Taiwan Mobile Co., Ltd.

Financial Statements for the
Nine Months Ended September 30, 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 September 30, 2006 and 2005, and the related statements of income and cash flows for the nine months 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 stated 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 8 to the financial statements, net investment income recognized under the equity method in the nine months ended September 30, 2005 included NT$83,349 thousand of investment loss from certain investees, which the Corporation recorded on the basis of these investees' unreviewed financial statements for the nine months then ended. The total carrying value of investments in these equity-method investees was NT$7,773,794 thousand as of September 30, 2005.

Based on our reviews, 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 on January 1, 2006 the newly issued Statements of Financial Accounting Standards ("Statements" or SFAS) No. 34 - "Accounting for Financial Instruments" and No. 36 - "Disclosure and Presentation of Financial Instruments" and the revisions of previously issued Statements, which were amended to harmonize with SFAS Nos. 34 and 36.

October 12, 2006

Notice to Readers

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

BALANCE SHEETS
SEPTEMBER 30, 2006 AND 2005
(In Thousands of New Taiwan Dollars, Except Par Value)
(Reviewed, Not Audited)

ASSETS	2006 Amount	%	2005 Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 2, 4 and 21)	$ 6,211,726	6	$ 2,312,222	2
Financial assets at fair value through profit or loss (Notes 2, 3 and 5)	8,223,454	7	60,180	-
Available-for-sale financial assets (Notes 2, 3 and 6)	147,571	-	9,277,177	8
Notes receivable	15,161	-	3,635	-
Accounts receivable - third parties (Notes 2 and 7)	5,148,721	5	5,248,695	5
Accounts receivable - related parties (Notes 2 and 21)	328,181	-	328,242	-
Other receivables - third parties	3,525,135	3	218,200	-
Other receivables - related parties (Note 21)	254,912	-	744,388	1
Prepayments (Note 21)	449,326	1	535,460	-
Deferred income tax assets - current (Notes 2 and 17)	89,436	-	66,784	-
Pledged time deposits (Notes 21 and 22)	10,000	-	10,000	-
Other current assets	43,777	-	8,282	-
Total current assets	24,447,400	22	18,813,265	16
LONG-TERM INVESTMENTS				
Investments accounted for by the equity method (Notes 2 and 8)	16,767,345	15	19,900,348	18
Financial assets carried at cost (Notes 2, 3 and 9)	3,733,104	3	3,858,308	3
Total long-term investments	20,500,449	18	23,758,656	21
PROPERTY, PLANT AND EQUIPMENT (Notes 2, 10, 21 and 22)				
Cost				
Land	3,790,822	4	3,417,401	3
Buildings	2,242,539	2	1,982,393	2
Telecommunications equipment	68,940,206	61	69,297,087	61
Office equipment	105,064	-	149,091	-
Leased assets	1,276,190	1	1,276,190	1
Miscellaneous equipment	1,395,170	1	1,195,922	1
Total cost	77,749,991	69	77,318,084	68
Less accumulated depreciation	24,571,412	22	21,107,573	19
	53,178,579	47	56,210,511	49
Construction in progress and advance payments	2,928,458	3	1,926,638	2
Net property, plant and equipment	56,107,037	50	58,137,149	51
INTANGIBLE ASSETS (Note 2)	9,159,436	8	9,907,145	9
OTHER ASSETS				
Assets leased to others (Notes 2 and 11)	845,000	1	1,784,241	2
Idle assets (Notes 2 and 11)	228,403	-	234,874	-
Refundable deposits	272,556	-	264,248	-
Deferred charges (Notes 2 and 12)	279,433	-	284,948	-
Deferred income tax assets - non-current (Notes 2 and 17)	1,016,913	1	500,404	1
Other	58,118	-	80,027	-
Total other assets	2,700,423	2	3,148,742	3
TOTAL	$ 112,914,745	100	$ 113,764,957	100

LIABILITIES AND SHAREHOLDERS' EQUITY	2006 Amount	%	2005 Amount	%
CURRENT LIABILITIES				
Notes payable	$ 236	-	$ 857	-
Accounts payable (Note 21)	1,350,485	1	1,551,897	1
Income taxes payable (Notes 2 and 17)	1,243,098	1	658,550	1
Accrued expenses (Note 21)	3,721,956	3	3,514,737	3
Other payables (Note 21)	3,151,288	3	3,227,061	3
Advance receipts	608,567	1	855,009	1
Current portion of long-term liabilities (Notes 2, 13 and 22)	1,339,532	1	3,356,378	3
Guarantee deposits	54,676	-	91,119	-
Other current liabilities (Note 21)	779,237	1	1,143,599	1
Total current liabilities	12,249,075	11	14,399,207	13
LONG-TERM LIABILITIES				
Hedging derivative financial liabilities (Notes 2, 3, 20 and 24)	347,444	1	-	-
Bonds payable (Notes 2, 13 and 22)	13,750,000	12	15,843,433	14
Total long-term liabilities	14,097,444	13	15,843,433	14
OTHER LIABILITIES				
Accrued pension cost (Notes 2 and 15)	64,841	-	167,962	-
Guarantee deposits	244,375	-	224,041	-
Other	-	-	45,554	-
Total other liabilities	309,216	-	437,557	-
Total liabilities	26,655,735	24	30,680,197	27
SHAREHOLDERS' EQUITY (Notes 2, 3 and 16)				
Capital stock - NT$10 par value				
Authorized: 6,000,000 thousand shares				
Issued and outstanding: 4,998,376 thousand shares in 2006 and 4,947,418 thousand shares in 2005	49,983,759	44	49,474,180	44
Entitlement certificates	-	-	11,974	-
Capital surplus	8,732,398	8	7,840,677	7
Retained earnings				
Legal reserve	10,128,401	9	8,504,731	7
Special reserve	3,350,000	3	2,201,631	2
Unappropriated earnings	16,340,166	14	15,692,044	14
Other equity				
Cumulative translation adjustments	6,783	-	(1,638)	-
Unrealized losses of financial instruments	(202,955)	-	-	-
Treasury stock	(2,079,542)	(2)	(638,839)	(1)
Total shareholders' equity	86,259,010	76	83,084,760	73
TOTAL	$ 112,914,745	100	$ 113,764,957	100

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

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

TAIWAN MOBILE CO., LTD.

STATEMENTS OF INCOME
NINE MONTHS ENDED SEPTEMBER 30, 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)				
Telecommunications service revenue	$ 35,660,598	100	$ 35,141,896	100
Other revenue	148,305	-	146,439	-
Total operating revenues	35,808,903	100	35,288,335	100
OPERATING COSTS (Notes 2, 19 and 21)	15,103,685	42	14,171,897	40
GROSS PROFIT	20,705,218	58	21,116,438	60
OPERATING EXPENSES (Notes 2, 19 and 21)				
Marketing	7,071,166	20	5,972,664	17
Administrative	2,537,940	7	2,128,756	6
Total operating expenses	9,609,106	27	8,101,420	23
OPERATING INCOME	11,096,112	31	13,015,018	37
NON-OPERATING INCOME AND GAINS				
Gain on disposal of investments, net (Note 2)	2,129,507	6	-	-
Investment income recognized under the equity method, net (Notes 2 and 8)	2,117,760	6	1,855,478	5
Dividend revenue (Note 2)	643,816	2	940,000	3
Penalty income	130,733	-	116,783	-
Interest income	119,021	-	38,026	-
Rental income (Note 21)	47,505	-	123,521	1
Foreign exchange gain, net (Note 2)	35,094	-	7,675	-
Revaluation gain on financial assets (Note 2)	17,984	-	-	-
Gain on disposal of property, plant and equipment (Notes 2 and 21)	6,764	-	71,290	-
Other (Note 7)	299,018	1	223,132	1
Total non-operating income and gains	5,547,202	15	3,375,905	10
NON-OPERATING EXPENSES AND LOSSES				
Loss on disposal and retirement of property, plant and equipment (Note 2)	2,083,922	6	1,218,912	4
Interest expenses (Notes 2 and 10)	324,591	1	452,109	1
Impairment loss (Notes 2 and 11)	155,469	-	83,946	-
Other (Notes 2 and 11)	86,466	-	318,391	1
Total non-operating expenses and losses	2,650,448	7	2,073,358	6

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TAIWAN MOBILE CO., LTD.

