Taiwan Mobile Co., Ltd.
(Formerly Taiwan Cellular Corporation)

Financial Statements for the
Three Months Ended March 31, 2006 and 2005 and
Independent Accountants' Review Report

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

The Board of Directors and Shareholders
Taiwan Mobile Co., Ltd.

We have reviewed the accompanying balance sheets of Taiwan Mobile Co., Ltd. (the "Corporation") as of March 31, 2006 and 2005, and the related statements of income and cash flows for the periods then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to issue a report based on our reviews.

Except as described in the following paragraph, we conducted our reviews in accordance with Statement of Auditing Standards No. 36, "Standards for the Review of Financial Statements," of the Republic of China. A review consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the Republic of China, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

As disclosed in Note 9 to the financial statements, net investment income recognized under the equity method for the three months ended March 31, 2005 included NT$33,987 thousand of investment loss from certain investees, for which the Corporation recorded based on the unreviewed financial statements of such investees as of and for the same period ended. Total carrying value of investments accounted for using equity method for these investees totaled NT$8,096,475 thousand at March 31, 2005.

Based on our review, except for such adjustments, if any, that might have been determined to be necessary had the above investment amounts been based on reviewed financial statements, we are not aware of any material modifications that should be made to the financial statements referred to above for them to be in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and accounting principles generally accepted in the Republic of China.

As disclosed in Note 3 to the financial statements, the Corporation adopted the newly issued Statement of Financial Accounting Standards (SFAS) No. 34, “Accounting for Financial Instruments,” SFAS No. 36, “Disclosure and Presentation of Financial Instruments,” and the revisions on the related SFASs in harmonizing with SFAS No. 34 and 36 on January 1, 2006.

April 12, 2006

<u>Notice to Readers</u>

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

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

TAIWAN MOBILE CO., LTD.

(Formerly Taiwan Cellular Corporation)

BALANCE SHEETS
MARCH 31, 2006 AND 2005
(In Thousands of New Taiwan Dollars, Except Par Value)
(Reviewed, Not Audited)

	2006		2005	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 2, 4 and 21)	$ 14,862,291	12	$ 3,432,774	3
Financial assets at fair value through profit or loss (Notes 2, 3 and 5)	-	-	801,768	1
Available-for-sale financial assets (Notes 2, 3 and 6)	9,180,000	8	9,277,177	8
Notes receivable	11,366	-	387	-
Accounts receivable - third parties (Notes 2 and 7)	4,812,621	4	4,301,274	4
Accounts receivable - related parties (Notes 2 and 21)	323,628	-	513,502	-
Other receivables - third parties	140,075	-	62,382	-
Other receivables - related parties (Note 21)	923,070	1	2,684,903	2
Prepayments	344,584	-	396,493	-
Deferred income tax assets (Notes 2 and 17)	69,016	-	85,084	-
Pledged time deposits (Notes 21 and 22)	10,000	-	610,000	1
Other current assets	39,952	-	25,487	-
Total current assets	30,716,603	25	22,191,231	19
LONG-TERM INVESTMENTS				
Financial assets carried at cost (Notes 2, 3 and 8)	3,858,308	3	32,160	-
Investments accounted for using equity method (Notes 2 and 9)	17,481,956	15	22,256,670	19
Total long-term investments	21,340,264	18	22,288,830	19
PROPERTY, PLANT AND EQUIPMENT (Notes 2, 10, 21 and 22)				
Cost				
Land	3,774,031	3	3,148,861	3
Buildings	2,223,815	2	1,877,401	1
Telecommunication equipment	68,451,566	56	65,662,391	56
Office equipment	94,229	-	177,348	-
Leased assets	1,276,191	1	1,276,190	1
Miscellaneous equipment	1,123,034	1	1,087,308	1
Total cost	76,942,866	63	73,229,499	62
Less: Accumulated depreciation	(22,175,081)	(18)	(19,350,990)	(16)
	54,767,785	45	53,878,509	46
Construction in progress and advance payments	2,066,222	2	5,017,749	4
Net property, plant and equipment	56,834,007	47	58,896,258	50
INTANGIBLE ASSETS (Notes 2 and 8)	9,533,291	8	10,281,000	9
OTHER ASSETS				
Non-operating assets (Notes 2, 11 and 22)	1,173,541	1	2,498,243	2
Refundable deposits	267,463	-	262,752	-
Deferred charges (Notes 2 and 12)	294,754	-	278,945	-
Deferred income tax assets (Notes 2 and 17)	995,330	1	622,406	1
Other	35,827	-	74,858	-
Total other assets	2,766,915	2	3,737,204	3
TOTAL	$ 121,191,080	100	$ 117,394,523	100

	2006		2005	
LIABILITIES AND STOCKHOLDERS' EQUITY	**Amount**	**%**	**Amount**	**%**
CURRENT LIABILITIES				
Notes payable	$ 37	-	$ 6	-
Accounts payable (Note 21)	1,855,164	2	1,744,805	2
Income taxes payable (Notes 2 and 17)	1,623,024	1	2,440,391	2
Accrued expenses (Notes 15 and 21)	4,079,827	3	2,590,839	2
Other payables (Note 21)	2,758,492	2	1,520,231	1
Advance receipts	727,265	1	823,456	1
Current portion of long-term liabilities (Notes 13, 14 and 22)	1,942,219	2	3,870,028	3
Guarantee deposits	80,307	-	145,557	-
Other current liabilities (Note 21)	595,189	-	207,665	-
Total current liabilities	13,661,524	11	13,342,978	11
LONG-TERM LIABILITIES				
Hedging derivative financial liabilities (Notes 2 and 3)	416,807	-	-	-
Bonds payable (Notes 2, 13, 21 and 22)	14,478,137	12	16,911,750	15
Long-term bank loans (Notes 14 and 22)	-	-	1,200,000	1
Total long-term liabilities	14,894,944	12	18,111,750	16
OTHER LIABILITIES				
Accrued pension cost (Notes 2 and 15)	127,158	-	138,738	-
Guarantee deposits	229,771	1	4,542	-
Other	1,289	-	47,964	-
Total other liabilities	358,218	1	191,244	-
Total liabilities	28,914,686	24	31,645,972	27
SHAREHOLDERS' EQUITY (Notes 2, 3 and 16)				
Capital stock - $10 par value				
Authorized: 6,000,000 thousand shares				
Issued: 4,955,602 thousand shares in 2006 and 4,925,458 thousand shares in 2005	49,556,024	41	49,254,582	42
Entitlement certificates	62,275	-	104,486	-
Capital surplus	8,080,161	7	7,611,545	6
Retained earnings				
Legal reserve	8,504,731	7	6,839,315	6
Special reserve	2,201,631	2	-	-
Unappropriated earnings	22,280,328	18	23,467,413	20
Other equity				
Cumulative translation adjustments	2,838	-	(1,638)	-
Unrealized gains on financial instruments	1,911,950	1	-	-
Treasury stock	(323,544)	-	(1,527,152)	(1)
Total shareholders' equity	92,276,394	76	85,748,551	73
TOTAL	$ 121,191,080	100	$ 117,394,523	100

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

(With Deloitte & Touche review report dated April 12, 2006)

TAIWAN MOBILE CO., LTD.
(Formerly Taiwan Cellular Corporation)

STATEMENTS OF INCOME
THREE MONTHS ENDED MARCH 31, 2006 AND 2005
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)
(Reviewed, Not Audited)

	2006		2005	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUES (Notes 2 and 21)				
Telecommunication service revenue	$11,670,120	100	$11,159,345	100
Other revenue	45,646	-	55,215	-
Total operating revenues	11,715,766	100	11,214,560	100
OPERATING COSTS (Notes 2, 19 and 21)	4,817,833	41	4,465,119	40
GROSS PROFIT	6,897,933	59	6,749,441	60
OPERATING EXPENSES (Notes 2, 19 and 21)				
Marketing	2,527,253	22	1,850,512	16
Administrative	721,639	6	675,002	6
Total operating expenses	3,248,892	28	2,525,514	22
OPERATING INCOME	3,649,041	31	4,223,927	38
NON-OPERATING INCOME AND GAINS				
Gain on disposal of investments, net (Note 2)	625,689	5	-	-
Investment income recognized under the equity method, net (Notes 2 and 9)	246,908	2	605,090	5
Rental income (Note 21)	16,096	-	41,782	-
Gain on disposal of property, plant and equipment (Notes 2 and 21)	-	-	70,481	1
Other	122,867	1	210,890	2
Total non-operating income and gains	1,011,560	8	928,243	8
NON-OPERATING EXPENSES AND LOSSES				
Loss on disposal and retirement of property, plant and equipment (Note 2)	1,209,687	10	178,679	2
Interest expenses (Notes 2 and 10)	124,087	1	173,078	2
Loss on buyback of bonds payable (Note 21)	44,419	-	179,657	2
Financial expenses	3,597	-	31,762	-
Other (Note 11)	51,305	1	54,633	-
Total non-operating expenses and losses	1,433,095	12	617,809	6

(Continued)

	2006		2005	
	Amount	%	Amount	%
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAX	$ 3,227,506	27	$ 4,534,361	40
INCOME TAX EXPENSE (Notes 2 and 17)	122,638	1	592,960	5
INCOME FROM CONTINUING OPERATIONS	3,104,868	26	3,941,401	35
CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES (Note 3)	35	-	-	-
NET INCOME	$ 3,104,903	26	$ 3,941,401	35

	2006		2005	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
EARNINGS PER SHARE (Note 18)				
Basic	$ 0.65	$ 0.63	$ 0.93	$ 0.81
Diluted	$ 0.65	$ 0.62	$ 0.91	$ 0.79

The pro forma net income and earnings per share had Statement of Financial Accounting Standards (SFAS) No. 34, “Accounting for Financial Instruments,” and SFAS No. 36, “Disclosure and Presentation of Financial Instruments,” been adopted are as follows:

	2006	2005
NET INCOME	$ 3,104,868	$ 3,959,837
EARNINGS PER SHARE		
Basic	$0.63	$0.81
Diluted	$0.62	$0.80

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

(With Deloitte & Touche review report dated April 12, 2006) (Concluded)

TAIWAN MOBILE CO., LTD.
(Formerly Taiwan Cellular Corporation)

STATEMENTS OF CASH FLOWS
THREE MONTHS ENDED MARCH 31, 2006 AND 2005
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 3,104,903	$ 3,941,401
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	1,309,717	1,142,776
Loss on disposal of property, plant and equipment, net	1,209,687	108,198
Gain on disposal of available-for-sale financial assets, net	(625,506)	-
Deferred income taxes	(406,304)	64,085
Investment income recognized under the equity method, net	(246,908)	(605,090)
Amortization	239,660	37,339
Bad debts	154,895	152,306
Impairment loss	47,074	26,842
Loss on buyback of bonds payable	44,419	179,657
Accrued interest compensation	23,910	34,834
Cash dividends received from equity-method investees	-	2,756,541
Pension cost	-	4,846
Net changes in operating assets and liabilities		
Financial assets held for trading	600,000	1,830,697
Notes receivable	1,304	(334)
Accounts receivable - third parties	45,528	(2,239)
Accounts receivable - related parties	205,063	(31,325)
Other receivables - third parties	30,365	(28,945)
Other receivables - related parties	(382,223)	(244,935)
Prepayments	130,559	49,168
Other current assets	(32,382)	(19,092)
Notes payable	(3)	(66)
Accounts payable	376,756	370,762
Income taxes payable	528,297	528,593
Accrued expenses	693,938	233,192
Other payables	87,369	(336,356)
Advance receipts	(293,591)	(31,370)
Other current liabilities	(165,653)	(95,551)
Net cash provided by operating activities	6,680,874	10,065,934
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds on disposal of available-for-sale financial assets	2,944,800	-
Acquisition of property, plant and equipment	(1,420,087)	(769,996)
Increase in refundable deposits	(6,340)	(7,866)
(Increase) decrease in deferred charges, net	(4,818)	8,836
Decrease in other assets	125	160

