

**Taiwan Semiconductor Manufacturing  
Company Limited**

**Financial Statements for the  
Three Months Ended March 31, 2008 and 2007 and  
Independent Accountants' Review Report**

## **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.*

## Taiwan Semiconductor Manufacturing Company Limited

### BALANCE SHEETS

MARCH 31, 2008 AND 2007

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

(Reviewed, Not Audited)

ASSETS	2008		2007		LIABILITIES AND SHAREHOLDERS' EQUITY	2008		2007	
	Amount	%	Amount	%		Amount	%	Amount	%
<b>CURRENT ASSETS</b>					<b>CURRENT LIABILITIES</b>				
Cash and cash equivalents (Notes 2 and 4)	\$ 115,869,440	20	\$ 119,752,168	20	Financial liabilities at fair value through profit or loss (Notes 2 and 5)	\$ 239,893	-	\$ 133,802	-
Financial assets at fair value through profit or loss (Notes 2 and 5)	160,249	-	159	-	Accounts payable	7,491,302	1	6,811,587	1
Available-for-sale financial assets (Notes 2 and 6)	18,591,721	4	26,325,390	4	Payables to related parties (Note 24)	1,986,731	-	2,377,933	-
Held-to-maturity financial assets (Notes 2 and 7)	9,976,745	2	6,523,668	1	Income tax payable (Notes 2 and 17)	13,743,060	3	9,801,787	2
Receivables from related parties (Note 24)	24,687,419	4	19,157,572	3	Accrued bonuses to employees and directors (Notes 3 and 19)	4,321,538	1	-	-
Notes and accounts receivable	16,099,860	3	14,682,899	3	Accrued expenses and other current liabilities (Note 15)	9,925,414	2	8,497,965	1
Allowance for doubtful receivables (Notes 2 and 8)	(687,619)	-	(690,931)	-	Payables to contractors and equipment suppliers	11,413,544	2	8,694,304	2
Allowance for sales returns and others (Notes 2 and 8)	(4,167,643)	(1)	(2,476,287)	-	Current portion of bonds payable (Note 14)	8,000,000	1	4,500,000	1
Other receivables from related parties (Note 24)	2,221,204	-	487,266	-					
Other financial assets	395,342	-	686,670	-	Total current liabilities	57,121,482	10	40,817,378	7
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	<b>LONG-TERM LIABILITIES</b>				
Prepaid expenses and other current assets	809,189	-	1,362,053	-	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 current assets	211,303,000	37	215,230,618	36	Total long-term liabilities	5,835,996	1	14,123,181	2
<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	<b>OTHER LIABILITIES</b>				
Available-for-sale financial assets	-	-	6,466,605	1	Accrued pension cost (Notes 2 and 16)	3,666,177	1	3,546,228	1
Held-to-maturity financial assets	8,023,394	1	26,697,128	5	Guarantee deposits (Note 26)	1,869,126	-	3,424,737	1
Financial assets carried at cost	748,160	-	746,405	-	Deferred credits (Notes 2 and 24)	887,838	-	1,090,364	-
Total long-term investments	116,368,295	20	139,045,443	24	Total other liabilities	6,423,141	1	8,061,329	2
<b>PROPERTY, PLANT AND EQUIPMENT (Notes 2, 12 and 24)</b>					Total liabilities	69,380,619	12	63,001,888	11
Cost					<b>CAPITAL STOCK - \$10 PAR VALUE</b>				
Buildings	102,763,591	18	98,752,832	17	Authorized: 28,050,000 thousand shares in 2008				
Machinery and equipment	598,750,110	103	538,459,403	91	27,050,000 thousand shares in 2007				
Office equipment	9,424,541	2	8,722,604	1	Issued: 25,629,242 thousand shares in 2008				
	710,938,242	123	645,934,839	109	25,832,959 thousand shares in 2007	256,292,416	44	258,329,592	44
Accumulated depreciation	(503,748,572)	(87)	(435,129,667)	(73)	<b>CAPITAL SURPLUS (Notes 2 and 19)</b>	51,696,165	9	54,231,465	9
Advance payments and construction in progress	28,503,739	5	11,740,887	2	<b>RETAINED EARNINGS (Note 19)</b>				
Net property, plant and equipment	235,693,409	41	222,546,059	38	Appropriated as legal capital reserve	56,406,684	10	43,705,711	7
<b>INTANGIBLE ASSETS</b>					Appropriated as special capital reserve	629,550	-	640,742	-
Goodwill (Note 2)	1,567,756	-	1,567,756	-	Unappropriated earnings	151,596,813	26	171,616,718	29
Deferred charges, net (Notes 2 and 13)	6,781,759	1	5,593,638	1	Total retained earnings	208,633,047	36	215,963,171	36
Total intangible assets	8,349,515	1	7,161,394	1	<b>OTHERS (Notes 2, 21 and 23)</b>				
<b>OTHER ASSETS</b>					Cumulative translation adjustments	(6,810,720)	(1)	299,332	-
Deferred income tax assets (Notes 2 and 17)	3,916,735	1	5,001,596	1	Unrealized gains on financial instruments	400,861	-	720,134	-
Refundable deposits	2,748,142	-	2,576,685	-	Treasury stock: 34,096 thousand shares in 2008	(918,075)	-	(918,075)	-
Others (Note 2)	295,217	-	65,712	-	33,926 thousand shares in 2007	(7,327,934)	(1)	101,391	-
Total other assets	6,960,094	1	7,643,993	1	Total shareholders' equity	509,293,694	88	528,625,619	89
<b>TOTAL</b>	<b>\$ 578,674,313</b>	<b>100</b>	<b>\$ 591,627,507</b>	<b>100</b>	<b>TOTAL</b>	<b>\$ 578,674,313</b>	<b>100</b>	<b>\$ 591,627,507</b>	<b>100</b>

