

**Taiwan Semiconductor Manufacturing
Company Limited and Subsidiaries**

**Consolidated Financial Statements for the
Six Months Ended June 30, 2008 and 2007 and
Independent Auditors' Report**

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Taiwan Semiconductor Manufacturing Company Limited

We have audited the accompanying consolidated balance sheets of Taiwan Semiconductor Manufacturing Company Limited and subsidiaries as of June 30, 2008 and 2007, and the related consolidated statements of income, changes in shareholders' equity and cash flows for the six months then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Taiwan Semiconductor Manufacturing Company Limited and subsidiaries as of June 30, 2008 and 2007, and the results of their consolidated operations and their consolidated cash flows for the six months then ended in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and accounting principles generally accepted in the Republic of China.

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

July 10, 2008

Notice to Readers

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

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

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

CONSOLIDATED BALANCE SHEETS

JUNE 30, 2008 AND 2007

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

ASSETS	2008		2007	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 2 and 4)	\$ 185,346,119	30	\$ 163,391,305	26
Financial assets at fair value through profit or loss (Notes 2 and 5)	44,912	-	1,921,749	-
Available-for-sale financial assets (Notes 2, 6, and 25)	32,825,625	6	57,853,490	9
Held-to-maturity financial assets (Notes 2 and 7)	5,771,334	1	9,909,497	2
Receivables from related parties (Note 26)	3,530	-	332,324	-
Notes and accounts receivable	47,155,226	8	40,247,300	7
Allowance for doubtful receivables (Notes 2 and 8)	(701,591)	-	(767,296)	-
Allowance for sales returns and others (Notes 2 and 8)	(4,598,856)	(1)	(2,758,552)	(1)
Other receivables from related parties (Note 26)	1,240,818	-	1,072,728	-
Other financial assets (Note 27)	1,611,165	-	1,839,292	-
Inventories, net (Notes 2 and 9)	23,358,777	4	24,045,344	4
Deferred income tax assets (Notes 2 and 19)	6,386,131	1	5,896,785	1
Prepaid expenses and other current assets	1,320,101	-	1,654,895	-
Total current assets	<u>299,763,291</u>	<u>49</u>	<u>304,638,861</u>	<u>48</u>
LONG-TERM INVESTMENTS (Notes 2, 6, 7, 10, 11 and 25)				
Investments accounted for using equity method	20,955,923	3	16,179,072	2
Available-for-sale financial assets	-	-	4,521,756	1
Held-to-maturity financial assets	7,240,785	1	20,788,140	3
Financial assets carried at cost	<u>3,740,161</u>	<u>1</u>	<u>3,664,311</u>	<u>1</u>
Total long-term investments	<u>31,936,869</u>	<u>5</u>	<u>45,153,279</u>	<u>7</u>
PROPERTY, PLANT AND EQUIPMENT (Notes 2, 12 and 27)				
Cost				
Land and land improvements	888,065	-	949,763	-
Buildings	120,005,058	19	116,035,030	18
Machinery and equipment	674,666,739	110	606,041,018	95
Office equipment	11,991,372	2	11,423,299	2
Leased assets	<u>663,731</u>	<u>-</u>	<u>631,297</u>	<u>-</u>
Accumulated depreciation	808,214,965	131	735,080,407	115
Advance payments and construction in progress	<u>(574,737,419)</u>	<u>(93)</u>	<u>(502,494,821)</u>	<u>(79)</u>
Net property, plant and equipment	<u>262,198,297</u>	<u>43</u>	<u>264,605,280</u>	<u>41</u>
INTANGIBLE ASSETS				
Goodwill (Note 2)	5,702,990	1	6,008,309	1
Deferred charges, net (Notes 2 and 13)	<u>7,755,165</u>	<u>1</u>	<u>5,777,355</u>	<u>1</u>
Total intangible assets	<u>13,458,155</u>	<u>2</u>	<u>11,785,664</u>	<u>2</u>
OTHER ASSETS				
Deferred income tax assets (Notes 2 and 19)	4,784,854	1	8,530,640	1
Refundable deposits	2,766,835	-	2,592,974	1
Others (Note 2)	<u>315,120</u>	<u>-</u>	<u>127,046</u>	<u>-</u>
Total other assets	<u>7,866,809</u>	<u>1</u>	<u>11,250,660</u>	<u>2</u>
TOTAL	<u>\$ 615,223,421</u>	<u>100</u>	<u>\$ 637,433,744</u>	<u>100</u>

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

(With Deloitte & Touche audit report dated July 10, 2008)

LIABILITIES AND SHAREHOLDERS' EQUITY	2008		2007	
	Amount	%	Amount	%
CURRENT LIABILITIES				
Short-term bank loans (Note 14)	\$ -	-	\$ 98,580	-
Financial liabilities at fair value through profit or loss (Notes 2 and 5)	118,146	-	3,474	-
Accounts payable	10,427,525	2	9,542,393	1
Payables to related parties (Note 26)	1,204,006	-	1,521,372	-
Income tax payable (Notes 2 and 19)	5,850,172	1	4,552,458	1
Cash dividends payable (Note 21)	77,042,768	13	77,489,500	12
Bonuses payable to employees, directors and supervisors (Notes 3 and 21)	12,961,511	2	4,617,508	1
Payables to contractors and equipment suppliers	9,511,319	2	17,103,558	3
Accrued expenses and other current liabilities (Notes 17 and 29)	21,604,192	3	12,702,346	2
Current portion of bonds payable and long-term bank loans (Notes 15, 16 and 27)	<u>8,261,656</u>	<u>1</u>	<u>4,781,509</u>	<u>1</u>
Total current liabilities	<u>146,981,295</u>	<u>24</u>	<u>132,412,698</u>	<u>21</u>
LONG-TERM LIABILITIES				
Bonds payable (Note 15)	4,500,000	1	12,500,000	2
Long-term bank loans (Notes 16 and 27)	1,590,120	-	1,238,094	-
Other long-term payables (Notes 17 and 29)	8,889,579	1	8,997,855	2
Obligations under capital leases (Note 2)	<u>663,731</u>	<u>-</u>	<u>631,297</u>	<u>-</u>
Total long-term liabilities	<u>15,643,430</u>	<u>2</u>	<u>23,367,246</u>	<u>4</u>
OTHER LIABILITIES				
Accrued pension cost (Notes 2 and 18)	3,698,572	1	3,592,377	1
Guarantee deposits (Note 29)	1,707,572	-	3,011,372	-
Deferred credits (Notes 2 and 26)	469,677	-	1,111,710	-
Others	<u>35,654</u>	<u>-</u>	<u>66,145</u>	<u>-</u>
Total other liabilities	<u>5,911,475</u>	<u>1</u>	<u>7,781,604</u>	<u>1</u>
Total liabilities	<u>168,536,200</u>	<u>27</u>	<u>163,561,548</u>	<u>26</u>
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT				
Capital stock - \$10 par value (Note 21)				
Authorized: 28,050,000 thousand shares in 2008				
28,050,000 thousand shares in 2007				
Issued: 25,631,371 thousand shares in 2008				
26,423,517 thousand shares in 2007				
To be issued	256,313,709	41	264,235,168	42
	<u>5,221,238</u>	<u>1</u>	<u>-</u>	<u>-</u>
Capital surplus (Notes 2 and 21)	261,534,947	42	264,235,168	42
Retained earnings (Note 21)	<u>50,916,645</u>	<u>8</u>	<u>53,725,604</u>	<u>8</u>
Appropriated as legal capital reserve	67,324,393	11	56,406,684	9
Appropriated as special capital reserve	391,857	-	629,550	-
Unappropriated earnings	<u>84,236,793</u>	<u>14</u>	<u>96,973,825</u>	<u>15</u>
Others (Notes 2, 23 and 25)	151,953,043	25	154,010,059	24
Cumulative translation adjustments	(6,787,320)	(1)	(613,674)	-
Unrealized gain on financial instruments	468,749	-	447,480	-
Treasury stock: 250,770 thousand shares in 2008;				
34,096 thousand shares in 2007	<u>(14,845,498)</u>	<u>(2)</u>	<u>(918,075)</u>	<u>-</u>
	<u>(21,164,069)</u>	<u>(3)</u>	<u>(1,084,269)</u>	<u>-</u>
Equity attributable to shareholders of the parent	443,240,566	72	470,886,562	74
MINORITY INTERESTS (Note 2)	<u>3,446,655</u>	<u>1</u>	<u>2,985,634</u>	<u>-</u>
Total shareholders' equity	<u>446,687,221</u>	<u>73</u>	<u>473,872,196</u>	<u>74</u>
TOTAL	<u>\$ 615,223,421</u>	<u>100</u>	<u>\$ 637,433,744</u>	<u>100</u>

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

CONSOLIDATED STATEMENTS OF INCOME

FOR THE SIX MONTHS ENDED JUNE 30, 2008 AND 2007

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

	<u>2008</u>		<u>2007</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
GROSS SALES (Notes 2 and 26)	\$ 178,973,801		\$ 141,909,970	
SALES RETURNS AND ALLOWANCES (Notes 2 and 8)	<u>3,357,091</u>		<u>2,094,657</u>	
NET SALES	175,616,710	100	139,815,313	100
COST OF SALES (Notes 20 and 26)	<u>97,156,057</u>	<u>55</u>	<u>83,024,940</u>	<u>59</u>
GROSS PROFIT	<u>78,460,653</u>	<u>45</u>	<u>56,790,373</u>	<u>41</u>
OPERATING EXPENSES (Notes 20 and 26)				
Research and development	10,673,813	6	8,243,229	6
General and administrative	5,832,564	4	4,053,083	3
Marketing	<u>2,457,830</u>	<u>1</u>	<u>1,882,770</u>	<u>1</u>
Total operating expenses	<u>18,964,207</u>	<u>11</u>	<u>14,179,082</u>	<u>10</u>
INCOME FROM OPERATIONS	<u>59,496,446</u>	<u>34</u>	<u>42,611,291</u>	<u>31</u>
NON-OPERATING INCOME AND GAINS				
Interest income (Note 2)	2,742,476	2	2,923,331	2
Valuation gain on financial instruments, net (Notes 2, 5 and 25)	1,921,977	1	87,750	-
Technical service income (Notes 26 and 29)	958,217	1	293,617	-
Equity in earnings of equity method investees, net (Notes 2 and 10)	856,517	-	849,164	1
Gain on settlement and disposal of financial assets, net (Notes 2, 5 and 25)	672,578	-	231,203	-
Settlement income (Note 29)	456,195	-	491,385	-
Subsidy income (Note 2)	2,047	-	357,916	-
Foreign exchange gain, net (Note 2)	-	-	212,058	-
Others (Note 26)	<u>379,238</u>	<u>-</u>	<u>563,958</u>	<u>1</u>
Total non-operating income and gains	<u>7,989,245</u>	<u>4</u>	<u>6,010,382</u>	<u>4</u>
NON-OPERATING EXPENSES AND LOSSES				
Foreign exchange loss, net (Note 2)	1,740,143	1	-	-
Loss on impairment of financial assets (Note 2)	885,268	1	56,684	-
Provision for litigation loss (Note 26h)	459,078	-	-	-
Interest expense	306,449	-	423,979	-
Others (Note 2)	<u>145,964</u>	<u>-</u>	<u>48,606</u>	<u>-</u>
Total non-operating expenses and losses	<u>3,536,902</u>	<u>2</u>	<u>529,269</u>	<u>-</u>

(Continued)

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

CONSOLIDATED STATEMENTS OF INCOME

FOR THE SIX MONTHS ENDED JUNE 30, 2008 AND 2007

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

	<u>2008</u>		<u>2007</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
INCOME BEFORE INCOME TAX	\$ 63,948,789	36	\$ 48,092,404	35
INCOME TAX EXPENSE (Notes 2 and 19)	<u>6,838,752</u>	<u>4</u>	<u>3,501,445</u>	<u>3</u>
NET INCOME	<u>\$ 57,110,037</u>	<u>32</u>	<u>\$ 44,590,959</u>	<u>32</u>
ATTRIBUTABLE TO:				
Shareholders of the parent	\$ 56,913,888	32	\$ 44,322,581	32
Minority interests	<u>196,149</u>	<u>-</u>	<u>268,378</u>	<u>-</u>
	<u>\$ 57,110,037</u>	<u>32</u>	<u>\$ 44,590,959</u>	<u>32</u>
	<u>2008</u>		<u>2007</u>	
	<u>Before</u>	<u>After</u>	<u>Before</u>	<u>After</u>
	<u>Income</u>	<u>Income</u>	<u>Income</u>	<u>Income</u>
	<u>Tax</u>	<u>Tax</u>	<u>Tax</u>	<u>Tax</u>
EARNINGS PER SHARE (NT\$, Note 24)				
Basic earnings per share	<u>\$ 2.49</u>	<u>\$ 2.22</u>	<u>\$ 1.81</u>	<u>\$ 1.68</u>
Diluted earnings per share	<u>\$ 2.48</u>	<u>\$ 2.22</u>	<u>\$ 1.81</u>	<u>\$ 1.68</u>

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

(With Deloitte & Touche audit report dated July 10, 2008)

(Concluded)

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE SIX MONTHS ENDED JUNE 30, 2008 AND 2007 (In Thousands of New Taiwan Dollars, Except Dividends Per Share)

	Equity Attributable to Shareholders of the Parent														Minority Interests	Total Shareholders' Equity
	Capital Stock - Common Stock		To be Issued		Capital Surplus	Retained Earnings				Others						
						Legal Capital Reserve	Special Capital Reserve	Unappropriated Earnings	Retained Earnings Total	Cumulative Translation Adjustments	Unrealized Gain (Loss) on Financial Instruments	Treasury Stock	Others Total	Total		
	Shares (Thousand)	Amount	Shares (Thousand)	Amount												
BALANCE, JANUARY 1, 2008	26,427,104	\$ 264,271,037	-	\$ -	\$ 53,732,682	\$ 56,406,684	\$ 629,550	\$ 161,828,337	\$ 218,864,571	\$ (1,072,853)	\$ 680,997	\$ (49,385,032)	\$ (49,776,888)	\$ 487,091,402	\$ 3,594,169	\$ 490,685,571
Appropriations of prior year's earnings																
Legal capital reserve	-	-	-	-	-	10,917,709	-	(10,917,709)	-	-	-	-	-	-	-	-
Reversal of special capital reserve	-	-	-	-	-	-	(237,693)	237,693	-	-	-	-	-	-	-	-
Bonus to employees - in cash	-	-	-	-	-	-	-	(3,939,883)	(3,939,883)	-	-	-	-	(3,939,883)	-	(3,939,883)
Bonus to employees - in stock	-	-	393,988	3,939,883	-	-	-	(3,939,883)	(3,939,883)	-	-	-	-	-	-	-
Cash dividends to shareholders - NT\$3.00 per share	-	-	-	-	-	-	-	(76,881,311)	(76,881,311)	-	-	-	-	(76,881,311)	-	(76,881,311)
Stock dividends to shareholders - NT\$0.02 per share	-	-	51,254	512,542	-	-	-	(512,542)	(512,542)	-	-	-	-	-	-	-
Bonus to directors	-	-	-	-	-	-	-	(176,890)	(176,890)	-	-	-	-	(176,890)	-	(176,890)
Capital surplus transferred to capital stock	-	-	76,881	768,813	(768,813)	-	-	-	-	-	-	-	-	-	-	-
Net income for the six months ended June 30, 2008	-	-	-	-	-	-	-	56,913,888	56,913,888	-	-	-	-	56,913,888	196,149	57,110,037
Adjustment arising from changes in percentage of ownership in equity method investees	-	-	-	-	(186,344)	-	-	-	-	-	-	-	-	(186,344)	43,125	(143,219)
Translation adjustments	-	-	-	-	-	-	-	-	-	(5,714,467)	-	-	(5,714,467)	(5,714,467)	(387,946)	(6,102,413)
Issuance of stock from exercising employee stock options	4,267	42,672	-	-	128,891	-	-	-	-	-	-	-	-	171,563	-	171,563
Cash dividends received by subsidiaries from parent company	-	-	-	-	102,279	-	-	-	-	-	-	-	-	102,279	-	102,279
Valuation loss on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	-	(143,654)	-	(143,654)	(143,654)	(8,016)	(151,670)
Equity in the valuation loss on available-for-sale financial assets held by equity method investees	-	-	-	-	-	-	-	-	-	-	(68,594)	-	(68,594)	(68,594)	-	(68,594)
Treasury stock retired	(800,000)	(8,000,000)	-	-	(2,092,050)	-	-	(38,374,907)	(38,374,907)	-	-	48,466,957	48,466,957	-	-	-
Treasury stock repurchased by the company	-	-	-	-	-	-	-	-	-	-	-	(13,927,423)	(13,927,423)	(13,927,423)	-	(13,927,423)
Increase in minority interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	9,174	9,174
BALANCE, JUNE 30, 2008	25,631,371	\$ 256,313,709	522,123	\$ 5,221,238	\$ 50,916,645	\$ 67,324,393	\$ 391,857	\$ 84,236,793	\$ 151,953,043	\$ (6,787,320)	\$ 468,749	\$ (14,845,498)	\$ (21,164,069)	\$ 443,240,566	\$ 3,446,655	\$ 446,687,221
BALANCE, JANUARY 1, 2007	25,829,688	\$ 258,296,879	-	\$ -	\$ 54,107,498	\$ 43,705,711	\$ 640,742	\$ 152,778,079	\$ 197,124,532	\$ (1,191,165)	\$ 561,615	\$ (918,075)	\$ (1,547,625)	\$ 507,981,284	\$ 1,156,832	\$ 509,138,116
Appropriations of prior year's earnings																
Legal capital reserve	-	-	-	-	-	12,700,973	-	(12,700,973)	-	-	-	-	-	-	-	-
Reversal of special capital reserve	-	-	-	-	-	-	(11,192)	11,192	-	-	-	-	-	-	-	-
Bonus to employees - in cash	-	-	-	-	-	-	-	(4,572,798)	(4,572,798)	-	-	-	-	(4,572,798)	-	(4,572,798)
Bonus to employees - in stock	457,280	4,572,798	-	-	-	-	-	(4,572,798)	(4,572,798)	-	-	-	-	-	-	-
Cash dividends to shareholders - NT\$3.00 per share	-	-	-	-	-	-	-	(77,489,064)	(77,489,064)	-	-	-	-	(77,489,064)	-	(77,489,064)
Stock dividends to shareholders - NT\$0.02 per share	51,659	516,594	-	-	-	-	-	(516,594)	(516,594)	-	-	-	-	-	-	-
Bonus to directors and supervisors	-	-	-	-	-	-	-	(285,800)	(285,800)	-	-	-	-	(285,800)	-	(285,800)
Capital surplus transferred to capital stock	77,489	774,891	-	-	(774,891)	-	-	-	-	-	-	-	-	-	-	-
Net income for the six months ended June 30, 2007	-	-	-	-	-	-	-	44,322,581	44,322,581	-	-	-	-	44,322,581	268,378	44,590,959
Adjustment arising from changes in percentage of ownership in equity method investees	-	-	-	-	68,411	-	-	-	-	-	-	-	-	68,411	11,582	79,993
Translation adjustments	-	-	-	-	-	-	-	-	-	577,491	-	-	577,491	577,491	(137,600)	439,891
Issuance of stock from exercising employee stock options	7,401	74,006	-	-	222,824	-	-	-	-	-	-	-	-	296,830	-	296,830
Cash dividends received by subsidiaries from parent company	-	-	-	-	101,762	-	-	-	-	-	-	-	-	101,762	-	101,762
Valuation gain (loss) on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	-	(114,326)	-	(114,326)	(114,326)	1,491	(112,835)
Equity in the valuation gain on available-for-sale financial assets held by equity method investees	-	-	-	-	-	-	-	-	-	-	191	-	191	191	-	191
Increase in minority interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,684,951	1,684,951
BALANCE, JUNE 30, 2007	26,423,517	\$ 264,235,168	-	\$ -	\$ 53,725,604	\$ 56,406,684	\$ 629,550	\$ 96,973,825	\$ 154,010,059	\$ (613,674)	\$ 447,480	\$ (918,075)	\$ (1,084,269)	\$ 470,886,562	\$ 2,985,634	\$ 473,872,196