(Continued)

	2006	2005
Increase in long-term investments by the equity method	$ -	$ (697,705)
Proceeds on disposal of property, plant and equipment	-	46,670
Cash and cash equivalents received on a merger with Taiwan Elitec Corporation	-	5,958
Net cash provided by (used in) investing activities	1,513,680	(1,413,943)
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in bonds payable	(1,500,000)	(1,500,000)
Buyback of bonds payable	(936,524)	(1,040,317)
Increase (decrease) in guarantee deposits	6,257	(59,954)
Treasury stock transferred to employees	-	286,151
Decrease in long-term bank loans	-	(6,000,000)
Other	-	(1,947)
Net cash used in financing activities	(2,430,267)	(8,316,067)
NET INCREASE IN CASH AND CASH EQUIVALENTS	5,764,287	335,924
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	9,098,004	3,096,850
CASH AND CASH EQUIVALENTS, END OF PERIOD	$14,862,291	$ 3,432,774
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid - excluding interest capitalized	$ 76,759	$ 177,680
Income taxes paid	$ 645	$ 282
NON-CASH INVESTING AND FINANCING ACTIVITIES		
Current portion of long-term liabilities	$ 1,942,219	$ 3,870,028
Conversion of convertible bonds to capital stock and entitlement certificates	$ 230,200	$ 488,200
CASH INVESTING AND FINANCING ACTIVITIES		
Acquisition of property and equipment	$ 903,828	$ 371,106
Add decrease in other payables	516,259	398,890
Cash paid for acquisition of property and equipment	$ 1,420,087	$ 769,996

SUPPLEMENTAL INFORMATION ON SUBSIDIARY:

Taiwan Elitec Corporation (TEC), the Corporation's subsidiary, merged with the Corporation on March 30, 2005, with the Corporation as the surviving company. The carrying values of TEC's assets and liabilities as of March 30, 2005 were as follows:

Accounts receivable	$ 17,015
Other receivables	7,948
Other current assets	35
Property and equipment	2,811
Refundable deposits	554
Assets acquired from TEC	$ 28,363

(Continued)

Accrued expenses	$ 31,101
Other current liabilities	265
Long-term liabilities	2,578
Guarantee deposits	266
Liabilities assumed from TEC	$ 34,210

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

(With Deloitte & Touche review report dated April 12, 2006) (Concluded)

1. ORGANIZATION AND OPERATIONS

Taiwan Mobile Co., Ltd. (the "Corporation," with the English company name of Taiwan Cellular Corporation until the first quarter of 2005) was incorporated in the Republic of China (ROC) on February 25, 1997. The Corporation's shares began to be traded on the ROC Over-the-Counter Securities Exchange (known as GreTai Securities Market) on September 19, 2000. On August 26, 2002, the Corporation's shares were listed on the Taiwan Stock Exchange. The Corporation mainly renders wireless communication services.

The Corporation's services are under the type I license nation-wide (nation-wide GSM 1800 for all sectors; "GSM" means "global system for mobile communications") issued by the Directorate General of Telecommunications (DGT) of the ROC. The license allows the Corporation to provide services for 15 years from 1997 onwards. It also entails the payment of an annual license fee consisting of 2% of total wireless communication service revenues. On March 24, 2005, the Corporation received the third generation (3G) concession operation license issued by the DGT. The 3G license allows the Corporation to provide services from the issuance date of the license to December 31, 2018.

As of March 31, 2006 and 2005, the Corporation had 2,118 and 1,715 employees, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements have been prepared in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and accounting principles generally accepted in the ROC. In conformity with these guidelines and principles, the Corporation is required to make certain estimates and assumptions that could affect the amounts of allowance for doubtful accounts, depreciation, pension, allowance for deferred income tax assets, impairment loss on assets, etc. Actual results may differ from these estimates.

For the convenience of readers, the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the ROC. 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.

The Corporation's significant accounting policies are summarized as follows:

Current and Non-current Assets and Liabilities

Current assets include cash and cash equivalents and those expected to be converted to cash, sold or consumed within twelve months from the balance sheet date. Property and equipment, intangible assets and those not classified as current assets are non-current assets. Current liabilities are obligations expected to be due within twelve months from the balance sheet date. All other liabilities not classified as current liabilities are non-current liabilities.

Cash Equivalents

Government bonds acquired with resale rights and having maturities of up to three months from the date of purchase are classified as cash equivalents, whose carrying value approximates fair value.

Financial Instruments at Fair Value through Profit or Loss

Financial instruments at fair value through profit or loss include financial assets or liabilities held for trading and those designated on initial recognition to be measured at fair value with fair value changes recognized in profit or loss. On initial recognition, the financial instruments are recognized at fair value plus transaction costs and are subsequently measured at fair value with fair value changes recognized in profit or loss. Cash dividends received, including those received in the year of investment, are recognized as current income. The purchase or sale of the financial instruments is recognized and derecognized using trade date accounting.

Available-for-sale Financial Assets

On initial recognition, available-for-sale financial assets are recognized at fair value plus transaction costs. When subsequently measured at fair value, the fair value changes are recognized directly in equity. The cumulative gain or loss that was recognized in equity is recognized in profit or loss when an available-for-sale financial asset is derecognized from the balance sheet. The purchase or sale of the financial instruments is recognized and derecognized using trade date accounting.

Cash dividends are recognized as dividend income on the ex-dividend date, but are accounted for as reductions to the original cost of investments if such dividends are declared on the earnings of investees attributable to periods prior to the purchase of investments. Stock dividends are not recognized as current income but are accounted for only as an increase in the number of shares held. The cost per share is re-calculated based on the new number of shares.

An impairment loss is recognized if there is objective evidence that a financial asset is impaired. If the amount of impairment loss decreases in the subsequent period, such decrease is recognized in equity.

The fair value of listed stocks is based on the closing price on the balance sheet date.

Allowance for Doubtful Accounts

Allowance for doubtful accounts is provided on the basis of past experiences and an evaluation of the aging and collectibility of all receivables on the balance sheet date.

Financial Assets Carried at Cost

If there is no active market for an equity instrument and a reliable fair value can not be estimated, the equity instrument, including unlisted stocks and emerging stocks, etc, is measured at cost. The accounting for the dividends from financial asset carried at cost is the same as that for an available-for-sale financial asset. Impairment losses are recognized if a decrease in the fair value of the instruments can be objectively related to an event. Reversal of impairment losses is not allowed.

Investments Accounted for Using Equity Method

Long-term investments in which the Corporation owns 20% or more of an investee’s outstanding voting shares or exercises significant influence on an investee are accounted for under the equity method.

On the acquisition date or the adoption of the equity method for the first time, the difference between the cost of acquisition and the equity in the investee's net asset value was amortized using the straight-line method over 8 to 20 years. Starting January 1, 2006, in accordance with the newly revised Statement of Financial Accounting Standards (SFAS), the cost of acquisition is subjected to an initial analysis, and goodwill represents the excess of the cost of acquisition over the fair value of the identifiable net asset value. Goodwill is no longer amortized but instead tested annually for impairment. An impairment test is also required if there is evidence indicating that goodwill might be impaired as a result of specific events or changes in economic environment. Starting January 1, 2006, the unamortized balance of the excess of the acquisition cost of the long-term investment by the equity method over the equity in the investee's net asset value is also no longer amortized and applies the same accounting treatment as goodwill.

The cost and the resulting gain or loss of an investment sold is determined by the weighted-average method.

Property, Plant and Equipment and Assets Leased to Others

Property and equipment and assets leased to others are stated at cost less accumulated depreciation. Significant additions, renewals, betterments, and interest expenses incurred during the construction period are capitalized, while maintenance and repairs are expensed currently. Property, plant and equipment covered by agreements qualifying as capital leases are carried at the lower of the present value of future minimum lease payments or the market value of the property on the starting dates of the leases.

Depreciation is calculated using the straight-line method over the estimated service lives, which range as follows: buildings - 50 to 55 years; telecommunication equipment - 5 to 15 years; office equipment - 3 to 5 years; leased assets - 20 years; and miscellaneous equipment - 3 to 5 years.

Upon sale or retirement of property and equipment, the related cost and accumulated depreciation are removed from the accounts, and any gain or loss is credited or charged to non-operating gain or loss in the period of disposal.

Intangible Assets

Intangible assets refer to the bid payment for the 3G mobile telecommunication service - License C. The 3G concession is recorded at acquisition cost and is amortized over 13 years and 9 months starting from the license issuance date.

Deferred Charges

Deferred charges, which included interior decoration, computer software, bill issuance costs and issuance costs of bonds issued before December 31, 2005, are amortized by the straight-line method over 3 to 7 years or contract periods.

Idle Assets

Idle assets, which consist of land, buildings and equipment not currently used in operations, are stated at the lower of cost or net realizable value.

Asset Impairment

If the carrying value of assets (including property, plant and equipment, intangible assets, idle assets, assets leased to others and investments accounted for using equity method) is less than their recoverable amount, while indicates that an impairment exists, an impairment loss should be recognized. Any subsequent reversal of the impairment loss for the increase in recoverable amount is recognized as income. The reversal of impairment loss on goodwill is disallowed.

Pension Costs

The pension costs under the defined benefit pension plan are recognized on the basis of actuarial calculations. The contribution amounts of the pension costs under the defined contribution pension plan are recognized as current expenses during the employees' service years.

Bonds Payable

Convertible bonds with redemption rights that were issued before December 31, 2005 are classified as current or non-current according to the redemption dates. The redemption price in excess of the face value of the bonds is amortized using the interest method from the issuance date through the maturity date and accounted for as accrued interest compensation. The accrued interest compensation is provided as a valuation account of convertible bonds. The issuance costs are recognized as deferred charges. The issuance costs for the non-convertible bonds are amortized over the term of the bond, and those for the convertible bonds with redemption rights are amortized from the issuance date to the maturity date of redemption rights.

When bondholders exercise their conversion rights, the face value of the bonds and the related accrued interest compensation are both transferred to capital stock or entitlement certificates and capital surplus.

Income Taxes

The inter-period allocation method is used for income taxes. Deferred income tax assets and liabilities are recognized for the tax effects of temporary differences, unused tax credits and net operating loss carryforwards. Valuation allowance is provided for income tax assets to the extent that more likely than not such assets will not be realized. Deferred tax assets or liabilities are classified as current or non-current according to the classification of related assets or liabilities for financial reports. However, if deferred tax assets or liabilities do not relate to assets or liabilities in the financial statements, they are classified as current or non-current on the basis of the expected length of time before it is realized.

