

TAIWAN SEMICONDUCTOR MANUFACTURING CO LTD

Form 6-K

August 29, 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 August 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: ____.)

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

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

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

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

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We have also audited, in accordance with the Rules Governing the Audit of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China, the consolidated financial statements of Taiwan Semiconductor Manufacturing Company Limited and subsidiaries as of and for the six months ended June 30, 2008 and 2007, and expressed an unqualified opinion with an explanatory paragraph relating to the adoption of Interpretation 2007-052 and an unqualified opinion, respectively, on such consolidated financial statements.
July 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 jurisdictions. The standards, procedures and practices to audit such financial statements are those generally accepted and applied in the Republic of China.

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

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Taiwan Semiconductor Manufacturing Company Limited**BALANCE SHEETS****JUNE 30, 2008 AND 2007****(In Thousands of New Taiwan Dollars, Except Par Value)**

| | 2008 | | 2007 | |
|---|--------------------|-----------|--------------------|-----------|
| | Amount | % | Amount | % |
| ASSETS | | | | |
| CURRENT ASSETS | | | | |
| Cash and cash equivalents (Notes 2 and 4) | \$ 146,745,700 | 25 | \$ 143,256,382 | 23 |
| Financial assets at fair value through profit or loss (Notes 2 and 5) | 22,996 | | 172,240 | |
| Available-for-sale financial assets (Notes 2, 6 and 23) | 6,880,784 | 1 | 15,259,717 | 3 |
| Held-to-maturity financial assets (Notes 2 and 7) | 5,771,334 | 1 | 9,909,497 | 2 |
| Receivables from related parties (Note 24) | 24,139,822 | 4 | 20,675,167 | 3 |
| Notes and accounts receivable | 20,912,315 | 4 | 16,923,301 | 3 |
| Allowance for doubtful receivables (Notes 2 and 8) | (687,619) | | (694,039) | |
| Allowance for sales returns and others (Notes 2 and 8) | (4,194,528) | (1) | (2,595,838) | |
| Other receivables from related parties (Note 24) | 1,644,824 | | 1,280,419 | |
| Other financial assets | 417,822 | | 545,717 | |
| Inventories, net (Notes 2 and 9) | 20,816,966 | 4 | 21,677,958 | 3 |
| Deferred income tax assets (Notes 2 and 17) | 6,004,789 | 1 | 5,622,000 | 1 |
| Prepaid expenses and other current assets | 927,421 | | 1,197,661 | |
| Total current assets | 229,402,626 | 39 | 233,230,182 | 38 |
| LONG-TERM INVESTMENTS (Notes 2, 6, 7, 10, 11 and 23) | | | | |
| Investments accounted for using equity method | 106,640,304 | 18 | 105,071,276 | 17 |
| Available-for-sale financial assets | | | 4,518,721 | 1 |
| Held-to-maturity financial assets | 7,240,785 | 1 | 20,788,140 | 3 |
| Financial assets carried at cost | 747,521 | | 747,218 | |
| Total long-term investments | 114,628,610 | 19 | 131,125,355 | 21 |
| PROPERTY, PLANT AND EQUIPMENT (Notes 2, 12 and 24) | | | | |
| Cost | | | | |
| Buildings | 103,267,057 | 17 | 99,707,179 | 16 |
| Machinery and equipment | 618,319,896 | 104 | 550,470,017 | 89 |
| Office equipment | 9,477,430 | 2 | 8,908,044 | 1 |
| | 731,064,383 | 123 | 659,085,240 | 106 |
| Accumulated depreciation | (520,741,784) | (87) | (452,483,898) | (73) |

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| | | | | |
|---|-----------------------|------------|-----------------------|------------|
| Advance payments and construction in progress | 26,550,147 | 4 | 31,434,579 | 5 |
| Net property, plant and equipment | 236,872,746 | 40 | 238,035,921 | 38 |
| INTANGIBLE ASSETS | | | | |
| Goodwill (Note 2) | 1,567,756 | | 1,567,756 | |
| Deferred charges, net (Notes 2 and 13) | 7,068,055 | 1 | 5,179,415 | 1 |
| Total intangible assets | 8,635,811 | 1 | 6,747,171 | 1 |
| OTHER ASSETS | | | | |
| Deferred income tax assets (Notes 2 and 17) | 4,724,630 | 1 | 8,489,812 | 1 |
| Refundable deposits | 2,722,875 | | 2,552,561 | 1 |
| Others (Note 2) | 281,402 | | 64,278 | |
| Total other assets | 7,728,907 | 1 | 11,106,651 | 2 |
| TOTAL | \$ 597,268,700 | 100 | \$ 620,245,280 | 100 |

LIABILITIES AND SHAREHOLDERS EQUITY

CURRENT LIABILITIES

| | | | | |
|---|-------------|----|-------------|----|
| Financial liabilities at fair value through profit or loss (Notes 2 and 5) | \$ 115,320 | | \$ 3,460 | |
| Accounts payable | 8,734,095 | 2 | 7,497,105 | 1 |
| Payables to related parties (Note 24) | 2,486,070 | | 3,108,623 | 1 |
| Income tax payable (Notes 2 and 17) | 5,718,520 | 1 | 4,410,166 | 1 |
| Cash dividends payable (Note 19) | 76,881,311 | 13 | 77,489,064 | 12 |
| Bonuses payable to employees and directors (Notes 3 and 19) | 12,753,706 | 2 | 4,572,798 | 1 |
| Payables to contractors and equipment suppliers | 8,614,287 | 1 | 16,515,598 | 3 |
| Accrued expenses and other current liabilities (Note 15) | 19,154,139 | 4 | 9,835,302 | 1 |
| Current portion of bonds payable (Note 14) | 8,000,000 | 1 | 4,500,000 | 1 |
| Total current liabilities | 142,457,448 | 24 | 127,932,116 | 21 |

LONG-TERM LIABILITIES

| | | | | |
|------------------------------------|-----------|---|------------|---|
| Bonds payable (Note 14) | 4,500,000 | 1 | 12,500,000 | 2 |
| Other long-term payables (Note 15) | 1,005,988 | | 1,343,935 | |
| Total long-term liabilities | 5,505,988 | 1 | 13,843,935 | 2 |

OTHER LIABILITIES

| | | | | |
|---|----------------|-----|----------------|-----|
| Accrued pension cost (Notes 2 and 16) | 3,691,624 | 1 | 3,583,542 | 1 |
| Guarantee deposits (Note 26) | 1,704,666 | | 3,001,515 | |
| Deferred credits (Notes 2 and 24) | 668,408 | | 997,610 | |
| | | | | |
| Total other liabilities | 6,064,698 | 1 | 7,582,667 | 1 |
| | | | | |
| Total liabilities | 154,028,134 | 26 | 149,358,718 | 24 |
| | | | | |
| CAPITAL STOCK \$10 PAR VALUE (Note 19) | | | | |
| 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 | 256,313,709 | 43 | 264,235,168 | 43 |
| To be issued | 5,221,238 | 1 | | |
| | | | | |
| | 261,534,947 | 44 | 264,235,168 | 43 |
| | | | | |
| CAPITAL SURPLUS (Notes 2 and 19) | 50,916,645 | 9 | 53,725,604 | 8 |
| | | | | |
| RETAINED EARNINGS (Note 19) | | | | |
| Appropriated as legal capital reserve | 67,324,393 | 11 | 56,406,684 | 9 |
| Appropriated as special capital reserve | 391,857 | | 629,550 | |
| Unappropriated earnings | 84,236,793 | 14 | 96,973,825 | 16 |
| | | | | |
| | 151,953,043 | 25 | 154,010,059 | 25 |
| | | | | |
| OTHERS (Notes 2, 21 and 23) | | | | |
| 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 | (14,845,498) | (3) | (918,075) | |
| | | | | |
| | (21,164,069) | (4) | (1,084,269) | |
| | | | | |
| Total shareholders' equity | 443,240,566 | 74 | 470,886,562 | 76 |
| | | | | |
| TOTAL | \$ 597,268,700 | 100 | \$ 620,245,280 | 100 |

The accompanying notes are an integral part of the financial statements.
(With Deloitte & Touche audit report dated July 10, 2008)

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Taiwan Semiconductor Manufacturing Company Limited
STATEMENTS OF INCOME
FOR THE SIX MONTHS ENDED JUNE 30, 2008 AND 2007
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

| | 2008 | | 2007 | |
|---|----------------|----------|----------------|----------|
| | Amount | % | Amount | % |
| GROSS SALES (Notes 2 and 24) | \$ 173,877,093 | | \$ 138,166,350 | |
| SALES RETURNS AND ALLOWANCES (Notes 2 and 8) | 3,052,847 | | 1,967,831 | |
| NET SALES | 170,824,246 | 100 | 136,198,519 | 100 |
| COST OF SALES (Notes 18 and 24) | 94,108,599 | 55 | 81,342,396 | 60 |
| GROSS PROFIT | 76,715,647 | 45 | 54,856,123 | 40 |
| UNREALIZED GROSS PROFIT FROM AFFILIATES (Note 2) | 130,977 | | 178,259 | |
| REALIZED GROSS PROFIT | 76,584,670 | 45 | 54,677,864 | 40 |
| OPERATING EXPENSES (Notes 18 and 24) | | | | |
| Research and development | 9,874,836 | 6 | 7,279,536 | 5 |
| General and administrative | 5,171,447 | 3 | 3,436,220 | 2 |
| Marketing | 1,261,930 | 1 | 705,335 | 1 |
| Total operating expenses | 16,308,213 | 10 | 11,421,091 | 8 |
| INCOME FROM OPERATIONS | 60,276,457 | 35 | 43,256,773 | 32 |
| NON-OPERATING INCOME AND GAINS | | | | |
| Valuation gain on financial instruments, net (Notes 2, 5 and 23) | 1,737,652 | 1 | | |
| Interest income | 1,441,583 | 1 | 1,447,702 | 1 |
| Equity in earnings of equity method investees, net (Notes 2 and 10) | 946,787 | 1 | 1,983,358 | 2 |
| Settlement income (Note 26) | 456,195 | | 491,385 | 1 |
| Gain on settlement and disposal of financial assets, net (Notes 2, 5 and 23) | 391,888 | | 233,970 | |
| Technical service income (Notes 24 and 26) | 364,485 | | 353,441 | |
| Gain on disposal of property, plant and equipment and other assets (Notes 2 and 24) | 153,449 | | 144,800 | |
| Foreign exchange gain, net (Note 2) | | | 214,508 | |
| Others (Note 24) | 314,240 | | 488,028 | |

| | | | | |
|--------------------------------------|-----------|---|-----------|---|
| Total non-operating income and gains | 5,806,279 | 3 | 5,357,192 | 4 |
|--------------------------------------|-----------|---|-----------|---|

(Continued)

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Taiwan Semiconductor Manufacturing Company Limited
STATEMENTS OF INCOME
FOR THE SIX MONTHS ENDED JUNE 30, 2008 AND 2007
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

| | 2008 | | 2007 | |
|--|----------------------|-----------|----------------------|-----------|
| | Amount | % | Amount | % |
| NON-OPERATING EXPENSES AND LOSSES | | | | |
| Foreign exchange loss, net (Note 2) | \$ 1,790,609 | 1 | \$ | |
| Provision for litigation loss (Note 26h) | 459,078 | | | |
| Interest expense | 177,500 | | 300,973 | |
| Valuation loss on financial instruments, net (Notes 2, 5 and 23) | | | 579,646 | 1 |
| Others | 47,052 | | 29,957 | |
| Total non-operating expenses and losses | 2,474,239 | 1 | 910,576 | 1 |
| INCOME BEFORE INCOME TAX | 63,608,497 | 37 | 47,703,389 | 35 |
| INCOME TAX EXPENSE (Notes 2 and 17) | 6,694,609 | 4 | 3,380,808 | 2 |
| NET INCOME | \$ 56,913,888 | 33 | \$ 44,322,581 | 33 |

| | 2008 | | 2007 | |
|---|----------------------------------|---------------------------------|----------------------------------|---------------------------------|
| | Before Income Tax | After Income Tax | Before Income Tax | After Income Tax |
| EARNINGS PER SHARE (NT\$, Note 22) | | | | |
| Basic earnings per share | \$ 2.49 | \$ 2.22 | \$ 1.81 | \$ 1.68 |
| Diluted earnings per share | \$ 2.48 | \$ 2.22 | \$ 1.81 | \$ 1.68 |

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

| | 2008 | 2007 |
|----------------------------------|----------------------|----------------------|
| NET INCOME | \$ 57,016,167 | \$ 44,424,343 |
| EARNINGS PER SHARE (NT\$) | | |
| Basic earnings per share | \$ 2.23 | \$ 1.68 |
| Diluted earnings per share | \$ 2.22 | \$ 1.68 |

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

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

(Concluded)

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Taiwan Semiconductor Manufacturing Company Limited
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)

| Common Shares | To Be Issued Shares (in Thousands) | Amount | Capital Surplus | Legal Capital Reserve | Retained Earnings | | Total | Cumulative Translation Adjustments | Other Unrealized Gain (Loss) Financial Instruments |
|------------------|---|-----------|--------------------|-----------------------------|-------------------------------|----------------------------|----------------|--|---|
| | | | | | Special Capital Reserve | Unappropriated Earnings | | | |
| 264,271,037 | | \$ | \$ 53,732,682 | \$ 56,406,684 | \$ 629,550 | \$ 161,828,337 | \$ 218,864,571 | \$ (1,072,853) | \$ 680,9 |
| | | | | 10,917,709 | | (10,917,709) | | | |
| | | | | | (237,693) | 237,693 | | | |
| | | | | | | (3,939,883) | (3,939,883) | | |
| | 393,988 | 3,939,883 | | | | (3,939,883) | (3,939,883) | | |
| | | | | | | (76,881,311) | (76,881,311) | | |
| | 51,254 | 512,542 | | | | (512,542) | (512,542) | | |
| | | | | | | (176,890) | (176,890) | | |
| | 76,881 | 768,813 | (768,813) | | | | | | |
| | | | | | | 56,913,888 | 56,913,888 | | |
| | | | (186,344) | | | | | | |

| | | | | | | | | | |
|-------------|---------|---------------|---------------|---------------|----------------|----------------|----------------|----------------|-------------|
| | | | | | | | | | (5,714,467) |
| 42,672 | | | 128,891 | | | | | | |
| | | | 102,279 | | | | | | |
| | | | | | | | | | (264,2 |
| | | | | | | | | | 51,9 |
| (8,000,000) | | | (2,092,050) | | | (38,374,907) | (38,374,907) | | |
| 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) | \$ 468,7 |
| 258,296,879 | \$ | \$ 54,107,498 | \$ 43,705,711 | \$ 640,742 | \$ 152,778,079 | \$ 197,124,532 | \$ (1,191,165) | \$ | \$ 561,6 |
| | | | | 12,700,973 | | (12,700,973) | | | |
| | | | | | (11,192) | 11,192 | | | |
| 4,572,798 | | | | | | (4,572,798) | (4,572,798) | | |
| | | | | | | (4,572,798) | (4,572,798) | | |

| | | | | | | | | | | |
|-------------|----|---------------|---------------|------------|---------------|----------------|--------------|----------|---------|-------|
| | | | | | (77,489,064) | (77,489,064) | | | | |
| 516,594 | | | | | (516,594) | (516,594) | | | | |
| | | | | | (285,800) | (285,800) | | | | |
| 774,891 | | (774,891) | | | | | | | | |
| | | | | | 44,322,581 | 44,322,581 | | | | |
| | | 68,411 | | | | | | | 577,491 | |
| 74,006 | | 222,824 | | | | | | | | |
| | | 101,762 | | | | | | | | |
| | | | | | | | | | | (83,4 |
| | | | | | | | | | | (30,7 |
| 264,235,168 | \$ | \$ 53,725,604 | \$ 56,406,684 | \$ 629,550 | \$ 96,973,825 | \$ 154,010,059 | \$ (613,674) | \$ 447,4 | | |

The accompanying notes are an integral part of the financial statements.
(With Deloitte & Touche audit report dated July 10, 2008)

Taiwan Semiconductor Manufacturing Company Limited
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 | \$ 56,913,888 | \$ 44,322,581 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 36,227,938 | 36,293,514 |
| Unrealized gross profit from affiliates | 130,977 | 178,259 |
| Amortization of premium/ discount of financial assets | (51,144) | (64,051) |
| Gain on disposal of available-for-sale financial assets, net | (391,218) | (233,970) |
| Gain on disposal of financial assets carried at cost, net | (670) | |
| Equity in earnings of equity method investees, net | (946,787) | (1,983,358) |
| Dividends received from equity method investees | 589,071 | |
| Gain on disposal of property, plant and equipment and other assets, net | (153,449) | (142,673) |
| Deferred income tax | 1,780,514 | (518,685) |
| Changes in operating assets and liabilities: | | |
| Decrease (increase) in: | | |
| Financial assets and liabilities at fair value through profit or loss | (113,239) | (134,930) |
| Receivables from related parties | 2,561,826 | (3,805,658) |
| Notes and accounts receivable | (3,000,987) | (645,137) |
| Allowance for doubtful receivables | (1,353) | 3,108 |
| Allowance for sales returns and others | 337,843 | (155,227) |
| Other receivables from related parties | 222,924 | (145,024) |
| Other financial assets | (86,124) | 107,743 |
| Inventories | 170,176 | (2,525,744) |
| Prepaid expenses and other current assets | (65,956) | 23,538 |
| Increase (decrease) in: | | |
| Accounts payable | (751,723) | 1,353,426 |
| Payables to related parties | (513,560) | (218,293) |
| Income tax payable | (5,259,443) | (3,440,252) |
| Bonuses payable to employees and directors | 8,636,933 | |
| Accrued expenses and other current liabilities | 302,852 | 1,421,840 |
| Accrued pension cost | 33,945 | 53,426 |
| Deferred credits | (47,873) | (47,872) |
| Net cash provided by operating activities | 96,525,361 | 69,696,561 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Acquisitions of: | | |
| Available-for-sale financial assets | (4,300,000) | (2,151,252) |
| Held-to-maturity financial assets | (549,455) | |
| Financial assets carried at cost | (1,142) | (34,375) |
| Investments accounted for using equity method | (301,607) | (2,054,634) |

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| | | |
|--|--------------|--------------|
| Property, plant and equipment | (36,086,150) | (38,511,341) |
| Proceeds from disposal or redemption of: | | |
| Financial assets carried at cost | 2,451 | |
| Available-for-sale financial assets | 21,235,748 | 15,163,560 |
| Held-to-maturity financial assets | 7,788,000 | 6,825,120 |
| Property, plant and equipment and other assets | 1,764,920 | 4,787 |
| | | (Continued) |

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

| | 2008 | 2007 |
|--|--------------------|--------------------|
| Proceeds from return of capital by investees | \$ 114,255 | \$ 44,258 |
| Increase in deferred charges | (1,854,102) | (1,322,268) |
| Decrease (increase) in refundable deposits | 18,663 | (1,246,327) |
| Net cash used in investing activities | (12,168,419) | (23,282,472) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Repayment of long-term bonds payable | | (2,500,000) |
| Decrease in guarantee deposits | (536,011) | (808,446) |
| 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) | |
| Net cash used in financing activities | (10,033,344) | (3,297,416) |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 74,323,598 | 43,116,673 |
| CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD | 72,422,102 | 100,139,709 |
| CASH AND CASH EQUIVALENTS, END OF PERIOD | \$ 146,745,700 | \$ 143,256,382 |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION | | |
| Interest paid | \$ 355,000 | \$ 420,000 |
| Income tax paid | \$ 10,105,861 | \$ 7,330,375 |
| INVESTING ACTIVITIES AFFECTING BOTH CASH AND NON-CASH ITEMS | | |
| Acquisition of property, plant and equipment | \$ 39,310,697 | \$ 44,357,416 |
| Increase in payables to contractors and equipment suppliers | (3,224,547) | (5,846,075) |
| Cash paid | \$ 36,086,150 | \$ 38,511,341 |
| Disposal of property, plant and equipment and other assets | \$ 1,901,048 | \$ 7,313 |
| Increase in other payables to related parties | (136,128) | (2,526) |

| | | |
|--|---------------|--------------|
| Cash received | \$ 1,764,920 | \$ 4,787 |
| Repurchase of treasury stock | \$ 13,927,423 | \$ |
| Increase in accrued expenses and other current liabilities | (4,258,527) | |
| Cash paid | \$ 9,668,896 | \$ |
| NON-CASH FINANCING ACTIVITIES | | |
| Current portion of bonds payable | \$ 8,000,000 | \$ 4,500,000 |
| Current portion of other long-term payables (under accrued expenses and other current liabilities) | \$ 2,012,071 | \$ 2,433,227 |

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

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

(Concluded)

Taiwan Semiconductor Manufacturing Company Limited

NOTES TO 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 (the Company or 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).

The Company 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, the Company had 20,835 and 20,572 employees, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Significant accounting policies are summarized as follows:

Use of Estimates

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

Classification of Current and Noncurrent Assets and Liabilities

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

Cash Equivalents

Repurchase agreements collateralized by government bonds, repurchase agreements collateralized by short-term notes and asset-backed commercial papers acquired with maturities of less than three months from the date of

purchase are classified as cash equivalents. The carrying amount approximates fair value.

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Financial Assets/Liabilities at Fair Value Through Profit or Loss

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

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

Available-for-sale Financial Assets

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

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

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

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

Held-to-maturity Financial Assets

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

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

Allowance for Doubtful Receivables

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

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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). The accounting treatment for the investment premiums paid before January 1, 2006 is the same as that for goodwill which is no longer being amortized; while investment discounts continue to be amortized over the remaining periods. When an indication of impairment is identified, the carrying amount of the investment is reduced, with the related impairment loss recognized in earnings.

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

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

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

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

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

Financial Assets Carried at Cost

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

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

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

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

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

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

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

Intangible Assets

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

and instead is tested for impairment annually. If an event occurs or circumstances change which indicated that the fair value of goodwill is more likely than not below its carrying amount, an impairment loss is recognized. A subsequent reversal of such impairment loss is not allowed.

