

TAIWAN SEMICONDUCTOR MANUFACTURING CO LTD

Form 6-K

July 03, 2008

1934 Act Registration No. 1-14700  
**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, DC 20549**  
**FORM 6-K**  
**REPORT OF FOREIGN PRIVATE ISSUER**  
**PURSUANT TO RULE 13a-16 OR 15d-16 OF**  
**THE SECURITIES EXCHANGE ACT OF 1934**  
**For the month of July 2008**  
**Taiwan Semiconductor Manufacturing Company Ltd.**  
(Translation of Registrant's Name Into English)  
**No. 8, Li-Hsin Rd. 6,**  
**Hsinchu Science Park,**  
**Taiwan**

(Address of Principal Executive Offices)

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

Form 20-F  Form 40-F

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

Yes  No

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

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**MINUTES**  
**OF**  
**2008 ANNUAL GENERAL SHAREHOLDERS MEETING**  
**OF**  
**TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LIMITED**  
(Translation)

Time and Date of Meeting: 9:30 a.m., June 13, 2008

Place of Meeting: TSMC Fab 12 (No. 8, Li-Hsin Road 6, Hsinchu Science Park, Hsin-Chu, Taiwan, R.O.C.)

Total outstanding shares of TSMC (excluding the shares without voting right as stipulated in Article 179 of the Company Law): 25,595,854,801 shares

Total shares represented by shareholders present: 22,584,787,896 shares

Percentage of shares held by shareholders present: 88.23 %

Chairman: Dr. Morris Chang, the Chairman of the Board of Directors

Recorder: Sylvia Fang

The aggregate shareholding of the shareholders present constituted a quorum. The Chairman called the meeting to order.

**A. Chairman's Address**

**B. Report Items**

I. Reported the business of 2007. (see Attachment I)

II. Audit Committee's Report. (see Attachment II)

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III. Reported the implementation of common share buyback.

Explanatory Notes: TSMC completed a share repurchase program in 2007:

- (1) Date of resolution of the Board of Directors: November 13, 2007
- (2) Purpose of the buyback: For the shareholders' interest
- (3) Method of buyback: Buying back shares on Taiwan Stock Exchange
- (4) Buyback period: From November 14, 2007 to December 31, 2007
- (5) Number of shares bought back: 800,000,000 shares
- (6) Number of shares bought back as a percentage of TSMC's total outstanding shares: 3.03%
- (7) Total value of shares bought back: NT\$48,466,957,100
- (8) The average buyback price per share: NT\$60.58
- (9) Number of shares cancelled: 800,000,000 shares

Supplementary Report:

TSMC's Board of Directors approved a resolution at its meeting of May 13, 2008 to further buy back its common shares with a maximum of 500,000,000 shares on Taiwan Stock Exchange, during the buyback period from May 14 to July 13, 2008. The subject buyback is still in process.

IV. Reported TSMC's Rules and Procedures of Board of Directors Meetings. (see Attachment III)

**C. Resolutions**

- I. The 2007 Business Report and Financial Statements were submitted at the meeting for acceptance. (Proposed by the Board of Directors)

Explanatory Notes: 1. TSMC's 2007 Financial Statements, including Balance Sheet, Income Statement, Statement of Changes in Shareholders' Equity, and Cash Flow Statement were audited by independent auditors,

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Messrs. Jackson Huang and Michael Chang, of Deloitte & Touche.

2. The 2007 Business Report, independent auditors' audit report, and the above-mentioned Financial Statements were attached hereto as Attachments I, IV and V.

3. Please accept the above-mentioned Business Report and Financial Statements.

Upon solicitation of comments by the Chairman, there was no objection voiced and the resolution was adopted unanimously by the shareholders present:

RESOLVED, that the 2007 Business Report and Financial Statements be and hereby were accepted as submitted.