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

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

# 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)

	2008		2007	
	Amount	%	Amount	%
GROSS SALES (Notes 2 and 24)	\$ 86,911,072		\$ 64,054,647	
SALES RETURNS AND ALLOWANCES (Notes 2 and 8)	<u>1,680,969</u>		<u>708,058</u>	
NET SALES	85,230,103	100	63,346,589	100
COST OF SALES (Notes 18 and 24)	<u>47,864,496</u>	<u>56</u>	<u>39,378,386</u>	<u>62</u>
GROSS PROFIT	37,365,607	44	23,968,203	38
UNREALIZED GROSS PROFIT FROM AFFILIATES (Note 2)	<u>63,912</u>	<u>-</u>	<u>198,973</u>	<u>-</u>
REALIZED GROSS PROFIT	<u>37,301,695</u>	<u>44</u>	<u>23,769,230</u>	<u>38</u>
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	<u>586,390</u>	<u>-</u>	<u>310,529</u>	<u>1</u>
Total operating expenses	<u>7,887,165</u>	<u>9</u>	<u>5,407,270</u>	<u>9</u>
INCOME FROM OPERATIONS	<u>29,414,530</u>	<u>35</u>	<u>18,361,960</u>	<u>29</u>
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)	<u>81,042</u>	<u>-</u>	<u>114,532</u>	<u>-</u>
Total non-operating income and gains	<u>3,878,962</u>	<u>4</u>	<u>2,347,571</u>	<u>3</u>

(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)

	<u>2008</u>		<u>2007</u>	
	Amount	%	Amount	%
<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	<u>23,009</u>	<u>-</u>	<u>14,382</u>	<u>-</u>
Total non-operating expenses and losses	<u>1,886,337</u>	<u>2</u>	<u>814,623</u>	<u>1</u>
INCOME BEFORE INCOME TAX EXPENSE	31,407,155	37	19,894,908	31
INCOME TAX EXPENSE (Notes 2 and 17)	<u>3,263,773</u>	<u>4</u>	<u>1,056,269</u>	<u>1</u>
NET INCOME	<u>\$ 28,143,382</u>	<u>33</u>	<u>\$ 18,838,639</u>	<u>30</u>
	<u>2008</u>		<u>2007</u>	
	<b>Before Income Tax</b>	<b>After Income Tax</b>	<b>Before Income Tax</b>	<b>After Income Tax</b>
EARNINGS PER SHARE (NT\$, Note 22)				
Basic earnings per share	<u>\$ 1.23</u>	<u>\$ 1.10</u>	<u>\$ 0.75</u>	<u>\$ 0.71</u>
Diluted earnings per share	<u>\$ 1.23</u>	<u>\$ 1.10</u>	<u>\$ 0.75</u>	<u>\$ 0.71</u>

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

	<b>2008</b>	<b>2007</b>
NET INCOME	<u>\$ 28,143,382</u>	<u>\$ 18,838,639</u>
EARNINGS PER SHARE (NT\$)		
Basic earnings per share	<u>\$1.10</u>	<u>\$0.71</u>
Diluted earnings per share	<u>\$1.10</u>	<u>\$0.71</u>

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)

	2008	2007
<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	<u>54,445,546</u>	<u>35,860,559</u>
<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)
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)

# 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)

	2008	2007
Proceeds from return of capital by investees	\$ 55,056	\$ 14,068
Increase in deferred charges	(584,370)	(992,173)
Increase in refundable deposits	<u>(6,604)</u>	<u>(1,270,451)</u>
Net cash used in investing activities	<u>(7,654,021)</u>	<u>(13,484,885)</u>
<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	<u>(3,053,584)</u>	<u>-</u>
Net cash used in financing activities	<u>(3,344,187)</u>	<u>(2,763,215)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	43,447,338	19,612,459
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>72,422,102</u>	<u>100,139,709</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 115,869,440</u>	<u>\$ 119,752,168</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Interest paid	<u>\$ 355,000</u>	<u>\$ 420,000</u>
Income tax paid	<u>\$ 63,801</u>	<u>\$ 52,670</u>
<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	<u>(6,023,804)</u>	<u>1,975,219</u>
Cash paid	<u>\$ 14,294,648</u>	<u>\$ 13,783,013</u>
Disposal of property, plant and equipment and other assets	\$ 1,762,010	\$ 1,165
Increase in other payables to related parties	<u>(1,760,853)</u>	<u>-</u>
Cash received	<u>\$ 1,157</u>	<u>\$ 1,165</u>
<b>NON-CASH INVESTMENT AND FINANCING ACTIVITIES</b>		
Current portion of bonds payable	<u>\$ 8,000,000</u>	<u>\$ 4,500,000</u>
Current portion of other long-term payables (under accrued expenses and other current liabilities)	<u>\$ 3,308,040</u>	<u>\$ 2,371,524</u>

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)

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### 1. GENERAL

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

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

As of 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

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.

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.

## **Treasury Stock**

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

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

## **Foreign-currency Transactions**

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

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

## **Recent Accounting Pronouncements**

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

	<u>March 31</u>	
	<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	<u>512,155</u>	<u>597,361</u>
	<u>\$ 115,869,440</u>	<u>\$ 119,752,168</u>

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

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

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>
<u>March 31, 2008</u>		
Sell EUR/Buy NT\$	April 2008 to July 2008	EUR 44,500
<u>March 31, 2007</u>		
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>
<u>March 31, 2008</u>			
April 2008	US\$ 883,000	2.60%-3.75%	1.28%-2.42%
<u>March 31, 2007</u>			
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

	<u>March 31</u>	
	<u>2008</u>	<u>2007</u>
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	<u>-</u>	<u>499,288</u>
	18,591,721	32,791,995
Current portion	<u>(18,591,721)</u>	<u>(26,325,390)</u>
	<u>\$ -</u>	<u>\$ 6,466,605</u>

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	<u>\$ 500,000</u>	<u>\$ 499,288</u>	1.76%	March 2008

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



## 7. HELD-TO-MATURITY FINANCIAL ASSETS

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

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>
<u>March 31, 2008</u>				
Step-up callable deposits				
Domestic deposits	<u>\$ 1,000,000</u>	<u>\$ 3,844</u>	1.77%-1.83%	April 2008 to October 2008
<u>March 31, 2007</u>				
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	<u>2,647,120</u>	<u>7,390</u>	(See below)	October 2009 to December 2009
	<u>\$ 11,117,800</u>	<u>\$ 35,735</u>		

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:

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

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

	<b>Three Months Ended 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	<u>(1,370,011)</u>	<u>(982,836)</u>
Balance, end of period	<u>\$ 4,167,643</u>	<u>\$ 2,476,287</u>

## 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	<u>604,237</u>	<u>449,237</u>
	20,042,415	20,690,673
Allowance for losses	<u>(790,295)</u>	<u>(757,313)</u>
	<u>\$ 19,252,120</u>	<u>\$ 19,933,360</u>

## 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
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

(Continued)

	<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>
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)	<u>15,533</u>	100	<u>15,087</u>	100
	<u>\$ 107,596,741</u>		<u>\$ 105,135,305</u>	

(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:

	<b>Three Months Ended March 31</b>	
	<b>2008</b>	<b>2007</b>
Balance, beginning of period	\$ 2,677,388	\$ 943,277
Additions	-	105,000
Depreciation/Amortization	<u>(156,034)</u>	<u>(49,959)</u>
Balance, end of period	<u>\$ 2,521,354</u>	<u>\$ 998,318</u>

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	<u>-</u>	<u>-</u>
Balance, end of period	<u>\$ 987,349</u>	<u>\$ 213,984</u>



### 13. DEFERRED CHARGES, NET

<b>Three Months Ended March 31, 2008</b>						
	<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	<u>513,204</u>	<u>-</u>	<u>(34,346)</u>	<u>-</u>	<u>-</u>	<u>478,858</u>
	<u>\$ 7,172,413</u>	<u>\$ 215,826</u>	<u>\$ (606,406)</u>	<u>\$ -</u>	<u>\$ (74)</u>	<u>\$ 6,781,759</u>

<b>Three Months Ended March 31, 2007</b>						
	<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	<u>36,942</u>	<u>-</u>	<u>(6,625)</u>	<u>-</u>	<u>-</u>	<u>30,317</u>
	<u>\$ 5,593,068</u>	<u>\$ 992,173</u>	<u>\$ (666,018)</u>	<u>\$ (51)</u>	<u>\$ (325,534)</u>	<u>\$ 5,593,638</u>

### 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	<u>12,500,000</u>	<u>12,500,000</u>
	12,500,000	17,000,000
Current portion	<u>(8,000,000)</u>	<u>(4,500,000)</u>
	<u>\$ 4,500,000</u>	<u>\$ 12,500,000</u>

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	<u>4,500,000</u>
	<u>\$ 12,500,000</u>

## 15. OTHER LONG-TERM PAYABLES

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

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

## 16. PENSION PLANS

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

The pension mechanism under the Act is deemed a defined contribution plan. Pursuant to the Act, the Company has made monthly contributions equal to 6% of each employee's monthly salary to employees' pension accounts starting from July 1, 2005, and recognized pension 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</b>	
	<b>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	<u>(2,764,800)</u>	<u>(1,951,369)</u>
Income tax currently payable	<u>\$ 2,765,549</u>	<u>\$ 1,951,369</u>

- 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	<u>(907,281)</u>	<u>(696,609)</u>
Income tax expense	<u>\$ 3,263,773</u>	<u>\$ 1,056,269</u>

- 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	<u>\$ 8,094,974</u>	<u>\$ 9,486,631</u>
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	<u>(2,562,852)</u>	<u>(6,507,620)</u>
	<u>\$ 3,916,735</u>	<u>\$ 5,001,596</u>

- 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.

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
		<u>13,547</u>	<u>13,547</u>	2012
		<u>\$ 10,529,555</u>	<u>\$ 9,295,276</u>	
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
		<u>523,083</u>	<u>523,083</u>	2012
		<u>\$ 5,467,250</u>	<u>\$ 3,958,524</u>	
Statute for Upgrading Industries	Personnel training expenditures	\$ 21,795	\$ -	2009
		<u>46,119</u>	<u>46,119</u>	2010
		<u>\$ 67,914</u>	<u>\$ 46,119</u>	
Statute for Upgrading Industries	Investments in important technology-based enterprises	<u>\$ 79,804</u>	<u>\$ 79,804</u>	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 Cost of Sales	Classified as Operating Expenses	Total
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	<u>48,224</u>	<u>1,251</u>	<u>49,475</u>
	<u>\$ 5,059,400</u>	<u>\$ 3,458,587</u>	<u>\$ 8,517,987</u>
Depreciation	<u>\$ 16,397,601</u>	<u>\$ 1,016,959</u>	<u>\$ 17,414,560</u>
Amortization	<u>\$ 448,400</u>	<u>\$ 158,006</u>	<u>\$ 606,406</u>



	<b>Three Months Ended March 31, 2007</b>		
	<b>Classified as Cost of Sales</b>	<b>Classified as Operating Expenses</b>	<b>Total</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	<u>30,552</u>	<u>1,171</u>	<u>31,723</u>
	<u>\$ 2,721,038</u>	<u>\$ 1,284,518</u>	<u>\$ 4,005,556</u>
Depreciation	<u>\$ 16,857,622</u>	<u>\$ 957,405</u>	<u>\$ 17,815,027</u>
Amortization	<u>\$ 458,751</u>	<u>\$ 206,968</u>	<u>\$ 665,719</u>

## 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	<u>-</u>	<u>389,188</u>
	<u>\$ 51,696,165</u>	<u>\$ 54,231,465</u>

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

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

- c. Bonus to directors and bonus to employees of the Company of not more than 0.3% and not less than 1% of the remainder, respectively. Directors who also serve as executive officers of the Company are not entitled to receive the bonus to directors. The Company may issue stock 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:

	<u>Appropriations of Earnings</u>		<u>Dividends Per Share</u> <u>(NT\$)</u>	
	<u>For Fiscal</u> <u>Year 2007</u>	<u>For Fiscal</u> <u>Year 2006</u>	<u>For Fiscal</u> <u>Year 2007</u>	<u>For Fiscal</u> <u>Year 2006</u>
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		
	<u>\$ 96,130,525</u>	<u>\$ 100,126,835</u>		

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>
<u>Three months ended March 31, 2008</u>		
Balance, beginning of period	41,875	\$37.4
Options exercised	(2,138)	37.9
Options cancelled	<u>(193)</u>	46.8
Balance, end of period	<u>39,544</u>	37.3 (Continued)

