

TAIWAN SEMICONDUCTOR MANUFACTURING CO LTD

Form 6-K

August 29, 2007

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 2007**  
**Taiwan Semiconductor Manufacturing Company Ltd.**  
(Translation of Registrant's Name Into English)  
**No. 8, Li-Hsin Rd. 6,**  
**Hsinchu Science Park,**  
**Taiwan**  
(Address of Principal Executive Offices)

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

Form 20-F  Form 40-F

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

Yes  No

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

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**Taiwan Semiconductor Manufacturing Company Limited**  
**Financial Statements for the**  
**Six Months Ended June 30, 2007 and 2006 and**  
**Independent Auditors Report**

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**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, 2007 and 2006, 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, 2007 and 2006, 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.

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, 2007 and 2006, and have expressed an unqualified opinion on the consolidated financial statements.

July 12, 2007

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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, 2007 AND 2006****(In Thousands of New Taiwan Dollars, Except Par Value)**

	<b>2007</b>		<b>2006</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Notes 2 and 4)	\$ 143,256,382	23	\$ 127,713,018	22
Financial assets at fair value through profit or loss (Notes 2, 3 and 5)	172,240		322,456	
Available-for-sale financial assets (Notes 2, 3 and 6)	15,259,717	3	62,102,387	11
Held-to-maturity financial assets (Notes 2 and 7)	9,909,497	2	5,738,737	1
Receivables from related parties (Note 23)	20,675,167	3	22,909,889	4
Notes and accounts receivable	16,923,301	3	19,713,819	4
Allowance for doubtful receivables (Note 2)	(694,039)		(975,704)	
Allowance for sales returns and others (Note 2)	(2,595,838)		(5,571,076)	(1)
Other receivables from related parties (Note 23)	1,280,419		1,659,482	
Other financial assets	545,717		872,627	
Inventories, net (Notes 2 and 8)	21,677,958	3	18,375,580	3
Deferred income tax assets (Notes 2 and 16)	5,622,000	1	6,084,277	1
Prepaid expenses and other current assets	1,197,661		954,026	
<b>Total current assets</b>	<b>233,230,182</b>	<b>38</b>	<b>259,899,518</b>	<b>45</b>
<b>LONG-TERM INVESTMENTS (Notes 2, 6, 7, 9 and 10)</b>				
Investments accounted for using equity method	105,071,276	17	54,000,233	9
Available-for-sale financial assets	4,518,721	1	4,873,970	1
Held-to-maturity financial assets	20,788,140	3	23,524,067	4
Financial assets carried at cost	747,218		818,969	
<b>Total long-term investments</b>	<b>131,125,355</b>	<b>21</b>	<b>83,217,239</b>	<b>14</b>
<b>PROPERTY, PLANT AND EQUIPMENT (Notes 2, 11 and 23)</b>				
<b>Cost</b>				
Buildings	99,707,179	16	91,815,148	16
Machinery and equipment	550,470,017	89	484,487,876	84
Office equipment	8,908,044	1	8,090,185	1
	659,085,240	106	584,393,209	101
Accumulated depreciation	(452,483,898)	(73)	(388,228,761)	(67)
Advance payments and construction in progress	31,434,579	5	27,054,673	5

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Net property, plant and equipment	238,035,921	38	223,219,121	39
<b>INTANGIBLE ASSETS</b>				
Goodwill (Note 2)	1,567,756		1,567,756	
Deferred charges, net (Notes 2 and 12)	5,179,415	1	6,163,992	1
Total intangible assets	6,747,171	1	7,731,748	1
<b>OTHER ASSETS</b>				
Deferred income tax assets (Notes 2 and 16)	8,489,812	1	7,394,956	1
Refundable deposits	2,552,561	1	83,655	
Assets leased to others, net (Note 2)	64,278		70,012	
Others			6,789	
Total other assets	11,106,651	2	7,555,412	1
<b>TOTAL</b>	<b>\$ 620,245,280</b>	<b>100</b>	<b>\$ 581,623,038</b>	<b>100</b>

**LIABILITIES AND SHAREHOLDERS EQUITY**

**CURRENT LIABILITIES**

Financial liabilities at fair value through profit or loss (Notes 2, 3 and 5)	\$ 3,460		\$ 599,909	
Accounts payable	7,497,105	1	6,772,076	1
Payables to related parties (Note 23)	3,108,623	1	3,281,423	
Income tax payable (Notes 2 and 16)	4,410,166	1	4,486,901	1
Cash dividends and bonus payable (Note 18)	82,061,862	13	65,257,190	11
Payables to contractors and equipment suppliers	16,515,598	3	16,952,057	3
Accrued expenses and other current liabilities (Note 14)	9,835,302	1	7,385,228	1
Current portion of bonds payable (Note 13)	4,500,000	1	2,500,000	1
Total current liabilities	127,932,116	21	107,234,784	18