STATEMENTS OF INCOME
NINE MONTHS ENDED SEPTEMBER 30, 2006 AND 2005
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)
(Reviewed, Not Audited)

	2006		2005	
	Amount	**%**	**Amount**	**%**
INCOME BEFORE INCOME TAX	$ 13,992,866	39	$ 14,317,565	41
INCOME TAX EXPENSE (Notes 2 and 17)	766,875	2	1,624,554	5
INCOME BEFORE CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES	13,225,991	37	12,693,011	36
CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES (Note 3)	35	-	-	-
NET INCOME	$ 13,226,026	37	$ 12,693,011	36

	2006		2005	
	Before Income Tax	**After Income Tax**	**Before Income Tax**	**After Income Tax**
EARNINGS PER SHARE (Note 18)				
Basic	$ 2.84	$ 2.68	$ 2.93	$ 2.60
Diluted	$ 2.82	$ 2.66	$ 2.88	$ 2.55

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

	2006	**2005**
NET INCOME	$ 13,225,991	$ 12,726,191
EARNINGS PER SHARE		
Basic	$ 2.68	$ 2.60
Diluted	$ 2.66	$ 2.55

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

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

TAIWAN MOBILE CO., LTD.

STATEMENTS OF CASH FLOWS
NINE MONTHS ENDED SEPTEMBER 30, 2006 AND 2005
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 13,226,026	$ 12,693,011
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	4,029,642	3,404,991
Investment income recognized under the equity method, net	(2,117,760)	(1,855,478)
Gains on disposal of available-for-sale financial assets	(2,110,978)	-
Loss on disposal and retirement of property, plant and equipment, net	2,077,158	1,147,622
Amortization	682,625	492,204
Bad debts	654,742	428,705
Deferred income taxes	(465,648)	204,387
Impairment loss	155,469	83,946
Cash dividends received from equity-method investees	125,204	3,075,042
Loss on buyback of bonds payable	59,982	191,109
Accrued interest compensation	35,666	92,325
Pension cost	(18,774)	34,070
Gain on disposal of idle assets, net	(9,681)	(356)
Gains on disposal of long-term investments	(1)	(634)
Net changes in operating assets and liabilities		
Financial assets held for trading	(7,623,454)	2,572,285
Notes receivable	(2,491)	(3,582)
Accounts receivable - third parties	(823,934)	(1,244,841)
Accounts receivable - related parties	200,510	153,935
Other receivables - third parties	(60,511)	(184,207)
Other receivables - related parties	242,392	(396,061)
Prepayments	25,724	(89,800)
Other current assets	(47,206)	(1,886)
Notes payable	196	(505)
Accounts payable	(321,793)	9,862
Income taxes payable	148,371	(1,253,248)
Accrued expenses	336,067	1,157,090
Other payables	360,214	277,762
Advance receipts	(218,419)	171,537
Other current liabilities	26,624	856,984
Net cash provided by operating activities	8,565,962	22,016,269
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of available-for-sale financial assets	7,982,733	-
Acquisition of property, plant and equipment	(4,166,195)	(2,023,625)
Proceeds from sale of long-term investments	1,499,551	205,924

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TAIWAN MOBILE CO., LTD.

STATEMENTS OF CASH FLOWS
NINE MONTHS ENDED SEPTEMBER 30, 2006 AND 2005
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	2006	2005
Capital return of investees	$ 1,119,715	$ -
Increase in deferred charges	(55,783)	(63,262)
Proceeds from disposal of idle assets	44,633	7,050
Proceeds from disposal of property, plant and equipment	27,028	2,146,603
Increase in refundable deposits	(11,433)	(9,362)
Decrease in other assets	695	766
Increase in long-term investments	-	(1,459,835)
Decrease in pledged time deposits	-	600,000
Cash received from merger with Taiwan Elitec Corporation	-	5,958
Net cash provided by (used in) investing activities	6,440,944	(589,783)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash dividends paid	(12,843,925)	(12,146,818)
Buyback of treasury stock	(1,818,370)	-
Decrease in bonds payable	(1,503,300)	(1,500,000)
Buyback of bonds payable	(1,341,076)	(1,135,009)
Bonus to employees	(403,940)	(159,360)
Transfer of treasury stock to employees	61,456	1,088,902
Remuneration to directors and supervisors	(37,970)	(63,936)
Decrease in other liabilities	(1,289)	-
Increase (decrease) in guarantee deposits	(4,770)	105,107
Decrease in long-term bank loans	-	(8,400,000)
Net cash used in financing activities	(17,893,184)	(22,211,114)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(2,886,278)	(784,628)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	9,098,004	3,096,850
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 6,211,726	$ 2,312,222
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid	$ 168,827	$ 333,737
Less: interest capitalized	(7,416)	(68,668)
Interest paid - excluding interest capitalized	$ 161,411	$ 265,069
Income taxes paid	$ 1,023,419	$ 2,235,305
NON-CASH INVESTING AND FINANCING ACTIVITIES		
Current portion of long-term liabilities	$ 1,339,532	$ 3,356,378
Conversion of convertible bonds to capital stock and entitlement certificates	$ 1,095,700	$ 807,600

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TAIWAN MOBILE CO., LTD.

STATEMENTS OF CASH FLOWS
NINE MONTHS ENDED SEPTEMBER 30, 2006 AND 2005
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	2006	2005
CASH INVESTING AND FINANCING ACTIVITIES		
Acquisition of property, plant and equipment	$ 3,837,222	$ 2,522,404
Less: Increase (decrease) in other payables	328,973	(498,779)
Cash paid for acquisition of property, plant equipment	$ 4,166,195	$ 2,023,625
Sale of available-for-sale financial products - current	$ 11,265,915	$ -
Less: Increase in other receivable (excluding securities transaction tax)	(3,283,182)	-
Cash received from sale of available-for-sale financial products - current	$ 7,982,733	$ -

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, plant and equipment	2,811
Refundable deposits	554
Assets acquired from TEC	$ 28,363
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 October 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 GSM 1800; “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 September 30, 2006 and 2005, the Corporation had 2,155 and 2,066 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, assets held for trading and those expected to be converted to cash, sold or consumed within twelve months from the balance sheet date. All other assets, including property, plant and equipment, and intangible assets, are classified as non-current. Current liabilities are obligations held for trading and those to be settled within 12 months from the balance sheet date. All other liabilities are classified as non-current.

Cash Equivalents

Government bonds and short-term bills 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 by the 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 by 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.

Gains or losses on sales to the Corporation from investees to company accounted for by the equity method are deferred in proportion to the Corporation's ownership percentages in the investees until realized through transactions with third parties.

Gains or losses from transactions between two investees that are both accounted for by the equity method are deferred in proportion to the Corporation's equivalent stock ownership in the investees if the Corporation has controlling power over each investee.

If the investor does not have controlling power over both investees that have reciprocal transactions, unrealized gains or losses from reciprocal transactions should be deferred in proportion to the common investor's ownership percentage in one investee multiplied by the ownership percentage in the other investee.

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, plant 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; telecommunications 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, plant 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 telecommunications 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 are amortized by the straight-line method over 3 to 7 years or contract periods.

Idle Assets

Properties not currently used in operations are stated at the lower of book value or net realizable value, with the difference charged to current income. Starting from January 1, 2006, the depreciation expense is computed using the straight-line method over the estimated useful lives of the assets.

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, which 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 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 and intra-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 deferred 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 reporting. 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 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 since 1998 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 nine months ended September 30, 2005 have been reclassified to conform to the presentation of financial statements as of and for the nine months ended September 30, 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 nine months ended September 30, 2006, but had no effect on net income and earnings per share (net of tax).

b. Reclassifications by the adoption of these SFASs

The accounting policies applied in measuring financial instruments in 2005 that differ 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 by the 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 nine months ended September 30, 2005 have been reclassified as follows to conform to the presentation of the financial statements as of and for the nine months ended September 30, 2006.

	Before Reclassification	After Reclassification
Balance sheet		
Short-term investments	$ 9,337,357	$ -
Long-term investments carried at cost method	3,858,308	-
Financial assets at fair value through profit or loss	-	60,180
Available-for-sale financial assets	-	9,277,177
Financial assets carried at cost - non-current	-	3,858,308

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 nine months ended September 30, 2006.