	<b>Number of Options (in Thousands)</b>	<b>Weighted- Average Exercise Price (NT\$)</b>
<u>Three months ended March 31, 2007</u>		
Balance, beginning of period	52,814	\$39.6
Options exercised	(3,271)	37.3
Options cancelled	<u>(252)</u>	47.2
Balance, end of period	<u>49,291</u>	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	<u>12,474</u>	6.65	46.6	<u>6,162</u>	46.4
	<u>39,544</u>		37.3	<u>33,232</u>	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</b>	
	<b>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:		
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

## 21. TREASURY STOCK

(Shares in Thousands)

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

### Three months ended March 31, 2007

Parent company stock held by subsidiaries	<u>33,926</u>	<u>-</u>	<u>-</u>	<u>33,926</u>
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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:

	<u>Amounts (Numerator)</u>		<u>Number of Shares (Denominator) (in Thousands)</u>	<u>EPS (NT\$)</u>	
	<u>Before Income Tax</u>	<u>After Income Tax</u>		<u>Before Income Tax</u>	<u>After Income Tax</u>
<u>Three months ended March 31, 2008</u>					
Basic EPS					
Income available to common shareholders	\$ 31,407,155	\$ 28,143,382	25,593,835	<u>\$ 1.23</u>	<u>\$ 1.10</u>
Effect of dilutive potential common stock - stock options	<u>-</u>	<u>-</u>	<u>16,225</u>		
Diluted EPS					
Income available to common shareholders (including effect of dilutive potential common stock)	<u>\$ 31,407,155</u>	<u>\$ 28,143,382</u>	<u>25,610,060</u>	<u>\$ 1.23</u>	<u>\$ 1.10</u>
<u>Three months ended March 31, 2007</u>					
Basic EPS					
Income available to common shareholders	\$ 19,894,908	\$ 18,838,639	26,384,121	<u>\$ 0.75</u>	<u>\$ 0.71</u>
Effect of dilutive potential common stock - stock options	<u>-</u>	<u>-</u>	<u>21,538</u>		
Diluted EPS					
Income available to common shareholders (including effect of dilutive potential common stock)	<u>\$ 19,894,908</u>	<u>\$ 18,838,639</u>	<u>26,405,659</u>	<u>\$ 0.75</u>	<u>\$ 0.71</u>

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:

	<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>
<u>Assets</u>				
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
<u>Liabilities</u>				
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	<u>(23,271)</u>	<u>-</u>	<u>(23,271)</u>
Balance, end of period	<u>\$ 312,886</u>	<u>\$ 87,975</u>	<u>\$ 400,861</u>

	<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	<u>(29,611)</u>	<u>-</u>	<u>(29,611)</u>
Balance, end of period	<u>\$ 306,088</u>	<u>\$ 414,046</u>	<u>\$ 720,134</u>

f. Information about financial risks

- 1) Market risk. The derivative financial instruments categorized as financial assets/liabilities at fair value through profit or loss are mainly used to hedge the exchange rate fluctuations of foreign-currency assets and liabilities; therefore, the market risk of derivatives will be offset by the foreign exchange risk of these hedged items. Available-for-sale financial assets held by the Company are mainly fixed-interest-rate debt securities; therefore, the fluctuations in market interest rates will result in changes in fair value of these debt securities.
- 2) Credit risk. Credit risk represents the potential loss that would be incurred by the Company if the counter-parties or third-parties breached contracts. Financial instruments with positive fair values at the balance sheet date are evaluated for credit risk. The counter-parties or third-parties to the foregoing financial instruments are reputable financial institutions, business organizations, and government agencies. Management believes that the Company's exposure to default by those parties is low.

- 3) Liquidity risk. The Company has sufficient operating capital to meet cash needs upon settlement of derivative financial instruments 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:

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



	<b>2008</b>		<b>2007</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
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	<u>793,272</u>	<u>7</u>	<u>686,332</u>	<u>6</u>
	<u>\$ 5,750,294</u>	<u>51</u>	<u>\$ 5,665,755</u>	<u>54</u>
Manufacturing expenses - outsourcing				
VisEra	<u>\$ 315</u>	<u>-</u>	<u>\$ -</u>	<u>-</u>
Marketing expenses - commission				
TSMC Europe	\$ 76,949	13	\$ 53,775	17
TSMC Japan	45,186	8	45,512	15
TSMC Korea	<u>5,198</u>	<u>1</u>	<u>4,197</u>	<u>1</u>
	<u>\$ 127,333</u>	<u>22</u>	<u>\$ 103,484</u>	<u>33</u>
General and administrative expenses - rental				
GUC	<u>\$ 262</u>	<u>-</u>	<u>\$ 3,473</u>	<u>-</u>
Research and development expenses				
TSMC Technology (primarily consulting fee)	\$ 89,660	2	\$ 17,346	1
TSMC Canada (primarily consulting fee)	53,937	1	-	-
Others	<u>10,118</u>	<u>-</u>	<u>6,456</u>	<u>-</u>
	<u>\$ 153,715</u>	<u>3</u>	<u>\$ 23,802</u>	<u>1</u>
Sales of property, plant and equipment				
TSMC Shanghai	<u>\$ 1,760,853</u>	<u>99</u>	<u>\$ -</u>	<u>-</u>
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
VisEra	<u>55,225</u>	<u>1</u>	<u>42,089</u>	<u>2</u>
	<u>\$ 312,445</u>	<u>8</u>	<u>\$ 263,789</u>	<u>11</u>
<u>As of March 31</u>				
Receivables				
TSMC North America	\$ 24,508,626	99	\$ 18,993,076	99
Others	<u>178,793</u>	<u>1</u>	<u>164,496</u>	<u>1</u>
	<u>\$ 24,687,419</u>	<u>100</u>	<u>\$ 19,157,572</u>	<u>100</u>

	<b>2008</b>		<b>2007</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
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	<u>18,594</u>	<u>1</u>	<u>12,318</u>	<u>3</u>
	<u>\$ 2,221,204</u>	<u>100</u>	<u>\$ 487,266</u>	<u>100</u>
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	<u>138,842</u>	<u>7</u>	<u>105,298</u>	<u>5</u>
	<u>\$ 1,986,731</u>	<u>100</u>	<u>\$ 2,377,933</u>	<u>100</u>
Deferred credits				
TSMC Shanghai	\$ 457,290	52	\$ 670,387	61
VisEra	<u>46,631</u>	<u>5</u>	<u>108,806</u>	<u>10</u>
	<u>\$ 503,921</u>	<u>57</u>	<u>\$ 779,193</u>	<u>71</u>

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

The Company deferred the gains (classified under 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	<u>2,315,796</u>
	<u>\$ 3,789,800</u>

## 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.

- 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.

