</b>
<b>PROPERTY, PLANT AND EQUIPMENT (Notes 2, 12 and 27)</b>				
<b>Cost</b>				
Land and land improvements	889,387		958,936	
Buildings	119,234,824	20	114,830,032	19
Machinery and equipment	653,821,179	109	594,021,892	97

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Office equipment	11,802,450	2	11,365,507	2
Leased assets	649,941		628,506	
	786,397,781	131	721,804,873	118
Accumulated depreciation	(555,853,934)	(93)	(483,833,741)	(79)
Advance payments and construction in progress	31,065,812	5	12,376,666	2
Net property, plant and equipment	261,609,659	43	250,347,798	41
<b>INTANGIBLE ASSETS</b>				
Goodwill (Note 2)	5,709,938	1	6,054,157	1
Deferred charges, net (Notes 2 and 13)	7,467,978	2	6,322,686	1
Total intangible assets	13,177,916	3	12,376,843	2
<b>OTHER ASSETS</b>				
Deferred income tax assets, net (Notes 2 and 19)	3,970,320	1	5,040,262	1
Refundable deposits	2,790,102	1	2,613,316	
Others (Note 2)	346,268		128,866	
Total other assets	7,106,690	2	7,782,444	1
<b>TOTAL</b>	<b>\$ 597,042,845</b>	<b>100</b>	<b>\$ 608,770,637</b>	<b>100</b>

	<b>2008</b>		<b>2007</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
<b>LIABILITIES AND SHAREHOLDERS EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term bank loans (Note 14)	\$		\$ 79,220	
Financial liabilities at fair value through profit or loss (Notes 2 and 5)	244,283		133,808	
Accounts payable	9,381,919	2	8,972,363	1
Payables to related parties (Note 26)	956,105		1,156,273	
Income tax payable (Notes 2 and 19)	13,947,003	2	10,017,889	2
Accrued bonuses to employees, directors and supervisors (Notes 3 and 21)	4,371,892	1		
Accrued expenses and other current liabilities (Notes 17 and 29)	12,599,255	2	10,949,947	2
Payables to contractors and equipment suppliers	12,256,151	2	9,093,878	1
Current portion of bonds payable and long-term bank loans (Notes 15, 16 and 27)	8,279,587	1	4,714,060	1

Total current liabilities	62,036,195	10	45,117,438	7
<b>LONG-TERM LIABILITIES</b>				
Bonds payable (Note 15)	4,500,000	1	12,500,000	2
Long-term bank loans (Notes 16 and 27)	1,736,617		1,328,238	
Other long-term payables (Notes 17 and 29)	9,055,790	2	9,243,274	2
Obligations under capital leases (Note 2)	649,941		628,506	
Total long-term liabilities	15,942,348	3	23,700,018	4
<b>OTHER LIABILITIES</b>				
Accrued pension cost (Notes 2 and 18)	3,673,505	1	3,555,621	1
Guarantee deposits (Note 29)	1,871,897		3,429,267	1
Deferred credits (Notes 2 and 26)	510,540		1,160,248	
Others	38,072		69,660	
Total other liabilities	6,094,014	1	8,214,796	2
Total liabilities	84,072,557	14	77,032,252	13
<b>EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT</b>				
Capital stock \$10 par value				
Authorized: 28,050,000 thousand shares in 2008				
27,050,000 thousand shares in 2007				
Issued: 25,629,242 thousand shares in 2008				
25,832,959 thousand shares in 2007	256,292,416	43	258,329,592	43
Capital surplus (Notes 2 and 21)	51,696,165	9	54,231,465	9
Retained earnings (Note 21)				
Appropriated as legal capital reserve	56,406,684	10	43,705,711	7
Appropriated as special capital reserve	629,550		640,742	
Unappropriated earnings	151,596,813	25	171,616,718	28
	208,633,047	35	215,963,171	35
Others (Notes 2, 23 and 25)				
Cumulative translation adjustments	(6,810,720)	(1)	299,332	
Unrealized gains on financial instruments	400,861		720,134	
Treasury stock: 34,096 thousand shares in 2008				
33,926 thousand shares in 2007	(918,075)		(918,075)	
	(7,327,934)	(1)	101,391	

Equity attributable to shareholders of the parent	509,293,694	86	528,625,619	87
MINORITY INTERESTS (Note 2)	3,676,594		3,112,766	
Total shareholders equity	512,970,288	86	531,738,385	87
TOTAL	\$ 597,042,845	100	\$ 608,770,637	100

The accompanying notes are an integral part of the consolidated financial statements.  
 (With Deloitte & Touche review report dated April 9, 2008)

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**Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries**  
**CONSOLIDATED STATEMENTS OF INCOME**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2008 AND 2007**  
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)  
(Reviewed, Not Audited)

	2008		2007	
	Amount	%	Amount	%
GROSS SALES (Notes 2 and 26)	\$ 89,408,089		\$ 65,643,011	
SALES RETURNS AND ALLOWANCES (Note 2 and 8)	1,928,123		745,631	
NET SALES	87,479,966	100	64,897,380	100
COST OF SALES (Notes 20 and 26)	49,240,688	57	40,286,911	62
GROSS PROFIT	38,239,278	43	24,610,469	38
OPERATING EXPENSES (Notes 20 and 26)				
Research and development	5,270,006	6	3,942,435	6
General and administrative	2,662,529	3	1,901,597	3
Marketing	1,183,545	1	889,164	1
Total operating expenses	9,116,080	10	6,733,196	10
INCOME FROM OPERATIONS	29,123,198	33	17,877,273	28
NON-OPERATING INCOME AND GAINS				
Gain on settlement and disposal of financial instruments, net (Notes 2, 5 and 25)	1,770,715	2		
Interest income (Note 2)	1,348,910	2	1,372,056	2
Technical service income (Notes 26 and 29)	841,894	1	137,980	
Equity in earnings of equity method investees, net (Notes 2 and 10)	577,322	1	360,683	1
Rental income	67,553		58,200	
Gain on disposal of property, plant and equipment and other assets (Notes 2 and 26)	16,648		16,659	
Subsidy income (Note 2)	1,027		352,006	
Foreign exchange gain, net (Note 2)			449,509	1
			16,688	

Valuation gain on financial instruments, net (Notes 2,  
5 and 25)

Others (Note 26)	104,542		105,954	
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Total non-operating income and gains	4,728,611	6	2,869,735	4
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(Continued)

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**Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries**  
**CONSOLIDATED STATEMENTS OF INCOME**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2008 AND 2007**  
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)  
(Reviewed, Not Audited)

	2008		2007	
	Amount	%	Amount	%
<b>NON-OPERATING EXPENSES AND LOSSES</b>				
Foreign exchange loss, net (Note 2)	\$ 1,764,482	2	\$	
Valuation loss on financial instruments, net (Notes 2, 5 and 25)	163,750	1		
Interest expense	155,064		210,229	
Loss on impairment of financial assets (Note 2)	79,844		8,242	
Loss on settlement and disposal of financial instruments, net (Notes 2, 5 and 25)			436,371	1
Others (Note 2)	116,840		24,205	
<b>Total non-operating expenses and losses</b>	<b>2,279,980</b>	<b>3</b>	<b>679,047</b>	<b>1</b>
<b>INCOME BEFORE INCOME TAX EXPENSE</b>	<b>31,571,829</b>	<b>36</b>	<b>20,067,961</b>	<b>31</b>
<b>INCOME TAX EXPENSE (Notes 2 and 19)</b>	<b>3,335,798</b>	<b>4</b>	<b>1,107,293</b>	<b>2</b>
<b>NET INCOME</b>	<b>\$ 28,236,031</b>	<b>32</b>	<b>\$ 18,960,668</b>	<b>29</b>
<b>ATTRIBUTABLE TO:</b>				
Shareholders of the parent	\$ 28,143,382	32	\$ 18,838,639	29
Minority interests	92,649		122,029	
	\$ 28,236,031	32	\$ 18,960,668	29
<b>EARNINGS PER SHARE (NT\$, Note 24)</b>				
	<b>2008</b>		<b>2007</b>	
	<b>Income Attributable to Shareholders of the Parent</b>		<b>Income Attributable to Shareholders of the Parent</b>	
	<b>Before Income Tax</b>	<b>After Income Tax</b>	<b>Before Income Tax</b>	<b>After Income Tax</b>
Basic earnings per share	\$ 1.23	\$ 1.10	\$ 0.76	\$ 0.71

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Diluted earnings per share	\$ 1.23	\$ 1.10	\$ 0.76	\$ 0.71
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The accompanying notes are an integral part of the consolidated financial statements.

(With Deloitte & Touche review report dated April 9,  
2008)

(Concluded)

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**Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2008 AND 2007**  
(In Thousands of New Taiwan Dollars)  
(Reviewed, Not Audited)

	<b>2008</b>	<b>2007</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income attributable to shareholders of the parent	\$ 28,143,382	\$ 18,838,639
Net income attributable to minority interests	92,649	122,029
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	19,830,859	20,251,242
Amortization of premium/discount of financial assets	(25,931)	(31,517)
Loss on impairment of financial assets	79,844	8,242
Gain on disposal of available-for-sale financial assets, net	(118,061)	(63,631)
Gain on disposal of financial assets carried at cost	(12,652)	
Equity in earnings of equity method investees, net	(577,322)	(360,683)
Gain on disposal of property, plant and equipment and other assets, net	(16,648)	(14,395)
Dividends received from equity method investees	589,071	
Deferred income tax	435,333	(971,816)
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Financial assets and liabilities at fair value through profit or loss	251,664	(34,527)
Receivables from related parties	3,095	277,805
Notes and accounts receivable	3,992,633	(1,048,160)
Allowance for doubtful receivables	244	15,838
Allowance for sales returns and others	477,602	(263,173)
Other receivables from related parties	27,975	(22,232)
Other financial assets	62,456	797,787
Inventories	1,972,623	(623,286)
Prepaid expenses and other current assets	214,836	(98,121)
Increase (decrease) in:		
Accounts payable	(2,192,963)	616,141
Payables to related parties	(547,271)	(722,834)
Income tax payable	2,820,875	2,071,416
Accrued bonuses to employees, directors and supervisors	4,371,892	
Accrued expenses and other current liabilities	(1,877,982)	(605,110)
Accrued pension cost	7,983	15,561
Deferred credits	(710,789)	(11,704)
Net cash provided by operating activities	57,295,397	38,143,511
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisitions of:		
Available-for-sale financial assets	(13,902,016)	(15,795,755)

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Financial assets carried at cost	(213,296)	(211,891)
Property, plant and equipment	(15,313,111)	(13,958,572)
Proceeds from disposal or redemption of:		
Available-for-sale financial assets	24,577,826	14,976,488
Held-to-maturity financial assets	2,238,000	4,282,320
Financial assets carried at cost	92,540	14,087
Property, plant and equipment	1,157	1,165
		(Continued)

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**Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2008 AND 2007**  
(In Thousands of New Taiwan Dollars)  
(Reviewed, Not Audited)

	<b>2008</b>	<b>2007</b>
Net cash paid for acquisition of XinTec	\$	\$ (422,098)
Increase in deferred charges	(591,841)	(1,025,874)
Increase in refundable deposits	(12,333)	(1,270,450)
Decrease (increase) in other assets	(2,893)	1,011
 Net cash used in investing activities	 (3,125,967)	 (13,409,569)
 <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase in long-term bank loans	54,144	
Repayment of short-term bank loans		(10,500)
Repayment of long-term bank loans	(696)	(23,305)
Repayment of bonds payable		(2,500,000)
Decrease in guarantee deposits	(371,112)	(387,873)
Proceeds from exercise of employee stock options	80,948	122,009
Payment for repurchase of treasury stock	(3,053,584)	
Increase in minority interests	3,925	5,486
 Net cash used in financing activities	 (3,286,375)	 (2,794,183)
 <b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	 50,883,055	 21,939,759
 <b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>	 (1,592,517)	 496,828
 <b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	 94,986,488	 117,837,192
 <b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	 \$ 144,277,026	 \$ 140,273,779
 <b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>		
Interest paid	\$ 481,972	\$ 491,606
Income tax paid	\$ 73,542	\$ 81,260

INVESTING AND FINANCING ACTIVITIES AFFECTING BOTH CASH  
AND NON-CASH ITEMS

Acquisition of property, plant and equipment	\$ 21,325,964	\$ 11,976,741
Decrease (increase) in payables to contractors and equipment suppliers	(5,999,419)	1,981,831
Increase in accrued expenses and other current liabilities	(13,434)	

Cash paid	\$ 15,313,111	\$ 13,958,572
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NON-CASH FINANCING ACTIVITIES

Current portion of long-term liabilities	\$ 8,279,587	\$ 4,714,060
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Current portion of other long-term payables (classified under accrued expenses and other current liabilities)	\$ 3,308,040	\$ 2,371,524
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(Continued)



**Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2008 AND 2007**  
**(In Thousands of New Taiwan Dollars)**  
**(Reviewed, Not Audited)**

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 when the Company acquired the controlling interest 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.

(With Deloitte & Touche review report dated April 9,  
2008)

(Concluded)

**Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2008 AND 2007**  
**(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)**  
**(Reviewed, Not Audited)**

**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 March 31, 2008 and 2007, TSMC and its subsidiaries had 25,107 and 23,983 employees, respectively.

**2. SUMMARY OF 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:

Name of Investor	Name of Investee	Percentage of Ownership		Remark
		March 31, 2008	March 31, 2007	
TSMC	TSMC North America	100%	100%	
	TSMC Japan Limited (TSMC Japan)	100%	100%	
	TSMC Korea Limited (TSMC Korea)	100%	100%	
	Taiwan Semiconductor Manufacturing Company Europe B.V. (TSMC Europe)	100%	100%	
	TSMC International Investment Ltd. (TSMC International)	100%	100%	
	TSMC Global Ltd. (TSMC Global)	100%	100%	
	TSMC (Shanghai) Company Limited (TSMC Shanghai)	100%	100%	
	Chi Cherng Investment Co., Ltd. (Chi Cherng)	36%	36%	TSMC and Hsin Ruey held in aggregate a 100% ownership of Chi Cherng. As of March 31, 2008, Chi Cherng held 17,032 thousand common shares in TSMC (approximately 0.07% 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 March 31, 2008, Hsin Ruey held 17,064 thousand common shares in TSMC (approximately	

				0.07% of outstanding common shares).
	VentureTech Alliance Fund III, L.P. (VTAF III)	98%	98%	
	VentureTech Alliance Fund II, L.P. (VTAF II)	98%	98%	
	Emerging Alliance Fund, L.P. (Emerging Alliance)	99.5%	99.5%	
	Global Unichip Corporation (GUC)	37%	38%	GUC became a consolidated entity of TSMC as GUC's president was assigned by TSMC and TSMC has control over the financial, operating and personnel hiring decisions of GUC.
	XinTec Inc. (XinTec)	43%	43%	TSMC obtained three out of five director positions in March 2007 and TSMC has a controlling interest in XinTec.
	TSMC Partners, Ltd. (TSMC Partners)	100%	100%	
TSMC International	TSMC Technology, Inc. (TSMC Technology)	100%	100%	
	TSMC Development, Inc. (TSMC Development)	100%	100%	
	InveStar Semiconductor Development Fund, Inc. (ISDF)	97%	97%	
	InveStar Semiconductor Development Fund, Inc. (II) LDC. (ISDF II)	97%	97%	
TSMC Development	WaferTech, LLC (WaferTech)	99.996%	99.996%	

(Continued)

Name of Investor	Name of Investee	Percentage of Ownership		Remark
		March 31, 2008	March 31, 2007	
VTAF III	Mutual-Pak Technology Co., Ltd. (Mutual-Pak)	51%	13%	TSMC has a controlling interest in Mutual-Pak since July 2007.
VTAF III, VTAF II and Emerging Alliance	VentureTech Alliance Holdings, L.L.C. (VTA Holdings)	100%		Newly acquired in April 2007.
GUC	Global Unichip Corporation-NA (GUC-NA)	100%	100%	
	Global Unichip Japan Co., Ltd. (GUC-Japan)	100%	100%	
TSMC Partners	TSMC Design Technology Canada Inc. (TSMC Canada)	100%		Newly acquired in May 2007.