Tax credits for certain purchases of equipment and technology, research and development expenditures and personnel training are recognized by the current method.

Adjustments to prior years' tax liabilities are added to or deducted from the current year's tax expense.

Income tax of 10% on unappropriated earnings generated is expensed in the year when the shareholders resolve the retention of the earnings.

Treasury Stock

The purchase of issued shares is accounted for by debiting treasury stock, which is a reduction of shareholders' equity.

If the proceeds on the disposal of treasury stock exceed the carrying value of treasury stock, the excess is credited to capital surplus from treasury stock. If the proceeds are less than the carrying value of treasury stock, the difference is debited to capital surplus from treasury stock. If the balance of capital surplus from treasury stock is not sufficient to absorb the difference, the rest is recorded as a reduction of retained earnings.

Foreign-currency Transactions

Assets, liabilities, revenues or expenses denominated in foreign currencies as a result of foreign-currency transactions of non-derivative financial instruments are recorded in New Taiwan dollars at the exchange rates prevailing on the dates of transactions.

Monetary assets or liabilities denominated in foreign currencies are translated at the exchange rates prevailing on the balance sheet date, and the resulting exchange differences are included in profit or loss for the current period.

Non-monetary assets or liabilities carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date when the fair value was determined, and the resulting exchange differences are included in profit or loss for the current period except for the differences arising on the retranslation of non-monetary assets and liabilities in respect of which gains and losses are recognized directly in equity. For such non-monetary assets and liabilities, any exchange component of that gain or loss is also recognized directly in equity. Non-monetary assets or liabilities carried at cost that are denominated in foreign currencies are translated at the historical rates prevailing on the dates of transactions.

The above prevailing exchange rates are based on the average of bid and ask rates of principal banks.

Revenue Recognition

Revenues are recognized when the service rendering process is completed or virtually completed, and earnings are realizable and measurable. Related costs of providing services are concurrently recognized as incurred.

Service revenues from wireless services and value-added services, net of any applicable discount, are billed at predetermined rates and are recognized on the basis of minutes of usage.

Promotion Expenses

Commissions and cellular phone subsidy costs pertaining to the Corporation's promotions are recognized as marketing expenses on an accrual basis in the current period.

Hedging Derivative Financial Instruments

The interest rate swap contracts which the Corporation entered into to manage its exposure to the interest rate risk are designated as a cash flow hedge. The hedging instrument is measured at fair value, and the change of fair value is recognized directly in equity and will be recognized as profit or loss when the hedged forecast transaction affects profit or loss. If the cumulative net loss recognized in equity is regarded as irrecoverable, it is immediately recognized as a loss in the current period.

Reclassification

Certain accounts in the financial statements as of and for the three months ended March 31, 2005 have been reclassified to conform to the presentation of financial statement as of and for the three months ended March 31, 2006.

3. REASONS AND EFFECT OF CHANGES IN ACCOUNTING PRINCIPLE

Effective January 1, 2006, the Corporation adopted newly issued SFAS No. 34, "Accounting for Financial Instruments," SFAS No. 36, "Disclosure and Presentation of Financial Instruments," and the revisions on the related SFASs.

a. Effect of the first time adoption of the newly issued and revised SFASs

Upon adoption of the newly issued and revised SFASs, the Corporation appropriately reclassified the financial assets and liabilities, including derivatives. The adjustments to the carrying values of the financial instruments at fair value through profit or loss were recorded in the cumulative effect of changes in accounting principles, and those of the available-for-sale financial assets measured at fair value and of the derivatives for cash flow hedge were recorded in equity.

The effect of the first time adoption of these SFASs is summarized as follows:

	Recognized as Cumulative Effect of Changes in Accounting Principle (Net of Tax)	**Recognized in Equity (Net of Tax)**
Financial assets at fair value through profit or loss	$ 35	$ -
Available-for-sale financial assets	-	2,082,823
Hedging derivative financial liabilities	-	(248,184)
	$ 35	$ 1,834,639

The changes in accounting policy resulted in a decrease in income from continuing operations of $35 thousand for the three months ended March 31, 2006, but had no effect on net income and earnings per share (net of tax).

b. Reclassifications by the adoption of these SFASs

The different accounting policies applied in measuring financial instruments in 2005 from 2006 are described as follows:

1) Short-term investments

Short-term investments are carried at the lower of aggregate cost or market value, and the loss on market value decline is recognized in current income. The market values of the investment in listed stocks are determined based on the average closing prices in the last month of an accounting period.

2) Long-term investments accounted for using cost method denominated in foreign currencies

The long-term investments accounted for using cost method denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. If the translated amount is less than the original cost amount, the resulting exchange differences are recognized as the cumulative translation adjustments in equity. If the translated amount is higher, no adjustment is made.

3) Interest rate swap contracts

The notional amounts of interest rate swap contracts, which are used for non-trading purposes, are not recognized in the financial statements because these contracts do not require initial settlements. However, a memorandum entry is made to note the transaction.

Due to the adoption of new and amended SFASs starting from January 1, 2006, certain accounts in the financial statements as of and for the three months ended March 31, 2005 have been reclassified as follows to conform to the presentation of the financial statements as of and for the three months ended March 31, 2006.

	Before Reclassification	**After Reclassification**
Balance sheet		
Short-term investments	$ 10,078,945	$ -
Long-term Investments	32,160	-
Financial assets at fair value through profit or loss	-	801,768
Available-for-sale financial assets	-	9,277,177
Financial assets carried at cost	-	32,160

Starting on January 1, 2006, the Corporation adopted newly revised SFAS No. 1, "Conceptual Framework for Financial Accounting and Preparation of Financial Statements," SFAS No. 5, "Long-term Investments in Equity Securities," and SFAS No. 25, "Business Combinations - Accounting Treatment under Purchase Method." These revisions primarily included that goodwill is no longer amortized and that the difference between the cost of acquisition and the equity in the investee's net asset value is subjected to an initial analysis. If defined as goodwill, the difference is no longer amortized but instead tested annually for impairment. These adoptions had no effect on the income from continuing operations and the cumulative effect of changes in accounting principle for the three months ended March 31, 2006.

4. CASH AND CASH EQUIVALENTS

	March 31	
	2006	**2005**
Government bonds with resale rights	$ 13,732,499	$ 2,493,230
Time deposits	716,323	582,818
Cash in banks	382,919	341,686
Cash on hand	27,433	10,005
Revolving funds	3,117	5,035
	$ 14,862,291	$ 3,432,774

5. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Information on the financial instruments held for trading is as follows:

	March 31, 2005
Financial assets held for trading	
Beneficiary certificates	
Open-end funds	$ 701,468
Closed-end funds	100,300
	$ 801,768

6. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	March 31	
	2006	2005
Domestic listed stocks		
Chunghwa Telecom Co., Ltd.	$ 9,180,000	$ 9,277,177

7. ACCOUNTS RECEIVABLE - THIRD PARTIES

	March 31	
	2006	2005
Accounts receivable	$ 5,144,423	$ 4,692,524
Less: Allowance for doubtful accounts	(331,802)	(391,250)
	$ 4,812,621	$ 4,301,274

8. FINANCIAL ASSETS CARRIED AT COST

	March 31	
	2006	2005
Domestic emerging stocks		
Taiwan Fixed Network Co., Ltd.	$ 3,826,148	$ -
Foreign unlisted stocks		
Bridge Mobile Pte Ltd.	32,160	32,160
	$ 3,858,308	$ 32,160

The above investments in stocks are measured at cost because there is no active market and reliable fair value.

9. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	March 31			
	2006		2005	
	Carrying Value	% of Owner-ship	Carrying Value	% of Owner-ship
TAT International Telecommunications Co., Ltd.	$ 12,639,277	100.00	$ -	-
Taihsing Den Syun Co., Ltd.	3,828,336	100.00	-	-
Taihsing Den Den Co., Ltd.	1,014,341	99.99	979,858	99.99
TransAsia Telecommunications Inc.	2	-	11,030,414	92.32
Taiwan Fixed Network Co., Ltd.	-	-	4,174,733	9.87
Mobitai Communications	-	-	3,129,781	84.65
Tai Hung Investments Ltd.	-	-	1,650,005	99.99
Tai Fu Investment Ltd.	-	-	554,850	99.99
T.I. Investment Ltd.	-	-	406,531	99.99
Tai Hsuo Investments Ltd.	-	-	330,498	99.99
	$ 17,481,956		$ 22,256,670	

On January 26, 2006, the Corporation established TAT International Telecommunications Co., Ltd. (TATIT) and acquired 100% equity in TATIT with 328,645 thousand shares of TransAsia Telecommunications Inc. (TAT). TATIT mainly provides wireless services. As of March 31, 2006, the Corporation's remaining ownership in TAT is 80 shares.

TATIT's Board of Directors decided, on January 26, 2006, to merge TAT with TATIT, with TATIT as the surviving company. TATIT will thus assume all TAT's rights and obligations and will be renamed as TransAsia Telecommunications Inc. on the record date.

The Corporation's subsidiaries, Tai Hung Investment Ltd., Tai Fu Investment Ltd., T.I. Investment Ltd. and Tai Hsuo Investment Ltd., adopted resolutions for their liquidations, which were completed in December 2005.

Previously, although the Corporation's equity in Taiwan Fixed Network Co., Ltd. (TFN) was less than 20%, the equity method was applied because of the Corporation's significant influence over TFN. The investment income or loss was recognized using the treasury stock method for the reciprocal investments between TFN and the Corporation. On July 19, 2005, however, the Corporation lost its significant influence over TFN and thus changed the accounting treatment to the cost method. On January 1, 2006, the Corporation reclassified its equity in TFN under the financial asset carried at cost.

Through a series of share purchases between August 2004 and August 2005, the Corporation acquired 94.28% equity (255,079 thousand shares) in Mobitai Communications ("Mobitai") for $3,440,452 thousand. On September 8, 2005, the Corporation established Taihsing Den Syun Co., Ltd. (TDS) and acquired 100% equity in TDS with 255,079 thousand of Mobitai's shares and $250,000 thousand in cash. TDS mainly provides equipment installation and IT services.

On November 3, 2005, TDS established Tai Ya International Telecommunications Co., Ltd. (TYIT) and acquired 100% equity in TYIT with 255,079 thousand of Mobitai's shares. TYIT's Board of Directors decided, on November 3, 2005, to merge Mobitai with TYIT, with TYIT as the surviving company. The record date of the merger was January 1, 2006. TYIT thus assumed all Mobitai's rights and obligations and was renamed as Mobitai Communications on the record date.

On March 17, 2005, the Corporation acquired Taiwan Elitec Corporation's (TEC) shares for $1,895 thousand at NT$19.28 per share from Taiwan Cellular Co., Ltd. (formerly Taihsing Den Den Co., Ltd.) To integrate enterprise resources and enhance operating efficiency, the Board of Directors decided, on March 25, 2005, to merge TEC with the Corporation, with the Corporation as the surviving company. TEC, incorporated in June 2001, provided billing and data processing services. The record date of the merger was March 30, 2005. The Corporation thus assumed all of TEC's rights and obligations.