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

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

Pension Costs

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

Income Tax

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

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

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

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

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

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

Foreign-currency Transactions

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

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

Recent Accounting Pronouncements

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

Reclassification

Certain accounts in the financial statements as of and for the six months ended June 30, 2007 have been reclassified to be consistent with the 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\$7,194,657 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 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 banks | \$ 130,545,705 | \$ 84,229,386 |
| Repurchase agreements collateralized by government bonds | 12,229,689 | 58,429,635 |
| Repurchase agreements collateralized by short-term notes | 3,970,306 | |
| Asset-backed commercial papers | | 597,361 |

\$ 146,745,700 \$ 143,256,382

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

| | June 30 | |
|-------------------------------------|----------------|-------------|
| | 2008 | 2007 |
| Derivatives – financial assets | | |
| Forward exchange contracts | \$ | \$ 15,335 |
| Cross currency swap contracts | 22,996 | 156,905 |
| | \$ 22,996 | \$ 172,240 |
| Derivatives – financial liabilities | | |
| Forward exchange contracts | \$ 112,709 | \$ 3,460 |
| Cross currency swap contracts | 2,611 | |
| | \$ 115,320 | \$ 3,460 |

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

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

| | Maturity Date | Contract Amount (in Thousands) |
|--------------------|------------------------|---|
| June 30, 2008 | | |
| Sell EUR/buy US\$ | July 2008 | EUR 11,500/US\$17,826 |
| Sell EUR/buy NT\$ | July 2008 | EUR 20,000/NT\$858,620 |
| Sell US\$/buy NT\$ | July 2008 | US\$30,000/NT\$909,600 |
| June 30, 2007 | | |
| Sell EUR/buy NT\$ | July 2007 to July 2008 | EUR 50,700/NT\$2,209,845 |

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 |
|----------------------|---|---|---|
| June 30, 2008 | | | |
| July 2008 | US\$971,000/NT\$29,509,297 | 2.49%-4.68% | 0.43%-2.42% |
| June 30, 2007 | | | |

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, gains and losses arising from derivative financial instruments were net gains of NT\$1,737,652 thousand and net losses of NT\$579,646 thousand, respectively.

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6. AVAILABLE-FOR-SALE FINANCIAL ASSETS

| | June 30 | |
|--------------------------|----------------|---------------|
| | 2008 | 2007 |
| Open-end mutual funds | \$ 3,702,857 | \$ 10,971,467 |
| Corporate bonds | 3,177,927 | 4,176,057 |
| Government bonds | | 4,133,533 |
| Structured time deposits | | 497,381 |
| | 6,880,784 | 19,778,438 |
| Current portion | (6,880,784) | (15,259,717) |
| | \$ | \$ 4,518,721 |

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

| | Principal | Carrying | Interest | Maturity |
|---------------------------|------------------|-----------------|-----------------|-----------------|
| | Amount | Amount | Rate | Date |
| Step-up callable deposits | | | | |
| Domestic deposits | \$ 500,000 | \$ 497,381 | 1.76% | March 2008 |

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

7. HELD-TO-MATURITY FINANCIAL ASSETS

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

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

| | Principal | Interest | Range of | |
|---------------------------|------------------|-------------------|-----------------|----------------------|
| | Amount | Receivable | Interest | Maturity Date |
| | | | Rates | |
| June 30, 2008 | | | | |
| Step-up callable deposits | | | | |

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| | | | | |
|---------------------------------|---------------|-----------|-------------|---------------------------------------|
| Domestic deposits | \$ 500,000 | \$ 2,031 | 1.83% | October 2008 |
| June 30, 2007 | | | | |
| Step-up callable deposits | | | | |
| Domestic deposits | \$ 3,500,000 | \$ 13,267 | 1.69%-1.83% | October 2007 to October 2008 |
| Callable range accrual deposits | | | | |
| Domestic deposits | 3,928,200 | 4,556 | (See below) | September 2009 to December 2009 |
| Foreign deposits | 2,618,800 | 4,828 | (See below) | October 2009 to December 2009 |
| | \$ 10,047,000 | \$ 22,651 | | |

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

As of June 30, 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 | \$ 688,972 | \$ 690,931 |
| Provision | | 3,108 |
| Write-off | (1,353) | |
| Balance, end of period | \$ 687,619 | \$ 694,039 |

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

| | Six Months Ended June 30 | |
|------------------------------|-------------------------------------|--------------|
| | 2008 | 2007 |
| Balance, beginning of period | \$ 3,856,685 | \$ 2,751,065 |
| Provision | 3,052,847 | 1,967,831 |
| Write-off | (2,715,004) | (2,123,058) |
| Balance, end of period | \$ 4,194,528 | \$ 2,595,838 |

9. INVENTORIES

| | June 30 | |
|--------------------------|----------------|--------------|
| | 2008 | 2007 |
| Finished goods | \$ 3,619,551 | \$ 4,545,835 |
| Work in process | 16,744,201 | 16,447,979 |
| Raw materials | 791,420 | 1,137,465 |
| Supplies and spare parts | 560,754 | 421,597 |
| | 21,715,926 | 22,552,876 |
| Allowance for losses | (898,960) | (874,918) |

\$ 20,816,966 \$ 21,677,958

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10. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

| | June 30 | | | |
|--|-----------------------|---|-----------------------|---|
| | 2008 | % of Carrying Owner- Amount ship | 2007 | % of Carrying Owner- Amount ship |
| TSMC Global Ltd. (TSMC Global) | \$ 41,946,173 | 100 | \$ 43,613,633 | 100 |
| TSMC International Investment Ltd. (TSMC International) | 27,447,357 | 100 | 27,053,657 | 100 |
| Vanguard International Semiconductor Corporation (VIS) | 9,926,933 | 36 | 5,637,861 | 27 |
| Systems on Silicon Manufacturing Company Pte Ltd. (SSMC) | 8,641,503 | 39 | 8,289,538 | 39 |
| TSMC (Shanghai) Company Limited (TSMC Shanghai) | 7,574,803 | 100 | 8,799,540 | 100 |
| TSMC Partners, Ltd. (TSMC Partners) | 3,534,832 | 100 | 4,567,193 | 100 |
| TSMC North America | 2,246,123 | 100 | 2,207,039 | 100 |
| Xintec Inc. (Xintec) | 1,396,316 | 43 | 1,366,816 | 43 |
| VentureTech Alliance Fund III, L.P. (VTAF III) | 1,106,412 | 98 | 756,146 | 98 |
| VentureTech Alliance Fund II, L.P. (VTAF II) | 963,211 | 98 | 858,453 | 98 |
| Global UniChip Corporation (GUC) | 798,498 | 37 | 694,111 | 38 |
| Emerging Alliance Fund, L.P. (Emerging Alliance) | 388,216 | 99 | 717,200 | 99 |
| Chi Cherng Investment Co., Ltd. (Chi Cherng) | 221,911 | 36 | 168,359 | 36 |
| Hsin Ruey Investment Co., Ltd. (Hsin Ruey) | 220,092 | 36 | 166,857 | 36 |
| Taiwan Semiconductor Manufacturing Company Europe B.V. (TSMC Europe) | 107,796 | 100 | 65,109 | 100 |
| TSMC Japan Limited (TSMC Japan) | 104,842 | 100 | 94,250 | 100 |
| TSMC Korea Limited (TSMC Korea) | 15,286 | 100 | 15,514 | 100 |
| | \$ 106,640,304 | | \$ 105,071,276 | |

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

For the six months ended June 30, 2008 and 2007, net equity in earnings of NT\$946,787 thousand and NT\$1,983,358 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 value of publicly traded stocks in investments accounted for using equity method (VIS and GUC) was NT\$23,162,413 thousand and NT\$28,683,049 thousand, respectively.

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

| | Six Months Ended June 30 | |
|------------------------------|-------------------------------------|-------------|
| | 2008 | 2007 |
| Balance, beginning of period | \$ 2,677,388 | \$ 943,277 |
| Additions | | 112,660 |
| Amortization | (312,068) | (106,565) |

| | | |
|------------------------|--------------|------------|
| Balance, end of period | \$ 2,365,320 | \$ 949,372 |
|------------------------|--------------|------------|

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Balance of the aforementioned difference allocated to goodwill for the six months ended June 30, 2008 and 2007 was NT\$987,349 thousand and NT\$213,984 thousand, respectively. There are no any additions or impairment for the six months ended June 30, 2008 and 2007.

11. FINANCIAL ASSETS CARRIED AT COST

| | June 30 | |
|----------------------------|------------|------------|
| | 2008 | 2007 |
| Non-publicly traded stocks | \$ 364,913 | \$ 364,913 |
| Funds | 382,608 | 382,305 |
| | \$ 747,521 | \$ 747,218 |

12. PROPERTY, PLANT AND EQUIPMENT

| | Six Months Ended June 30, 2008 | | | | |
|---|------------------------------------|---------------|----------------|------------------|------------------------------|
| | Balance, Beginning of Period | Additions | Disposals | Reclassification | Balance, End of Period |
| Cost | | | | | |
| Buildings | \$ 101,907,892 | \$ 1,361,363 | \$ (1,887) | \$ (311) | \$ 103,267,057 |
| Machinery and equipment | 589,131,625 | 32,074,642 | (2,665,119) | (221,252) | 618,319,896 |
| Office equipment | 9,167,107 | 407,498 | (97,232) | 57 | 9,477,430 |
| | 700,206,624 | \$ 33,843,503 | \$ (2,764,238) | \$ (221,506) | 731,064,383 |
| Accumulated depreciation | | | | | |
| Buildings | 57,349,828 | \$ 3,848,827 | \$ (1,887) | \$ (4) | 61,196,764 |
| Machinery and equipment | 422,278,071 | 30,674,584 | (667,487) | (206,424) | 452,078,744 |
| Office equipment | 7,097,120 | 466,362 | (97,232) | 26 | 7,466,276 |
| | 486,725,019 | \$ 34,989,773 | \$ (766,606) | \$ (206,402) | 520,741,784 |
| Advance payments and construction in progress | 21,082,953 | \$ 5,467,194 | \$ | \$ | 26,550,147 |
| Net | \$ 234,564,558 | | | | \$ 236,872,746 |

| | Six Months Ended June 30, 2007 | | | | |
|-------------------------|------------------------------------|--------------|-------------|------------------|---------------------------|
| | Balance, Beginning of Period | Additions | Disposals | Reclassification | Balance, End of Period |
| Cost | | | | | |
| Buildings | \$ 96,961,851 | \$ 2,777,163 | \$ (31,835) | \$ | \$ 99,707,179 |
| Machinery and equipment | 527,850,728 | 22,404,381 | (299,721) | 514,629 | 550,470,017 |

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| | | | | | |
|--|----------------|---------------|--------------|------------|----------------|
| Office equipment | 8,659,225 | 404,055 | (154,426) | (810) | 8,908,044 |
| | 633,471,804 | \$ 25,585,599 | \$ (485,982) | \$ 513,819 | 659,085,240 |
| Accumulated depreciation | | | | | |
| Buildings | 49,595,917 | \$ 3,881,018 | \$ (30,957) | \$ | 53,445,978 |
| Machinery and equipment | 361,401,800 | 30,595,506 | (298,619) | 519,139 | 392,217,826 |
| Office equipment | 6,469,533 | 504,843 | (154,329) | 47 | 6,820,094 |
| | 417,467,250 | \$ 34,981,367 | \$ (483,905) | \$ 519,186 | 452,483,898 |
| Advance payments and construction in progress | 12,230,805 | \$ 18,771,817 | \$ | \$ 431,957 | 31,434,579 |
| Net | \$ 228,235,359 | | | | \$ 238,035,921 |

No interest was capitalized during the six months ended June 30, 2008 and 2007.

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13. DEFERRED CHARGES, NET

| | Six Months Ended June 30, 2008 | | | | | Balance, End of Period |
|----------------------------------|---|------------------|---------------------|------------------|-------------------------|---------------------------------------|
| | Balance, Beginning of Period | Additions | Amortization | Disposals | Reclassification | |
| Technology license fees | \$ 5,349,937 | \$ | \$ (781,844) | \$ | \$ | \$ 4,568,093 |
| Software and system design costs | 1,309,272 | 666,273 | (347,384) | (14,279) | 59 | 1,613,941 |
| Others | 513,204 | 454,125 | (81,308) | | | 886,021 |
| | \$ 7,172,413 | \$ 1,120,398 | \$ (1,210,536) | \$ (14,279) | \$ 59 | \$ 7,068,055 |

| | Six Months Ended June 30, 2007 | | | | | Balance, End of Period |
|----------------------------------|---|------------------|---------------------|------------------|-------------------------|---------------------------------------|
| | Balance, Beginning of Period | Additions | Amortization | Disposals | Reclassification | |
| Technology license fees | \$ 4,038,551 | \$ 825,550 | \$ (844,203) | \$ | \$ (296,451) | \$ 3,723,447 |
| Software and system design costs | 1,517,575 | 496,718 | (432,489) | (51) | (426,590) | 1,155,163 |
| Others | 36,942 | | (32,588) | | 296,451 | 300,805 |
| | \$ 5,593,068 | \$ 1,322,268 | \$ (1,309,280) | \$ (51) | \$ (426,590) | \$ 5,179,415 |

14. 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 three installments, 2.75% and 3.00% interest payable annually, respectively | 12,500,000 | 12,500,000 |
| | 12,500,000 | 17,000,000 |
| Current portion | (8,000,000) | (4,500,000) |
| | \$ 4,500,000 | \$ 12,500,000 |

As of June 30, 2008, future principal repayments for the Company's bonds were as follows:

| Year of Repayment | Amount |
|--------------------------|---------------|
| 2009 | \$ 8,000,000 |
| 2012 | 4,500,000 |
| | \$ 12,500,000 |

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15. OTHER LONG-TERM PAYABLES

Most of the payables resulted from license agreements 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 |
| | 3,018,059 |
| Current portion (classified under accrued expenses and other current liabilities) | (2,012,071) |
| | \$ 1,005,988 |

16. PENSION PLANS

The pension mechanism under the Labor Pension Act is deemed a defined contribution plan. Pursuant to the Act, the Company has made monthly contributions equal to 6% of each employee's monthly salary to employees' pension accounts, and recognized pension costs of NT\$326,409 thousand and NT\$298,794 thousand for the six months ended June 30, 2008 and 2007, respectively.

The Company has a defined benefit plan under the Labor Standards Law that provides benefits based on an employee's length of service and average monthly salary for the six-month period prior to retirement. The Company contributes an amount equal to 2% of salaries paid each month to a pension fund (the Fund), which is administered by the Labor Pension Fund Supervisory Committee (the Committee) and deposited in the Committee's name in the Bank of Taiwan (originally the Central Trust of China, which was merged into the Bank of Taiwan on July 1, 2007). The Company recognized pension costs of NT\$134,494 thousand and NT\$162,308 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:

| | Six Months Ended June 30 | |
|------------------------------|---------------------------------|--------------|
| | 2008 | 2007 |
| The Fund | | |
| Balance, beginning of period | \$ 2,145,010 | \$ 1,913,002 |
| Contributions | 109,289 | 111,502 |
| Interest | 71,236 | 46,279 |
| Payments | (13,726) | |
| | | |
| Balance, end of period | \$ 2,311,809 | \$ 2,070,783 |
| | | |
| Accrued pension cost | | |
| Balance, beginning of period | \$ 3,657,679 | \$ 3,530,116 |
| Accruals | 33,945 | 53,426 |

| | | |
|------------------------|--------------|--------------|
| Balance, end of period | \$ 3,691,624 | \$ 3,583,542 |
|------------------------|--------------|--------------|

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17. INCOME TAX

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

| | Six Months Ended June 30 | |
|--|---------------------------------|---------------|
| | 2008 | 2007 |
| Income tax expense based on income before income tax at statutory rate (25%) | \$ 15,902,124 | \$ 11,925,847 |
| Tax effect of the following: | | |
| Tax-exempt income | (5,071,328) | (2,770,225) |
| Temporary and permanent differences | 310,461 | (320,582) |
| Others | 41,235 | |
| Additional tax at 10% on unappropriated earnings | | 2,686,561 |
| Investment tax credits used | (5,591,246) | (7,260,151) |
| | | |
| Income tax currently payable | \$ 5,591,246 | \$ 4,261,450 |

- b. Income tax expense consisted of the following:

| | | |
|--|--------------|--------------|
| Income tax currently payable | \$ 5,591,246 | \$ 4,261,450 |
| Other income tax adjustments | (677,151) | (361,957) |
| Net change in deferred income tax assets | | |
| Investment tax credits | 1,318,658 | 3,082,172 |
| Temporary differences | 25,929 | (760,228) |
| Valuation allowance | 435,927 | (2,840,629) |
| | | |
| Income tax expense | \$ 6,694,609 | \$ 3,380,808 |

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

| | June 30 | |
|---------------------------------------|----------------|---------------|
| | 2008 | 2007 |
| Current deferred income tax assets | | |
| Investment tax credits | \$ 6,004,789 | \$ 5,622,000 |
| | | |
| Noncurrent deferred income tax assets | | |
| Investment tax credits | \$ 7,513,308 | \$ 11,252,720 |
| Temporary differences | 1,117,382 | 1,600,692 |
| Valuation allowance | (3,906,060) | (4,363,600) |
| | | |
| | \$ 4,724,630 | \$ 8,489,812 |

- d. Integrated income tax information:

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

The creditable ratios for distribution of earnings of 2007 and 2006 were 9.83% (expected) and 5.23%, respectively.

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

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- e. All earnings generated prior to December 31, 1997 have been appropriated.
- f. As of June 30, 2008, investment tax credits consisted of the following:

| Law/Statute | Item | Total Creditable Amount | Remaining Creditable Amount | Expiry Year |
|----------------------------------|---------------------------------------|--------------------------------|------------------------------------|--------------------|
| Statute for Upgrading Industries | Purchase of machinery and equipment | \$ 6,067,738 | \$ 2,625,338 | 2010 |
| | | 4,591,234 | 4,591,234 | 2011 |
| | | 1,533,855 | 1,533,855 | 2012 |
| | | \$ 12,192,827 | \$ 8,750,427 | |
| Statute for Upgrading Industries | Research and development expenditures | \$ 1,000,000 | \$ | 2008 |
| | | 1,127,051 | | 2009 |
| | | 1,781,376 | 1,781,376 | 2010 |
| | | 1,834,115 | 1,834,115 | 2011 |
| | | 1,074,087 | 1,074,087 | 2012 |
| | | \$ 6,816,629 | \$ 4,689,578 | |
| Statute for Upgrading Industries | Personnel training expenditures | \$ 21,795 | \$ | 2009 |
| | | 46,119 | 46,119 | 2010 |
| | | 31,973 | 31,973 | 2011 |
| | | \$ 99,887 | \$ 78,092 | |

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

| | Tax-exemption Period |
|--|-----------------------------|
| Construction of Fab 14 Module A | 2006 to 2010 |
| Construction of Fab 12 Module B and expansion of Fab 14 Module A | 2007 to 2011 |

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

18. LABOR COST, DEPRECIATION AND AMORTIZATION

| Six Months Ended June 30, 2008 | | |
|---------------------------------------|---------------------------|--------------|
| | Classified | |
| | as | |
| Classified as | Operating Expenses | Total |

| | Cost of Sales | | |
|----------------------------|--------------------------|--------------|---------------|
| Labor cost | | | |
| Salary | \$ 9,092,200 | \$ 6,656,160 | \$ 15,748,360 |
| Labor and health insurance | 335,749 | 189,700 | 525,449 |
| Pension | 294,502 | 166,401 | 460,903 |
| Meal | 219,219 | 88,295 | 307,514 |
| Welfare | 92,539 | 54,046 | 146,585 |
| Others | 89,637 | 3,876 | 93,513 |
| | \$ 10,123,846 | \$ 7,158,478 | \$ 17,282,324 |
| Depreciation | \$ 32,997,017 | \$ 1,984,163 | \$ 34,981,180 |
| Amortization | \$ 894,932 | \$ 315,604 | \$ 1,210,536 |

| | Six Months Ended June 30, 2007 | | |
|----------------------------|---------------------------------------|---------------------|---------------------|
| | Classified | | |
| | as | | |
| | Classified | Operating | |
| | as | Expenses | Total |
| | Cost of | | |
| | Sales | | |
| Labor cost | | | |
| Salary | \$ 4,405,268 | \$ 2,160,377 | \$ 6,565,645 |
| Labor and health insurance | 277,788 | 150,831 | 428,619 |
| Pension | 298,525 | 162,577 | 461,102 |
| Meal | 213,703 | 80,294 | 293,997 |
| Welfare | 109,186 | 66,138 | 175,324 |
| Others | 62,796 | 3,017 | 65,813 |
| | \$ 5,367,266 | \$ 2,623,234 | \$ 7,990,500 |
| Depreciation | \$ 33,044,630 | \$ 1,919,406 | \$ 34,964,036 |
| Amortization | \$ 905,291 | \$ 403,390 | \$ 1,308,681 |

19. SHAREHOLDERS EQUITY

As of June 30, 2008, 1,086,575 thousand ADSs of the Company 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 the Company'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 | 55 | 55 |
| | \$ 50,916,645 | \$ 53,725,604 |

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

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

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- c. Bonus to directors and bonus to employees of the Company of not more than 0.3% and not less than 1% of the remainder, respectively. Directors who also serve as executive officers of the Company are not entitled to receive the bonus to directors. The Company may issue stock bonuses to employees of an affiliated company meeting the conditions set by the Board of Directors or, by the person duly authorized by the Board of Directors;
- d. Any balance left over shall be allocated according to the resolution of the shareholders' meeting. The Company's Articles of Incorporation also provide that profits of the Company may be distributed by way of cash dividend and/or stock dividend. However, distribution of profits shall be made preferably by way of cash dividend. Distribution of profits may also be made by way of stock dividend; provided that the ratio for stock dividend shall not exceed 50% of the total distribution.

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

For the six months ended June 30, 2008, the Company 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.

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

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

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

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

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

The shareholders' meeting 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 are consistent with the resolutions of the meetings of the 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 basic earnings per share (after income tax) for the years ended December 31, 2007 and 2006 shown in the respective financial statements would have decreased from NT\$4.14 to NT\$3.84 and NT\$4.93 to NT\$4.56, respectively. The shares distributed as a bonus to employees represented 1.49% and 1.77% of the Company's total outstanding common shares as of December 31, 2007 and 2006, respectively.

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

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

20. STOCK-BASED COMPENSATION PLANS

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

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

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

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

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

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

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

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: | | |
| 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 |
| | | (Continued) |

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| | Six Months Ended June 30 | |
|---|---------------------------------|--------------|
| | 2008 | 2007 |
| Net income: | | |
| Net income as reported | \$56,913,888 | \$44,322,581 |
| Pro forma net income | 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 |
| | | (Concluded) |

21. TREASURY STOCK

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

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 each; the market value was NT\$16,300,044 thousand and NT\$2,417,400 thousand, respectively. The Company's common shares held by subsidiaries were treated as treasury stock and the holders are entitled to the rights of shareholders, with the exception of voting rights.

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

The Company held a meeting of the Board of Directors on May 13, 2008 and approved a share buyback plan to repurchase the Company's 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, the Company 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.