(Concluded)

The following diagram presents information regarding the relationship and ownership percentages between TSMC and its consolidated investees as of March 31, 2008:

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

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

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

### **Use of Estimates**

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

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

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

### **Cash Equivalents**

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

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

Derivatives that do not meet the criteria for hedge accounting and financial assets acquired principally for the purpose of selling them in the near term are initially recognized at fair value, with transaction costs expensed as incurred. The derivatives and financial assets are remeasured at fair value subsequently with changes in fair value recognized in earnings. A regular way purchase or sale of financial assets is accounted for using settlement date accounting. Fair value is determined as follows: Publicly traded stocks - closing prices at the end of the period; 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 values 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.

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**

Debt 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 the allowance for doubtful receivables by examining the aging analysis of outstanding notes and accounts receivable and current trends in the credit quality of its customers as well as its internal credit policies.

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

The Company recognizes revenue when evidence of an arrangement exists, the rewards of ownership and significant risk of the goods has been transferred to the buyer; price is fixed or determinable, and collectibility is reasonably assured. Provisions for estimated sales returns and others are 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. Effective January 1, 2006, pursuant to the revised Statement of Financial Accounting Standards No. 5, "Long-term Investments Accounted for Using the Equity Method", the cost of an investment shall be analyzed and the cost of investment in excess of the fair value of identifiable net assets acquired, representing goodwill, shall not be amortized and instead shall be tested for impairment annually. If the fair value of identifiable net assets acquired exceeds the cost of investment, the excess shall be proportionately allocated as reductions to fair values of non-current assets (except for financial assets other than investments accounted for using the equity method and deferred income tax assets). When an indication of impairment is identified, the carrying amount of the investment is reduced, with the related impairment loss recognized in earnings.

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

Gains or losses on sales from the Company to equity method investees or 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, differences will result from the translation of the investee's financial statements into the reporting currency of the Company. Such differences are charged or credited to cumulative translation adjustments, a separate component of shareholders' equity.

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

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

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

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

Property, plant and equipment and assets leased to others are stated at cost less accumulated depreciation. Properties covered by agreements qualifying as capital leases are carried at the lower of the leased equipment's market value or the present value of the minimum lease payments at the inception date of the lease, with the corresponding amount recorded as obligations under capital leases. When an indication of impairment is identified, any excess of the carrying amount of an asset over its recoverable amount is recognized as a loss. If the recoverable amount increases in a subsequent period, the amount previously recognized as impairment would be reversed and recognized as a gain. However, the adjusted amount may not exceed the carrying amount that would have been determined, net of depreciation, as if no impairment loss had been recognized. Significant additions, renewals and betterments incurred during the construction period are capitalized. Maintenance and repairs are expensed as incurred.

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



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

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

#### **Intangible Assets**

Goodwill represents the excess of the consideration paid for acquisition over the fair value of identifiable net assets acquired. Prior to January 1, 2006, goodwill was amortized using the straight-line method over the estimated life of 10 years. Effective January 1, 2006, pursuant to the newly revised Statement of Financial Accounting Standards No. 25, Business Combinations Accounting Treatment under Purchase Method (SFAS No. 25), goodwill is no longer amortized and instead is tested for impairment annually. If an event occurs or circumstances change which indicated that the fair value of goodwill is more likely than not below its carrying amount, an impairment loss is recognized. A subsequent reversal of such impairment loss is not allowed.

Deferred charges consist of technology license fees, software and system design costs and other charges. The amounts are amortized over the following periods: Technology license fees the shorter of the estimated life of the technology or the term of the technology transfer contract; software and system design costs and other charges 2 to 5 years. When an indication of impairment is identified, any excess of the carrying amount of an asset over its recoverable amount is recognized as a loss. If the recoverable amount increases in a subsequent period, the previously recognized impairment loss would be reversed and recognized as a gain. However, the adjusted amount may not exceed the carrying amount that would have been determined, net of amortization, as if no impairment loss had been recognized. Expenditures related to research activities and those related to development activities that do not meet the criteria for capitalization are charged to expenses when incurred.

#### **Pension Costs**

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

#### **Government Subsidies**

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

#### **Income Tax**

The Company applies an inter-period allocation for its income tax whereby 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. TSMC and subsidiaries domiciled in the R.O.C. have considered the impact of the AMT Act in the determination of their tax liabilities.

#### **Stock-based Compensation**

Employee stock options that were modified or granted in the period from January 1, 2004 to December 31, 2007 are accounted for by the interpretations issued by the Accounting Research and Development Foundation of the Republic of China. The Company adopted the intrinsic value method and any compensation cost determined using this method is recognized in earnings over the employee vesting period. Employee stock option plans that were granted or modified after December 31, 2007 are accounted for using fair value method in accordance with Statement of Financial Accounting Standards No.39, Accounting for Share-based Payment. The Company did not grant or modify employee stock options during the three months ended March 31, 2008.

#### **Treasury Stock**

Treasury stock is stated at cost and shown as a deduction in shareholders' equity. When TSMC retires treasury stock, the treasury stock account is reduced and the common stock as well as the capital surplus additional paid-in capital are reversed on a pro rata basis. When the book value of the treasury stock exceeds the sum of the par value and additional paid-in capital, the difference is charged to capital surplus treasury stock transactions and to retained earnings for any remaining amount.

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

#### **Foreign-currency Transactions**

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

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

### Translation of Foreign-currency Financial Statements

The financial statements of foreign subsidiaries are translated into New Taiwan dollars at the following exchange rates: Assets and liabilities spot rates at 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 Pronouncements

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

### 3. ACCOUNTING CHANGES

Effective January 1, 2008, the Company adopted Interpretation 2007-052, Accounting for Bonuses to Employees, Directors and Supervisors issued in March 2007 by the ARDF, which requires companies to record bonuses paid to employees, directors and supervisors as an expense rather than as an appropriation of earnings. The adoption of this interpretation resulted in a decrease in net income and earnings per share (after income tax) of NT\$3,632,644 thousand and NT\$0.14, respectively, for the three months ended March 31, 2008.

Effective January 1, 2008, the Company adopted Statement of Financial Accounting Standards No. 39, Accounting for Share-based Payment, which requires companies to record share-based payment transactions in the financial statements at fair value. Such a change in accounting principle did not have any effect on the Company's financial statements as of and for the three months ended March 31, 2008.

### 4. CASH AND CASH EQUIVALENTS

	<b>March 31</b>	
	<b>2008</b>	<b>2007</b>
Cash and deposits in banks	\$ 137,769,493	\$ 97,040,591
Repurchase agreements collateralized by government bonds	5,995,378	41,985,407
Asset-backed commercial papers	512,155	597,361
Corporate notes		364,848
Treasury bills		285,572
	<b>\$ 144,277,026</b>	<b>\$ 140,273,779</b>

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

	<b>March 31</b>	
	<b>2008</b>	<b>2007</b>
Trading financial assets		
Publicly traded stocks	\$ 1,212,611	\$ 1,364,166
Forward exchange contracts	2,833	
Cross currency swap contracts	160,249	159
	<b>\$ 1,375,693</b>	<b>\$ 1,364,325</b>
Trading financial liabilities		
Forward exchange contracts	\$ 125,989	\$ 18,723
Cross currency swap contracts	118,294	115,085
	<b>\$ 244,283</b>	<b>\$ 133,808</b>

The Company entered into derivative contracts during the three months ended March 31, 2008 and 2007 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. Therefore, the Company did not apply hedge accounting treatment for its derivative contracts.

Outstanding forward exchange contracts as of March 31, 2008 and 2007:

	<b>Maturity Date</b>	<b>Contract Amount (in Thousands)</b>
March 31, 2008		
Sell RMB/Buy US\$	April 2008 to July 2008	RMB 369,259
Sell EUR/Buy NT\$	April 2008 to July 2008	EUR 44,500
Sell US\$/Buy NT\$	April 2008	US\$ 5,000
Sell US\$/Buy JPY	April 2008	US\$ 886
March 31, 2007		
Sell EUR/Buy US\$	April 2007	EUR 23,000
Sell US\$/Buy JPY	April 2007	JPY 11,000

Outstanding cross currency swap contracts as of March 31, 2008 and 2007:

<b>Contract Amount</b>	<b>Range of</b>	<b>Range of Interest Rates</b>
------------------------	-----------------	--------------------------------

<b>Maturity Date</b>	<b>(In Thousands)</b>	<b>Interest Rates Paid</b>	<b>Received</b>
March 31, 2008			
April 2008	US\$ 883,000	2.60%-3.75%	1.28%-2.42%
March 31, 2007			
April 2007 to June 2007	US\$ 835,000	2.65%-5.35%	1.65%-5.16%

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For the three months ended March 31, 2008 and 2007, derivative transactions resulted in net gains of NT\$1,751,280 thousand (including realized settlement gains of NT\$1,626,968 thousand and valuation gains of NT\$124,312 thousand) and net losses of NT\$678,015 thousand (including realized settlement losses of NT\$510,632 thousand and valuation losses of NT\$167,383 thousand), respectively.

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

	<b>March 31</b>	
	<b>2008</b>	<b>2007</b>
Open-end mutual funds	\$ 14,146,226	\$ 24,092,104
Money market funds	13,960,741	246,588
Corporate bonds	10,139,449	15,612,472
Agency bonds	7,426,193	13,690,016
Corporate issued asset-backed securities	4,545,210	10,491,137
Government bonds	3,941,554	10,835,734
Publicly-traded stocks	524,695	210,226
Structured time deposits		499,288
	54,684,068	75,677,565
Current portion	(54,681,566)	(69,208,468)
	\$ 2,502	\$ 6,469,097

As of March 31, 2007, 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>
Step-up callable deposits Domestic deposits	\$ 500,000	\$ 499,288	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>March 31</b>	
	<b>2008</b>	<b>2007</b>
Corporate bonds	\$ 10,908,455	\$ 13,426,614
Government bonds	6,091,684	8,676,382
Structured time deposits	1,000,000	11,117,800
	18,000,139	33,220,796
Current portion	(9,976,745)	(6,523,668)
	\$ 8,023,394	\$ 26,697,128



As of March 31, 2008 and 2007, 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>
March 31, 2008				
Step-up callable deposits				
Domestic deposits	\$ 1,000,000	\$ 3,844	1.77%-1.83%	April 2008 to October 2008
March 31, 2007				
Step-up callable deposits				
Domestic deposits	\$ 4,500,000	\$ 13,593	1.50%-1.83%	June 2007 to October 2008
Callable range accrual deposits				September 2009 to December 2009
Domestic deposits	3,970,680	14,752	(See below)	October 2009 to December 2009
Foreign deposits	2,647,120	7,390	(See below)	2009
	\$ 11,117,800	\$ 35,735		

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

As of March 31, 2008, no structured time deposit resided in banks located in foreign countries. As of March 31, 2007, the principal of the deposits that resided in banks located in Hong Kong and Singapore amounted to US\$60,000 thousand and US\$20,000 thousand, respectively.

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

Movements of the allowance for doubtful receivables were as follows:

	<b>Three Months Ended March 31</b>	
	<b>2008</b>	<b>2007</b>
Balance, beginning of period	\$ 701,807	\$ 749,888
Effect of inclusion of newly consolidated subsidiaries		45
Provision	1,596	75,519
Write-off	(1,352)	(59,681)



Balance, end of period	\$ 702,051	\$ 765,771
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Movements of the allowance for sales returns and others were as follows:

	<b>Three Months Ended</b>	
	<b>March 31</b>	
	<b>2008</b>	<b>2007</b>
Balance, beginning of period	\$ 4,089,035	\$ 2,870,802
Effect of inclusion of newly consolidated subsidiaries		12,956
Provision	1,928,123	745,631
Write-off	(1,450,521)	(1,008,804)
Balance, end of period	\$ 4,566,637	\$ 2,620,585

## 9. INVENTORIES, NET

	<b>March 31</b>	
	<b>2008</b>	<b>2007</b>
Finished goods	\$ 4,455,890	\$ 4,023,260
Work in process	15,555,780	16,664,898
Raw materials	1,683,835	1,545,848
Supplies and spare parts	1,219,813	1,014,851
	22,915,318	23,248,857
Allowance for losses	(1,025,681)	(989,417)
	\$ 21,889,637	\$ 22,259,440

## 10. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	<b>March 31</b>			
	<b>2008</b>		<b>2007</b>	
	<b>Carrying</b>	<b>% of</b>	<b>Carrying</b>	<b>% of</b>
	<b>Amount</b>	<b>Owner-</b>	<b>Amount</b>	<b>Owner-</b>
		<b>ship</b>		<b>ship</b>
Systems on Silicon Manufacturing Company Pte Ltd. (SSMC)	\$ 8,352,727	39	\$ 8,134,439	39
Vanguard International Semiconductor Corporation (VIS)	11,382,764	37	6,193,462	27
VisEra Holding Company (VisEra Holding)	2,208,268	49	1,168,338	49
	\$ 21,943,759		\$ 15,496,239	

In August 2007, the Company acquired additional 169,600 thousand shares in VIS for NT\$4,927,865 thousand; after the acquisition, the Company's percentage of ownership in VIS increased from 27% to 37%.

For the three months ended March 31, 2008 and 2007, net equity in earnings of equity method investees of NT\$577,322 thousand and NT\$360,683 thousand was recognized, respectively. The related equity in earnings of equity method investees was determined based on the reviewed financial statements of the investees for the same periods as the Company.

As of March 31, 2008 and 2007, fair values of publicly traded stocks in investments accounted for using equity method was NT\$13,626,526 thousand and NT\$12,583,031 thousand, respectively.