The carrying value of the investments by equity method and the related investment income or losses for the three months ended March 31, 2006 were determined on the basis of reviewed financial statements, and for the three months ended March 31, 2005, determined on the basis of unreviewed financial statements, except the financial statements of TransAsia Telecommunications Inc. and Mobitai Communications. The investment income or losses were as follows:

	Three Months Ended March 31	
	2006	**2005**
TAT International Telecommunications Co., Ltd.	$ 180,608	$ -
Taihsing Den Syun Co., Ltd.	46,340	-
Taihsing Den Den Co., Ltd.	19,961	29,309
TransAsia Telecommunications Inc.	(1)	570,199

(Continued)

	Three Months Ended March 31	
	2006	2005
Mobitai Communications	$ -	$ 68,878
Taiwan Fixed Network Co., Ltd.	-	(66,894)
Tai Hung Investments Ltd.	-	3,186
Taiwan Elitec Corporation	-	(1,817)
Tai Fu Investments Ltd.	-	961
T.I. Investment Ltd.	-	769
Tai Hsuo Investments Ltd.	-	499
	$ 246,908	$ 605,090

In conformity with the SFAS No. 35, "Accounting for Asset Impairment," the Corporation and subsidiaries identified the Corporation, TAT and Mobitai, the subsidiary of TYIT, as the smallest identifiable group of cash-generating units. TAT and Mobitai mainly provide second-generation GSM wireless communication services. As of December 31, 2005, goodwill amounting to $5,881,350 thousand and $532,679 thousand was allocated to the carrying values of the operating assets of TAT and Mobitai, respectively. The recoverable amounts were measured by the asset values in use under the following critical assumptions, which indicated no asset impairment when the recoverable amounts were compared with TAT's and Mobitai's carrying values:

a. Assumptions on operating revenues

   After taking changes in the telecom industry and competitive landscape into consideration, operating revenues were estimated based on projected changes in subscriber numbers, minutes of incoming and outgoing calls and average revenue per minute.

b. Assumptions on operating costs and expenses

   The estimates of commissions, customer retention costs, customer service costs and bill processing costs were based on the projected changes in subscriber numbers. The estimates of remaining costs and expenses were based on the proportion of the actual costs and expenses to operating revenues in the 2005 financial statements.

c. The Corporation and subsidiaries used the discount rates of 7.63% and 8.72% in calculating the asset recoverable amounts of TAT and Mobitai, respectively.

10. PROPERTY, PLANT AND EQUIPMENT - ACCUMULATED DEPRECIATION

	March 31	
	2006	2005
Buildings	$ 241,720	$ 167,714
Telecommunication equipment	21,222,965	18,346,833
Office equipment	38,726	121,717
Leased assets	244,603	180,794
Miscellaneous equipment	427,067	533,932
	$ 22,175,081	$ 19,350,990

Depreciation expenses for the three months ended March 31, 2006 and 2005 were $1,307,903 thousand and $1,130,348 thousand, respectively.

Interest expenses capitalized for the three months ended March 31, 2006 and 2005 amounted to $2,911 thousand and $25,320 thousand, respectively, with interest rates ranging from 2.76% to 3.12% and at 2.64% to 3.24%, respectively.

11. NON-OPERATING ASSETS

	March 31	
	2006	2005
Cost		
Assets leased to others	$ 964,541	$ 2,464,374
Idle assets	2,777,429	3,002,911
	3,741,970	5,467,285
Less accumulated depreciation	(771,783)	(1,100,253)
	2,970,187	4,367,032
Less accumulated impairment	(1,796,646)	(1,868,789)
	$ 1,173,541	$ 2,498,243

The impairment losses of idle buildings and equipment were determined based on their appraised values and net realizable value, respectively, and the Corporation recognized impairment losses of $47,074 thousand and $26,842 thousand for the three months ended March 31, 2006 and 2005, respectively.

12. DEFERRED CHARGES

	March 31	
	2006	2005
Interior decoration	$ 140,068	$ 121,118
Computer software	96,504	36,625
Other	58,182	121,202
	$ 294,754	$ 278,945

13. BONDS PAYABLE

	March 31			
	2006		2005	
	Current	Non-current	Current	Non-current
Domestic secured bonds	$ -	$ -	$ 1,500,000	$ -
Domestic unsecured bonds	1,250,000	13,750,000	-	15,000,000
1st domestic unsecured convertible bonds	565,200	-	-	1,631,200
2nd domestic unsecured convertible bonds	-	647,200	1,074,300	-
Add accrued interest compensation	127,019	80,937	95,728	280,550
	$ 1,942,219	$ 14,478,137	$ 2,670,028	$ 16,911,750

a. Domestic secured bonds

On February 1, 2001, the Corporation issued $3,000,000 thousand of five-year domestic secured bonds, with each bond having a face value of $1,000 thousand with a coupon rate of 5.31% per annum. The bonds will be redeemed in the fourth and fifth years after the issuance date at $1,500,000 thousand for each of those years. Interest is payable annually. The bonds were repaid by the Corporation in February 2006.

The bond covenant requires the Corporation to maintain its year-end current ratio at above 100%, debt-to-equity ratio at below 100% and solvency ratio [(Net income + Depreciation + Amortization + Interest expense)/(Long-term bank loan repayments + Interest expense)] at above 150%.

b. Domestic unsecured bonds

On December 13, 2002, the Corporation issued $15,000,000 thousand of domestic unsecured bonds, with each bond having a face value of $5,000 thousand. The bonds have four different types based on terms and dates. Types I and II both consist of A to L tranches. Types III and IV both consist of A to M tranches. Types I and II are five-year bonds and Types III and IV are seven-year bond. The interest rates and payment terms are as follows:

	Principal	**Rate**	**Terms**
Type I	$ 2,500,000	2.60%	Repayment of $1,250,000 thousand each in the fourth and fifth years, interest payable annually
Type II	2,500,000	5.21%-6M LIBOR	Repayment on maturity date, interest payable semiannually
Type III	5,000,000	2.80%	Repayment of $2,500,000 thousand each in the sixth and seventh years, interest payable annually
Type IV	5,000,000	5.75%-6M LIBOR	Repayment on maturity date, interest payable semiannually
	$ 15,000,000		

c. 1st domestic convertible bonds

On August 25, 2001, the Corporation issued $10,000,000 thousand of five-year domestic convertible bonds, with each bond having a face value of $100 thousand and 0% interest. Within the conversion period, starting from 3 months after the issuance date to 10 days before maturity, the bondholders may ask for bond conversion into common stocks or entitlement certificates of the Corporation. Cash is paid for those bonds that cannot be converted into one share. The conversion price is subject to adjustment based on the prescribed formula. The conversion price has been NT$23.3 per share since July 20, 2005. As of March 31, 2006, bonds amounting to $6,460,400 thousand have been converted to 205,484 thousand of common shares and 6,227 thousand units of entitlement certificates. Each certificate can be converted into one common share. The bonds amounting to $2,974,400 thousand were purchased and canceled by the Corporation.

If the closing price of the Corporation's share is above 50% of the conversion price for 30 consecutive trading days of the Taiwan Stock Exchange from 3 months after bond issuance to 40 days before maturity, the Corporation has the option to convert the bonds to entitlement certificates at the conversion price or to redeem the bonds by cash at face value. If the total value of outstanding convertible bonds becomes less than 10% of the total principal, the Corporation also has the option, at any time, to convert the bonds to entitlement certificates at the conversion price or to redeem the bonds by cash at face value.

On the third year after the issuance date, the holders may redeem the bonds by cash at face value plus interest accrued, which is 113.3% of face value calculated based on an implied yield rate of 4.25%. Upon maturity, the Corporation will redeem the bonds by cash at face value plus interest accrued, which is 124.62% of face value, calculated based on an implied yield rate of 4.5%.

d. 2nd domestic convertible bonds

On August 16, 2002, the Corporation issued $6,000,000 thousand of five-year domestic convertible bonds, with each bond having a face value of $100 thousand and 0% interest. Within the conversion period from 3 months after issuance date to the 10th day before maturity, the bondholders may have the bonds converted into common stocks of the Corporation. Cash is paid for bonds that cannot be converted into one share. The conversion price is subject to adjustment based on the prescribed formula. The conversion price has been NT$24.7 per share since July 20, 2005. As of March 31, 2006, bonds amounting to $4,853,400 thousand have been converted to 186,780 thousand of common shares. Bonds amounting to $499,400 thousand were purchased and canceled by the Corporation.

If the closing price of the Corporation's share is above 50% of the conversion price for 30 consecutive trading days of the Taiwan Stock Exchange from 3 months after bond issuance to 40 days before maturity, the Corporation has the option to convert the bonds to common stocks at conversion price or to redeem the bonds by cash at face value. If the total value of outstanding convertible bonds becomes less than 10% of the total principal, the Corporation also has the option - from 3 months after bond issuance to the 40th day before maturity - to convert the bonds to common stocks at the conversion price or to redeem the bonds by cash at face value.

On the third year after the issuance date, the holders may redeem the bonds by cash at face value plus interest accrued, which is 109.59% of face value, calculated based on an implied yield rate of 3.1%. Upon maturity, the Corporation will redeem the bonds by cash at face value plus interest accrued, which is 117.63% of face value, calculated based on implied yield rate of 3.3%.

Future repayments of corporate bonds, excluding convertible bonds, are as follows:

Year	**Amount**
From the second to fourth quarter, 2006	$ 1,250,000
2007	3,750,000
2008	2,500,000
2009	7,500,000
	$ 15,000,000

14. LONG-TERM BANK LOANS

	March 31, 2005
Secured loans	$ 2,400,000
Less current portion	(1,200,000)
	$ 1,200,000

The secured loans had interest rates ranging from 2.0666% to 2.2040% as of March 31, 2005. The loans will mature on September 1, 2010, and interest is payable monthly. The Corporation made an early repayment of all long-term bank loans in the second quarter of 2005.

15. PENSION PLAN

The Labor Pension Act (LPA) became effective on July 1, 2005. Employees on board before June 30, 2005 may choose to continue to be subject to the pension plan under the Labor Standards Act (LSA) or be subject to the new pension plan under LPA, with their service years accumulated as of July 1, 2005 to be retained and subject to the pension plan under LSA. Starting from July 1, 2005, new employees may only choose to be subject to the new pension plan under LPA.

The new LPA provides for a defined contribution pension plan. Starting from July 1, 2005, the Corporation should contribute monthly an amount equal to 6% of the employees' monthly wages to the employees' individual pension accounts. The Corporation recognized a pension cost of $19,828 thousand for the three months ended March 31, 2006.

The LSA provides for a defined benefit pension plan. Benefits are based on the length of service and average basic pay of the six months before retirement. The Corporation contributes monthly an amount equal to 2% of the employees' monthly wages to a pension fund. The pension fund is managed by an independently administered pension fund committee and deposited in the committee's name in the Central Trust of China.

Information on the defined benefit pension plan is summarized as follows:

a. Changes in the pension fund

	Three Months Ended March 31	
	2006	**2005**
Balance, beginning of period	$ 258,701	$ 110,857
Contributions	4,208	5,643
Interests	1,075	-
Balance, end of period	$ 263,984	$ 116,500

b. Changes in the accrued pension cost

	Three Months Ended March 31	
	2006	**2005**
Balance, beginning of period	$ 83,615	$ 137,539
Pension cost	6,243	10,973
Pension liability resulting from personnel transfer from subsidiaries to the Corporation	43,543	-
Contributions	(4,208)	(5,643)
Balance, end of period	$ 129,193	$ 142,869

A portion of the above ending balance was recorded as accrued pension cost, and the other portion, as accrued expenses.