22. 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:

| | Amounts (Numerator) | | Number of Shares (Denominator) (in Thousands) | EPS (NT\$) | |
|---|-------------------------|------------------------|---|-------------------------|------------------------|
| | Before Income Tax | After Income Tax | | Before Income Tax | After Income Tax |
| Six months ended June 30, 2008 | | | | | |
| Basic EPS | | | | | |
| Income available to common shareholders | \$ 63,608,497 | \$ 56,913,888 | 25,587,867 | \$ 2.49 | \$ 2.22 |
| Effect of dilutive potential common stock - | | | | | |
| Bonus to employees | | | 70,282 | | |
| Stock options | | | 17,817 | | |
| Diluted EPS | | | | | |
| Income available to common shareholders (including effect of dilutive potential common stock) | \$ 63,608,497 | \$ 56,913,888 | 25,675,966 | \$ 2.48 | \$ 2.22 |

Six months ended June 30, 2007

Basic EPS

| | | | | | |
|---|---------------|---------------|------------|---------|---------|
| Income available to common shareholders | \$ 47,703,389 | \$ 44,322,581 | 26,385,050 | \$ 1.81 | \$ 1.68 |
|---|---------------|---------------|------------|---------|---------|

| | | | | | |
|---|--|--|--------|--|--|
| Effect of dilutive potential common stock stock options | | | 23,482 | | |
|---|--|--|--------|--|--|

Diluted EPS

| | | | | | |
|---|---------------|---------------|------------|---------|---------|
| Income available to common shareholders (including effect of dilutive potential common stock) | \$ 47,703,389 | \$ 44,322,581 | 26,408,532 | \$ 1.81 | \$ 1.68 |
|---|---------------|---------------|------------|---------|---------|

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.

23. 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 |
| Assets | | | | |
| Financial assets at fair value through profit or loss | \$ 22,996 | \$ 22,996 | \$ 172,240 | \$ 172,240 |
| Available-for-sale financial assets | 6,880,784 | 6,880,784 | 19,778,438 | 19,778,438 |
| Held-to-maturity financial assets | 13,012,119 | 13,004,523 | 30,697,637 | 30,616,918 |
| Liabilities | | | | |
| Financial liabilities at fair value through profit or loss | 115,320 | 115,320 | 3,460 | 3,460 |
| Bonds payable (including current portion) | 12,500,000 | 12,642,479 | 17,000,000 | 17,241,349 |
| Other long-term payable (including current portion) | 3,018,059 | 3,018,059 | 3,777,162 | 3,777,162 |

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, 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 were estimated using valuation techniques incorporating estimates and assumptions that were consistent with prevailing market conditions.
- 3) Fair values of available-for-sale and held-to-maturity financial assets were based on their quoted market prices; except for structured time deposits of which fair values were estimated using valuation techniques.
- 4) Fair value of bonds payable was based on their quoted market price.
- 5) Fair value of other long-term payables was based on the present value of expected cash flows, which approximates their carrying amount.

c. The changes in fair value during the six months ended June 30, 2008 and 2007 of derivatives estimated using valuation techniques were recognized as valuation losses of NT\$92,324 thousand and valuation gains of NT\$168,780 thousand, respectively.

d. As of June 30, 2008 and 2007, financial assets exposed to fair value interest rate risk were NT\$19,915,899 thousand and NT\$50,648,315 thousand, respectively, financial liabilities exposed to fair value interest rate risk were NT\$12,615,320 thousand and NT\$17,003,460 thousand, respectively, and financial assets exposed to cash flow interest rate risk were nil and NT\$6,547,000 thousand, respectively.

- e. Movements of 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 on Available-for- sale Financial Assets Held by Investees | Total |
| Balance, beginning of period | \$ 266,573 | \$ 414,424 | \$ 680,997 |
| Recognized directly in shareholders' equity | 126,971 | 51,999 | 178,970 |
| Removed from shareholders' equity and recognized in earnings | (391,218) | | (391,218) |
| Balance, end of period | \$ 2,326 | \$ 466,423 | \$ 468,749 |

| | 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 | \$ 242,248 | \$ 319,367 | \$ 561,615 |
| Recognized directly in shareholders' equity | 150,562 | (30,727) | 119,835 |
| Removed from shareholders' equity and recognized in earnings | (233,970) | | (233,970) |
| Balance, end of period | \$ 158,840 | \$ 288,640 | \$ 447,480 |

- f. Information about financial risks

1) Market risk. The derivative financial instruments categorized as financial assets/liabilities at fair value through profit or loss are mainly used to hedge the exchange rate fluctuations of foreign-currency assets and liabilities; therefore, the market risk of derivatives will be offset by the foreign exchange risk of these hedged items. Available-for-sale financial assets held by the Company are mainly fixed-interest-rate debt securities; therefore, the fluctuations in market interest rates will result in changes in fair values of these debt securities.

2)

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

- 3) Liquidity risk. The Company has sufficient operating capital to meet cash needs upon settlement of derivative financial instruments and bonds payable. Therefore, the liquidity risk is low.

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- 4) Cash flow interest rate risk. The Company mainly invests in fixed-interest-rate debt securities. Therefore, cash flows are not expected to fluctuate significantly due to changes in market interest rates.

24. RELATED PARTY TRANSACTIONS

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

a. Subsidiaries

TSMC North America

TSMC Shanghai

TSMC Europe

TSMC Japan

TSMC Korea

b. Investees

GUC (with a controlling financial interest)

VIS (accounted for using equity method)

SSMC (accounted for using equity method)

c. Indirect subsidiaries

WaferTech, LLC (WaferTech)

TSMC Technology, Inc. (TSMC Technology)

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

d. Indirect investee

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

e. Others

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

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

| | 2008 | | 2007 | |
|----------------------------------|----------------|----|---------------|----|
| | Amount | % | Amount | % |
| For the six months ended June 30 | | | | |
| Sales | | | | |
| TSMC North America | \$ 103,800,578 | 60 | \$ 83,546,469 | 60 |

| | | | | |
|--------|----------------|----|---------------|----|
| Others | 769,027 | | 465,685 | 1 |
| | \$ 104,569,605 | 60 | \$ 84,012,154 | 61 |

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| | 2008 | | 2007 | |
|---|---------------|----|---------------|----|
| | Amount | % | Amount | % |
| Purchases | | | | |
| WaferTech | \$ 4,410,290 | 20 | \$ 4,804,106 | 21 |
| TSMC Shanghai | 2,650,161 | 12 | 2,485,579 | 11 |
| SSMC | 2,300,893 | 10 | 2,765,116 | 12 |
| VIS | 1,718,897 | 8 | 1,681,324 | 8 |
| Others | | | 732 | |
| | \$ 11,080,241 | 50 | \$ 11,736,857 | 52 |
| Manufacturing expenses – outsourcing | | | | |
| VisEra | \$ 45,313 | | \$ 20,500 | |
| Marketing expenses – commission | | | | |
| TSMC Europe | \$ 184,005 | 15 | \$ 146,354 | 21 |
| TSMC Japan | 116,844 | 9 | 115,663 | 16 |
| Others | 9,837 | 1 | 11,146 | 2 |
| | \$ 310,686 | 25 | \$ 273,163 | 39 |
| General and administrative expenses – rental | | | | |
| GUC | \$ 525 | | \$ 3,473 | |
| Research and development expenses | | | | |
| TSMC Technology (primarily consulting fee) | \$ 167,355 | 2 | \$ 145,596 | 2 |
| TSMC Canada (primarily consulting fee) | 95,549 | 1 | | |
| Others | 12,156 | | 59,381 | 1 |
| | \$ 275,060 | 3 | \$ 204,977 | 3 |
| Sales of property, plant and equipment and other assets | | | | |
| TSMC Shanghai | \$ 1,871,252 | 99 | \$ 2,378 | 33 |
| Others | 10,665 | | | |
| | \$ 1,881,917 | 99 | \$ 2,378 | 33 |

Non-operating income and gains

| | | | | |
|---|------------|---|------------|----|
| VIS (primarily technical service income, see Note 26f) | \$ 181,670 | 3 | \$ 173,765 | 3 |
| TSMC Shanghai | 161,523 | 3 | 168,625 | 3 |
| SSMC (primarily technical service income, see Note 26e) | 131,194 | 2 | 116,257 | 2 |
| VisEra | 69,597 | 1 | 177,414 | 4 |
| | \$ 543,984 | 9 | \$ 636,061 | 12 |

As of June 30

| | | | | |
|--------------------|---------------|-----|---------------|-----|
| Receivables | | | | |
| TSMC North America | \$ 23,871,291 | 99 | \$ 20,642,259 | 100 |
| Others | 268,531 | 1 | 32,908 | |
| | \$ 24,139,822 | 100 | \$ 20,675,167 | 100 |

| | 2008 | | 2007 | |
|--------------------|--------------|-----|--------------|-----|
| | Amount | % | Amount | % |
| Other receivables | | | | |
| VIS | \$ 1,132,499 | 69 | \$ 809,153 | 63 |
| TSMC Shanghai | 191,032 | 12 | 60,263 | 5 |
| GUC | 140,489 | 9 | 52,817 | 4 |
| SSMC | 108,319 | 7 | 97,977 | 8 |
| TSMC North America | 28,677 | 1 | 88,131 | 7 |
| VisEra | | | 147,186 | 11 |
| Others | 43,808 | 2 | 24,892 | 2 |
| | \$ 1,644,824 | 100 | \$ 1,280,419 | 100 |
| Payables | | | | |
| VIS | \$ 685,168 | 28 | \$ 780,221 | 25 |
| WaferTech | 666,082 | 27 | 804,285 | 26 |
| SSMC | 501,436 | 20 | 728,808 | 23 |
| TSMC Shanghai | 476,025 | 19 | 611,054 | 20 |
| Others | 157,359 | 6 | 184,255 | 6 |
| | \$ 2,486,070 | 100 | \$ 3,108,623 | 100 |
| Deferred credits | | | | |
| TSMC Shanghai | \$ 277,340 | 41 | \$ 617,113 | 62 |
| VisEra | 31,087 | 5 | 93,262 | 9 |
| | \$ 308,427 | 46 | \$ 710,375 | 71 |

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.

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

The Company leased part of its office space from GUC and also leased certain buildings and facilities to VisEra. The related rental expense and rental income were classified under non-operating expenses and income, respectively. The lease terms and prices were determined in accordance with mutual agreements. The lease agreement between the Company and VisEra expired in April 2008.

25. SIGNIFICANT LONG-TERM LEASES

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

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

| Year | Amount |
|--|---------------|
| 2008 (3 rd and 4 th quarter) | \$ 173,470 |
| 2009 | 340,443 |
| 2010 | 291,245 |
| 2011 | 289,664 |
| 2012 | 289,664 |
| 2013 and thereafter | 2,315,796 |
| | \$ 3,700,282 |

26. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

The significant commitments and contingencies of the Company as of June 30, 2008, except as disclosed in other notes, were as follows:

- a. On June 20, 2004, the Company and Philips (Philips parted with its semiconductor company which was renamed as NXP B.V. in September 2006) amended the Technical Cooperation Agreement, which was originally signed on May 12, 1997. The amended Technical Cooperation Agreement is for five years beginning from January 1, 2004. Upon expiration, this amended Technical Cooperation Agreement will be terminated and will not be automatically renewed; however, the patent cross license arrangement between the Company and Philips (now NXP B.V.) will survive the expiration of the amended Technical Cooperation Agreement. Under this amended Technical Cooperation Agreement, the Company will pay Philips (now NXP B.V.) royalties based on a fixed amount mutually agreed-on, rather than under a certain percentage of the Company's annual net sales. The Company and Philips (now NXP B.V.) agreed to cross license the patents owned by each party. The Company also obtained through Philips (now NXP B.V.) a number of cross patent licenses
- b. Under a technical cooperation agreement with ITRI, the R.O.C. Government or its designee approved by the Company can use up to 35% of the Company's capacity if the Company's outstanding commitments to its customers are not prejudiced. The term of this agreement is for five years beginning from January 1, 1987 and is automatically renewed for successive periods of five years unless otherwise terminated by either party with one year prior notice.
- c. Under several foundry agreements, the Company shall reserve a portion of its production capacity for certain major customers that have guarantee deposits with the Company. As of June 30, 2008, the Company 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. The Company's equity interest in SSMC was 32%. Nevertheless, Philips parted with its semiconductor company which was renamed as NXP B.V. in September 2006. The Company and NXP B.V. purchased all the SSMC shares owned by EDB Investments Pte Ltd. pro rata according to the Shareholders Agreement on November 15, 2006. After the purchase, the Company and NXP B.V. currently own approximately 39% and 61% of the SSMC shares respectively. The Company and Philips (now NXP) committed to buy specific percentages of the production capacity of SSMC. The Company and Philips (now NXP B.V.) are required, in the aggregate, to purchase up to 70% of SSMC's capacity, but the Company alone is not required to purchase more than 28% of the capacity. If any party defaults on the commitment and the capacity utilization of SSMC fall below a specific percentage of its capacity, the defaulting party is required to compensate SSMC for all related unavoidable costs.
- e. The Company provides technical services to SSMC under a Technical Cooperation Agreement (the Agreement) effective March 30, 1999. The Company receives compensation for such services computed at a specific percentage of net selling price of all products sold by SSMC. The Agreement shall remain in force for ten years and may be automatically renewed for successive periods of five years each unless pre-terminated by either party under certain conditions.
- f. The Company provides a technology transfer to VIS under a Manufacturing License and Technology Transfer Agreement entered into on April 1, 2004. The Company receives compensation for such technology transfer in the form of royalty payments from VIS computed at specific percentages of net selling price of certain products sold by VIS. VIS agreed to reserve its certain capacity to manufacture for the Company certain products at prices as agreed by the parties.
- 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.

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- 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.

27. ADDITIONAL DISCLOSURES

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

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

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

TSMC Shanghai entered into forward exchange contracts during the six months ended June 30, 2008 to manage exposures due to foreign exchange rate fluctuations. Outstanding forward exchange contracts as of June 30, 2008:

| | Maturity Date | Contract Amount (in Thousands) |
|-------------------|--------------------------------|---|
| Sell RMB/buy US\$ | July 2008 to September 2008 | RMB199,445/US\$29,000 |
| Sell US\$/buy JPY | July 2008 to August 2008 | US\$365/JPY 39,000 |

For the six months ended June 30, 2008, net losses arising from forward exchange contracts of TSMC Shanghai were NT\$4,194 thousand.

XinTec entered into forward exchange contracts during the six months ended June 30, 2008 to manage exposures due to foreign exchange rate fluctuations. Outstanding forward exchange contracts as of June 30, 2008:

| | Maturity Date | Contract Amount (in Thousands) |
|--------------------|----------------------|---|
| Sell US\$/buy NT\$ | August 2008 | US\$7,000/NT\$212,281 |

For the six months ended June 30, 2008, net gains arising from forward exchange contracts of XinTec were NT\$13,460 thousand.

k. Information on investment in Mainland China

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

TABLE 1

Taiwan Semiconductor Manufacturing Company Limited and Investees
MARKETABLE SECURITIES HELD
JUNE 30, 2008
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

| | | | June 30, |
|--|-------------------------------|-------------------------------------|---|
| | | | CarryingP |
| | | | Value |
| | | | (US\$ in O |
| Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account | Shares/Units (in Thousands) Thousands) |
| Open-end mutual funds | | | |
| Capital Income Fund | | Available-for-sale financial assets | 131,256 \$ 2,001,916 |
| PCA Well Pool Fund | | | 132,553 1,700,941 |
| Corporate bond | | | |
| Hua Nan Bank | | Available-for-sale financial assets | 1,587,105 |
| Cathay Bank | | | 1,190,901 |
| Formosa Petrochemical Corporation | | | 399,921 |
| Formosa Petrochemical Corporation | | Held-to maturity financial assets | 3,589,118 |
| Taiwan Power Company | | | 1,731,903 |
| Nan Ya Plastics Corporation | | | 1,303,820 |
| CPC Corporation, Taiwan | | | 1,200,219 |
| China Steel Corporation | | | 1,000,000 |
| Formosa Plastic Corporation | | | 395,277 |
| Shanghai Commercial & Saving Bank | | | 295,870 |
| Government bond | | | |
| 2003 Asian Development Bank Govt. Bond | | Held-to maturity financial assets | 864,201 |
| 2003 Government Bond Series F | | | 799,930 |
| 2003 Government Bond Series H | | | 700,162 |
| European Investment Bank Bonds | | | 381,952 |

| | | | | |
|-------------------------------------|--|--|---------|------------|
| 2004 Government Bond Series B | | | | 249,667 |
| Stocks | | | | |
| TSMC Global | Subsidiary | Investment accounted for using equity method | 1 | 41,946,173 |
| TSMC International | Subsidiary | | 987,968 | 27,447,357 |
| AVIS | Investee accounted for using equity method | | 616,240 | 9,926,933 |
| SSMC | Investee accounted for using equity method | | 463 | 8,641,503 |
| TSMC Partners | Subsidiary | | 300 | 3,534,832 |
| TSMC North America | Subsidiary | | 11,000 | 2,246,123 |
| KinTec | Investee with a controlling financial interest | | 91,703 | 1,396,316 |
| GUC | Investee with a controlling financial interest | | 42,572 | 798,498 |
| TSMC Europe | Subsidiary | | | 107,796 |
| TSMC Japan | Subsidiary | | 6 | 104,842 |
| TSMC Korea | Subsidiary | | 80 | 15,286 |
| United Industrial Gases Co., Ltd. | | Financial assets carried at cost | 16,783 | 193,584 |
| Shin-Etsu Handotai Taiwan Co., Ltd. | | | 10,500 | 105,000 |
| W.K. Technology Fund IV | | | 4,000 | 40,000 |
| Hontung Venture Capital Co., Ltd. | | | 2,633 | 26,329 |

(Continued)

| | | | June 30, | |
|-------------------------------------|-------------------------------|--|--------------------------------|---------------------------------------|
| Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account | Shares/Units (in thousands) | Carrying Value (US\$ in Thousands) |
| Horizon Ventures Fund | | Financial assets carried at cost | | \$ 312,949 |
| Primson Asia Capital | | | | 69,659 |
| SMC Shanghai | Subsidiary | Investment accounted for using equity method | | 7,574,803 |
| TAF III | Subsidiary | | | 1,106,412 |
| TAF II | Subsidiary | | | 963,211 |
| Emerging Alliance | Subsidiary | | | 388,216 |
| Chi Cheng | Subsidiary | | | 221,911 |
| Sin Ruey | Subsidiary | | | 220,092 |
| SMC | Parent Company | Available-for-sale financial assets | 17,032 | 1,107,080 |

| | | | | | |
|---|--|---|--------|------|-----------|
| IS | Investee accounted for using equity method | Investments accounted for using equity method | 5,082 | | 103,235 |
| Capital sin Ruey | Same parent company | Investments accounted for using equity method | | | 964,748 |
| Stocks SMC | Parent Company | Available-for-sale financial assets | 17,064 | | 1,109,155 |
| IS | Investee accounted for using equity method | Investments accounted for using equity method | 3,748 | | 80,865 |
| Capital hi Cherng | Same parent company | Investments accounted for using equity method | | | 967,488 |
| Preferred stock eXen, Inc. | | Financial assets carried at cost | 328 | US\$ | 656 |
| Stocks aveStar Semiconductor Development und, Inc. (ISDF) | Subsidiary | Investments accounted for using equity method | 7,680 | US\$ | 9,841 |
| aveStar Semiconductor Development und, Inc.(II) LDC. (ISDF II) | Subsidiary | | 41,027 | US\$ | 43,875 |
| SMC Development, Inc. (TSMC development) | Subsidiary | | | US\$ | 675,749 |
| SMC Technology | Subsidiary | | | US\$ | 8,129 |
| Stocks /aferTech | Subsidiary | Investments accounted for using equity method | | US\$ | 193,376 |
| Common stock isEra Holding Company | Investee accounted for using equity method | Investments accounted for using equity method | 43,000 | US\$ | 72,590 |
| SMC Canada | Subsidiary | | 2,300 | US\$ | 2,876 |

(Continued)

| | | June 30, | |
|--|--------------------------------------|---|-------------------|
| | | Carrying | Pe |
| Marketable Securities Type and Name | Relationship with the Company | Shares/Units | Value |
| | | (in | (US\$ in O |
| | | Thousands) | Thousands) |
| | | Financial Statement Account | f |
| Common stock | | | |
| Pixim, Inc. | | Financial assets carried at cost | 1,036 US\$ 275 |
| RichWave Technology Corp. | | | 4,247 US\$ 1,648 |
| Global Investment Holding Inc. | | | 10,800 \$ 100,000 |
| Preferred stock | | | |
| Audience, Inc. | | Financial assets carried at cost | 1,654 US\$ 250 |
| Axiom Microdevices, Inc. | | | 1,000 US\$ 1,000 |
| Miradia, Inc. | | | 3,040 US\$ 1,000 |
| Mobilygen | | | 1,415 US\$ 750 |
| Mosaic Systems, Inc. | | | 2,481 US\$ 12 |
| Next IO, Inc. | | | 800 US\$ 500 |
| Optichron, Inc. | | | 714 US\$ 1,000 |
| Optimal Corporation | | | US\$ 229 |
| Pixim, Inc. | | | 3,606 US\$ 862 |
| QST Holding, LLC | | | US\$ 131 |
| Teknovus, Inc. | | | 6,977 US\$ 1,327 |
| Capital | | | |
| VentureTech Alliance Holdings, L.L.C. (VTA Holdings) | Subsidiary | Investments accounted for using equity method | US\$ |
| Common stock | | | |
| Yobon | | Financial assets carried at cost | 1,875 US\$ 919 |
| Sentelic | | | 1,200 US\$ 2,040 |
| Leadtrend | | | 1,265 US\$ 660 |
| RichWave Technology Corp. | | | 1,043 US\$ 730 |

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| | | | | | |
|---|------------|--|-------|------|-------|
| Preferred stock 5V Technologies, Inc. | | Financial assets carried cost | 2,357 | US\$ | 1,768 |
| Aquantia Corporation | | | 2,108 | US\$ | 2,573 |
| Audience, Inc. | | | 5,335 | US\$ | 1,390 |
| Axiom Microdevices, Inc. | | | 6,326 | US\$ | 2,481 |
| Beceem Communications | | | 650 | US\$ | 1,600 |
| GemFire Corporation | | | 600 | US\$ | 68 |
| Impinj, Inc. | | | 475 | US\$ | 1,000 |
| Miradia, Inc. | | | 3,416 | US\$ | 3,106 |
| Mobilygen | | | 569 | US\$ | 149 |
| Next IO, Inc. | | | 2,510 | US\$ | 756 |
| Optichron, Inc. | | | 1,050 | US\$ | 1,844 |
| Pixim, Inc. | | | 6,348 | US\$ | 1,141 |
| Power Analog Microelectronics | | | 3,324 | US\$ | 2,409 |
| QST Holding, LLC | | | | US\$ | 415 |
| Teknovus, Inc. | | | 1,599 | US\$ | 454 |
| Tzero Technologies, Inc. | | | 1,167 | US\$ | 2,008 |
| Xceive | | | 870 | US\$ | 1,177 |
| Capital VTA Holdings | Subsidiary | Investments accounted for using equity method | | US\$ | |
| Common stock Mutual-pak Technology Co., Ltd. | Subsidiary | Investments accounted for using equity method | 4,590 | US\$ | 1,649 |