4. CASH AND CASH EQUIVALENTS

	September 30	
	2006	2005
Short-term notes and bills	$ 4,383,179	$ -
Time deposits	1,289,439	689,449
Cash in banks	505,812	363,694
Cash on hand	30,006	22,345
Revolving funds	3,290	3,407
Government bonds with resale rights	-	1,233,327
	$ 6,211,726	$ 2,312,222

5. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

	September 30	
	2006	2005
Financial assets held for trading		
Beneficiary certificates		
Open-end funds	$ 8,223,454	$ 60,180

6. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	September 30	
	2006	**2005**
Domestic listed stocks		
Chunghwa Telecom Co., Ltd.	$ 147,571	$ 9,277,177

In the nine months ended September 30, 2006, the Corporation recognized a gain of $2,110,978 thousand from selling 200,000 thousand shares of Chunghwa Telecom Co., Ltd.

7. ACCOUNTS RECEIVABLE - THIRD PARTIES

	September 30	
	2006	**2005**
Accounts receivable	$ 5,565,686	$ 5,620,231
Less allowance for doubtful accounts	(416,965)	(371,536)
	$ 5,148,721	$ 5,248,695

For the third quarter of 2006, the Corporation entered into an accounts receivable factoring contract with HC Asset Management Co., Ltd. The Corporation sold $5,743,279 thousand of the overdue accounts receivable, which had been written off, to HC Asset Management Co., Ltd. The aggregate selling price was $229,731 thousand. Under this contract, the Corporation would no longer assume the risk on this receivable.

8. INVESTMENTS ACCOUNTED FOR BY THE EQUITY METHOD

	September 30			
	2006		**2005**	
	Carrying Value	**% of Ownership**	**Carrying Value**	**% of Ownership**
TransAsia Telecommunications Inc. (TAT, formerly TAT International Telecommunications Co., Ltd.)	$ 13,600,270	100.00	$ -	-
Taiwan Cellular Co., Ltd. (TCC, formerly Taihsing Den Syun Co., Ltd.)	3,167,075	100.00	3,899,262	100.00
TransAsia Telecommunications Inc. (former TAT)	-	-	12,126,554	92.32
Tai Hung Investment Ltd.	-	-	1,650,005	99.99
Taiwan Cellular Co., Ltd. (former TCC)	-	-	952,821	99.99
Tai Fu Investment Ltd.	-	-	556,271	99.99
T.I. Investment Ltd.	-	-	406,531	99.99
Tai Hsuo Investment Ltd.	-	-	308,904	99.99
	$ 16,767,345		$ 19,900,348	

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. (the former TAT). TATIT's Board of Directors proposed, on January 26, 2006, and decided, on June 15, 2006, to merge the former TAT with TATIT, with TATIT as the surviving company. TATIT thus assumed all the former TAT's rights and obligations and was renamed as TransAsia Telecommunications Inc. (TAT) on the record date, June 27, 2006. TAT mainly provides wireless services.

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 (the former 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 the former 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 the former Mobitai's shares. TYIT's Board of Directors decided, on November 3, 2005, to merge the former 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 (Mobitai) on the record date. Mobitai mainly provides wireless services.

To integrate enterprise resources and enhance operating efficiency, TDS's Board of Directors decided, on March 30, 2006, to merge Taiwan Cellular Co., Ltd. (the former TCC) for $1,527,583 thousand at NT$33.85 per share, with TDS as the surviving company. TCC, incorporated in November 1997, is engaged in general investing activities. The record date of the merger was May 1, 2006. TDS thus assumed all of TCC's rights and obligations and was renamed as Taiwan Cellular Co., Ltd. (TCC).

On March 30, 2006, TCC's Board of Directors decided to reduce TCC's capital by $1,119,715 thousand, resulting in the cancellation of 111,972 thousand shares and the return to investors of their cash investments. On the record date (June 1, 2006), the Corporation was entitled to receive $1,119,715 thousand based on its equity of 100% in TCC.

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.

The carrying value of the investments under equity method and the related investment income or losses for the nine months ended September 30, 2006 and 2005 were determined on the basis of unreviewed financial statements, except the financial statements of TAT and Mobitai in 2006 (the Corporation's management considered that the adjustment might be immaterial if the carrying value of the investments under equity method and the related investment income or losses were determined on the basis of unreviewed financial statements) and the financial statements of the former TAT and the former Mobitai in 2005. The Corporation's investment income or losses were as follows:

	Nine Months Ended September 30	
	2006	**2005**
TransAsia Telecommunications Inc. (TAT, formerly TAT International Telecommunications Co., Ltd.)	$ 1,141,808	$ -
Taiwan Cellular Co., Ltd. (TCC, formerly Taihsing Den Syun Co., Ltd.)	944,755	27,933
Taiwan Cellular Co., Ltd. (former TCC)	31,198	2,272
TransAsia Telecommunications Inc. (former TAT)	(1)	1,666,339
Mobitai Communications (former Mobitai)	-	272,488
Taiwan Fixed Network Co., Ltd.	-	(96,979)
Tai Hsuo Investment Ltd.	-	(21,095)
Tai Hung Investment Ltd.	-	3,186
Tai Fu Investment Ltd.	-	2,382
Taiwan Elitec Corporation	-	(1,817)
T.I. Investment Ltd.	-	769
	$ 2,117,760	$ 1,855,478

In conformity with the SFAS No. 35 - "Accounting for Asset Impairment," the Corporation and subsidiaries identified the Corporation, the former TAT and the former Mobitai, the subsidiary of TYIT, as the smallest identifiable group of cash-generating units. The former TAT and the former 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 the former TAT and the former 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 the former TAT's and the former 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 used the discount rates of 7.63% and 8.72% in calculating the asset recoverable amounts of the former TAT and the former Mobitai, respectively.

9. FINANCIAL ASSETS CARRIED AT COST

	September 30 2006	September 30 2005
Domestic emerging stocks		
Taiwan Fixed Network Co., Ltd.	$ 3,700,944	$ 3,826,148
Foreign unlisted stocks		
Bridge Mobile Pte Ltd.	32,160	32,160
	$ 3,733,104	$ 3,858,308

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

10. PROPERTY, PLANT AND EQUIPMENT - ACCUMULATED DEPRECIATION

	September 30 2006	September 30 2005
Buildings	$ 265,782	$ 196,844
Telecommunications equipment	23,468,727	19,990,821
Office equipment	44,178	89,630
Leased assets	276,508	212,698
Miscellaneous equipment	516,217	617,580
	$ 24,571,412	$ 21,107,573

Interest expenses capitalized for the nine months ended September 30, 2006 and 2005 amounted to $7,416 thousand and $68,668 thousand, with interest rates ranging from 2.28% to 3.12% and 2.64% to 3.60%, respectively.

11. ASSETS LEASED TO OTHERS AND IDLE ASSETS

	September 30 2006	September 30 2005
Assets leased to others		
Cost	$ 897,880	$ 2,053,964
Less accumulated depreciation	(42,289)	(269,723)
Less accumulated impairment	(10,591)	-
	$ 845,000	$ 1,784,241
Idle assets	$ 2,871,178	$ 3,002,599
Cost	(767,052)	(844,435)
Less accumulated depreciation	(1,875,723)	(1,923,290)
Less accumulated impairment		
	$ 228,403	$ 234,874

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 $ 155,469 thousand and $83,946 thousand for the nine months ended September 30, 2006 and 2005, respectively.

12. DEFERRED CHARGES

	September 30 2006	September 30 2005
Interior decoration	$ 187,084	$ 113,195
Computer software	77,782	79,874
Other	14,567	91,879
	$ 279,433	$ 284,948

13. BONDS PAYABLE

	September 30 2006 Current	2006 Non-current	2005 Current	2005 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	-	-	1,549,600	-
2nd domestic unsecured convertible bonds	78,300	-	-	761,900
Add accrued interest compensation	11,232	-	306,778	81,533
	$ 1,339,532	$ 13,750,000	$ 3,356,378	$ 15,843,433

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

(Continued)

	Principal	Rate	Terms
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		

(Concluded)

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$22.2 per share since July 20, 2006. As of August 24, 2006, bonds amounting to $6,802,300 thousand had been converted to 226,716 thousand of common share. As of August 24, 2006, bonds amounting to $3,194,400 thousand were purchased and canceled by the Corporation, and the other $3,300 thousand was repaid by the Corporation on August 24, 2006.

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 the 40th day 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$23.6 per share since July 20, 2006. As of September 30, 2006, bonds amounting to $5,377,000 thousand have been converted to 208,322 thousand of common shares. Bonds amounting to $544,700 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 the 40th day 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
The 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

The loans were to mature on September 1, 2010, with interest 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. According to the new LPA, the Corporation recognized a pension cost of $61,670 thousand for the nine months ended September 30, 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.