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

(With Deloitte & Touche audit report dated July 10, 2008)

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE SIX MONTHS ENDED JUNE 30, 2008 AND 2007 (In Thousands of New Taiwan Dollars)

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income attributable to shareholders of the parent	\$ 56,913,888	\$ 44,322,581
Net income attributable to minority interests	196,149	268,378
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	39,865,278	39,866,833
Amortization of premium/discount of financial assets	(51,144)	(64,051)
Loss on impairment of financial assets	885,268	56,684
Gain on disposal of available-for-sale financial assets, net	(630,834)	(231,203)
Gain on disposal of financial assets carried at cost, net	(41,744)	-
Equity in earnings of equity method investees, net	(856,517)	(849,164)
Dividends received from equity method investees	589,071	-
Gain on disposal of property, plant and equipment and other assets, net	(50,042)	(33,104)
Deferred income tax	1,714,632	(601,291)
Net changes in operating assets and liabilities:		
Decrease (increase) in:		
Financial assets and liabilities at fair value through profit or loss	1,456,308	(722,285)
Notes and accounts receivable	48,900	(5,177,350)
Receivables from related parties	7,355	308,028
Allowance for doubtful receivables	(216)	17,363
Allowance for sales returns and others	509,821	(125,206)
Other receivables from related parties	65,421	(815,865)
Other financial assets	(95,638)	518,223
Inventories	503,483	(2,409,190)
Prepaid expenses and other current assets	50,129	5,309
Increase (decrease) in:		
Accounts payable	(1,147,357)	1,186,171
Payables to related parties	(299,370)	(357,735)
Income tax payable	(5,275,956)	(3,394,015)
Bonuses payable to employees and directors	8,844,738	-
Accrued expenses and other current liabilities	(152,369)	1,011,436
Accrued pension cost	33,050	52,317
Deferred credits	(736,108)	(37,260)
Net cash provided by operating activities	<u>102,346,196</u>	<u>72,795,604</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of:		
Available-for-sale financial assets	(27,987,837)	(30,029,555)
Held-to-maturity financial assets	(549,455)	-
Financial assets carried at cost	(302,858)	(429,869)
Property, plant and equipment	(37,586,675)	(39,303,256)
Proceeds from disposal or redemption of:		
Available-for-sale financial assets	60,867,654	42,446,786
Held-to-maturity financial assets	7,788,000	6,825,120

(Continued)

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE SIX MONTHS ENDED JUNE 30, 2008 AND 2007 (In Thousands of New Taiwan Dollars)

	2008	2007
Financial assets carried at cost	\$ 127,554	\$ 14,142
Property, plant and equipment and other assets	30,916	11,074
Net cash paid for acquisition of XinTec	-	(422,098)
Increase in deferred charges	(1,926,895)	(1,430,388)
Decrease (increase) in refundable deposits	10,934	(1,250,108)
Decrease (increase) in other assets	<u>(556)</u>	<u>1,256</u>
Net cash provided by (used in) investing activities	<u>470,782</u>	<u>(23,566,896)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term bank loans	-	8,860
Proceeds from long-term bank loans	108,785	23,000
Repayment of long-term bank loans	(218,519)	(71,945)
Repayment of bonds payable	-	(2,500,000)
Decrease in guarantee deposits	(535,437)	(805,768)
Proceeds from exercise of employee stock options	171,563	296,830
Bonus to directors and supervisors	-	(285,800)
Repurchase of treasury stock	(9,668,896)	-
Increase in minority interests	<u>9,174</u>	<u>13,553</u>
Net cash used in financing activities	<u>(10,133,330)</u>	<u>(3,321,270)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	92,683,648	45,907,438
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(2,324,017)	(353,325)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>94,986,488</u>	<u>117,837,192</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 185,346,119</u>	<u>\$ 163,391,305</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Interest paid	<u>\$ 497,376</u>	<u>\$ 557,490</u>
Income tax paid	<u>\$ 10,220,646</u>	<u>\$ 7,566,329</u>
INVESTING ACTIVITIES AFFECTING BOTH CASH AND NON-CASH ITEMS		
Acquisition of property, plant and equipment	\$ 40,854,643	\$ 45,237,664
Increase in payables to contractors and equipment suppliers	(3,254,587)	(5,934,408)
Increase in accrued expenses and other current liabilities	<u>(13,381)</u>	<u>-</u>
Cash paid	<u>\$ 37,586,675</u>	<u>\$ 39,303,256</u>
Repurchase of treasury stock	\$ 13,927,423	\$ -
Increase in accrued expenses and other current liabilities	<u>(4,258,527)</u>	<u>-</u>
Cash paid	<u>\$ 9,668,896</u>	<u>\$ -</u>

(Continued)

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE SIX MONTHS ENDED JUNE 30, 2008 AND 2007 (In Thousands of New Taiwan Dollars)

	2008	2007
NON-CASH FINANCING ACTIVITIES		
Current portion of long-term liabilities	<u>\$ 8,261,656</u>	<u>\$ 4,781,509</u>
Current portion of other long-term payables (classified under accrued expenses and other current liabilities)	<u>\$ 2,012,071</u>	<u>\$ 2,433,227</u>

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

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

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

(With Deloitte & Touche audit report dated July 10, 2008)

(Concluded)

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2008 AND 2007

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

1. GENERAL

Taiwan Semiconductor Manufacturing Company, Limited (TSMC), a Republic of China (R.O.C.) corporation, was incorporated on February 21, 1987 as a venture among the Government of the R.O.C., acting through the Development Fund of the Executive Yuan; Philips Electronics N.V. and certain of its affiliates (Philips); and certain other private investors. On September 5, 1994, its shares were listed on the Taiwan Stock Exchange (TSE). On October 8, 1997, TSMC listed some of its shares of stock on the New York Stock Exchange (NYSE) in the form of American Depositary Shares (ADSs).

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

As of June 30, 2008 and 2007, TSMC and its subsidiaries had 25,390 and 24,652 employees, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Significant accounting policies are summarized as follows:

Principles of Consolidation

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

The consolidated entities were as follows:

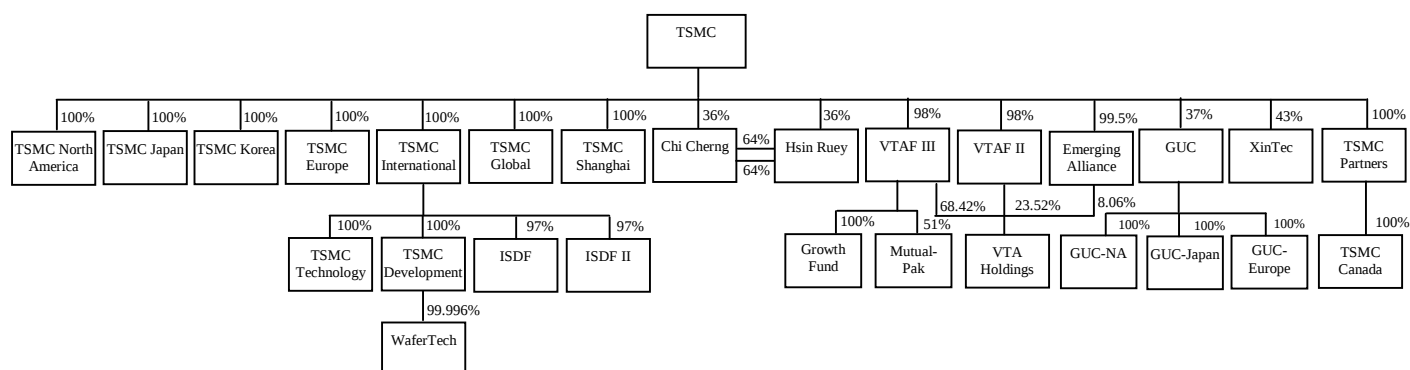
Name of Investor	Name of Investee	Percentage of Ownership		Remark
		June 30, 2008	June 30, 2007	
TSMC	TSMC North America	100%	100%	-
	TSMC Japan Limited (TSMC Japan)	100%	100%	-
	TSMC Korea Limited (TSMC Korea)	100%	100%	-
	Taiwan Semiconductor Manufacturing Company Europe B.V. (TSMC Europe)	100%	100%	-
	TSMC International Investment Ltd. (TSMC International)	100%	100%	-
	TSMC Global Ltd. (TSMC Global)	100%	100%	-
	TSMC (Shanghai) Company Limited (TSMC Shanghai)	100%	100%	-
	Chi Cherng Investment Co., Ltd. (Chi Cherng)	36%	36%	TSMC and Hsin Ruey held in aggregate a 100% ownership of Chi Cherng. As of June 30, 2008, Chi Cherng held 17,032 thousand common shares in TSMC (approximately 0.07% of outstanding common shares).
	Hsin Ruey Investment Co., Ltd. (Hsin Ruey)	36%	36%	
	VentureTech Alliance Fund III, L.P. (VTAF III)	98%	98%	-
	VentureTech Alliance Fund II, L.P. (VTAF II)	98%	98%	-
	Emerging Alliance Fund, L.P. (Emerging Alliance)	99.5%	99.5%	-
	Global Unichip Corporation (GUC)	37%	38%	GUC became a consolidated entity of TSMC as GUC's president was assigned by TSMC and TSMC has a controlling interest over the financial, operating and personnel hiring decisions of GUC.
	XinTec Inc. (XinTec)	43%	43%	
	TSMC Partners, Ltd. (TSMC Partners)	100%	100%	-
TSMC International	TSMC Technology, Inc. (TSMC Technology)	100%	100%	-
	TSMC Development, Inc. (TSMC Development)	100%	100%	-
	InveStar Semiconductor Development Fund, Inc. (ISDF)	97%	97%	-
	InveStar Semiconductor Development Fund, Inc. (II) LDC. (ISDF II)	97%	97%	-
TSMC Development	WaferTech, LLC (WaferTech)	99.996%	99.996%	-

(Continued)

Name of Investor	Name of Investee	Percentage of Ownership		Remark
		June 30, 2008	June 30, 2007	
VTAF III	Mutual-Pak Technology Co., Ltd. (Mutual-Pak)	51%	13%	TSMC has a controlling interest in Mutual-Pak since July 2007.
	Growth Fund Limited (Growth Fund)	100%	-	Newly established.
VTAF III, VTAF II and Emerging Alliance	VentureTech Alliance Holdings, L.L.C. (VTA Holdings)	100%	-	Newly established.
GUC	Global Unichip Corporation-NA (GUC-NA)	100%	100%	-
	Global Unichip Japan Co., Ltd. (GUC-Japan)	100%	100%	-
	Global Unichip Europe B.V. (GUC-Europe)	100%	-	Newly established.
TSMC Partners	TSMC Design Technology Canada Inc. (TSMC Canada)	100%	-	Newly established.

(Concluded)

The following diagram presents information regarding the relationship and ownership percentages between TSMC and its consolidated investees as of June 30, 2008:



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

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

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

Use of Estimates

The preparation of consolidated financial statements in conformity with the aforementioned guidelines 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, repurchase agreements collateralized by short-term notes, corporate notes, asset-backed commercial papers and treasury bills acquired with maturities of less than three months from the date of purchase are classified as cash equivalents. The carrying amount approximates fair value.

Financial Assets/Liabilities at Fair Value Through Profit or Loss

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

Fair value is determined as follows: Publicly traded stocks - closing prices at the end of the period; derivatives - using valuation techniques incorporating estimates and assumptions that are consistent with prevailing market conditions. When the fair value is positive, the derivative is recognized as a financial asset; when the fair value is negative, the derivative is recognized as a financial liability.

Available-for-sale Financial Assets

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

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

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

Any difference between the initial carrying amount of a debt security and the amount due at maturity is amortized using the effective interest method, with the amortization recognized in earnings.

If there is objective evidence which indicates that a financial asset is impaired, a loss is recognized. If, in a subsequent period, the amount of the impairment loss decreases, for equity securities, the previously recognized impairment loss is reversed to the extent of the decrease and recorded as an adjustment to shareholders' equity; for debt securities, the amount of the decrease is recognized in earnings, provided that the decrease is clearly attributable to an event which occurred after the impairment loss was recognized.

Held-to-maturity Financial Assets

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

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

Allowance for Doubtful Receivables

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

Revenue Recognition and Allowance for Sales Returns and Others

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

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

Inventories

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

Investments Accounted for Using Equity Method

Investments in companies wherein the Company exercises significant influence over the operating and financial policy decisions are accounted for using the equity method. The Company's share of the net income or net loss of an investee is recognized in the "equity in earnings/losses of equity method investees, net" account. Effective January 1, 2006, pursuant to the revised Statement of Financial Accounting Standards No. 5, "Long-term Investments Accounted for Using the Equity Method", the cost of an investment shall be analyzed and the cost of investment in excess of the fair value of identifiable net assets acquired, representing goodwill, shall not be amortized. If the fair value of identifiable net assets acquired exceeds the cost of investment, the excess shall be proportionately allocated as reductions to fair values of non-current assets (except for financial assets other than investments accounted for using the equity method and deferred income tax assets). When an indication of impairment is identified, the carrying amount of the investment is reduced, with the related impairment loss recognized in earnings.

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

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

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

Financial Assets Carried at Cost

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

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

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

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

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

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

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

Intangible Assets

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

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

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

Pension Costs

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

Government Subsidies

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

Income Tax

The Company applies an inter-period allocation for its income tax whereby deferred income tax assets and liabilities are recognized for the tax effects of temporary differences, net operating loss carryforwards and unused tax credits. Valuation allowances are provided to the extent, if any, that it is more likely than not that deferred income tax assets will not be realized. A deferred tax asset or liability is classified as current or noncurrent in accordance with the classification of its related asset or liability. However, if a deferred tax asset or liability does not relate to an asset or liability in the financial statements, then it is classified as either current or noncurrent based on the expected length of time before it is realized or settled.

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

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

Income tax on unappropriated earnings (excluding earnings from foreign consolidated subsidiaries) at a rate of 10% is expensed in the year of shareholder approval which is the year subsequent to the year the earnings are generated.

Stock-based Compensation

Employee stock options that were granted or modified 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 since January 1, 2008.

Treasury Stock

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

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

Foreign-currency Transactions

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

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

Translation of Foreign-currency Financial Statements

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

Recent Accounting Pronouncements

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

Reclassification

Certain accounts in the consolidated financial statements as of and for the six months ended June 30, 2007 have been reclassified to be consistent with the consolidated financial statements as of and for the six months ended June 30, 2008.

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\$7,285,797 thousand and NT\$0.28, respectively, for the six months ended June 30, 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 consolidated financial statements as of and for the six months ended June 30, 2008.

4. CASH AND CASH EQUIVALENTS

	June 30	
	2008	2007
Cash and deposits in bank	\$ 168,767,410	\$ 103,698,865
Repurchase agreements collateralized by government bonds	12,229,689	58,429,635
Repurchase agreements collateralized by short-term notes	3,970,306	-
Corporate notes	378,714	366,750
Asset-backed commercial papers	-	597,361
Treasury bills	-	298,694
	<u>\$ 185,346,119</u>	<u>\$ 163,391,305</u>

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

	<u>June 30</u>	
	<u>2008</u>	<u>2007</u>
<u>Trading financial assets</u>		
Publicly traded stocks	\$ 21,684	\$ 1,749,306
Forward exchange contracts	232	15,538
Cross currency swap contracts	<u>22,996</u>	<u>156,905</u>
	<u>\$ 44,912</u>	<u>\$ 1,921,749</u>
<u>Trading financial liabilities</u>		
Forward exchange contracts	\$ 115,535	\$ 3,474
Cross currency swap contracts	<u>2,611</u>	<u>-</u>
	<u>\$ 118,146</u>	<u>\$ 3,474</u>

The Company entered into derivative contracts during the six months ended June 30, 2008 and 2007 to manage exposures due to the fluctuations of foreign exchange rates. The derivative contracts entered into by the Company did not meet the criteria for hedge accounting. Therefore, the Company did not apply hedge accounting treatment for its derivative contracts.

Outstanding forward contracts as of June 30, 2008 and 2007:

	Maturity Date	Contract Amount (in Thousands)
<u>June 30, 2008</u>		
Sell EUR/Buy US\$	July 2008	EUR11,500/US\$17,826
Sell EUR/Buy NT\$	July 2008	EUR20,000/NT\$858,620
Sell US\$/Buy JPY	July 2008 to August 2008	US\$365/JPY39,000
Sell RMB/Buy US\$	July 2008 to September 2008	RMB199,445/US\$29,000
Sell US\$/Buy NT\$	July 2008 to August 2008	US\$37,000/NT\$1,121,881
<u>June 30, 2007</u>		
Sell EUR/Buy NT\$	July 2007 to July 2008	EUR50,700/NT\$2,209,845
Sell RMB/Buy EUR	July 2007	RMB1,935/EUR189
Sell US\$/Buy NT\$	July 2007	US\$2,000/NT\$65,512

Outstanding cross currency swap contracts as of June 30, 2008 and 2007:

Maturity Date	Contract Amount (in Thousands)	Range of Interest Rates Paid	Range of Interest Rates Received
<u>June 30, 2008</u>			
July 2008	US\$971,000/NT\$29,509,297	2.49%-4.68%	0.43%-2.42%
<u>June 30, 2007</u>			
July 2007 to August 2007	US\$765,000/NT\$25,251,620	2.36%-5.43%	1.70%-4.21%

For the six months ended June 30, 2008 and 2007, net gains arising from financial assets/liabilities at fair value through profit or loss is NT\$1,921,977 thousand and NT\$87,750 thousand, respectively.

6. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	June 30	
	2008	2007
Corporate bonds	\$ 9,791,099	\$ 15,313,054
Agency bonds	7,711,085	15,200,563
Money market funds	4,388,862	204,790
Corporate issued asset-backed securities	4,074,475	9,331,177
Open-end mutual funds	3,722,996	10,971,467
Government bonds	2,550,968	10,607,206
Publicly traded stocks	586,140	249,608
Structured time deposits	-	<u>497,381</u>
	32,825,625	62,375,246
Current portion	<u>(32,825,625)</u>	<u>(57,853,490)</u>
	<u>\$ -</u>	<u>\$ 4,521,756</u>

As of June 30, 2007, structured time deposits categorized as available-for-sale financial assets consisted of the following:

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

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

7. HELD-TO-MATURITY FINANCIAL ASSETS

	June 30	
	2008	2007
Corporate bonds	\$ 9,516,207	\$ 11,968,229
Government bonds	2,995,912	8,682,408
Structured time deposits	<u>500,000</u>	<u>10,047,000</u>
	13,012,119	30,697,637
Current portion	<u>(5,771,334)</u>	<u>(9,909,497)</u>
	<u>\$ 7,240,785</u>	<u>\$ 20,788,140</u>

As of June 30, 2008 and 2007, structured time deposits categorized as held-to-maturity financial assets consisted of the following:

	Principal Amount	Interest Receivable	Range of Interest Rates	Maturity Date
<u>June 30, 2008</u>				
Step-up callable deposits				
Domestic deposits	<u>\$ 500,000</u>	<u>\$ 2,031</u>	1.83%	October 2008
<u>June 30, 2007</u>				
Step-up callable deposits				
Domestic deposits	\$ 3,500,000	\$ 13,267	1.69%-1.83%	October 2007 to October 2008
Callable range accrual deposits				
Domestic deposits	3,928,200	4,556	(see below)	September 2009 to December 2009
Foreign deposits	<u>2,618,800</u>	<u>4,828</u>	(see below)	October 2009 to December 2009
	<u>\$ 10,047,000</u>	<u>\$ 22,651</u>		

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

As of June 30, 2008, no structured time deposit resided in banks located in foreign countries. As of June 30, 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:

	Six Months Ended June 30	
	2008	2007
Balance, beginning of period	\$ 701,807	\$ 749,888
Effect of inclusion of newly consolidated subsidiaries	-	45
Provision	1,136	17,363
Write-off	<u>(1,352)</u>	<u>-</u>
Balance, end of period	<u>\$ 701,591</u>	<u>\$ 767,296</u>

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

	Six Months Ended June 30	
	2008	2007
Balance, beginning of period	\$ 4,089,035	\$ 2,870,802
Effect of inclusion of newly consolidated subsidiaries	-	12,956
Provision	3,357,091	2,094,657
Write-off	<u>(2,847,270)</u>	<u>(2,219,863)</u>
Balance, end of period	<u>\$ 4,598,856</u>	<u>\$ 2,758,552</u>

9. INVENTORIES

	June 30	
	2008	2007
Finished goods	\$ 4,171,556	\$ 4,970,246
Work in process	18,046,400	17,709,335
Raw materials	1,087,955	1,492,129
Supplies and spare parts	<u>1,161,201</u>	<u>991,054</u>
	24,467,112	25,162,764
Allowance for losses	<u>(1,108,335)</u>	<u>(1,117,420)</u>
	<u>\$ 23,358,777</u>	<u>\$ 24,045,344</u>

10. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	June 30			
	2008		2007	
	Carrying Amount	% of Ownership	Carrying Amount	% of Ownership
Vanguard International Semiconductor Corporation (VIS)	\$ 10,111,033	37	\$ 5,824,030	27
Systems on Silicon Manufacturing Company Pte Ltd. (SSMC)	8,641,503	39	8,289,538	39
VisEra Holding Company (VisEra Holding)	<u>2,203,387</u>	49	<u>2,065,504</u>	49
	<u>\$ 20,955,923</u>		<u>\$ 16,179,072</u>	

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

For the six months ended June 30, 2008 and 2007, net equity in earnings of equity method investees of NT\$856,517 thousand and NT\$849,164 thousand was recognized, respectively. The related equity in earnings of equity method investees was determined based on the audited financial statements of the investees for the same periods as the Company.

As of June 30, 2008 and 2007, fair values of publicly traded stocks in investments accounted for using equity method (VIS) was NT\$13,907,807 thousand and NT\$14,838,055 thousand, respectively.

Movements of the difference between the cost of investment and the Company's share in investees' net assets allocated to depreciable assets for the six months ended June 30, 2008 and 2007 were as follows:

	Six Months Ended June 30	
	2008	2007
Balance, beginning of period	\$ 2,589,742	\$ 952,159
Amortization	<u>(299,561)</u>	<u>(98,499)</u>
Balance, end of period	<u>\$ 2,290,181</u>	<u>\$ 853,660</u>

The ending balances of the aforementioned difference allocated to goodwill were NT\$987,349 thousand and NT\$213,984 thousand as of June 30, 2008 and 2007, respectively. There were no addition or impairment during the six months ended in June 30, 2008 and 2007.

11. FINANCIAL ASSETS CARRIED AT COST

	June 30	
	2008	2007
Non-publicly traded stocks	\$ 3,357,553	\$ 3,282,006
Funds	<u>382,608</u>	<u>382,305</u>
	<u>\$ 3,740,161</u>	<u>\$ 3,664,311</u>

12. PROPERTY, PLANT AND EQUIPMENT

	Six Months Ended June 30, 2008					
	Balance, Beginning of Period	Additions	Disposals	Reclassification	Effect of Exchange Rate Changes	Balance, End of Period
Cost						
Land and land improvements	\$ 942,197	\$ -	\$ -	\$ -	\$ (54,132)	\$ 888,065
Buildings	118,640,027	1,869,513	(1,887)	(1,096)	(501,499)	120,005,058
Machinery and equipment	646,419,427	32,169,313	(624,202)	26,910	(3,324,709)	674,666,739
Office equipment	11,829,640	561,994	(109,057)	(201,470)	(89,735)	11,991,372
Leased asset	652,296	13,381	-	-	(1,946)	663,731
	<u>778,483,587</u>	<u>\$ 34,614,201</u>	<u>\$ (735,146)</u>	<u>\$ (175,656)</u>	<u>\$ (3,972,021)</u>	<u>808,214,965</u>
Accumulated depreciation						
Land and land improvements	262,703	\$ 14,070	\$ -	\$ -	\$ (17,220)	\$ 259,553
Buildings	63,239,922	4,379,585	(1,887)	402	(206,147)	67,411,875
Machinery and equipment	467,665,072	33,485,290	(612,529)	(102,034)	(2,632,607)	497,803,192
Office equipment	8,796,752	602,090	(108,768)	(104,770)	(73,729)	9,111,575
Leased asset	135,118	16,398	-	-	(292)	151,224
	<u>540,099,567</u>	<u>\$ 38,497,433</u>	<u>\$ (723,184)</u>	<u>\$ (206,402)</u>	<u>\$ (2,929,995)</u>	<u>574,737,419</u>
Advance payments and construction in progress	<u>21,868,167</u>	<u>\$ 6,240,442</u>	<u>\$ -</u>	<u>\$ (45,850)</u>	<u>\$ 657,992</u>	<u>28,720,751</u>
	<u>\$ 260,252,187</u>					<u>\$ 262,198,297</u>

	Six Months Ended June 30, 2007						
	Balance, Beginning of Period	Effect of Inclusion of Newly Consolidated Subsidiaries	Additions	Disposals	Reclassification	Effect of Exchange Rate Changes	Balance, End of Period
Cost							
Land and land improvements	\$ 844,644	\$ 101,518	\$ -	\$ -	\$ -	\$ 3,601	\$ 949,763
Buildings	112,595,124	71,053	3,113,451	(31,835)	6,414	280,823	116,035,030
Machinery and equipment	579,825,289	2,426,958	22,764,350	(312,119)	752,244	584,296	606,041,018
Office equipment	10,646,725	546,654	521,245	(169,148)	14,105	(136,282)	11,423,299
Leased asset	612,941	-	-	-	-	18,356	631,297
	<u>704,524,723</u>	<u>\$ 3,146,183</u>	<u>\$ 26,399,046</u>	<u>\$ (513,102)</u>	<u>\$ 772,763</u>	<u>\$ 750,794</u>	<u>735,080,407</u>
Accumulated depreciation							
Land and land improvements	234,377	\$ -	\$ 14,972	\$ -	\$ -	\$ 873	250,222
Buildings	54,288,225	1,111	4,431,273	(30,957)	-	46,504	58,736,156
Machinery and equipment	400,579,587	584,246	33,363,432	(304,550)	519,139	266,886	435,008,740
Office equipment	7,839,303	76,062	615,224	(168,966)	(327)	23,280	8,384,576
Leased asset	96,592	-	15,561	-	-	2,974	115,127
	<u>463,038,084</u>	<u>\$ 661,419</u>	<u>\$ 38,440,462</u>	<u>\$ (504,473)</u>	<u>\$ 518,812</u>	<u>\$ 340,517</u>	<u>502,494,821</u>
Advance payments and construction in progress	<u>12,607,551</u>	<u>\$ 480,130</u>	<u>\$ 18,838,618</u>	<u>\$ -</u>	<u>\$ 172,639</u>	<u>\$ (79,244)</u>	<u>32,019,694</u>
	<u>\$ 254,094,190</u>						<u>\$ 264,605,280</u>

The Company entered into agreements to lease buildings that qualify as capital leases. The term of the leases is from December 2003 to December 2013. The future minimum lease payments as of June 30, 2008 is NT\$738,400 thousand.

13. DEFERRED CHARGES, NET

Six Months Ended June 30, 2008								
	Balance, Beginning of Period	Additions	Amortization	Disposals	Reclassification	Effect of Exchange Rate Changes	Balance, End of Period	
Technology license fee	\$ 5,819,148	\$ 8,756	\$ (844,135)	\$ -	\$ -	\$ (6,782)	\$ 4,976,987	
Software and system design costs	1,449,603	724,153	(400,817)	(14,279)	59	(81)	1,758,638	
Others	654,850	460,282	(95,262)	-	-	(330)	1,019,540	
	<u>\$ 7,923,601</u>	<u>\$ 1,193,191</u>	<u>\$ (1,340,214)</u>	<u>\$ (14,279)</u>	<u>\$ 59</u>	<u>\$ (7,193)</u>	<u>\$ 7,755,165</u>	

Six Months Ended June 30, 2007								
	Balance, Beginning of Period	Effect of Inclusion of Newly Consolidated Subsidiaries	Additions	Amortization	Disposals	Reclassification	Effect of Exchange Rate Changes	Balance, End of Period
Technology license fee	\$ 4,132,174	\$ 201,941	\$ 841,551	\$ (869,455)	\$ -	\$ (296,451)	\$ (4,573)	\$ 4,005,187
Software and system design costs	1,669,781	2,778	572,564	(488,074)	(281)	(426,590)	1,911	1,332,089
Others	134,960	29,312	16,273	(70,133)	-	296,451	33,216	440,079
	<u>\$ 5,936,915</u>	<u>\$ 234,031</u>	<u>\$ 1,430,388</u>	<u>\$ (1,427,662)</u>	<u>\$ (281)</u>	<u>\$ (426,590)</u>	<u>\$ 30,554</u>	<u>\$ 5,777,355</u>

14. SHORT-TERM BANK LOANS

	June 30	
	2008	2007
Unsecured loan:		
Repayable by October 2007, annual interest at 6.22%	\$ -	\$ 98,580

15. BONDS PAYABLE

	June 30	
	2008	2007
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 June 30, 2008, future principal repayments for the bonds were as follows:

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

16. LONG-TERM BANK LOANS

	June 30	
	2008	2007
Secured loans:		
Repayable from August 2009 in 17 quarterly installments, annual interest at 2.94%-3.67%	\$ 721,020	\$ -
US\$20,000 thousand, repayable in full in one lump sum payment in November 2010, annual interest at 3.62% in 2008 and 5.77% in 2007	607,442	654,780
Repayable from December 2007 in 8 semi-annual installments, annual interest at 2.95%-3.23% in 2008 and 2.39%-3.20% in 2007	361,500	522,000
Repayable from March 2007 in 12 quarterly installments, annual interest at 3.06%-3.21% in 2008 and 2.79%-3.02% in 2007	63,708	156,180
Repayable from May 2007 in 16 quarterly installments, annual interest at 2.85%-2.93% in 2008 and 2.48%-2.61% in 2007	46,235	63,047
Repayable from April 2005 in 16 quarterly installments, annual interest at 2.85%-2.93% in 2008 and 2.51%-2.61% in 2007	26,985	62,965
Repayable from February 2005 in 17 quarterly installments, annual interest at 3.06%-3.09% in 2008 and 2.65%-4.53% in 2007	24,190	57,150
Unsecured loans:		
Science Park Administration (SPA) SOC loan, repayable from October 2003 in 20 quarterly installments, interest-free	<u>696</u>	<u>3,481</u>
	1,851,776	1,519,603
Current portion	<u>(261,656)</u>	<u>(281,509)</u>
	<u>\$ 1,590,120</u>	<u>\$ 1,238,094</u>

Pursuant to the loan agreements, financial ratios calculated based on annual audited financial statements of TSMC Shanghai as well as semi-annual and annual financial statements of XinTec must comply with predetermined financial covenants. As of June 30, 2008, TSMC Shanghai and XinTec were in compliance with all such financial covenants.

As of June 30, 2008, future principal repayments for the long-term bank loans were as follows:

Year of Repayment	Amount
2008 (3rd to 4th quarter)	\$ 140,059
2009	283,012
2010	909,049
2011	231,248
2012	173,045
2013 and thereafter	<u>115,363</u>
	<u>\$ 1,851,776</u>

17. OTHER LONG-TERM PAYABLES

	June 30	
	2008	2007
Payables for acquisition of property, plant and equipment (Note 29i)	\$ 7,883,591	\$ 7,653,920
Payables for royalties	<u>3,018,059</u>	<u>3,777,162</u>
	10,901,650	11,431,082
Current portion (classified under accrued expenses and other current liabilities)	<u>(2,012,071)</u>	<u>(2,433,227)</u>
	<u>\$ 8,889,579</u>	<u>\$ 8,997,855</u>

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

As of June 30, 2008, future payments for other long-term payables were as follows:

Year of Payment	Amount
2008 (3 rd and 4 th quarter)	\$ 1,613,276
2009	544,551
2010	465,630
2011	394,602
2012	-
2013 and thereafter	<u>7,883,591</u>
	<u>\$ 10,901,650</u>

18. PENSION PLANS

The pension mechanism under the Act is deemed a defined contribution plan. Pursuant to the Act, TSMC, GUC, XinTec and Mutual-Pak have made monthly contributions equal to 6% of each employee's monthly salary to employees' pension accounts. Furthermore, TSMC North America, TSMC Shanghai, TSMC Europe and TSMC Canada are required by local regulations to make monthly contributions at certain percentages of the basic salary of their employees. Pursuant to the aforementioned Act and local regulations, the Company recognized pension cost of NT\$389,317 thousand and NT\$349,974 thousand for the six months ended June 30, 2008 and 2007, respectively.

TSMC, GUC and XinTec have defined benefit plans under the Labor Standards Law that provide benefits based on an employee's service years and average monthly salary for the six-month period prior to retirement. TSMC, GUC and XinTec contribute an amount equal to 2% of salaries paid each month to their respective pension funds (the Funds), which are administered by the Labor Pension Fund Supervisory Committees and deposited in the name of the committees in the Bank of Taiwan (originally the Central Trust of China, which was merged into the Bank of Taiwan on July 1, 2007). The Company recognized pension cost of NT\$135,061 thousand and NT\$162,471 thousand for the six months ended June 30, 2008 and 2007, respectively.

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

	<u>Six Months Ended June 30</u>	
	2008	2007
The Fund		
Balance, beginning of period	\$ 2,184,435	\$ 1,942,850
Contributions	111,621	117,333
Interest	72,210	46,911
Payments	<u>(13,726)</u>	<u>-</u>
Balance, end of period	<u>\$ 2,354,540</u>	<u>\$ 2,107,094</u>
Accrued pension cost		
Balance, beginning of period	\$ 3,665,522	\$ 3,540,060
Accruals	<u>33,050</u>	<u>52,317</u>
Balance, end of period	<u>\$ 3,698,572</u>	<u>\$ 3,592,377</u>

19. INCOME TAX

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

	<u>Six Months Ended June 30</u>	
	2008	2007
Income tax expense based on “income before income tax” at statutory rate (25%)	\$ 16,115,433	\$ 12,194,593
Tax-exempt income	(5,101,163)	(2,797,992)
Temporary and permanent differences	741,646	22,136
Others	41,333	-
Additional tax at 10% on unappropriated earnings	13,926	2,710,911
Net operating loss carryforwards used	(330,739)	(394,260)
Investment tax credits used	<u>(5,672,001)</u>	<u>(7,326,453)</u>
Income tax currently payable	<u>\$ 5,808,435</u>	<u>\$ 4,408,935</u>

- b. Income tax expense consisted of the following:

Income tax currently payable	\$ 5,808,435	\$ 4,408,935
Other income tax adjustments	(670,210)	(353,921)
Net change in deferred income tax assets		
Investment tax credits	1,216,954	3,031,364
Net operating loss carryforwards	243,615	385,717
Temporary differences	(268,565)	(929,952)
Adjustments in valuation allowance	<u>508,523</u>	<u>(3,040,698)</u>
Income tax expense	<u>\$ 6,838,752</u>	<u>\$ 3,501,445</u>

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

	June 30	
	2008	2007
Current deferred income tax assets		
Investment tax credits	\$ 6,126,540	\$ 5,705,247
Temporary differences	759,818	721,288
Valuation allowance	<u>(500,227)</u>	<u>(529,750)</u>
	<u>\$ 6,386,131</u>	<u>\$ 5,896,785</u>
Noncurrent deferred income tax assets		
Investment tax credits	\$ 7,914,720	\$ 11,604,631
Net operating loss carryforwards	3,469,904	4,419,258
Temporary differences	(2,456,221)	(2,606,878)
Valuation allowance	<u>(4,143,549)</u>	<u>(4,886,371)</u>
	<u>\$ 4,784,854</u>	<u>\$ 8,530,640</u>

As of June 30, 2008, the net operating loss carryforwards were generated by WaferTech, TSMC Development, TSMC Technology and XinTec and would expire on various dates through 2026.

- d. Integrated income tax information:

The balance of the imputation credit account (ICA) of TSMC as of June 30, 2008 and 2007 was NT\$12,141,222 thousand and NT\$2,759,715 thousand, respectively.

The creditable ratio for distribution of TSMC's earnings of 2007 and 2006 was 9.83% (expected) and 5.23%, respectively.

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

- e. All of TSMC's earnings generated prior to December 31, 1997 have been appropriated.
- f. As of June 30, 2008, investment tax credits of TSMC, GUC, XinTec and Mutual-Pak consisted of the following:

Law/Statute	Item	Total Creditable Amount	Remaining Creditable Amount	Expiry Year
Statute for Upgrading Industries	Purchase of machinery and equipment	\$ 22,338	\$ 1,207	2008
		14,328	14,328	2009
		6,182,791	2,740,391	2010
		4,657,963	4,657,963	2011
		<u>1,535,176</u>	<u>1,535,176</u>	2012
		<u>\$ 12,412,596</u>	<u>\$ 8,949,065</u>	

(Continued)

Law/Statute	Item	Total Creditable Amount	Remaining Creditable Amount	Expiry Year
Statute for Upgrading Industries	Research and development expenditures	\$ 1,009,834	\$ -	2008
		1,173,396	19,340	2009
		1,887,856	1,865,255	2010
		1,971,389	1,971,389	2011
		<u>1,156,005</u>	<u>1,156,004</u>	2012
		<u>\$ 7,198,480</u>	<u>\$ 5,011,988</u>	
Statute for Upgrading Industries	Personnel training expenditures	\$ 21,998	\$ 20	2009
		47,024	47,024	2010
		32,426	32,426	2011
		<u>737</u>	<u>737</u>	2012
		<u>\$ 102,185</u>	<u>\$ 80,207</u>	

(Concluded)

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

Tax-Exemption Periods

Construction of Fab 14 - Module A	2006 to 2010
Construction of Fab 12 - Module B and expansion of Fab 14 - Module A	2007 to 2011
2003 plant expansion of GUC	2007 to 2011
2003 plant expansion of XinTec	2007 to 2011

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

20. LABOR COST, DEPRECIATION AND AMORTIZATION

	Six Months Ended June 30, 2008		
	Classified as Cost of Sales	Classified as Operating Expenses	Total
Labor cost			
Salary	\$ 10,294,436	\$ 8,505,686	\$ 18,800,122
Labor and health insurance	384,315	238,801	623,116
Pension	319,124	205,254	524,378
Meal	237,428	95,051	332,479
Welfare	338,003	138,817	476,820
Others	<u>102,942</u>	<u>78,497</u>	<u>181,439</u>
	<u>\$ 11,676,248</u>	<u>\$ 9,262,106</u>	<u>\$ 20,938,354</u>
Depreciation	<u>\$ 36,348,092</u>	<u>\$ 2,140,748</u>	<u>\$ 38,488,840</u>
Amortization	<u>\$ 925,533</u>	<u>\$ 414,681</u>	<u>\$ 1,340,214</u>

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

21. SHAREHOLDERS' EQUITY

As of June 30, 2008, 1,086,575 thousand ADSs of TSMC were traded on the NYSE. The number of common shares represented by the ADSs was 5,432,874 thousand (one ADS represents five common shares).