16. SHAREHOLDERS' EQUITY

a. Capital surplus

Under the Company Law, capital surplus may only be used to offset a deficit. However, capital surplus generated from the excess of the issue price over the par value of capital stock, including the stock issued for new capital and the buyback of treasury stock, may be transferred to capital as stock dividends, and this transfer is restricted to a certain percentage of the capital surplus and may be made only within prescribed limits each time.

b. Appropriation of earnings and dividend policy

The Corporation's Articles of Incorporation provide that a 10% legal reserve should be set aside from the annual net income after the reduction of accumulated deficit. The remainder, less special reserve based on relevant laws or regulations or business requirements, should be distributed as follows:

1) Dividends and bonus to preferred shareholders
2) Remuneration to directors and supervisors - up to 0.3%
3) Bonus to employees - 1%-3%
4) Remainder, to be appropriated as dividends as determined in the shareholders' meeting.

The Corporation's dividend distribution is based on the availability of excess funds. That is, the Corporation first projects future capital needs through a capital budgeting process and then provides for the projected capital needs by using retained earnings. Any remainder is available for dividend distribution. However, the amount of stock dividends should not be more than 80% of the total dividends to be distributed in a single year. The final amount, type and percentage of the dividends are subject to the approval by the Board of Directors and shareholders based on actual earnings and capital requirements of the Corporation in a particular year.

A regulation issued by the Securities and Futures Bureau requires a special reserve be made from the unappropriated earnings, equivalent to the debit balance of any account shown in shareholders' equity. The special reserve appropriated to be reversed to the extent that the net debit balance reverses.

The appropriation of earnings should be resolved by the shareholders in the following year and given effect to in the financial statements of that year.

Under the Integrated Income Tax System, ROC resident shareholders are allowed a tax credit for the income tax paid by the Corporation. An imputation credit account (ICA) is maintained by the Corporation for such income tax and the tax credit allocated to each shareholder.

The 2005 earnings appropriation proposed by the Board of Directors on March 29, 2006 and the 2004 earnings appropriation resolved by the shareholders in their meeting on June 14, 2005 were as follows:

	Appropriation of Earnings		Dividend Per Share (NT$)	
	For Fiscal Year 2005	For Fiscal Year 2004	For Fiscal Year 2005	For Fiscal Year 2004
Legal reserve	$ 1,623,670	$ 1,665,416		
Special reserve	1,150,000	2,201,631		
Remuneration to directors and supervisors	40,394	63,936		
Cash bonus to employees	403,940	383,613		
Cash dividends	12,843,997	12,126,821	$2.6	$2.47302
	$ 16,062,001	$ 16,441,417		

The Corporation's 2005 earnings appropriation had not been proposed by the Board of Directors as of April 12, 2006, the independent accountants' report date. Information on the 2005 earnings appropriation proposed by the Board of Directors and resolved by the shareholders can be accessed through the Market Observation Post System on the Taiwan Stock Exchange Corporation's website.

c. Treasury stock

(Shares in Thousands)

Purpose of Buyback	Beginning Shares	Increase	Decrease	Ending Shares
Three months ended March 31, 2006				
To be transferred to employees	11,551	-	-	11,551
Three months ended March 31, 2005				
To be transferred to employees	65,368	-	11,156	54,212

On March 31, 2005, the Corporation transferred 11,156 thousand shares of treasury stock to employees at NT$25.65 per share, resulting in a reduction of retained earnings by $28,113 thousand.

Under the Securities and Exchange Law, the buyback amount of treasury stock should not exceed 10% of total issued shares, and the buyback cost should not exceed the sum of the retained earnings, additional paid-in capital in excess of par value and realized capital surplus. In addition, the Corporation should not provide treasury stock as collateral and should not exercise shareholders' rights on those shares before transfer.

d. Unrealized gains (losses) on financial instruments

Unrealized gains or losses on financial instruments for the three months ended March 31, 2006 were summarized as follows:

	Three Months Ended March 31, 2006
Available-for-sale financial assets	
Effect of the first time adoption of new issued SFASs	$ 2,082,823
Fair value changes recognized directly in equity	764,800
Transfer to current gains or loss upon sales of financial assets	(625,506)
	$ 2,222,117
Changes in unrealized gains (losses) of cash flow hedge	$ (248,184)
Effect of the first time adoption of new issued SFASs	(64,421)
Fair value changes recognized directly in equity	
	$ (312,605)
Recognition of investees' changes in unrealized gains or losses by the equity method	$ 2,438

17. INCOME TAX EXPENSE

a. The reconciliation of imputed income taxes on pretax income at statutory tax rate to current income taxes payable was as follows:

	Three Months Ended March 31	
	2006	2005
Tax on pretax income at statutory tax rate (25%)	$ 806,866	$ 1,133,581
Add (deduct) tax effects of		
Permanent differences		
Gain on disposal of marketable securities	(145,317)	50,251
Investment income from domestic investments accounted for by the equity method	(61,727)	(151,080)
Other	(21)	40,321
Temporary differences	7,313	(32,412)
Tax-exempt income	(78,172)	(363,247)
Investment tax credits	-	(148,539)
Current income taxes payable	$ 528,942	$ 528,875

b. Under Article 8 of the Statue for Upgrading Industries (SUI) before the SUI amendment in 1999, the Corporation is considered an important technology-based enterprise. Thus, the Corporation's net operating income generated from the following expansion of its equipment is exempt from income taxes for five years during the period specified, as approved by the Ministry of Finance.

Equipment Expansion Projects	Tax-Exempt Period
Switches, base transmission station (BTS) and related telecommunication equipment, acquired from July 31, 1999 to December 31, 1999	2001 to 2005
Switches, BTS and related telecommunication equipment, acquired from September 30, 2000 to September 30, 2001	2002 to 2006

c. The components of income tax expense were follows:

	Three Months Ended March 31	
	2006	2005
Current income taxes payable	$ 528,942	$ 528,875
Deferred income taxes	(406,304)	64,085
Income tax expense	$ 122,638	$ 592,960

d. Deferred income tax assets and liabilities as of March 31, 2006 and 2005 were as follows:

	March 31	
	2006	2005
Provision for doubtful accounts	$ 617,933	$ 714,501
Provision for impairment losses on idle assets	386,577	434,869
Unrealized loss on retirement of property and equipment	245,321	-
Unrealized losses on financial liabilities	104,202	-

(Continued)

	March 31	
	2006	2005
Accrued interest compensation	$ 51,989	$ 94,069
Accrued pension cost	16,719	16,210
Other	-	64,500
	1,422,741	1,324,149
Less valuation allowance	(358,395)	(616,659)
	$ 1,064,346	$ 707,490
Deferred income tax assets		
Current	$ 69,016	$ 85,084
Non-current	995,330	622,406
	$ 1,064,346	$ 707,490

e. Integrated income tax information was as follows:

Balance of imputation credit account (ICA)	$ 1,532,129	$ 1,103,441

As of March 31, 2006, there were no unappropriated earnings generated before January 1, 1998. The estimated creditable ratio for the 2005 earnings appropriation and the actual creditable ratio for the 2004 earnings appropriation were 13.7% and 13.25%, respectively.

The imputation credits allocated to the shareholders are based on the ICA balance as of the date of dividend distribution. The estimated creditable ratio for the 2005 earnings appropriation may be adjusted when the imputation credits are distributed.

f. Income tax returns through 1999 had been examined by the tax authorities. However, the Corporation disagreed with the examination result on the 1999 income tax return and filed a request for reexamination in July 2005.

18. EARNINGS PER SHARE

(Shares in thousands)

	Three Months Ended March 31			
	2006		2005	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
Basic EPS				
Income from continuing operations	$ 0.65	$ 0.63	$ 0.93	$ 0.81
Cumulative effect of changes in accounting principle	-	-	-	-
Net income	$ 0.65	$ 0.63	$ 0.93	$ 0.81
Diluted EPS				
Income from continuing operations	$ 0.65	$ 0.62	$ 0.91	$ 0.79
Cumulative effect of changes in accounting principle	-	-	-	-
Net income	$ 0.65	$ 0.62	$ 0.91	$ 0.79

	Amounts (Numerator) Before Income Tax	Amounts (Numerator) After Income Tax	Shares (Denominator) (Thousands)	EPS (NT$) Before Income Tax	EPS (NT$) After Income Tax
Three months ended March 31, 2006					
Weighted-average number of outstanding shares			4,954,893		
Less buyback of issued shares			(11,551)		
Basic EPS					
Income of common shareholders	$ 3,227,541	$ 3,104,903	4,943,342	$ 0.65	$ 0.63
Add effect of potentially dilutive convertible bonds					
1st convertible bonds (with implied yield rate of 4.5%)	17,443	13,083	56,574		
2nd convertible bonds (with implied yield rate of 3.3%)	6,467	4,850	29,521		
Diluted EPS					
Income of common shareholders with dilutive effect of potential common shares	$ 3,251,451	$ 3,122,836	5,029,437	$ 0.65	$ 0.62
Three months ended March 31, 2005					
Weighted-average number of outstanding shares			4,931,653		
Less buyback of issued shares			(65,244)		
Basic EPS					
Income of common shareholders	$ 4,534,361	$ 3,941,401	4,866,409	$ 0.93	$ 0.81
Add effect of potentially dilutive convertible bonds					
1st convertible bonds (with implied yield rate of 4.5%)	22,578	16,934	73,374		
2nd convertible bonds (with implied yield rate of 3.3%)	12,256	9,192	54,907		
Diluted EPS					
Income of common shareholders with dilutive effect of potential common shares	$ 4,569,195	$ 3,967,527	4,994,690	$ 0.91	$ 0.79

19. LABOR COST, DEPRECIATION AND AMORTIZATION EXPENSE

	Three Months Ended March 31					
	2006			2005		
	Classified as Operating Cost	Classified as Operating Expenses	Total	Classified as Operating Cost	Classified as Operating Expenses	Total
Labor cost						
Salary	$ 73,913	$ 254,333	$ 328,246	$ 104,031	$ 249,420	$ 353,451
Labor and health insurance	4,585	15,358	19,943	5,892	11,928	17,820
Pension	4,329	14,141	18,470	2,655	5,540	8,195
Other	4,429	14,621	19,050	2,606	4,444	7,050
	$ 87,256	$ 298,453	$ 385,709	$ 115,184	$ 271,332	$ 386,516
Depreciation	$ 1,222,190	$ 85,713	$ 1,307,903	$ 1,069,357	$ 60,991	$ 1,130,348
Amortization	192,714	44,142	236,856	4,225	24,252	28,477