II. A proposal to approve the distribution of 2007 profits was submitted at the meeting for discussion and approval. (Proposed by the Board of Directors)

Explanatory Notes: 1. The proposed profit distribution was allocated from 2007 Retained Earnings Available for Distribution. Each common share holder would be entitled to receive a cash dividend of NT\$3 per share, and a stock dividend of 2 shares for each 1,000 shares held by such shareholders. In addition, each common share holder would be entitled to receive, for each 1,000 shares held, 3 shares from the proposed capitalization of capital surplus to be discussed in the next resolution; and, together with the 2 shares of stock dividend as mentioned above, 5 shares in total for each 1,000 shares held by such shareholder. If the above-mentioned distributions included any fractional shares which were less than one full share, the shareholders concerned may arrange for pooling together their fractional shares to form one full

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share and register the same within 5 days after the record date. For the fractional shares which could not be pooled, the distribution would be made in the form of cash rounded to the nearest dollar amount calculated at par value. Such fractional shares would be purchased by persons arranged by the Chairman as authorized by the Board of Directors of TSMC.

The total amount of outstanding common shares might change and the ultimate cash and stock to be distributed to each common share might need to be adjusted accordingly should TSMC subsequently repurchase its common shares or issue new common shares to its employees as a result of their exercising of stock options. It was proposed that the Chairman of the Board of Directors of TSMC be authorized to adjust the cash and stock to be distributed to each common share based on the total amount of profits resolved to be distributed and capital surplus resolved to be capitalized, and the number of actual outstanding common shares on the record date for distribution.

2. The 2007 Profit Allocation Proposal was attached hereto as Attachment VI.

(Questions raised by the shareholders and the management's responses were omitted)

Upon solicitation of comments by the Chairman, there was no objection voiced and the resolution was adopted unanimously by the shareholders present:

RESOLVED, that the above proposals be and hereby were approved as proposed.

III. A proposal to approve the capitalization of 2007 dividends, 2007 employee

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profit sharing, and capital surplus was submitted at the meeting for discussion and approval. (Proposed by the Board of Directors)

- Explanatory Notes:
1. For purposes of machine purchase and production capacity expansion, it was proposed that TSMC's capital stock be increased by capitalizing (i) capital surplus generated from the excess of the issue price over the par value of capital stock in the amount of NT\$ 768,813,120; and (ii) the stock dividends to shareholders of NT\$512,542,080 and employee profit sharing (in stock) of NT\$3,939,883,080, allocated from 2007 Retained Earnings Available for Distribution.
  2. The total amount of capital stock increase should be NT\$5,221,238,280 and 522,123,828 common shares, at par value of NT\$10 per share, should be issued for such capital increase.
  3. The shareholder's rights and obligations of the new shares were the same as those of the existing shares. After being approved by the governmental authority in charge, the new shares would be distributed on a record date to be determined by the Board of Directors or its designee(s).
  4. As of April 15, 2008 (the first day of book-close period for registration of share transfer before the Annual General Shareholders' Meeting), the number of exercisable shares of employees' stock options that TSMC granted was approximately 38,835,000 shares. In accordance with TSMC's Employee Stock Option Plans, TSMC had to adjust upwards the number of outstanding employees' stock options in proportion to the proposed capital increase. It was estimated that the number of such additional employees' stock options was approximately 791,000 shares.
  5. Since the additional employees' stock options were
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issued in proportion to the increase of capital stock, it should not cause any material impact to the shareholders' interest. There were sufficient common shares reserved in the Articles of Incorporation for granting the aforesaid additional employees' stock options.

Upon solicitation of comments by the Chairman, there was no objection voiced and the resolution was adopted unanimously by the shareholders present:

RESOLVED, that the capitalization of 2007 dividends, 2007 employee profit sharing, and capital surplus be and hereby were approved as proposed.

**D. Special Motion**

There being no other business and special motion, upon a motion duly made and seconded, the meeting was adjourned.

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### **Business Report**

In 2007, TSMC delivered its 6<sup>th</sup> consecutive annual growth in revenue since 2001. Although we saw weakened demand in the first quarter as customers worked down inventories, our revenue recovered in the following quarters with rising utilization rates and improving profitability quarter over quarter.

Due to customers' inventory correction that took place in early part of 2007, growth of the pure-play foundry segment of the semiconductor industry for the year was essentially flat, lagging the global semiconductor industry's estimated 4% growth. Nevertheless, in our 20th year as a public company, TSMC continued to enjoy a market share of about 50% in the pure-play foundry segment it created, and announced several major operational and technological developments. More importantly, better capital discipline in 2008 along with increasing capital productivity and operating efficiencies should put us in a stronger position for continued growth and higher profitability in future years.