Capital surplus can only be used to offset a deficit under the Company Law. However, the capital surplus generated from donations and the excess of the issuance price over the par value of capital stock (including the stock issued for new capital, mergers, convertible bonds and the surplus from treasury stock transactions) may be appropriated as stock dividends, which are limited to a certain percentage of TSMC's paid-in capital. Also, the capital surplus from long-term investments may not be used for any purpose.

Capital surplus consisted of the following:

	June 30	
	2008	2007
From merger	\$ 23,276,911	\$ 24,003,546
Additional paid-in capital	18,295,464	19,422,365
From convertible bonds	9,077,065	9,360,424
From long-term investments	164,871	448,264
From treasury stock transactions	102,279	490,950
Donations	<u>55</u>	<u>55</u>
	<u>\$ 50,916,645</u>	<u>\$ 53,725,604</u>

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

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

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

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

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

Any appropriations of the profits are subjected to shareholders' approval in the following year.

For the six months ended June 30, 2008, TSMC has recorded bonuses to employees and directors with a charge to earnings of approximately 15% of net income. Material differences between such estimated amounts and the amounts proposed by the Board of Directors subsequent to the end of the fiscal year are adjusted for in the earnings of the current year. If the actual amounts subsequently resolved by the shareholders differ from the proposed amounts by the Board of Directors, the differences are recorded in the year of shareholders' resolution as a change in accounting estimate. If stock bonuses are resolved to be distributed to employees, the number of shares is determined by dividing the amount of bonuses by the closing price (after considering the effect of cash and stock dividends) of the shares on the day preceding the shareholders' meeting.

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

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

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

The appropriations of earnings for 2007 and 2006 had been approved in TSMC's shareholders meetings held on June 13, 2008 and May 7, 2007, respectively. The appropriations and dividends per share were as follows:

	<u>Appropriation of Earnings</u>		<u>Dividends Per Share (NT\$)</u>	
	<u>For Fiscal Year 2007</u>	<u>For Fiscal Year 2006</u>	<u>For Fiscal Year 2007</u>	<u>For Fiscal 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	<u>176,890</u>	<u>285,800</u>		
	<u>\$ 96,130,525</u>	<u>\$ 100,126,835</u>		

TSMC's shareholders meetings held on June 13, 2008 and 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 2007 and 2006 were consistent with the resolutions of the meetings of TSMC's Board of Directors held on February 19, 2008 and February 6, 2007. If the above bonus to employees, directors and supervisors had been paid entirely in cash and charged to earnings of 2007 and 2006, the consolidated basic earnings per share (after income tax) for the years ended December 31, 2007 and 2006 shown in the respective financial statements would have decreased from NT\$4.14 to NT\$3.84 and NT\$4.93 to NT\$4.56, respectively. The shares distributed as a bonus to employees represented 1.49% and 1.77% of TSMC's total outstanding common shares as of December 31, 2007 and 2006, respectively.

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

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

22. STOCK-BASED COMPENSATION PLANS

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

Options of the plans that had never been granted or had been granted but subsequently cancelled had expired as of June 30, 2008.

Information about TSMC's outstanding stock options for the six months ended June 30, 2008 and 2007 was as follows:

	Number of Options (in Thousands)	Weighted- average Exercise Price (NT\$)
<u>Six months ended June 30, 2008</u>		
Balance, beginning of period	41,875	\$ 37.4
Options exercised	(4,267)	40.2
Options cancelled	<u>(260)</u>	46.8
Balance, end of period	<u>37,348</u>	37.0
<u>Six months ended June 30, 2007</u>		
Balance, beginning of period	52,814	\$ 37.9
Options granted	1,094	37.9
Options exercised	(7,401)	40.1
Options cancelled	<u>(598)</u>	45.2
Balance, end of period	<u>45,909</u>	37.6

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

As of June 30, 2008, information about TSMC's outstanding and exercisable options was as follows:

Range of Exercise Price (NT\$)	Options Outstanding			Options Exercisable	
	Number of Options (in Thousands)	Weighted- average Remaining Contractual Life (Years)	Weighted- average Exercise Price (NT\$)	Number of Options (in Thousands)	Weighted- average Exercise Price (NT\$)
\$25.9-\$36.4	26,488	4.66	\$33.0	26,488	\$33.0
38.9-51.3	<u>10,860</u>	6.40	46.6	<u>8,816</u>	46.3
	<u>37,348</u>		37.0	<u>35,304</u>	36.3

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

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

Information about GUC's outstanding stock options for the six months ended June 30, 2008 and 2007 was as follows:

	Number of Options	Weighted- average Exercise Prices (NT\$)
<u>Six months ended June 30, 2008</u>		
Balance, beginning of period	7,598	\$ 60.3
Options exercised	(462)	10.3
Options cancelled	<u>(66)</u>	194.0
Balance, end of period	<u>7,070</u>	61.5
<u>Six months ended June 30, 2007</u>		
Balance, beginning of period	7,342	\$ 14.0
Options exercised	(935)	10.2
Options cancelled	<u>(68)</u>	16.3
Balance, end of period	<u>6,339</u>	14.6

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

As of June 30, 2008, information about GUC's outstanding and exercisable options was as follows:

Range of Exercise Price (NT\$)	Options Outstanding			Options Exercisable	
	Number of Options	Weighted- average Remaining Contractual Life (Years)	Weighted- average Exercise Price (NT\$)	Number of Options	Weighted- average Exercise Price (NT\$)
\$9.6-\$10.5	1,813	0.08-3.25	\$ 9.9	641	\$10.3
17.7	3,419	3.17	17.7	-	-
194.0	<u>1,838</u>	5.50	194.0	<u>-</u>	-
	<u>7,070</u>		61.5	<u>641</u>	10.3

XinTec's Employee Stock Option Plans, consisting of the XinTec 2007 Plan and XinTec 2006 Plan, were approved by the SFB on June 26, 2007 and July 3, 2006, respectively. The maximum number of options authorized to be granted under the XinTec 2007 Plan and XinTec 2006 Plan was 6,000 thousand each, with each option eligible to subscribe for one common share of XinTec when exercisable. The options may be granted to qualified employees of XinTec or any of its subsidiaries. The options of all the plans are valid for ten years and exercisable at certain percentages subsequent to the second anniversary of the grant date.

Information about XinTec's outstanding stock options for the six months ended June 30, 2008 and 2007 as follows:

	Number of Options (in Thousands)	Weighted- average Exercise Price (NT\$)
<u>Six months ended June 30, 2008</u>		
Balance, beginning of period	9,642	\$15.1
Options cancelled	<u>(686)</u>	15.4
Balance, end of period	<u>8,956</u>	15.1
<u>Six months ended June 30, 2007</u>		
Balance, beginning of period	4,968	\$13.0
Options granted	3,555	15.7
Options cancelled	<u>(567)</u>	13.9
Balance, end of period	<u>7,956</u>	14.2

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

As of June 30, 2008, information about XinTec's outstanding options was as follows:

Range of Exercise Price (NT\$)	Options Outstanding		
	Number of Options (in Thousands)	Weighted- average Remaining Contractual Life (Years)	Weighted- average Exercise Price (NT\$)
\$12.7-\$14.7	5,048	8.25-8.54	\$13.0
15.8-20.0	<u>3,908</u>	9.00-9.46	17.8
	<u>8,956</u>		15.1

As of June 30, 2008, there was no exercisable options in XinTec.

No compensation cost was recognized under the intrinsic value method for the six months ended June 30, 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 six months ended June 30, 2008 and 2007 would have been as follows:

		Six Months Ended June 30	
		2008	2007
Assumptions:			
TSMC	Expected dividend yield	1.00%-3.44%	1.00%-3.44%
	Expected volatility	43.77%-46.15%	43.77%-46.15%
	Risk free interest rate	3.07%-3.85%	3.07%-3.85%
	Expected life	5 years	5 years
GUC	Expected dividend yield	0.00%-0.60%	-
	Expected volatility	22.65%-45.47%	22.65%-41.74%
	Risk free interest rate	2.12%-2.56%	2.23%-2.56%
	Expected life	3-6 years	3-6 years
XinTec	Expected dividend yield	0.80%	-
	Expected volatility	31.79%-47.42%	37.73%-47.42%
	Risk free interest rate	1.88%-2.45%	1.88%-1.94%
	Expected life	3 years	3 years
Net income attributable to shareholders of the parent:			
As reported		\$ 56,913,888	\$ 44,322,581
Pro forma		56,802,663	44,112,157
Earnings per share (EPS) - after income tax (NT\$):			
Basic EPS as reported		\$2.22	\$1.68
Pro forma basic EPS		2.22	1.67
Diluted EPS as reported		2.22	1.68
Pro forma diluted EPS		2.21	1.67

23. TREASURY STOCK

	(Shares in Thousands)			
	Beginning Shares	Addition	Retirement	Ending Shares
<u>Six months ended June 30, 2008</u>				
Parent company stock held by subsidiaries	34,096	-	-	34,096
Repurchase under share buyback plan	<u>800,000</u>	<u>216,674</u>	<u>800,000</u>	<u>216,674</u>
	<u>834,096</u>	<u>216,674</u>	<u>800,000</u>	<u>250,770</u>
<u>Six months ended June 30, 2007</u>				
Parent company stock held by subsidiaries	<u>33,926</u>	<u>170</u>	<u>-</u>	<u>34,096</u>

As of June 30, 2008 and 2007, the book value of the treasury stock was NT\$14,845,498 thousand and NT\$918,075 thousand, respectively; the market value was NT\$16,300,044 thousand and NT\$2,417,400 thousand, respectively. TSMC'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 right.

TSMC held a meeting of the Board of Directors on November 13, 2007 and approved a share buyback plan to repurchase the TSMC's common shares up to 800,000 thousand 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. TSMC had repurchased 800,000 thousand common shares. All the treasury stock repurchased under this share buyback plan was retired on February 27, 2008.

TSMC held a meeting of the Board of Directors on May 13, 2008 and approved a share buyback plan to repurchase its common shares up to 500,000 thousand shares listed on the TSE during the period from May 14, 2008 to July 13, 2008 for the buyback price in the range from NT\$48.25 to NT\$100.50. As of June 30, 2008, TSMC had repurchased 216,674 thousand common shares for a total cost of NT\$13,927,423 thousand. All of these treasury stock will be retired in the second half year of 2008.

24. EARNINGS PER SHARE

	Six Months Ended June 30			
	2008		2007	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
Basic EPS (NT\$)				
Income for the period	\$ 2.49	\$ 2.22	\$ 1.81	\$ 1.68
The pro-forma adjusted EPS for stock dividends with ex-dividend date after the issuance of the financial statements	\$ 2.44	\$ 2.18	\$ 1.77	\$ 1.65
Diluted EPS (NT\$)				
Income for the period	\$ 2.48	\$ 2.22	\$ 1.81	\$ 1.68
The pro-forma adjusted EPS for stock dividends with ex-dividend date after the issuance of the financial statements	\$ 2.43	\$ 2.17	\$ 1.77	\$ 1.65

EPS is computed as follows:

	<u>Amounts (Numerator)</u>		Number of Shares (Denominator) (in Thousands)	<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>Six months ended June 30, 2008</u>					
Basic EPS					
Income attributable to shareholders of the parent	\$ 63,736,122	\$ 56,913,888	25,587,867	<u>\$ 2.49</u>	<u>\$ 2.22</u>
Effect of dilutive potential common stock -					
Bonus to employees	-	-	70,282		
Stock options	<u>-</u>	<u>-</u>	<u>17,817</u>		
Diluted EPS					
Income attributable to shareholders of the parent (including effect of dilutive potential common stock)	<u>\$ 63,736,122</u>	<u>\$ 56,913,888</u>	<u>25,675,966</u>	<u>\$ 2.48</u>	<u>\$ 2.22</u>
<u>Six months ended June 30, 2007</u>					
Basic EPS					
Income attributable to shareholders of the parent	\$ 47,816,720	\$ 44,322,581	26,385,050	<u>\$ 1.81</u>	<u>\$ 1.68</u>
Effect of dilutive potential common stock - stock options	<u>-</u>	<u>-</u>	<u>23,482</u>		
Diluted EPS					
Income attributable to shareholders of the parent (including effect of dilutive potential common stock)	<u>\$ 47,816,720</u>	<u>\$ 44,322,581</u>	<u>26,408,532</u>	<u>\$ 1.81</u>	<u>\$ 1.68</u>

Potential shares from bonus to employees which will be settled in shares will be included in the weighted average number of shares outstanding in calculation of diluted EPS, if the shares have a dilutive effect. The number of shares is estimated by dividing the amount of bonus to employees by the closing price of the common shares on the balance sheet date. The dilutive effect of the potential shares needs to be considered until the shares of employee bonus are resolved in the shareholders' meeting in the following year.

25. DISCLOSURES FOR FINANCIAL INSTRUMENTS

a. Fair values of financial instruments were as follows:

	June 30			
	2008		2007	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>Assets</u>				
Financial assets at fair value through profit or loss	\$ 44,912	\$ 44,912	\$ 1,921,749	\$ 1,921,749
Available-for-sale financial assets	32,825,625	32,825,625	62,375,246	62,375,246
Held-to-maturity financial assets	13,012,119	13,004,523	30,697,637	30,616,918
<u>Liabilities</u>				
Financial liabilities at fair value through profit or loss	118,146	118,146	3,474	3,474
Bonds payable (including current portion)	12,500,000	12,642,479	17,000,000	17,241,349
Long-term bank loans (including current portion)	1,851,776	1,851,776	1,519,603	1,519,603
Other long-term payables (including current portion)	10,901,650	10,901,650	11,431,082	11,431,082
Obligations under capital leases	663,731	663,731	631,297	631,297

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, refundable deposits, short-term bank loans, payables, payables to contractors and equipment suppliers and guarantee deposits. The carrying amounts of these financial instruments approximate their fair values due to their short maturities.
 - 2) Fair values of financial assets/liabilities at fair value through profit or loss, available-for-sale and held-to-maturity financial assets other than derivatives and structured time deposits were based on their quoted market prices.
 - 3) Fair values of derivatives and structured time deposits were estimated using valuation techniques incorporating estimates and assumptions that were consistent with prevailing market conditions.
 - 4) Fair value of bonds payable was based on their quoted market price.
 - 5) Fair values of long-term bank loans, other long-term payables and obligations under capital leases were based on the present value of expected cash flows, which approximates their carrying amount.
- c. The changes in fair value during the six months ended June 30, 2008 and 2007 of derivatives estimated using valuation techniques were recognized as valuation losses of NT\$94,918 thousand and valuation gains of NT\$168,969 thousand, respectively.

- d. As of June 30, 2008 and 2007, financial assets exposed to fair value interest rate risk were NT\$45,274,832 thousand and NT\$92,995,718 thousand, respectively; financial liabilities exposed to fair value interest rate risk were NT\$12,618,146 thousand and NT\$17,003,474 thousand, respectively; financial assets exposed to cash flow interest rate risk were nil and NT\$6,547,000 thousand, respectively; and financial liabilities exposed to cash flow interest rate risk were NT\$1,851,080 thousand and NT\$1,516,122 thousand, respectively.
- e. Movements of the unrealized gains or losses on financial instruments for the six months ended June 30, 2008 and 2007 were as follows:

	Six Months Ended June 30, 2008		
	Valuation Gain (Loss) on Available- for-sale Financial Assets	Equity in Valuation Gain (Loss) on Available- for-sale Financial Assets Held by Investees	Total
Balance, beginning of period	\$ 627,838	\$ 53,159	\$ 680,997
Recognized directly in shareholders' equity	481,508	(68,594)	412,914
Removed from shareholders' equity and recognized in earnings	<u>(625,162)</u>	<u>-</u>	<u>(625,162)</u>
Balance, end of period	<u>\$ 484,184</u>	<u>\$ (15,435)</u>	<u>\$ 468,749</u>

	Six Months Ended June 30, 2007		
	Valuation Gain (Loss) on Available- for-sale Financial Assets	Equity in Valuation Gain on Available- for-sale Financial Assets Held by Investees	Total
Balance, beginning of period	\$ 386,017	\$ 175,598	\$ 561,615
Recognized directly in shareholders' equity	115,935	191	116,126
Removed from shareholders' equity and recognized in earnings	<u>(230,261)</u>	<u>-</u>	<u>(230,261)</u>
Balance, end of period	<u>\$ 271,691</u>	<u>\$ 175,789</u>	<u>\$ 447,480</u>

- f. Information about financial risk
- 1) Market risk. The publicly traded stocks categorized as financial assets at fair value through profit or loss are exposed to market price fluctuations. The derivative financial instruments categorized as financial assets/liabilities at fair value through profit or loss are mainly used to hedge the exchange rate fluctuations of foreign-currency assets and liabilities; therefore, the market risk of derivatives will be offset by the foreign exchange risk of these hedged items. Available-for-sale financial assets held by the Company are mainly fixed-interest-rate debt securities; therefore, the fluctuations in market interest rates would result in changes in fair value of these debt securities. The fair value of asset-backed securities is subject to price fluctuations in the unstable United States credit environment.

- 2) Credit risk. Credit risk represents the potential loss that would be incurred by the Company if the counter-parties or third-parties breached contracts. Financial instruments with positive fair values at the balance sheet date are evaluated for credit risk. The counter-parties or third-parties to the foregoing financial instruments are reputable financial institutions, business organizations and government agencies. Management believes that the Company's exposure to default by those parties is low.
- 3) Liquidity risk. The Company has sufficient operating capital to meet cash needs upon settlement of derivative financial instruments, bonds payable and bank loans. Therefore, the liquidity risk is low.
- 4) Cash flow interest rate risk. The Company mainly invests in fixed-interest-rate debt securities. Therefore, cash flows are not expected to fluctuate significantly due to changes in market interest rates.