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Movements of the difference between the cost of investment and the Company's share in investees' net assets allocated to depreciable assets for the three months ended March 31, 2008 and 2007 were as follows:

	<b>Three Months Ended March 31</b>	
	<b>2008</b>	<b>2007</b>
Balance, beginning of period	\$ 2,589,742	\$ 952,159
Depreciation/Amortization	(149,780)	(49,250)
Balance, end of period	\$ 2,439,962	\$ 902,909

Movements of the aforementioned difference allocated to goodwill for the three months ended March 31, 2008 and 2007 were as follows:

	<b>Three Months Ended March 31</b>	
	<b>2008</b>	<b>2007</b>
Balance, beginning of period	\$ 987,349	\$ 213,984
Additions		
Balance, end of period	\$ 987,349	\$ 213,984

#### 11. FINANCIAL ASSETS CARRIED AT COST

	<b>March 31</b>	
	<b>2008</b>	<b>2007</b>
Non-publicly traded stocks	\$ 3,340,342	\$ 3,140,631
Mutual funds	383,247	381,492
	\$ 3,723,589	\$ 3,522,123

#### 12. PROPERTY, PLANT AND EQUIPMENT

	<b>Balance, Beginning of Period</b>	<b>Three Months Ended March 31, 2008</b>				<b>Balance, End of Period</b>
		<b>Additions</b>	<b>Sales or Disposals</b>	<b>Reclassification</b>	<b>Effect of Exchange Rate Changes</b>	
Cost						
Land and land improvements	\$ 942,197	\$	\$	\$	\$ (52,810)	\$ 889,387
Buildings	118,640,027	864,969		410,215	(680,387)	119,234,824
Machinery and equipment	646,419,427	11,854,624	(395,747)	614,983	(4,672,108)	653,821,179

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Office equipment	11,829,640	277,463	(6,277)	(204,318)	(94,058)	11,802,450
Leased asset	652,296			13,433	(15,788)	649,941
	778,483,587	\$ 12,997,056	\$ (402,024)	\$ 834,313	\$ (5,515,151)	786,397,781
Accumulated depreciation						
Land and land improvements	262,703	\$ 7,169	\$	\$	\$ (16,777)	253,095
Buildings	63,239,922	2,198,305		(4)	(271,740)	65,166,483
Machinery and equipment	467,665,072	16,637,661	(395,747)	116,346	(2,637,584)	481,385,748
Office equipment	8,796,752	309,149	(6,224)	(116,318)	(74,739)	8,908,620
Leased asset	135,118	8,231			(3,361)	139,988
	540,099,567	\$ 19,160,515	\$ (401,971)	\$ 24	\$ (3,004,201)	555,853,934
Advance payments and construction in progress	21,868,167	\$ 8,328,908	\$	\$ (851,874)	\$ 1,720,611	31,065,812
	\$ 260,252,187					\$ 261,609,659

## Three Months Ended March 31, 2007

	Balance, Beginning of Period	Effect of Inclusion of Newly Consolidated Subsidiaries	Additions	Sales or Disposals	Reclassification	Effect of Exchange Rate Changes	Balance, End of Period
Cost							
Land and land improvements	\$ 844,644	\$ 101,518	\$	\$	\$	\$ 12,774	\$ 958,936
Buildings	112,595,124	71,053	1,869,340	(31,789)	851	325,453	114,830,032
Machinery and equipment	579,825,289	2,412,632	10,727,221	(10,299)	147,691	919,358	594,021,892
Office equipment	10,646,725	546,654	270,067	(134,621)	2,046	34,636	11,365,507
Leased asset	612,941					15,565	628,506
	704,524,723	\$ 3,131,857	\$ 12,866,628	\$ (176,709)	\$ 150,588	\$ 1,307,786	721,804,873
Accumulated depreciation							
Land and land improvements	234,377	\$	\$ 7,458	\$	\$	\$ 3,590	245,425
Buildings	54,288,225	1,111	2,199,833	(30,911)		72,657	56,530,915
Machinery and equipment	400,579,587	584,246	17,008,482	(9,197)	(47)	653,841	418,816,912
Office equipment	7,839,303	76,062	319,986	(134,569)	47	32,829	8,133,658
Leased asset	96,592		7,710			2,529	106,831
	463,038,084	\$ 661,419	\$ 19,543,469	\$ (174,677)	\$	\$ 765,446	483,833,741
Advance payments and construction in progress	12,607,551	\$ 480,130	\$ (889,887)	\$	\$ 174,946	\$ 3,926	12,376,666
	\$ 254,094,190						\$ 250,347,798

The Company entered into agreements to lease buildings that qualify as capital leases. The term of the leases is from December 2003 to December 2013. The future minimum lease payments as of March 31, 2008 is NT\$723,059 thousand.

## 13. DEFERRED CHARGES, NET

## Three Months Ended March 31, 2008

Balance,	Effect of
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	<b>Beginning</b>				<b>Exchange</b>	<b>Balance, End</b>
	<b>of Period</b>	<b>Additions</b>	<b>Amortization</b>	<b>Reclassification</b>	<b>Rate</b>	<b>of</b>
					<b>Changes</b>	<b>Period</b>
Technology license fee	\$ 5,819,148	\$ 1,217	\$ (422,039)	\$	\$ (7,197)	\$ 5,391,129
Software and system design costs	1,449,603	219,553	(205,627)	(74)	(323)	1,463,132
Others	654,850	2,527	(41,244)		(2,416)	613,717
	\$ 7,923,601	\$ 223,297	\$ (668,910)	\$ (74)	\$ (9,936)	\$ 7,467,978

**Three Months Ended March 31, 2007**

	<b>Balance,</b>	<b>Effect of</b>				<b>Effect of</b>	<b>Balance,</b>
	<b>Beginning</b>	<b>Inclusion</b>				<b>Exchange</b>	<b>End of</b>
	<b>of Period</b>	<b>of Newly</b>	<b>Additions</b>	<b>Amortization</b>	<b>Disposals</b>	<b>Rate</b>	<b>Period</b>
		<b>Consolidated</b>				<b>Changes</b>	
Technology license fee	\$ 4,132,174	\$ 360,081	\$ 841,850	\$ (451,240)	\$	\$ (5,737)	\$ 4,877,128
Software and system design costs	1,669,781	2,778	182,415	(244,441)	(282)	(325,534)	1,285,772
Others	134,960	29,312	1,609	(12,722)		6,627	159,786
	\$ 5,936,915	\$ 392,171	\$ 1,025,874	\$ (708,403)	\$ (282)	\$ (325,534)	\$ 6,322,686

**14. SHORT-TERM BANK LOANS**

	<b>March 31</b>
	<b>2008</b>
	<b>2007</b>
Unsecured loans:	
Repayable by September 2007, annual interest at 2.43%-6.81%	\$ 79,220

**15. BONDS PAYABLE**

	<b>March 31</b>	
	<b>2008</b>	<b>2007</b>
Domestic unsecured bonds:		
Issued in December 2000 and repayable in December 2007, 5.36% interest payable annually	\$	\$ 4,500,000
Issued in January 2002 and repayable in January 2009 and 2012 in two installments, 2.75% and 3.00% interest payable annually, respectively	12,500,000	12,500,000
	12,500,000	17,000,000
Current portion	(8,000,000)	(4,500,000)
	\$ 4,500,000	\$ 12,500,000

As of March 31, 2008, future principal repayments for the bonds were as follows:

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

**16. LONG-TERM BANK LOANS**

	<b>March 31</b>	
	<b>2008</b>	<b>2007</b>
Secured loans:		
Repayable from August 2009 in 17 quarterly installments, annual interest at 2.91%-2.99%	\$ 721,200	\$
US\$20,000 thousand, repayable in full in one lump sum payment in November 2010, annual interest at 5.88% in 2008 and 5.77% in 2007	608,688	662,047
Repayable from December 2007 in 8 semi-annual installments, annual interest at 2.39%-3.20% in 2008 and 2.39%-2.56% in 2007	456,750	499,000
Repayable from March 2007 in 12 quarterly installments, annual interest at 2.79%-3.16% in 2008 and 2.79% in 2007	109,326	171,798
Repayable from May 2007 in 16 quarterly installments, annual interest at 2.48%-2.85% in 2008 and 2.48%-2.51% in 2007	50,438	67,250
Repayable from April 2005 in 16 quarterly installments, annual interest at 2.51%-2.85% in 2008 and 2.51% in 2007	35,980	71,960
Repayable from February 2005 in 17 quarterly installments, annual interest at 2.65%-4.53%	32,430	65,390
Unsecured loans:		
Science Park Administration (SPA) SOC loan, repayable from October 2003 in 20 quarterly installments, interest-free	1,392	4,177



SPA DSP loan, repayable from July 2002 in 20 quarterly installments, interest-free		676
	2,016,204	1,542,298
Current portion	(279,587)	(214,060)
	\$ 1,736,617	\$ 1,328,238

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 predetermined financial covenants. As of March 31, 2008, TSMC Shanghai and XinTec were in compliance with all such financial covenants. As of March 31, 2008, future principal repayments for the long-term bank loans were as follows:

<b>Year of Repayment</b>	<b>Amount</b>
2008 (2 <sup>nd</sup> to 4 <sup>th</sup> quarter)	\$ 243,061
2009	313,034
2010	929,088
2011	242,541
2012 and thereafter	288,480
	\$ 2,016,204

## 17. OTHER LONG-TERM PAYABLES

	<b>March 31</b>	
	<b>2008</b>	<b>2007</b>
Payables for acquisition of property, plant and equipment (Note 29I)	\$ 7,719,794	\$ 7,620,093
Payables for royalties	4,644,036	3,994,705
	12,363,830	11,614,798
Current portion (classified under accrued expenses and other current liabilities)	(3,308,040)	(2,371,524)
	\$ 9,055,790	\$ 9,243,274

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

As of March 31, 2008, future payments for other long-term payables were as follows:

<b>Year of Payment</b>	<b>Amount</b>
2008 (2 <sup>nd</sup> to 4 <sup>th</sup> quarter)	\$ 3,236,893
2009	545,466
2010	466,412
2011	395,265
2012 and thereafter	7,719,794
	\$ 12,363,830

## 18. PENSION PLANS

The Labor Pension Act (the Act) became effective on July 1, 2005. The employees of TSMC, GUC and XinTec who were subject to the Labor Standards Law prior to July 1, 2005 were allowed to choose to be subject to the pension mechanism under the Act with their seniority as of July 1, 2005 retained or continue to be subject to the pension

mechanism under the Labor Standards Law. Employees who joined TSMC, GUC, XinTec and Mutual-Pak after July 1, 2005 can only be subject to the pension mechanism under the Act.

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The pension mechanism under the Act is deemed a defined contribution plan. Pursuant to the Act, TSMC, GUC, XinTec and Mutual-Pak have made monthly contributions equal to 6% of each employee's monthly salary to employees' pension accounts starting from July 1, 2005. Furthermore, TSMC North America, TSMC Shanghai, TSMC Europe, and TSMC Canada are required by local regulations to make monthly contributions, at a certain percentages of the monthly basic salary of their local employees. Pursuant to the aforementioned Act and local regulations, the Company made monthly contributions and recognized pension cost of NT\$203,360 thousand and NT\$171,440 thousand for the three months ended March 31, 2008 and 2007, respectively.

TSMC, GUC and XinTec have defined benefit plans under the Labor Standards Law that provide benefits based on an employee's length of service and average monthly salary for the six-month period prior to retirement. TSMC, GUC and XinTec contribute an amount equal to 2% of salaries paid each month to their respective pension funds (the Funds), which are administered by the Labor Pension Fund Supervisory Committees (the Committees) and deposited in the name of the Committees in the Bank of Taiwan (originally the Central Trust of China, which was merged into the Bank of Taiwan on July 1, 2007). The Company recognized pension cost of NT\$67,462 thousand and NT\$81,236 thousand for the three months ended March 31, 2008 and 2007, respectively. As of March 31, 2008 and 2007, the balance of the Funds was NT\$2,319,688 thousand and NT\$2,060,634 thousand, respectively.

### 19. INCOME TAX

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

	<b>Three Months Ended March 31</b>	
	<b>2008</b>	<b>2007</b>
Income tax expense based on income before income tax at statutory rates	\$ 7,968,898	\$ 5,053,273
Tax effect of the following		
Tax-exempt income	(2,648,723)	(1,004,095)
Temporary and permanent differences	550,838	3,006
Others	41,235	
Additional tax at 10% on unappropriated earnings	13,926	
Income tax credits used	(3,014,023)	(1,973,283)
Income tax currently payable	\$ 2,912,151	\$ 2,078,901

- b. Income tax expense consisted of the following:

Income tax currently payable	\$ 2,912,151	\$ 2,078,901
Other income tax adjustments	5,547	1,004
Net change in deferred income tax assets		
Investment tax credits	1,357,191	485,059
Net operating loss carryforwards	100,564	172,735
Temporary differences	(284,807)	(850,859)
Valuation allowance	(754,848)	(779,547)
Income tax expense	\$ 3,335,798	\$ 1,107,293

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

	<b>March 31</b>	
	<b>2008</b>	<b>2007</b>
Current deferred income tax assets, net		
Investment tax credits	\$ 8,217,617	\$ 9,604,294
Temporary differences	783,544	677,152
Valuation allowance	(521,197)	(523,758)
	\$ 8,479,964	\$ 9,757,688
Noncurrent deferred income tax assets, net		
Investment tax credits	\$ 5,683,405	\$ 10,275,634
Net operating loss carryforwards	3,617,579	4,707,146
Temporary differences	(2,471,405)	(2,812,883)
Valuation allowance	(2,859,259)	(7,129,635)
	\$ 3,970,320	\$ 5,040,262

As of March 31, 2008, the net operating loss carryforwards were generated by WaferTech, TSMC Development, TSMC Technology and XinTec and would expire on various dates through 2026.

d. Integrated income tax information:

The balance of the imputation credit account of TSMC as of March 31, 2008 and 2007 was NT\$3,012,848 thousand and NT\$828,612 thousand, respectively.

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

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

e. All of TSMC's earnings generated prior to December 31, 1997 have been appropriated.

f. As of March 31, 2008, investment tax credits of TSMC, GUC, XinTec and Mutual-Pak 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	\$ 24,335	\$ 24,335	2008
		14,328	14,328	2009
		6,192,393	4,958,114	2010
		4,490,475	4,490,475	2011
		13,756	13,756	2012
		\$ 10,735,287	\$ 9,501,008	



Law/Statute	Item	Total Creditable Amount	Remaining Creditable Amount	Expiry Year
Statute for Upgrading Industries	Research and development expenditures	\$ 6,601	\$ 6,601	2008
		1,555,706	19,339	2009
		1,887,404	1,884,823	2010
		1,798,583	1,798,583	2011
		563,418	563,418	2012
		\$ 5,811,712	\$ 4,272,764	
Statute for Upgrading Industries	Personnel training expenditures	\$ 21,998	\$ 20	2009
		47,024	47,023	2010
		278	278	2011
		125	125	2012
				\$ 69,425
Statute for Upgrading Industries	Investments in important technology-based enterprises	\$ 79,804	\$ 79,804	2010

(Concluded)

- g. The profits generated from the following projects of TSMC, GUC and XinTec are exempt from income tax for a five-year period:

	Tax-Exemption Period
Construction of Fab 14 Module A	2006 to 2010
Construction of Fab 14 Module B	2007 to 2011
2003 plant expansion of GUC	2007 to 2011
2003 plant expansion of XinTec	2007 to 2011

- h. The tax authorities have examined income tax returns of TSMC through 2005.