### **Financial Results**

Revenue for 2007 totaled NT\$322.63 billion, a 1.6 percent increase compared with NT\$317.41 billion in 2006. Net income was NT\$109.18 billion, a decrease of 14 percent compared with net income of NT\$127.01 billion earned in 2006. Diluted earnings per share decreased 15.8% to NT\$4.14, compared with NT\$4.92 for 2006. In US dollars, TSMC revenue for 2007 increased 0.7% to US\$9.83 billion, while net income declined 15% to US\$3.23 billion. Although TSMC registered another revenue record in 2007, a lower average utilization rate and a larger decline in average selling price than in 2006 contributed to the decrease in earnings.

Among other highlights in 2007, TSMC achieved:

- Total average billing utilization of 93%

- Average gross profit margin of 44.1%

- Average operating profit margin of 34.6%

During the year, TSMC shipped more than 8 million eight-inch equivalent wafers, representing about 7.5% of global IC wafer shipments.

### **Technology Innovations**

TSMC continues to lead the semiconductor industry by pushing the boundaries of advanced technology. Our investment and long-term commitment in advanced technology

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development helps enable our customers to bring their leading-edge products first to market. In early 2007, TSMC delivered the foundry segment's first functional 65-nanometer embedded DRAM for customer product. In September of the same year, TSMC completed 45-nanometer technology qualification and entered production. In December, we announced, at the IEEE International Electron Devices Meeting in Washington DC, our development of the first 32-nanometer technology and the proven functionality of the test chip. Customers continue to move toward our more powerful and efficient 65nm and 45nm technologies. In 2007, we have increased our market share at the 65nm node and further solidified our leadership in advanced technologies. Meanwhile, the number of customers we have engaged in discussions for TSMC's 45nm technology is higher at this stage than we experienced for 65nm at the same ramp point.

#### **Awards**

In 2007, TSMC continued to receive recognition and awards from around the world as a corporate role model. Among the numerous media surveys conducted in 2007, *FinanceAsia*, *Corporate Governance Asia*, *The Asset Magazine*, and the *IR Magazine* all have awarded TSMC as the Best Corporate Governance, while *FinanceAsia* has also chosen TSMC as the Best Managed Company with the Best CFO and the Best Investor Relations in the Taiwan region. *IR Magazine* also awarded TSMC with the Grand Prix for Best Overall Investor Relations, Best Investment Meetings, Best IR by a CEO, and Best IR Officer. *CommonWealth Magazine* voted us the Most Admired Company for the 11<sup>th</sup> consecutive time and also awarded us with Excellence in Corporate Social Responsibility.

#### **Corporate Development**

The Company and Royal Philips Electronics announced in March 2007 a four-phased plan to facilitate an orderly exit by Philips from its TSMC shareholding. In the third phase of the program completed on December 31, 2007, the Company had repurchased a total of 800 million of its common shares over the open market from the Taiwan Stock Exchange, accounting for approximately 3.03% of its total outstanding shares, at an average price of NT\$60.58 per share. The repurchased shares will be cancelled.

TSMC increased to 37 percent its ownership of outstanding shares of Vanguard International Semiconductor Corporation. We expect the investment will strengthen the Company's business alliance with Vanguard and advance our eight-inch wafer strategy.

Starting in 2008, Taiwan accounting rules require the expensing of employee profit sharing in the Company's financial statements. TSMC took an early leadership position by announcing in November 2006 a change in its profit sharing mechanism in order to better

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balance the interests of TSMC's employees and its shareholders. As we informed the market as well as our employees at that time, employee profit sharing for the year 2008 will be at 15% of 2008's net income, and the Company will start accruing such an amount in each quarter beginning the first quarter of 2008.