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 and 2004 earnings appropriations resolved by the shareholders in their meeting on June 15, 2006 and 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**
Appropriation of legal reserve	$ 1,623,670	$ 1,665,416		
Appropriation of special reserve	1,150,000	2,201,631		
Reversal of special reserve	(1,631)	-		
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	$2.61677	$2.47302
	$ 16,060,370	$ 16,441,417		

The Board of Directors set July 20, 2006 as the ex-dividend date.

c. Treasury stock

(Shares in Thousands)

Purpose of Buyback	Beginning Shares	Increase	Decrease	Ending Shares
Nine months ended September 30, 2006				
To be transferred to employees	11,551	57,804	2,023	67,332
Nine months ended September 30, 2005				
To be transferred to employees	65,368	-	42,690	22,678

For the nine months ended September 30, 2006, the Corporation transferred 2,023 thousand shares of treasury stock to employees at NT$30.47 per share, resulting in a reduction of retained earning amounting to $916 thousand.

For the nine months ended September 30, 2005, the Corporation transferred 42,690 thousand shares of treasury stock to employees at NT$25.65, NT$25.54 and NT$25.50 per share, respectively, resulting in a reduction of retained earnings amounting to $113,675 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 nine months ended September 30, 2006 were summarized as follows:

	Nine Months Ended September 30, 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	53,486
Transfer to current gains or loss upon sales of financial assets	(2,110,978)
	25,331
Changes in unrealized gains (losses) of cash flow hedge	
Effect of the first time adoption of new issued SFASs	(248,184)
Fair value changes recognized directly in equity	(12,399)
	(260,583)
Recognition of investees' changes in unrealized gains or losses by the equity method	32,297
	$ (202,955)

17. INCOME TAX EXPENSE

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

	Nine Months Ended September 30	
	2006	2005
Tax on pretax income at statutory tax rate (25%)	$ 3,498,206	$ 3,579,381
Add (deduct) tax effects of		
Permanent differences		
Investment income from domestic investees accounted for under the equity method	(529,440)	(463,677)
Tax-exempt dividend revenue	(160,954)	(235,000)
Loss (gain) on disposal of marketable securities	(532,377)	49,900
Other	(12,279)	7,174
Temporary differences	17,283	123,841
Tax-exempt income	(290,732)	(1,682,439)
Income tax (10%) on unappropriated earnings	132,470	349,005
Investment tax credits	(930,081)	(319,467)
Deferred income tax	(465,648)	204,387
Prior year's adjustment	35,808	11,449
Tax on short-term bills	4,619	-
Income tax expense	$ 766,875	$ 1,624,554

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 tax 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 telecommunications equipment, acquired from July 31, 1999 to December 31, 1999	2001 to 2005
Switches, BTS and related telecommunications equipment, acquired from September 30, 2000 to September 30, 2001	2002 to 2006

c. Deferred income tax assets and liabilities as of September 30, 2006 and 2005 were as follows:

	September 30	
	2006	2005
Provision for doubtful accounts	$ 672,935	$ 619,371
Provision for impairment losses on idle assets	392,129	425,429
Unrealized loss on retirement of property, plant and equipment	245,321	-
Unrealized loss on financial liabilities	86,861	-
Accrued interest compensation	2,808	97,078
Accrued pension cost	16,210	19,688
Other	-	59,396
	1,416,264	1,220,962
Less valuation allowance	(309,915)	(653,774)
	$ 1,106,349	$ 567,188

(Continued)

	September 30	
	2006	2005
Deferred income tax assets		
Current	$ 89,436	$ 66,784
Non-current	1,016,913	500,404
	$ 1,106,349	$ 567,188

d. Integrated income tax information was as follows:

Balance of imputation credit account (ICA)	$ 419,334	$ 626,959

(Concluded)

As of September 30, 2006, there were no unappropriated earnings generated before January 1, 1998. The actual creditable ratio applied to the 2005 and 2004 earnings appropriation were 9.88% and 13.25%, respectively.

The imputation credits allocated to the shareholders are based on the ICA balance as of the date of dividend distribution.

e. Income tax returns through 2000 had been examined and cleared by the tax authorities. However, the Corporation disagreed with the examination result on the 1999 and 2000 income tax returns and filed a request for a reexamination of the 1999 and 2000 income tax return in July 2005 and August 2006, respectively.

18. EARNINGS PER SHARE

The numerators and denominators used in calculating earnings per share (EPS) were as follows:

(In New Taiwan Dollar)

	Nine Months Ended September 30			
	2006		2005	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
Basic EPS				
Income from continuing operations	$ 2.84	$ 2.68	$ 2.93	$ 2.60
Cumulative effect of changes in accounting principle	-	-	-	-
Net income	$ 2.84	$ 2.68	$ 2.93	$ 2.60
Diluted EPS				
Income from continuing operations	$ 2.82	$ 2.66	$ 2.88	$ 2.55
Cumulative effect of changes in accounting principle	-	-	-	-
Net income	$ 2.82	$ 2.66	$ 2.88	$ 2.55

	Amounts (Numerator) Before Income Tax	Amounts (Numerator) After Income Tax	Shares (Denominator) (Thousands)	EPS (NT$) Before Income Tax	EPS (NT$) After Income Tax
Nine months ended September 30, 2006					
Weighted-average number of outstanding shares			4,971,218		
Less buyback of issued shares			(37,380)		
Basic EPS					
Income of common shareholders	$ 13,992,901	$ 13,226,026	4,933,838	$ 2.84	$ 2.68
Add effect of potentially dilutive convertible bonds					
1st convertible bonds (with implied yield rate of 4.5%)	23,576	17,682	25,432		
2nd convertible bonds (with implied yield rate of 3.3%)	12,902	9,677	19,571		
Diluted EPS					
Income of common shareholders with dilutive effect of potential common shares	$ 14,029,379	$ 13,253,385	4,978,841	$ 2.82	$ 2.66
Nine months ended September 30, 2005					
Weighted-average number of outstanding shares			4,938,468		
Less buyback of issued shares			(49,488)		
Basic EPS					
Income of common shareholders	$ 14,317,565	$ 12,693,011	4,888,980	$ 2.93	$ 2.60
Add effect of potentially dilutive convertible bonds					
1st convertible bonds (with implied yield rate of 4.5%)	63,995	47,996	70,953		
2nd convertible bonds (with implied yield rate of 3.3%)	28,330	21,247	42,842		
Diluted EPS					
Income of common shareholders with dilutive effect of potential common shares	$ 14,409,890	$ 12,762,254	5,002,775	$ 2.88	$ 2.55

19. LABOR COST, DEPRECIATION AND AMORTIZATION EXPENSE

	Nine Months Ended September 30					
	2006			2005		
	Classified as Operating Costs	Classified as Operating Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Total
Labor cost						
Salary	$ 289,219	$ 897,374	$ 1,186,593	$ 239,748	$ 754,636	$ 994,384
Labor and health insurance	17,644	49,758	67,402	17,958	40,182	58,140
Pension	16,218	43,684	59,902	9,373	20,616	29,989
Other	17,873	64,345	82,218	20,559	50,896	71,455
	$ 340,954	$ 1,055,161	$ 1,396,115	$ 287,638	$ 866,330	$ 1,153,968
Depreciation	$ 3,753,074	$ 268,850	$ 4,021,924	$ 3,182,462	$ 185,419	$ 3,367,881
Amortization	577,071	99,618	676,689	390,851	74,815	465,666

20. FINANCIAL INSTRUMENTS

a. Fair value information

	September 30			
	2006		2005	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Non-derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss	$ 8,223,454	$ 8,223,454	$ 60,180	$ 37,860
Available-for-sale financial assets	147,571	147,571	9,277,177	11,600,000
Liabilities				
Bonds payable (including current portion)	15,089,532	15,109,493	19,199,811	19,597,095
Derivative financial instruments				
Liabilities				
Interest rate swap contracts	347,444	347,444	-	291,724

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) 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.

2) Because there is no active market and a reliable fair value could only be verified at a more than reasonable cost, the fair values of investments in unlisted stocks carried at cost or accounted for using equity method can not be estimated.

3) Bonds payable - based on the over-the-counter quotations in September.