26. RELATED PARTY TRANSACTIONS

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

a. Investees of TSMC

VIS (accounted for using equity method)
SSMC (accounted for using equity method)

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

c. Others

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

	<u>2008</u>		<u>2007</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
<u>Six months ended June 30</u>				
Sales				
VIS	\$ 46,425	-	\$ 4,163	-
VisEra	29,172	-	695,618	-
SSMC	<u>1,830</u>	<u>-</u>	<u>704</u>	<u>-</u>
	<u>\$ 77,427</u>	<u>-</u>	<u>\$ 700,485</u>	<u>-</u>
Purchases				
SSMC	\$ 2,300,893	2	\$ 2,765,116	3
VIS	1,741,101	2	1,692,673	2
VisEra	<u>594</u>	<u>-</u>	<u>128</u>	<u>-</u>
	<u>\$ 4,042,588</u>	<u>4</u>	<u>\$ 4,457,917</u>	<u>5</u>

	<u>2008</u>		<u>2007</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Manufacturing expenses				
VisEra	\$ 74,343	-	\$ 68,949	-
VIS	<u>-</u>	<u>-</u>	<u>366</u>	<u>-</u>
	<u>\$ 74,343</u>	<u>-</u>	<u>\$ 69,315</u>	<u>-</u>
Research and development expenses				
VisEra	<u>\$ 8,699</u>	<u>-</u>	<u>\$ 25,436</u>	<u>-</u>
Non-operating income and gains				
VIS (primarily technical service income; see Note 29f)	\$ 181,670	2	\$ 173,765	3
SSMC (primarily technical service income; see Note 29e)	131,194	2	116,257	2
VisEra	<u>70,381</u>	<u>1</u>	<u>177,433</u>	<u>3</u>
	<u>\$ 383,245</u>	<u>5</u>	<u>\$ 467,455</u>	<u>8</u>
<u>As of June 30</u>				
Receivables				
VisEra	<u>\$ 3,530</u>	<u>100</u>	<u>\$ 332,324</u>	<u>100</u>
Other receivables				
VIS	\$ 1,132,499	91	\$ 809,153	75
SSMC	108,319	9	97,977	9
VisEra	<u>-</u>	<u>-</u>	<u>165,598</u>	<u>16</u>
	<u>\$ 1,240,818</u>	<u>100</u>	<u>\$ 1,072,728</u>	<u>100</u>
Payables				
VIS	\$ 690,644	57	\$ 781,488	51
VisEra	501,436	42	11,076	1
SSMC	<u>11,926</u>	<u>1</u>	<u>728,808</u>	<u>48</u>
	<u>\$ 1,204,006</u>	<u>100</u>	<u>\$ 1,521,372</u>	<u>100</u>
Deferred credits				
VisEra	<u>\$ 31,087</u>	<u>7</u>	<u>\$ 93,262</u>	<u>8</u>

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

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

TSMC leased certain buildings and facilities to VisEra. The related rental income was classified under non-operating income. The lease terms and prices were determined in accordance with mutual agreements. The lease agreement between TSMC and VisEra expired in April 2008.

27. PLEDGED OR MORTGAGED ASSETS

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

	June 30	
	2008	2007
Other financial assets	\$ 27,798	\$ 59,036
Property, plant and equipment, net	<u>4,804,734</u>	<u>4,889,784</u>
	<u>\$ 4,832,532</u>	<u>\$ 4,948,820</u>

28. SIGNIFICANT LONG-TERM LEASES

The Company leases several parcels of land and office premises from the SPA and Jhongli Industrial Park Service Center. These operating leases expire on various dates from December 2008 to December 2028 and can be renewed upon expiration.

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

As of June 30, 2008, future lease payments were as follows:

Year	Amount
2008 (3 rd and 4 th quarter)	\$ 292,806
2009	560,645
2010	477,164
2011	332,793
2012	318,426
2013 and thereafter	<u>2,375,438</u>
	<u>\$ 4,357,272</u>

29. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

Significant commitments and contingencies of the Company as of June 30, 2008, excluding those disclosed in other notes, were as follows:

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

- b. Under a technical cooperation agreement with ITRI, the R.O.C. Government or its designee approved by TSMC can use up to 35% of TSMC's capacity if TSMC's outstanding commitments to its customers are not prejudiced. The term of this agreement is for five years beginning from January 1, 1987 and is automatically renewed for successive periods of five years unless otherwise terminated by either party with one year prior notice.
- c. Under several foundry agreements, TSMC shall reserve a portion of its production capacity for certain major customers that have guarantee deposits with TSMC. As of June 30, 2008, TSMC had a total of US\$54,538 thousand of guarantee deposits.
- d. Under a Shareholders Agreement entered into with Philips and EDB Investments Pte Ltd. on March 30, 1999, the parties formed a joint venture company, SSMC, which is an integrated circuit foundry in Singapore. TSMC's equity interest in SSMC was 32%. Nevertheless, Philips parted with its semiconductor company which was renamed as NXP B.V. in September 2006. TSMC and NXP B.V. purchased all the SSMC shares owned by EDB Investments Pte Ltd. pro rata according to the Shareholders Agreement on November 15, 2006. After the purchase, TSMC and NXP B.V. currently own approximately 39% and 61% of the SSMC shares respectively. TSMC and Philips (now NXP) committed to buy specific percentages of the production capacity of SSMC. TSMC and Philips (now NXP B.V.) are required, in the aggregate, to purchase up to 70% of SSMC's capacity, but TSMC alone is not required to purchase more than 28% of the capacity. If any party defaults on the commitment and the capacity utilization of SSMC fall below a specific percentage of its capacity, the defaulting party is required to compensate SSMC for all related unavoidable costs.
- e. TSMC provides technical services to SSMC under a Technical Cooperation Agreement (the Agreement) effective March 30, 1999. TSMC receives compensation for such services computed at a specific percentage of net selling price of all products sold by SSMC. The Agreement shall remain in force for ten years and may be automatically renewed for successive periods of five years each unless pre-terminated by either party under certain conditions.
- f. TSMC provides a technology transfer to VIS under a Manufacturing License and Technology Transfer Agreement entered into on April 1, 2004. TSMC receives compensation for such technology transfer in the form of royalty payments from VIS computed at specific percentages of net selling price of certain products sold by VIS. VIS agreed to reserve its certain capacity to manufacture for TSMC certain products at prices as agreed by the parties.
- g. 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 June 30, 2008, SMIC had paid US\$105 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.

- h. 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. 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 rendered a final order on May 1, 2008 regarding injunctive and other relief sought by UniRAM. Other than ordering TSMC to pay the aforementioned jury award and other fees totaling US\$36.49 million, the court also granted in part an injunction sought by UniRAM. Under the injunction, TSMC may not within 5 years disclose to third parties certain technologies items that were asserted by UniRAM as trade secrets. TSMC may continue to offer eDRAM related design and manufacturing services, so long as such services do not disclose the asserted UniRAM trade secret technology items. In the next 5 years, TSMC must also pay a design fee and an one percent royalty based upon TSMC's eDRAM wafer sales price. Based upon the order, TSMC has already accrued US\$36.49 million as part of accrued expenses and other current liabilities. TSMC intends to continue to pursue remedies against this verdict.
- i. The Company entered into an agreement with a counterparty in 2003 whereby TSMC Shanghai is obligated to purchase certain property, plant and equipment at the agreed-upon price within the contract period. If the purchase is not completed, TSMC Shanghai is obligated to compensate the counterparty for the loss incurred. The property, plant and equipment have been in use by TSMC Shanghai since 2004 and are being depreciated over their estimated service lives. The related obligation totaled NT\$7,883,591 thousand as of June 30, 2008 is included in other long-term payables on the Company's consolidated balance sheets.

30. ADDITIONAL DISCLOSURES

Following are the additional disclosures required by the SFB for TSMC and its investees in which all significant intercompany balances and transactions are eliminated upon consolidation:

- a. Financing provided: None
- b. Endorsement/guarantee provided: None
- c. Marketable securities held: Please see Table 1 attached;
- d. Marketable securities acquired and disposed of at costs or prices of at least NT\$100 million or 20% of the paid-in capital: Please see Table 2 attached;
- e. Acquisition of individual real estate properties at costs of at least NT\$100 million or 20% of the paid-in capital: Please see Table 3 attached;
- f. Disposal of individual real estate properties at prices of at least NT\$100 million or 20% of the paid-in capital: None;
- g. Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Please see Table 4 attached;

- h. Receivable from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Please see Table 5 attached;
- i. Names, locations, and related information of investees over which TSMC exercises significant influence: Please see Table 6 attached;
- j. Information on investment in Mainland China
 - 1) The name of the investee in mainland China, the main businesses and products, its issued capital, method of investment, information on inflow or outflow of capital, percentage of ownership, equity in the net gain or net loss, ending balance, amount received as dividends from the investee, and the limitation on investment: Please see Table 7 attached.
 - 2) Significant direct or indirect transactions with the investee, its prices and terms of payment, unrealized gain or loss, and other related information which is helpful to understand the impact of investment in mainland China on financial reports: Please see Table 8 attached.
- k. Intercompany relationships and significant intercompany transactions: Please see Table 8 attached.

TABLE 1

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

MARKETABLE SECURITIES HELD

JUNE 30, 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	June 30, 2008				Note
				Shares/Units (in Thousands)	Carrying Value (US\$ in Thousands)	Percentage of Ownership (%)	Market Value or Net Asset Value (US\$ in Thousands)	
TSMC	<u>Open-end mutual funds</u>							
	Capital Income Fund	-	Available-for-sale financial assets	131,256	\$ 2,001,916	N/A	\$ 2,001,916	
	PCA Well Pool Fund	-	"	132,553	1,700,941	N/A	1,700,941	
	<u>Corporate bond</u>							
	Hua Nan Bank	-	Available-for-sale financial assets	-	1,587,105	N/A	1,587,105	
	Cathay Bank	-	"	-	1,190,901	N/A	1,190,901	
	Formosa Petrochemical Corporation	-	"	-	399,921	N/A	399,921	
	Formosa Petrochemical Corporation	-	Held-to maturity financial assets	-	3,589,118	N/A	3,568,319	
	Taiwan Power Company	-	"	-	1,731,903	N/A	1,731,831	
	Nan Ya Plastics Corporation	-	"	-	1,303,820	N/A	1,302,377	
	CPC Corporation, Taiwan	-	"	-	1,200,219	N/A	1,199,569	
	China Steel Corporation	-	"	-	1,000,000	N/A	989,215	
	Formosa Plastic Corporation	-	"	-	395,277	N/A	395,161	
	Shanghai Commercial & Saving Bank	-	"	-	295,870	N/A	295,790	
	<u>Government bond</u>							
	2003 Asian Development Bank Govt. Bond	-	Held-to maturity financial assets	-	864,201	N/A	875,103	
	2003 Government Bond Series F	-	"	-	799,930	N/A	799,724	
	2003 Government Bond Series H	-	"	-	700,162	N/A	700,434	
	European Investment Bank Bonds	-	"	-	381,952	N/A	400,000	
	2004 Government Bond Series B	-	"	-	249,667	N/A	250,243	
	<u>Stocks</u>							
	TSMC Global	Subsidiary	Investment accounted for using equity method	1	41,946,173	100	41,946,173	
	TSMC International	Subsidiary	"	987,968	27,447,357	100	27,447,357	
	VIS	Investee accounted for using equity method	"	616,240	9,926,933	36	13,711,350	
	SSMC	Investee accounted for using equity method	"	463	8,641,503	39	7,770,858	
	TSMC Partners	Subsidiary	"	300	3,534,832	100	3,534,832	
	TSMC North America	Subsidiary	"	11,000	2,246,123	100	2,246,123	
	XinTec	Investee with a controlling financial interest	"	91,703	1,396,316	43	1,353,773	
	GUC	Investee with a controlling financial interest	"	42,572	798,498	37	9,451,063	
	TSMC Europe	Subsidiary	"	-	107,796	100	107,796	
	TSMC Japan	Subsidiary	"	6	104,842	100	104,842	
	TSMC Korea	Subsidiary	"	80	15,286	100	15,286	
	United Industrial Gases Co., Ltd.	-	Financial assets carried at cost	16,783	193,584	10	272,594	
	Shin-Etsu Handotai Taiwan Co., Ltd.	-	"	10,500	105,000	7	348,439	
	W.K. Technology Fund IV	-	"	4,000	40,000	2	45,875	
	Hontung Venture Capital Co., Ltd.	-	"	2,633	26,329	10	20,306	

(Continued)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	June 30, 2008				Note
				Shares/Units (in Thousands)	Carrying Value (US\$ in Thousands)	Percentage of Ownership (%)	Market Value or Net Asset Value (US\$ in Thousands)	
Chi Cherng	<u>Fund</u> Horizon Ventures Fund	-	Financial assets carried at cost	-	\$ 312,949	12	\$ 312,949	Treasury stock of NT\$458,564 thousand is deducted from the carrying value Treasury stock of NT\$459,511 thousand is deducted from the carrying value
	Crimson Asia Capital	-	"	-	69,659	1	69,659	
	<u>Capital</u> TSMC Shanghai	Subsidiary	Investment accounted for using equity method	-	7,574,803	100	7,568,345	
	VTAF III	Subsidiary	"	-	1,106,412	98	1,093,659	
	VTAF II	Subsidiary	"	-	963,211	98	958,755	
	Emerging Alliance	Subsidiary	"	-	388,216	99	388,216	
	Chi Cheng	Subsidiary	"	-	221,911	36	680,475	
	Hsin Ruey	Subsidiary	"	-	220,092	36	679,603	
	<u>Stocks</u> TSMC	Parent Company	Available-for-sale financial assets	17,032	1,107,080	-	1,107,080	
	VIS	Investee accounted for using equity method	Investments accounted for using equity method	5,082	103,235	-	113,073	
	<u>Capital</u> Hsin Ruey	Same parent company	Investments accounted for using equity method	-	964,748	64	1,424,259	
	<u>Stocks</u> TSMC	Parent Company	Available-for-sale financial assets	17,064	1,109,155	-	1,109,155	
	VIS	Investee accounted for using equity method	Investments accounted for using equity method	3,748	80,865	-	83,384	
	<u>Capital</u> Chi Cheng	Same parent company	Investments accounted for using equity method	-	967,488	64	1,426,052	
TSMC North America	<u>Preferred stock</u> NeXen, Inc.	-	Financial assets carried at cost	328	US\$ 656	1	US\$ 1,912	
TSMC International	<u>Stocks</u> InveStar Semiconductor Development Fund, Inc. (ISDF)	Subsidiary	Investments accounted for using equity method	7,680	US\$ 9,841	97	US\$ 9,841	
	InveStar Semiconductor Development Fund, Inc.(II) LDC. (ISDF II)	Subsidiary	"	41,027	US\$ 43,875	97	US\$ 43,875	
	TSMC Development, Inc. (TSMC Development)	Subsidiary	"	-	US\$ 675,749	100	US\$ 675,749	
	TSMC Technology	Subsidiary	"	-	US\$ 8,129	100	US\$ 8,129	
TSMC Development	<u>Stocks</u> WaferTech	Subsidiary	Investments accounted for using equity method	-	US\$ 193,376	100	US\$ 193,376	
TSMC Partners	<u>Common stock</u> VisEra Holding Company	Investee accounted for using equity method	Investments accounted for using equity method	43,000	US\$ 72,590	49	US\$ 72,590	
	TSMC Canada	Subsidiary	"	2,300	US\$ 2,876	100	US\$ 2,876	

(Continued)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	June 30, 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	10	US\$ 1,648	
	Global Investment Holding Inc.	-	"	10,800	\$ 100,000	6	\$ 100,000	
	<u>Preferred stock</u>							
	Audience, Inc.	-	Financial assets carried at 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	2	US\$ 1,000	
	Optimal Corporation	-	"	-	US\$ 229	-	US\$ 229	
	Pixim, Inc.	-	"	3,606	US\$ 862	2	US\$ 862	
	QST Holding, LLC	-	"	-	US\$ 131	4	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	-	US\$ -	8	US\$ -	
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	1	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.	-	"	6,326	US\$ 2,481	5	US\$ 2,481	
	Beceem Communications	-	"	650	US\$ 1,600	1	US\$ 1,600	
	GemFire Corporation	-	"	600	US\$ 68	1	US\$ 68	
	Impinj, Inc.	-	"	475	US\$ 1,000	-	US\$ 1,000	
	Miradia, Inc.	-	"	3,416	US\$ 3,106	3	US\$ 3,106	
	Mobilygen	-	"	569	US\$ 149	-	US\$ 149	
	Next IO, Inc.	-	"	2,510	US\$ 756	2	US\$ 756	
	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\$ 415	13	US\$ 415	
	Teknovus, Inc.	-	"	1,599	US\$ 454	-	US\$ 454	
	Tzero Technologies, Inc.	-	"	1,167	US\$ 2,008	2	US\$ 2,008	
	Xceive	-	"	870	US\$ 1,177	2	US\$ 1,177	
	<u>Capital</u>							
	VTA Holdings	Subsidiary	Investments accounted for using equity method	-	US\$ -	24	US\$ -	
VTAF III	<u>Common stock</u>							
	Mutual-pak Technology Co., Ltd.	Subsidiary	Investments accounted for using equity method	4,590	US\$ 1,649	51	US\$ 1,649	

(Continued)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	June 30, 2008				Note
				Shares/Units (in Thousands)	Carrying Value (US\$ in Thousands)	Percentage of Ownership (%)	Market Value or Net Asset Value (US\$ in Thousands)	
Growth Fund	<u>Preferred stock</u> Advasense Sensors, Inc.	-	Financial assets carried at cost	1,929	US\$ 1,834	6	US\$ 1,834	
	Auramicro, Inc.	-	"	2,500	US\$ 750	17	US\$ 750	
	BridgeLux, Inc.	-	"	3,333	US\$ 5,000	3	US\$ 5,000	
	Exclara, Inc. (Formerly SynDitec, Inc.)	-	"	14,513	US\$ 2,412	19	US\$ 2,412	
	GTBF, Inc.	-	"	1,154	US\$ 1,500	N/A	US\$ 1,500	
	InvenSense	-	"	816	US\$ 1,000	1	US\$ 1,000	
	M2000, Inc.	-	Financial assets carried at cost	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	-	US\$ -	68	US\$ -	
	Growth Fund Limited (Growth Fund)	Subsidiary	"	-	US\$ 600	100	US\$ 600	
ISDF	<u>Common stock</u> Staccato	-	Financial assets carried at cost	425	US\$ 495	1	US\$ 495	
	<u>Common stock</u> Memic, Inc.	-	Available-for-sale financial assets	1,364	US\$ 4,050	6	US\$ 4,050	
	Capella Microsystems (Taiwan), Inc.	-	Financial assets carried at cost	530	US\$ 154	2	US\$ 154	
ISDF II	<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	2	US\$ 3,530	
	<u>Common stock</u> Rich Tek Technology Corp.	-	Financial assets at fair value through profit or loss	92	US\$ 714	-	US\$ 714	
	Memic, Inc.	-	Available-for-sale financial assets	1,145	US\$ 3,399	5	US\$ 3,399	
	Rich Tek Technology Corp.	-	"	261	US\$ 2,033	-	US\$ 2,033	
	Ralink Technology (Taiwan), Inc.	-	"	1,440	US\$ 9,828	1	US\$ 9,828	
	eLCOS Microdisplay Technology, Ltd.	-	Financial assets carried at cost	270	US\$ 27	1	US\$ 27	
	EoNEX Technologies, Inc.	-	"	55	US\$ 1,524	5	US\$ 1,524	
	Sonics, Inc.	-	"	2,220	US\$ 32	3	US\$ 32	
	Epic Communication, Inc.	-	"	191	US\$ 37	1	US\$ 37	
	EON Technology, Corp.	-	"	2,494	US\$ 691	3	US\$ 691	
	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	
	Auden Technology MFG. Co., Ltd.	-	"	1,049	US\$ 223	3	US\$ 223	
	<u>Preferred stock</u> Alchip Technologies Limited	-	Financial assets carried at cost	6,979	US\$ 3,664	20	US\$ 3,664	
	eLCOS Microdisplay Technology, Ltd.	-	"	3,500	US\$ 1,055	8	US\$ 1,055	
	FangTek, Inc.	-	"	6,806	US\$ 3,250	16	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	3	US\$ 3,082	