(Continued)

June 30,

| Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account | Carrying | |
|---|-------------------------------|---|--------------------------------|------------------------------|
| | | | Shares/Units (in Thousands) | Value (US\$ in Thousands) |
| Preferred stock | | | | |
| Advasense Sensors, Inc. | | Financial assets carried at cost | 1,929 | US\$1,834 |
| Auramicro, Inc. | | | 2,500 | US\$ 750 |
| BridgeLux, Inc. | | | 3,333 | US\$5,000 |
| Exclara, Inc. (Formerly SynDitec, Inc.) | | | 14,513 | US\$2,412 |
| GTBF, Inc. | | | 1,154 | US\$1,500 |
| InvenSense | | | 816 | US\$1,000 |
| M2000, Inc. | | Financial assets carried at cost | 3,000 | US\$3,000 |
| Neoconix, Inc. | | | 2,458 | US\$4,000 |
| Powervation, Ltd. | | | 191 | US\$2,930 |
| Quellan, Inc. | | | 3,106 | US\$3,500 |
| Silicon Technical Services, LLC | | | 1,055 | US\$1,208 |
| Tilera, Inc. | | | 1,698 | US\$2,360 |
| Validity Sensors, Inc. | | | 6,424 | US\$2,545 |
| Capital | | | | |
| VTA Holdings | Subsidiary | Investments accounted for using equity method | | US\$ |
| Growth Fund Limited (Growth Fund) | Subsidiary | | | US\$ 600 |
| Common stock | | | | |
| Staccato | | Financial assets carried at cost | 425 | US\$ 495 |
| Common stock | | | | |
| Memsic, Inc. | | Available-for-sale financial assets | 1,364 | US\$4,050 |
| Capella Microsystems (Taiwan), Inc. | | Financial assets carried at cost | 530 | US\$ 154 |
| Preferred stock | | | | |
| Integrated Memory Logic, Inc. | | Financial assets carried at cost | 2,872 | US\$1,221 |
| IP Unity, Inc. | | | 1,008 | US\$ 494 |
| NanoAmp Solutions, Inc. | | | 541 | US\$ 853 |
| Sonics, Inc. | | | 1,843 | US\$3,530 |
| Common stock | | | | |
| Rich Tek Technology Corp. | | Financial assets at fair value through profit or loss | 92 | US\$ 714 |
| Memsic, Inc. | | Available-for-sale financial assets | 1,145 | US\$3,399 |
| Rich Tek Technology Corp. | | | 261 | US\$2,033 |
| Ralink Technology (Taiwan), Inc. | | | 1,440 | US\$9,828 |
| eLCOS Microdisplay Technology, Ltd. | | Financial assets carried at cost | 270 | US\$ 27 |

| | | | |
|-------------------------------------|----------------------------------|-------|-----------|
| EoNEX Technologies, Inc. | | 55 | US\$1,524 |
| Sonics, Inc. | | 2,220 | US\$ 32 |
| Epic Communication, Inc. | | 191 | US\$ 37 |
| EON Technology, Corp. | | 2,494 | US\$ 691 |
| Goyatek Technology, Corp. | | 2,088 | US\$ 545 |
| Trendchip Technologies Corp. | | 1,000 | US\$ 574 |
| Capella Microsystems (Taiwan), Inc. | | 534 | US\$ 210 |
| Auden Technology MFG. Co., Ltd. | | 1,049 | US\$ 223 |
| Preferred stock | | | |
| Alchip Technologies Limited | Financial assets carried at cost | 6,979 | US\$3,664 |
| eLCOS Microdisplay Technology, Ltd. | | 3,500 | US\$1,055 |
| FangTek, Inc. | | 6,806 | US\$3,250 |
| Kilopass Technology, Inc. | | 3,887 | US\$2,000 |
| NanoAmp Solutions, Inc. | | 375 | US\$1,500 |
| Sonics, Inc. | | 2,115 | US\$3,082 |

(Continued)

June 30,

| Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account | Carrying Per | |
|-------------------------------------|-------------------------------|---|--------------------------------|------------------------------|
| | | | Shares/Units (in thousands) | Value (US\$ in thousands) |
| Common stock | | | | |
| GUC-NA | Subsidiary | Investments accounted for using equity method | 100 | \$21,170 |
| GUC-Japan | Subsidiary | | 1 | 9,495 |
| GUC-Europe | Subsidiary | | | 2,420 |
| Capital | | | | |
| Compositech Ltd. | | Financial assets carried at cost | 587 | |
| Agency bonds | | | | |
| Fed Hm Ln Pc Pool 1b1225 | | Available-for-sale financial assets | | US\$ 111 |
| Fed Hm Ln Pc Pool 1b2566 | | | | US\$ 138 |
| Fed Hm Ln Pc Pool 1b2632 | | | | US\$ 158 |
| Fed Hm Ln Pc Pool 1b2642 | | | | US\$ 216 |
| Fed Hm Ln Pc Pool 1b2776 | | | | US\$ 309 |
| Fed Hm Ln Pc Pool 1b2792 | | | | US\$ 206 |
| Fed Hm Ln Pc Pool 1b2810 | | | | US\$ 269 |
| Fed Hm Ln Pc Pool 1b7453 | | | | US\$ 2,452 |
| Fed Hm Ln Pc Pool 1g0038 | | | | US\$ 273 |
| Fed Hm Ln Pc Pool 1g0053 | | | | US\$ 341 |
| Fed Hm Ln Pc Pool 1g0104 | | | | US\$ 132 |
| Fed Hm Ln Pc Pool 1g1282 | | | | US\$ 3,552 |
| Fed Hm Ln Pc Pool 1g1411 | | | | US\$ 3,077 |
| Fed Hm Ln Pc Pool 1h2520 | | | | US\$ 2,409 |
| Fed Hm Ln Pc Pool 1h2524 | | | | US\$ 1,815 |
| Fed Hm Ln Pc Pool 780870 | | | | US\$ 595 |
| Fed Hm Ln Pc Pool 781959 | | | | US\$ 3,176 |
| Fed Hm Ln Pc Pool 782785 | | | | US\$ 228 |
| Fed Hm Ln Pc Pool 782837 | | | | US\$ 436 |
| Fed Hm Ln Pc Pool 783022 | | | | US\$ 488 |
| Fed Hm Ln Pc Pool 783026 | | | | US\$ 276 |
| Fed Hm Ln Pc Pool B19205 | | | | US\$ 6,068 |
| Fed Hm Ln Pc Pool E01492 | | | | US\$ 1,667 |
| Fed Hm Ln Pc Pool E89857 | | | | US\$ 1,217 |
| Fed Hm Ln Pc Pool G11295 | | | | US\$ 1,002 |
| Fed Hm Ln Pc Pool M80855 | | | | US\$ 2,688 |
| Federal Home Ln Mtg Corp. | | | | US\$ 888 |
| Federal Home Ln Mtg Corp. | | | | US\$ 998 |

| | |
|-----------------------------|------------|
| Federal Home Ln Mtg Corp. | US\$ 1,966 |
| Federal Home Ln Mtg Corp. | US\$ 2,212 |
| Federal Home Ln Mtg Corp. | US\$ 1,627 |
| Federal Home Ln Mtg Corp. | US\$ 3,034 |
| Federal Home Ln Mtg Corp. | US\$ 1,729 |
| Federal Home Ln Mtg Corp. | US\$ 2,792 |
| Federal Home Ln Mtg Corp. | US\$ 2,579 |
| Federal National Mort Assoc | US\$ 2,413 |
| Federal Natl Mtg Assn | US\$ 1,673 |
| Federal Natl Mtg Assn | US\$ 1,708 |
| Federal Natl Mtg Assn | US\$ 2,010 |
| Federal Natl Mtg Assn | US\$ 3,158 |
| Federal Natl Mtg Assn Gtd | US\$ 1,466 |
| Fnma Pool 255883 | US\$ 2,965 |

(Continued)

June 30,

| Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account | Carrying | |
|-------------------------------------|-------------------------------|-------------------------------------|----------------|---------------------|
| | | | Shares/Units | Value |
| | | | (in thousands) | (US\$ in thousands) |
| | | Available-for-sale financial assets | | |
| Fnma Pool 257245 | | | US\$ 3,692 | N |
| Fnma Pool 555549 | | | US\$ 1,255 | N |
| Fnma Pool 555715 | | | US\$ 155 | N |
| Fnma Pool 632399 | | | US\$ 354 | N |
| Fnma Pool 662401 | | | US\$ 492 | N |
| Fnma Pool 667766 | | | US\$ 1,205 | N |
| Fnma Pool 680932 | | | US\$ 995 | N |
| Fnma Pool 681393 | | | US\$ 2,192 | N |
| Fnma Pool 685116 | | | US\$ 531 | N |
| Fnma Pool 691283 | | | US\$ 3,225 | N |
| Fnma Pool 694287 | | | US\$ 19 | N |
| Fnma Pool 703711 | | | US\$ 425 | N |
| Fnma Pool 725095 | | | US\$ 953 | N |
| Fnma Pool 730033 | | | US\$ 147 | N |
| Fnma Pool 740934 | | | US\$ 982 | N |
| Fnma Pool 742232 | | | US\$ 17 | N |
| Fnma Pool 750798 | | | US\$ 22 | N |
| Fnma Pool 773246 | | | US\$ 204 | N |
| Fnma Pool 790828 | | | US\$ 1,783 | N |
| Fnma Pool 793932 | | | US\$ 393 | N |
| Fnma Pool 794040 | | | US\$ 588 | N |
| Fnma Pool 795548 | | | US\$ 169 | N |
| Fnma Pool 799664 | | | US\$ 86 | N |
| Fnma Pool 799868 | | | US\$ 30 | N |
| Fnma Pool 804764 | | | US\$ 353 | N |
| Fnma Pool 804852 | | | US\$ 292 | N |
| Fnma Pool 804962 | | | US\$ 349 | N |
| Fnma Pool 805163 | | | US\$ 377 | N |
| Fnma Pool 806642 | | | US\$ 517 | N |
| Fnma Pool 806721 | | | US\$ 594 | N |
| Fnma Pool 814418 | | | US\$ 317 | N |
| Fnma Pool 815626 | | | US\$ 2,023 | N |
| Fnma Pool 819423 | | | US\$ 486 | N |
| Fnma Pool 821129 | | | US\$ 451 | N |
| Fnma Pool 888499 | | | US\$ 1,847 | N |
| Fnma Pool 888502 | | | US\$ 220 | N |
| Fnma Pool 888507 | | | US\$ 841 | N |
| Fnma Pool 888515 | | | US\$ 1,027 | N |
| Fnma Pool 888519 | | | US\$ 108 | N |

| | | |
|---------------------|-------------|---|
| Fnma Pool 888527 | US\$ 62 | N |
| Fnma Pool 888738 | US\$ 4,302 | N |
| Fnma Pool 888793 | US\$ 4,964 | N |
| Fnma Pool 900296 | US\$ 2,913 | N |
| Gnma Ii Pool 081150 | US\$ 398 | N |
| Gnma Ii Pool 081153 | US\$ 1,228 | N |
| Gnma Pool 646061 | US\$ 2,947 | N |
| Fed Home Ln Bank | US\$ 5,173 | N |
| Federal Farm Cr Bks | US\$ 3,511 | N |
| Federal Home Ln Bks | US\$ 8,864 | N |
| Federal Home Ln Bks | US\$ 3,730 | N |
| Federal Home Ln Bks | US\$ 17,227 | N |
| Federal Home Ln Bks | US\$ 5,145 | N |

(Continued)

June 30,

| Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account | Carrying | Perce |
|-------------------------------------|-------------------------------|-------------------------------------|------------------|------------|
| | | | Shares/Unit | Value |
| | | | (in (US\$ in Own | (% |
| | | | Thousands | Thousands) |
| Federal Home Ln Bks | | Available-for-sale financial assets | US\$ 12,438 | N |
| Federal Home Ln Mtg | | | US\$ 5,079 | N |
| Federal Home Ln Mtg Corp. | | | US\$ 3,268 | N |
| Federal Home Ln Mtg Corp. | | | US\$ 7,445 | N |
| Federal Home Ln Mtg Disc Nts | | | US\$ 17,419 | N |
| Federal Home Loan Bank | | | US\$ 4,634 | N |
| Federal Home Loan Banks | | | US\$ 17,471 | N |
| Federal Natl Mtg Assn | | | US\$ 10,262 | N |
| Federal Natl Mtg Assn | | | US\$ 2,568 | N |
| Federal Natl Mtg Assn | | | US\$ 3,633 | N |
| Federal Natl Mtg Assn | | | US\$ 3,990 | N |
| Federal Natl Mtg Assn Mtn | | | US\$ 3,076 | N |
| Tennessee Valley Auth | | | US\$ 6,059 | N |
| Corporate bonds | | | | |
| Abbott Labs | | Available-for-sale financial assets | US\$ 1,954 | N |
| Abbott Labs | | | US\$ 1,508 | N |
| American Gen Fin Corp. | | | US\$ 3,091 | N |
| American Gen Fin Corp. Mtn | | | US\$ 3,466 | N |
| American Gen Fin Corp. Mtn | | | US\$ 1,953 | N |
| American Home Prods Corp. | | | US\$ 2,780 | N |
| American Honda Fin Corp. Mtn | | | US\$ 3,143 | N |
| Ameritech Capital Funding Co. | | | US\$ 485 | N |
| Amgen Inc. | | | US\$ 2,994 | N |
| Anz Cap Tr I | | | US\$ 968 | N |
| Atlantic Richfield Co. | | | US\$ 2,174 | N |
| Axa Finl Inc. | | | US\$ 2,087 | N |
| Bank Amer Corp. | | | US\$ 2,796 | N |
| Beneficial Corp. Mtn Bk Entry | | | US\$ 2,272 | N |
| Bp Cap Mkts P L C | | | US\$ 2,784 | N |
| Burlington Res Inc. | | | US\$ 3,601 | N |
| Chase Manhattan Corp. New | | | US\$ 1,517 | N |
| Chase Manhattan Corp. New | | | US\$ 2,090 | N |
| Chase Manhattan Corp. New | | | US\$ 3,440 | N |
| Colgate Palmolive Co. Mtn | | | US\$ 1,737 | N |
| Consolidated Edison Inc. | | | US\$ 3,002 | N |
| Credit Suisse First Boston USA | | | US\$ 349 | N |
| Deere John Cap Corp. Mtn Bk Ent | | | US\$ 2,227 | N |
| Depfa Acs Bank | | | US\$ 17,301 | N |

| | | |
|--------------------------------|------------|---|
| Duke Energy Co. | US\$ 2,378 | N |
| European Invt Bk | US\$ 7,391 | N |
| Fleet Boston Corp. | US\$ 2,580 | N |
| France Telecom Sa | US\$ 1,206 | N |
| Ge Global Ins Hldg Corp. | US\$ 1,878 | N |
| General Dynamics Corp. | US\$ 2,135 | N |
| General Elec Cap Corp. Mtn | US\$ 3,053 | N |
| General Elec Cap Corp. Mtn | US\$ 1,617 | N |
| General Elec Cap Corp. Mtn | US\$ 2,101 | N |
| General Re Corp. | US\$ 3,206 | N |
| Genworth Finl Inc. | US\$ 3,252 | N |
| Goldman Sachs Group | US\$ 2,229 | N |
| Hancock John Global Fdg II Mtn | US\$ 5,087 | N |

(Continued)

June 30,

| Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account | Carrying | | Percentage |
|-------------------------------------|-------------------------------|-------------------------------------|----------------|---------------------|------------|
| | | | Shares/Units | Value | |
| | | | (in thousands) | (US\$ in thousands) | (%) |
| Hancock John Global Fdg Mtn | | Available-for-sale financial assets | US\$ | 1,002 | N |
| Hartford Finl Svcs Group Inc. | | | US\$ | 1,332 | N |
| Heller Finl Inc. | | | US\$ | 1,935 | N |
| Hewlett Packard Co. | | | US\$ | 1,887 | N |
| Hewlett Packard Co. | | | US\$ | 1,500 | N |
| Honeywell Intl Inc. | | | US\$ | 988 | N |
| Honeywell Intl Inc. | | | US\$ | 1,059 | N |
| Household Fin Corp. | | | US\$ | 2,986 | N |
| Household Fin Corp. | | | US\$ | 3,030 | N |
| Ing Sec Life Instl Fdg | | | US\$ | 2,532 | N |
| International Business Machs | | | US\$ | 3,561 | N |
| Intl Lease Fin Corp. Mtn | | | US\$ | 2,955 | N |
| JP Morgan Chase | | | US\$ | 1,992 | N |
| Kreditanstalt Fur Wiederaufbau | | | US\$ | 8,710 | N |
| Lehman Brothers Hldgs Inc. | | | US\$ | 2,007 | N |
| Lehman Brothers Hldgs Inc. | | | US\$ | 974 | N |
| Lehman Brothers Hldgs Inc. | | | US\$ | 640 | N |
| Massmutual Global Fdg II Mtn | | | US\$ | 3,776 | N |
| Mellon Fdg Corp. | | | US\$ | 2,723 | N |
| Metropolitan Life Global Mtn | | | US\$ | 3,391 | N |
| Mizuho Fin (Cayman) | | | US\$ | 2,090 | N |
| Monumental Global Fdg II | | | US\$ | 1,504 | N |
| Monunmetal Global Fdg II | | | US\$ | 2,004 | N |
| Mony Group Inc. | | | US\$ | 2,102 | N |
| Morgan Stanley | | | US\$ | 1,580 | N |
| Morgan Stanley | | | US\$ | 3,380 | N |
| Nationwide Life Global Fdg I | | | US\$ | 3,596 | N |
| New York Life Global Fdg | | | US\$ | 2,418 | N |
| Oracle Corp. / Ozark Hldg Inc. | | | US\$ | 2,029 | N |
| Premark Intl Inc. | | | US\$ | 2,666 | N |
| Pricoa Global Fdg I Mtn | | | US\$ | 3,484 | N |
| Principal Finl Group Australia | | | US\$ | 992 | N |
| Protective Life Secd Trs Mtn | | | US\$ | 3,502 | N |
| Sbc Communications Inc. | | | US\$ | 3,402 | N |
| Sbc Communications Inc. | | | US\$ | 712 | N |
| Sbc Communications Inc. | | | US\$ | 2,778 | N |
| Simon Ppty Group L P | | | US\$ | 2,507 | N |
| Simon Ppty Group L p | | | US\$ | 996 | N |
| Sp Powerassests Ltd. Global | | | US\$ | 1,001 | N |
| U S Bancorp Mtn Bk Ent | | | US\$ | 1,361 | N |

| | | | | |
|-------------------------------|--|------|-------|---|
| U S Bk Natl Assn Minneapolis | | US\$ | 370 | N |
| Unitedhealth Group Inc. | | US\$ | 1,386 | N |
| Verizon Communications Inc. | | US\$ | 1,755 | N |
| Verizon Global Fdg Corp. | | US\$ | 1,506 | N |
| Wachovia Corp. New | | US\$ | 3,118 | N |
| Washington Post Co. | | US\$ | 3,024 | N |
| Wells Fargo + Co. New Med Trm | | US\$ | 4,435 | N |
| Westfield Cap Corp Ltd | | US\$ | 1,358 | N |

| | | | | |
|--------------------------------|-------------------------------------|------|---------|---|
| Money market funds | | | | |
| Ssga Cash Mgmt Global Offshore | Available-for-sale financial assets | US\$ | 144,589 | N |

(Continued)

| | | June 30, 2008 | | | | | | |
|--|---------------------------------|---------------------|--------------------|-----------|--------------|------|-------|--|
| | | Carrying Percentage | | Market | | | | |
| | | Shares/Units | Value | of | Value or Net | | | |
| Held | Relationship | Financial | Statement (in | Ownership | (US\$ in | | | |
| Company | with the | Account | thousands) | (%) | Thousands) | | | |
| Name | Type and Name | Company | Type | Company | Account | | | |
| Name | Marketable Securities | Type and Name | Company | Account | Type | | | |
| Corporate issued asset-backed securities | | | | | | | | |
| | | | Available-for-sale | | | | | |
| | | | financial | | | | | |
| | | | assets | | | | | |
| | Atlantic City Elc Trns Fdglc | | 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 | |

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| | | | |
|---------------------------------|------------|-----|------------|
| 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)

| | | June 30, 2008 | | | | |
|---------|-------------------------------------|---------------|--------------------|--------------------|---------------|---------------------------------|
| | | | | Market | | |
| | | | | Value or Net | | |
| | | | | Asset Value | | |
| | | | | of | | |
| | | | | Ownership | | |
| | | | | (%) | | |
| | | | | (US\$ in | | |
| | | | | Thousands) | | |
| | | | | (US\$ in | | |
| | | | | Thousands) | | |
| | | | | Note | | |
| Held | Relationship | Financial | Shares/Units | Carrying Value | Percentage of | Market Value or Net Asset Value |
| Company | with the | Statement | (in | (US\$ in | Ownership | (US\$ in |
| Name | Company | Account | thousands) | thousands) | (%) | Thousands) |
| Name | Marketable Securities Type and Name | Company | Available-for-sale | Available-for-sale | | |
| | | | financial | financial | | |
| | | | assets | assets | | |
| | Wamu Mtg Pass Through Ctfs | | | 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 |
| | Government bonds | | | | | |
| | | | Available-for-sale | Available-for-sale | | |
| | | | financial | financial | | |
| | | | assets | assets | | |
| | United States Treas Nts | | | 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)