**LONG-TERM LIABILITIES**

Bonds payable (Note 13)	12,500,000	2	17,000,000	3
Other long-term payables (Note 14)	1,343,935		1,458,603	
Other payables to related parties (Notes 23 and 25)			1,085,366	
Total long-term liabilities	13,843,935	2	19,543,969	3

**OTHER LIABILITIES**

Accrued pension cost (Notes 2 and 15)	3,583,542	1	3,484,350	1
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Guarantee deposits (Note 25)	3,001,515		3,354,046	1
Deferred credits (Notes 2 and 23)	997,610		1,173,542	
Total other liabilities	7,582,667	1	8,011,938	2
Total liabilities	149,358,718	24	134,790,691	23
<b>CAPITAL STOCK \$10 PAR VALUE</b>				
Authorized: 28,050,000 thousand shares in 2007				
27,050,000 thousand shares in 2006				
Issued: 26,423,517 thousand shares in 2007				
25,823,357 thousand shares in 2006	264,235,168	43	258,233,569	44
CAPITAL SURPLUS (Notes 2 and 18)	53,725,604	8	53,822,486	9
<b>RETAINED EARNINGS (Note 18)</b>				
Appropriated as legal capital reserve	56,406,684	9	43,705,711	8
Appropriated as special capital reserve	629,550		640,742	
Unappropriated earnings	96,973,825	16	92,376,976	16
	154,010,059	25	136,723,429	24
<b>OTHERS (Notes 2, 3, 20 and 22)</b>				
Cumulative translation adjustments	(613,674)		(1,145,616)	
Unrealized gain on financial instruments	447,480		116,554	
Treasury stock: 34,096 thousand shares in 2007 and 33,926 thousand shares in 2006	(918,075)		(918,075)	
	(1,084,269)		(1,947,137)	
Total shareholders equity	470,886,562	76	446,832,347	77
TOTAL	\$ 620,245,280	100	\$ 581,623,038	100

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



**Taiwan Semiconductor Manufacturing Company Limited**  
**STATEMENTS OF INCOME**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2007 AND 2006**  
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2007		2006	
	Amount	%	Amount	%
GROSS SALES (Notes 2 and 23)	\$ 138,166,350		\$ 161,789,754	
SALES RETURNS AND ALLOWANCES (Note 2)	1,967,831		3,269,063	
NET SALES	136,198,519	100	158,520,691	100
COST OF SALES (Notes 17 and 23)	81,342,396	60	80,991,942	51
GROSS PROFIT	54,856,123	40	77,528,749	49
UNREALIZED GROSS PROFIT FROM AFFILIATES	178,259			
REALIZED GROSS PROFIT	54,677,864	40	77,528,749	49
OPERATING EXPENSES (Notes 17 and 23)				
Research and development	7,279,536	5	7,255,721	4
General and administrative	3,436,220	2	3,379,438	2
Marketing	705,335	1	1,053,473	1
Total operating expenses	11,421,091	8	11,688,632	7
INCOME FROM OPERATIONS	43,256,773	32	65,840,117	42
NON-OPERATING INCOME AND GAINS				
Equity in earnings of equity method investees, net (Notes 2 and 9)	1,983,358	2	3,404,382	2
Interest income (Note 2)	1,447,702	1	1,910,958	1
Settlement income (Note 25)	491,385	1	483,734	1
Technical service income (Notes 23 and 25)	353,441		344,601	
Foreign exchange gain, net (Note 2)	214,508			
Rental income (Note 23)	200,453		100,858	
Gain on disposal of property, plant and equipment and other assets (Notes 2 and 23)	144,800		257,239	
	134,930			

Valuation gain on financial instruments, net (Notes 2, 5 and 22)

Gain on settlement and disposal of financial instruments, net (Notes 2, 5 and 22)

Others (Note 23)

287,575

468,482

71,693

Total non-operating income and gains

5,258,152

4

7,041,947

4

(Continued)