## 20. LABOR COST, DEPRECIATION AND AMORTIZATION

	Three Months Ended March 31, 2008		
	Classified as Cost of Sales	Classified as Operating Expenses	Total
Labor cost			

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Salary	\$ 5,158,642	\$ 3,637,477	\$ 8,796,119
Labor and health insurance	195,934	118,910	314,844
Pension	160,441	95,604	256,045
Meal	117,432	50,203	167,635
Welfare	168,638	68,000	236,638
Others	55,492	49,239	104,731
	\$ 5,856,579	\$ 4,019,433	\$ 9,876,012
Depreciation	\$ 18,058,836	\$ 1,094,587	\$ 19,153,423
Amortization	\$ 463,671	\$ 205,239	\$ 668,910

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	<b>Three Months Ended March 31, 2007</b>		
	<b>Classified</b>		
	<b>as</b>		
	<b>Classified</b>	<b>as</b>	
	<b>Cost of</b>	<b>Operating</b>	
	<b>Sales</b>	<b>Expenses</b>	<b>Total</b>
Labor cost			
Salary	\$ 2,744,246	\$ 1,761,454	\$ 4,505,700
Labor and health insurance	172,104	101,911	274,015
Pension	156,185	96,491	252,676
Meal	109,922	40,837	150,759
Welfare	70,730	61,298	132,028
Others	30,586	22,465	53,051
	<b>\$ 3,283,773</b>	<b>\$ 2,084,456</b>	<b>\$ 5,368,229</b>
Depreciation	\$ 18,514,745	\$ 1,023,105	\$ 19,537,850
Amortization	\$ 466,723	\$ 241,381	\$ 708,104

## 21. SHAREHOLDERS EQUITY

As of March 31, 2008, 1,110,083 thousand ADSs of TSMC were traded on the NYSE. The number of common shares represented by the ADSs was 5,550,414 thousand (one ADS represents five common shares).

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

Capital surplus consisted of the following:

	<b>March 31</b>	
	<b>2008</b>	<b>2007</b>
From merger	\$ 23,276,911	\$ 24,003,546
Additional paid-in capital	18,994,954	20,063,728
From convertible bonds	9,077,065	9,360,424
From long-term investments	347,180	414,524
Donations	55	55
From treasury stock transactions		389,188
	<b>\$ 51,696,165</b>	<b>\$ 54,231,465</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 subject to shareholders' approval in the following year.

For the three months ended March 31, 2008, TSMC has recorded bonuses to employees and directors with a charge to earnings of approximately 15.3% of its net income. Material differences between such estimated amounts and the amounts proposed by the Board of Directors subsequently are retroactively adjusted for in the current year. If the actual amounts subsequently resolved by the shareholders differ from the proposed amounts, the differences are recorded in the year of shareholders' resolution as a change in accounting estimate.

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 2007 and 2006 had been approved in TSMC's Board of Directors' meeting held on February 19, 2008 and a shareholders' meeting held on May 7, 2007, respectively. The appropriations and dividends per share were as follows:

	Appropriations of Earnings		Dividends Per Share (NT\$)	
	For Fiscal Year 2007	For Fiscal Year 2006	For Fiscal Year 2007	For Fiscal Year 2006
Legal capital reserve	\$ 10,917,709	\$ 12,700,973		
Special capital reserve	(237,693)	(11,192)		
Bonus to employees in cash	3,939,883	4,572,798		
Bonus to employees in stock	3,939,883	4,572,798		
Cash dividends to shareholders	76,881,311	77,489,064	\$ 3.00	\$ 3.00
Stock dividends to shareholders	512,542	516,594	0.02	0.02
Bonus to directors and supervisors	176,890	285,800		
	\$ 96,130,525	\$ 100,126,835		



The Board of Directors meeting held on February 19, 2008 and the shareholders meeting held on May 7, 2007 also resolved to distribute stock dividends out of capital surplus in the amount of NT\$768,813 thousand and NT\$774,891 thousand, respectively.

The amounts of the appropriations of earnings for 2006 are consistent with the resolutions of the meetings of the Board of Directors held on February 6, 2007. The amounts of the appropriations of earnings for 2007 and the stock dividends to be distributed out of capital surplus have not yet been resolved by the shareholders. If the above bonuses to employees, directors and supervisors had been paid entirely in cash and charged to earnings of 2007 and 2006, the basic earnings per share (after income tax) for the years ended December 31, 2007 and 2006 shown in the respective financial statements would have decreased from NT\$4.14 to NT\$3.84 and NT\$4.93 to NT\$4.56, respectively. The shares distributed as a bonus to employees represented 1.49% and 1.77% of TSMC's total outstanding common shares as of December 31, 2007 and 2006, 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.

## 22. STOCK-BASED COMPENSATION PLANS

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

Options of the aforementioned plans that had never been granted or had been granted but subsequently cancelled had expired as of March 31, 2008.

Information about TSMC's outstanding stock options for the three months ended March 31, 2008 and 2007 was as follows:

	Number of Options (in Thousands)	Weighted- average Exercise Price (NT\$)
Three months ended March 31, 2008		
Balance, beginning of period	41,875	\$ 37.4
Options exercised	(2,138)	37.9
Options cancelled	(193)	46.8
Balance, end of period	39,544	37.3

(Continued)

	<b>Number of Options (in Thousands)</b>	<b>Weighted- average Exercise Price (NT\$)</b>
Three months ended March 31, 2007		
Balance, beginning of period	52,814	\$ 39.6
Options exercised	(3,271)	37.3
Options cancelled	(252)	47.2
Balance, end of period	49,291	39.7

(Concluded)

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

As of March 31, 2008, 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	27,070	4.91	\$33.0	27,070	\$33.0
38.9-51.3	12,474	6.65	46.6	6,162	46.4
	39,544		37.3	33,232	35.5

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

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

Information about GUC's outstanding stock options for the three months ended March 31, 2008 and 2007 was as follows:

	<b>Number of Options</b>	<b>Weighted- average Exercise Price (NT\$)</b>
Three months ended March 31, 2008		
Balance, beginning of period	7,598	\$ 60.3
Options exercised	(302)	10.2
Options cancelled	(66)	194.0
Balance, end of period	7,230	60.4
Three months ended March 31, 2007		
Balance, beginning of period	7,342	\$ 14.0
Options exercised	(696)	10.2
Options cancelled	(65)	16.2
Balance, end of period	6,581	14.4

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

As of March 31, 2008, information about GUC's outstanding and exercisable options was as follows:

<b>Range of Exercise Price (NT\$)</b>	<b>Number of Options</b>	<b>Options Outstanding</b>		<b>Options Exercisable</b>	
		<b>Weighted- average Remaining Contractual Life (Years)</b>	<b>Weighted- average Exercise Price (NT\$)</b>	<b>Number of Options</b>	<b>Weighted- average Exercise Price (NT\$)</b>
\$9.6-\$10.5	1,973	0.33-3.50	\$ 9.9	737	\$10.3
17.7	3,419	3.42	17.7		
194.0	1,838	5.75	194.0		
	7,230		60.4	737	10.3

XinTec's Employee Stock Option Plans, consisting of the XinTec 2007 Plan and XinTec 2006 Plan, were approved by the SFB on June 26, 2007 and July 3, 2006, respectively. The maximum number of options authorized to be granted under the XinTec 2007 Plan and XinTec 2006 Plan was 6,000 thousand each, with each option eligible to subscribe

for one common share of XinTec when exercisable. The options may be granted to qualified employees of XinTec or any of its subsidiaries. The options of all the plans are valid for ten years and exercisable at certain percentages subsequent to the second anniversary of the grant date.

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Information about XinTec's outstanding stock options for the three months ended March 31, 2008 and 2007 was as follows:

	<b>Number of Options (in Thousands)</b>	<b>Weighted- average Exercise Price (NT\$)</b>
Three months ended March 31, 2008		
Balance, beginning of period	9,642	\$ 15.1
Options cancelled	(144)	14.5
Balance, end of period	9,498	15.1
Three months ended March 31, 2007		
Balance, beginning of period	4,968	\$ 13.0
Options exercised	975	15.0
Options cancelled	(371)	13.6
Balance, end of period	5,572	13.3

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

As of March 31, 2008, information about XinTec's outstanding and exercisable options was as follows:

<b>Range of Exercise Price (NT\$)</b>	<b>Number of Options (in Thousands)</b>	<b>Options Outstanding</b>		<b>Options Exercisable</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>
\$12.7-\$14.7	5,206	1.50-1.79	\$13.0		
15.8-\$20.0	4,292	2.24-2.71	17.8		
	9,498		15.2		

No compensation cost was recognized under the intrinsic value method for the three months ended March 31, 2008 and 2007. Had the Company used the fair value based method to evaluate the options using the Black-Scholes model, the assumptions and pro forma results of the Company for the three months ended March 31, 2008 and 2007 would have been as follows:

		<b>2008</b>	<b>2007</b>
Assumptions:			
TSMC	Expected dividend yield	1.00%-3.44%	1.00%-3.44%
	Expected volatility	43.77%-46.15%	43.77%-46.15%
	Risk free interest rate	3.07%-3.85%	3.07%-3.85%
	Expected life	5 years	5 years
GUC	Expected dividend yield	0.00%-0.60%	
	Expected volatility	22.65%-45.47%	22.65%-41.74%
	Risk free interest rate	2.12%-2.56%	2.23%-2.56%
	Expected life	3-6 years	3-6 years

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		<b>2008</b>	<b>2007</b>
XinTec	Expected dividend yield	0.80%	
	Expected volatility	31.79%-47.42%	38.47%-47.42%
	Risk free interest rate	1.88%-2.45%	1.88%-1.94%
	Expected life	3 years	3 years
Net income attributable to shareholders of the parent:			
As reported		\$28,143,382	\$18,838,639
Pro forma		28,081,304	18,790,682
Earnings per share (EPS) after income tax (NT\$):			
Basic EPS as reported		\$ 1.10	\$ 0.71
Pro forma basic EPS		\$ 1.10	\$ 0.71
Diluted EPS as reported		\$ 1.10	\$ 0.71
Pro forma diluted EPS		\$ 1.10	\$ 0.71

**23. TREASURY STOCK**

(Shares in Thousands)

	<b>Beginning Shares</b>	<b>Addition</b>	<b>Retirement</b>	<b>Ending Shares</b>
Three months ended March 31, 2008				
Parent company stock held by subsidiaries	34,096			34,096
Repurchase under share buyback plan	800,000		800,000	
	834,096		800,000	34,096
Three months ended March 31, 2007				
Parent company stock held by subsidiaries	33,926			33,926

As of March 31, 2008 and 2007, the book value of the treasury stock was NT\$918,075 thousand each and its market value was NT\$2,151,452 thousand and NT\$2,303,596 thousand, respectively. TSMC's common shares held by subsidiaries is treated as treasury stock and the holders are entitled to the rights of shareholders, with the exception of voting rights.

TSMC held a meeting of the Board of Directors and approved a share buyback plan to repurchase the TSMC's common shares up to 800,000 shares listed on the TSE during the period from November 14, 2007 to January 13, 2008 for the buyback price in the range from NT\$43.2 to NT\$94.2. As of December 31, 2007, TSMC had repurchased 800,000 thousand common shares. All the treasury stock repurchased was retired on February 27, 2008.

**24. EARNINGS PER SHARE**

EPS was 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
Three months ended March 31, 2008					
Basic EPS					
Income available to common shareholders of the parent	\$ 31,471,701	\$ 28,143,382	25,593,835	\$ 1.23	\$ 1.10
Effect of dilutive potential common stock stock options			16,225		
Diluted EPS					
Income available to common shareholders of the parent (including effect of dilutive potential common stock)	\$ 31,471,701	\$ 28,143,382	25,610,060	\$ 1.23	\$ 1.10
Three months ended March 31, 2007					
Basic EPS					
Income available to common shareholders of the parent	\$ 19,944,094	\$ 18,838,639	26,384,121	\$ 0.76	\$ 0.71
Effect of dilutive potential common stock stock options			21,538		
Diluted EPS					
Income available to common shareholders of the parent (including effect of dilutive potential common stock)	\$ 19,944,094	\$ 18,838,639	26,405,659	\$ 0.76	\$ 0.71

The average number of shares outstanding for EPS calculation has been retroactively adjusted for the issuance of stock dividends and employee stock bonuses. This adjustment caused each of the basic and diluted after income tax EPS for the three months ended March 31, 2007 to decrease from NT\$0.73 to NT\$0.71.

**25. DISCLOSURES FOR FINANCIAL INSTRUMENTS**

a. Fair values of financial instruments were as follows:

	<b>March 31</b>			
	<b>2008</b>		<b>2007</b>	
	<b>Carrying Amount</b>	<b>Fair Value</b>	<b>Carrying Amount</b>	<b>Fair Value</b>
<b>Assets</b>				
Financial assets at fair value through profit or loss	\$ 1,375,693	\$ 1,375,693	\$ 1,364,325	\$ 1,364,325
Available-for-sale financial assets	54,684,068	54,684,068	75,677,565	75,677,565
Held-to-maturity financial assets	18,000,139	18,001,071	33,220,796	33,203,292
<b>Liabilities</b>				
Financial liabilities at fair value through profit or loss	244,283	244,283	133,808	133,808
Bonds payable (including current portion)	12,500,000	12,657,936	17,000,000	17,279,497
Long-term bank loans (including current portion)	2,016,204	2,016,204	1,542,298	1,542,298
Other long-term payables (including current portion)	12,363,830	12,363,830	11,614,798	11,614,798
Obligations under capital leases	649,941	649,941	628,506	628,506
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- b. Methods and assumptions used in the estimation of fair values of financial instruments
- 1) The aforementioned financial instruments do not include cash and cash equivalents, receivables, other financial assets, 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 three months ended March 31, 2008 and 2007 of financial assets/liabilities at fair value through profit or loss, including derivatives estimated using valuation techniques and publicly traded stocks, were recognized as losses of NT\$163,750 thousand and gains of NT\$16,688 thousand, respectively.
- d. As of March 31, 2008 and 2007, financial assets exposed to fair value interest rate risk were NT\$72,322,594 thousand and NT\$108,688,294 thousand, respectively, financial liabilities exposed to fair value interest rate risk were NT\$244,283 thousand and NT\$133,808 thousand, respectively. Financial assets exposed to cash flow interest rate risk as of March 31, 2007 were NT\$6,617,800 thousand.
- e. Movements of the unrealized gain on financial instruments for the three months ended March 31, 2008 and 2007 were as follows:

	<b>Three Months Ended March 31, 2008</b>		
	<b>Valuation Gain on Available- for-sale Financial Assets</b>	<b>Equity in Valuation Gain on Available- for-sale Financial Assets Held by Investees</b>	<b>Total</b>
Balance, beginning of period	\$ 627,838	\$ 53,159	\$ 680,997
Recognized directly in shareholders equity	(151,003)	(11,821)	(162,824)
Removed from shareholders equity and recognized in earnings	(117,312)		(117,312)
Balance, end of period	\$ 359,523	\$ 41,338	\$ 400,861