TABLE 2

Taiwan Semiconductor Manufacturing Company Limited and Investees
MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST
NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE SIX MONTHS ENDED JUNE 30, 2008
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

| Type and | Financial Statement Account | Nature of Relationship Counter-party | Beginning Balance | | Acquisition | | Disposal (Note 2) | | Carrying Value (US\$ in Thousands) |
|----------|--|--|----------------------------------|-----------------------------------|----------------------------------|-----------------------------------|----------------------------------|-----------------------------------|---|
| | | | Amount (US\$ in Thousands) | Shares/Units (in Thousands) | Amount (US\$ in Thousands) | Shares/Units (in Thousands) | Amount (US\$ in Thousands) | Shares/Units (in Thousands) | |
| | Available-for-sale financial assets | National Investment Trust Co., Ltd. | 12,239 | \$2,045,935 | \$ | | 12,239 | \$2,060,358 | \$1,989,038 |
| | | ING Securities Investment Trust Co., Ltd | 85,581 | 1,310,030 | 25,928 | 400,000 | 111,509 | 1,721,141 | 1,700,000 |
| | | Fuh Hwa Investment Trust Co., Ltd. | 132,997 | 1,801,674 | | | 132,997 | 1,816,597 | 1,768,862 |
| nd Fund | | Prudential Financial Securities Investment Trust Enterprise | 83,306 | 1,236,728 | | | 83,306 | 1,245,214 | 1,204,418 |
| | | Cathay Securities Investment Trust Co., Ltd. | 60,126 | 703,824 | | | 60,126 | 709,289 | 700,000 |
| | | National Investment Trust Co., Ltd. | 103,016 | 1,474,856 | | | 103,016 | 1,485,597 | 1,442,443 |
| | | JF Asset Management (Taiwan) Limited | 59,049 | 915,252 | | | 59,049 | 922,445 | 900,083 |
| und | | Allianz Global Investors Taiwan Ltd. | 54,319 | 639,542 | | | 54,319 | 644,310 | 624,828 |
| und | | JF Asset Management | 35,324 | 504,206 | | | 35,324 | 508,184 | 500,342 |

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| | | | | | | | | | |
|----------|---|---|--------|-----------|---------|-----------|--------|-----------|-----------|
| nd Fund | | (Taiwan) Ltd. ING Securities Investment Trust Co., Ltd. | 54,621 | 878,682 | | | 54,621 | 885,963 | 854,149 |
| nd Fund | | Uni-President Assets Management Corp. | 77,128 | 1,208,799 | 12,678 | 200,000 | 89,806 | 1,419,030 | 1,400,000 |
| nt Trust | | Taishin Investment Trust Co., Ltd. | 68,945 | 718,556 | | | 68,945 | 724,341 | 701,525 |
| agement | | HSBC Asset Management (Taiwan) Ltd. INVESCO Taiwan Limited | 27,416 | 413,504 | | | 27,416 | 416,788 | 402,614 |
| | | AIG Global Asset management Corporation (Taiwan) Ltd. PCA Securities Investment Trust Co., Ltd. Capital Investment Trust Corporation | 54,469 | 705,033 | | | 54,469 | 708,863 | 700,000 |
| | | | | | 132,553 | 1,700,000 | | | |
| | | | | | 131,256 | 2,000,000 | | | |
| 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 |
| Series G | | | | 200,065 | | | | 201,301 | 200,841 |
| Series B | Held-to-maturity financial assets | | | | | 249,603 | | | |
| Series H | | | | 400,709 | | 299,852 | | | |
| | Investee accounted for using equity method | Subsidiary | | 906,536 | | 289,143 | | | |

(Continued)

| Financial Statement Account | Counter-party Relationship | Nature of Shares/Units (in Thousands) | Beginning Balance | | Acquisition | | Disposal (Note 1) | | Carrying Value (US\$ in Thousands) |
|-------------------------------------|----------------------------|---------------------------------------|----------------------------|-----------------------------|----------------------------|-----------------------------|----------------------------|-----------------------------|------------------------------------|
| | | | Amount (US\$ in Thousands) | Shares/Units (in Thousands) | Amount (US\$ in Thousands) | Shares/Units (In Thousands) | Amount (US\$ in Thousands) | Shares/Units (In Thousands) | |
| Available-for-sale financial assets | | | \$ | 10,483 | \$165,000 | 10,483 | \$165,280 | \$1 | |
| | | | | 10,042 | 154,000 | 10,042 | 154,298 | 1 | |
| | | | | 11,104 | 142,000 | 11,104 | 142,252 | 1 | |
| | | | | 7,719 | 115,000 | 7,719 | 115,157 | 1 | |
| Available-for-sale financial assets | | | | | 3,716 US\$ 3,741 | | | | |
| | | | | | 4,173 US\$ 4,352 | | | | |
| | | 9,000 US\$ 8,977 | | | | 9,000 US\$ 9,002 | US\$ | | |
| | | | | 9,000 US\$ 8,783 | | | | | |
| | | 9,000 US\$ 8,939 | | | | 9,000 US\$ 9,003 | US\$ | | |
| | | | | 3,725 US\$ 3,721 | | | | | |
| | | 5,000 US\$ 4,965 | | | | 5,000 US\$ 5,003 | US\$ | | |
| | | 5,000 US\$ 4,980 | | | | 5,000 US\$ 4,999 | US\$ | | |
| | | | | 12,100 US\$ 12,464 | | | | | |
| | | | | 5,000 US\$ 5,186 | | | | | |
| | | | | 3,340 US\$ 3,336 | | | | | |
| | | | | 7,000 US\$ 7,572 | | | | | |
| | | 21,900 US\$ 22,342 | | | | 4,900 US\$ 5,018 | US\$ | | |
| | | 21,000 US\$ 21,500 | | | | 4,000 US\$ 4,111 | US\$ | | |
| | | | | 10,000 US\$ 10,291 | | | | | |
| | | | | 3,500 US\$ 3,645 | | | | | |
| | | | | 3,750 US\$ 4,151 | | | | | |
| | | 3,000 US\$ 2,982 | | | | 3,000 US\$ 3,006 | US\$ | | |
| | | 3,200 US\$ 3,171 | | | | 3,200 US\$ 3,201 | US\$ | | |
| Available-for-sale financial assets | | 20,000 US\$ 20,402 | | | | 3,000 US\$ 3,074 | US\$ | | |
| | | | | 10,600 US\$ 10,577 | | 10,600 US\$ 10,461 | US\$ | | |
| | | | | 10,600 US\$ 10,576 | | 10,600 US\$ 10,676 | US\$ | | |
| | | | | 7,200 US\$ 7,182 | | | | | |
| | | 4,000 US\$ 3,978 | | | | 4,000 US\$ 4,042 | US\$ | | |
| | | 3,050 US\$ 3,053 | | | | 3,050 US\$ 3,041 | US\$ | | |
| | | | | 8,700 US\$ 8,679 | | | | | |

Available-for-sale
financial assets

592,180 US\$592,180 345,899 US\$345,899 793,490 US\$793,490 US\$7

Available-for-sale
financial assets

| | | | | | |
|--|--------------------|--|--------------------|--|-------------------------|
| | | | 17,825 US\$ 17,813 | | 11,800 US\$ 11,827 US\$ |
| | | | 19,500 US\$ 19,474 | | 18,000 US\$ 17,966 US\$ |
| | | | 60,100 US\$ 60,563 | | 21,600 US\$ 21,678 US\$ |
| | | | 17,000 US\$ 16,886 | | 11,405 US\$ 11,355 US\$ |
| | | | 7,800 US\$ 7,787 | | 7,800 US\$ 7,756 US\$ |
| | | | 9,100 US\$ 9,111 | | |
| | | | 6,400 US\$ 6,372 | | 6,400 US\$ 6,282 US\$ |
| | 25,900 US\$ 25,924 | | | | 25,900 US\$ 26,091 US\$ |
| | | | 53,300 US\$ 54,114 | | 53,300 US\$ 54,153 US\$ |

(Continued)

| Type and | Financial Statement | Account | Counter-party Relationship | Nature of | Beginning Balance | | Acquisition | | Disposal (Note 2) | | Carryover Value (US\$) |
|----------|-------------------------------------|---------|----------------------------|-----------|-----------------------------|----------------------------|-----------------------------|----------------------------|-----------------------------|----------------------------|------------------------|
| | | | | | Shares/Units (in Thousands) | Amount (US\$ in Thousands) | Shares/Units (in Thousands) | Amount (US\$ in Thousands) | Shares/Units (in Thousands) | Amount (US\$ in Thousands) | |
| | Available-for-sale financial assets | | | | US\$ 4,000 | US\$ 4,057 | 4,000 | US\$ 3,969 | US\$ 4,000 | US\$ 4,751 | US\$ 4,000 |
| | | | | | 5,000 | US\$ 5,070 | | | 4,680 | US\$ 4,751 | US\$ 4,000 |
| | | | | | | | 3,750 | US\$ 3,958 | | | |
| | | | | | 6,400 | US\$ 6,500 | | | 6,400 | US\$ 6,593 | US\$ 6,000 |
| | | | | | 41,900 | US\$ 42,509 | | | 41,900 | US\$ 42,867 | US\$ 41,000 |
| | | | | | | | 4,000 | US\$ 4,200 | 1,400 | US\$ 1,454 | US\$ 1,000 |
| | | | | | | | 10,266 | US\$ 11,167 | | | |
| | | | | | 5,000 | US\$ 5,160 | | US\$ | 5,000 | US\$ 5,233 | US\$ 5,000 |
| | | | | | | | 10,000 | US\$ 10,525 | 10,000 | US\$ 10,489 | US\$ 10,000 |
| | | | | | 3,250 | US\$ 3,359 | | | 3,250 | US\$ 3,347 | US\$ 3,000 |
| | | | | | 7,500 | US\$ 7,758 | | | 7,500 | US\$ 7,855 | US\$ 7,000 |
| | | | | | 9,500 | US\$ 9,735 | | | 9,500 | US\$ 9,757 | US\$ 9,000 |
| | | | | | | | 11,250 | US\$ 12,259 | 9,250 | US\$ 9,906 | US\$ 10,000 |

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
 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)**

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

TABLE 4

Taiwan Semiconductor Manufacturing Company Limited and Investees
TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST NT\$100 MILLION OR
20% OF THE PAID-IN CAPITAL
FOR THE SIX MONTHS ENDED JUNE 30, 2008
(Amounts in Thousands of New Taiwan Dollars)

| Company Name | Related Party | Nature of Relationships | Purchases/ Sales | Transaction Details | | | Notes/Accounts | Ending Balance | Total |
|--------------|--------------------|---|---------------------|---------------------|---------|--|--------------------------|-------------------|-------|
| | | | | Amount | % to | Payment Terms | Payable or Receivable | | |
| Company | TSMC North America | Subsidiary | Sales | \$103,800,578 | 60 | Net 30 days after invoice date | | \$23,871,291 | 53 |
| | GUC | Investee with a controlling financial interest | Sales | 662,720 | | Net 30 days after monthly closing | | 268,530 | 1 |
| | WaferTech | Indirect subsidiary | Purchases | 4,410,290 | 20 | Net 30 days after monthly closing | | (666,082) | 6 |
| | TSMC Shanghai | Subsidiary | Purchases | 2,650,161 | 12 | Net 30 days after monthly closing | | (476,025) | 4 |
| | SSMC | 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 |
| C | 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 |
| Tec | 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 Investees
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 Taken Action | Amounts Received in Subsequent Period | Allowance for Bad Debts |
|--------------|--------------------|---|----------------|------------------------|------------------------------|---|-------------------------|
| The Company | 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) | | | |
| | SMMC | 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
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)

| Company | Location | Main Businesses and Products | Original Investment Amount | | Balance as of June 30, 2008 | | Shareholders | Percentage of Ownership |
|---------------|---------------------------------|--|--|--|--|---|--------------|-------------------------|
| | | | June 30, 2008 (Foreign Currencies in Thousands) | December 31, 2007 (Foreign Currencies in Thousands) | Carrying Value (Note 1) (Foreign Currencies in Thousands) | Value (Note 1) (Foreign Currencies in Thousands) | | |
| Global | Tortola, British Virgin Islands | Investment activities | \$42,327,245 | \$42,327,245 | 1 | 100 | | \$41,946,173 |
| 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 |
| | 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 |
| | Singapore | Fabrication and supply of integrated circuits | 8,840,895 | 8,840,895 | 463 | 39 | | 8,641,503 |
| 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 |
| Partners | Tortola, British Virgin Islands | Investment activities | 10,350 | 10,350 | 300 | 100 | | 3,534,832 |
| North | San Jose, California, | Sales and marketing of integrated circuits and | 333,718 | 333,718 | 11,000 | 100 | | 2,246,123 |

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| | | | | | | | | | | | |
|-------------|----------------------------------|---|------|-----------|------|-----------|--------|-----|------|-----------|------|
| | U.S.A. Taoyuan, Taiwan | semiconductor devices Wafer level chip size packaging service | | 1,357,890 | | 1,357,890 | 91,703 | 43 | | 1,396,316 | |
| | Cayman Islands | Investing in new start-up technology companies | | 1,262,602 | | 973,459 | | 98 | | 1,106,412 | |
| | Cayman Islands | Investing in new start-up technology companies | | 1,036,424 | | 1,095,622 | | 98 | | 963,211 | |
| | Hsin-Chu, Taiwan | Researching, developing, manufacturing, testing and marketing of integrated circuits | | 386,568 | | 386,568 | 42,572 | 37 | | 798,498 | |
| g Alliance | Cayman Islands | Investing in new start-up technology companies | | 976,450 | | 1,019,042 | | 99 | | 388,216 | |
| ng | Taipei, Taiwan | Investment activities | | 300,000 | | 300,000 | | 36 | | 221,911 | |
| y | Taipei, Taiwan | Investment activities | | 300,000 | | 300,000 | | 36 | | 220,092 | |
| urope | Amsterdam, the Netherlands | Marketing activities | | 15,749 | | 15,749 | | 100 | | 107,796 | |
| pan | Yokohama, Japan | Marketing activities | | 83,760 | | 83,760 | 6 | 100 | | 104,842 | |
| orea | Seoul, Korea | Marketing activities | | 13,656 | | 13,656 | 80 | 100 | | 15,286 | |
| | Cayman Islands | Investing in new start-up technology companies | US\$ | 7,680 | US\$ | 8,721 | 7,680 | 97 | US\$ | 9,841 | US\$ |
| | Cayman Islands | Investing in new start-up technology companies | US\$ | 41,027 | US\$ | 43,048 | 41,027 | 97 | US\$ | 43,875 | US\$ |
| ment | Delaware, U.S.A. | Investment activities | US\$ | 0.001 | US\$ | 0.001 | | 100 | US\$ | 675,749 | US\$ |
| technology | Delaware, U.S.A. | Engineering support activities | US\$ | 0.001 | US\$ | 0.001 | | 100 | US\$ | 8,129 | US\$ |
| ch | 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\$ |
| olding y | 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\$ |
| anada | Ontario, Canada | Engineering support activities | US\$ | 2,300 | US\$ | 2,300 | 2,300 | 100 | US\$ | 2,876 | US\$ |

(Continued)

| Investee Company | Location | Main Businesses and Products | Original Investment Amount | | Balance as of June 30, 2008 | | | Net |
|---------------------------------|------------------|--|--|--|-----------------------------|-------------------------|-------------------------|------|
| | | | June 30, 2008 (Foreign Currencies in Thousands) | December 31, 2007 (Foreign Currencies in Thousands) | Shareholders | Percentage of Ownership | Carrying Value (Note 1) | |
| 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\$ |
| 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\$ |
| MTA Holdings | Delaware, U.S.A. | Investing in new start-up technology companies | US\$ | US\$ | | 68 | US\$ | US\$ |
| Growth Fund | Cayman Islands | Investing in new start-up technology companies | US\$ 600 | US\$ 600 | | 100 | US\$ 600 | US\$ |
| MTA Holdings | Delaware, U.S.A. | Investing in new start-up technology companies | US\$ | US\$ | | 24 | US\$ | US\$ |
| GUC-NA | U.S.A | Consulting services in main products | US\$ 500 | US\$ 100 | 100 | 100 | \$ 21,170 | \$ |
| GUC-Japan | Japan | Consulting services in main products | JPY 30,000 | JPY 10,000 | 1 | 100 | 9,495 | |
| GUC-Europe | The Netherlands | Consulting services in main products | EUR 50 | | | 100 | 2,420 | |
| MTA Holdings | Delaware, U.S.A. | Investing in new start-up technology companies | US\$ | US\$ | | 8 | US\$ | US\$ |
| Hsin Ruey | Taipei, Taiwan | Investment activities | \$533,333 | \$533,333 | | 64 | \$964,748 | \$ |
| 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 | |
| Chi Cherng | Taipei, Taiwan | Investment activities | \$533,333 | \$533,333 | | 64 | \$967,488 | \$ |

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 |
|---------------------|--|--------|--------|-------|--------|

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
INFORMATION OF INVESTMENT IN MAINLAND CHINA
FOR THE SIX MONTHS ENDED JUNE 30, 2008

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

| Main Businesses and Subsidiary | Products | Total Amount of Paid-in Capital (RMB in Thousands) | Method of Investment (US\$ in Thousands) | Accumulated Outflow of Investment from Taiwan as of January 1, 2008 (US\$ in Thousands) | Investment Flows Outflow (US\$ in Thousands) | Accumulated Outflow of Investment from Taiwan as of June 30, 2008 (US\$ in Thousands) | Percentage of Ownership (Note 2) | Equity in the Earnings (Losses) | Accumulated Investment Carrying Value as of June 30, 2008 |
|-----------------------------------|--|---|--|---|---|--|---|--|---|
| | | | | | | | | | |
| 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.

**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.

- 1 -

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.

- 2 -

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries
CONSOLIDATED BALANCE SHEETS
JUNE 30, 2008 AND 2007
(In Thousands of New Taiwan Dollars, Except Par Value)

| | 2008 | | 2007 | |
|---|--------------------|-----------|--------------------|-----------|
| | Amount | % | Amount | % |
| ASSETS | | | | |
| 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 | 299,763,291 | 49 | 304,638,861 | 48 |
| 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 | 3,740,161 | 1 | 3,664,311 | 1 |
| Total long-term investments | 31,936,869 | 5 | 45,153,279 | 7 |
| 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 | 663,731 | | 631,297 | |
| | 808,214,965 | 131 | 735,080,407 | 115 |
| Accumulated depreciation | (574,737,419) | (93) | (502,494,821) | (79) |
| Advance payments and construction in progress | 28,720,751 | 5 | 32,019,694 | 5 |

| | | | | |
|---|-----------------------|------------|-----------------------|------------|
| Net property, plant and equipment | 262,198,297 | 43 | 264,605,280 | 41 |
| INTANGIBLE ASSETS | | | | |
| Goodwill (Note 2) | 5,702,990 | 1 | 6,008,309 | 1 |
| Deferred charges, net (Notes 2 and 13) | 7,755,165 | 1 | 5,777,355 | 1 |
| Total intangible assets | 13,458,155 | 2 | 11,785,664 | 2 |
| 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) | 315,120 | | 127,046 | |
| Total other assets | 7,866,809 | 1 | 11,250,660 | 2 |
| TOTAL | \$ 615,223,421 | 100 | \$ 637,433,744 | 100 |

LIABILITIES AND SHAREHOLDERS EQUITY**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) | 8,261,656 | 1 | 4,781,509 | 1 |
| Total current liabilities | 146,981,295 | 24 | 132,412,698 | 21 |

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) | 663,731 | | 631,297 | |

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| | | | | |
|--|--------------|-----|-------------|----|
| Total long-term liabilities | 15,643,430 | 2 | 23,367,246 | 4 |
| 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 | 35,654 | | 66,145 | |
| Total other liabilities | 5,911,475 | 1 | 7,781,604 | 1 |
| Total liabilities | 168,536,200 | 27 | 163,561,548 | 26 |
| 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 | 256,313,709 | 41 | 264,235,168 | 42 |
| To be issued | 5,221,238 | 1 | | |
| | 261,534,947 | 42 | 264,235,168 | 42 |
| Capital surplus (Notes 2 and 21) | 50,916,645 | 8 | 53,725,604 | 8 |
| Retained earnings (Note 21) | | | | |
| Appropriated as legal capital reserve | 67,324,393 | 11 | 56,406,684 | 9 |
| Appropriated as special capital reserve | 391,857 | | 629,550 | |
| Unappropriated earnings | 84,236,793 | 14 | 96,973,825 | 15 |
| | 151,953,043 | 25 | 154,010,059 | 24 |
| Others (Notes 2, 23 and 25) | | | | |
| 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 | (14,845,498) | (2) | (918,075) | |
| | (21,164,069) | (3) | (1,084,269) | |
| Equity attributable to shareholders of the parent | 443,240,566 | 72 | 470,886,562 | 74 |
| MINORITY INTERESTS (Note 2) | 3,446,655 | 1 | 2,985,634 | |
| Total shareholders equity | 446,687,221 | 73 | 473,872,196 | 74 |

TOTAL \$ 615,223,421 100 \$ 637,433,744 100

The accompanying notes are an integral part of the consolidated financial statements.
(With Deloitte & Touche audit report dated July 10, 2008)

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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)

| | 2008 | | 2007 | |
|--|----------------|-----|----------------|-----|
| | Amount | % | Amount | % |
| GROSS SALES (Notes 2 and 26) | \$ 178,973,801 | | \$ 141,909,970 | |
| SALES RETURNS AND ALLOWANCES (Notes 2 and 8) | 3,357,091 | | 2,094,657 | |
| NET SALES | 175,616,710 | 100 | 139,815,313 | 100 |
| COST OF SALES (Notes 20 and 26) | 97,156,057 | 55 | 83,024,940 | 59 |
| GROSS PROFIT | 78,460,653 | 45 | 56,790,373 | 41 |
| 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 | 2,457,830 | 1 | 1,882,770 | 1 |
| Total operating expenses | 18,964,207 | 11 | 14,179,082 | 10 |
| INCOME FROM OPERATIONS | 59,496,446 | 34 | 42,611,291 | 31 |
| 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) | 379,238 | | 563,958 | 1 |
| Total non-operating income and gains | 7,989,245 | 4 | 6,010,382 | 4 |
| NON-OPERATING EXPENSES AND LOSSES | | | | |
| Foreign exchange loss, net (Note 2) | 1,740,143 | 1 | | |

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| | | | |
|---|-----------|---|---------|
| 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) | 145,964 | | 48,606 |
| | | | |
| Total non-operating expenses and losses | 3,536,902 | 2 | 529,269 |

(Continued)