**Taiwan Semiconductor Manufacturing Company Limited**  
**STATEMENTS OF INCOME**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2007 AND 2006**  
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	<b>2007</b>		<b>2006</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
<b>NON-OPERATING EXPENSES AND LOSSES</b>				
Loss on settlement and disposal of financial instruments, net (Notes 2, 5 and 22)	\$ 480,606	1	\$	
Interest expense	300,973		330,600	
Foreign exchange loss, net (Note 2)			1,250,047	1
Valuation loss on financial instruments, net (Notes 2, 5 and 22)			277,453	
Others (Note 2)	29,957		117,909	
Total non-operating expenses and losses	811,536	1	1,976,009	1
<b>INCOME BEFORE INCOME TAX</b>	<b>47,703,389</b>	<b>35</b>	<b>70,906,055</b>	<b>45</b>
<b>INCOME TAX EXPENSE (Notes 2 and 16)</b>	<b>3,380,808</b>	<b>2</b>	<b>4,051,241</b>	<b>3</b>
<b>NET INCOME BEFORE CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES</b>	<b>44,322,581</b>	<b>33</b>	<b>66,854,814</b>	<b>42</b>
<b>CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES, NET OF TAX BENEFIT OF \$82,062 THOUSAND (Note 3)</b>			(246,186)	
<b>NET INCOME</b>	<b>\$ 44,322,581</b>	<b>33</b>	<b>\$ 66,608,628</b>	<b>42</b>

	<b>2007</b>		<b>2006</b>	
	<b>Before Income Tax</b>	<b>After Income Tax</b>	<b>Before Income Tax</b>	<b>After Income Tax</b>
<b>EARNINGS PER SHARE (NT\$, Note 21)</b>				
Basic earnings per share	\$ 1.81	\$ 1.68	\$ 2.68	\$ 2.53
Diluted earnings per share	\$ 1.81	\$ 1.68	\$ 2.67	\$ 2.52

(Continued)

**Taiwan Semiconductor Manufacturing Company Limited**  
**STATEMENTS OF INCOME**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2007 AND 2006**  
**(In Thousands of New Taiwan Dollars, Except Earnings Per Share)**

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 an investment instead of treasury stock (Notes 2 and 20):

	<b>2007</b>	<b>2006</b>
NET INCOME BEFORE CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES	\$ 44,424,343	\$ 66,937,134
NET INCOME	\$ 44,424,343	\$ 66,690,948
EARNINGS PER SHARE (NT\$)		
Basic earnings per share	\$ 1.68	\$ 2.53
Diluted earnings per share	\$ 1.68	\$ 2.52

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

(Concluded)

**Taiwan Semiconductor Manufacturing Company Limited**  
**STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2007 AND 2006**  
(In Thousands of New Taiwan Dollars, Except Dividends Per Share)

Capital Stock (in Thousands)	Amount	Capital Surplus	Legal Capital Reserve	Retained Earnings		Total	Cumulative Translation Adjustments	Others	
				Special Capital Reserve	Unappropriated Earnings			Unrealized Gain on Financial Instruments	Treasury Stock
688	\$ 258,296,879	\$ 54,107,498	\$ 43,705,711	\$ 640,742	\$ 152,778,079	\$ 197,124,532	\$ (1,191,165)	\$ 561,615	\$ (918,075)
			12,700,973		(12,700,973)				
				(11,192)	11,192				
					(4,572,798)	(4,572,798)			
280	4,572,798				(4,572,798)	(4,572,798)			
					(77,489,064)	(77,489,064)			
659	516,594				(516,594)	(516,594)			
					(285,800)	(285,800)			
489	774,891	(774,891)							
					44,322,581	44,322,581			
		68,411							

577,491

401 74,006 222,824

101,762

(83,408)

(30,727)

517 \$ 264,235,168 \$ 53,725,604 \$ 56,406,684 \$ 629,550 \$ 96,973,825 \$ 154,010,059 \$ (613,674) \$ 447,480 \$ (918,075) \$

(Continued)

Capital Stock in (s)	Amount	Capital Surplus	Legal Capital Reserve	Retained Earnings		Total	Cumulative Translation Adjustments	Others	
				Special Capital Reserve	Unappropriated Earnings			Gain on Financial Instruments	Treasury Stock
25	\$ 247,300,246	\$ 57,117,886	\$ 34,348,208	\$ 2,226,427	\$ 106,196,399	\$ 142,771,034	\$ (640,742)	\$	\$ (918,075)
			9,357,503		(9,357,503)				
				(1,585,685)	1,585,685				
					(3,432,129)	(3,432,129)			
3	3,432,129				(3,432,129)	(3,432,129)			
					(61,825,061)	(61,825,061)			
50	3,709,504				(3,709,504)	(3,709,504)			
					(257,410)	(257,410)			
50	3,709,504	(3,709,504)							
					66,608,628	66,608,628			
		87,920							