## Taiwan Semiconductor Manufacturing Company Limited and Investees

## MARKETABLE SECURITIES HELD

MARCH 31, 2008

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

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	March 31, 2008			Market Value or Net Asset Value (US\$ in Thousands)	Note	
				Shares/Units (in Thousands)	Carrying Value (US\$ in Thousands)	Percentage of Ownership (%)			
The Company	<u>Open-end mutual funds</u>								
	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		
	<u>Corporate bond</u>								
	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		
	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		
	<u>Government bond</u>								
	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		
	<u>Stocks</u>								
	TSMC Global	Subsidiary	Investment accounted for using equity method	1	41,971,629	100	41,971,629		
	TSMC International	Subsidiary	"	987,968	27,063,207	100	27,063,207		
	VIS	Investee accounted for using equity method	"	616,240	11,183,477	36	13,434,042		
	SSMC	Investee accounted for using equity method	"	463	8,352,727	39	7,432,832		
	TSMC Partners	Subsidiary	"	300	3,528,732	100	3,528,732		

(Continued)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	March 31, 2008			Market Value or Net Asset Value (US\$ in Thousands)	Note
				Shares/Units (in Thousands)	Carrying Value (US\$ in Thousands)	Percentage of Ownership (%)		
	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	
	<u>Fund</u>							
	Horizon Ventures Fund	-	Financial assets carried at cost	-	312,949	12	312,949	
	Crimson Asia Capital	-	"	-	70,298	1	70,298	
	<u>Capital</u>							
	TSMC Shanghai	Subsidiary	Investment accounted for using equity method	-	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	Treasury stock of NT\$458,564 thousand is deducted from the carrying value
	Hsin Ruey	Subsidiary	"	-	173,804	36	633,315	Treasury stock of NT\$459,511 thousand is deducted from the carrying value
Chi Cherng	<u>Stocks</u>							
	TSMC	Parent company	Available-for-sale financial assets	17,032	1,074,719	-	1,074,719	
	VIS	Investee accounted for using equity method	Investments accounted for using equity method	5,082	111,992	-	110,786	
Hsin Ruey	<u>Stocks</u>							
	TSMC	Parent company	Available-for-sale financial assets	17,064	1,076,733	-	1,076,733	
	VIS	Investee accounted for using equity method	Investments accounted for using equity method	3,748	87,295	-	81,698	
TSMC International	<u>Stocks</u>							
	InveStar Semiconductor Development Fund, Inc. (ISDF)	Subsidiary	Investments accounted for using equity method	8,721	US\$ 33,117	97	US\$ 33,117	
	InveStar Semiconductor Development Fund, Inc. (II) LDC. (ISDF II)	Subsidiary	"	43,048	US\$ 49,250	97	US\$ 49,250	
	TSMC Development, Inc. (TSMC Development)	Subsidiary	"	1	US\$ 675,384	100	US\$ 675,384	
	TSMC Technology	Subsidiary	"	1	US\$ 8,000	100	US\$ 8,000	
TSMC Development	<u>Stocks</u>							
	WaferTech	Subsidiary	Investments accounted for using equity method	-	US\$ 235,394	100	US\$ 235,394	
TSMC Partners	<u>Common stock</u>							
	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				Note
				Shares/Units (in Thousands)	Carrying Value (US\$ in Thousands)	Percentage of Ownership (%)	Market Value or Net Asset Value (US\$ in Thousands)	
Emerging Alliance	<u>Common stock</u>							
	Pixim, Inc.	-	Financial assets carried at cost	1,036	US\$ 275	-	US\$ 275	
	RichWave Technology Corp.	-	"	4,247	US\$ 1,648	12	US\$ 1,648	
	Global Investment Holding Inc.	-	"	10,800	\$ 100,000	6	\$ 100,000	
	<u>Preferred stock</u>							
	Audience, Inc.	-	Financial assets carried cost	1,654	US\$ 250	1	US\$ 250	
	Axiom Microdevices, Inc.	-	"	1,000	US\$ 1,000	1	US\$ 1,000	
	Miradia, Inc.	-	"	3,040	US\$ 1,000	3	US\$ 1,000	
	Mobilygen	-	"	1,415	US\$ 750	1	US\$ 750	
	Mosaic Systems, Inc.	-	"	2,481	US\$ 12	6	US\$ 12	
	Next IO, Inc.	-	"	800	US\$ 500	4	US\$ 500	
	Optichron, Inc.	-	"	714	US\$ 1,000	3	US\$ 1,000	
	Optimal Corporation	-	"	-	US\$ 229	-	US\$ 229	
	Pixim, Inc.	-	"	3,606	US\$ 862	2	US\$ 862	
QST Holding, LLC	-	"	-	US\$ 131	3	US\$ 131		
Teknovus, Inc.	-	"	6,977	US\$ 1,327	2	US\$ 1,327		
<u>Capital</u>								
VentureTech Alliance Holdings, L.L.C. (VTA Holdings)	Subsidiary	Investments accounted for using equity method	-	-	9	-		
VTAF II	<u>Common stock</u>							
	Yobon	-	Financial assets carried at cost	1,875	US\$ 919	13	US\$ 919	
	Sentelic	-	"	1,200	US\$ 2,040	15	US\$ 2,040	
	Leadtrend	-	"	1,265	US\$ 660	5	US\$ 660	
	RichWave Technology Corp.	-	"	1,043	US\$ 730	2	US\$ 730	
	<u>Preferred stock</u>							
	5V Technologies, Inc.	-	Financial assets carried cost	2,357	US\$ 1,768	11	US\$ 1,768	
	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	
	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		
<u>Capital</u>								
VTA Holdings	Subsidiary	Investments accounted for using equity method	-	-	10	-		
VTAF III	<u>Common stock</u>							
	Mutual-pak Technology Co., Ltd.	Subsidiary	Investments accounted for using equity method	4,590	US\$ 1,720	51	US\$ 1,720	
<u>Preferred stock</u>								
Advasense Sensors, Inc.	-	Financial assets carried at cost	1,929	US\$ 1,834	6	US\$ 1,834		