20. FINANCIAL INSTRUMENT TRANSACTIONS

a. Fair value information

	March 31			
	2006		2005	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Non-derivative financial instruments				
Assets				
Cash and cash equivalents	$14,862,291	$14,862,291	$ 3,432,774	$ 3,432,774
Financial assets at fair value through profit or loss	-	-	801,768	757,903
Available-for-sale financial assets	9,180,000	9,180,000	9,277,177	12,826,000
Notes receivable	11,366	11,366	387	387
Accounts receivable	5,136,249	5,136,249	4,814,776	4,814,776
Other receivables	1,063,145	1,063,145	2,747,285	2,747,285
Pledged time deposits	10,000	10,000	610,000	610,000
Refundable deposits	267,463	267,463	262,752	262,752
Financial assets carried at cost	3,858,308	-	32,160	-
Liabilities				
Notes payable	37	37	6	6
Accounts payable	1,855,164	1,855,164	1,744,805	1,744,805
Accrued expenses	4,079,827	4,079,827	2,590,839	2,590,839
Other payables	2,712,367	2,712,367	1,466,371	1,466,371
Guarantee deposits	310,078	310,078	150,099	150,099
Bonds payable (including current portion)	16,420,356	21,448,724	19,581,778	20,222,484
Long-term bank loans (including current portion)	-	-	2,400,000	2,400,000
Derivative financial instruments				
Liabilities				
Interest rate swap contracts	416,807	416,807	-	302,387

Effective January 1, 2006, the Corporation adopted newly issued SFAS No. 34, "Accounting for Financial Instruments," and, therefore, the derivative financial instruments were not recognized in the 2005 financial statements. Please refer to Note 3 for the related description of the cumulative effect of changes in accounting principle and the adjustments in equity as a result of the adoption of newly issued SFASs.

b. The methods and significant assumptions applied in determining fair values of financial instruments were as follows:

1) Short-term financial instruments - based on the carrying value reported in the balance sheets, which approximates the fair value of these assets, including cash and cash equivalents, notes and accounts receivables, pledged time deposits, notes and accounts payable because of the short maturities of these instruments;

2) Refundable deposits and guarantee deposits - based on their carrying value;

3) Financial assets at fair value through profit or loss and available-for-sale financial assets - based on quoted prices in an active market on the balance sheet date.

4) Bonds payable - based on the over-the-counter quotations in March;

5) Long-term bank loans - based on the discounted present value of expected cash flows. Since the Corporation's long-term bank loans had floating interest rates, their fair values were equivalent to carrying value;

6) Derivative financial instruments - based on valuation results provided by banks.

c. The fair values of financial assets and liabilities determined by quoted prices in active markets or by estimations using valuation technique were as follows:

	By Quoted Price		By Estimation Using Valuation Technique	
	March 31		March 31	
	2006	2005	2006	2005
Non-derivative financial instruments				
Assets				
Cash and Cash Equivalents	$ 14,862,291	$ 3,432,774	$ -	$ -
Financial assets at fair value through profit or loss	-	757,903	-	-
Available-for-sale financial assets	9,180,000	12,826,000	-	-
Notes receivable	-	-	11,366	387
Accounts receivable	-	-	5,136,249	4,814,776
Other receivables	-	-	1,063,145	2,747,285
Pledged time deposits	-	-	10,000	610,000
Refundable deposits	-	-	267,463	262,752
Liabilities				
Notes payable	-	-	37	6
Accounts payable	-	-	1,855,164	1,744,805
Accrued expenses	-	-	4,079,827	2,590,839
Other payables	-	-	2,712,367	1,466,371
Guarantee deposits	-	-	310,078	150,099
Bonds payable (including current portion)	21,448,724	20,222,484	-	-
Long-term bank loans (including current portion)	-	-	-	2,400,000
Derivative financial instruments				
Liabilities				
Interest rate swap contracts	-	-	416,807	302,387

d. The financial assets exposed to fair value interest rate risk amounted to $34,002,263 thousand and $21,638,054 thousand as of March 31, 2006 and 2005, respectively, and the financial liabilities exposed to fair value interest rate risk amounted to $17,877,829 thousand and $18,033,898 thousand as of March 31, 2006 and 2005, respectively. The financial assets exposed to cash flow interest rate risk amounted to $356,009 thousand and $325,985 thousand as of March 31, 2006 and 2005, respectively, and the financial liabilities exposed to cash flow interest rate risk amounted to $7,916,807 thousand and $9,900,000 thousand as of March 31, 2006 and 2005, respectively.

e. Information on financial risks:

1) Market risk

The interest rate swap (IRS) contracts are used to hedge interest rate fluctuation on its liabilities with floating interest rates. Since the interest receivable and payable are settled at net amounts on the settlement date. The market risk is immaterial.

2) Credit risk

Credit risk represents the potential impacts to financial assets that the Corporation might encounter if counter-parties or third parties breach the contracts. Factors that affect the impacts include credit risk concentration, components of financial instruments, contract amount and other receivables. The Corporation's evaluation of credit risk exposure as of March 31, 2006 and 2005 were both zero because all of counter-parties are reputable financial institutions with good credit ratings.

Except the amount listed as follows, the maximum credit risk exposure of each financial instrument is the same as its carrying value.

	March 31			
	2006		2005	
Hedging derivative financial instrument	Carrying Value	Maximum Credit Risk Exposure	Carrying Value	Maximum Credit Risk Exposure
Interest rate swap contracts	$ 416,807	$ -	$ -	$ 9,390

The credit risk amount listed above is an evaluation over the contracts with positive fair value at the balance sheet date and the contracts of off-balance-sheet commitments and guarantees. Significant concentration of credit risk exists when counter-parties in financial instrument transactions significantly concentrate on one individual, or when there are a number of counter-parties in financial instrument transactions, but these counter-parties are engaged in similar business activities and have similar economic characteristics so that their abilities to perform contractual obligations would be concurrently affected in similar economic changes or other situations. The characteristics of credit risk concentration include the nature of the debtors' operating activities. The Corporation does not rely significantly on single transaction or transact with single client, but only transact in the same region.

The contract amounts in which credit risk significantly concentrates in the same region are summarized as follows:

	March 31			
	2006		2005	
Region	Carrying Value	Maximum Credit Risk Exposure	Carrying Value	Maximum Credit Risk Exposure
Domestic	$ 416,807	$ -	$ -	$ 9,390

3) Liquidity risk

The Corporation entered into IRS transactions to hedge cash flow risks. Because the IRS contracts are settled at net amounts, the expected cash demand is insignificant. The Corporation has sufficient operating capital to meet cash demand.

f. The purpose of derivative financial instruments held or issued and the strategies to meet the purpose

The Corporation uses IRS contracts to hedge fluctuation on its liabilities with floating interest rates. The overall purpose of these contracts is to hedge the Corporation's exposure to cash flow risks. The Corporation uses interest rate swaps to hedge interest rate fluctuation risk and periodically evaluates the effectiveness of the hedging instruments.

21. RELATED-PARTY TRANSACTIONS

a. The related parties and their relationships with the Corporation were as follows:

Related Party	Relationship with the Corporation
Taiwan Cellular Co., Ltd. (formerly Taihsing Den Den Co., Ltd.) (TCC)	Subsidiary
Taihsing Den Syun Co., Ltd. (TDS)	Subsidiary
TAT International Telecommunications Co., Ltd.	Subsidiary
Taiwan Teleservices & Technologies Co., Ltd. (TT&T)	Subsidiary
Tai Ya International Telecommunications Co., Ltd. (TYIT)	Subsidiary (merged with Mobitai Communications on January 1, 2006 and renamed as Mobitai Communications)
TransAsia Telecommunications Inc. (TAT)	Subsidiary
TT&T Casualty & Property Insurance Agency Co., Ltd.	Subsidiary
TT&T Life Insurance Agency Co., Ltd.	Subsidiary
TT&T Holdings Co., Ltd.	Subsidiary
Dalian Xinkai Teleservices & Technologies Ltd.	Subsidiary
Xiamen Taifu Teleservices & Technologies Ltd.	Subsidiary
Taiwan Mobile Foundation (TWM Foundation; formerly TCC Foundation)	Over one third of the Foundation's authorized fund came from the Corporation
Howin Technologies Co., Ltd. (HTC)	Equity-method investee of TCC (formerly Taihsing Den Den Co., Ltd.) and TAT
Tai Yi Digital Broadcasting Co., Ltd.	Equity-method investee of TCC
Taiwan Fixed Network Co., Ltd. (TFN)	Same chairman
Chung Hsing Constructions Co., Ltd.	Same chairman
Fubon Land Development Co., Ltd.	Same chairman
Fubon Financial Holding Co., Ltd.	Related party in substance
Taipei Fubon Commercial Bank Co., Ltd. (TFCB)	Related party in substance
Fubon Securities Co., Ltd. (FSC)	Related party in substance
Fubon Securities Investment Trust Co., Ltd.	Related party in substance
Fubon Life Assurance Co., Ltd.	Related party in substance
Fubon Insurance Co., Ltd. (Fubon Ins.)	Related party in substance

(Continued)

Related Party	Relationship with the Corporation
Fubon Direct Marketing Consulting Co., Ltd.	Related party in substance
Fubon Asset Management Co., Ltd.	Related party in substance
Fubon Financial Holding Venture Capital Co., Ltd.	Related party in substance
Fubon Venture Capital Consulting Co., Ltd.	Related party in substance
T.I. Investment Ltd.	Subsidiary (liquidated in December 2005)
Tai Hsuo Investment Ltd.	Subsidiary (liquidated in December 2005)
Tai Fu Investment Ltd.	Subsidiary (liquidated in December 2005)
Tai Hung Investment Ltd.	Subsidiary (liquidated in December 2005)
Taiwan Telecom (Aust) Pty Ltd.	Subsidiary (liquidated in November 2005)
The Tele-World Shop Pte Ltd.	Indirect investee under Corporation's control (liquidated in July 2005)
Mobitai Communications (Mobitai)	Subsidiary (merged into TYIT on January 1, 2006)
Taiwan Tele-Shop Co., Ltd. (TTS)	Subsidiary (merged into TCC (formerly Taihsing Den Den Co., Ltd.) on June 30, 2005)
Taiwan Elitec Corporation (TEC)	Subsidiary (merged into the Corporation on March 30, 2005)
Supreme-Tech (Aust) Pty Ltd.	Subsidiary (liquidated in January 2005)

b. Significant transactions with related parties were summarized below:

1) Operating revenues

	Three Months Ended March 31			
	2006		2005	
	Amount	% of Total Sales	Amount	% of Total Sales
TFN	$ 657,252	6	$ 546,155	5
TAT	330,711	3	396,091	4
Mobitai	34,340	-	64,002	1
	$ 1,022,303		$ 1,006,248	

The Corporation provided telecommunication services to the above companies. The average collection period for notes and accounts receivable was approximately two months.

2) Operating costs

	Three Months Ended March 31			
	2006		2005	
	Amount	% of Total Costs	Amount	% of Total Costs
TFN	$ 216,507	4	$ 193,360	4
TAT	146,451	3	156,523	3
Mobitai	73,071	2	41,957	1
Fubon Ins.	22,194	-	25,256	1
	$ 458,223		$ 417,096	

These companies provided telecommunication services to the Corporation. The average payment term for notes and accounts payable was approximately two months.

3) Property transactions

Disposal of property and equipment

	Three Months Ended March 31, 2005	
	Description	**Amount**
TFN	Telecommunication equipment, miscellaneous equipment and deferred charges	$ 2,093,154

The above disposal was made at arm’s length and resulted in a disposal gain of $70,085 thousand.