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

5) The above financial instruments do not include cash and cash equivalents, notes and accounts receivables, pledged time deposits, refundable deposits, notes and accounts payable and guarantee deposits. Because of the short maturities of these instruments, the carrying values represent a reasonable basis to estimate fair values.

c. The fair values of financial assets and liabilities were not simultaneously determined by quoted prices in active markets and by estimations using valuation technique.

d. The financial assets exposed to fair value interest rate risk amounted to $5,682,618 thousand and $1,932,777 thousand as of September 30, 2006 and 2005, respectively, and the financial liabilities exposed to fair value interest rate risk amounted to $7,589,532 thousand and $11,699,811 thousand as of September 30, 2006 and 2005, respectively. The financial assets exposed to cash flow interest rate risk amounted to $486,149 thousand and $344,313 thousand as of September 30, 2006 and 2005, respectively, and the financial liabilities exposed to cash flow interest rate risk amounted to $7,847,444 thousand and $7,791,724 thousand as of September 30, 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 anti-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 September 30, 2006 and 2005 were both zero because all of counter-parties are reputable financial institutions with good credit ratings.

The Corporation's maximum credit risk exposure of each financial instrument is the same as its carrying value.

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 and transact with single client or in the same region.

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 anti-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. (TCC; formerly Taihsing Den Syun Co., Ltd.)	Subsidiary
TransAsia Telecommunications Inc. (TAT; formerly TAT International Telecommunications Co., Ltd.)	Subsidiary
Taiwan Teleservices & Technologies Co., Ltd. (TT&T)	Subsidiary
Mobitai Communications (Mobitai; formerly Tai Ya International Telecommunications Co., Ltd. (TYIT))	Subsidiary (merged with the former Mobitai on January 1, 2006 and renamed as Mobitai Communications)
TT&T Casualty & Property Insurance Agency Co., Ltd.	Subsidiary
TT&T Life Insurance Agency Co., Ltd.	Subsidiary
Simax Investment Holdings Ltd.	Subsidiary
TT&T Holdings Co., Ltd.	Subsidiary
Dalian Xinkai Teleservices & Technologies Ltd.	Subsidiary (all shares were sold in July 2006)
Xiamen Taifu Teleservices & Technologies Ltd.	Subsidiary
Taiwan Mobile Foundation (TWM Foundation)	Over one third of the Foundation's issued fund came from the Corporation
Howin Technologies Co., Ltd. (HTC)	Equity-method investee of TCC (formerly Taihsing Den Syun Co., Ltd.) and the former TAT (all shares were sold in June 2006)
Tai Yi Digital Broadcasting Co., Ltd.	Equity-method investee under control of TCC (formerly Taihsing Den Syun Co., Ltd.)
Fubon Securities Investment Trust Co., Ltd.	Same chairman
Fubon Life Assurance Co., Ltd.	Same chairman
Chung Hsing Constructions Co., Ltd.	Related party in substance
Taiwan Fixed Network Co., Ltd. (TFN)	Related party in substance
Fubon Land Development 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 Insurance Co., Ltd. (Fubon Ins.)	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 (the former Mobitai)	Subsidiary (merged into TYIT on January 1, 2006)
Taiwan Tele-Shop Co., Ltd. (TTS)	Subsidiary (merged into the former TCC on June 30, 2005)

(Continued)

Related Party	Relationship with the Corporation
Taiwan Elitec Corporation (TEC)	Subsidiary (merged into the Corporation on March 30, 2005)
Supreme-Tech (Aust) Pty Ltd.	Subsidiary (liquidated in January 2005)
Taiwan Cellular Co., Ltd. (the former TCC)	Subsidiary (merged into TCC (formerly Taihsing Den Syun Co., Ltd.) on May 1, 2006)
TransAsia Telecommunications Inc. (the former TAT)	Subsidiary (merged into TYIT on June 27, 2006)

(Concluded)

b. Significant transactions with related parties were summarized below:

1) Operating revenues

	Nine Months Ended September 30			
	2006		2005	
	Amount	% of Total Revenues	Amount	% of Total Revenues
TFN	$ 1,957,628	5	$ 1,778,558	5
TAT (including the former TAT)	605,198	2	1,140,663	3
Mobitai	187,809	1	-	-
TT&T	69	-	12,320	-
The former Mobitai	-	-	341,049	1
	$ 2,750,704		$ 3,272,590	

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

2) Operating costs

	Nine Months Ended September 30			
	2006		2005	
	Amount	% of Total Costs	Amount	% of Total Costs
TFN	$ 646,847	4	$ 637,046	4
TAT (including the former TAT)	284,164	2	483,034	3
Mobitai	119,131	1	-	-
Fubon Ins.	67,557	-	76,203	1
The former Mobitai	-	-	152,697	1
	$ 1,117,699		$ 1,348,980	

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

3) Property transactions

Acquisition of property, plant and equipment

	Nine Months Ended September 30, 2006 Description	Amount
TT&T	Office equipment, miscellaneous equipment and deferred charges	$ 59,476

Disposal of property, plant and equipment

	Nine Months Ended September 30, 2005 Description	Amount
TFN	Telecommunications equipment, miscellaneous equipment and deferred charges	$ 2,093,154

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

4) Rental income

	Nine Months Ended September 30 Description	2006	2005
TFN	Keelung road, Tai-Chung, Chung-Ho and Tang-Cherng offices, BTS, etc.	$ 20,328	$ 24,529
TT&T	Tang-Cherng and Tai-Chung offices and telecommunications equipment, etc.	34	72,780
		$ 20,362	$ 97,309

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

5) Cash in banks

	September 30			
	2006		2005	
	Amount	%	Amount	%
a) Cash in banks				
TFCB	$ 67,306	1	$ 134,311	6
b) Pledged time deposits				
TFCB	$ 10,000	100	$ 10,000	100

6) Receivables and payables

	September 30			
	2006		2005	
	Amount	%	Amount	%
a) Accounts receivable				
TFN	$ 260,617	5	$ 86,177	2
TAT	42,582	1	-	-
Mobitai	19,167	-	-	-
The former TAT	-	-	160,289	3
The former Mobitai	-	-	67,362	1
Other	5,815	-	14,414	-
	$ 328,181		$ 328,242	
b) Other receivables				
TAT	$ 142,073	4	$ -	-
Mobitai	106,533	3	-	-
TFCB	4,011	-	13,219	1
The former TAT*	-	-	587,106	61
The former Mobitai*	-	-	133,305	14
Other	2,295	-	10,758	1
	$ 254,912		$ 744,388	

* The balance resulted mainly from the Corporation's business service contracts.

	September 30			
	2006		2005	
	Amount	%	Amount	%
c) Accounts payable				
The former TAT	$ -	-	$ 16,780	1
d) Accrued expenses				
TT&T	$ 190,630	5	$ 166,638	5
TFN	61,432	2	91,112	3
The former TCC	-	-	38,200	1
	$ 252,062		$ 295,950	
e) Other payables				
TAT	$ 301,604	10	$ -	-
Mobitai	159,750	5	-	-
TFN	40,605	1	127,142	4
The former TAT	-	-	224,276	7
The former Mobitai	-	-	64,245	2
	$ 501,959		$ 415,663	

(Continued)

	September 30			
	2006		2005	
	Amount	%	Amount	%
f) Other current liabilities - collections and temporary credits for the following				
TAT	$ 96,850	12	$ -	-
Mobitai	69,462	8	-	-
TFN	23,293	3	38,156	3
The former TAT	-	-	366,172	32
The former Mobitai	-	-	265,766	23
TFCB	2,884	-	12,693	1
	$ 192,489		$ 682,787	
g) Prepayments				
Fubon Ins.	$ 10,249	2	$ 8,838	2

(Concluded)

	Nine Months Ended September 30	
	2006	2005
7) Telecommunications service expenses		
TFN	$ 41,497	$ 15,128
8) Commission expenses		
TT&T	$ -	$ 27,914
TTS	-	15,395
	$ -	$ 43,309
9) Professional service fees		
TT&T	$ 773,059	$ 706,427
TTS	-	174,732
	$ 773,059	$ 881,159
10) Miscellaneous purchases		
TT&T	$ 15,300	$ -
11) Insurance expenses		
Fubon Ins.	$ 8,595	$ 13,876
12) Other expenses		
TT&T	$ 24,109	$ 13,715
13) Donation		
TWM Foundation	$ 21,000	$ 24,400

14) 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 amounted to $98,850 thousand and resulted in a loss of $17,341 thousand.

b) In 2004, Fubon Commercial Bank Co., Ltd. (FCB; TFCB had assumed all right and obligation of FCB) entered into a cooperative co-branding agreement with the Corporation, by which the Corporation may encourage its customers to use credit cards issued by FCB. The Corporation recognized revenues of $13,176 thousand and $19,362 thousand from this cooperative agreement for the nine months ended September 30, 2006 and 2005.

c) On June 30, 2005, the Corporation sold 11,364 thousand shares of TTS's common shares to the former TCC at NT$18.12 per share. The aggregate selling price was $205,924 thousand.

d) For the nine months ended September 30, 2006 and 2005, the Corporation provided business services to the former TAT (including TAT) and the former Mobitai (including Mobitai) for service charges amounting to $792,084 thousand and $617,863 thousand, which were recorded as deductions from related costs and expenses.