**Outlook**

As we begin our 21<sup>st</sup> year, management anticipates the global semiconductor market should grow by a mid- single digit rate in 2008, and that the foundry segment in general, and TSMC in particular, should grow by more than that. While much depends on macro-economic developments globally, our 2008 results will benefit from the capacity that we have already built over the years along with improvements in capital productivity and operating efficiency. We are focused on balancing capacity installation with anticipated demand to maintain high utilization rates, which will have a positive impact on return on investment. Given TSMC's 2008 capacity plan, which represents an annual capacity increase of 12.7%, we expect the capital intensity ratio, defined as capital expenditure as a percentage of sales, will be lower this year. We are also focusing on pricing so that it will reflect the true value proposition that TSMC's products and services represent to our customers.

The semiconductor competitive landscape will continue to transform itself as the costs associated with designing and producing advanced technology continues to grow. Customers and suppliers are today dealing with new processes and new materials as complex and costly as they are powerful. All of us at TSMC will continue to commit ourselves to enabling our customers' success and increasing our shareholders' value throughout 2008 and beyond.

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**ATTACHMENT II**

**Audit Committee's Report**

The Board of Directors has prepared the Company's 2007 Business Report, Financial Statements, and proposal for allocation of profits. The CPA firm of Deloitte & Touche was retained to audit TSMC's Financial Statements and has issued an audit report relating to the Financial Statements. The Business Report, Financial Statements, and profit allocation proposal have been reviewed and determined to be correct and accurate by the undersigned, the Audit Committee members of Taiwan Semiconductor Manufacturing Company Limited. According to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Law, we hereby submit this report.

**Taiwan Semiconductor Manufacturing Company Limited**

Independent Director      Sir Peter Leahy Bonfield

Independent Director      Lester Carl Thurow

Independent Director      Stan Shih

Independent Director      Carleton (Carly) S. Fiorina  
March 12, 2008

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**ATTACHMENT III**

**TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LIMITED  
RULES AND PROCEDURES OF BOARD OF DIRECTORS MEETINGS**

**Article 1 (Scope of the Rules and Procedures)**

Unless relevant laws and regulations or the Company's Articles of Incorporation provide otherwise, the Company's Board of Directors meetings ( Board Meetings ) shall be conducted in accordance with the Rules and Procedures of Board of Directors Meetings (the Rules and Procedures ).

**Article 2 (Convention and Chairman of Board Meetings)**

Board Meetings shall be held at least once every quarter but may be held at any time in case of urgent circumstances. Board Meetings shall be convened and presided over by the Chairman of the Board of Directors. However, the first meeting of every term of the newly elected Board of Directors shall be convened and presided over by the Director who has received the largest number of votes after such election; if there are two or more persons with such convening rights, they shall elect from amongst themselves one person to convene and preside over the meeting.

In case the Chairman of the Board of Directors is on leave or unable to exercise his powers for any cause, the Vice Chairman of the Board of Directors shall act on his behalf. If the Vice Chairman is also on leave or unable to exercise his powers for any cause, the Chairman shall appoint a Director to act on his behalf. In the absence of such an appointee, the Directors shall elect from amongst themselves one person to act on the behalf of the Chairman.

**Article 3 (Place and Time of Board Meetings)**

Board Meetings shall be held at the head office and during the office hours of the Company or at any other appropriate place and time convenient for the Directors to attend.

**Article 4 (Designated Secretariat, Meeting Notices, and Meeting Materials)**

The subject matters of Board Meetings shall be decided by the Chairman of the Board of Directors. The Board secretariat shall conduct the drafting of meeting agendas and minutes,

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and handle other administrative matters related to Board Meetings, and reports to the Chairman of the Board of Directors. The Company's Board secretariat shall be appointed by the Chairman of the Board of Directors. Board Meetings shall be convened upon written notices sent to all Directors fourteen days prior to the date of the meeting, specifying the date and place of the meeting and attaching the meeting agenda and related materials. Notices shall be written in both the Chinese language and the English language. However, Board Meetings may be convened at any time without such prescribed notices in case of urgent circumstances. Any Director attending the meeting in person shall be deemed to have received such meeting notice.

If the Directors consider meeting materials to be insufficient, they may request the Board secretariat to provide supplemental materials in advance. If the Directors consider meeting materials to be insufficient during the meeting, the meeting may be postponed upon a resolution of the Board of Directors.