4) Operating lease income

	Three Months Ended March 31, 2006	
	Leased Sites/Equipment	**Amount**
TT&T	Offices	$ 34

	Three Months Ended March 31, 2005	
	Leased Sites/Equipment	**2005**
TT&T	Tang-Cherng and Tai-Chung offices, telecommunication equipment and miscellaneous equipment	$ 23,918

The above lease transactions were based on market prices, and rents were collected monthly.

5) Cash in banks

	March 31			
	2006		**2005**	
	Amount	**%**	**Amount**	**%**
a) Cash in banks				
TFCB	$ 148,488	1	$ 111,917	3
b) Pledged time deposits				
TFCB	$ 10,000	100	$ 610,000	100

6) Receivables and payables

	March 31			
	2006		**2005**	
	Amount	**%**	**Amount**	**%**
a) Accounts receivable				
TFN	$ 154,844	3	$ 75,578	2
TAT	145,202	3	167,883	3
Mobitai	12,523	-	17,327	-
TTS*	-	-	240,506	5
Other	11,059	-	12,208	-
	$ 323,628		$ 513,502	

* Accounts receivable primarily consisted of the telecommunication service charges collected by TTS from customers for the Corporation.

	March 31			
	2006		2005	
	Amount	%	Amount	%
b) Other receivables				
Mobitai*	$ 488,081	46	$ 1,572	-
TAT*	385,889	36	293,294	11
TCC (Formerly Taihsing Den Den Co., Ltd.)	18,684	2	-	-
TFN**	14,672	1	2,210,440	80
TFCB	10,666	1	15,268	1
TT&T	4,988	-	14,197	1
TTS	-	-	111,937	4
HTC	-	-	36,001	1
Other	90	-	2,194	-
	$ 923,070		$ 2,684,903	

* Other receivables primarily arose from the Corporation's providing business services to these companies. The amounts were recorded as deductions from related costs and expenses.

** Other receivables on March 31, 2005 resulted mainly from the sale of the Corporation's transmission networks to TFN.

	March 31			
	2006		2005	
	Amount	%	Amount	%
c) Accounts payable				
Mobitai	$ 45,526	2	$ 170	-
TAT	16,029	1	17,861	1
	$ 61,555		$ 18,031	
d) Accrued expenses				
TT&T	$ 289,741	7	$ 99,539	4
TFN	68,485	2	127,821	5
TCC (Formerly Taihsing Den Den Co., Ltd.)	20,513	1	-	-
Fubon Ins.	11,759	-	12,455	-
HTC	488	-	14,470	1
TTS	-	-	310,273	12
	$ 390,986		$ 564,558	

(Continued)

	March 31			
	2006		2005	
	Amount	%	Amount	%
e) Other payables				
TAT	$ 219,813	8	$ 128,414	8
Mobitai	135,888	5	-	-
TFN	83,635	3	238,530	16
TTS	-	-	12,337	1
	$ 439,336		$ 379,281	
f) Other current liabilities - collections for the following				
TAT	$ 93,463	16	$ 8,216	4
Mobitai	71,335	12	-	-
TFN	27,357	5	18,936	9
TFCB	2,907	-	12,711	6
	$ 195,062		$ 39,863	

	Three Months Ended March 31	
	2006	2005
7) Commission expenses (including handset subsidy, etc.)		
TTS	$ -	$ 16,445
TT&T	-	13,040
	$ -	$ 29,485
8) Professional service fees		
TT&T	$ 280,136	$ 231,785
TTS	-	88,323
	$ 280,136	$ 320,108
9) Service charges		
TTS	$ -	$ 59,627

10) Other

a) On March 8, 2005, the Corporation bought back 750 units of its outstanding 2nd domestic convertible bonds from FSC for NT$131,800 per unit. The aggregate purchase price was $98,850 thousand, resulting in a loss of $17,341 thousand.

b) As of March 31, 2005, the Corporation acquired a commercial draft of $50,000 thousand from TTS as guarantee deposits for the consignment sales agreement and the credit limit of receivable.

c) HTC entered into an agreement to provide the Corporation with GSM-1800 network maintenance. As of March 31, 2005, the Corporation had received performance guarantee deposits of $630,000 thousand.

22. ASSETS PLEDGED

The assets pledged as collaterals for bank loans, bond issuance and credit line of deposit overdraft were as follows:

	March 31	
	2006	**2005**
Fixed assets, net carrying value	$ 10,633,913	$ 28,100,836
Time deposits	10,000	610,000
Idle assets*	-	613,216
Assets leased to others, net carrying value	-	170,891
	$ 10,643,913	$ 29,494,943

* Net carrying value before accumulated impairment.

23. COMMITMENTS AND CONTINGENT EVENTS

a. To enhance the intensity and widen the coverage of the 3G signal and to increase the service functions and items provided by 3G mobile telecommunications, the Corporation entered into a 3G expansion contract with Nokia for $4,800,000 thousand in September 2004. Under the terms of the contract, as of March 31, 2006, payments of $2,026,275 thousand have been made.

b. To provide better communication quality and more diverse service functions, the Corporation entered into agreements for upgrading and optimizing the existing network equipment with Siemens in September 2004 with the contract value of US$17,310 thousand and NT$67,472 thousand, respectively. In accordance with the terms of the agreements, as of March 31, 2006, payments of US$17,214 thousand and NT$66,102 thousand have been made, respectively.

c. The Corporation entered into business service contracts with TAT on March 1 and with Mobitai on May 1, 2005.

d. Future minimum rental payments as of March 31, 2006 for significant operating lease agreements were summarized as follows:

	Amount
From the second to fourth quarter, 2006	$ 11,151
2007	14,868
2008	7,062

24. ADDITIONAL DISCLOSURES

Following were the additional disclosures required by the Securities and Futures Bureau for the Corporation and its investees:

a. Financing provided: None.

b. Endorsement/guarantee provided: None.

c. Marketable securities held: Table 1 (attached).

d. Marketable securities acquired and disposed of at costs or prices of at least $100 million or 20% of the paid-in capital: Table 2 (attached).

e. Acquisition of individual real estate at costs of at least $100 million or 20% of the paid-in capital: None.

f. Disposal of individual real estate at prices of at least $100 million or 20% of the paid-in capital: None.

g. Total purchase from or sale to related parties amounting to at least $100 million or 20% of the paid-in capital: Table 3 (attached).

h. Receivables from related parties amounting to at least $100 million or 20% of the paid-in capital: Table 4 (attached).

i. Names, locations, and related information of investees on which the Corporation exercised significant influence: Table 5 (attached).

j. Derivative transactions

The Corporation entered into IRS contracts in December 2002 to hedge fluctuation on floating interest rates of bonds, which are settled semiannually. Please refer to Note 20 for the related information.

Financial Instrument	Term	Contract Amount
Interest rate swap contracts	Floating interest rate in exchange for fixed interest rates of 2.25%	$ 2,500,000
	Floating interest rate in exchange for fixed interest rate of 2.45%	5,000,000

The Corporation entered into IRS contracts to hedge interest rate fluctuation. For the three months ended March 31, 2006 and 2005, the Corporation recognized losses of $27,595 thousand and gains of $8,356 thousand, respectively, recorded as addition to and deduction from interest expense.

k. Information on investment in Mainland China:

1) The name of the investee company in Mainland China, the main businesses and products, issued capital, method of investment, information on inflow or outflow of capital, ownership, investment gain or loss, ending balance, amount received as earnings distributions from the investment, and the limitation on investment: Table 6 (attached)

2) Significant direct or indirect transactions with the investee company, 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: None

TABLE 1

TAIWAN MOBILE CO., LTD. (FORMERLY TAIWAN CELLULAR CORPORATION) AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
MARCH 31, 2006
(In Thousands of New Taiwan Dollars)

Holding Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	March 31, 2006				Note
				Shares/Units (Thousands)	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value (Note 1)	
The Corporation	Stock							
	Chunghwa Telecom Co., Ltd.	-	Available-for-sale financial assets - current	150,000	$ 9,180,000	1.55	$ 9,180,000 (Note 3)	
	TAT International Telecommunications	Subsidiary	Long-term investments	1,245,846	12,639,277	100.00	12,644,292	
	Taiwan Cellular Co., Ltd. (formerly Taihsing Den Den Co., Ltd.)	Subsidiary	Long-term investments	44,300	1,014,341	99.99	1,508,514	
	TransAsia Telecommunications Inc.	Subsidiary	Long-term investments	-	2	-	2	
	Taihsing Den Syun Co., Ltd.	Subsidiary	Long-term investments	386,972	3,828,336	100.00	3,831,932	
	Bridge Mobile Pte Ltd.	-	Long-term investments	1,000	32,160	12.50	24,751	
	Taiwan Fixed Network Co., Ltd.	Same chairman as the	Long-term investments	637,000	3,826,148	9.87	6,932,450	
Taiwan Cellular Co., Ltd. (formerly Taihsing Den Den Co., Ltd.)	Stock							
	Arcoa Communication Co., Ltd.	-	Long-term investments	6,998	67,731	5.21	- (Note 4)	
	Taiwan Teleservice & Technologies Co., Ltd.	Subsidiary	Long-term investments	89,732	665,469	95.88	673,269	
	Sunnet Technologies Co., Ltd.	-	Long-term investments	375	3,265	1.51	- (Note 4)	
	WEB Point Co., Ltd.	-	Long-term investments	803	8,031	3.17	- (Note 4)	
	Parawin Venture Capital Corp.	-	Long-term investments	3,000	25,144	3.00	- (Note 4)	
	Howin Technologies Co., Ltd.	Equity-method investee of subsidiary	Long-term investments	5,450	89,819	25.00	90,570	
	Taiwan Fixed Network Co., Ltd.	Same chairman as the	Long-term investments	4,900	43,826	0.08	56,190	
	Transportation High Tech Inc.	-	Long-term investments	1,200	- (Note 5)	12.00	- (Note 4)	
	Tai Yi Digital Broadcasting Co., Ltd.	Equity-method investee of subsidiary	Long-term investments	2,495	24,672	49.90	24,672	
Taiwan Teleservice & Technologies Co., Ltd.	Stock							
	TT&T Life Insurance Agency Co., Ltd.	Subsidiary	Long-term investments	300	3,087	100.00	3,087	
	TT&T Casualty & Property Insurance Agency Co., Ltd.	Subsidiary	Long-term investments	300	2,731	100.00	2,731	
	TT&T Holdings Co., Ltd.	Subsidiary	Long-term investments	2,600	81,334	100.00	81,334	

(Continued)

Holding Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	March 31, 2006				Note
				Shares/Units (Thousands)	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value (Note 1)	
TT&T Holdings Co., Ltd.	Stock							
	Dalian Xinkai Teleservices & Technologies Ltd.	Subsidiary	Long-term investments	-	US$ 1,449	50.00	US$ 1,449	
	Xiamen Taifu Teleservices & Technologies Ltd.	Subsidiary	Long-term investments	-	US$ 952	100.00	US$ 952	
TAT International Telecommunications	Stock							
	TransAsia Telecommunications Inc.	Subsidiary	Long-term investments	328,645	$ 12,647,590	92.32	$ 6,878,258	
TransAsia Telecommunications Inc.	Stock							
	Howin Technologies Co., Ltd.	Equity-method investee of subsidiary	Long-term investments	545	(5,158)	2.50	9,057	
Taihsing Den Syun Co., Ltd.	Stock							
	Mobitai Communications	Subsidiary	Long-term investments	365,078	3,582,171	100.00	3,582,171	
Mobitai Communications	Stock							
	Yes Mobile Holdings Company	-	Long-term investments	74	- (Note 5)	0.19	- (Note4)	

Note 1: Based on the investee’s net value as shown in its latest financial statements.