22. ASSETS PLEDGED

The assets pledged as collaterals for bank loans were as follows:

	September 30	
	2006	2005
Time deposits	$ 10,000	$ 10,000
Fixed assets, net carrying value	-	11,132,486
	$ 10,000	$ 11,142,486

23. COMMITMENTS AND CONTINGENT EVENTS

a. To enhance 3G mobile communications, expand network coverage and increase the service functions, the Corporation entered into a 3G expansion contract with Nokia for $4,800,000 thousand in September 2006.

b. 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. In accordance with the terms of the contract, as of September 30, 2006, payments of $2,977,927 thousand has been made.

c. To provide better communication quality and more diverse service functions, the Corporation entered into agreements for upgrading the existing network equipment and building IT systems with Siemens in September 2004 for US$17,310 thousand and NT$67,472 thousand, respectively. In accordance with the terms of the agreements, as of September 30, 2006, payments of US$17,310 thousand and NT$66,902 thousand have been made, respectively.

d. Future minimum rental payments as of September 30, 2006 for significant operating lease agreements were summarized as follows:

	Amount
The fourth quarter, 2006	$ 3,717
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: Table 1 (attached).

b. Endorsement/guarantee provided: None.

c. Marketable securities held: Table 2 (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 3 (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 4 (attached).

h. Receivables from related parties amounting to at least $100 million or 20% of the paid-in capital: Table 5 (attached).

i. Names, locations, and related information of investees on which the Corporation exercised significant influence: Table 6 (attached).

j. Derivative transactions

The Corporation entered into interest rate swap (IRS) contracts in December 2002 to hedge fluctuation on anti-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 anti-floating interest rate fluctuation. For the nine months ended September 30, 2006 and 2005, the Corporation recognized losses of $99,314 thousand and gains of $6,447 thousand, respectively, recorded as addition to and deduction from interest expense.

k. 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 7 (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

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

FINANCING PROVIDED
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2006
(In Thousands of New Taiwan Dollars)

No.	Financing Name	Counter-party	Financial Statement Account	Maximum Balance for the Period	Ending Balance	Interest Rate	Type of Financing	Transaction Amounts	Reasons for Short-term Financing	Allowance for Doubtful Accounts	Collateral		Financing Limit for Each Borrowing Company (Note)	Financing Company's Financing Amount Limits (Note)
											Item	Value		
1	TransAsia Telecommunications Inc.	Taiwan Cellular Co., Ltd. (formerly Taihsing Den Syun Co., Ltd.)	Other receivables	$ 300,000	$ 300,000	2.674%	Necessary for short-term financing	$ -	Operating capital	$ -	-	$ -	$ 2,726,413	$ 2,726,413

Note: The amount of financing provided, including business relationship and short-term financing, shall not exceed 20% of the net worth of the financing company.

TABLE 2

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
SEPTEMBER 30, 2006
(In Thousands of New Taiwan Dollars)

Holding Company Name	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	September 30, 2006				Note
				Shares/Units (Thousands)	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value (Note 1)	
The Corporation	Beneficiary certificate							
	Fuh-Hwa Bond Fund	-	Financial assets at fair value through profit or loss - current	30,140	$ 400,341	-	$ 400,341 (Note 2)	
	ABN AMRO Income Fund	-	Financial assets at fair value through profit or loss - current	22,222	350,455	-	350,455 (Note 2)	
	ABN AMRO Bond Fund	-	Financial assets at fair value through profit or loss - current	113,650	1,706,509	-	1,706,509 (Note 2)	
	ABN AMRO Select Bond Fund	-	Financial assets at fair value through profit or loss - current	17,738	200,344	-	200,344 (Note 2)	
	AIG Taiwan Bond Fund	-	Financial assets at fair value through profit or loss - current	122,475	1,556,416	-	1,556,416 (Note 2)	
	Dresdner Bond Dam Fund	-	Financial assets at fair value through profit or loss - current	95,421	1,101,719	-	1,101,719 (Note 2)	
	Fubon Chi-Shun III Fund	-	Financial assets at fair value through profit or loss - current	47,331	500,000	-	500,000 (Note 2)	
	NITC Bond Fund	-	Financial assets at fair value through profit or loss - current	14,684	2,407,670	-	2,407,670 (Note 2)	
	Stock							
	Chunghwa Telecom Co., Ltd.	-	Available-for-sale financial assets - current	2,688	147,571	-	147,571 (Note 3)	
	Taiwan Fixed Network Co., Ltd.	Related party in substance	Financial assets carried at cost - non-current	637,000	3,700,944	9.87	6,984,930	
	Bridge Mobile Pte Ltd.	-	Financial assets carried at cost - non-current	1,000	32,160	12.50	23,011	
	TransAsia Telecommunications Inc.	Subsidiary	Long-term investments - equity method	1,245,846	13,600,270	100.00	13,632,063	
	Taiwan Cellular Co., Ltd. (formerly Taihsing Den Syun Co., Ltd.)	Subsidiary	Long-term investments - equity method	275,000	3,167,075	100.00	3,177,451	
TransAsia Telecommunications Inc.	Beneficiary certificate							
	ABN AMRO Bond Fund	-	Financial assets at fair value through profit or loss - current	33,463	502,469	-	502,469 (Note 2)	
	AIG Taiwan Bond Fund	-	Financial assets at fair value through profit or loss - current	86,890	1,104,191	-	1,104,191 (Note 2)	
	Prudential Financial Bond Fund	-	Financial assets at fair value through profit or loss - current	24,258	353,288	-	353,288 (Note 2)	
	JF (Taiwan) Bond Fund	-	Financial assets at fair value through profit or loss - current	19,844	301,705	-	301,705 (Note 2)	

(Continued)

Holding Company Name	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	September 30, 2006				Note
				Shares/Units (Thousands)	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value (Note 1)	
Taiwan Cellular Co., Ltd. (formerly Taihsing Den Syun Co., Ltd.)	Stock							
	Arcoa Communication Co., Ltd.	-	Financial assets carried at cost - non-current	6,998	$ 67,731	5.21	$ - (Note 4)	
	Taiwan Fixed Network Co., Ltd.	Related party in substance	Financial assets carried at cost - non-current	4,900	42,864	0.08	56,615	
	Parawin Venture Capital Corp.	-	Financial assets carried at cost - non-current	3,000	25,144	3.00	- (Note 4)	
	Transportation High Tech Inc.	-	Financial assets carried at cost - non-current	1,200	- (Note 5)	12.00	- (Note 4)	
	WEB Point Co., Ltd.	-	Financial assets carried at cost - non-current	803	7,084	3.17	- (Note 4)	
	Sunnet Technologies Co., Ltd.	-	Financial assets carried at cost - non-current	375	3,265	1.51	- (Note 4)	
	Mobitai Communications	Subsidiary	Long-term investments - equity method	200,000	2,306,311	100.00	2,314,840	
	Taiwan Teleservice & Technologies Co., Ltd.	Subsidiary	Long-term investments - equity method	70,000	511,924	100.00	510,743	
	Tai Yi Digital Broadcasting Co., Ltd.	Subsidiary	Long-term investments - equity method	2,495	24,598	49.90	24,598	
	Simax Investment Holdings Ltd.	Subsidiary	Long-term investments - equity method	9,000	330,231	100.00	330,231	
Simax Investment Holdings Ltd.	ADS							
	Hurray! Holding Co., Ltd.	-	Available-for-sale financial assets - current	1,080	US$ 6,750	-	US$ 6,750 (Note 3)	
Mobitai Communications	Stock							
	Yes Mobile Holdings Company	-	Financial assets carried at cost - non-current	74	- (Note 5)	0.19	- (Note 4)	
Taiwan Teleservice & Technologies Co., Ltd.	Stock							
	TT&T Life Insurance Agency Co., Ltd.	Subsidiary	Long-term investments - equity method	300	3,025	100.00	3,025	
	TT&T Casualty & Property Insurance Agency Co., Ltd.	Subsidiary	Long-term investments - equity method	300	2,715	100.00	2,715	
	TT & T Holdings Co., Ltd.	Subsidiary	Long-term investments - equity method	1,300	43,151	100.00	43,151	
TT&T Holdings Co., Ltd.	Stock							
	Xiamen Taifu Teleservices & Technologies Ltd.	Subsidiary	Long-term investments - equity method	-	US$ 1,297	100.00	US$ 1,297	

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 September 30, 2006.