	<b>Three Months Ended March 31, 2007</b>		
	<b>Valuation Gain on Available- for-sale Financial Assets</b>	<b>Equity in Valuation Gain on Available- for-sale Financial Assets Held by Investees</b>	<b>Total</b>
Balance, beginning of period	\$ 386,017	\$ 175,598	\$ 561,615
Recognized directly in shareholders' equity	219,731	2,102	221,833
Removed from shareholders' equity and recognized in earnings	(63,314)		(63,314)
Balance, end of period	\$ 542,434	\$ 177,700	\$ 720,134

f. Information about financial risk

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

## 26. RELATED PARTY TRANSACTIONS

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

a. Investees of TSMC

VIS (accounted for using equity method)

SSMC (accounted for using equity method)



- b. VisEra Technology Company, Ltd. (VisEra), an indirect investee accounted for using equity method by TSMC
- d. Others: Related parties over which the Company has control or exercises significant influence but with which the Company had no material transactions

	<b>2008</b>		<b>2007</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
For the three months ended March 31				
Sales				
VIS	\$ 22,577		\$	
VisEra	16,324		186,491	
SSMC	461			
	\$ 39,362		\$ 186,491	
Purchases				
SSMC	\$ 1,358,468	3	\$ 1,386,200	3
VIS	798,344	1	695,624	2
VisEra	594			
	\$ 2,157,406	4	\$ 2,081,824	5
Manufacturing expenses				
VisEra	\$ 4,741		\$ 3,668	
Research and development expenses				
VisEra	\$ 8,632		\$	
Non-operating income and gains				
VIS (primarily technical service income; see Note 29h.)	\$ 106,748	2	\$ 86,762	3
VisEra	66,101	2	42,089	1
SSMC (primarily technical service income; see Note 29e.)	61,712	1	58,483	2
Others			3	
	\$ 234,561	5	\$ 187,337	6

As of March 31

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Receivables				
VisEra	\$ 7,758	100	\$ 362,061	100
VIS	32		486	
	\$ 7,790	100	\$ 362,547	100
Other receivables				
VIS	\$ 108,629	50	\$ 155,657	55
SSMC	77,688	36	82,868	30
VisEra	29,328	14	40,570	15
	\$ 215,645	100	\$ 279,095	100

	2008		2007	
	Amount	%	Amount	%
Payables				
VIS	\$ 479,180	50	\$ 446,667	39
SSMC	465,295	49	694,554	60
VisEra	11,630	1	15,052	1
	\$ 956,105	100	\$ 1,156,273	100
Deferred credits				
VisEra	\$ 46,631	9	\$ 108,806	9

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.

#### **27. PLEDGED OR MORTGAGED ASSETS**

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

	March 31	
	2008	2007
Other financial assets	\$ 28,511	\$ 62,166
Property, plant and equipment, net	5,206,652	5,355,056
	\$ 5,235,163	\$ 5,417,222

#### **28. 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 September 2008 to December 2028 and can be renewed upon expiration.

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

As of March 31, 2008, future lease payments were as follows:

Year	Amount
2008 (2 <sup>nd</sup> to 4 <sup>th</sup> quarter)	\$ 441,645
2009	557,832
2010	474,950
2011	331,678
2012 and thereafter	2,703,159
	\$ 4,509,264

## 29. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

Significant commitments and contingencies of the Company as of March 31, 2008, excluding those disclosed in other notes, were as follows:

- a. On June 20, 2004, TSMC and Philips (Philips parted with its semiconductor company which was renamed as NXP B.V. in September 2006) amended the Technical Cooperation Agreement, which was originally signed on May 12, 1997. The amended Technical Cooperation Agreement is for five years beginning from January 1, 2004. Upon expiration, this amended Technical Cooperation Agreement will be terminated and will not be automatically renewed; however, the patent cross license arrangement between TSMC and Philips (now NXP B.V.) will survive the expiration of the amended Technical Cooperation Agreement. Under this amended Technical Cooperation Agreement, TSMC will pay Philips (now NXP B.V.) royalties based on a fixed amount mutually agreed-on, rather than under a certain percentage of TSMC's annual net sales. TSMC and Philips (now NXP B.V.) agreed to cross license the patents owned by each party. TSMC also obtained through Philips (now NXP B.V.) a number of cross patent licenses.
- b. Under a technical cooperation agreement with ITRI, the R.O.C. Government or its designee approved by TSMC can use up to 35% of TSMC's capacity if TSMC's outstanding commitments to its customers are not prejudiced. The term of this agreement is for five years beginning from January 1, 1987 and is automatically renewed for successive periods of five years unless otherwise terminated by either party with one year prior notice.
- 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 March 31, 2008, TSMC had a total of US\$60,730 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) committed to buy specific percentages of the production capacity of SSMC. TSMC and Philips (now NXP B.V.) are required, in the aggregate, to purchase up to 70% of SSMC's capacity, but TSMC alone is not required to purchase more than 28% of the capacity. If any party defaults on the commitment and the capacity utilization of SSMC fall below a specific percentage of its capacity, the defaulting party is required to compensate SSMC for all related unavoidable costs.



- e. TSMC provides technical services to SSMC under a Technical Cooperation Agreement (the Agreement) effective March 30, 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 would be relieved of any further obligation to transfer any additional technology. In addition, TSMC granted National an option to request prior to January 2008 the transfer of certain technologies under the same terms and conditions as the terminated TTA. National did not make such request by the deadline, therefore the option expired in January 2008.
- g. In December 2003, TSMC entered into a Technology Development and License Agreement with Freescale Semiconductor, Inc. to jointly develop 65-nm SOI (silicon on insulator) technology. TSMC would 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 would pay royalties to Freescale Semiconductor, Inc. and would share a portion of the costs associated with the joint development project. The agreement expired in December 2007. TSMC did not capitalize related intellectual properties arising from the co-development project because those intellectual properties did not meet the capitalization criteria set forth in Statement of Financial Accounting Standards No. 37 Accounting for Intangible Assets .
- 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 would contribute process technologies and share a portion of the costs associated with this joint development project. This agreement was to expire on December 31, 2008, but the Company had ended its participation in the project. For the Company, this agreement had terminated as of January 26, 2008.
- j. TSMC, TSMC North America and WaferTech filed a series of lawsuits in late 2003 and 2004 against Semiconductor Manufacturing International Corporation, SMIC (Shanghai) and SMIC Americas (aggregately referring to as SMIC ). The lawsuits alleged that SMIC infringed multiple TSMC, TSMC North America and WaferTech patents and misappropriated TSMC, TSMC North America and WaferTech s trade secrets. These suits were settled out of court on January 30, 2005. As part of the settlement, Semiconductor Manufacturing International Corporation shall pay US\$175 million over six years to resolve TSMC, TSMC North America and WaferTech s claims. As of March 31, 2008, SMIC had paid US\$90 million in accordance with the terms of this settlement agreement. In August 2006, TSMC, TSMC North America and WaferTech filed a lawsuit against SMIC in Alameda County Superior Court in California for breach of aforementioned settlement agreement, breach of promissory notes and trade secret misappropriation, seeking injunctive relief and

monetary damages. In September 2006, SMIC filed a cross-complaint against TSMC, TSMC North America and WaferTech in the same court, alleging TSMC, TSMC North America and WaferTech of breach of the settlement agreement and implied covenant of good faith and fair dealing, in response to TSMC, TSMC North America and WaferTech's August complaint. In November 2006, SMIC filed a complaint with Beijing People's High Court against TSMC, TSMC North America and WaferTech alleging defamation

and breach of good faith. The California State Superior Court of Alameda County issued an Order on TSMC, TSMC North America and WaferTech's pre-trial motion for a preliminary injunction against SMIC on September 7, 2007. In the Order, the Court found TSMC has demonstrated a significant likelihood that it will ultimately prevail on the merits of its claim for breach of certain paragraphs of the (2005) Settlement Agreement with SMIC. The Court also found TSMC has demonstrated a significant probability of establishing that SMIC retains and is using TSMC Information in SMIC's 0.13um and smaller technologies, and there is significant threat of serious irreparable harm to TSMC if SMIC were to disclose or transfer that information before final resolution of the case. Therefore, the Court ordered that, effective immediately, SMIC must provide advance notice and an opportunity for TSMC, TSMC North America and WaferTech to object before disclosing items enumerated in the Court Order to SMIC's third party partners. The Court, however, did not grant a preliminary injunction as requested by TSMC, TSMC North America and WaferTech. The result of the above-mentioned litigation cannot be determined at this time.

- k. In April 2004, UniRAM Technology, Inc. ( UniRAM ) filed an action against MoSys Inc., TSMC and TSMC North America in the U.S. District Court for the Northern District of California, alleging patent infringement and trade secret misappropriation and seeking injunctive relief and damages. UniRAM later dropped its patent infringement claims during the course of litigation, but TSMC's inequitable conduct counterclaim against UniRAM's asserted patents remained. In 2007, the trade secret misappropriation portion of the case went to trial, and in September 2007, a jury rendered a verdict awarding US\$30.5 million to UniRAM Technology, Inc. The court held a separate bench trial on the inequitable conduct counterclaims in January 2008, but has yet to issue a decision as of March 25, 2008. During the January bench trial, UniRAM has also raised anew its motion to enjoin TSMC from offering certain technologies that UniRAM alleges to contain its confidential information. This issue has also not been decided. As a procedural matter, the jury verdict cannot be entered into the record while the inequitable conduct issues remain undecided. Nevertheless, as a result of the verdict, TSMC has accrued the full amount of the jury award in September 2007 as part of the non-operating expenses. TSMC intends to continue to pursue remedies against this verdict.
- l. The Company entered into an agreement with a counterparty in 2003 whereby 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. The property, plant and equipment have been in use by TSMC Shanghai since 2004 and are being depreciated over their estimated service lives. The related obligation totaled NT\$7,719,794 thousand and NT\$7,620,093 thousand as of March 31, 2008 and 2007, respectively, which is included in other long-term payables on the Company's consolidated balance sheets.
- m. Amounts available under unused letters of credit as of March 31, 2008 were NT\$474 thousand.

### **30. ADDITIONAL DISCLOSURES**

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

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





- f. Disposal of individual real estate properties at prices of at least NT\$100 million or 20% of the paid-in capital: None;
- g. Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Please see Table 4 attached;
- h. Receivable from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Please see Table 5 attached;
- i. Names, locations, and related information of investees over which TSMC exercises significant influence: Please see Table 6 attached;
- j. Information on investment in Mainland China
  - 1) The name of the investee in mainland China, the main businesses and products, its issued capital, method of investment, information on inflow or outflow of capital, percentage of ownership, equity in the net gain or net loss, ending balance, amount received as dividends from the investee, and the limitation on investee: Please see Table 7 attached.
  - 2) Significant direct or indirect transactions with the investee, its prices and terms of payment, unrealized gain or loss, and other related information which is helpful to understand the impact of investment in mainland China on financial reports: Please see Table 8 attached.
- k. Intercompany relationships and significant intercompany transactions: Please see Table 8 attached.

**TABLE 1****Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries****MARKETABLE SECURITIES HELD****MARCH 31, 2008****(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	March 31, 2008			
				Shares/Units (in Thousands)	Carrying Value (US\$ in Thousands)	Percentage of Ownership (%)	Market Value or Net Asset Value (US\$ in Thousands)
	Open-end mutual funds						
	Fuh Hwa Bond		Available-for-sale financial assets	132,997	\$ 1,809,322	N/A	\$ 1,809,322
	NITC Bond Fund			10,449	1,753,671	N/A	1,753,671
	ING Taiwan Bond Fund			85,581	1,315,559	N/A	1,315,559
	NITC Taiwan Bond			89,078	1,280,609	N/A	1,280,609
	President James Bond			77,128	1,213,913	N/A	1,213,913
	Prudential Financial Bond Fund			69,864	1,041,330	N/A	1,041,330
	JF Taiwan Bond Fund			59,049	918,978	N/A	918,978
	ING Taiwan Income Fund			54,621	882,358	N/A	882,358
	Taishin Lucky Fund			68,945	721,555	N/A	721,555
	Cathay Bond Fund			60,126	706,650	N/A	706,650
	Dresdner Bond DAM Fund			54,319	642,089	N/A	642,089
	AIG Taiwan Bond Fund			39,028	507,080	N/A	507,080
	JF First Bond Fund			35,324	506,251	N/A	506,251
	HSBC Taiwan Money Management Fund			27,416	415,187	N/A	415,187
	INVESCO Bond Fund			27,176	411,619	N/A	411,619
	Corporate bond						
	Hua Nan Bank		Available-for-sale financial assets		1,580,206	N/A	1,580,206
	Cathay Bank				1,185,660	N/A	1,185,660
	Taiwan Power Company				899,778	N/A	899,778
	Formosa Petrochemical Corporation				399,589	N/A	399,589

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Formosa Plastic Corporation	Held-to-maturity financial assets	3,585,384	N/A	3,556,817
Taiwan Power Company		2,631,183	N/A	2,631,100
Nan Ya Plastics Corporation		1,804,129	N/A	1,797,254
CPC Corporation, Taiwan		1,200,269	N/A	1,199,503
China Steel Corporation		1,000,000	N/A	988,303
Formosa Petrochemical Corporation		393,200	N/A	393,077
Shanghai Commercial & Saving Bank		294,290	N/A	294,209
Government bond				
2006 Government Bond Series D	Available-for-sale financial assets	400,317	N/A	400,317
2006 Government Bond Series D	Held-to-maturity financial assets	3,650,463	N/A	3,652,895
2003 Asian Development Bank Govt. Bond		859,900	N/A	893,103
2003 Government Bond Series F		799,488	N/A	800,097
2003 Government Bond Series H		400,493	N/A	401,252
European Investment Bank Bonds		381,340	N/A	400,000

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Held	Company	Marketable Securities	Relationship with	Financial Statement Account	March 31, 2008			Market Value or Net
					Shares/Units	Carrying Value	Percentage of Ownership	
Name	Type and Name	the Company		(in Thousands)	(US\$ in Thousands)	(%)	(US\$ in Thousands)	No
	Stocks							
	TSMC Global	Subsidiary	Investment accounted for using equity method	1	41,971,629	100	41,971,629	
	TSMC International VIS	Subsidiary	Investee accounted for using equity method	987,968	27,063,207	100	27,063,207	
	SSMC	Investee accounted for using equity method		616,240	11,183,477	36	13,434,042	
	TSMC Partners	Subsidiary	Investee accounted for using equity method	463	8,352,727	39	7,432,832	
				300	3,528,732	100	3,528,732	

(Continued)