Except for any urgent circumstances or legitimate reasons, the material matters listed below should be included in the meeting agenda in advance and may not be presented as special motions:

1. The Company's business plans;
2. Annual and semi-annual financial statements;
3. Adoption or amendment of an internal control system;
4. Adoption or amendment of procedures for acquisition or disposal of assets, financial derivatives transactions, lending funds to other parties, or providing endorsement or guarantees for other parties;
5. Material transactions of assets or financial derivatives; material monetary loans, endorsements or guarantees;
6. Offering, issuance, or private placement of any equity-type securities;
7. Appointment or discharge of CFO, Controller, or head of internal auditor; and
8. Any other matters that shall be resolved by the Shareholders' Meeting or Board Meeting as required by relevant laws and regulations or the Company's Articles of Incorporation, or that are deemed to be material by the regulatory authorities.

**Article 5 (Subject Matters of Board Meetings)**

The agenda of regular Board Meetings shall include at least the following items:

1. Report items:
    - (1) The meeting minutes of the preceding meeting;
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- (2) Material business and financial reports;
  - (3) Internal audit matters reports; and
  - (4) Other important matters report, including the report on implementation status of previous resolutions.
2. Discussion items:
    - (1) Discussion items reserved by the preceding meeting; and
    - (2) Discussion items of the current meeting.
  3. Special motions

**Article 6 (Attendance Signing Booklet and Proxies)**

A signing booklet shall be provided at every Board Meeting for the attending Directors to sign in. The Directors shall attend Board Meetings in person. If unable to attend, a Director may appoint another Director to attend on his behalf by proxy which specifies the scope of authorization; any appointee shall not act as proxy for more than one Director. Any Director attending the meeting via video conference shall be deemed to have attended the meeting in person but shall sign an attendance card and send it to the Board secretariat via facsimile in lieu of signing on the attendance signing booklet.

With respect to the discussion of matters specified under Article 14-3 of the Securities and Exchange Act, Independent Directors shall attend the Board Meetings in person; if an Independent Director is unable to attend a Board Meeting in person and wishes to delegate his/her rights, he/she can only delegate another Independent Director to attend on his/her behalf. Any dissenting opinion or abstention by Independent Directors shall be recorded in the Board Meetings minutes. If Independent Directors are unable to attend Board Meetings in person to express their dissenting opinion or abstention, except for legitimate reasons, they shall submit a written statement in advance to be recorded in the Board Meetings minutes.

**Article 7 (Convention of Board Meetings)**

If half or more of the Directors are not yet present at the scheduled time for a Board Meeting, the Chairman may postpone the time of the meeting. The postponements shall be limited to twice at the most. If after two postponements no quorum can yet be constituted, the Chairman may reconvene the meeting pursuant to the procedures under Article 4 of the Rules and Procedures.

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**Article 8 (Other Attendants)**

Depending on the subject matters of proposed resolutions, relevant managerial personnel may be invited to present at Board Meetings to assist the Directors in understanding the Company's current conditions so that they can make appropriate resolutions. In addition, CPAs, legal counsels, or other professional personnel may be invited to the meetings to provide professional opinions for the Board of Directors' reference.

**Article 9 (Discussion of Proposed Resolutions)**

In principle, the discussion of proposed resolutions at a Board Meeting shall proceed in accordance with the agenda attached to the meeting notice. However, if no objection is voiced by any Director present at the meeting or with more than half of the attending Directors' consent, the Chairman may make changes. Unless otherwise resolved at the meeting, the Chairman cannot announce adjournment of the meeting before all the discussion items (including special motions) listed in the above agenda are resolved.

In the process of a Board Meeting, if the number of Directors present at the meeting become fewer than half of the Directors originally attending the meeting, the Chairman shall announce a temporary adjournment of the meeting upon a motion made by any Director present at the meeting, and Article 7 of the Rules and Procedures applies *mutatis mutandis* to such case.

During a meeting, the Chairman may, at his discretion, set time for intermission or negotiation.

**Article 10 (Voting)**

The Chairman may announce to end the discussion of any resolution and go into voting if the Chairman deems it appropriate for voting.