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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)

| | 2008 | | 2007 | |
|-------------------------------------|---------------|----------|---------------|----------|
| | Amount | % | Amount | % |
| INCOME BEFORE INCOME TAX | \$ 63,948,789 | 36 | \$ 48,092,404 | 35 |
| INCOME TAX EXPENSE (Notes 2 and 19) | 6,838,752 | 4 | 3,501,445 | 3 |
| NET INCOME | \$ 57,110,037 | 32 | \$ 44,590,959 | 32 |
| ATTRIBUTABLE TO: | | | | |
| Shareholders of the parent | \$ 56,913,888 | 32 | \$ 44,322,581 | 32 |
| Minority interests | 196,149 | | 268,378 | |
| | \$ 57,110,037 | 32 | \$ 44,590,959 | 32 |

| | 2008 | | 2007 | |
|------------------------------------|----------------------------------|---------------------------------|----------------------------------|---------------------------------|
| | Before Income Tax | After Income Tax | Before Income Tax | After Income Tax |
| EARNINGS PER SHARE (NT\$, Note 24) | | | | |
| Basic earnings per share | \$ 2.49 | \$ 2.22 | \$ 1.81 | \$ 1.68 |
| Diluted earnings per share | \$ 2.48 | \$ 2.22 | \$ 1.81 | \$ 1.68 |

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)

| Type of Issued | Equity Attributable to Shareholders of the Parent | | | | | | Others | |
|----------------|---|-----------------------|-------------------------|-------------------------|-------------------------|------------------------------------|---|-----------------|
| | Capital Surplus | Legal Capital Reserve | Special Capital Reserve | Unappropriated Earnings | Retained Earnings Total | Cumulative Translation Adjustments | Unrealized Gain (Loss) on Financial Instruments | Treasury Stock |
| d) Amount | \$ 53,732,682 | \$ 56,406,684 | \$ 629,550 | \$ 161,828,337 | \$ 218,864,571 | \$ (1,072,853) | \$ 680,997 | \$ (49,385,032) |
| | | 10,917,709 | | (10,917,709) | | | | |
| | | | (237,693) | 237,693 | | | | |
| | | | | (3,939,883) | (3,939,883) | | | |
| 3 | 3,939,883 | | | (3,939,883) | (3,939,883) | | | |
| | | | | (76,881,311) | (76,881,311) | | | |
| 4 | 512,542 | | | (512,542) | (512,542) | | | |
| | | | | (176,890) | (176,890) | | | |
| | 768,813 | (768,813) | | | | | | |
| | | | | 56,913,888 | 56,913,888 | | | |

(186,344)

(5,714,467)

128,891

102,279

(143,654)

(68,594)

(2,092,050)

(38,374,907) (38,374,907)

48,466,957

(13,927,423) (

\$ 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) \$ (

\$ 54,107,498 \$ 43,705,711 \$ 640,742 \$ 152,778,079 \$ 197,124,532 \$ (1,191,165) \$ 561,615 \$ (918,075) \$

| | | |
|------------|--------------|--------------|
| 12,700,973 | (12,700,973) | |
| | (11,192) | 11,192 |
| | (4,572,798) | (4,572,798) |
| | (4,572,798) | (4,572,798) |
| | (77,489,064) | (77,489,064) |
| | (516,594) | (516,594) |
| | (285,800) | (285,800) |
| (774,891) | | |
| | 44,322,581 | 44,322,581 |
| 68,411 | | |
| | | 577,491 |
| 222,824 | | |

101,762

(114,326)

191

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

The accompanying notes are an integral part of the consolidated financial statements.
(With Deloitte & Touche audit report dated July 10, 2008)

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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 | 102,346,196 | 72,795,604 |
| 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) |

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| | | |
|--|--------------|--------------|
| 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) |

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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 | (556) | 1,256 |
| | | |
| Net cash provided by (used in) investing activities | 470,782 | (23,566,896) |
| | | |
| 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 | 9,174 | 13,553 |
| | | |
| Net cash used in financing activities | (10,133,330) | (3,321,270) |
| | | |
| 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 | 94,986,488 | 117,837,192 |
| | | |
| CASH AND CASH EQUIVALENTS, END OF PERIOD | \$ 185,346,119 | \$ 163,391,305 |
| | | |
| SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION | | |
| Interest paid | \$ 497,376 | \$ 557,490 |
| | | |
| Income tax paid | \$ 10,220,646 | \$ 7,566,329 |

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 | (13,381) | |
| Cash paid | \$ 37,586,675 | \$ 39,303,256 |
| Repurchase of treasury stock | \$ 13,927,423 | \$ |
| Increase in accrued expenses and other current liabilities | (4,258,527) | |
| Cash paid | \$ 9,668,896 | \$ |

(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 | \$ 8,261,656 | \$ 4,781,509 |
| Current portion of other long-term payables (classified under accrued expenses and other current liabilities) | \$ 2,012,071 | \$ 2,433,227 |

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

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

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

(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% | TSMC and Chi Cherng held in aggregate a 100% ownership of Hsin Ruey. As of June 30, 2008, Hsin Ruey held 17,064 thousand common shares in TSMC (approximately 0.07% of outstanding common shares). |
| | VentureTech Alliance Fund III, L.P. (VTAF III) | 98% | 98% | |
| | VentureTech Alliance Fund II, L.P. (VTAF II) | 98% | 98% | |
| | Emerging Alliance Fund, L.P. (Emerging Alliance) | 99.5% | 99.5% | |
| | Global Unichip Corporation (GUC) | 37% | 38% | GUC became a consolidated entity of TSMC as GUC's president was assigned by TSMC and TSMC has a controlling |

| | | | | |
|--------------------|---|---------|---------|---|
| | | | | interest over the financial, operating and personnel hiring decisions of GUC. TSMC obtained three out of five director positions in March 2007 and TSMC has a controlling interest in XinTec. |
| | 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 and additional paid-in capital are reversed on a pro rata basis. When the book value of the treasury stock exceeds the sum of the par value and additional paid-in capital, the difference is charged to capital surplus and 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 and 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 |
| | \$ 185,346,119 | \$ 163,391,305 |

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

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

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) |
|--------------------|-----------------------------|---------------------------------------|
| June 30, 2008 | | |
| 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/JPY 39,000 |
| 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 |
| June 30, 2007 | | |
| 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 (inThousands) | Range of Interest Rates Paid | Range of Interest Rates Received |
|----------------------|--|---|---|
|----------------------|--|---|---|

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June 30, 2008

| | | | |
|-----------|-----------------------------|-------------|-------------|
| July 2008 | US\$ 971,000/NT\$29,509,297 | 2.49%-4.68% | 0.43%-2.42% |
|-----------|-----------------------------|-------------|-------------|

June 30, 2007

| | | | |
|--------------------------|-----------------------------|-------------|-------------|
| 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.

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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 | | 497,381 |
| | 32,825,625 | 62,375,246 |
| Current portion | (32,825,625) | (57,853,490) |
| | \$ | \$ 4,521,756 |

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 |
|---------------------------|-----------------------------|----------------------------|--------------------------|--------------------------|
| June 30, 2007 | | | | |
| Step-up callable deposits | | | | |
| Domestic deposits | \$ 500,000 | \$ 497,381 | 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 | 500,000 | 10,047,000 |
| | 13,012,119 | 30,697,637 |
| Current portion | (5,771,334) | (9,909,497) |
| | \$ 7,240,785 | \$ 20,788,140 |

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 |
|---------------------------------|-----------------------------|--------------------------------|--|------------------------------------|
| June 30, 2008 | | | | |
| Step-up callable deposits | | | | |
| Domestic deposits | \$ 500,000 | \$ 2,031 | 1.83% | October 2008 |
| June 30, 2007 | | | | |
| Step-up callable deposits | | | | |
| Domestic deposits | \$ 3,500,000 | \$ 13,267 | 1.69%-1.83% | October 2007 to October 2008 |
| Callable range accrual deposits | | | | |
| Domestic deposits | 3,928,200 | 4,556 | (see below) | September 2009 to December 2009 |
| Foreign deposits | 2,618,800 | 4,828 | (see below) | October 2009 to December 2009 |
| | \$ 10,047,000 | \$ 22,651 | | |

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 | (1,352) | |
| Balance, end of period | \$ 701,591 | \$ 767,296 |

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 | (2,847,270) | (2,219,863) |
| | | |
| Balance, end of period | \$ 4,598,856 | \$ 2,758,552 |

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 | 1,161,201 | 991,054 |
| | 24,467,112 | 25,162,764 |
| Allowance for losses | (1,108,335) | (1,117,420) |
| | \$ 23,358,777 | \$ 24,045,344 |

10. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

| | June 30 | | | |
|--|----------------------------|---------------------------------|----------------------------|---------------------------------|
| | 2008 | | 2007 | |
| | Carrying Amount | % of Owner- ship | Carrying Amount | % of Owner- ship |
| 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) | 2,203,387 | 49 | 2,065,504 | 49 |
| | \$ 20,955,923 | | \$ 16,179,072 | |

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 | (299,561) | (98,499) |

| | | |
|------------------------|--------------|------------|
| Balance, end of period | \$ 2,290,181 | \$ 853,660 |
|------------------------|--------------|------------|

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.

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11. FINANCIAL ASSETS CARRIED AT COST

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

12. PROPERTY, PLANT AND EQUIPMENT

| | Six Months Ended June 30, 2008 | | | | | Balance, End of Period |
|---|---|----------------------|---------------------|-------------------------|--|---------------------------------------|
| | Balance, Beginning of Period | Additions | Disposals | Reclassification | Effect of Exchange Rate Changes | |
| 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 |
| | 778,483,587 | \$ 34,614,201 | \$ (735,146) | \$ (175,656) | \$ (3,972,021) | 808,214,965 |
| 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 |
| | 540,099,567 | \$ 38,497,433 | \$ (723,184) | \$ (206,402) | \$ (2,929,995) | 574,737,419 |
| Advance payments and construction in progress | 21,868,167 | \$ 6,240,442 | \$ | \$ (45,850) | \$ 657,992 | 28,720,751 |
| | \$ 260,252,187 | | | | | \$ 262,198,297 |

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 |
| | 704,524,723 | \$ 3,146,183 | \$ 26,399,046 | \$ (513,102) | \$ 772,763 | \$ 750,794 | 735,080,407 |
| 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 |
| | 463,038,084 | \$ 661,419 | \$ 38,440,462 | \$ (504,473) | \$ 518,812 | \$ 340,517 | 502,494,821 |
| Advance payments and construction in progress | 12,607,551 | \$ 480,130 | \$ 18,838,618 | \$ | \$ 172,639 | \$ (79,244) | 32,019,694 |
| | \$ 254,094,190 | | | | | | \$ 264,605,280 |

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 |
| | \$ 7,923,601 | \$ 1,193,191 | \$ (1,340,214) | \$ (14,279) | \$ 59 | \$ (7,193) | \$ 7,755,165 |

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 |
| | \$ 5,936,915 | \$ 234,031 | \$ 1,430,388 | \$ (1,427,662) | \$ (281) | \$ (426,590) | \$ 30,554 | \$ 5,777,355 |

14. SHORT-TERM BANK LOANS

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

15. BONDS PAYABLE

| | June 30 2008 | June 30 2007 |
|--|-------------------------|-------------------------|
| Domestic unsecured bonds: Issued in December 2000 and repayable in December 2007, 5.36% interest payable annually | \$ | \$ 4,500,000 |

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| | | |
|--|--------------|---------------|
| Issued in January 2002 and repayable in January 2009 and 2012 in two installments, 2.75% and 3.00% interest payable annually, respectively | 12,500,000 | 12,500,000 |
| | 12,500,000 | 17,000,000 |
| Current portion | (8,000,000) | (4,500,000) |
| | \$ 4,500,000 | \$ 12,500,000 |

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

| Year of Repayment | Amount |
|--------------------------|---------------|
| 2009 | \$ 8,000,000 |
| 2012 | 4,500,000 |
| | \$ 12,500,000 |

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 | 696 | 3,481 |
| | 1,851,776 | 1,519,603 |
| Current portion | (261,656) | (281,509) |
| | \$ 1,590,120 | \$ 1,238,094 |

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 | 115,363 |
| | \$ 1,851,776 |

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 | 3,018,059 | 3,777,162 |
| | 10,901,650 | 11,431,082 |
| Current portion (classified under accrued expenses and other current liabilities) | (2,012,071) | (2,433,227) |
| | \$ 8,889,579 | \$ 8,997,855 |

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 | 7,883,591 |
| | \$ 10,901,650 |

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:

| | Six Months Ended June 30 | |
|------------------------------|---------------------------------|--------------|
| | 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 | (13,726) | |
| | | |
| Balance, end of period | \$ 2,354,540 | \$ 2,107,094 |
| | | |
| Accrued pension cost | | |
| Balance, beginning of period | \$ 3,665,522 | \$ 3,540,060 |
| Accruals | 33,050 | 52,317 |
| | | |
| Balance, end of period | \$ 3,698,572 | \$ 3,592,377 |

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:

| | Six Months Ended June 30 | |
|--|---------------------------------|---------------|
| | 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 | (5,672,001) | (7,326,453) |
| | | |
| Income tax currently payable | \$ 5,808,435 | \$ 4,408,935 |

- 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 | 508,523 | (3,040,698) |

| | | |
|--------------------|--------------|--------------|
| Income tax expense | \$ 6,838,752 | \$ 3,501,445 |
|--------------------|--------------|--------------|

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- 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 | (500,227) | (529,750) |
| | \$ 6,386,131 | \$ 5,896,785 |
| 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 | (4,143,549) | (4,886,371) |
| | \$ 4,784,854 | \$ 8,530,640 |

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 |

| | | |
|---------------|--------------|------|
| 1,535,176 | 1,535,176 | 2012 |
| \$ 12,412,596 | \$ 8,949,065 | |

(Continued)

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| 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 |
| | | 1,156,005 | 1,156,004 | 2012 |
| | | | \$ 7,198,480 | \$ 5,011,988 |
| Statute for Upgrading Industries | Personnel training expenditures | \$ 21,998 | \$ 20 | 2009 |
| | | 47,024 | 47,024 | 2010 |
| | | 32,426 | 32,426 | 2011 |
| | | 737 | 737 | 2012 |
| | | | \$ 102,185 | \$ 80,207 |

(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 | | |
| | Classified as Cost of Sales | 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 |

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| | | | |
|--------------|---------------|--------------|---------------|
| Welfare | 338,003 | 138,817 | 476,820 |
| Others | 102,942 | 78,497 | 181,439 |
| | \$ 11,676,248 | \$ 9,262,106 | \$ 20,938,354 |
| Depreciation | \$ 36,348,092 | \$ 2,140,748 | \$ 38,488,840 |
| Amortization | \$ 925,533 | \$ 414,681 | \$ 1,340,214 |

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| | Six Months Ended June 30, 2007 | | |
|----------------------------|---------------------------------------|---------------------|----------------------|
| | Classified | | |
| | as | | |
| | Classified | as | |
| | Cost of | Operating | |
| | Sales | 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 | 62,907 | 238,830 | 301,737 |
| | \$ 6,612,030 | \$ 4,493,517 | \$ 11,105,547 |
| Depreciation | \$ 36,367,346 | \$ 2,055,785 | \$ 38,423,131 |
| Amortization | \$ 945,814 | \$ 481,249 | \$ 1,427,063 |

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 | 55 | 55 |
| | \$ 50,916,645 | \$ 53,725,604 |

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

a.

Legal capital reserve at 10% of the profits left over, until the accumulated legal capital reserve equals TSMC's paid-in capital;

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

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- c. Bonus to directors and bonus to employees of 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:

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

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\$) |
|--------------------------------|---|--|
| Six months ended June 30, 2008 | | |
| Balance, beginning of period | 41,875 | \$37.4 |
| Options exercised | (4,267) | 40.2 |
| Options cancelled | (260) | 46.8 |
| Balance, end of period | 37,348 | 37.0 |
| Six months ended June 30, 2007 | | |
| Balance, beginning of period | 52,814 | \$37.9 |
| Options granted | 1,094 | 37.9 |
| Options exercised | (7,401) | 40.1 |
| Options cancelled | (598) | 45.2 |
| Balance, end of period | 45,909 | 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 | 10,860 | 6.40 | 46.6 | 8,816 | 46.3 |
| | 37,348 | | 37.0 | 35,304 | 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.

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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\$) |
|--------------------------------|----------------------|--|
| Six months ended June 30, 2008 | | |
| Balance, beginning of period | 7,598 | \$ 60.3 |
| Options exercised | (462) | 10.3 |
| Options cancelled | (66) | 194.0 |
| | | |
| Balance, end of period | 7,070 | 61.5 |
| Six months ended June 30, 2007 | | |
| Balance, beginning of period | 7,342 | \$ 14.0 |
| Options exercised | (935) | 10.2 |
| Options cancelled | (68) | 16.3 |
| | | |
| Balance, end of period | 6,339 | 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 | 1,838 | 5.50 | 194.0 | | |

7,070

61.5

641

10.3

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

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

| | Number of Options (in Thousands) | Weighted- average Exercise Price (NT\$) |
|--------------------------------|---|--|
| Six months ended June 30, 2008 | | |
| Balance, beginning of period | 9,642 | \$ 15.1 |
| Options cancelled | (686) | 15.4 |
| Balance, end of period | 8,956 | 15.1 |
| Six months ended June 30, 2007 | | |
| Balance, beginning of period | 4,968 | \$ 13.0 |
| Options granted | 3,555 | 15.7 |
| Options cancelled | (567) | 13.9 |
| Balance, end of period | 7,956 | 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\$) | Number of Options (in Thousands) | Options Outstanding 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 | 3,908 | 9.00-9.46 | 17.8 |
| | 8,956 | | 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% | 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% | 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 |
|---|-----------------------------|-----------------|-------------------|--------------------------|
| Six months ended June 30, 2008 | | | | |
| Parent company stock held by subsidiaries | 34,096 | | | 34,096 |
| Repurchase under share buyback plan | 800,000 | 216,674 | 800,000 | 216,674 |
| | 834,096 | 216,674 | 800,000 | 250,770 |
| Six months ended June 30, 2007 | | | | |
| Parent company stock held by subsidiaries | 33,926 | 170 | | 34,096 |

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.

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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:

| | Amounts (Numerator) | | Number of Shares (Denominator) (in Thousands) | EPS (NT\$) | |
|--|-------------------------|------------------------|---|-------------------------|------------------------|
| | Before Income Tax | After Income Tax | | Before Income Tax | After Income Tax |
| Six months ended June 30, 2008 | | | | | |
| Basic EPS | | | | | |
| Income attributable to shareholders of the parent | \$ 63,736,122 | \$ 56,913,888 | 25,587,867 | \$ 2.49 | \$ 2.22 |
| Effect of dilutive potential common stock - | | | | | |
| Bonus to employees | | | 70,282 | | |
| Stock options | | | 17,817 | | |

Diluted EPS

| | | | | | |
|---|---------------|---------------|------------|---------|---------|
| Income attributable to shareholders of the parent (including effect of dilutive potential common stock) | \$ 63,736,122 | \$ 56,913,888 | 25,675,966 | \$ 2.48 | \$ 2.22 |
|---|---------------|---------------|------------|---------|---------|

Six months ended June 30, 2007

Basic EPS

| | | | | | |
|---|---------------|---------------|------------|---------|---------|
| Income attributable to shareholders of the parent | \$ 47,816,720 | \$ 44,322,581 | 26,385,050 | \$ 1.81 | \$ 1.68 |
|---|---------------|---------------|------------|---------|---------|

| | | | | | |
|---|--|--|--------|--|--|
| Effect of dilutive potential common stock stock options | | | 23,482 | | |
|---|--|--|--------|--|--|

Diluted EPS

| | | | | | |
|---|---------------|---------------|------------|---------|---------|
| Income attributable to shareholders of the parent (including effect of dilutive potential common stock) | \$ 47,816,720 | \$ 44,322,581 | 26,408,532 | \$ 1.81 | \$ 1.68 |
|---|---------------|---------------|------------|---------|---------|

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 |
| Assets | | | | |
| 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 |
| Liabilities | | | | |
| 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 | (625,162) | | (625,162) |
| Balance, end of period | \$ 484,184 | \$ (15,435) | \$ 468,749 |

| | 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 | (230,261) | | (230,261) |
| Balance, end of period | \$ 271,691 | \$ 175,789 | \$ 447,480 |

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.

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- 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.

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

| | 2008 | | 2007 | |
|---|--------------|-----|--------------|-----|
| | Amount | % | Amount | % |
| Manufacturing expenses | | | | |
| VisEra | \$ 74,343 | | \$ 68,949 | |
| VIS | | | 366 | |
| | \$ 74,343 | | \$ 69,315 | |
| Research and development expenses | | | | |
| VisEra | \$ 8,699 | | \$ 25,436 | |
| 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 | 70,381 | 1 | 177,433 | 3 |
| | \$ 383,245 | 5 | \$ 467,455 | 8 |
| As of June 30 | | | | |
| Receivables | | | | |
| VisEra | \$ 3,530 | 100 | \$ 332,324 | 100 |
| Other receivables | | | | |
| VIS | \$ 1,132,499 | 91 | \$ 809,153 | 75 |
| SSMC | 108,319 | 9 | 97,977 | 9 |
| VisEra | | | 165,598 | 16 |
| | \$ 1,240,818 | 100 | \$ 1,072,728 | 100 |
| Payables | | | | |
| VIS | \$ 690,644 | 57 | \$ 781,488 | 51 |
| VisEra | 501,436 | 42 | 11,076 | 1 |
| SSMC | 11,926 | 1 | 728,808 | 48 |
| | \$ 1,204,006 | 100 | \$ 1,521,372 | 100 |

Deferred credits

| | | | | | | |
|--------|----|--------|---|----|--------|---|
| VisEra | \$ | 31,087 | 7 | \$ | 93,262 | 8 |
|--------|----|--------|---|----|--------|---|

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 | 4,804,734 | 4,889,784 |
| | \$ 4,832,532 | \$ 4,948,820 |

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 | 2,375,438 |
| | \$ 4,357,272 |

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.