(Continued)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	June 30, 2008				Note
				Shares/Units (in Thousands)	Carrying Value (US\$ in Thousands)	Percentage of Ownership (%)	Market Value or Net Asset Value (US\$ in Thousands)	
GUC	<u>Common stock</u> GUC-NA	Subsidiary	Investments accounted for using equity method	100	\$ 21,170	100	\$ 21,170	
	GUC-Japan	Subsidiary	"	1	9,495	100	9,495	
	GUC-Europe	Subsidiary	"	-	2,420	100	2,420	
XinTec	<u>Capital</u> Compositech Ltd.	-	Financial assets carried at cost	587	-	3	-	
TSMC Global	<u>Agency bonds</u>		Available-for-sale financial assets	-	US\$ 111	N/A	US\$ 111	
	Fed Hm Ln Pc Pool 1b1225	-	"	-	US\$ 138	N/A	US\$ 138	
	Fed Hm Ln Pc Pool 1b2566	-	"	-	US\$ 158	N/A	US\$ 158	
	Fed Hm Ln Pc Pool 1b2632	-	"	-	US\$ 216	N/A	US\$ 216	
	Fed Hm Ln Pc Pool 1b2642	-	"	-	US\$ 309	N/A	US\$ 309	
	Fed Hm Ln Pc Pool 1b2776	-	"	-	US\$ 206	N/A	US\$ 206	
	Fed Hm Ln Pc Pool 1b2792	-	"	-	US\$ 269	N/A	US\$ 269	
	Fed Hm Ln Pc Pool 1b2810	-	"	-	US\$ 2,452	N/A	US\$ 2,452	
	Fed Hm Ln Pc Pool 1b7453	-	"	-	US\$ 273	N/A	US\$ 273	
	Fed Hm Ln Pc Pool 1g0038	-	"	-	US\$ 341	N/A	US\$ 341	
	Fed Hm Ln Pc Pool 1g0053	-	"	-	US\$ 132	N/A	US\$ 132	
	Fed Hm Ln Pc Pool 1g0104	-	"	-	US\$ 3,552	N/A	US\$ 3,552	
	Fed Hm Ln Pc Pool 1g1282	-	"	-	US\$ 3,077	N/A	US\$ 3,077	
	Fed Hm Ln Pc Pool 1g1411	-	"	-	US\$ 2,409	N/A	US\$ 2,409	
	Fed Hm Ln Pc Pool 1h2520	-	"	-	US\$ 1,815	N/A	US\$ 1,815	
	Fed Hm Ln Pc Pool 1h2524	-	"	-	US\$ 595	N/A	US\$ 595	
	Fed Hm Ln Pc Pool 780870	-	"	-	US\$ 3,176	N/A	US\$ 3,176	
	Fed Hm Ln Pc Pool 781959	-	"	-	US\$ 228	N/A	US\$ 228	
	Fed Hm Ln Pc Pool 782785	-	"	-	US\$ 436	N/A	US\$ 436	
	Fed Hm Ln Pc Pool 782837	-	"	-	US\$ 488	N/A	US\$ 488	
	Fed Hm Ln Pc Pool 783022	-	"	-	US\$ 276	N/A	US\$ 276	
	Fed Hm Ln Pc Pool 783026	-	"	-	US\$ 6,068	N/A	US\$ 6,068	
	Fed Hm Ln Pc Pool B19205	-	"	-	US\$ 1,667	N/A	US\$ 1,667	
	Fed Hm Ln Pc Pool E01492	-	"	-	US\$ 1,217	N/A	US\$ 1,217	
	Fed Hm Ln Pc Pool E89857	-	"	-	US\$ 1,002	N/A	US\$ 1,002	
	Fed Hm Ln Pc Pool G11295	-	"	-	US\$ 2,688	N/A	US\$ 2,688	
	Fed Hm Ln Pc Pool M80855	-	"	-	US\$ 888	N/A	US\$ 888	
	Federal Home Ln Mtg Corp.	-	"	-	US\$ 998	N/A	US\$ 998	
	Federal Home Ln Mtg Corp.	-	"	-	US\$ 1,966	N/A	US\$ 1,966	
	Federal Home Ln Mtg Corp.	-	"	-	US\$ 2,212	N/A	US\$ 2,212	
	Federal Home Ln Mtg Corp.	-	"	-	US\$ 1,627	N/A	US\$ 1,627	
	Federal Home Ln Mtg Corp.	-	"	-	US\$ 3,034	N/A	US\$ 3,034	
	Federal Home Ln Mtg Corp.	-	"	-	US\$ 1,729	N/A	US\$ 1,729	
	Federal Home Ln Mtg Corp.	-	"	-	US\$ 2,792	N/A	US\$ 2,792	
	Federal Home Ln Mtg Corp.	-	"	-	US\$ 2,579	N/A	US\$ 2,579	
	Federal National Mort Assoc	-	"	-	US\$ 2,413	N/A	US\$ 2,413	
	Federal Natl Mtg Assn	-	"	-	US\$ 1,673	N/A	US\$ 1,673	
	Federal Natl Mtg Assn	-	"	-	US\$ 1,708	N/A	US\$ 1,708	
	Federal Natl Mtg Assn	-	"	-	US\$ 2,010	N/A	US\$ 2,010	
	Federal Natl Mtg Assn	-	"	-	US\$ 3,158	N/A	US\$ 3,158	
	Federal Natl Mtg Assn Gtd	-	"	-	US\$ 1,466	N/A	US\$ 1,466	
	Fnma Pool 255883	-	"	-	US\$ 2,965	N/A	US\$ 2,965	

(Continued)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	June 30, 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 257245	-	Available-for-sale financial assets	-	US\$ 3,692	N/A	US\$ 3,692	
	Fnma Pool 555549	-	"	-	US\$ 1,255	N/A	US\$ 1,255	
	Fnma Pool 555715	-	"	-	US\$ 155	N/A	US\$ 155	
	Fnma Pool 632399	-	"	-	US\$ 354	N/A	US\$ 354	
	Fnma Pool 662401	-	"	-	US\$ 492	N/A	US\$ 492	
	Fnma Pool 667766	-	"	-	US\$ 1,205	N/A	US\$ 1,205	
	Fnma Pool 680932	-	"	-	US\$ 995	N/A	US\$ 995	
	Fnma Pool 681393	-	"	-	US\$ 2,192	N/A	US\$ 2,192	
	Fnma Pool 685116	-	"	-	US\$ 531	N/A	US\$ 531	
	Fnma Pool 691283	-	"	-	US\$ 3,225	N/A	US\$ 3,225	
	Fnma Pool 694287	-	"	-	US\$ 19	N/A	US\$ 19	
	Fnma Pool 703711	-	"	-	US\$ 425	N/A	US\$ 425	
	Fnma Pool 725095	-	"	-	US\$ 953	N/A	US\$ 953	
	Fnma Pool 730033	-	"	-	US\$ 147	N/A	US\$ 147	
	Fnma Pool 740934	-	"	-	US\$ 982	N/A	US\$ 982	
	Fnma Pool 742232	-	"	-	US\$ 17	N/A	US\$ 17	
	Fnma Pool 750798	-	"	-	US\$ 22	N/A	US\$ 22	
	Fnma Pool 773246	-	"	-	US\$ 204	N/A	US\$ 204	
	Fnma Pool 790828	-	"	-	US\$ 1,783	N/A	US\$ 1,783	
	Fnma Pool 793932	-	"	-	US\$ 393	N/A	US\$ 393	
	Fnma Pool 794040	-	"	-	US\$ 588	N/A	US\$ 588	
	Fnma Pool 795548	-	"	-	US\$ 169	N/A	US\$ 169	
	Fnma Pool 799664	-	"	-	US\$ 86	N/A	US\$ 86	
	Fnma Pool 799868	-	"	-	US\$ 30	N/A	US\$ 30	
	Fnma Pool 804764	-	"	-	US\$ 353	N/A	US\$ 353	
	Fnma Pool 804852	-	"	-	US\$ 292	N/A	US\$ 292	
	Fnma Pool 804962	-	"	-	US\$ 349	N/A	US\$ 349	
	Fnma Pool 805163	-	"	-	US\$ 377	N/A	US\$ 377	
	Fnma Pool 806642	-	"	-	US\$ 517	N/A	US\$ 517	
	Fnma Pool 806721	-	"	-	US\$ 594	N/A	US\$ 594	
	Fnma Pool 814418	-	"	-	US\$ 317	N/A	US\$ 317	
	Fnma Pool 815626	-	"	-	US\$ 2,023	N/A	US\$ 2,023	
	Fnma Pool 819423	-	"	-	US\$ 486	N/A	US\$ 486	
	Fnma Pool 821129	-	"	-	US\$ 451	N/A	US\$ 451	
	Fnma Pool 888499	-	"	-	US\$ 1,847	N/A	US\$ 1,847	
	Fnma Pool 888502	-	"	-	US\$ 220	N/A	US\$ 220	
	Fnma Pool 888507	-	"	-	US\$ 841	N/A	US\$ 841	
	Fnma Pool 888515	-	"	-	US\$ 1,027	N/A	US\$ 1,027	
	Fnma Pool 888519	-	"	-	US\$ 108	N/A	US\$ 108	
	Fnma Pool 888527	-	"	-	US\$ 62	N/A	US\$ 62	
	Fnma Pool 888738	-	"	-	US\$ 4,302	N/A	US\$ 4,302	
	Fnma Pool 888793	-	"	-	US\$ 4,964	N/A	US\$ 4,964	
	Fnma Pool 900296	-	"	-	US\$ 2,913	N/A	US\$ 2,913	
	Gnma Ii Pool 081150	-	"	-	US\$ 398	N/A	US\$ 398	
	Gnma Ii Pool 081153	-	"	-	US\$ 1,228	N/A	US\$ 1,228	
	Gnma Pool 646061	-	"	-	US\$ 2,947	N/A	US\$ 2,947	
	Fed Home Ln Bank	-	"	-	US\$ 5,173	N/A	US\$ 5,173	
	Federal Farm Cr Bks	-	"	-	US\$ 3,511	N/A	US\$ 3,511	
	Federal Home Ln Bks	-	"	-	US\$ 8,864	N/A	US\$ 8,864	
	Federal Home Ln Bks	-	"	-	US\$ 3,730	N/A	US\$ 3,730	
	Federal Home Ln Bks	-	"	-	US\$ 17,227	N/A	US\$ 17,227	
	Federal Home Ln Bks	-	"	-	US\$ 5,145	N/A	US\$ 5,145	

(Continued)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	June 30, 2008				Note
				Shares/Units (in Thousands)	Carrying Value (US\$ in Thousands)	Percentage of Ownership (%)	Market Value or Net Asset Value (US\$ in Thousands)	
	Federal Home Ln Bks	-	Available-for-sale financial assets	-	US\$ 12,438	N/A	US\$ 12,438	
	Federal Home Ln Mtg	-	"	-	US\$ 5,079	N/A	US\$ 5,079	
	Federal Home Ln Mtg Corp.	-	"	-	US\$ 3,268	N/A	US\$ 3,268	
	Federal Home Ln Mtg Corp.	-	"	-	US\$ 7,445	N/A	US\$ 7,445	
	Federal Home Ln Mtg Disc Nts	-	"	-	US\$ 17,419	N/A	US\$ 17,419	
	Federal Home Loan Bank	-	"	-	US\$ 4,634	N/A	US\$ 4,634	
	Federal Home Loan Banks	-	"	-	US\$ 17,471	N/A	US\$ 17,471	
	Federal Natl Mtg Assn	-	"	-	US\$ 10,262	N/A	US\$ 10,262	
	Federal Natl Mtg Assn	-	"	-	US\$ 2,568	N/A	US\$ 2,568	
	Federal Natl Mtg Assn	-	"	-	US\$ 3,633	N/A	US\$ 3,633	
	Federal Natl Mtg Assn	-	"	-	US\$ 3,990	N/A	US\$ 3,990	
	Federal Natl Mtg Assn Mtn	-	"	-	US\$ 3,076	N/A	US\$ 3,076	
	Tennessee Valley Auth	-	"	-	US\$ 6,059	N/A	US\$ 6,059	
	<u>Corporate bonds</u>							
	Abbott Labs	-	Available-for-sale financial assets	-	US\$ 1,954	N/A	US\$ 1,954	
	Abbott Labs	-	"	-	US\$ 1,508	N/A	US\$ 1,508	
	American Gen Fin Corp.	-	"	-	US\$ 3,091	N/A	US\$ 3,091	
	American Gen Fin Corp. Mtn	-	"	-	US\$ 3,466	N/A	US\$ 3,466	
	American Gen Fin Corp. Mtn	-	"	-	US\$ 1,953	N/A	US\$ 1,953	
	American Home Prods Corp.	-	"	-	US\$ 2,780	N/A	US\$ 2,780	
	American Honda Fin Corp. Mtn	-	"	-	US\$ 3,143	N/A	US\$ 3,143	
	Ameritech Capital Funding Co.	-	"	-	US\$ 485	N/A	US\$ 485	
	Amgen Inc.	-	"	-	US\$ 2,994	N/A	US\$ 2,994	
	Anz Cap Tr I	-	"	-	US\$ 968	N/A	US\$ 968	
	Atlantic Richfield Co.	-	"	-	US\$ 2,174	N/A	US\$ 2,174	
	Axa Finl Inc.	-	"	-	US\$ 2,087	N/A	US\$ 2,087	
	Bank Amer Corp.	-	"	-	US\$ 2,796	N/A	US\$ 2,796	
	Beneficial Corp. Mtn Bk Entry	-	"	-	US\$ 2,272	N/A	US\$ 2,272	
	Bp Cap Mkts P L C	-	"	-	US\$ 2,784	N/A	US\$ 2,784	
	Burlington Res Inc.	-	"	-	US\$ 3,601	N/A	US\$ 3,601	
	Chase Manhattan Corp. New	-	"	-	US\$ 1,517	N/A	US\$ 1,517	
	Chase Manhattan Corp. New	-	"	-	US\$ 2,090	N/A	US\$ 2,090	
	Chase Manhattan Corp. New	-	"	-	US\$ 3,440	N/A	US\$ 3,440	
	Colgate Palmolive Co. Mtn	-	"	-	US\$ 1,737	N/A	US\$ 1,737	
	Consolidated Edison Inc.	-	"	-	US\$ 3,002	N/A	US\$ 3,002	
	Credit Suisse First Boston USA	-	"	-	US\$ 349	N/A	US\$ 349	
	Deere John Cap Corp. Mtn Bk Ent	-	"	-	US\$ 2,227	N/A	US\$ 2,227	
	Depfa Acs Bank	-	"	-	US\$ 17,301	N/A	US\$ 17,301	
	Duke Energy Co.	-	"	-	US\$ 2,378	N/A	US\$ 2,378	
	European Invt Bk	-	"	-	US\$ 7,391	N/A	US\$ 7,391	
	Fleet Boston Corp.	-	"	-	US\$ 2,580	N/A	US\$ 2,580	
	France Telecom Sa	-	"	-	US\$ 1,206	N/A	US\$ 1,206	
	Ge Global Ins Hldg Corp.	-	"	-	US\$ 1,878	N/A	US\$ 1,878	
	General Dynamics Corp.	-	"	-	US\$ 2,135	N/A	US\$ 2,135	
	General Elec Cap Corp. Mtn	-	"	-	US\$ 3,053	N/A	US\$ 3,053	
	General Elec Cap Corp. Mtn	-	"	-	US\$ 1,617	N/A	US\$ 1,617	
	General Elec Cap Corp. Mtn	-	"	-	US\$ 2,101	N/A	US\$ 2,101	
	General Re Corp.	-	"	-	US\$ 3,206	N/A	US\$ 3,206	
	Genworth Finl Inc.	-	"	-	US\$ 3,252	N/A	US\$ 3,252	
	Goldman Sachs Group	-	"	-	US\$ 2,229	N/A	US\$ 2,229	
	Hancock John Global Fdg II Mtn	-	"	-	US\$ 5,087	N/A	US\$ 5,087	

(Continued)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	June 30, 2008				Note
				Shares/Units (in Thousands)	Carrying Value (US\$ in Thousands)	Percentage of Ownership (%)	Market Value or Net Asset Value (US\$ in Thousands)	
	Hancock John Global Fdg Mtn	-	Available-for-sale financial assets	-	US\$ 1,002	N/A	US\$ 1,002	
	Hartford Finl Svcs Group Inc.	-	"	-	US\$ 1,332	N/A	US\$ 1,332	
	Heller Finl Inc.	-	"	-	US\$ 1,935	N/A	US\$ 1,935	
	Hewlett Packard Co.	-	"	-	US\$ 1,887	N/A	US\$ 1,887	
	Hewlett Packard Co.	-	"	-	US\$ 1,500	N/A	US\$ 1,500	
	Honeywell Intl Inc.	-	"	-	US\$ 988	N/A	US\$ 988	
	Honeywell Intl Inc.	-	"	-	US\$ 1,059	N/A	US\$ 1,059	
	Household Fin Corp.	-	"	-	US\$ 2,986	N/A	US\$ 2,986	
	Household Fin Corp.	-	"	-	US\$ 3,030	N/A	US\$ 3,030	
	Ing Sec Life Instl Fdg	-	"	-	US\$ 2,532	N/A	US\$ 2,532	
	International Business Machs	-	"	-	US\$ 3,561	N/A	US\$ 3,561	
	Intl Lease Fin Corp. Mtn	-	"	-	US\$ 2,955	N/A	US\$ 2,955	
	JP Morgan Chase	-	"	-	US\$ 1,992	N/A	US\$ 1,992	
	Kreditanstalt Fur Wiederaufbau	-	"	-	US\$ 8,710	N/A	US\$ 8,710	
	Lehman Brothers Hldgs Inc.	-	"	-	US\$ 2,007	N/A	US\$ 2,007	
	Lehman Brothers Hldgs Inc.	-	"	-	US\$ 974	N/A	US\$ 974	
	Lehman Brothers Hldgs Inc.	-	"	-	US\$ 640	N/A	US\$ 640	
	Massmutual Global Fdg II Mtn	-	"	-	US\$ 3,776	N/A	US\$ 3,776	
	Mellon Fdg Corp.	-	"	-	US\$ 2,723	N/A	US\$ 2,723	
	Metropolitan Life Global Mtn	-	"	-	US\$ 3,391	N/A	US\$ 3,391	
	Mizuho Fin (Cayman)	-	"	-	US\$ 2,090	N/A	US\$ 2,090	
	Monumental Global Fdg II	-	"	-	US\$ 1,504	N/A	US\$ 1,504	
	Monunmetal Global Fdg II	-	"	-	US\$ 2,004	N/A	US\$ 2,004	
	Mony Group Inc.	-	"	-	US\$ 2,102	N/A	US\$ 2,102	
	Morgan Stanley	-	"	-	US\$ 1,580	N/A	US\$ 1,580	
	Morgan Stanley	-	"	-	US\$ 3,380	N/A	US\$ 3,380	
	Nationwide Life Global Fdg I	-	"	-	US\$ 3,596	N/A	US\$ 3,596	
	New York Life Global Fdg	-	"	-	US\$ 2,418	N/A	US\$ 2,418	
	Oracle Corp. / Ozark Hldg Inc.	-	"	-	US\$ 2,029	N/A	US\$ 2,029	
	Premark Intl Inc.	-	"	-	US\$ 2,666	N/A	US\$ 2,666	
	Pricoa Global Fdg I Mtn	-	"	-	US\$ 3,484	N/A	US\$ 3,484	
	Principal Finl Group Australia	-	"	-	US\$ 992	N/A	US\$ 992	
	Protective Life Secd Trs Mtn	-	"	-	US\$ 3,502	N/A	US\$ 3,502	
	Sbc Communications Inc.	-	"	-	US\$ 3,402	N/A	US\$ 3,402	
	Sbc Communications Inc.	-	"	-	US\$ 712	N/A	US\$ 712	
	Sbc Communications Inc.	-	"	-	US\$ 2,778	N/A	US\$ 2,778	
	Simon Pty Group L P	-	"	-	US\$ 2,507	N/A	US\$ 2,507	
	Simon Pty Group Lp	-	"	-	US\$ 996	N/A	US\$ 996	
	Sp Powerasests Ltd. Global	-	"	-	US\$ 1,001	N/A	US\$ 1,001	
	U S Bancorp Mtn Bk Ent	-	"	-	US\$ 1,361	N/A	US\$ 1,361	
	U S Bk Natl Assn Minneapolis	-	"	-	US\$ 370	N/A	US\$ 370	
	Unitedhealth Group Inc.	-	"	-	US\$ 1,386	N/A	US\$ 1,386	
	Verizon Communications Inc.	-	"	-	US\$ 1,755	N/A	US\$ 1,755	
	Verizon Global Fdg Corp.	-	"	-	US\$ 1,506	N/A	US\$ 1,506	
	Wachovia Corp. New	-	"	-	US\$ 3,118	N/A	US\$ 3,118	
	Washington Post Co.	-	"	-	US\$ 3,024	N/A	US\$ 3,024	
	Wells Fargo + Co. New Med Trm	-	"	-	US\$ 4,435	N/A	US\$ 4,435	
	Westfield Cap Corp Ltd	-	"	-	US\$ 1,358	N/A	US\$ 1,358	
	<u>Money market funds</u>							
	Ssga Cash Mgmt Global Offshore	-	Available-for-sale financial assets	-	US\$ 144,589	N/A	US\$ 144,589	