Note 2: Based on the net asset value of the fund on March 31, 2006.

Note 3: Based on the closing price on March 31, 2006.

Note 4: As of April 12, 2006, the independent accountants’ review report date, the investee’s net value was unavailable.

Note 5: Deducted impairment loss recognized in 2004.

TAIWAN MOBILE CO., LTD. (FORMERLY TAIWAN CELLULAR CORPORATION) 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
THREE MONTHS ENDED MARCH 31, 2006
(In Thousands of New Taiwan Dollars)

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Shares/Units (Thousands)	Amount	Shares/Units (Thousands)	Amount	Shares/Units (Thousands)	Amount	Carrying Value	Gain (Loss) on Disposal	Shares (Thousands)	Amount
The Corporation	<u>Beneficiary certificate</u>													
	Fubon Ju-I Fund	Financial assets at fair value through profit or loss - current	-	-	25,522	$ 400,000	-	$ -	25,522	$ 400,145	$ 400,023	$ 122	-	$ -
	Fubon Ju-I II Fund	Financial assets at fair value through profit or loss - current	-	-	13,916	200,000	-	-	13,916	200,072	200,012	60	-	-
	<u>Stock</u>													
	TransAsia Telecommunications Inc.	Long-term investments	TAT International Telecommunications	Subsidiary	328,645	12,458,466	-	-	328,645	-	12,458,463	- (Note 1)	-	2 (Note 1)
	TAT International Telecommunications	Long-term investments	-	-	-	-	1,245,846	12,458,463	-	-	-	-	1,245,846	12,639,277 (Note 2)
TAT International Telecommunications.	<u>Stock</u> TransAsia Telecommunications Inc.	Long-term investment	The Corporation	Ultimate parent	-	-	328,645	12,458,463	-	-	-	-	328,645	12,647,590 (Note 3)

Note 1: The amount included the investment loss adjustment of $1 thousand. For its reorganization, the Corporation established TAT International Telecommunication Co., Ltd. by investing TransAsia Telecommunications Inc., with a carrying value of $12,458,463 thousand. There was no gain or loss on this share disposal.

Note 2: The amount included the investment income adjustment of $180,608 thousand and unrealized gain on available-for-sale financial assets $206 thousand.

Note 3: The amount included the investment income adjustment of $188,921 thousand and unrealized gain on available-for-sale financial assets $206 thousand.

TAIWAN MOBILE CO., LTD. (FORMERLY TAIWAN CELLULAR CORPORATION) AND SUBSIDIARIES

TOTAL PURCHASE FROM OR SALE TO RELATED PARTIES AMOUNTING TO AT LEAST $100 MILLION OR 20% OF THE PAID-IN CAPITAL
THREE MONTHS ENDED MARCH 31, 2006
(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction		Note/Accounts Payable or Receivable		Note
			Purchase/ Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
The Corporation	TransAsia Telecommunications Inc.	Subsidiary	Sale	$ (330,711)	(3)	Base on contract terms	-	-	$ 145,202	3	
			Purchase	146,451	3	Base on contract terms	-	-	(16,029)	(1)	
	Taiwan Fixed Network Co., Ltd.	Same chairman as the	Sale	(657,252)	(6)	Base on contract terms	-	-	154,844	3	
			Purchase	216,507	4	Base on contract terms	-	-	-	-	
	Taiwan Teleservice & Technologies Co., Ltd.	Subsidiary	(Note)	280,136	(Note)	Base on contract terms	-	-	-	-	
TransAsia Telecommunications Inc.	The Corporation	Ultimate parent	Sale	(145,412)	(7)	Base on contract terms	-	-	323,322	29	
			Purchase	332,402	31	Base on contract terms	-	-	(142,790)	(30)	
Taiwan Teleservice & Technologies Co., Ltd.	The Corporation	Ultimate parent	Sale	(280,423)	(75)	Base on contract terms	-	-	284,023	76	

Note: Recognized as operating expenses.

TAIWAN MOBILE CO., LTD. (FORMERLY TAIWAN CELLULAR CORPORATION) AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST $100 MILLION OR 20% OF THE PAID-IN CAPITAL
MARCH 31, 2006
(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Ending Balance		Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Bad Debts
						Amount	Action Taken		
The Corporation	TransAsia Telecommunications Inc.	Subsidiary	Accounts receivable	$ 145,202	8.89	$ -	-	$ -	$ -
			Other receivables	385,889	-	-	-	33,483	-
	Mobitai Communications	Subsidiary	Accounts receivable	12,523	1.12	-	-	-	-
			Other receivables	488,081	-	-	-	-	-
	Taiwan Fixed Network Co., Ltd.	Same chairman as the Corporation	Accounts receivable	154,844	17.52	-	-	-	-
			Other receivables	14,672	-	-	-	-	-
TransAsia Telecommunications Inc.	The Corporation	Ultimate parent	Accounts receivable	323,322	(Note)	-	-	-	-
			Other receivables	141	-				
Mobitai Communications	The Corporation	Ultimate parent	Accounts receivable	47,930	(Note)	-	-	-	-
			Other receivables	202,716	-	-	-	-	-
Taiwan Teleservice & Technologies Co., Ltd.	The Corporation	Ultimate parent	Accounts receivable	284,023	3.86	-	-	-	-

Note: Not applicable because telecommunication service revenue was collected on behalf of these companies.

TABLE 5

TAIWAN MOBILE CO., LTD. (FORMERLY TAIWAN CELLULAR CORPORATION) AND SUBSIDIARIES

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
THREE MONTHS ENDED MARCH 31, 2006
(In Thousands of New Taiwan Dollars or U.S. Dollars)

Investor	Investee	Location	Main Businesses and Products	Original Investment Amount		Balance as of March 31, 2006			Net Income (Loss) of the Investee	Investment Income (Loss)	Note
				March 31, 2006	January 1, 2006	Shares (Thousands)	Percentage of Ownership	Carrying Value			
The Corporation	Taiwan Cellular Co., Ltd. (formerly Taihsing Den Den Co., Ltd.)	Taipei, Taiwan	Telecommunication equipment retailing and wholesale	$ 1,420,017	$ 1,420,017	44,300	99.99	$ 1,014,341	$ 7,079	$ 19,961	
	TransAsia Telecommunications Inc.	Taipei, Taiwan	Wireless service provider	-	10,408,388	-	-	2	204,644	(1)	
	TAT International Telecommunications	Taipei, Taiwan	Wireless service provider	12,458,463	-	1,245,846	100.00	12,639,277	185,623	180,608	
	Taihsing Den Syun Co., Ltd.	Taipei, Taiwan	Equipment installation and IT service	3,869,715	3,869,715	386,972	100.00	3,828,336	49,935	46,340	
Taiwan Cellular Co., Ltd. (formerly Taihsing Den Den Co., Ltd.)	Taiwan Teleservice & Technologies Co., Ltd.	Taipei, Taiwan	Call center service	327,146	327,146	89,732	95.88	665,469	22,090	NA	
	Howin Technologies Co., Ltd.	Taipei, Taiwan	Communication engineering and equipment	131,700	131,700	5,450	25.00	89,819	(6,570)	NA	
	Tai Yi Digital Broadcasting Co., Ltd.	Taipei, Taiwan	Telecommunication business and cell phone number agency of broadcasts	24,950	24,950	2,495	49.90	24,672	(123)	NA	
Taiwan Teleservice & Technologies Co., Ltd.	TT&T Life Insurance Agency Co., Ltd.	Taipei, Taiwan	Insurance agent	3,000	3,000	300	100.00	3,087	18	NA	
	TT&T Casualty & Property Insurance Agency Co., Ltd.	Taipei, Taiwan	Insurance agent	3,000	3,000	300	100.00	2,731	(34)	NA	
	TT&T Holdings Co., Ltd.	Samoa	Investment	83,530	83,530	2,600	100.00	81,334	US$ (2)	NA	
TT&T Holdings Co., Ltd.	Dalian Xinkai Teleservices & Technologies Ltd.	Dalian	Call center service	US$ 1,511	US$ 1,511	-	50.00	US$ 1,449	RMB (423)	NA	
	Xiamen Taifu Teleservices & Technologies Ltd.	Xiamen	Call center service	US$ 1,000	US$ 1,000	-	100.00	US$ 952	RMB 125	NA	
TAT International Telecommunications	TransAsia Telecommunications Inc.	Taipei, Taiwan	Wireless service provider	12,458,463	-	328,645	100.00	12,647,590	204,644	NA	
TransAsia Telecommunications Inc.	Howin Technologies Co., Ltd.	Taipei, Taiwan	Communication engineering and equipment	2,250	2,250	545	2.50	(5,158)	(6,570)	NA	
Taihsing Den Syun Co., Ltd.	Mobitai Communications	Taipei, Taiwan	Wireless service provider	3,650,782	3,650,782	365,078	100.00	3,582,171	49,378	NA	

TAIWAN MOBILE CO., LTD. (FORMERLY TAIWAN CELLULAR CORPORATION) AND SUBSIDIARIES

INVESTMENT IN MAINLAND CHINA
THREE MONTHS ENDED MARCH 31, 2006
(In Thousands of New Taiwan Dollars or U.S. Dollars, Unless Stated Otherwise)

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2006	Investment Flows		Accumulated Outflow of Investment from Taiwan as of March 31, 2006	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Value as of March 31, 2006	Accumulated Inward Remittance of Earnings as of March 31, 2006
					Outflow	Inflow					
Dalian Xinkai Teleservices & Technologies Ltd.	Call center service	RMB25,011 (NT$101,295)	Indirect investment in the Company of Mainland China through a third place by the Corporation’s subsidiary, Taiwan Teleservices & Technologies Co., Ltd.	US$666 (NT$21,618)	$ -	$ -	US$666 (NT$21,618)	50% ownership of indirect investment by the Corporation’s subsidiary	(US$26)	US$1,449 (NT$47,035) (Note 2)	$ -
Xiamen Taifu Teleservices & Technologies Ltd.	Call center service	US$1,000 (NT$32,460)	Indirect investment in the Company of Mainland China through a third place by the Corporation’s subsidiary, Taiwan Teleservices & Technologies Co., Ltd.	US$1,000 (NT$32,460)	-	-	US$1,000 (NT$32,460)	100% ownership of indirect investment by the Corporation’s subsidiary	US$ 19	US$952 (NT$30,902)	-

Accumulated Investment in Mainland China as of March 31, 2006	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment Authorized by Investment Commission, MOEA
US$1,666	Note 3	Note 3

Note 1: The above amounts were translated into New Taiwan Dollars at the exchange rate of US$1=NT$32.46 and RMB1=NT$4.05 as of March 31, 2006.

Note 2: The carrying value as of March 31, 2006 included the investment of US$845 thousand in the form of technology transferred to the investee from TT&T Holdings Co., Ltd. in Samoa.

Note 3: The indirect investment made by Taiwan Teleservices & Technologies Co., Ltd., a subsidiary of the Corporation.