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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 Financial the Statement Company Account | June 30, 2008 | | | Market Value or Net Asset Value (US\$ in Thousands) | Note |
|-----------------|------|---|--|-----------------------------------|---|--------------------------------------|---|------|
| | | | | Shares/Units (in Thousands) | Carrying Value (US\$ in Thousands) | Percentage of Ownership (%) | | |
| TSMC | | Open-end mutual funds | | | | | | |
| | | | Available-for-sale financial assets | | | | | |
| | | Capital Income Fund | | 131,256 | \$ 2,001,916 | N/A | \$ 2,001,916 | |
| | | PCA Well Pool Fund | | 132,553 | 1,700,941 | N/A | 1,700,941 | |
| | | Corporate bond | | | | | | |
| | | | Available-for-sale financial assets | | | | | |
| | | Hua Nan Bank | | | 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 | |
| | | | Held-to maturity financial assets | | | | | |
| | | Formosa Petrochemical Corporation | | | 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 | |
| | | Government bond | | | | | | |
| | | | Held-to maturity financial assets | | | | | |
| | | 2003 Asian Development Bank Govt. Bond | | | 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 | |

Stocks

| | | | | | |
|-------------------------------------|---|---------|------------|-----|------------|
| | Investment accounted for using equity | | | | |
| TSMC Global | Subsidiary method | 1 | 41,946,173 | 100 | 41,946,173 |
| TSMC International VIS | Subsidiary | 987,968 | 27,447,357 | 100 | 27,447,357 |
| | 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 XinTec | Subsidiary | 11,000 | 2,246,123 | 100 | 2,246,123 |
| | 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 |
| | Financial assets carried at cost | 16,783 | 193,584 | 10 | 272,594 |
| United Industrial Gases Co., Ltd. | | 10,500 | 105,000 | 7 | 348,439 |
| Shin-Etsu Handotai Taiwan Co., Ltd. | | 4,000 | 40,000 | 2 | 45,875 |
| W.K. Technology Fund IV | | 2,633 | 26,329 | 10 | 20,306 |
| Hontung Venture Capital Co., Ltd. | | | | | |

(Continued)

| | | | | | | June 30, 2008 | | | | | |
|-------------------------|-----------------------|---------------|--|--|-----------------------------------|------------------------|-------------------------|---------------------------------|------|--|--|
| | | | | | | Carrying Value | Percentage of Ownership | Market Value or Net Asset Value | | | |
| Held Company Name | Marketable Securities | Type and Name | Relationship with the Company | Financial Statement Account Method | Shares/Units (in Thousands) | (US\$ in Thousands) | (%) | (US\$ in Thousands) | Note | | |
| | | | | Financial assets carried at cost | | \$ 312,949 | 12 | \$ 312,949 | | | |
| | | | | | | 69,659 | 1 | 69,659 | | | |
| | | | | Investment accounted for using equity method | | 7,574,803 | 100 | 7,568,345 | | | |
| | | | | Subsidiary | | 1,106,412 | 98 | 1,093,659 | | | |
| | | | | Subsidiary | | 963,211 | 98 | 958,755 | | | |
| | | | | Subsidiary | | 388,216 | 99 | 388,216 | | | |
| | | | | | | | | | | Treasury stock of NT\$458,566 thousand is deducted from the carrying value | |
| | | | | Subsidiary | | 221,911 | 36 | 680,475 | | | |
| | | | | Subsidiary | | 220,092 | 36 | 679,603 | | Treasury stock of NT\$459,511 thousand is deducted from the | |

carrying
value

| | | | | | |
|---|--|--------|-----------|----|------------|
| Chi Stocks Cherng TSMC | Available-for-sale Parent financial Company assets | 17,032 | 1,107,080 | | 1,107,080 |
| VIS | Investments accounted for using equity method | 5,082 | 103,235 | | 113,073 |
| Capital Hsin Ruey | Investments accounted for Same using parent equity company method | | 964,748 | 64 | 1,424,259 |
| Hsin Stocks Ruey TSMC | Available-for-sale Parent financial Company assets | 17,064 | 1,109,155 | | 1,109,155 |
| VIS | Investments accounted for using equity method | 3,748 | 80,865 | | 83,384 |
| Capital Chi Cherng | Investments accounted for Same using parent equity company method | | 967,488 | 64 | 1,426,052 |
| TSMC Preferred stock North America NeXen, Inc. | Financial assets carried at cost | 328 | US\$ 656 | 1 | US\$ 1,912 |

TSMCStocks
International

| | | | | | | | | |
|--|--|-------------------|---------|--------|-------|---------|--------|-------|
| InveStar Semiconductor Development Fund, Inc. (ISDF) | Investments accounted for using equity | Subsidiary 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 | | |

TSMCStocks
Development

| | | | | | | | |
|-----------|--|-------------------|------|---------|-----|------|---------|
| WaferTech | Investments accounted for using equity | Subsidiary method | US\$ | 193,376 | 100 | US\$ | 193,376 |
|-----------|--|-------------------|------|---------|-----|------|---------|

TSMCCommon stock
Partners

| | | | | | | | | | |
|------------------------|--|--|--------|--------|------|--------|-------|------|--------|
| VisEra Holding Company | Investments accounted for using equity | 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)

| | | June 30, 2008 | | | | |
|----------------------|--|-----------------------------|------------------------------|--|------------------------------------|------------------------|
| | | | | Carrying Percentage | | Market Value or Net |
| Held Company | Relationship with Financial the Statement (in Name Marketable Securities Type and Name Company Account Thousands) | Shares/Units (Thousands) | Value (US\$ in Thousands) | of Ownership (%) | Asset Value (US\$ in Thousands) | Note |
| Emerging | | | | | | |
| AllianceCommon stock | | | | | | |
| | | | | Financial assets carried at | | |
| | | cost | | | | |
| | Pixim, Inc. | 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 | |
| Preferred stock | | | | | | |
| | | | | Financial assets carried at | | |
| | | cost | | | | |
| | Audience, Inc. | 1,654 | US\$ 250 | 1 | US\$ 250 | |
| | Axiom Microdevices, Inc. | 1,000 | US\$ 1,000 | 1 | US\$ 1,000 | |
| | Miradia, Inc. | 3,040 | US\$ 1,000 | 3 | US\$ 1,000 | |
| | Mobilygen | 1,415 | US\$ 750 | 1 | US\$ 750 | |
| | Mosaic Systems, Inc. | 2,481 | US\$ 12 | 6 | US\$ 12 | |
| | Next IO, Inc. | 800 | US\$ 500 | 4 | US\$ 500 | |
| | Optichron, Inc. | 714 | US\$ 1,000 | 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 | |
| Capital | | | | | | |
| | | | | Investments accounted for using equity method | | |
| | VentureTech Alliance Holdings, L.L.C. (VTA Holdings) | Subsidiary | US\$ | 8 | US\$ | |
| VTAF | | | | | | |
| II | Common stock | | | | | |
| | Yobon | 1,875 | US\$ 919 | 13 | US\$ 919 | |

| | | | | | | |
|---------------------------|--|------|-------|----|------|-------|
| | Financial assets carried at cost | | | | | |
| 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 |

Preferred stock

| | | | | | | |
|-------------------------------|--|------|-------|----|------|-------|
| | Financial assets carried cost | | | | | |
| 5V Technologies, Inc. | 2,357 | US\$ | 1,768 | 11 | US\$ | 1,768 |
| Aquantia Corporation | 2,108 | US\$ | 2,573 | 5 | US\$ | 2,573 |
| Audience, Inc. | 5,335 | US\$ | 1,390 | 2 | US\$ | 1,390 |
| Axiom Microdevices, Inc. | 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 |

Capital

| | | | | | | |
|--------------|--|------|--|----|------|--|
| | Investments accounted for using equity | | | | | |
| VTA Holdings | Subsidiary method | US\$ | | 24 | US\$ | |

VTAF

III Common stock

| | | | | | | |
|---------------------------------|--|-------|------|-------|----|-------------|
| | Investments accounted for using equity | | | | | |
| Mutual-pak Technology Co., Ltd. | Subsidiary method | 4,590 | US\$ | 1,649 | 51 | US\$ |
| | | | | | | 1,649 |
| | | | | | | (Continued) |

| | | June 30, 2008 | | | | Market Value or Net |
|---|--|----------------------------|--------------------------------|--------------------------|--------------------------------|------------------------------------|
| | | Carrying Percentage | | | of | Asset Value |
| Held Company | Relationship with Financial the Statement | (in Thousands) | (US\$ in Thousands) | Ownership (%) | (US\$ in Thousands) | Note |
| Preferred stock | | | | | | |
| | Financial assets carried at cost | | | | | |
| Advasense Sensors, Inc. | | 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 | |
| | Financial assets carried at cost | | | | | |
| M2000, Inc. | | 3,000 | US\$ 3,000 | 5 | US\$ 3,000 | |
| Neoconix, Inc. | | 2,458 | US\$ 4,000 | 6 | US\$ 4,000 | |
| Powervation, Ltd. | | 191 | US\$ 2,930 | 19 | US\$ 2,930 | |
| Quellan, Inc. | | 3,106 | US\$ 3,500 | 6 | US\$ 3,500 | |
| Silicon Technical Services, LLC | | 1,055 | US\$ 1,208 | 2 | US\$ 1,208 | |
| Tilera, Inc. | | 1,698 | US\$ 2,360 | 3 | US\$ 2,360 | |
| Validity Sensors, Inc. | | 6,424 | US\$ 2,545 | 3 | US\$ 2,545 | |
| Capital | | | | | | |
| | Investments accounted for using equity method | | | | | |
| VTA Holdings | Subsidiary | | US\$ | 68 | US\$ | |
| Growth Fund Limited (Growth Fund) | Subsidiary | | US\$ 600 | 100 | US\$ 600 | |
| Growth Fund Common stock | | | | | | |
| | Financial assets carried at cost | | | | | |
| Staccato | | 425 | US\$ 495 | 1 | US\$ 495 | |

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ISDF Common stock

| | | | | | |
|-------------------------------------|---|-------|------------|---|------------|
| | Available-for-sale financial assets | 1,364 | US\$ 4,050 | 6 | US\$ 4,050 |
| Memsic, Inc. | Financial assets carried at cost | | | | |
| Capella Microsystems (Taiwan), Inc. | | 530 | US\$ 154 | 2 | US\$ 154 |

Preferred stock

| | | | | | |
|-------------------------------|---|-------|------------|---|------------|
| | Financial assets carried at cost | 2,872 | US\$ 1,221 | 9 | US\$ 1,221 |
| Integrated Memory Logic, Inc. | | 1,008 | US\$ 494 | 1 | US\$ 494 |
| IP Unity, Inc. | | 541 | US\$ 853 | 2 | US\$ 853 |
| NanoAmp Solutions, Inc. | | 1,843 | US\$ 3,530 | 2 | US\$ 3,530 |
| Sonics, Inc. | | | | | |

ISDF

II Common stock

| | | | | | |
|-------------------------------------|---|-------|------------|---|------------|
| | Financial assets at fair value through profit or loss | 92 | US\$ 714 | | US\$ 714 |
| Rich Tek Technology Corp. | Available-for-sale financial assets | 1,145 | US\$ 3,399 | 5 | US\$ 3,399 |
| Memsic, Inc. | | 261 | US\$ 2,033 | | US\$ 2,033 |
| Rich Tek Technology Corp. | | 1,440 | US\$ 9,828 | 1 | US\$ 9,828 |
| Ralink Technology (Taiwan), Inc. | Financial assets carried at cost | 270 | US\$ 27 | 1 | US\$ 27 |
| eLCOS Microdisplay Technology, Ltd. | | 55 | US\$ 1,524 | 5 | US\$ 1,524 |
| EoNEX Technologies, Inc. | | 2,220 | US\$ 32 | 3 | US\$ 32 |
| Sonics, Inc. | | 191 | US\$ 37 | 1 | US\$ 37 |
| Epic Communication, Inc. | | 2,494 | US\$ 691 | 3 | US\$ 691 |
| EON Technology, Corp. | | 2,088 | US\$ 545 | 7 | US\$ 545 |
| Goyatek Technology, Corp. | | 1,000 | US\$ 574 | 3 | US\$ 574 |
| Trendchip Technologies Corp. | | 534 | US\$ 210 | 2 | US\$ 210 |
| Capella Microsystems (Taiwan), Inc. | | 1,049 | US\$ 223 | 3 | US\$ 223 |
| Auden Technology MFG. Co., Ltd. | | | | | |

Preferred stock

| | | | | | |
|-------------------------------------|---|-------|------------|----|------------|
| | Financial assets carried at cost | 6,979 | US\$ 3,664 | 20 | US\$ 3,664 |
| Alchip Technologies Limited | | 3,500 | US\$ 1,055 | 8 | US\$ 1,055 |
| eLCOS Microdisplay Technology, Ltd. | | | | | |

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| | | | | |
|---------------------------|-------|------------|----|------------|
| 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)

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June 30,

| Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account | Carrying | | Percentage Owned |
|-------------------------------------|-------------------------------|---|--------------------------------|------------------------------|------------------|
| | | | Shares/Units (in thousands) | Value (US\$ in thousands) | |
| Common stock | | | | | |
| TC-NA | Subsidiary | Investments accounted for using equity method | 100 | \$21,170 | |
| TC-Japan | Subsidiary | | 1 | 9,495 | |
| TC-Europe | Subsidiary | | | 2,420 | |
| Capital | | | | | |
| Compositech Ltd. | | Financial assets carried at cost | 587 | | |
| Agency bonds | | | | | |
| Fixed Income Pool 1b1225 | | Available-for-sale financial assets | | US\$ 111 | |
| Fixed Income Pool 1b2566 | | | | US\$ 138 | |
| Fixed Income Pool 1b2632 | | | | US\$ 158 | |
| Fixed Income Pool 1b2642 | | | | US\$ 216 | |
| Fixed Income Pool 1b2776 | | | | US\$ 309 | |
| Fixed Income Pool 1b2792 | | | | US\$ 206 | |
| Fixed Income Pool 1b2810 | | | | US\$ 269 | |
| Fixed Income Pool 1b7453 | | | | US\$ 2,452 | |
| Fixed Income Pool 1g0038 | | | | US\$ 273 | |
| Fixed Income Pool 1g0053 | | | | US\$ 341 | |
| Fixed Income Pool 1g0104 | | | | US\$ 132 | |
| Fixed Income Pool 1g1282 | | | | US\$ 3,552 | |
| Fixed Income Pool 1g1411 | | | | US\$ 3,077 | |
| Fixed Income Pool 1h2520 | | | | US\$ 2,409 | |
| Fixed Income Pool 1h2524 | | | | US\$ 1,815 | |
| Fixed Income Pool 780870 | | | | US\$ 595 | |
| Fixed Income Pool 781959 | | | | US\$ 3,176 | |
| Fixed Income Pool 782785 | | | | US\$ 228 | |
| Fixed Income Pool 782837 | | | | US\$ 436 | |
| Fixed Income Pool 783022 | | | | US\$ 488 | |
| Fixed Income Pool 783026 | | | | US\$ 276 | |
| Fixed Income Pool B19205 | | | | US\$ 6,068 | |
| Fixed Income Pool E01492 | | | | US\$ 1,667 | |
| Fixed Income Pool E89857 | | | | US\$ 1,217 | |
| Fixed Income Pool G11295 | | | | US\$ 1,002 | |
| Fixed Income Pool M80855 | | | | US\$ 2,688 | |
| Federal Home Ln Mtg Corp. | | | | US\$ 888 | |
| Federal Home Ln Mtg Corp. | | | | US\$ 998 | |

| | |
|----------------------------|-------------|
| ederal Home Ln Mtg Corp. | US\$ 1,966 |
| ederal Home Ln Mtg Corp. | US\$ 2,212 |
| ederal Home Ln Mtg Corp. | US\$ 1,627 |
| ederal Home Ln Mtg Corp. | US\$ 3,034 |
| ederal Home Ln Mtg Corp. | US\$ 1,729 |
| ederal Home Ln Mtg Corp. | US\$ 2,792 |
| ederal Home Ln Mtg Corp. | US\$ 2,579 |
| ederal National Mort Assoc | US\$ 2,413 |
| ederal Natl Mtg Assn | US\$ 1,673 |
| ederal Natl Mtg Assn | US\$ 1,708 |
| ederal Natl Mtg Assn | US\$ 2,010 |
| ederal Natl Mtg Assn | US\$ 3,158 |
| ederal Natl Mtg Assn Gtd | US\$ 1,466 |
| ma Pool 255883 | US\$ 2,965 |
| | (Continued) |

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June 30,

| Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account | Shares/Units (in thousands) | Carrying Value (US\$ in thousands) | Percentage of Owners |
|-------------------------------------|-------------------------------|-------------------------------------|--------------------------------|---------------------------------------|----------------------|
| Enma Pool 257245 | | Available-for-sale financial assets | | US\$ 3,692 | |
| Enma Pool 555549 | | | | US\$ 1,255 | |
| Enma Pool 555715 | | | | US\$ 155 | |
| Enma Pool 632399 | | | | US\$ 354 | |
| Enma Pool 662401 | | | | US\$ 492 | |
| Enma Pool 667766 | | | | US\$ 1,205 | |
| Enma Pool 680932 | | | | US\$ 995 | |
| Enma Pool 681393 | | | | US\$ 2,192 | |
| Enma Pool 685116 | | | | US\$ 531 | |
| Enma Pool 691283 | | | | US\$ 3,225 | |
| Enma Pool 694287 | | | | US\$ 19 | |
| Enma Pool 703711 | | | | US\$ 425 | |
| Enma Pool 725095 | | | | US\$ 953 | |
| Enma Pool 730033 | | | | US\$ 147 | |
| Enma Pool 740934 | | | | US\$ 982 | |
| Enma Pool 742232 | | | | US\$ 17 | |
| Enma Pool 750798 | | | | US\$ 22 | |
| Enma Pool 773246 | | | | US\$ 204 | |
| Enma Pool 790828 | | | | US\$ 1,783 | |
| Enma Pool 793932 | | | | US\$ 393 | |
| Enma Pool 794040 | | | | US\$ 588 | |
| Enma Pool 795548 | | | | US\$ 169 | |
| Enma Pool 799664 | | | | US\$ 86 | |
| Enma Pool 799868 | | | | US\$ 30 | |
| Enma Pool 804764 | | | | US\$ 353 | |
| Enma Pool 804852 | | | | US\$ 292 | |
| Enma Pool 804962 | | | | US\$ 349 | |
| Enma Pool 805163 | | | | US\$ 377 | |
| Enma Pool 806642 | | | | US\$ 517 | |
| Enma Pool 806721 | | | | US\$ 594 | |
| Enma Pool 814418 | | | | US\$ 317 | |
| Enma Pool 815626 | | | | US\$ 2,023 | |
| Enma Pool 819423 | | | | US\$ 486 | |
| Enma Pool 821129 | | | | US\$ 451 | |
| Enma Pool 888499 | | | | US\$ 1,847 | |
| Enma Pool 888502 | | | | US\$ 220 | |
| Enma Pool 888507 | | | | US\$ 841 | |
| Enma Pool 888515 | | | | US\$ 1,027 | |

| | | |
|---------------------|-------------|---|
| Enma Pool 888519 | US\$ 108 | N |
| Enma Pool 888527 | US\$ 62 | N |
| Enma Pool 888738 | US\$ 4,302 | N |
| Enma Pool 888793 | US\$ 4,964 | N |
| Enma Pool 900296 | US\$ 2,913 | N |
| Enma Ii Pool 081150 | US\$ 398 | N |
| Enma Ii Pool 081153 | US\$ 1,228 | N |
| Enma Pool 646061 | US\$ 2,947 | N |
| Fed Home Ln Bank | US\$ 5,173 | N |
| Federal Farm Cr Bks | US\$ 3,511 | N |
| Federal Home Ln Bks | US\$ 8,864 | N |
| Federal Home Ln Bks | US\$ 3,730 | N |
| Federal Home Ln Bks | US\$ 17,227 | N |
| Federal Home Ln Bks | US\$ 5,145 | N |

(Continued)

June 30,

| Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account (in Thousands) | Carrying Value (US\$ in thousands) | Percentage of Owners |
|-------------------------------------|-------------------------------|--|------------------------------------|----------------------|
| Federal Home Ln Bks | | Available-for-sale financial assets | US\$ 12,438 | N |
| Federal Home Ln Mtg | | | US\$ 5,079 | N |
| Federal Home Ln Mtg Corp. | | | US\$ 3,268 | N |
| Federal Home Ln Mtg Corp. | | | US\$ 7,445 | N |
| Federal Home Ln Mtg Disc Nts | | | US\$ 17,419 | N |
| Federal Home Loan Bank | | | US\$ 4,634 | N |
| Federal Home Loan Banks | | | US\$ 17,471 | N |
| Federal Natl Mtg Assn | | | US\$ 10,262 | N |
| Federal Natl Mtg Assn | | | US\$ 2,568 | N |
| Federal Natl Mtg Assn | | | US\$ 3,633 | N |
| Federal Natl Mtg Assn | | | US\$ 3,990 | N |
| Federal Natl Mtg Assn Mtn | | | US\$ 3,076 | N |
| Tennessee Valley Auth | | | US\$ 6,059 | N |
| Corporate bonds | | | | |
| Abbott Labs | | Available-for-sale financial assets | US\$ 1,954 | N |
| Abbott Labs | | | US\$ 1,508 | N |
| American Gen Fin Corp. | | | US\$ 3,091 | N |
| American Gen Fin Corp. Mtn | | | US\$ 3,466 | N |
| American Gen Fin Corp. Mtn | | | US\$ 1,953 | N |
| American Home Prods Corp. | | | US\$ 2,780 | N |
| American Honda Fin Corp. Mtn | | | US\$ 3,143 | N |
| Ameritech Capital Funding Co. | | | US\$ 485 | N |
| Amgen Inc. | | | US\$ 2,994 | N |
| Anz Cap Tr I | | | US\$ 968 | N |
| Atlantic Richfield Co. | | | US\$ 2,174 | N |
| Axa Finl Inc. | | | US\$ 2,087 | N |
| Bank Amer Corp. | | | US\$ 2,796 | N |
| Beneficial Corp. Mtn Bk Entry | | | US\$ 2,272 | N |
| Bp Cap Mkts P L C | | | US\$ 2,784 | N |
| Burlington Res Inc. | | | US\$ 3,601 | N |
| Chase Manhattan Corp. New | | | US\$ 1,517 | N |
| Chase Manhattan Corp. New | | | US\$ 2,090 | N |
| Chase Manhattan Corp. New | | | US\$ 3,440 | N |
| Colgate Palmolive Co. Mtn | | | US\$ 1,737 | N |
| Consolidated Edison Inc. | | | US\$ 3,002 | N |
| Credit Suisse First Boston USA | | | US\$ 349 | N |

| | | |
|---------------------------------|-------------|---|
| Deere John Cap Corp. Mtn Bk Ent | US\$ 2,227 | N |
| Depfa Acs Bank | US\$ 17,301 | N |
| Duke Energy Co. | US\$ 2,378 | N |
| European Invt Bk | US\$ 7,391 | N |
| Fleet Boston Corp. | US\$ 2,580 | N |
| France Telecom Sa | US\$ 1,206 | N |
| Ge Global Ins Hldg Corp. | US\$ 1,878 | N |
| General Dynamics Corp. | US\$ 2,135 | N |
| General Elec Cap Corp. Mtn | US\$ 3,053 | N |
| General Elec Cap Corp. Mtn | US\$ 1,617 | N |
| General Elec Cap Corp. Mtn | US\$ 2,101 | N |
| General Re Corp. | US\$ 3,206 | N |
| Genworth Finl Inc. | US\$ 3,252 | N |
| Goldman Sachs Group | US\$ 2,229 | N |
| Hancock John Global Fdg II Mtn | US\$ 5,087 | N |