							March 31, 2008
				Market Value or Net Asset Value			
Company	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	Shares/Units	Carrying Value	Percentage of Ownership	Asset Value
				(in Thousands)	(US\$ in Thousands)	(%)	(US\$ in Thousands)
	TSMC North America	Subsidiary	Investment accounted for using equity method	11,000	\$2,184,900	100	\$2,184,900
	XinTec	Investee with a controlling financial interest		91,703	1,483,429	43	1,407,789
	GUC	Investee with a controlling financial interest		42,572	891,488	37	8,833,763
	TSMC Japan	Subsidiary		6	112,111	100	112,111
	TSMC Europe	Subsidiary			97,152	100	97,152
	TSMC Korea	Subsidiary		80	15,533	100	15,533
	United Industrial Gases Co., Ltd.		Financial assets carried at cost	16,783	193,584	10	312,834
	Shin-Etsu Handotai Taiwan Co., Ltd.			10,500	105,000	7	348,240
	W.K. Technology Fund IV			4,000	40,000	2	51,603
	Hontung Venture Capital Co., Ltd.			2,633	26,329	10	20,270
	Fund						
	Horizon Ventures Fund		Financial assets carried at cost		312,949	12	312,949
	Crimson Asia Capital				70,298	1	70,298
	Capital						
	TSMC Shanghai	Subsidiary	Investment accounted for using equity method		7,895,259	100	7,853,344
	VTAF II	Subsidiary			1,039,699	98	1,035,244
	VTAF III	Subsidiary			1,037,387	98	1,025,484
	Emerging Alliance	Subsidiary			390,518	99	390,518
	Chi Cheng	Subsidiary			175,689	36	634,253
	Hsin Ruey	Subsidiary			173,804	36	633,315



				March 31, 2008				
Held				Carrying		Percentage		Market
Company	Marketable Securities	Relationship with	Financial Statement Account	Shares/Units	Value	of	Asset Value	
Name	Type and Name	the Company	Financial Statement Account	(in	(US\$ in	Ownership	(US\$ in	
				thousands)	thousands)	(%)	Thousands) Not	
VisEra Holding Company		Investee accounted for using equity method	Investments accounted for using equity method	43,000	US\$ 72,628	49	US\$ 72,628	
TSMC Canada		Subsidiary		2,300	US\$ 2,749	100	US\$ 2,749	

(Continued)



Held	Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	March 31, 2008							
					Shares/Units (in Thousands)	Carrying Value (US\$ in Thousands)	Percentage of Ownership (%)	Market Value or Net Asset Value (US\$ in Thousands)				
merging Alliance		Common stock		Financial assets carried at cost	1,036	US\$ 275		US\$ 275				
					RichWave Technology Corp.	4,247	US\$ 1,648	12	US\$ 1,648			
					Global Investment Holding Inc.	10,800	\$100,000	6	\$100,000			
					Preferred stock	Audience, Inc.	Financial assets carried cost	1,654	US\$ 250	1	US\$ 250	
								Axiom Microdevices, Inc.	1,000	US\$ 1,000	1	US\$ 1,000
								Miradia, Inc.	3,040	US\$ 1,000	3	US\$ 1,000
								Mobilygen	1,415	US\$ 750	1	US\$ 750
								Mosaic Systems, Inc.	2,481	US\$ 12	6	US\$ 12
								Next IO, Inc.	800	US\$ 500	4	US\$ 500
								Optichron, Inc.	714	US\$ 1,000	3	US\$ 1,000
								Optimal Corporation		US\$ 229		US\$ 229
								Pixim, Inc.	3,606	US\$ 862	2	US\$ 862
								QST Holding, LLC		US\$ 131	3	US\$ 131
					Teknovus, Inc.	6,977	US\$ 1,327	2	US\$ 1,327			
					Capital	VentureTech Alliance Holdings, L.L.C. (VTA Holdings)	Subsidiary	Investments accounted for using equity method			9	
TAF II		Common stock		Financial assets carried at cost	1,875	US\$ 919	13	US\$ 919				
					Yobon	1,200	US\$ 2,040	15	US\$ 2,040			
					Sentelic	1,265	US\$ 660	5	US\$ 660			
					RichWave Technology Corp.	1,043	US\$ 730	2	US\$ 730			
					Preferred stock	5V Technologies, Inc.	Financial assets carried cost	2,357	US\$ 1,768	11	US\$ 1,768	
								Aquantia Corporation	2,108	US\$ 2,573	5	US\$ 2,573
								Audience, Inc.	5,335	US\$ 1,390	2	US\$ 1,390
								Axiom Microdevices, Inc.	5,044	US\$ 2,088	4	US\$ 2,088

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Beceem Communications	650	US\$	1,600	1	US\$	1,600
GemFire Corporation	600	US\$	68	1	US\$	68
Impinj, Inc.	475	US\$	1,000		US\$	1,000
Miradia, Inc.	3,416	US\$	3,106	5	US\$	3,106
Mobilygen	569	US\$	149	1	US\$	149
Next IO, Inc.	1,915	US\$	607	2	US\$	607
Optichron, Inc.	1,050	US\$	1,844	4	US\$	1,844
Pixim, Inc.	6,348	US\$	1,141	2	US\$	1,141
Power Analog Microelectronics	3,324	US\$	2,409	14	US\$	2,409
QST Holding, LLC		US\$	145	3	US\$	145
Teknovus, Inc.	1,599	US\$	454		US\$	454
Tzero Technologies, Inc.	1,167	US\$	2,007	2	US\$	2,007
Xceive	714	US\$	1,000	2	US\$	1,000

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March 31, 2008

Market  
Value or  
Net

Carrying Percentage Asset

Value of Value

(in US\$ in Ownership US\$ in

Thousands) (%) Thousands) Note

Held

Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	Shares/Units (in thousands)	Value (US\$ in thousands)	Ownership (%)	Asset Value (US\$ in thousands)	Note
	Capital VTA Holdings	Subsidiary	Investments accounted for using equity method			10		
VTAF III	Common stock Mutual-pak Technology Co., Ltd.	Subsidiary	Investments accounted for using equity method	4,590	US\$ 1,720	51	US\$ 1,720	
	Preferred stock Advasense Sensors, Inc.		Financial assets carried at cost	1,929	US\$ 1,834	6	US\$ 1,834	

(Continued)

				March 31, 2008			Market Value or Net	
Held					Carrying	Percentage		
Company	Marketable Securities	Relationship with	Financial Statement Account	Shares/Units	Value	of	Asset Value	Not
Name	Type and Name	the Company	Type	(in	(US\$ in	Ownership	(US\$ in	Thousands) Not
				Thousands)	Thousands)	(%)	Thousands)	Thousands)
	Auramicro, Inc.		Financial assets carried at cost	2,500	US\$ 750	17	US\$ 750	
	BridgeLux, Inc.			3,333	US\$ 5,000	3	US\$ 5,000	
	Exclara, Inc. (formerly Synpitech, Inc.)			14,513	US\$ 2,412	19	US\$ 2,412	
	GTBF, Inc.				US\$ 1,500	N/A	US\$ 1,500	
	M2000, Inc.			3,000	US\$ 3,000	5	US\$ 3,000	
	Neoconix, Inc.			2,458	US\$ 4,000	6	US\$ 4,000	
	Powervation, Ltd.			191	US\$ 2,930	19	US\$ 2,930	
	Quellan, Inc.			3,106	US\$ 3,500	6	US\$ 3,500	
	Silicon Technical Services, LLC			1,055	US\$ 1,208	2	US\$ 1,208	
	Tilera, Inc.			1,698	US\$ 2,360	3	US\$ 2,360	
	Validity Sensors, Inc.			6,424	US\$ 2,545	3	US\$ 2,545	
	Capital VTA Holdings	Subsidiary	Investments accounted for using equity method			81		
SDF	Common stock							
	Monolithic Power Systems, Inc.		Financial assets at fair value through profit or loss	1,352	US\$23,833	4	US\$23,833	
	Memsic, Inc.		Available-for-sale financial assets	1,364	US\$ 8,195	6	US\$ 8,195	
	Capella Microsystems (Taiwan), Inc.		Financial assets carried at cost	530	US\$ 154	2	US\$ 154	
	Preferred stock							
	Integrated Memory Logic, Inc.		Financial assets carried at cost	2,872	US\$ 1,221	9	US\$ 1,221	
	IP Unity, Inc.			1,008	US\$ 494	1	US\$ 494	
	NanoAmp Solutions, Inc.			541	US\$ 853	2	US\$ 853	
	Sonics, Inc.			1,843	US\$ 3,530	18	US\$ 3,530	
SDF II	Common stock							
	Monolithic Power Systems, Inc.		Financial assets at fair value through profit or loss	864	US\$15,241	3	US\$15,241	
	Rich Tek Technology Corp.			96	US\$ 763		US\$ 763	

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Geo Vision, Inc.		6	US\$	45		US\$	45
Memsic, Inc.	Available-for-sale financial assets	1,145	US\$	6,879	5	US\$	6,879
Rich Tek Technology Corp.		261	US\$	2,081		US\$	2,081
Geo Vision, Inc.		3	US\$	21		US\$	21
eLCOS Microdisplay Technology, Ltd.	Financial assets carried at cost	270	US\$	14	1	US\$	14
EoNEX Technologies, Inc.		55	US\$	2,286	5	US\$	2,286
Sonics, Inc.		2,220	US\$	32	21	US\$	32
Epic Communication, Inc.		191	US\$	37	1	US\$	37
EON Technology, Corp.		3,074	US\$	851	4	US\$	851
Goyatek Technology, Corp.		2,088	US\$	545	7	US\$	545
Trendchip Technologies Corp.		1,000	US\$	574	3	US\$	574
Capella Microsystems (Taiwan), Inc.		534	US\$	210	2	US\$	210
Ralink Technology (Taiwan), Inc.		2,094	US\$	662	2	US\$	662
Auden Technology MFG. Co., Ltd.		1,049	US\$	223	3	US\$	223
Preferred stock Alchip Technologies Limited	Financial assets carried at cost	5,194	US\$	2,950	15	US\$	2,950

March 31, 2008

Market  
Value or  
Net

Carrying Percentage Asset

Shares/Units Value of Value  
(in (US\$ in Ownership US\$ in

Thousands) Thousands) (%) Thousands) Note

Held

Company Marketable Securities Relationship with

Name	Type and Name	the Company	Financial Statement Account	Shares/Units (in Thousands)	Value (US\$ in Thousands)	Ownership (%)	Value (US\$ in Thousands)	Note
	eLCOS Microdisplay Technology, Ltd.			3,500	US\$1,950	8	US\$1,950	
	FangTek, Inc.			6,806	US\$3,250	15	US\$3,250	
	Kilopass Technology, Inc.			3,887	US\$2,000	5	US\$2,000	
	NanoAmp Solutions, Inc.			375	US\$1,500	1	US\$1,500	
	Sonics, Inc.			2,115	US\$3,082	21	US\$3,082	

(Continued)

		March 31, 2008						
Held		Market						
		Value or Net						
		Carrying Percentage						
Company	Marketable Securities	Relationship with	Financial Statement Accounts	Shares/Units (in Thousands)	Value (US\$ in Thousands)	of Ownership (%)	Asset Value (US\$ in Thousands)	Note
Name	Type and Name	the Company						
Tsmc Global	Money market funds							
	Ssga Cash Mgmt Global Offshore		Available-for-sale financial assets		US\$459,159	N/A	US\$459,159	
	Agency bonds							
	Fed Hm Ln Pc Pool 1b1225		Available-for-sale financial assets		US\$ 131	N/A	US\$ 131	
	Fed Hm Ln Pc Pool 1b2566				US\$ 148	N/A	US\$ 148	
	Fed Hm Ln Pc Pool 1b2632				US\$ 171	N/A	US\$ 171	
	Fed Hm Ln Pc Pool 1b2642				US\$ 221	N/A	US\$ 221	
	Fed Hm Ln Pc Pool 1b2776				US\$ 338	N/A	US\$ 338	
	Fed Hm Ln Pc Pool 1b2792				US\$ 219	N/A	US\$ 219	
	Fed Hm Ln Pc Pool 1b2810				US\$ 278	N/A	US\$ 278	
	Fed Hm Ln Pc Pool 1b7453				US\$ 2,632	N/A	US\$ 2,632	
	Fed Hm Ln Pc Pool 1g0038				US\$ 288	N/A	US\$ 288	
	Fed Hm Ln Pc Pool 1g0053				US\$ 357	N/A	US\$ 357	
	Fed Hm Ln Pc Pool 1g0104				US\$ 140	N/A	US\$ 140	
	Fed Hm Ln Pc Pool 1g1282				US\$ 3,865	N/A	US\$ 3,865	
	Fed Hm Ln Pc Pool 1g1411				US\$ 3,292	N/A	US\$ 3,292	
	Fed Hm Ln Pc Pool 1h2520				US\$ 2,589	N/A	US\$ 2,589	
	Fed Hm Ln Pc Pool 1h2524				US\$ 1,912	N/A	US\$ 1,912	
	Fed Hm Ln Pc Pool 780870				US\$ 656	N/A	US\$ 656	
	Fed Hm Ln Pc Pool 781959				US\$ 3,569	N/A	US\$ 3,569	

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Fed Hm Ln Pc Pool 782785	US\$	245	N/A	US\$	245
Fed Hm Ln Pc Pool 782837	US\$	480	N/A	US\$	480
Fed Hm Ln Pc Pool 782968	US\$	23	N/A	US\$	23
Fed Hm Ln Pc Pool 783022	US\$	521	N/A	US\$	521
Fed Hm Ln Pc Pool 783026	US\$	292	N/A	US\$	292
Fed Hm Ln Pc Pool B19205	US\$	6,731	N/A	US\$	6,731
Fed Hm Ln Pc Pool E01492	US\$	1,749	N/A	US\$	1,749
Fed Hm Ln Pc Pool E89857	US\$	1,294	N/A	US\$	1,294
Fed Hm Ln Pc Pool G11295	US\$	1,082	N/A	US\$	1,082
Fed Hm Ln Pc Pool M80855	US\$	2,903	N/A	US\$	2,903
Federal Home Ln Mtg Corp.	US\$	1,370	N/A	US\$	1,370
Federal Home Ln Mtg Corp.	US\$	1,426	N/A	US\$	1,426
Federal Home Ln Mtg Corp.	US\$	2,189	N/A	US\$	2,189
Federal Home Ln Mtg Corp.	US\$	2,486	N/A	US\$	2,486
Federal Home Ln Mtg Corp.	US\$	1,954	N/A	US\$	1,954
Federal Home Ln Mtg Corp.	US\$	3,526	N/A	US\$	3,526
Federal Home Ln Mtg Corp.	US\$	1,941	N/A	US\$	1,941
Federal Home Ln Mtg Corp.	US\$	3,058	N/A	US\$	3,058
Federal Home Ln Mtg Corp.	US\$	2,849	N/A	US\$	2,849
Federal National Mort Assoc	US\$	2,655	N/A	US\$	2,655
Federal Natl Mtg Assn	US\$	1,869	N/A	US\$	1,869
Federal Natl Mtg Assn	US\$	1,980	N/A	US\$	1,980