(504,874)

9 82,186 243,864

82,320

(191,469)

308,023

57 \$ 258,233,569 \$ 53,822,486 \$ 43,705,711 \$ 640,742 \$ 92,376,976 \$ 136,723,429 \$ (1,145,616) \$ 116,554 \$ (918,075)

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

(Concluded)



**Taiwan Semiconductor Manufacturing Company Limited**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2007 AND 2006**  
**(In Thousands of New Taiwan Dollars)**

	<b>2007</b>	<b>2006</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ 44,322,581	\$ 66,608,628
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	36,293,514	32,154,504
Unrealized gross profit from affiliates	178,259	
Amortization of premium/ discount of financial assets	(64,051)	43,781
Gain on disposal of available-for-sale financial assets, net	(233,970)	(1,116)
Gain on disposal of property, plant and equipment and other assets, net	(142,673)	(248,243)
Equity in earnings of equity method investees, net	(1,983,358)	(3,404,382)
Loss on idle assets		37,283
Deferred income tax	(518,685)	293,722
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Financial assets and liabilities at fair value through profit or loss	(134,930)	1,424,079
Receivables from related parties	(3,805,658)	(1,859,285)
Notes and accounts receivable	(645,137)	877,999
Allowance for doubtful receivables	3,108	(640)
Allowance for sales returns and others	(155,227)	1,301,107
Other receivables from related parties	(145,024)	473,280
Other financial assets	107,743	233,403
Inventories	(2,525,744)	(2,117,625)
Prepaid expenses and other current assets	23,538	217,747
Increase (decrease) in:		
Accounts payable	1,353,426	(1,280,030)
Payables to related parties	(218,293)	24,117
Income tax payable	(3,440,252)	671,013
Accrued expenses and other current liabilities	1,421,840	(645,267)
Accrued pension cost	53,426	22,958
Deferred credits	(47,872)	(47,872)
 Net cash provided by operating activities	 69,696,561	 94,779,161
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisitions of:		
Available-for-sale financial assets	(2,151,252)	(64,826,510)
Held-to-maturity financial assets		(7,754,790)
Financial assets carried at cost	(34,375)	(11,479)
Investments accounted for using equity method	(2,054,634)	(274,687)
Property, plant and equipment	(38,511,341)	(32,170,773)
Proceeds from disposal or redemption of:		

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Available-for-sale financial assets	15,163,560	44,101,660
Held-to-maturity financial assets	6,825,120	7,837,000
Property, plant and equipment and other assets	4,787	710,702

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**Taiwan Semiconductor Manufacturing Company Limited**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2007 AND 2006**  
**(In Thousands of New Taiwan Dollars)**

	<b>2007</b>	<b>2006</b>
Proceeds from return of capital by investees	\$ 44,258	\$ 102,662
Increase in deferred charges	(1,322,268)	(693,239)
Increase in refundable deposits	(1,246,327)	(13)
 Net cash used in investing activities	 (23,282,472)	 (52,979,467)
 <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase (decrease) in guarantee deposits	(808,446)	461,101
Repayment of long-term bonds payable	(2,500,000)	
Proceeds from exercise of employee stock options	296,830	326,050
Bonus to directors and supervisors	(285,800)	(257,410)
 Net cash provided by (used in) financing activities	 (3,297,416)	 529,741
 <b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	 43,116,673	 42,329,435
 <b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	 100,139,709	 85,383,583
 <b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	 \$ 143,256,382	 \$ 127,713,018
 <b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Interest paid	\$ 420,000	\$ 420,000
Income tax paid	\$ 7,330,375	\$ 2,994,232
 <b>INVESTING ACTIVITIES AFFECTING BOTH CASH AND NON-CASH ITEMS</b>		
Acquisition of property, plant and equipment	\$ 44,357,416	\$ 40,263,600
Increase in payables to contractors and equipment suppliers	(5,846,075)	(8,092,827)
Cash paid	\$ 38,511,341	\$ 32,170,773
 <b>NON-CASH FINANCING ACTIVITIES</b>		
Current portion of bonds payable	\$ 4,500,000	\$ 2,500,000

Current portion of other long-term payables (under accrued expenses and other current liabilities)	\$ 2,433,227	\$ 940,123
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The accompanying notes are an integral part of the financial statements. (Concluded)

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**Taiwan Semiconductor Manufacturing Company Limited**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE SIX MONTHS ENDED JUNE 30, 2007 AND 2006**

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

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

As of June 30, 2007 and 2006, the Company had 20,572 and 20,357 employees, respectively.

**2. 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**