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Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	June 30, 2008				Note
				Shares/Units (in Thousands)	Carrying Value (US\$ in Thousands)	Percentage of Ownership (%)	Market Value or Net Asset Value (US\$ in Thousands)	
	<u>Corporate issued asset-backed securities</u>							
	Atlantic City Elc Trns Fdglc	-	Available-for-sale financial assets	-	US\$ 32	N/A	US\$ 32	
	Banc Amer Coml Mtg Inc.	-	"	-	US\$ 5,510	N/A	US\$ 5,510	
	Banc Amer Fdg 2006 I Tr	-	"	-	US\$ 3,519	N/A	US\$ 3,519	
	Bear Stearns Adjustable Rate	-	"	-	US\$ 94	N/A	US\$ 94	
	Bear Stearns Arm Tr	-	"	-	US\$ 2,904	N/A	US\$ 2,904	
	Bear Stearns Arm Tr	-	"	-	US\$ 1,796	N/A	US\$ 1,796	
	Bear Stearns Arm Tr	-	"	-	US\$ 234	N/A	US\$ 234	
	Bear Stearns Coml Mtg Secs Inc.	-	"	-	US\$ 222	N/A	US\$ 222	
	Bear Stearns Coml Mtg Secs Inc.	-	"	-	US\$ 4,317	N/A	US\$ 4,317	
	Capital One Multi Asset Exec	-	"	-	US\$ 9,082	N/A	US\$ 9,082	
	Capital One Multi Asset Execut	-	"	-	US\$ 3,006	N/A	US\$ 3,006	
	Capital One Prime Auto Receiva	-	"	-	US\$ 3,526	N/A	US\$ 3,526	
	Cbass Tr	-	"	-	US\$ 1,302	N/A	US\$ 1,302	
	Chase Mtg Fin Tr	-	"	-	US\$ 827	N/A	US\$ 827	
	Chase Mtg Fin Tr	-	"	-	US\$ 1,632	N/A	US\$ 1,632	
	Chase Mtg Fin Tr	-	"	-	US\$ 2,399	N/A	US\$ 2,399	
	Chase Mtge Finance Corp.	-	"	-	US\$ 1,433	N/A	US\$ 1,433	
	Cit Equip Coll Tr	-	"	-	US\$ 4,024	N/A	US\$ 4,024	
	Citicorp Mtg Secs	-	"	-	US\$ 126	N/A	US\$ 126	
	Credit Suisse First Boston Mtg	-	"	-	US\$ 1,006	N/A	US\$ 1,006	
	Credit Suisse First Boston Mtg	-	"	-	US\$ 4,567	N/A	US\$ 4,567	
	Credit Suisse First Boston Mtg	-	"	-	US\$ 5,768	N/A	US\$ 5,768	
	Daimlerchrysler Auto Tr	-	"	-	US\$ 4,357	N/A	US\$ 4,357	
	Daimlerchrysler Auto Tr	-	"	-	US\$ 1,288	N/A	US\$ 1,288	
	Deere John Owner Tr	-	"	-	US\$ 1,929	N/A	US\$ 1,929	
	First Franklin Mtg Ln Tr	-	"	-	US\$ 629	N/A	US\$ 629	
	First Horizon	-	"	-	US\$ 41	N/A	US\$ 41	
	First Un Natl Bk Coml Mtg Tr	-	"	-	US\$ 1,772	N/A	US\$ 1,772	
	First Un Natl Bk Coml Mtg Tr	-	"	-	US\$ 5,089	N/A	US\$ 5,089	
	First Un Natl Bk Coml Mtg Tr	-	"	-	US\$ 2,131	N/A	US\$ 2,131	
	Ford Cr Auto Owner Tr	-	"	-	US\$ 2,496	N/A	US\$ 2,496	
	Gs Mtg Secs Corp.	-	"	-	US\$ 912	N/A	US\$ 912	
	Home Equity Mortgage Trust	-	"	-	US\$ 1,238	N/A	US\$ 1,238	
	Home Equity Mtg Tr 2006 4	-	"	-	US\$ 610	N/A	US\$ 610	
	Hyundai Auto Receivables Tr	-	"	-	US\$ 959	N/A	US\$ 959	
	JP Morgan Mtg Tr	-	"	-	US\$ 831	N/A	US\$ 831	
	JP Morgan Mtg Tr	-	"	-	US\$ 868	N/A	US\$ 868	
	JP Morgan Mtg Tr	-	"	-	US\$ 797	N/A	US\$ 797	
	Lb Ubs Coml Mtg Tr	-	"	-	US\$ 3,832	N/A	US\$ 3,832	
	Nomura Asset Accep Corp.	-	"	-	US\$ 1,526	N/A	US\$ 1,526	
	Residential Asset Mtg Prods	-	"	-	US\$ 2,015	N/A	US\$ 2,015	
	Residential Fdg Mtg Secs I Inc.	-	"	-	US\$ 1,343	N/A	US\$ 1,343	
	Residential Fdg Mtg Secs I Inc.	-	"	-	US\$ 3,085	N/A	US\$ 3,085	
	Sequoia Mtg Tr	-	"	-	US\$ 222	N/A	US\$ 222	
	Sequoia Mtg Tr	-	"	-	US\$ 261	N/A	US\$ 261	
	Sequoia Mtg Tr	-	"	-	US\$ 367	N/A	US\$ 367	
	Terwin Mtg Tr	-	"	-	US\$ 780	N/A	US\$ 780	
	Tiaa Seasoned Coml Mtg Tr	-	"	-	US\$ 3,723	N/A	US\$ 3,723	
	Usaa Auto Owner Tr	-	"	-	US\$ 5,036	N/A	US\$ 5,036	
	Wamu Mtg	-	"	-	US\$ 3,282	N/A	US\$ 3,282	

(Continued)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	June 30, 2008				Note
				Shares/Units (in Thousands)	Carrying Value (US\$ in Thousands)	Percentage of Ownership (%)	Market Value or Net Asset Value (US\$ in Thousands)	
	Wamu Mtg Pass Through Ctfs	-	Available-for-sale financial assets	-	US\$ 156	N/A	US\$ 156	
	Wamu Mtg Pass Through Ctfs	-	"	-	US\$ 2,307	N/A	US\$ 2,307	
	Washington Mut Mtg Secs Corp.	-	"	-	US\$ 2,037	N/A	US\$ 2,037	
	Wells Fargo Finl Auto Owner Tr	-	"	-	US\$ 4,918	N/A	US\$ 4,918	
	Wells Fargo Mtg Backed Secs	-	"	-	US\$ 3,341	N/A	US\$ 3,341	
	Wells Fargo Mtg Backed Secs	-	"	-	US\$ 4,168	N/A	US\$ 4,168	
	Wells Fargo Mtg Backed Secs	-	"	-	US\$ 3,609	N/A	US\$ 3,609	
	Wells Fargo Mtg Bkd Secs	-	"	-	US\$ 2,878	N/A	US\$ 2,878	
	Wells Fargo Mtg Bkd Secs	-	"	-	US\$ 1,238	N/A	US\$ 1,238	
	Whole Auto Ln Tr	-	"	-	US\$ 835	N/A	US\$ 835	
	<u>Government bonds</u>							
	United States Treas Nts	-	Available-for-sale financial assets	-	US\$ 5,995	N/A	US\$ 5,995	
	United States Treas Nts	-	"	-	US\$ 1,481	N/A	US\$ 1,481	
	United States Treas Nts	-	"	-	US\$ 38,229	N/A	US\$ 38,229	
	United States Treas Nts	-	"	-	US\$ 5,555	N/A	US\$ 5,555	
	United States Treas Nts	-	"	-	US\$ 9,144	N/A	US\$ 9,144	
	United States Treas Nts	-	"	-	US\$ 327	N/A	US\$ 327	
	United States Treas Nts	-	"	-	US\$ 3,848	N/A	US\$ 3,848	
	United States Treas Nts	-	"	-	US\$ 3,441	N/A	US\$ 3,441	
	United States Treas Nts	-	"	-	US\$ 2,680	N/A	US\$ 2,680	
	United States Treas Nts	-	"	-	US\$ 11,229	N/A	US\$ 11,229	
	United States Treas Nts	-	"	-	US\$ 2,111	N/A	US\$ 2,111	

(Concluded)

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL

FOR THE SIX MONTHS ENDED JUNE 30, 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)
TSMC	<u>Open-end mutual funds</u>													
	NITC Bond Fund	Available-for-sale financial assets	National Investment Trust Co., Ltd.	-	12,239	\$ 2,045,935	-	\$ -	12,239	\$ 2,060,358	\$ 1,989,038	\$ 71,320	-	\$ -
	ING Taiwan Bond Fund	"	ING Securities Investment Trust Co., Ltd	-	85,581	1,310,030	25,928	400,000	111,509	1,721,141	1,700,000	21,141	-	-
	Fuh Hwa Bond Fund	"	Fuh Hwa Investment Trust Co., Ltd.	-	132,997	1,801,674	-	-	132,997	1,816,597	1,768,862	47,735	-	-
	Prudential Financial Bond Fund	"	Prudential Financial Securities Investment Trust Enterprise	-	83,306	1,236,728	-	-	83,306	1,245,214	1,204,418	40,796	-	-
	Cathay Bond Fund	"	Cathay Securities Investment Trust Co., Ltd.	-	60,126	703,824	-	-	60,126	709,289	700,000	9,289	-	-
	NITC Taiwan Bond	"	National Investment Trust Co., Ltd.	-	103,016	1,474,856	-	-	103,016	1,485,597	1,442,443	43,154	-	-
	JF Taiwan Bond Fund	"	JF Asset Management (Taiwan) Limited	-	59,049	915,252	-	-	59,049	922,445	900,083	22,362	-	-
	Dresdner Bond DAM Fund	"	Allianz Global Investors Taiwan Ltd.	-	54,319	639,542	-	-	54,319	644,310	624,828	19,482	-	-
	JF Taiwan First Bond Fund	"	JF Asset Management (Taiwan) Ltd.	-	35,324	504,206	-	-	35,324	508,184	500,342	7,842	-	-
	ING Taiwan Income Bond Fund	"	ING Securities Investment Trust Co., Ltd.	-	54,621	878,682	-	-	54,621	885,963	854,149	31,814	-	-
	Uni-President James Bond Fund	"	Uni-President Assets Management Corp.	-	77,128	1,208,799	12,678	200,000	89,806	1,419,030	1,400,000	19,030	-	-
	Taishin Lucky Investment Trust Fund	"	Taishin Investment Trust Co., Ltd.	-	68,945	718,556	-	-	68,945	724,341	701,525	22,816	-	-
	HSBC NTD Money Management Fund	"	HSBC Asset Management (Taiwan) Ltd.	-	27,416	413,504	-	-	27,416	416,788	402,614	14,174	-	-
	INVESCO Bond Fund	"	INVESCO Taiwan Limited	-	27,176	410,054	-	-	27,176	412,892	403,727	9,165	-	-
	AIG Taiwan Bond Fund	"	AIG Global Asset management Corporation (Taiwan) Ltd.	-	54,469	705,033	-	-	54,469	708,863	700,000	8,863	-	-
	PCA Well Pool Fund	"	PCA Securities Investment Trust Co., Ltd.	-	-	-	132,553	1,700,000	-	-	-	-	132,553	1,700,941
	Capital Income Fund	"	Capital Investment Trust Corporation	-	-	-	131,256	2,000,000	-	-	-	-	131,256	2,001,916
	<u>Government bond</u>													
	2004 Government Bond Series B	Available-for-sale financial assets	Chung Shing Bills Finance Corp. and several financial institutions	-	-	1,197,121	-	-	-	1,203,434	1,201,660	1,774	-	-
	2004 Government Bond Series G	"	"	-	-	200,065	-	-	-	201,301	200,841	460	-	-
	2004 Government Bond Series B	Held-to-maturity financial assets	"	-	-	-	-	249,603	-	-	-	-	-	249,667
	2003 Government Bond Series H	"	"	-	-	400,709	-	299,852	-	-	-	-	-	700,162
	Capital VTAF II	Investee accounted for using equity method	-	Subsidiary	-	906,536	-	289,143	-	-	-	-	-	1,106,412

(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)
GUC	<u>Open-end mutual funds</u>													
	President James Bond	Available-for-sale financial assets	-	-	-	\$ -	10,483	\$ 165,000	10,483	\$ 165,280	\$ 165,000	\$ 280	-	\$ -
	Polaris De-Li Fund	"	-	-	-	-	10,042	154,000	10,042	154,298	154,000	298	-	-
	Capital Income Fund	"	-	-	-	-	11,104	142,000	11,104	142,252	142,000	252	-	-
	Prudential Financial Bond Fund	"	-	-	-	-	7,719	115,000	7,719	115,157	115,000	157	-	-
TSMC Global	<u>Agency bonds</u>													
	Fnma Pool 257245	Available-for-sale financial assets	-	-	-	-	3,716	US\$ 3,741	-	-	-	-	3,716	US\$ 3,692
	Gnma Pool 646061	"	-	-	-	-	4,173	US\$ 4,352	-	-	-	-	4,173	US\$ 2,947
	Federal Home Ln Bks	"	-	-	9,000	US\$ 8,977	-	-	9,000	US\$ 9,002	US\$ 8,716	US\$ 286	-	-
	Federal Home Ln Bks	"	-	-	-	-	9,000	US\$ 8,783	-	-	-	-	9,000	US\$ 8,864
	Federal Home Ln Bks	"	-	-	9,000	US\$ 8,939	-	-	9,000	US\$ 9,003	US\$ 8,735	US\$ 268	-	-
	Federal Home Ln Bks	"	-	-	-	-	3,725	US\$ 3,721	-	-	-	-	3,725	US\$ 3,730
	Federal Home Ln Bks	"	-	-	5,000	US\$ 4,965	-	-	5,000	US\$ 5,003	US\$ 4,850	US\$ 153	-	-
	Federal Home Ln Bks	"	-	-	5,000	US\$ 4,980	-	-	5,000	US\$ 4,999	US\$ 4,882	US\$ 117	-	-
	Federal Home Ln Bks	"	-	-	-	-	12,100	US\$ 12,464	-	-	-	-	12,100	US\$ 12,438
	Federal Home Ln Mtg	"	-	-	-	-	5,000	US\$ 5,186	-	-	-	-	5,000	US\$ 5,079
	Federal Home Ln Mtg Corp	"	-	-	-	-	3,340	US\$ 3,336	-	-	-	-	3,340	US\$ 3,268
	Federal Home Ln Mtg Corp	"	-	-	-	-	7,000	US\$ 7,572	-	-	-	-	7,000	US\$ 7,445
	Federal Home Ln Mtg Disc Nts	"	-	-	21,900	US\$ 22,342	-	-	4,900	US\$ 5,018	US\$ 4,919	US\$ 99	17,000	US\$ 17,419
	Federal Home Loan Banks	"	-	-	21,000	US\$ 21,500	-	-	4,000	US\$ 4,111	US\$ 4,068	US\$ 43	17,000	US\$ 17,471
	Federal Natl Mtg Assn	"	-	-	-	-	10,000	US\$ 10,291	-	-	-	-	10,000	US\$ 10,262
	Federal Natl Mtg Assn	"	-	-	-	-	3,500	US\$ 3,645	-	-	-	-	3,500	US\$ 3,633
	Federal Natl Mtg Assn	"	-	-	-	-	3,750	US\$ 4,151	-	-	-	-	3,750	US\$ 3,990
	Federal Natl Mtg Assn Mtn	"	-	-	3,000	US\$ 2,982	-	-	3,000	US\$ 3,006	US\$ 2,909	US\$ 97	-	-
	Federal Natl Mtg Assn Mtn	"	-	-	3,200	US\$ 3,171	-	-	3,200	US\$ 3,201	US\$ 3,090	US\$ 111	-	-
	<u>Corporate bonds</u>													
	Depfa Acs Bank	Available-for-sale financial assets	-	-	20,000	US\$ 20,402	-	-	3,000	US\$ 3,074	US\$ 2,998	US\$ 76	17,000	US\$ 17,301
	European Invt Bk	"	-	-	-	-	10,600	US\$ 10,577	10,600	US\$ 10,461	US\$ 10,577	US\$ (116)	-	-
	European Invt Bk	"	-	-	-	-	10,600	US\$ 10,576	10,600	US\$ 10,676	US\$ 10,576	US\$ 100	-	-
	European Invt Bk	"	-	-	-	-	7,200	US\$ 7,182	-	-	-	-	7,200	US\$ 7,391
	General Elec Cap Corp Mtn	"	-	-	4,000	US\$ 3,978	-	-	4,000	US\$ 4,042	US\$ 3,893	US\$ 149	-	-
	Keycorp Mtn Book Entry	"	-	-	3,050	US\$ 3,053	-	-	3,050	US\$ 3,041	US\$ 3,016	US\$ 25	-	-
	Kreditanstalt Fur Wiederaufbau	"	-	-	-	-	8,700	US\$ 8,679	-	-	-	-	8,700	US\$ 8,710
	<u>Money market funds</u>													
	Ssga Cash Mgmt Global Offshore	Available-for-sale financial assets	-	-	592,180	US\$ 592,180	345,899	US\$ 345,899	793,490	US\$ 793,490	US\$ 793,490	-	144,589	US\$ 144,589
	<u>Government bonds</u>													
	U S Treas Bond Call	Available-for-sale financial assets	-	-	-	-	17,825	US\$ 17,813	11,800	US\$ 11,827	US\$ 11,803	US\$ 24	6,025	US\$ 5,995
	United States Treas Nts	"	-	-	-	-	19,500	US\$ 19,474	18,000	US\$ 17,966	US\$ 17,986	US\$ (20)	1,500	US\$ 1,481
	United States Treas Nts	"	-	-	-	-	60,100	US\$ 60,563	21,600	US\$ 21,678	US\$ 21,766	US\$ (88)	38,500	US\$ 38,229
	United States Treas Nts	"	-	-	-	-	17,000	US\$ 16,886	11,405	US\$ 11,355	US\$ 11,334	US\$ 21	5,595	US\$ 5,555
	United States Treas Nts	"	-	-	-	-	7,800	US\$ 7,787	7,800	US\$ 7,756	US\$ 7,787	US\$ (31)	-	-
	United States Treas Nts	"	-	-	-	-	9,100	US\$ 9,111	-	-	-	-	9,100	US\$ 9,144
	United States Treas Nts	"	-	-	-	-	6,400	US\$ 6,372	6,400	US\$ 6,282	US\$ 6,372	US\$ (90)	-	-
	United States Treas Nts	"	-	-	25,900	US\$ 25,924	-	-	25,900	US\$ 26,091	US\$ 25,941	US\$ 150	-	-
	United States Treas Nts	"	-	-	-	-	53,300	US\$ 54,114	53,300	US\$ 54,153	US\$ 54,114	US\$ 39	-	-