March 31, 2008

Market  
Value or  
Net

Held

Carrying Percentage

Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	Shares/Units (in Thousands)	Value (US\$ in Thousands)	Percentage of Ownership (%)	Asset Value (US\$ in Thousands)	Note
	Fnma Pool 685116		Available-for-sale financial assets		US\$ 546	N/A	US\$ 546	
	Fnma Pool 691283				US\$ 3,396	N/A	US\$ 3,396	
	Fnma Pool 694287				US\$ 20	N/A	US\$ 20	
	Fnma Pool 703711				US\$ 454	N/A	US\$ 454	
	Fnma Pool 725095				US\$ 1,002	N/A	US\$ 1,002	
	Fnma Pool 730033				US\$ 161	N/A	US\$ 161	
	Fnma Pool 740934				US\$ 1,078	N/A	US\$ 1,078	
	Fnma Pool 742232				US\$ 22	N/A	US\$ 22	
	Fnma Pool 750798				US\$ 22	N/A	US\$ 22	
	Fnma Pool 773246				US\$ 218	N/A	US\$ 218	
	Fnma Pool 790828				US\$ 1,951	N/A	US\$ 1,951	
	Fnma Pool 793932				US\$ 432	N/A	US\$ 432	
	Fnma Pool 794040				US\$ 605	N/A	US\$ 605	
	Fnma Pool 795548				US\$ 179	N/A	US\$ 179	
	Fnma Pool 799664				US\$ 88	N/A	US\$ 88	
	Fnma Pool 799868				US\$ 31	N/A	US\$ 31	
	Fnma Pool 804764				US\$ 381	N/A	US\$ 381	
	Fnma Pool 804852				US\$ 312	N/A	US\$ 312	
	Fnma Pool 804962				US\$ 370	N/A	US\$ 370	
	Fnma Pool 805163				US\$ 401	N/A	US\$ 401	
	Fnma Pool 806642				US\$ 594	N/A	US\$ 594	
	Fnma Pool 806721				US\$ 619	N/A	US\$ 619	
	Fnma Pool 814418				US\$ 340	N/A	US\$ 340	
	Fnma Pool 815626				US\$ 2,173	N/A	US\$ 2,173	
	Fnma Pool 819423				US\$ 522	N/A	US\$ 522	
	Fnma Pool 821129				US\$ 495	N/A	US\$ 495	
	Fnma Pool 888499				US\$ 2,100	N/A	US\$ 2,100	
	Fnma Pool 888502				US\$ 229	N/A	US\$ 229	
	Fnma Pool 888507				US\$ 881	N/A	US\$ 881	
	Fnma Pool 888515				US\$ 1,210	N/A	US\$ 1,210	
	Fnma Pool 888519				US\$ 118	N/A	US\$ 118	
	Fnma Pool 888527				US\$ 67	N/A	US\$ 67	
	Fnma Pool 888738				US\$ 4,656	N/A	US\$ 4,656	
	Fnma Pool 888793				US\$ 5,279	N/A	US\$ 5,279	
	Fnma Pool 900296				US\$ 3,130	N/A	US\$ 3,130	
	Gnma Ii Pool 081150				US\$ 432	N/A	US\$ 432	
	Gnma Ii Pool 081153				US\$ 1,322	N/A	US\$ 1,322	
	Gnma Pool 646061				US\$ 3,906	N/A	US\$ 3,906	

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Fed Home Ln Bank	US\$ 5,307	N/A	US\$ 5,307
Federal Farm Cr Bks	US\$ 3,602	N/A	US\$ 3,602
Federal Home Ln Bks	US\$17,652	N/A	US\$17,652

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March 31, 2008

Market  
Value or  
Net

Held

Carrying Percentage

Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	Shares/Units (in Thousands)	Value (US\$ in Thousands)	Percentage of Ownership (%)	Asset Value (US\$ in Thousands)	Note
	Federal Home Ln Bks				US\$ 5,289	N/A	US\$ 5,289	
	Federal Home Ln Bks				US\$12,628	N/A	US\$12,628	
	Federal Home Ln Mtg				US\$ 5,228	N/A	US\$ 5,228	
	Federal Home Ln Mtg Corp.				US\$ 7,627	N/A	US\$ 7,627	
	Federal Home Ln Mtg Disc Nts				US\$17,646	N/A	US\$17,646	
	Federal Home Loan Bank				US\$ 4,720	N/A	US\$ 4,720	
	Federal Home Loan Banks				US\$17,714	N/A	US\$17,714	
	Federal Natl Mtg Assn				US\$10,468	N/A	US\$10,468	
	Federal Natl Mtg Assn				US\$ 2,660	N/A	US\$ 2,660	
	Federal Natl Mtg Assn				US\$ 4,102	N/A	US\$ 4,102	
	Federal Natl Mtg Assn Mtn				US\$ 3,107	N/A	US\$ 3,107	
	Tennessee Valley Auth				US\$ 6,114	N/A	US\$ 6,114	

(Continued)



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General Dynamics Corp.	US\$ 2,182	N/A	US\$ 2,182
General Elec Cap Corp. Mtn	US\$ 4,050	N/A	US\$ 4,050
General Elec Cap Corp. Mtn	US\$ 3,102	N/A	US\$ 3,102
General Elec Cap Corp. Mtn	US\$ 2,149	N/A	US\$ 2,149
General Re Corp.	US\$ 3,280	N/A	US\$ 3,280
Genworth Finl Inc.	US\$ 3,281	N/A	US\$ 3,281
Hancock John Global Fdg II Mtn	US\$ 5,228	N/A	US\$ 5,228
Hancock John Global Fdg Mtn	US\$ 1,005	N/A	US\$ 1,005
Hartford Finl Svcs Group Inc.	US\$ 1,341	N/A	US\$ 1,341
Heller Finl Inc.	US\$ 1,979	N/A	US\$ 1,979
Hewlett Packard Co.	US\$ 1,936	N/A	US\$ 1,936
Household Fin Corp.	US\$ 2,975	N/A	US\$ 2,975
Household Fin Corp.	US\$ 3,123	N/A	US\$ 3,123
Ing Sec Life Instl Fdg	US\$ 2,572	N/A	US\$ 2,572
International Business Machs	US\$ 3,637	N/A	US\$ 3,637
Intl Lease Fin Corp. Mtn	US\$ 2,989	N/A	US\$ 2,989
JP Morgan Chase	US\$ 2,034	N/A	US\$ 2,034

			March 31, 2008			
Held			Market Value or Net			
Company Name	Marketable Securities Type and Name	Relationship with the Company	Carrying Value (in US\$ Thousands)	Percentage of Ownership (%)	Asset Value (US\$ in Thousands)	Note
	Keycorp Mtn Book Entry		US\$3,081	N/A	US\$3,081	
	Lehman Brothers Hldgs Inc.		US\$2,005	N/A	US\$2,005	
	Lehman Brothers Hldgs Inc.		US\$ 948	N/A	US\$ 948	
	Lehman Brothers Hldgs Inc.		US\$ 631	N/A	US\$ 631	
	Massmutual Global Fdg II Mtn		US\$3,851	N/A	US\$3,851	
	Metropolitan Life Global Mtn		US\$3,399	N/A	US\$3,399	
	Mgic Invt Corp.		US\$ 932	N/A	US\$ 932	
	Mizuho Fin (Cayman)		US\$2,103	N/A	US\$2,103	
	Monumental Global Fdg II		US\$1,517	N/A	US\$1,517	
	Monunmetal Global Fdg II		US\$2,029	N/A	US\$2,029	
	Mony Group Inc.		US\$2,179	N/A	US\$2,179	
	Morgan Stanley		US\$1,579	N/A	US\$1,579	

(Continued)

			March 31, 2008			
					Market Value or Net	
Held					Asset	
Company	Marketable Securities	Relationship with	Shares/Units	Carrying Value	Percentage of Ownership	Value
Name	Type and Name	the Company	(in Thousands)	(US\$ in Thousands)	(%)	(US\$ in Thousands)
				Financial Statement Accounts		Note
	Morgan Stanley			Available-for-sale financial assets		
	National City Corp.				US\$3,382	N/A US\$3,382
	Nationwide Life Global Fdg I				US\$3,500	N/A US\$3,500
	Oracle Corp./Ozark Hldg Inc.				US\$3,690	N/A US\$3,690
	Premark Intl Inc.				US\$2,053	N/A US\$2,053
	Pricoa Global Fdg I Mtn				US\$2,694	N/A US\$2,694
	Principal Finl Group Australia				US\$3,512	N/A US\$3,512
	Protective Life Secd Trs Mtn				US\$1,009	N/A US\$1,009
	Sbc Communications Inc.				US\$3,510	N/A US\$3,510
	Sbc Communications Inc.				US\$3,417	N/A US\$3,417
	Simon Pty Group L P				US\$ 720	N/A US\$ 720
	Simon Pty Group Lp				US\$2,484	N/A US\$2,484
	Sp Powerassests Ltd. Global				US\$ 991	N/A US\$ 991
	Suntrust Bk Atlanta Ga Medium				US\$1,003	N/A US\$1,003
	Unitedhealth Group Inc.				US\$3,504	N/A US\$3,504
	Wachovia Corp. New				US\$1,420	N/A US\$1,420
	Washington Post Co.				US\$3,207	N/A US\$3,207
	Wells Fargo + Co. New Med Trm				US\$3,051	N/A US\$3,051
					US\$4,503	N/A US\$4,503
	Corporate issued asset-backed securities			Available-for-sale financial assets		
	Atlantic City Elc Trns Fdglc				US\$ 96	N/A US\$ 96
	Banc Amer Coml Mtg Inc.				US\$5,592	N/A US\$5,592
	Banc Amer Fdg 2006 I Tr				US\$3,656	N/A US\$3,656



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Bear Stearns Adjustable Rate	US\$ 91	N/A	US\$ 91
Bear Stearns Arm Tr	US\$2,972	N/A	US\$2,972
Bear Stearns Arm Tr	US\$1,831	N/A	US\$1,831
Bear Stearns Arm Tr	US\$ 234	N/A	US\$ 234
Bear Stearns Coml Mtg Secs Inc.	US\$2,164	N/A	US\$2,164
Bear Stearns Coml Mtg Secs Inc.	US\$4,948	N/A	US\$4,948
Capital One Multi Asset Exec	US\$9,155	N/A	US\$9,155
Capital One Multi Asset Execut	US\$4,000	N/A	US\$4,000
Capital One Multi Asset Execut	US\$3,008	N/A	US\$3,008
Capital One Prime Auto Receive	US\$3,542	N/A	US\$3,542
Capital One Prime Auto Receiv	US\$ 65	N/A	US\$ 65
Cbass Tr	US\$1,358	N/A	US\$1,358
Chase Mtg Fin Tr	US\$ 869	N/A	US\$ 869
Chase Mtg Fin Tr	US\$1,687	N/A	US\$1,687
Chase Mtg Fin Tr	US\$2,523	N/A	US\$2,523
Chase Mtge Finance Corp.	US\$1,567	N/A	US\$1,567
Cit Equip Coll Tr	US\$4,071	N/A	US\$4,071
Citicorp Mtg Secs	US\$ 231	N/A	US\$ 231
Credit Suisse First Boston Mtg	US\$1,322	N/A	US\$1,322

				March 31, 2008				
				Market Value or Net				
				Carrying Percentage Asset				
Held	Marketable Securities	Relationship with	Financial Statement Account	Shares/Units	Value	of Ownership	Value	
Company	Type and Name	the Company		(in	(US\$ in	(%)	(US\$ in	Note
Name				Thousands)	Thousands)		Thousands)	
	Credit Suisse First Boston Mtg				US\$5,051	N/A	US\$5,051	
	Credit Suisse First Boston Mtg				US\$5,895	N/A	US\$5,895	
	Daimlerchrysler Auto Tr				US\$4,393	N/A	US\$4,393	
	Daimlerchrysler Auto Tr				US\$1,709	N/A	US\$1,709	
	Deere John Owner Tr				US\$2,519	N/A	US\$2,519	
	First Franklin Mtg Ln Tr				US\$1,406	N/A	US\$1,406	
	First Horizon				US\$ 43	N/A	US\$ 43	
	First Un Natl Bk Coml Mtg Tr				US\$2,498	N/A	US\$2,498	
	First Un Natl Bk Coml Mtg Tr				US\$5,097	N/A	US\$5,097	
	First Un Natl Bk Coml Mtg Tr				US\$2,159	N/A	US\$2,159	
	Ford Cr Auto Owner Tr				US\$2,512	N/A	US\$2,512	
	Gs Mtg Secs Corp.				US\$1,481	N/A	US\$1,481	
	Home Equity Mortgage Trust				US\$1,798	N/A	US\$1,798	

(Continued)

			March 31, 2008					
					Market Value or Net			
Held								
Company	Marketable Securities	Relationship with	Financial Statement Account	Shares/Units	Value	Percentage of Asset Value		
Name	Type and Name	the Company	(in Thousands)	(in US\$ Thousands)	(in US\$ Thousands)	(in US\$ Thousands)		
Name	Type and Name	the Company	Financial Statement Account	Thousands	Thousands	(%)	Thousands	Note
	Home Equity Mtg Tr 2006 4		Available-for-sale financial assets	US\$ 810	N/A	US\$ 810		
	Hyundai Auto Receivables Tr			US\$ 1,221	N/A	US\$ 1,221		
	JP Morgan Mtg Tr			US\$ 857	N/A	US\$ 857		
	JP Morgan Mtg Tr			US\$ 886	N/A	US\$ 886		
	JP Morgan Mtg Tr			US\$ 834	N/A	US\$ 834		
	Lb Ubs Coml Mtg Tr			US\$ 3,821	N/A	US\$ 3,821		
	Nomura Asset Accep Corp.			US\$ 1,656	N/A	US\$ 1,656		
	Residential Asset Mtg Prods			US\$ 2,129	N/A	US\$ 2,129		
	Residential Fdg Mtg Secs I Inc.			US\$ 1,477	N/A	US\$ 1,477		
	Residential Fdg Mtg Secs I Inc.			US\$ 3,294	N/A	US\$ 3,294		
	Sequoia Mtg Tr			US\$ 230	N/A	US\$ 230		
	Sequoia Mtg Tr			US\$ 310	N/A	US\$ 310		
	Sequoia Mtg Tr			US\$ 425	N/A	US\$ 425		
	Terwin Mtg Tr			US\$ 1,454	N/A	US\$ 1,454		
	Tiaa Seasoned Coml Mtg Tr			US\$ 3,912	N/A	US\$ 3,912		
	Usaa Auto Owner Tr			US\$ 5,059	N/A	US\$ 5,059		
	Wamu Mtg			US\$ 3,154	N/A	US\$ 3,154		
	Wamu Mtg Pass Through Ctf			US\$ 162	N/A	US\$ 162		
	Wamu Mtg Pass Through Ctf			US\$ 2,295	N/A	US\$ 2,295		
	Washington Mut Mtg Secs Corp.			US\$ 2,203	N/A	US\$ 2,203		
	Wells Fargo Finl Auto Owner Tr			US\$ 5,015	N/A	US\$ 5,015		
	Wells Fargo Mtg Backed Secs			US\$ 3,698	N/A	US\$ 3,698		
	Wells Fargo Mtg Backed Secs			US\$ 3,790	N/A	US\$ 3,790		
	Wells Fargo Mtg Backed Secs			US\$ 3,701	N/A	US\$ 3,701		
				US\$ 2,887	N/A	US\$ 2,887		