(Continued)

| | | June 30, 2008 | | | | | |
|--------------------------------|----------------|--------------------|---------------|------------|------------------------|-------------|----------|
| | | | | | Market Value or Net | | |
| | | Carrying | | Percentage | | | |
| | | Shares/Units Value | | of | | Asset Value | |
| | | (in | | Ownership | | (US\$ in | |
| | | thousands) | | (%) | | Thousands) | |
| Held | Relationship | with Financial | the Statement | (in | (US\$ in | Ownership | (US\$ in |
| Company | with Financial | the Statement | (in | (US\$ in | Ownership | (US\$ in | Note |
| Name | Company | the Statement | (in | (US\$ in | (%) | Thousands) | Note |
| | Account | Available-for-sale | thousands) | thousands) | | | |
| | financial | financial | | | | | |
| | assets | assets | | | | | |
| Hancock John Global Fdg Mtn | | | 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 |

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| | | | | |
|-------------------------------|---|------------|-----|------------|
| Simon Pty Group L P | " | US\$ 2,507 | N/A | US\$ 2,507 |
| Simon Pty Group Lp | " | US\$ 996 | N/A | US\$ 996 |
| Sp Powerassests 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 |

Money market funds

| | | | | |
|--------------------------------|---|--------------|-----|--------------|
| | Available-for-sale financial assets | US\$ 144,589 | N/A | US\$ 144,589 |
| Ssga Cash Mgmt Global Offshore | | | | (Continued) |

June 30, 2008

| Held Company Name | Marketable Securities Type and Name | Relationship with the Company | Financial Statement (in thousands) | June 30, 2008 | | Market Value or Net Asset Value (US\$ in Thousands) Note |
|-------------------------|--|---|--|---|--------------------------------------|--|
| | | | | Carrying Value (US\$ in thousands) | Percentage of Ownership (%) | |
| | Corporate issued asset-backed securities | | | | | |
| | | Available-for-sale financial assets | | | | |
| | Atlantic City Elc Trns Fdglc | | 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 | |

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| | | | | |
|---------------------------------|---|------------|-----|------------|
| 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)

June 30, 2008

| Held Company Name | Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account Type | Carrying Value | | Percentage | Market | Note |
|-------------------------|--|-------------------------------------|---|-----------------------------|---------------------------------|------------------|---|------|
| | | | | Shares/Units (Thousands) | Value (US\$ in Thousands) | Ownership (%) | Value or Net Asset Value (US\$ in Thousands) | |
| | | | Available-for-sale financial assets | | | | | |
| | Wamu Mtg Pass Through Ctfs | | | | 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 | |
| | Government bonds | | Available-for-sale financial assets | | | | | |
| | United States Treas Nts | | | | 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)

TABLE 2

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries
MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST
NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE SIX MONTHS ENDED JUNE 30, 2008
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

| | Counter-party | Nature of Relationship | Beginning Balance | | Acquisition | |
|---------------------|--|------------------------|-----------------------|--------------------------------------|-----------------------|--------------------------------------|
| | | | Amount (in Thousands) | Shares/Units (in Thousands) (Note 1) | Amount (in Thousands) | Shares/Units (in Thousands) (Note 1) |
| Financial assets | National Investment Trust Co., Ltd. | | 12,239 | \$2,045,935 | | \$ |
| | ING Securities Investment Trust Co., Ltd. | | 85,581 | 1,310,030 | 25,928 | 400 |
| | Fuh Hwa Investment Trust Co., Ltd. | | 132,997 | 1,801,674 | | |
| | Prudential Financial Securities Investment Trust Enterprise | | 83,306 | 1,236,728 | | |
| | Cathay Securities Investment Trust Co., Ltd. | | 60,126 | 703,824 | | |
| | National Investment Trust Co., Ltd. | | 103,016 | 1,474,856 | | |
| | JF Asset Management (Taiwan) Limited | | 59,049 | 915,252 | | |
| | Allianz Global Investors Taiwan Ltd. | | 54,319 | 639,542 | | |
| | JF Asset Management (Taiwan) Ltd. | | 35,324 | 504,206 | | |
| | ING Securities Investment Trust Co., Ltd. | | 54,621 | 878,682 | | |
| | Uni-President Assets Management Corp. | | 77,128 | 1,208,799 | 12,678 | 200 |
| | Taishin Investment Trust Co., Ltd. | | 68,945 | 718,556 | | |
| | HSBC Asset Management (Taiwan) Ltd. | | 27,416 | 413,504 | | |
| | INVESCO Taiwan Limited | | 27,176 | 410,054 | | |
| | AIG Global Asset management Corporation (Taiwan) Ltd. | | 54,469 | 705,033 | | |
| | PCA Securities Investment Trust Co., Ltd. | | | | 132,553 | 1,700 |
| | Capital Investment Trust Corporation | | | | 131,256 | 2,000 |
| Financial assets | Chung Shing Bills Finance Corp. and several financial institutions | | | 1,197,121 | | |
| Financial assets | | | | 200,065 | | |
| Financial assets | | | | 400,709 | | 249 |
| Financial assets | | | | | | 299 |
| Using equity method | | Subsidiary | | 906,536 | | 289 |

(Continued)

| Financial Statement Account | Counter-party Relationship | Nature of Shares/Units (in Thousands) | Beginning Balance | | Acquisition | | Disposal (Note) | | Carrying Value (US\$ Thousands) |
|-------------------------------------|----------------------------|---------------------------------------|----------------------------|--------------------------------------|----------------------------|-----------------------------|----------------------------|-----------------------------|---------------------------------|
| | | | Amount (US\$ in Thousands) | Shares/Units (in Thousands) (Note 1) | Amount (US\$ in Thousands) | Shares/Units (In Thousands) | Amount (US\$ in Thousands) | Shares/Units (In Thousands) | |
| Available-for-sale financial assets | | | \$ | 10,483 | \$ 165,000 | 10,483 | \$ 165,280 | \$ 165,280 | |
| | | | | 10,042 | 154,000 | 10,042 | 154,298 | 154,298 | |
| | | | | 11,104 | 142,000 | 11,104 | 142,252 | 142,252 | |
| | | | | 7,719 | 115,000 | 7,719 | 115,157 | 115,157 | |
| Available-for-sale financial assets | | | | 3,716 | US\$ 3,741 | | | US\$ 3,741 | |
| | | | | 4,173 | US\$ 4,352 | | | US\$ 4,352 | |
| | | 9,000 | US\$ 8,977 | | | 9,000 | US\$ 9,002 | US\$ 9,002 | |
| | | | | 9,000 | US\$ 8,783 | | | US\$ 8,783 | |
| | | 9,000 | US\$ 8,939 | | | 9,000 | US\$ 9,003 | US\$ 9,003 | |
| | | | | 3,725 | US\$ 3,721 | | | US\$ 3,721 | |
| | | 5,000 | US\$ 4,965 | | | 5,000 | US\$ 5,003 | US\$ 5,003 | |
| | | 5,000 | US\$ 4,980 | | | 5,000 | US\$ 4,999 | US\$ 4,999 | |
| | | | | 12,100 | US\$ 12,464 | | | US\$ 12,464 | |
| | | | | 5,000 | US\$ 5,186 | | | US\$ 5,186 | |
| | | | | 3,340 | US\$ 3,336 | | | US\$ 3,336 | |
| | | | | 7,000 | US\$ 7,572 | | | US\$ 7,572 | |
| | | 21,900 | US\$ 22,342 | | | 4,900 | US\$ 5,018 | US\$ 5,018 | |
| | | 21,000 | US\$ 21,500 | | | 4,000 | US\$ 4,111 | US\$ 4,111 | |
| | | | | 10,000 | US\$ 10,291 | | | US\$ 10,291 | |
| | | | | 3,500 | US\$ 3,645 | | | US\$ 3,645 | |
| | | | | 3,750 | US\$ 4,151 | | | US\$ 4,151 | |
| | | 3,000 | US\$ 2,982 | | | 3,000 | US\$ 3,006 | US\$ 3,006 | |
| | | 3,200 | US\$ 3,171 | | | 3,200 | US\$ 3,201 | US\$ 3,201 | |
| Available-for-sale financial assets | | 20,000 | US\$ 20,402 | | | 3,000 | US\$ 3,074 | US\$ 3,074 | |
| | | | | 10,600 | US\$ 10,577 | 10,600 | US\$ 10,461 | US\$ 10,461 | |
| | | | | 10,600 | US\$ 10,576 | 10,600 | US\$ 10,676 | US\$ 10,676 | |
| | | | | 7,200 | US\$ 7,182 | | | US\$ 7,182 | |
| | | 4,000 | US\$ 3,978 | | | 4,000 | US\$ 4,042 | US\$ 4,042 | |
| | | 3,050 | US\$ 3,053 | | | 3,050 | US\$ 3,041 | US\$ 3,041 | |
| | | | | 8,700 | US\$ 8,679 | | | US\$ 8,679 | |

| | | | | | | | |
|--|---------|-------------|---------|-------------|---------|-------------|-------|
| Available-for-sale financial assets | 592,180 | US\$592,180 | 345,899 | US\$345,899 | 793,490 | US\$793,490 | US\$7 |
| Available-for-sale financial assets | | | 17,825 | US\$ 17,813 | 11,800 | US\$ 11,827 | US\$ |
| | | | 19,500 | US\$ 19,474 | 18,000 | US\$ 17,966 | US\$ |
| | | | 60,100 | US\$ 60,563 | 21,600 | US\$ 21,678 | US\$ |
| | | | 17,000 | US\$ 16,886 | 11,405 | US\$ 11,355 | US\$ |
| | | | 7,800 | US\$ 7,787 | 7,800 | US\$ 7,756 | US\$ |
| | | | 9,100 | US\$ 9,111 | | | |
| | | | 6,400 | US\$ 6,372 | 6,400 | US\$ 6,282 | US\$ |
| | 25,900 | US\$ 25,924 | | | 25,900 | US\$ 26,091 | US\$ |
| | | | 53,300 | US\$ 54,114 | 53,300 | US\$ 54,153 | US\$ |

(Continued)

| and Financial Statement | Account | Counter-party | Relationship | Beginning Balance | | Acquisition | | Disposal (Not Carried Forward) | | Value |
|-------------------------------------|---------|---------------|--------------|-------------------|----------------|----------------|----------------|--------------------------------|----------------|----------------|
| | | | | Amount | Shares/Units | Amount | Shares/Units | Amount | Shares/Units | |
| | | | | (in Thousands) | (in Thousands) | (in Thousands) | (in Thousands) | (in Thousands) | (in Thousands) | (in Thousands) |
| Available-for-sale financial assets | | | | US\$ - | 4,000 | US\$ 4,057 | 4,000 | US\$ 3,969 | US\$ - | |
| | | | | 5,000 | US\$ 5,070 | | 4,680 | US\$ 4,751 | US\$ - | |
| | | | | | | 3,750 | US\$ 3,958 | | | |
| | | | | 6,400 | US\$ 6,500 | | 6,400 | US\$ 6,593 | US\$ - | |
| | | | | 41,900 | US\$ 42,509 | | 41,900 | US\$ 42,867 | US\$ 4,000 | |
| | | | | | | 4,000 | US\$ 4,200 | 1,400 | US\$ 1,454 | US\$ - |
| | | | | | | 10,266 | US\$ 11,167 | | | |
| | | | | 5,000 | US\$ 5,160 | | 5,000 | US\$ 5,233 | US\$ - | |
| | | | | | | 10,000 | US\$ 10,525 | 10,000 | US\$ 10,489 | US\$ 1,400 |
| | | | | 3,250 | US\$ 3,359 | | 3,250 | US\$ 3,347 | US\$ - | |
| | | | | 7,500 | US\$ 7,758 | | 7,500 | US\$ 7,855 | US\$ - | |
| | | | | 9,500 | US\$ 9,735 | | 9,500 | US\$ 9,757 | US\$ - | |
| | | | | | | 11,250 | US\$ 12,259 | 9,250 | US\$ 9,906 | US\$ 1,400 |

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)**

| Transaction Date | Transaction Amount | Payment Term | Counter-party | Nature of Relationships | Prior Transaction of Owner | Relationships of Related Counter-party | Transfer Date | Amount | Price Reference |
|-------------------------|---------------------------|------------------------------|---|--------------------------------|-----------------------------------|---|----------------------|---------------|------------------------|
| July 16, 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 bid |

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TABLE 4

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries
TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST NT\$100 MILLION OR
20% OF THE PAID-IN CAPITAL
FOR THE SIX MONTHS ENDED JUNE 30, 2008
(Amounts in Thousands of New Taiwan Dollars)

| Related Party | Nature of Relationships | Purchases/ Sales | Transaction Details | | Abnormal Transaction | | Notes Pay Rec |
|--------------------|---|---------------------|---------------------|---------|--|-------------------------|------------------------|
| | | | Amount | % to | Unit Price (Note) | Payment Terms (Note) | |
| TSMC North America | Subsidiary | Sales | \$ 103,800,578 | 60 | Net 30 days after invoice date | | End Bala \$23,87 |
| GUC | Investee with a controlling financial interest | Sales | 662,720 | | Net 30 days after monthly closing | | 26 |
| WaferTech | Indirect subsidiary | Purchases | 4,410,290 | 20 | Net 30 days after monthly closing | | (66 |
| TSMC Shanghai | Subsidiary | Purchases | 2,650,161 | 12 | Net 30 days after monthly closing | | (47 |
| SSMC | Investee accounted for using equity method | Purchases | 2,300,893 | 10 | Net 30 days after monthly closing | | (50 |
| VIS | Investee accounted for using equity method | Purchases | 1,718,897 | 8 | Net 30 days after monthly closing | | (68 |
| TSMC North America | Same parent company | Purchases | 974,101 | 46 | Net 30 days after invoice date/net 45 days after monthly closing | | (12 |
| OmniVision | Parent company of director (represented for XinTec) | Sales | 1,010,083 | 78 | Net 45 days after shipping | | 23 |

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.

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TABLE 5

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries
RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20%
OF THE PAID-IN CAPITAL
JUNE 30, 2008
(Amounts in Thousands of New Taiwan Dollars)

| Company Name | Related Party | Nature of Relationships | Ending Balance | Turnover Days (Note 1) | Overdue Amounts | Action Taken | Amounts Received in Subsequent Period |
|--------------|--------------------|---|----------------|---------------------------|--------------------|---|--|
| 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)

| Company | Location | Main Businesses and Products | Original Investment Amount | | Balance as of June 30, 2008 | | Net Income (Losses) Invested (Foreign) | |
|---------|---------------------------------|--|--|--|--|-------------------------|--|---------------|
| | | | June 30, 2008 (Foreign Currencies in Thousands) | December 31, 2007 (Foreign Currencies in Thousands) | Carrying Value (Note 1) (Foreign Currencies in Thousands) | Percentage of Ownership | | |
| | Tortola, British Virgin Islands | Investment activities | \$ 42,327,245 | \$ 42,327,245 | 1 | 100 | \$ 41,946,173 | \$ 22,000,000 |
| ational | 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 | 1,800,000 |
| | 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 | 1,240,000 |
| | Singapore | Fabrication and supply of integrated circuits | 8,840,895 | 8,840,895 | 463 | 39 | 8,641,503 | 2,000,000 |
| hai | 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 | (1,010,000) |
| s | Tortola, British Virgin Islands | Investment activities | 10,350 | 10,350 | 300 | 100 | 3,534,832 | (1,030,000) |
| | 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 | 130,000 |
| | Taoyuan, Taiwan | Wafer level chip size packaging service | 1,357,890 | 1,357,890 | 91,703 | 43 | 1,396,316 | (600,000) |

| | | | | | | | | | | | |
|------------|----------------------------|---|------|-----------|------|-----------|--------|-----|------|-----------|------|
| | Cayman Islands | Investing in new start-up technology companies | | 1,262,602 | | 973,459 | | 98 | | 1,106,412 | (2) |
| | Cayman Islands | Investing in new start-up technology companies | | 1,036,424 | | 1,095,622 | | 98 | | 963,211 | (6) |
| | Hsin-Chu, Taiwan | Researching, developing, manufacturing, testing and marketing of integrated circuits | | 386,568 | | 386,568 | 42,572 | 37 | | 798,498 | 37 |
| Finance | Cayman Islands | Investing in new start-up technology companies | | 976,450 | | 1,019,042 | | 99 | | 388,216 | (6) |
| | Taipei, Taiwan | Investment activities | | 300,000 | | 300,000 | | 36 | | 221,911 | 4 |
| | Taipei, Taiwan | Investment activities | | 300,000 | | 300,000 | | 36 | | 220,092 | 4 |
| | Amsterdam, the Netherlands | Marketing activities | | 15,749 | | 15,749 | | 100 | | 107,796 | 1 |
| | Yokohama, Japan | Marketing activities | | 83,760 | | 83,760 | 6 | 100 | | 104,842 | |
| | Seoul, Korea | Marketing activities | | 13,656 | | 13,656 | 80 | 100 | | 15,286 | |
| | Cayman Islands | Investing in new start-up technology companies | US\$ | 7,680 | US\$ | 8,721 | 7,680 | 97 | US\$ | 9,841 | US\$ |
| | Cayman Islands | Investing in new start-up technology companies | US\$ | 41,027 | US\$ | 43,048 | 41,027 | 97 | US\$ | 43,875 | US\$ |
| | Delaware, U.S.A. | Investment activities | US\$ | 0.001 | US\$ | 0.001 | | 100 | US\$ | 675,749 | US\$ |
| Technology | Delaware, U.S.A. | Engineering support activities | US\$ | 0.001 | US\$ | 0.001 | | 100 | US\$ | 8,129 | US\$ |
| | 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\$ |
| g | 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\$ |
| a | Ontario, Canada | Engineering support activities | US\$ | 2,300 | US\$ | 2,300 | 2,300 | 100 | US\$ | 2,876 | US\$ |

(Continued)

| Company | Location | Main Businesses and Products | Original Investment Amount | | Balance as of June 30, 2008 | | |
|----------------------|------------------|--|--|--|-----------------------------|-------------------------|-------------------------|
| | | | June 30, 2008 (Foreign Currencies in Thousands) | December 31, 2007 (Foreign Currencies in Thousands) | Shares (in Thousands) | Percentage of Ownership | Carrying Value (Note 1) |
| Technology Co., Ltd. | 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 |
| | 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 |
| | Delaware, U.S.A. | Investing in new start-up technology companies | US\$ | US\$ | | 68 | US\$ |
| | Cayman Islands | Investing in new start-up technology companies | US\$ 600 | US\$ 600 | | 100 | US\$ 600 |
| | Delaware, U.S.A. | Investing in new start-up technology companies | US\$ | US\$ | | 24 | US\$ |
| | U.S.A | Consulting services in main products | US\$ 500 | US\$ 100 | 100 | 100 | \$ 21,170 |
| | Japan | Consulting services in main products | JPY 30,000 | JPY 10,000 | 1 | 100 | 9,495 |
| | The Netherlands | Consulting services in main products | EUR 50 | | | 100 | 2,420 |
| | Delaware, U.S.A. | Investing in new start-up technology companies | US\$ | US\$ | | 8 | US\$ |
| | Taipei, Taiwan | Investment activities | \$ 533,333 | \$ 533,333 | | 64 | \$ 964,748 |
| | 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 |
| | | Investment activities | \$ 533,333 | \$ 533,333 | | 64 | \$ 967,488 |

Taipei,
Taiwan

| | | | | | |
|---------------------|--|--------|--------|-------|--------|
| 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 |
|---------------------|--|--------|--------|-------|--------|

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 | Method of Investment | Accumulated | Accumulated | Equity in the Earnings | Carrying Value as of |
|------------------|--|---------------------------------|----------------------|---|---|------------------------|----------------------|
| | | | | Outflow of Investment from Taiwan as of January 1, 2008 | Outflow of Investment from Taiwan as of June 30, 2008 | | |
| | | (RMB in Thousand) | (US\$ in Thousand) | (US\$ in Thousand) | (US\$ in Thousand) | (Losses) | June 30, 2008 |
| TSMC Shanghai | Manufacturing and sales of integrated circuits at the order of and pursuant to product design specifications provided by customers | \$12,180,367 | (Note 1) | \$12,180,367 | \$12,180,367 | 100% \$(1,010,850) | \$7,574,803 |
| | | (RMB3,070,623) | (US\$371,000) | (US\$371,000) | (US\$371,000) | | |

| 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 | | Percentage of Consolidated Total Gross Sales or Assets |
|-----|--------------|--------------------|------------------------------------|---|---------------|--|
| | | | | Financial Statement Item | Amount | |
| 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 | |
| | | | Payables to related parties | 9,499 | |
| | TSMC Technology | 1 | Payables to related parties | 52,761 | |
| | | | Research and development expenses | 167,355 | |
| | WaferTech | 1 | Sales | 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)

Intercompany Transactions

| No. | Company Name | Counter Party | Nature of Relationship (Note 1) | 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 | | Percentage of Consolidated Total Gross Sales or Assets |
|-----|--------------|--------------------|------------------------------------|---|--------------|--|
| | | | | Financial Statement Item | Amount | |
| 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 | |
| | | | | Payables to related parties | 42,468 | |
| | | TSMC Europe | 1 | Marketing expenses commission | 146,354 | |
| | | | | Payables to related parties | 58,105 | |
| | | TSMC Korea | 1 | Marketing expenses commission | 10,713 | |
| | | GUC | 1 | Sales | 427,557 | |
| | | | | General and administrative expenses rental | 3,473 | |
| | | | | Research and development expenses | 33,483 | |
| | | | | Receivables from related parties | 32,762 | |
| | | | | Other receivables from related parties | 52,817 | |
| | | | | Payables to related parties | 6,910 | |
| | | TSMC Technology | 1 | Payables to related parties | 43,971 | |

| | | | | | |
|---|--------------------|--------------------|-----------------------------------|-------------------------|-----------|
| | | | Research and development expenses | 145,596 | |
| | WaferTech | 1 | Purchases | 4,804,106 | 3% |
| | | | Payables to related parties | 804,285 | |
| 1 | TSMC International | TSMC Technology | 3 | 646,424 | |
| 2 | TSMC Partners | TSMC International | 3 | Deferred royalty income | 9,990,661 |
| | | | | | 2% |
| | | | Other receivables | | |
| | | | Deferred revenue | 8,852,419 | 1% |
| 3 | GUC | TSMC North America | 3 | 697,701 | |
| | | | Purchases | | |
| | | | 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)

SIGNATURES

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

Taiwan Semiconductor Manufacturing Company
Ltd.

Date: August 13, 2008

By /s/ Lora Ho

Lora Ho
Vice President & Chief Financial
Officer