(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)
	United States Treas Nts	Available-for-sale financial assets	-	-	-	US\$ -	4,000	US\$ 4,057	4,000	US\$ 3,969	US\$ 4,057	US\$ (88)	-	US\$ -
	United States Treas Nts	"	-	-	5,000	US\$ 5,070	-	-	4,680	US\$ 4,751	US\$ 4,715	US\$ 36	320	US\$ 327
	United States Treas Nts	"	-	-	-	-	3,750	US\$ 3,958	-	-	-	-	3,750	US\$ 3,848
	United States Treas Nts	"	-	-	6,400	US\$ 6,500	-	-	6,400	US\$ 6,593	US\$ 6,407	US\$ 186	-	-
	United States Treas Nts	"	-	-	41,900	US\$ 42,509	-	-	41,900	US\$ 42,867	US\$ 41,870	US\$ 997	-	-
	United States Treas Nts	"	-	-	-	-	4,000	US\$ 4,200	1,400	US\$ 1,454	US\$ 1,470	US\$ (16)	2,600	US\$ 2,680
	United States Treas Nts	"	-	-	-	-	10,266	US\$ 11,167	-	-	-	-	10,266	US\$ 11,229
	United States Treas Nts	"	-	-	5,000	US\$ 5,160	-	US\$ -	5,000	US\$ 5,233	US\$ 5,056	US\$ 177	-	-
	United States Treas Nts	"	-	-	-	-	10,000	US\$ 10,525	10,000	US\$ 10,489	US\$ 10,525	US\$ (36)	-	-
	United States Treas Nts	"	-	-	3,250	US\$ 3,359	-	-	3,250	US\$ 3,347	US\$ 3,298	US\$ 49	-	-
	United States Treas Nts	"	-	-	7,500	US\$ 7,758	-	-	7,500	US\$ 7,855	US\$ 7,743	US\$ 112	-	-
	United States Treas Nts	"	-	-	9,500	US\$ 9,735	-	-	9,500	US\$ 9,757	US\$ 9,479	US\$ 278	-	-
	United States Treas Nts	"	-	-	-	-	11,250	US\$ 12,259	9,250	US\$ 9,906	US\$ 10,080	US\$ (174)	2,000	US\$ 2,111

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, translation adjustments or equity in earnings of equity method investees.

(Concluded)

TABLE 3**Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries****ACQUISITION OF INDIVIDUAL REAL ESTATE PROPERTIES AT COSTS OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL****FOR THE SIX MONTHS ENDED JUNE 30, 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			
TSMC	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

TABLE 4**Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries**

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE SIX MONTHS ENDED JUNE 30, 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	
TSMC	TSMC North America GUC	Subsidiary Investee with a controlling financial interest	Sales	\$ 103,800,578	60	Net 30 days after invoice date	-	-	\$ 23,871,291	53	
			Sales	662,720	-	Net 30 days after monthly closing	-	-	268,530	1	
	WaferTech TSMC Shanghai SSMC	Indirect subsidiary	Purchases	4,410,290	20	Net 30 days after monthly closing	-	-	(666,082)	6	
		Subsidiary	Purchases	2,650,161	12	Net 30 days after monthly closing	-	-	(476,025)	4	
		Investee accounted for using equity method	Purchases	2,300,893	10	Net 30 days after monthly closing	-	-	(501,436)	4	
	VIS	Investee accounted for using equity method	Purchases	1,718,897	8	Net 30 days after monthly closing	-	-	(685,168)	6	
GUC	TSMC North America	Same parent company	Purchases	974,101	46	Net 30 days after invoice date/net 45 days after monthly closing	-	-	(121,935)	14	
XinTec	OmniVision	Parent company of director (represented for XinTec)	Sales	1,010,083	78	Net 45 days after shipping	-	-	235,393	82	

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

TABLE 5**Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries****RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL****JUNE 30, 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		
TSMC	TSMC North America	Subsidiary	\$ 23,899,968	44	\$ 7,897,481	-	\$ 11,074,526	\$ -
	VIS	Investee accounted for using equity method	1,132,499	(Note 2)	2,985	Accelerate demand on account receivable	2,334	-
	GUC	Investee with a controlling financial interest	409,018	47	55,985	-	113,355	-
	TSMC Shanghai	Subsidiary	191,032	(Note 2)	-	-	-	-
	SSMC	Investee accounted for using equity method	108,319	(Note 2)	-	-	-	-
XinTec	OmniVision	Parent company of director (represented for XinTec)	235,393	59	70	-	146,422	-

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

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

TABLE 6

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

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

JUNE 30, 2008

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

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of June 30, 2008			Net Income (Losses) of the Investee (Foreign Currencies in Thousands)	Equity in the Earnings (Losses) (Note 2) (Foreign Currencies in Thousands)	Note
				June 30, 2008 (Foreign Currencies in Thousands)	December 31, 2007 (Foreign Currencies in Thousands)	Shares (in Thousands)	Percentage of Ownership	Carrying Value (Note 1) (Foreign Currencies in Thousands)			
TSMC	TSMC Global	Tortola, British Virgin Islands	Investment activities	\$ 42,327,245	\$ 42,327,245	1	100	\$ 41,946,173	\$ 225,977	\$ 225,977	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	27,447,357	1,804,075	1,804,075	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	9,926,933	1,241,525	149,896	Investee accounted for using equity method
	SSMC	Singapore	Fabrication and supply of integrated circuits	8,840,895	8,840,895	463	39	8,641,503	2,000,112	677,301	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	7,574,803	(1,017,308)	(1,010,850)	Subsidiary
	TSMC Partners	Tortola, British Virgin Islands	Investment activities	10,350	10,350	300	100	3,534,832	(1,032,280)	(1,032,280)	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	2,246,123	138,716	138,716	Subsidiary
	XinTec	Taoyuan, Taiwan	Wafer level chip size packaging service	1,357,890	1,357,890	91,703	43	1,396,316	(69,067)	(68,709)	Investee with a controlling financial interest
	VTAF III	Cayman Islands	Investing in new start-up technology companies	1,262,602	973,459	-	98	1,106,412	(25,714)	(25,200)	Subsidiary
	VTAF II	Cayman Islands	Investing in new start-up technology companies	1,036,424	1,095,622	-	98	963,211	(65,481)	(64,172)	Subsidiary
	GUC	Hsin-Chu, Taiwan	Researching, developing, manufacturing, testing and marketing of integrated circuits	386,568	386,568	42,572	37	798,498	379,148	140,487	Investee with a controlling financial interest
	Emerging Alliance	Cayman Islands	Investing in new start-up technology companies	976,450	1,019,042	-	99	388,216	(8,449)	(8,407)	Subsidiary
	Chi Chemg	Taipei, Taiwan	Investment activities	300,000	300,000	-	36	221,911	49,962	(1,134)	Subsidiary
	Hsin Ruey	Taipei, Taiwan	Investment activities	300,000	300,000	-	36	220,092	49,821	(1,362)	Subsidiary
	TSMC Europe	Amsterdam, the Netherlands	Marketing activities	15,749	15,749	-	100	107,796	18,877	18,877	Subsidiary
	TSMC Japan	Yokohama, Japan	Marketing activities	83,760	83,760	6	100	104,842	1,862	1,862	Subsidiary
	TSMC Korea	Seoul, Korea	Marketing activities	13,656	13,656	80	100	15,286	1,710	1,710	Subsidiary
TSMC International	ISDF	Cayman Islands	Investing in new start-up technology companies	US\$ 7,680	US\$ 8,721	7,680	97	US\$ 9,841	US\$ (275)	N/A	Subsidiary
	ISDF II	Cayman Islands	Investing in new start-up technology companies	US\$ 41,027	US\$ 43,048	41,027	97	US\$ 43,875	US\$ 1,087	N/A	Subsidiary
	TSMC Development	Delaware, U.S.A.	Investment activities	US\$ 0.001	US\$ 0.001	-	100	US\$ 675,749	US\$ 1,665	N/A	Subsidiary
	TSMC Technology	Delaware, U.S.A.	Engineering support activities	US\$ 0.001	US\$ 0.001	-	100	US\$ 8,129	US\$ 1,537	N/A	Subsidiary
TSMC Development	WaferTech	Washington, U.S.A.	Manufacturing, selling, testing and computer-aided designing of integrated circuits and other semiconductor devices	US\$ 380,000	US\$ 430,000	-	100	US\$ 193,376	US\$ 15,907	N/A	Subsidiary
TSMC Partners	VisEra Holding Company	Cayman Islands	Investment in companies involved in the design, manufacturing, and other related businesses in the semiconductor industry	US\$ 43,000	US\$ 43,000	43,000	49	US\$ 72,590	US\$ 1,500	N/A	Investee accounted for using equity method
	TSMC Canada	Ontario, Canada	Engineering support activities	US\$ 2,300	US\$ 2,300	2,300	100	US\$ 2,876	US\$ 100	N/A	Subsidiary

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of June 30, 2008			Net Income (Losses) of the Investee (Foreign Currencies in Thousands)	Equity in the Earnings (Losses) (Note 2) (Foreign Currencies in Thousands)	Note
				June 30, 2008 (Foreign Currencies in Thousands)	December 31, 2007 (Foreign Currencies in Thousands)	Shares (in Thousands)	Percentage of Ownership	Carrying Value (Note 1)			
VisEra Holding Company	VisEra	Hsin-Chu, Taiwan	Manufacturing and selling of electronic parts and providing turn-key services in back-end color filter fabrication, package, test, and optical solutions	US\$ 91,041	US\$ 91,041	253,120	90	US\$ 129,459	US\$ 1,484	N/A	Subsidiary
VTAF III	Mutual-Pak Technology Co., Ltd.	Taipei, Taiwan	Manufacturing and selling of electronic parts and researching, developing, and testing of RFID	US\$ 1,705	US\$ 1,705	4,590	51	US\$ 1,649	US\$ (223)	N/A	Subsidiary
	VTA Holdings	Delaware, U.S.A.	Investing in new start-up technology companies	US\$ -	US\$ -	-	68	US\$ -	US\$ -	N/A	Subsidiary
	Growth Fund	Cayman Islands	Investing in new start-up technology companies	US\$ 600	US\$ 600	-	100	US\$ 600	US\$ (31)	N/A	Subsidiary
VTAF II	VTA Holdings	Delaware, U.S.A.	Investing in new start-up technology companies	US\$ -	US\$ -	-	24	US\$ -	US\$ -	N/A	Subsidiary
GUC	GUC-NA	U.S.A	Consulting services in main products	US\$ 500	US\$ 100	100	100	\$ 21,170	\$ 1,532	N/A	Subsidiary
	GUC-Japan	Japan	Consulting services in main products	JPY 30,000	JPY 10,000	1	100	9,495	562	N/A	Subsidiary
	GUC-Europe	The Netherlands	Consulting services in main products	EUR 50	-	-	100	2,420	22	N/A	Subsidiary
Emerging Alliance	VTA Holdings	Delaware, U.S.A.	Investing in new start-up technology companies	US\$ -	US\$ -	-	8	US\$ -	US\$ -	N/A	Subsidiary
Chi Cherng	Hsin Ruey	Taipei, Taiwan	Investment activities	\$ 533,333	\$ 533,333	-	64	\$ 964,748	\$ 49,821	N/A	Same parent company
	VIS	Hsin-Chu, Taiwan	Research, design, development, manufacture, packaging, testing and sale of memory integrated circuits, LSI, VLSI and related parts	100,116	100,116	5,082	-	103,235	1,241,525	N/A	Investee accounted for using equity method
Hsin Ruey	Chi Cherng	Taipei, Taiwan	Investment activities	\$ 533,333	\$ 533,333	-	64	\$ 967,488	\$ 49,962	N/A	Same parent company
	VIS	Hsin-Chu, Taiwan	Research, design, development, manufacture, packaging, testing and sale of memory integrated circuits, LSI, VLSI and related parts	80,188	80,188	3,748	-	80,865	1,241,525	N/A	Investee accounted for using equity method

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

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

(Concluded)

TABLE 7**Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries****INFORMATION OF INVESTMENT IN MAINLAND CHINA****FOR THE SIX MONTHS ENDED JUNE 30, 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, 2008 (US\$ in Thousand)	Investment Flows		Accumulated Outflow of Investment from Taiwan as of June 30, 2008 (US\$ in Thousand)	Percentage of Ownership	Equity in the Earnings (Losses) (Note 2)	Carrying Value as of June 30, 2008	Accumulated Inward Remittance of Earnings as of June 30, 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%	\$(1,010,850)	\$7,574,803	\$ -

Accumulated Investment in Mainland China as of June 30, 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 audited financial statements.

TABLE 8**Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries****INTERCOMPANY BUSINESS RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS****(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Specified)****A. FOR THE SIX MONTHS ENDED JUNE 30, 2008**

No.	Company Name	Counter Party	Nature of Relationship (Note 1)	Intercompany Transactions			
				Financial Statement Item	Amount	Terms (Note 2)	Percentage of Consolidated Total Gross Sales or Total Assets
0	TSMC	TSMC North America	1	Sales	\$ 103,800,578	-	59%
				Receivables from related parties	23,871,291	-	4%
				Other receivables from related parties	28,677	-	-
				Payables to related parties	3,681	-	-
		TSMC Shanghai	1	Sales	46,661	-	-
				Purchases	2,650,161	-	2%
				Gain on disposal of property, plant and equipment	103,421	-	-
				Technical service income	58,102	-	-
				Other receivables from related parties	191,032	-	-
				Payables to related parties	476,025	-	-
				Deferred credits	277,340	-	-
		TSMC Japan	1	Marketing expenses - commission	116,844	-	-
				Payables to related parties	40,414	-	-
		TSMC Europe	1	Marketing expenses - commission	184,005	-	-
				Payables to related parties	42,540	-	-
		TSMC Korea	1	Marketing expenses - commission	9,837	-	-
				Other receivables from related parties	3,068	-	-
				Payables to related parties	2,716	-	-
		GUC	1	Sales	662,720	-	-
				General and administrative expenses - rental	525	-	-
				Research and development expenses	11,883	-	-
				Receivables from related parties	286,529	-	-
				Other receivables from related parties	140,489	-	-
		TSMC Technology	1	Payables to related parties	9,499	-	-
				Research and development expenses	52,761	-	-
		WaferTech	1	Sales	167,355	-	-
				Purchases	4,848	-	-
				Purchases	4,410,290	-	3%
				Other receivables from related parties	22,526	-	-
				Payables to related parties	666,082	-	-
		XinTec	1	Other receivables from related parties	18,214	-	-
		TSMC Canada	1	Research and development expenses	95,549	-	-
1	TSMC Partners	TSMC International	3	Other receivables	7,527,792	-	1%
				Deferred revenue	7,527,792	-	1%

(Continued)

No.	Company Name	Counter Party	Nature of Relationship (Note 1)	Intercompany Transactions			
				Financial Statement Item	Amount	Terms (Note 2)	Percentage of Consolidated Total Gross Sales or Total Assets
2	GUC	TSMC North America	3	Purchases	\$ 974,101	-	1%
				Manufacturing overhead	141,382	-	-
				Operating expenses	1,458	-	-
				Payables to related parties	121,935	-	-
		GUC-NA	3	Operating expenses	43,492	-	-
				Accrued expenses	12,828	-	-
		GUC-Japan	3	Operating expenses	12,889	-	-
				Accrued expenses	1,687	-	-

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

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

(Continued)

B. FOR THE SIX MONTHS ENDED JUNE 30, 2007

No.	Company Name	Counter Party	Nature of Relationship (Note 1)	Intercompany Transactions			
				Financial Statement Item	Amount	Terms (Note 2)	Percentage of Consolidated Total Gross Sales or Total Assets
0	TSMC	TSMC North America	1	Sales	\$ 83,546,469	-	60%
				Receivables from related parties	20,642,259	-	3%
				Other receivables from related parties	88,131	-	-
				Payables to related parties	22,342	-	-
		TSMC Shanghai	1	Sales	13,717	-	-
				Purchases	2,485,579	-	2%
				Gain on disposal of property, plant and equipment	108,802	-	-
				Technical service income	59,823	-	-
				Other receivables from related parties	60,263	-	-
				Payables to related parties	611,054	-	-
				Deferred credits	617,113	-	-
		TSMC Japan	1	Marketing expenses - commission	115,663	-	-
		TSMC Europe	1	Payables to related parties	42,468	-	-
				Marketing expenses - commission	146,354	-	-
		TSMC Korea	1	Payables to related parties	58,105	-	-
				Marketing expenses - commission	10,713	-	-
		GUC	1	Sales	427,557	-	-
				General and administrative expenses - rental	3,473	-	-
				Research and development expenses	33,483	-	-
				Receivables from related parties	32,762	-	-
				Other receivables from related parties	52,817	-	-
				Payables to related parties	6,910	-	-
				Payables to related parties	43,971	-	-
				Research and development expenses	145,596	-	-
		WaferTech	1	Purchases	4,804,106	-	3%
				Payables to related parties	804,285	-	-
1	TSMC International	TSMC Technology	3	Deferred royalty income	646,424	-	-
2	TSMC Partners	TSMC International	3	Other receivables	9,990,661	-	2%
				Deferred revenue	8,852,419	-	1%
3	GUC	TSMC North America	3	Purchases	697,701	-	-
				Manufacturing overhead	134,023	-	-
				Payables to related parties	149,929	-	-
		GUC-NA	3	Operating expenses	25,266	-	-

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

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

(Concluded)