Note 3: Based on the closing price on September 30, 2006.

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

Note 5: Deducted impairment loss recognized in 2004.

(Concluded)

TAIWAN MOBILE CO., LTD. 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
NINE MONTHS ENDED SEPTEMBER 30, 2006
(In Thousands of New Taiwan Dollars)

Company Name	Marketable Securities Type and Issuer	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/Units (Thousands)	Amount
The Corporation	Beneficiary certificate													
	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	-	-
	Fuh-Hwa Albatross Fund	Financial assets at fair value through profit or loss - current	-	-	-	-	44,641	500,000	44,641	501,202	500,000	1,202	-	-
	Fuh-Hwa Bond Fund	Financial assets at fair value through profit or loss - current	-	-	-	-	83,100	1,100,000	52,960	702,108	700,000	2,108	30,140	400,341 (Note 4)
	ABN AMRO Income Fund	Financial assets at fair value through profit or loss - current	-	-	-	-	22,222	350,000	-	-	-	-	22,222	350,455 (Note 4)
	ABN AMRO Bond Fund	Financial assets at fair value through profit or loss - current	-	-	-	-	147,015	2,200,000	33,365	500,000	498,035	1,965	113,650	1,706,509 (Note 4)
	ABN AMRO Select Bond Fund	Financial assets at fair value through profit or loss - current	-	-	-	-	88,985	1,000,000	71,247	803,071	800,000	3,071	17,738	200,344 (Note 4)
	AIG Taiwan Bond Fund	Financial assets at fair value through profit or loss - current	-	-	-	-	157,953	2,000,000	35,478	450,000	448,233	1,767	122,475	1,556,416 (Note 4)
	Dresdner Bond Dam Fund	Financial assets at fair value through profit or loss - current	-	-	-	-	182,520	2,100,000	87,099	1,003,660	1,000,000	3,660	95,421	1,101,719 (Note 4)
	Fubon Chi-Shun III Fund	Financial assets at fair value through profit or loss - current	-	-	-	-	94,877	1,000,000	47,546	500,599	500,000	599	47,331	500,000 (Note 4)
	NITC Bond Fund	Financial assets at fair value through profit or loss - current	-	-	-	-	17,434	2,850,000	2,750	450,000	448,262	1,738	14,684	2,407,670 (Note 4)
	NITC Taiwan Bond Fund	Financial assets at fair value through profit or loss - current	-	-	-	-	35,789	500,000	35,789	501,496	500,000	1,496	-	-
	JF (Taiwan) Bond Fund	Financial assets at fair value through profit or loss - current	-	-	-	-	19,819	300,000	19,819	300,739	300,000	739	-	-
	Stock													
	Chunghwa Telecom Co., Ltd.	Available-for-sale financial assets - current	-	-	200,000	9,277,177	2,688	-	200,000	11,265,914	9,154,936	2,110,978	2,688	147,571 (Note 4)
	The former TransAsia Telecommunications Inc.	Long-term investments - equity method	TAT International Telecommunications Co., Ltd.	Subsidiary	328,645	12,458,466	-	-	328,645	3 (Note 1)	12,458,465	1 (Note 1)	-	- (Note 1)
	TransAsia Telecommunications Inc.	Long-term investments - equity method	-	-	-	-	1,245,846	12,458,463	-	-	-	-	1,245,846	13,600,270 (Note 2)

(Continued)

Company Name	Marketable Securities Type and Issuer	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/Units (Thousands)	Amount
	Taiwan Cellular Co., Ltd.	Long-term investments - equity method	Taiwan Cellular Co., Ltd. (formerly Taihsing Den Syun Co., Ltd.)	Subsidiary	44,300	$ 992,550	-	$ -	44,300	$ -	$ 1,504,634 (Note 3)	$ - (Note 3)	-	- (Note 3)
TransAsia Telecommunications Inc.	Beneficiary certificate													
	ABN AMRO Bond Fund	Financial assets at fair value through profit or loss - current	-	-	-	-	33,463	500,000	-	-	-	-	33,463	502,469 (Note 4)
	AIG Taiwan Bond Fund	Financial assets at fair value through profit or loss - current	-	-	-	-	86,889	1,100,000	-	-	-	-	86,889	1,104,191 (Note 4)
	Prudential Financial Bond Fund	Financial assets at fair value through profit or loss - current	-	-	-	-	55,216	800,000	30,958	450,000	448,437	1,563	24,258	353,288 (Note 4)
	JF (Taiwan) Bond Fund	Financial assets at fair value through profit or loss - current	-	-	-	-	19,844	300,000	-	-	-	-	19,844	301,705 (Note 4)
	Stock													
	The former TransAsia Telecommunications Inc.	Long-term investments - equity method	The Corporation	Ultimate parent	-	-	328,645	12,458,466	328,645	-	12,458,466	- (Note 1)	-	- (Note 1)
Mobitai Communications	Stock													
	The former Mobitai Communications	Long-term investments - equity method	-	-	365,078	3,532,794	-	-	365,078	-	3,532,794	- (Note 5)	-	- (Note 5)
Taiwan Cellular Co., Ltd. (formerly Taihsing Den Syun Co., Ltd.)	Stock													
	Taiwan Cellular Co., Ltd.	Long-term investments - equity method	The Corporation	Ultimate parent	-	-	44,300	-	44,300	-	- (Note 6)	- (Note 6)	-	-
	Simax Investment Holdings Ltd.	Long-term investments - equity method	-	-	-	-	9,000	292,961	-	-	-	-	9,000	330,231 (Note 7)
Simax Investment Holdings Ltd.	ADS													
	Hurray! Holding Co., Ltd.	Financial assets at fair value through profit or loss-current	-	-	-	-	1,080	US$ 5,771	-	-	-	-	1,080	US$ 6,750 (Note 4)

Note 1: The amount included the investment loss adjustment of $1 thousand. For its reorganization, the Corporation retained 80 shares of the former TransAsia Telecommunications Inc. and established TAT International Telecommunication Co., Ltd. by investing the remaining holding shares of the former TransAsia Telecommunications Inc., with a carrying value of $12,458,463 thousand. There was no gain or loss on this share disposal. TAT International Telecommunications Co., Ltd. merged with the former TransAsia Telecommunications Inc., with TAT International Telecommunications Co., Ltd. as the surviving company and renamed as “TransAsia Telecommunications Inc.” on June 27, 2006. The Corporation received acquisition price amounting to $3 thousand.

Note 2: The amount included the investment income adjustment of $1,141,807 thousand.

Note 3: For its reorganization, Taihsing Den Syun Co., Ltd. merged with the Taiwan Cellular Co., Ltd., with Taihsing Den Syun Co., Ltd. as the surviving company and renamed as Taiwan Cellular Co., Ltd. on May 1, 2006. There was no gain or loss on this share disposal. The amount included (a) the investment income adjustment of $31,199 thousand; (b) the reclassification of unrealized gain from intercompany transactions resulting from the sale of investment of Howin Technologies Co., Ltd. amounting to $484,380 thousand and (c) cumulative translation adjustments of ($3,495) thousand.

Note 4: The amount included the revaluation gain on financial assets.

Note 5: For its reorganization, Mobitai Communications merged with the former Mobitai Communications, with Mobitai Communications as the surviving company. There was no gain or loss on this share disposal.

Note 6: For its reorganization, Taihsing Den Syun Co., Ltd. merged with the Taiwan Cellular Co., Ltd., with Taihsing Den Syun Co., Ltd. as the surviving company and renamed as Taiwan Cellular Co., Ltd. There was no gain or loss on this share disposal.

Note 7: The amount included (a) the investment income adjustment of $1,001 thousand; (b) the recognition of cumulative translation adjustment of $3,972 thousand and unrealized gain of $32,297 thousand on financial assets.