Resolutions shall be deemed adopted if no objection is voiced by any of the attending Directors after solicitation by the Chairman. If objection is voiced after solicitation by the Chairman, such resolution shall be voted. Except otherwise specified in applicable laws and regulations, a resolution shall be adopted by a majority of those Directors present at a meeting attended by a majority of all Directors. If there is an amendment to or substitute for a proposed resolution, the Chairman shall decide the sequence of voting for such proposed resolution and the amendment or substitute. If any one of them has been adopted, the others shall be deemed vetoed and no further voting is required. The result of voting shall be announced at the meeting and placed on record.

The method of voting shall be one of the following as determined by the Chairman:

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1. By showing of hands;
2. By voicing votes; or
3. By casting ballots. The Chairman shall appoint person(s) to monitor the voting process and person(s) to count the ballots; and the person(s) appointed to monitor the voting process should be a Director.

**Article 11 (The Recusal of Conflict-Interested Directors)**

If a Director or the judicial person the Director represents has a personal interest in the matter under discussion at the meeting, which may impair the interest of the Company, the Director may make statements or answer inquiries, but the Director shall not join the discussion and voting of such matter. The Director shall recuse himself/herself when the matter is being discussed and resolved; nor shall the Director exercise voting right on behalf of another Director.

**Article 12 (Meeting Items to be Recorded and Signed)**

The resolutions of every Board Meeting shall be recorded in the meeting minutes. The meeting minutes shall accurately record the following items:

1. The term (or year), place, and time of the meeting;
2. The name of the chairman;
3. The attendance situation of the Directors, including the names and numbers of those who are present, on leave, and absent;
4. The names and titles of the other attendants;
5. The name of the recorder;
6. Report items;
7. Discussion items: the voting method and the result of each proposed resolution; the summary of opinion by the Directors, experts, and other personnel; any dissenting opinion or abstention with a written statement; any written statement provided by the Independent Directors pursuant to Paragraph 2 of Articles 6 of the Rules and Procedures;
8. Special motions: the names of the persons proposing the special motions; the voting method and the result of each proposed resolution; the summary of opinion by the Directors, experts, and other personnel; any dissenting opinion or abstention with a written statement; and
9. Other items that shall be recorded.

Meeting minutes shall be signed or chopped by the chairman of the meeting and the recorder, distributed to each Director within twenty days after the meeting, and carefully kept as the Company's important file throughout the life of the Company. The attendance signing

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booklet of a Board Meeting shall be part of the meeting minutes and be permanently retained throughout the life of the Company. The recording and distribution of meeting minutes may be performed by means of electronic transmission.

**Article 13 (Tape-recording of Board Meeting Process)**

The process of a Board Meeting regarding the subject matters specified in Article 5 of the Rules and Procedures shall be fully tape-recorded and retained for five years in a method that may be encrypted. If litigation occurs regarding any matter resolved by the Board of Directors before the above retention period expires, the relevant recording tapes shall continue to be retained until the litigation is concluded, and the above mentioned five-year rule shall not be applicable. If a Board Meeting is held via video conference, the video and recording tapes shall be part of the meeting minutes and be permanently retained throughout the life of the Company.

**Article 14 (Cancellation of Board Meetings)**

In the case of special circumstances where a scheduled Board Meeting of the Company must be cancelled after meeting notices have been sent to the Directors, the meeting may be cancelled if the person with convening right notifies the Directors in writing at least three days prior to the scheduled meeting date. In the case of urgent circumstances where the scheduled Board Meeting must be cancelled and it is impossible to notify the Directors prior to the time specified above, the meeting may be cancelled if the person with convening right notifies the Directors by telephone or other means at least three hours prior to the scheduled meeting time and confirms that each Director has received such notice.

**Article 15 (Delegation of the Board of Directors)**

The Chairman of the Board of Directors shall act on behalf of the Board of Directors pursuant to the Company's objectives when the Board of Directors is not in session. In case the Chairman of the Board of Directors is unable to exercise his powers for any cause, the Vice Chairman of the Board of Directors or another Director shall act for him according to the Company's Articles of Incorporation and Article 208 of the Company Law.