Wells Fargo Mtg Bkd Secs				
Wells Fargo Mtg Bkd Secs		US\$ 1,394	N/A	US\$ 1,394
Whole Auto Ln Tr		US\$ 1,272	N/A	US\$ 1,272

Government bonds

United States Treas Nts	Available-for-sale financial assets	US\$ 6,082	N/A	US\$ 6,082
United States Treas Nts		US\$48,271	N/A	US\$48,271
United States Treas Nts		US\$ 5,225	N/A	US\$ 5,225
United States Treas Nts		US\$ 3,955	N/A	US\$ 3,955
United States Treas Nts		US\$ 5,757	N/A	US\$ 5,757
United States Treas Nts		US\$ 4,234	N/A	US\$ 4,234
United States Treas Nts		US\$11,159	N/A	US\$11,159
United States Treas Nts		US\$ 5,330	N/A	US\$ 5,330
United States Treas Nts		US\$10,715	N/A	US\$10,715
United States Treas Nts		US\$ 3,453	N/A	US\$ 3,453
United States Treas Nts		US\$12,288	N/A	US\$12,288

(Concluded)

**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 THREE MONTHS ENDED MARCH 31, 2008**  
**(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

Type	Financial Statement Account	Nature of Relationship	Beginning Balance		Acquisition		Disposal (Note 2)	
			Amount (US\$ in Thousands)	Shares/Units (in Thousands) (Note 1)	Amount (US\$ in Thousands)	Shares/Units (in Thousands)	Amount (US\$ in Thousands)	Carrying Value (US\$ in Thousands)
	Available-for-sale financial assets	National Investment Trust Co., Ltd.	12,239	\$2,045,935	\$	1,790	\$ 300,000	\$ 291,013
		National Investment Trust Co., Ltd.	103,016	1,474,856		13,938	200,000	195,162
		Prudential Financial Securities Investment Trust Enterprise	83,306	1,236,728		13,442	200,000	194,349
		AIG Global Asset management Corporation (Taiwan) Ltd.	54,469	705,033		15,441	200,000	198,439
	Available-for-sale financial assets	Chung Shing Bills Finance Corp. and several financial institutions		2,349,163			2,350,000	2,350,000
				1,197,121			1,203,435	1,201,661
				200,065			201,301	200,841
	Held-to-maturity financial assets			1,647,947			1,648,000	1,648,000

Investee accounted for using equity method	Subsidiary	906,536	204,884		
Available-for-sale financial assets		US\$ 592,180	US\$ 198,872	US\$ 331,893	US\$ 331,893
Available-for-sale financial assets			US\$ 4,352		
		US\$ 8,977		US\$ 9,002	US\$ 8,716
		US\$ 8,939		US\$ 9,003	US\$ 8,735
		US\$ 4,965		US\$ 5,003	US\$ 4,851
		US\$ 4,980		US\$ 4,999	US\$ 4,882
			US\$ 12,464		
			US\$ 5,186		
			US\$ 7,572		
		US\$ 22,342		US\$ 5,018	US\$ 4,919
		US\$ 21,500		US\$ 4,111	US\$ 4,068
			US\$ 10,291		
			US\$ 4,151		
		US\$ 2,982		US\$ 3,006	US\$ 2,909
		US\$ 3,171		US\$ 3,201	US\$ 3,090

(Continued)

Marketable Securities Type and Name	Financial Statement Account	Counter-party	Beginning Balance Amount (US\$ in thousands) Shares/Units (in thousands)	Acquisition Amount (US\$ in thousands) Shares/Units (in thousands)	Disposal (Note 2) Amount (US\$ in thousands)	Carrying Value (US\$ in thousands)	Gain (Loss) or Disposal (US\$ in thousands)
Corporate bonds							
Acis Bank	Available-for-sale financial assets		US\$20,402	US\$ - US\$10,576	US\$ 3,074	US\$ 2,998	US\$ 70
Government bonds							
States Treas Nts	Available-for-sale financial assets			US\$17,813	US\$11,827	US\$11,803	US\$ 24
States Treas Nts			US\$25,924		US\$26,091	US\$25,941	US\$150
States Treas Nts				US\$33,779	US\$34,000	US\$33,779	US\$221
States Treas Nts				US\$ 3,958			
States Treas Nts			US\$42,509		US\$42,867	US\$41,870	US\$997
States Treas Nts				US\$ 4,200			
States Treas Nts				US\$11,167			
States Treas Nts				US\$10,525			
States Treas Nts			US\$ 7,758		US\$ 7,855	US\$ 7,743	US\$112
States Treas Nts			US\$ 9,735		US\$ 9,757	US\$ 9,479	US\$278
States Treas Nts				US\$12,259			
States Treas Nts				US\$60,564	US\$12,309	US\$12,294	US\$ 15
Asury Sec			US\$ 6,500		US\$ 6,594	US\$ 6,407	US\$187

(Concluded)

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

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

Note 3: The ending balance includes the amortization of premium/discount

on bonds  
investments,  
unrealized  
valuation gains/  
losses on financial  
assets or equity in  
earnings of equity  
method investees.

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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 THREE MONTHS ENDED MARCH 31, 2008**  
**(Amounts in Thousands of New Taiwan Dollars)**

Transaction Date	Transaction Amount	Payment Term	Counter-party	Nature of Relationships	Prior Transaction Owner	Related Counter-party Relationships	Transfer Date	Amount	Price Reference
January 16, 2008 to January 19, 2008	\$4,045,220	By the construction progress	Tasa Construction Corporation, Fu Tsu Construction, and China Steel Structure Co., Ltd.		N/A	N/A	N/A	N/A	Public bidding

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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 THREE MONTHS ENDED MARCH 31, 2008**  
**(Amounts in Thousands of New Taiwan Dollars)**

e Related Party	Nature of Relationships	Purchases/ Sales	Transaction Details			Abnormal Transaction		Notes/ Paya Rece Endin Balanc
			Amount	% to	Total Payment Terms	Unit Price (Note)	Payment Terms (Note)	
TSMC North America	Subsidiary	Sales	\$54,293,942	63	Net 30 days after invoice date			\$24,508
GUC	Investee with a controlling financial interest	Sales	289,452		Net 30 days after monthly closing			178
WaferTech	Indirect subsidiary	Purchases	2,378,352	21	Net 30 days after monthly closing			(602)
SSMC	Investee accounted for using equity method	Purchases	1,358,468	12	Net 30 days after monthly closing			(465)
TSMC Shanghai	Subsidiary	Purchases	1,220,202	11	Net 30 days after monthly closing			(304)
VIS	Investee accounted for using equity method	Purchases	793,272	7	Net 30 days after monthly closing			(476)
TSMC North America	Same parent company	Purchases	537,761	50	Net 30 days after invoice date/net 45 days after monthly closing			(261)
OmniVision	Parent company of director (represented for XinTec)	Sales	540,745	79	Net 30 days after shipping			183

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.

**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**  
**MARCH 31, 2008**  
**(Amounts in Thousands of New Taiwan Dollars)**

Company Name	Related Party	Nature of Relationships	Ending Balance	Turnover	Overdue	Amounts	Action Taken	Amounts Received in Subsequent Period	Allowance for Bad Debts
				Days (Note 1)					
e Company	TSMC North America	Subsidiary	\$24,553,018	43	\$8,153,441			\$10,557,710	\$
	TSMC Shanghai	Subsidiary	1,942,566	(Note 2)					
	GUC	Investee with a controlling financial interest	178,766	40					
	VIS	Investee accounted for using equity method	108,629	(Note 2)	19,954	Accelerate demand on account receivable	12,081		
nTec	OmniVision	Parent company of director (represented for XinTec)	183,301	52	74,615			111,710	

Note 1: The calculation of turnover days excludes other receivables from related parties.

Note 2: The ending balance primarily consisted of other receivables, which is not applicable for the calculation of turnover days.

**TABLE 6**

**Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries**  
**NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEES OVER WHICH THE**  
**COMPANY EXERCISES SIGNIFICANT INFLUENCE**  
**MARCH 31, 2008**  
**(Amounts in Thousands of New Taiwan Dollars)**

Location	Main Businesses and Products	Original Investment Amount		Balance as of March 31, 2008			Net Income (Losses) of the Investee
		March 31, 2008	December 31, 2007	Shareholders' Equity (in thousands)	Percentage of Ownership	Carrying Value (Note 1)	
Tortola, British Virgin Islands	Investment activities	\$42,327,245	\$42,327,245	1	100	\$41,971,625	\$ 568
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	27,063,207	1,459
Hsin-Chu, Taiwan	Research, design, development, manufacture, packaging, testing and sale of memory integrated circuits, LSI, VLSI and related parts	13,047,681	13,047,681	616,240	36	11,183,477	766
Singapore	Fabrication and supply of integrated circuits	8,840,895	8,840,895	463	39	8,352,727	1,096
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	7,895,259	(571)
Tortola, British Virgin Islands	Investment activities	10,350	10,350	300	100	3,528,732	(1,068)
San Jose, California, U.S.A.	Sales and marketing of integrated circuits and semiconductor devices	333,718	333,718	11,000	100	2,184,900	73
Taoyuan, Taiwan	Wafer level chip size packaging service	1,357,890	1,357,890	91,703	43	1,483,429	(27)
Cayman Islands	Investing in new start-up technology companies	1,095,622	1,095,622		98	1,039,699	(61)
Cayman Islands	Investing in new start-up technology companies	1,178,343	973,459		98	1,037,387	(11)
Hsin-Chu, Taiwan	Researching, developing, manufacturing, testing and	386,568	386,568	42,572	37	891,488	187

	marketing of integrated circuits					
Cayman Islands	Investing in new start-up technology companies	976,449	1,019,042	99	390,518	(6
Taipei, Taiwan	Investment activities	300,000	300,000	36	175,689	2
Taipei, Taiwan	Investment activities	300,000	300,000	36	173,084	2
Yokohama, Japan	Marketing activities	83,760	83,760	6	112,111	7
Amsterdam, the Netherlands	Marketing activities	15,749	15,749	100	97,152	7
Seoul, Korea	Marketing activities	13,656	13,656	80	15,533	1

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

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

**TABLE 7**

**Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries  
 INFORMATION OF INVESTMENT IN MAINLAND CHINA  
 FOR THE THREE MONTHS ENDED MARCH 31, 2008  
 (Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

Investee	Main Businesses and Products	Total Amount of Paid-in Capital (RMB in Thousand)	Method of Investment (Note 1)	Accumulated	Accumulated	Equity in the Earnings (Losses)	Accumulated Carrying Inward Value as of March 31, 2008	Remittance of Earnings as of March 31, 2008
				Outflow of Investment from Taiwan (US\$ in Thousand)	Outflow of Investment from Taiwan (US\$ in Thousand)			
TSMC Shanghai	Manufacturing and sales of integrated circuits at the order of and pursuant to product design specifications provided by customers	\$12,180,367 (RMB3,070,623)	Direct investments	\$12,180,367 (US\$371,000)	\$12,180,367 (US\$371,000)	100%	\$ (529,639)	\$ 7,895,259
<b>Accumulated Investment in Mainland China as of March 31, 2008</b>		<b>(US\$ in Thousand)</b>		<b>Investment Commission, MOEA</b>	<b>Investment Commission, MOEA</b>		<b>Upper Limit on Investment</b>	
		\$12,180,367		(US\$ in Thousand)	(US\$ in Thousand)		(US\$ in Thousand)	
		(US\$371,000)		(US\$371,000)	(US\$371,000)		(US\$371,000)	

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

Note 2: Amount was recognized based on the reviewed financial

statements.

**TABLE 8**

**Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries**  
**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS**  
(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

A. For the three months ended March 31, 2008

No.	Company Name	Counter Party	Nature of Relationship (Note 1)	Intercompany Transactions		Percentage of Consolidated Total Gross Sales
				Financial Statements Item	Amount	
				Sales	\$54,293,942	61%
				Receivables from related parties	24,508,626	4%
		TSMC North America	1	Other receivables from related parties	44,392	
				Payables to related parties	7,147	
				Sales	26,474	
				Purchases	1,220,202	1%
				Technical service income	88,760	
		TSMC Shanghai	1	Other receivables from related parties	1,942,566	
				Payables to related parties	304,048	
				Deferred credits	457,290	
				Marketing expenses	45,186	
		TSMC Japan	1	commission		
				Payables to related parties	16,028	
				Marketing expenses	76,949	
		TSMC Europe	1	commission		
				Payables to related parties	47,494	
		TSMC Korea	1	Marketing expenses	5,198	
				commission		
		GUC	1	Sales	289,453	
				Receivables from related parties	178,786	
				Payables to related parties	59,499	
		TSMC Technology	1	Research and development expenses	89,660	
				Sales	2,524	
				Purchases	2,378,252	3%
		WaferTech	1	Other receivables from related parties	14,923	
				Payables to related parties	602,332	
				Purchases	573,761	
		TSMC North America	3	Manufacturing expenses	106,325	



		Operating expenses	1,458
		Payables to related parties	261,678
GUC-NA	3	Operating expenses	17,959
		Accrued Expenses	2,772
GUC-Japan	3	Operating expenses	5,499
		Other prepaid expenses	2,328

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

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

(Continued)

B. For the three months ended March 31, 2007

		<b>Intercompany Transactions</b>			<b>Percentage of Consolidated Total Gross Sales</b>	
<b>No.</b>	<b>Company Name</b>	<b>Counter Party</b>	<b>Nature of Relationship (Note 1)</b>	<b>Financial Statements Item</b>	<b>Amount</b>	<b>Terms or (Note 2) Total Assets</b>
				Sales	\$39,207,204	60%
				Receivables from related parties	18,993,076	3%
		TSMC North America	1	Other receivables from related parties	51,251	
				Payables to related parties	20,791	
				Sales	8,059	
				Purchases	1,233,506	2%
				Technical service income	76,455	
		TSMC Shanghai	1	Other receivables from related parties	144,605	
				Payables to related parties	512,066	
				Deferred credits	670,387	
				Marketing expenses	45,512	
		TSMC Japan	1	commission		
				Payables to related parties	15,562	
				Marketing expenses	53,775	
0	TSMC	TSMC Europe	1	commission		
				Payables to related parties	21,547	
		TSMC Korea	1	Marketing expenses	4,197	
				commission		
				Sales	187,537	
				General and administrative expenses -	3,473	
		GUC	1	rental Research and development expenses	6,456	
				Receivables from related parties	161,679	
				Other receivables from related parties	5,188	
		TSMC Technology	1	Payables to related parties	44,721	
				Research and development expenses	17,346	
				Purchases	2,359,717	4%
		WaferTech	1	Payables to related parties	627,230	
1	TSMC International	TSMC Technology	3	Deferred royalty income	653,415	
2	TSMC Partners	TSMC International	3	Other receivables	10,098,702	2%

			Deferred revenue	8,948,150	1%
			Purchases	309,890	
3	GUC	TSMC North America	3	Manufacturing expenses	77,642
				Payables to related parties	292,345
		GUC-NA	3	Operating expenses	11,829

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

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

(Concluded)

**SIGNATURES**

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

Taiwan Semiconductor Manufacturing Company  
Ltd.

Date: April 29, 2008

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