(Concluded)

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

TOTAL PURCHASE FROM OR SALE TO RELATED PARTIES AMOUNTING TO AT LEAST $100 MILLION OR 20% OF THE PAID-IN CAPITAL
NINE MONTHS ENDED SEPTEMBER 30, 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. (including the former TAT)	Subsidiary	Sale	$ (605,198)	(2)	Based on contract terms	-	-	$ 42,592 (Note 1)	1	
			Purchase	284,164	2	Based on contract terms	-	-	(6,495)	-	
	Taiwan Fixed Network Co., Ltd.	Related party in substance	Sale	(1,957,628)	(5)	Based on contract terms	-	-	260,617	5	
			Purchase	646,847	4	Based on contract terms	-	-	-	-	
	Mobitai Communications	Subsidiary	Sale	(187,809)	(1)	Based on contract terms	-	-	19,167	-	
			Purchase	119,131	1	Based on contract terms	-	-	(672)	-	
	Taiwan Teleservice & Technologies Co., Ltd.	Subsidiary	Purchase	773,059	(Note 2)	Based on contract terms			(190,630)	(5)	
The former TransAsia Telecommunications Inc. (including the former TAT)	The Corporation	Ultimate parent	Sale	(280,810)	(5)	Based on contract terms	-	-	396,049	33	
			Purchase	609,435	22	Based on contract terms	-	-	(47,200)	(16)	
Mobitai Communications	The Corporation	Ultimate parent	Sale	(118,905)	(3)	Based on contract terms	-	-	219,714	30	
			Purchase	187,779	10	Based on contract terms	-	-	(11,733)	(5)	
Taiwan Teleservice & Technologies Co., Ltd.	The Corporation	Ultimate parent	Sale	(770,462)	(81)	Based on contract terms	-	-	173,444	79	

Note 1: Disclosed with the ending balance of TransAsia Telecommunications Inc.

Note 2: Recognized as operating expenses.

TABLE 5

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST $100 MILLION OR 20% OF THE PAID-IN CAPITAL
NINE MONTHS ENDED SEPTEMBER 30, 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	Notes receivable	$ 10	8.28	$ -	-	$ 161	$ -
			Accounts receivable	42,582	(Note 1)				
			Other receivables	142,073	-	-	-	2,611	-
	Mobitai Communications	Subsidiary	Accounts receivable	19,167	2.01	-	-	-	-
			Other receivables	106,533	-	-	-	-	-
	Taiwan Fixed Network Co., Ltd.	Related party in substance	Accounts receivable	260,617	12.98	-	-	270	-
			Other receivables	1,256	-	-	-	-	-
TransAsia Telecommunications Inc.	The Corporation	Ultimate parent	Notes receivable	30	(Note 1 and 2)	-	-	-	-
			Accounts receivable	396,019					
Mobitai Communications	The Corporation	Ultimate parent	Accounts receivable	219,714	(Note 2)	-	-	108,029	-
			Other receivables	10,423	-	-	-	-	-
Taiwan Teleservice & Technologies Co., Ltd.	The Corporation	Ultimate parent	Accounts receivable	173,444	3.25	-	-	-	-
			Other receivables	14,950	-	-	-	-	-

Note 1: The calculation included TransAsia Telecommunications Inc. and the former TransAsia Telecommunications Inc.

Note 2: Not applicable because telecommunications service revenue was collected on behalf of these companies.

TABLE 6

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
NINE MONTHS ENDED SEPTEMBER 30, 2006
(In Thousands of New Taiwan Dollars or U.S. Dollars and RMB)

Investor	Investee	Location	Main Businesses and Products	Original Investment Amount		Balance as of September30, 2006			Net Income (Loss) of the Investee	Investment Income (Loss)	Note
				September 30, 2006	December 31, 2005	Shares (Thousands)	Percentage of Ownership	Carrying Value			
The Corporation	Taiwan Cellular Co., Ltd.	Taipei, Taiwan	Telecommunications equipment retailing and wholesale	$ -	$ 1,420,017	-	-	$ -	$ 7,614	$ 31,198	
	The former TransAsia Telecommunications Inc.	Taipei, Taiwan	Wireless service provider	-	10,408,388	-	-	-	602,042	(1)	
	Taiwan Cellular Co., Ltd. (formerly Taihsing Den Syun Co., Ltd.)	Taipei, Taiwan	Equipment installation and IT service	2,750,000	3,869,715	275,000	100.00	3,167,075	470,751	944,755	
	TransAsia Telecommunications Inc.	Taipei, Taiwan	Wireless service provider	12,458,463	-	1,245,846	100.00	13,600,270	1,173,600	1,141,808	
Taiwan Cellular Co., Ltd. (formerly Taihsing Den Syun Co., Ltd.)	Taiwan Teleservice & Technologies Co., Ltd.	Taipei, Taiwan	Call center service	91,277	327,146	70,000	100.00	511,924	66,615	NA	
	Mobitai Communications	Taipei, Taiwan	Wireless service provider	2,000,000	3,650,782	200,000	100.00	2,306,311	432,829	NA	
	Tai Yi Digital Broadcasting Co., Ltd.	Taipei, Taiwan	Telecommunications business and cell phone number agency of broadcasts	24,950	24,950	2,495	49.90	24,598	(269)	NA	
	Howin Technologies Co., Ltd.	Taipei, Taiwan	Communication engineering and equipment	-	131,700	-	-	-	(15,331)	NA	
	Simax Investment Holdings Ltd.	British Virgin Islands	Investment	US$ 9,000	-	9,000	100.00	330,231	US$ 30	NA	
Taiwan Teleservice & Technologies Co., Ltd.	TT&T Life Insurance Agency Co., Ltd.	Taipei, Taiwan	Insurance agent	3,000	3,000	300	100.00	3,025	13	NA	
	TT&T Casualty & Property Insurance Agency Co., Ltd.	Taipei, Taiwan	Insurance agent	3,000	3,000	300	100.00	2,715	(49)	NA	
	TT&T Holdings Co., Ltd.	Samoa	Investment	41,111	83,530	1,300	100.00	43,151	US$ (38)	NA	
TT&T Holdings Co., Ltd.	Dalian Xinkai Teleservices & Technologies Ltd.	Dalian	Call center service	-	US$ 1,511	-	-	-	-	NA	
	Xiamen Taifu Teleservices & Technologies Ltd.	Xiamen	Call center service	US$ 1,300	US$ 1,000	-	100.00	US$ 1,297	RMB 342	NA	
TransAsia Telecommunications Inc.	The former TransAsia Telecommunications Inc.	Taipei, Taiwan	Wireless service provider	-	-	-	-	-	602,042	NA	
The former TransAsia Telecommunications Inc.	Howin Technologies Co., Ltd.	Taipei, Taiwan	Communication engineering and equipment	-	2,250	-	-	-	(15,331)	NA	
Mobitai Communications	The former Mobitai Communications	Taichung, Taiwan	Wireless service provider	-	3,650,782	-	-	-	-	NA	

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

INVESTMENT IN MAINLAND CHINA
NINE MONTHS ENDED SEPTEMBER 30, 2006
(In Thousands of New Taiwan Dollars, U.S. Dollars or RMB)

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type	Accumulated Outflow of Investment from Taiwan as of December 31, 2005	Investment Flows		Accumulated Outflow of Investment from Taiwan as of September 30, 2006	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Value as of September 30, 2006	Accumulated Inward Remittance of Earnings as of September 30, 2006
					Outflow	Inflow					
Dalian Xinkai Teleservices & Technologies Ltd.	Call center service	RMB 25,011 (NT$104,336)	Indirect investment in the Company in Mainland China through a third place by the Corporation's subsidiary, Taiwan Teleservices & Technologies Co., Ltd.	US$ 666 (NT$ 21,948)	$ -	US$ 500 (NT$ 16,478)	$ -	-	US$ (89) NT$ (2,933)	$ -	$ -
Xiamen Taifu Teleservices & Technologies Ltd.	Call center service	US$ 1,300 (NT$ 42,842)	Indirect investment in the Company in Mainland China through a third place by the Corporation's subsidiary, Taiwan Teleservices & Technologies Co., Ltd.	US$ 1,000 (NT$ 32,955)	US$ 300 (NT$ 9,887)	-	US$ 1,300 (NT$ 42,842)	100% ownership of indirect investment by the Corporation's subsidiary	US$ 43 (NT$ 1,417)	US$ 1,297 (NT$ 42,743)	-

Accumulated Investment in Mainland China as of September 30, 2006	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment Authorized by Investment Commission, MOEA
US$1,300 (NT$42,842)	Note 2	Note 2

Note 1: The above amounts were translated into New Taiwan Dollars at the exchange rate of US$1=NT$32.955 and RMB1=NT$4.1716 as of September 30, 2006.

Note 2: The indirect investment made by Taiwan Teleservices & Technologies Co., Ltd., a subsidiary of the Corporation.