**Article 16 (Effective Date and Amendment)**

These Rules and Procedures shall be effective from January 1, 2007. Any amendment to these Rules and Procedures shall be approved by the Board of Directors.

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ATTACHMENT IV

**INDEPENDENT AUDITORS REPORT**

The Board of Directors and Shareholders

Taiwan Semiconductor Manufacturing Company Limited

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Taiwan Semiconductor Manufacturing Company Limited as of December 31, 2007 and 2006, and the results of its operations and its cash flows for the years then ended in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, requirements of the Business Accounting Law and Guidelines Governing Business Accounting with respect to financial accounting standards, and accounting principles generally accepted in the Republic of China.

We have also audited, in accordance with the Rules Governing the Audit of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China, the consolidated financial statements of Taiwan Semiconductor Manufacturing Company Limited and subsidiaries as of and for the years ended December 31, 2007 and 2006, and have expressed an unqualified opinion on the consolidated financial statements.  
January 10, 2008

*Notice to Readers*

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

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

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**Taiwan Semiconductor Manufacturing Company Limited****BALANCE SHEETS****DECEMBER 31, 2007 AND 2006****(In Thousands of New Taiwan Dollars, Except Par Value)**

|  | 2007               |           | 2006               |           |
|--|--------------------|-----------|--------------------|-----------|
|  | Amount             | %         | Amount             | %         |
| <b>ASSETS</b>  |                    |           |                    |           |
| <b>CURRENT ASSETS</b>  |                    |           |                    |           |
| Cash and cash equivalents (Notes 2 and 4)                                | \$ 72,422,102      | 13        | \$ 100,139,709     | 17        |
| Financial assets at fair value through profit or loss (Notes 2, 3 and 5) | 42,083             |           | 44,601             |           |
| Available-for-sale financial assets (Notes 2, 3 and 6)                   | 22,267,223         | 4         | 25,967,061         | 5         |
| Held-to-maturity financial assets (Notes 2 and 7)                        | 11,526,946         | 2         | 8,510,823          | 2         |
| Receivables from related parties (Note 24)                               | 26,701,648         | 5         | 16,869,509         | 3         |
| Notes and accounts receivable  | 17,911,328         | 3         | 16,278,164         | 3         |
| Allowance for doubtful receivables (Notes 2 and 8)                       | (688,972)          |           | (690,931)          |           |
| Allowance for sales returns and others (Notes 2 and 8)                   | (3,856,685)        |           | (2,751,065)        |           |
| Other receivables from related parties (Note 24)                         | 525,308            |           | 449,266            |           |
| Other financial assets   | 331,698            |           | 653,460            |           |
| Inventories, net (Notes 2 and 9)   | 20,987,142         | 4         | 19,152,214         | 3         |
| Deferred income tax assets (Notes 2 and 17)                              | 5,268,000          | 1         | 7,832,000          | 1         |
| Prepaid expenses and other current assets                                | 861,465            |           | 1,221,199          |           |
| <b>Total current assets</b>  | <b>174,299,286</b> | <b>32</b> | <b>193,676,010</b> | <b>34</b> |
| <b>LONG-TERM INVESTMENTS (Notes 2, 3, 6, 7, 10 and 11)</b>               |                    |           |                    |           |
| Investments accounted for using equity method                            | 113,048,081        | 21        | 101,044,356        | 18        |
| Available-for-sale financial assets                                      | 1,397,186          |           | 6,647,511          | 1         |
| Held-to-maturity financial assets  | 8,697,726          | 2         | 28,973,495         | 5         |
| Financial assets carried at cost   | 748,160            |           | 712,843            |           |
| <b>Total long-term investments</b>                                       | <b>123,891,153</b> | <b>23</b> | <b>137,378,205</b> | <b>24</b> |
| <b>PROPERTY, PLANT AND EQUIPMENT (Notes 2, 12 and 24)</b>                |                    |           |                    |           |
| <b>Cost</b>  |                    |           |                    |           |
| Buildings  | 101,907,892        | 18        | 96,961,851         | 17        |
| Machinery and equipment  | 589,131,625        | 107       | 527,850,728        | 92        |
| Office equipment   | 9,167,107          | 2         | 8,659,225          | 2         |