(Continued)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	March 31, 2008			Market Value or Net Asset Value (US\$ in Thousands)	Note
				Shares/Units (in Thousands)	Carrying Value (US\$ in Thousands)	Percentage of Ownership (%)		
	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	
	<u>Capital</u>							
	VTA Holdings	Subsidiary	Investments accounted for using equity method	-	-	81	-	
ISDF	<u>Common stock</u>							
	Monolithic Power Systems, Inc.	-	Financial assets at fair value through profit or loss	1,352	US\$ 23,833	4	US\$ 23,833	
	Memic, 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	
	<u>Preferred stock</u>							
	Integrated Memory Logic, Inc.	-	Financial assets carried at cost	2,872	US\$ 1,221	9	US\$ 1,221	
	IP Unity, Inc.	-	"	1,008	US\$ 494	1	US\$ 494	
	NanoAmp Solutions, Inc.	-	"	541	US\$ 853	2	US\$ 853	
	Sonics, Inc.	-	"	1,843	US\$ 3,530	18	US\$ 3,530	
ISDF II	<u>Common stock</u>							
	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	
	Geo Vision, Inc.	-	"	6	US\$ 45	-	US\$ 45	
	Memic, 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	
	<u>Preferred stock</u>							
	Alchip Technologies Limited	-	Financial assets carried at cost	5,194	US\$ 2,950	15	US\$ 2,950	
	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)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	March 31, 2008			Market Value or Net Asset Value (US\$ in Thousands)	Note
				Shares/Units (in Thousands)	Carrying Value (US\$ in Thousands)	Percentage of Ownership (%)		
Tsmc Global	<u>Money market funds</u> Ssga Cash Mgmt Global Offshore	-	Available-for-sale financial assets	-	US\$ 459,159	N/A	US\$ 459,159	
	<u>Agency bonds</u>		Available-for-sale financial assets					
	Fed Hm Ln Pc Pool 1b1225	-	"	-	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	
	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	
	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	

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Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	March 31, 2008				Note
				Shares/Units (in Thousands)	Carrying Value (US\$ in Thousands)	Percentage of Ownership (%)	Market Value or Net Asset Value (US\$ in Thousands)	
	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 li Pool 081150	-	"	-	US\$ 432	N/A	US\$ 432	
	Gnma li 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	-	"	-	US\$ 3,602	N/A	US\$ 3,602	
	Federal Home Ln Bks	-	"	-	US\$ 17,652	N/A	US\$ 17,652	
	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	

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Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	March 31, 2008			Market Value or Net Asset Value (US\$ in Thousands)	Note
				Shares/Units (in Thousands)	Carrying Value (US\$ in Thousands)	Percentage of Ownership (%)		
	<u>Corporate bonds</u>							
	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	
	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	

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Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	March 31, 2008			Market Value or Net Asset Value (US\$ in Thousands)	Note
				Shares/Units (in Thousands)	Carrying Value (US\$ in Thousands)	Percentage of Ownership (%)		
	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	
	<u>Corporate issued asset-backed securities</u>							
	Atlantic City Ele Trns Fdglc	-	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	
	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	

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Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	March 31, 2008				Note
				Shares/Units (in Thousands)	Carrying Value (US\$ in Thousands)	Percentage of Ownership (%)	Market Value or Net Asset Value (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 Ctfs	-	"	-	US\$ 162	N/A	US\$ 162	
	Wamu Mtg Pass Through Ctfs	-	"	-	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	
	Wells Fargo Mtg Bkd Secs	-	"	-	US\$ 2,887	N/A	US\$ 2,887	
	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	
	<u>Government bonds</u>							
	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)