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|   |                       |            |                       |            |
|---|-----------------------|------------|-----------------------|------------|
|   | 700,206,624           | 127        | 633,471,804           | 111        |
| Accumulated depreciation                      | (486,725,019)         | (88)       | (417,467,250)         | (73)       |
| Advance payments and construction in progress | 21,082,953            | 4          | 12,230,805            | 2          |
| Net property, plant and equipment             | 234,564,558           | 43         | 228,235,359           | 40         |
| <b>INTANGIBLE ASSETS</b>                      |                       |            |                       |            |
| Goodwill (Note 2)                             | 1,567,756             |            | 1,567,756             |            |
| Deferred charges, net (Notes 2 and 13)        | 7,172,413             | 1          | 5,593,068             | 1          |
| Total intangible assets                       | 8,740,169             | 1          | 7,160,824             | 1          |
| <b>OTHER ASSETS</b>                           |                       |            |                       |            |
| Deferred income tax assets (Notes 2 and 17)   | 7,241,933             | 1          | 5,761,127             | 1          |
| Refundable deposits                           | 2,741,538             |            | 1,306,234             |            |
| Others (Note 2)                               | 293,986               |            | 67,145                |            |
| Total other assets                            | 10,277,457            | 1          | 7,134,506             | 1          |
| <b>TOTAL</b>                                  | <b>\$ 551,772,623</b> | <b>100</b> | <b>\$ 573,584,904</b> | <b>100</b> |

**LIABILITIES AND SHAREHOLDERS  
EQUITY**

**CURRENT LIABILITIES**

|   |            |   |            |   |
|---|------------|---|------------|---|
| Financial liabilities at fair value through profit or loss (Notes 2, 3 and 5) | \$ 247,646 |   | \$ 10,751  |   |
| Accounts payable  | 9,485,818  | 2 | 6,143,679  | 1 |
| Payables to related parties (Note 24)   | 2,999,630  |   | 3,326,916  | 1 |
| Income tax payable (Notes 2 and 17)   | 10,977,963 | 2 | 7,850,418  | 1 |
| Accrued expenses and other current liabilities (Note 15)                      | 14,700,013 | 3 | 7,903,867  | 1 |
| Payables to contractors and equipment suppliers                               | 5,389,740  | 1 | 10,669,523 | 2 |
| Current portion of bonds payable (Note 14)                                    |            |   | 7,000,000  | 1 |
| Total current liabilities   | 43,800,810 | 8 | 42,905,154 | 7 |

**LONG-TERM LIABILITIES**

|   |            |   |            |   |
|---|------------|---|------------|---|
| Bonds payable (Note 14)                             | 12,500,000 | 3 | 12,500,000 | 2 |
| Other long-term payables (Note 15)                  | 1,501,462  |   | 1,271,896  |   |
| Other payables to related parties (Notes 24 and 26) |            |   | 403,375    |   |

|  |             |    |             |    |
|--|-------------|----|-------------|----|
| Total long-term liabilities                    | 14,001,462  | 3  | 14,175,271  | 2  |
| <b>OTHER LIABILITIES</b>                       |             |    |             |    |
| Accrued pension cost (Notes 2 and 16)          | 3,657,679   | 1  | 3,530,116   | 1  |
| Guarantee deposits (Note 26)                   | 2,240,677   |    | 3,809,961   | 1  |
| Deferred credits (Notes 2 and 24)              | 980,593     |    | 1,183,118   |    |
| Total other liabilities                        | 6,878,949   | 1  | 8,523,195   | 2  |
| Total liabilities                              | 64,681,221  | 12 | 65,603,620  | 11 |
| <b>CAPITAL STOCK NT\$10 PAR VALUE</b>          |             |    |             |    |
| Authorized: 28,050,000 thousand shares in 2007 |             |    |             |    |
| 27,050,000 thousand shares in 2006             |             |    |             |    |
| Issued: 26,427,104 thousand shares in 2007     |             |    |             |    |
| 25,829,688 thousand shares in 2006             | 264,271,037 | 48 | 258,296,879 |    |