## 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)

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal (Note 2)				Ending Balance (Note 3)	
					Shares/Units (in Thousands)	Amount (US\$ in Thousands)	Shares/Units (in Thousands) (Note 1)	Amount (US\$ in Thousands)	Shares/Units (In Thousands)	Amount (US\$ in Thousands)	Carrying Value (US\$ in Thousands)	Gain (Loss) or Disposal (US\$ in Thousands)	Shares/Units (In Thousands)	Amount (US\$ in Thousands)
The Company	<u>Open-end mutual funds</u>													
	NITC Bond Fund	Available-for-sale financial assets	National Investment Trust Co., Ltd.	-	12,239	\$ 2,045,935	-	\$ -	1,790	\$ 300,000	\$ 291,013	\$ 8,987	10,449	\$ 1,753,671
	NITC Taiwan Bond	"	National Investment Trust Co., Ltd.	-	103,016	1,474,856	-	-	13,938	200,000	195,162	4,838	89,078	1,280,609
	Prudential Financial Bond Fund	"	Prudential Financial Securities Investment Trust Enterprise	-	83,306	1,236,728	-	-	13,442	200,000	194,349	5,651	69,864	1,041,330
	AIG Taiwan Bond Fund	"	AIG Global Asset management Corporation (Taiwan) Ltd.	-	54,469	705,033	-	-	15,441	200,000	198,439	1,561	39,028	507,080
	<u>Government bond</u>													
	2003 Government Bond Series B	Available-for-sale financial assets	Chung Shing Bills Finance Corp. and several financial institutions	-	-	2,349,163	-	-	-	2,350,000	2,350,000	-	-	-
	2004 Government Bond Series B	"	"	-	-	1,197,121	-	-	-	1,203,435	1,201,661	1,774	-	-
	2004 Government Bond Series G	"	"	-	-	200,065	-	-	-	201,301	200,841	460	-	-
	2003 Government Bond Series B	Held-to-maturity financial assets	"	-	-	1,647,947	-	-	-	1,648,000	1,648,000	-	-	-
<u>Capital</u>														
VTAF II	Investee accounted for using equity method	-	Subsidiary	-	906,536	-	204,884	-	-	-	-	-	-	1,037,387
TSMC Global	<u>Money market funds</u>													
	Ssga Cash Mgmt Global Offshore	Available-for-sale financial assets	-	-	US\$ 592,180	-	US\$ 198,872	-	US\$ 331,893	US\$ 331,893	-	-	-	US\$ 459,159
	<u>Agency bonds</u>													
	Gnma Pool 646061	Available-for-sale financial assets	-	-	-	-	US\$ 4,352	-	-	-	-	-	-	US\$ 3,906
	Federal Home Ln Bks	"	-	-	US\$ 8,977	-	-	-	US\$ 9,002	US\$ 8,716	US\$ 286	-	-	
	Federal Home Ln Bks	"	-	-	US\$ 8,939	-	-	-	US\$ 9,003	US\$ 8,735	US\$ 268	-	-	
	Federal Home Ln Bks	"	-	-	US\$ 4,965	-	-	-	US\$ 5,003	US\$ 4,851	US\$ 152	-	-	
	Federal Home Ln Bks	"	-	-	US\$ 4,980	-	-	-	US\$ 4,999	US\$ 4,882	US\$ 117	-	-	
	Federal Home Ln Bks	"	-	-	-	-	US\$ 12,464	-	-	-	-	-	-	US\$ 12,628
	Federal Home Ln Mtg	"	-	-	-	-	US\$ 5,186	-	-	-	-	-	-	US\$ 5,228
	Federal Home Ln Mtg Corp.	"	-	-	-	-	US\$ 7,572	-	-	-	-	-	-	US\$ 7,627
	Federal Home Ln Mtg Disc Nts	"	-	-	US\$ 22,342	-	-	-	US\$ 5,018	US\$ 4,919	US\$ 99	-	-	US\$ 17,646
	Federal Home Loan Banks	"	-	-	US\$ 21,500	-	-	-	US\$ 4,111	US\$ 4,068	US\$ 43	-	-	US\$ 17,714
	Federal Natl Mtg Assn	"	-	-	-	-	-	US\$ 10,291	-	-	-	-	-	US\$ 10,468
	Federal Natl Mtg Assn	"	-	-	-	-	-	US\$ 4,151	-	-	-	-	-	US\$ 4,102
Federal Natl Mtg Assn Mtn	"	-	-	US\$ 2,982	-	-	-	US\$ 3,006	US\$ 2,909	US\$ 97	-	-	-	
Federal Natl Mtg Assn Mtn	"	-	-	US\$ 3,171	-	-	-	US\$ 3,201	US\$ 3,090	US\$ 111	-	-	-	

(Continued)



Company Name	Marketable Securities Type and Name	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal (Note 2)				Ending Balance (Note 3)	
					Shares/Units (in Thousands)	Amount (US\$ in Thousands)	Shares/Units (in Thousands) (Note 1)	Amount (US\$ in Thousands)	Shares/Units (In Thousands)	Amount (US\$ in Thousands)	Carrying Value (US\$ in Thousands)	Gain (Loss) or Disposal (US\$ in Thousands)	Shares/Units (In Thousands)	Amount (US\$ in Thousands)
	<u>Corporate bonds</u>													
	Depfa Acs Bank	Available-for-sale financial assets	-	-	-	US\$ 20,402	-	US\$ -	-	US\$ 3,074	US\$ 2,998	US\$ 76	-	US\$ 17,809
	European Invst Bk	"	-	-	-	-	-	US\$ 10,576	-	-	-	-	-	US\$ 10,842
	<u>Government bonds</u>													
	United States Treas Nts	Available-for-sale financial assets	-	-	-	-	-	US\$ 17,813	-	US\$ 11,827	US\$ 11,803	US\$ 24	-	US\$ 6,082
	United States Treas Nts	"	-	-	-	US\$ 25,924	-	-	-	US\$ 26,091	US\$ 25,941	US\$ 150	-	-
	United States Treas Nts	"	-	-	-	-	-	US\$ 33,779	-	US\$ 34,000	US\$ 33,779	US\$ 221	-	-
	United States Treas Nts	"	-	-	-	-	-	US\$ 3,958	-	-	-	-	-	US\$ 3,955
	United States Treas Nts	"	-	-	-	US\$ 42,509	-	-	-	US\$ 42,867	US\$ 41,870	US\$ 997	-	-
	United States Treas Nts	"	-	-	-	-	-	US\$ 4,200	-	-	-	-	-	US\$ 4,234
	United States Treas Nts	"	-	-	-	-	-	US\$ 11,167	-	-	-	-	-	US\$ 11,159
	United States Treas Nts	"	-	-	-	-	-	US\$ 10,525	-	-	-	-	-	US\$ 10,714
	United States Treas Nts	"	-	-	-	US\$ 7,758	-	-	-	US\$ 7,855	US\$ 7,743	US\$ 112	-	-
	United States Treas Nts	"	-	-	-	US\$ 9,735	-	-	-	US\$ 9,757	US\$ 9,479	US\$ 278	-	-
	United States Treas Nts	"	-	-	-	-	-	US\$ 12,259	-	-	-	-	-	US\$ 12,288
	United States Treas Nts	"	-	-	-	-	-	US\$ 60,564	-	US\$ 12,309	US\$ 12,294	US\$ 15	-	US\$ 48,271
	Wi Treasury Sec	"	-	-	-	US\$ 6,500	-	-	-	US\$ 6,594	US\$ 6,407	US\$ 187	-	-

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

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

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

(Concluded)

**Taiwan Semiconductor Manufacturing Company Limited**

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

Company Name	Types of Property	Transaction Date	Transaction Amount	Payment Term	Counter-party	Nature of Relationships	Prior Transaction of Related Counter-party				Price Reference	Purpose of Acquisition	Other Terms
							Owner	Relationships	Transfer Date	Amount			
The Company	Fab	January 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	Manufacturing purpose	None

**Taiwan Semiconductor Manufacturing Company Limited and Investees**

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

Company Name	Related Party	Nature of Relationships	Transaction Details				Abnormal Transaction		Notes/Accounts Payable or Receivable		Note
			Purchases/ Sales	Amount	% to Total	Payment Terms	Unit Price (Note)	Payment Terms (Note)	Ending Balance	% to Total	
The Company	TSMC North America GUC	Subsidiary	Sales	\$ 54,293,942	63	Net 30 days after invoice date	-	-	\$ 24,508,626	60	
		Investee with a controlling financial interest	Sales	289,452	-	Net 30 days after monthly closing	-	-	178,766	-	
	WaferTech SSMC	Indirect subsidiary	Purchases	2,378,352	21	Net 30 days after monthly closing	-	-	(602,332)	6	
		Investee accounted for using equity method	Purchases	1,358,468	12	Net 30 days after monthly closing	-	-	(465,295)	5	
	TSMC Shanghai VIS	Subsidiary	Purchases	1,220,202	11	Net 30 days after monthly closing	-	-	(304,048)	3	
		Investee accounted for using equity method	Purchases	793,272	7	Net 30 days after monthly closing	-	-	(476,214)	5	
GUC	TSMC North America	Same parent company	Purchases	537,761	50	Net 30 days after invoice date/net 45 days after monthly closing	-	-	(261,678)	26	
XinTec	OmniVision	Parent company of director (represented for XinTec)	Sales	540,745	79	Net 30 days after shipping	-	-	183,301	72	

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

**Taiwan Semiconductor Manufacturing Company Limited and Investees**

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

Company Name	Related Party	Nature of Relationships	Ending Balance	Turnover Days (Note 1)	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amounts	Action Taken		
The 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	-
XinTec	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.

## Taiwan Semiconductor Manufacturing Company Limited

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

MARCH 31, 2008

(Amounts in Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of March 31, 2008			Net Income (Losses) of the Investee	Equity in the Earnings (Losses) (Note 2)	Note
				March 31, 2008	December 31, 2007	Shares (in Thousands)	Percentage of Ownership	Carrying Value (Note 1)			
The Company	TSMC Global	Tortola, British Virgin Islands	Investment activities	\$ 42,327,245	\$ 42,327,245	1	100	\$ 41,971,625	\$ 568,565	\$ 568,565	Subsidiary
	TSMC International	Tortola, British Virgin Islands	Providing investment in companies involved in the design, manufacture, and other related business in the semiconductor industry	31,445,780	31,445,780	987,968	100	27,063,207	1,459,171	1,459,171	Subsidiary
	VIS	Hsin-Chu, Taiwan	Research, design, development, manufacture, packaging, testing and sale of memory integrated circuits, LSI, VLSI and related parts	13,047,681	13,047,681	616,240	36	11,183,477	766,045	176,985	Investee accounted for using equity method
	SSMC	Singapore	Fabrication and supply of integrated circuits	8,840,895	8,840,895	463	39	8,352,727	1,096,958	376,237	Investee accounted for using equity method
	TSMC Shanghai	Shanghai, China	Manufacturing and sales of integrated circuits at the order of and pursuant to product design specifications provided by customers	12,180,367	12,180,367	-	100	7,895,259	(571,555)	(529,639)	Subsidiary
	TSMC Partners	Tortola, British Virgin Islands	Investment activities	10,350	10,350	300	100	3,528,732	(1,068,138)	(1,068,138)	Subsidiary
	TSMC North America	San Jose, California, U.S.A.	Sales and marketing of integrated circuits and semiconductor devices	333,718	333,718	11,000	100	2,184,900	73,769	73,769	Subsidiary
	XinTec	Taoyuan, Taiwan	Wafer level chip size packaging service	1,357,890	1,357,890	91,703	43	1,483,429	(27,906)	(18,115)	Investee with a controlling financial interest
	VTAF II	Cayman Islands	Investing in new start-up technology companies	1,095,622	1,095,622	-	98	1,039,699	(61,401)	(60,173)	Subsidiary
	VTAF III	Cayman Islands	Investing in new start-up technology companies	1,178,343	973,459	-	98	1,037,387	(11,923)	(11,685)	Subsidiary
	GUC	Hsin-Chu, Taiwan	Researching, developing, manufacturing, testing and marketing of integrated circuits	386,568	386,568	42,572	37	891,488	187,202	69,158	Investee with a controlling financial interest
	Emerging Alliance	Cayman Islands	Investing in new start-up technology companies	976,449	1,019,042	-	99	390,518	(6,885)	(6,851)	Subsidiary
	Chi Cherng	Taipei, Taiwan	Investment activities	300,000	300,000	-	36	175,689	2,372	2,372	Subsidiary
	Hsin Ruey	Taipei, Taiwan	Investment activities	300,000	300,000	-	36	173,084	2,258	2,258	Subsidiary
	TSMC Japan	Yokohama, Japan	Marketing activities	83,760	83,760	6	100	112,111	906	906	Subsidiary
TSMC Europe	Amsterdam, the Netherlands	Marketing activities	15,749	15,749	-	100	97,152	7,872	7,872	Subsidiary	
TSMC Korea	Seoul, Korea	Marketing activities	13,656	13,656	80	100	15,533	1,098	1,098	Subsidiary	

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

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

### Taiwan Semiconductor Manufacturing Company Limited

INFORMATION OF INVESTMENT IN MAINLAND CHINA  
FOR THE 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 in Thousand)	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2007 (US\$ in Thousand)	Investment Flows		Accumulated Outflow of Investment from Taiwan as of March 31, 2008 (US\$ in Thousand)	Percentage of Ownership	Equity in the Earnings (Losses) (Note 2)	Carrying Value as of March 31, 2008	Accumulated Inward Remittance of Earnings as of March 31, 2008
					Outflow (US\$ in Thousand)	Inflow					
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)	100%	\$(529,639)	\$7,895,259	\$ -

Accumulated Investment in Mainland China as of March 31, 2008 (US\$ in Thousand)	Investment Amounts Authorized by Investment Commission, MOEA (US\$ in Thousand)	Upper Limit on Investment (US\$ in Thousand)
\$12,180,367 (US\$371,000)	\$12,180,367 (US\$371,000)	\$12,180,367 (US\$371,000)

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

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