Taiwan Mobile Co., Ltd.

Financial Statements for the
Years Ended December 31, 2006 and 2005 and
Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying balance sheets of Taiwan Mobile Co., Ltd. (the "Corporation") as of December 31, 2006 and 2005, and the related statements of income, changes in shareholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Taiwan Mobile Co., Ltd. as of December 31, 2006 and 2005, and the results of its operations and its cash flows for the years then ended, in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, Business Accounting Law, Criteria for Handling Business Accounting and accounting principles generally accepted in the Republic of China.

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

We have also audited the accompanying schedules of significant accounts, provided for supplementary analysis, by applying the same procedures described above. In our opinion, such schedules are consistent, in all material respects, with the financial statements referred to above.

We have also audited the consolidated balance sheets of the Corporation and its subsidiaries as of December 31, 2006 and 2005 and the related consolidated statements of income, changes in shareholders' equity, and cash flows for the years then ended. We have expressed modified unqualified opinions on those consolidated financial statements as of and for the years ended December 31, 2006 and 2005.

January 11, 2007

<u>Notice to Readers</u>

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

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

TAIWAN MOBILE CO., LTD.

BALANCE SHEETS
DECEMBER 31, 2006 AND 2005
(In Thousands of New Taiwan Dollars, Except Par Value)

	2006		2005	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 2, 4 and 21)	$ 8,202,463	7	$ 9,098,004	8
Financial assets at fair value through profit or loss - current (Notes 2, 3 and 5)	11,109,207	10	600,000	1
Available-for-sale financial assets - current (Notes 2, 3 and 6)	162,893	-	9,277,177	8
Notes receivable	11,406	-	12,670	-
Accounts receivable - third parties (Notes 2 and 7)	5,067,754	4	5,019,417	4
Accounts receivable - related parties (Notes 2 and 21)	336,550	-	528,691	1
Other receivables - third parties	242,681	-	170,440	-
Other receivables - related parties (Note 21)	254,860	-	497,304	-
Inventories (Note 2)	31,232	-	320	-
Prepayments (Note 21)	565,538	1	475,143	-
Deferred income tax assets - current (Notes 2 and 17)	102,814	-	83,561	-
Pledged time deposits (Notes 21 and 22)	10,000	-	10,000	-
Other current assets	16,424	-	7,250	-
Total current assets	26,113,822	22	25,779,977	22
INVESTMENTS				
Investments accounted for using equity method (Notes 2 and 8)	17,887,632	15	17,233,012	15
Financial assets carried at cost - non-current (Notes 2, 3 and 9)	3,733,104	3	3,858,308	3
Total investments	21,620,736	18	21,091,320	18
PROPERTY AND EQUIPMENT (Notes 2, 10, 21 and 22)				
Cost				
Land	4,845,823	4	3,399,049	3
Buildings	2,753,923	2	2,001,480	2
Telecommunication equipment	68,261,533	58	69,366,884	59
Office equipment	106,824	-	93,138	-
Leased assets	1,276,190	1	1,276,190	1
Miscellaneous equipment	1,832,086	2	928,514	1
Total cost	79,076,379	67	77,065,255	66
Less accumulated depreciation	(25,013,172)	(21)	(21,737,171)	(19)
	54,063,207	46	55,328,084	47
Construction in progress and advance payments	3,161,617	3	2,310,644	2
Net property and equipment	57,224,824	49	57,638,728	49
INTANGIBLE ASSETS (Note 2)	8,972,509	8	9,720,218	8
OTHER ASSETS				
Assets leased to others (Notes 2 and 11)	698,751	1	1,781,320	2
Idle assets (Notes 2 and 11)	227,921	-	261,429	-
Refundable deposits	274,985	-	261,123	-
Deferred charges (Notes 2 and 12)	344,679	1	331,390	-
Deferred income tax assets - non-current (Notes 2 and 17)	1,446,184	1	470,279	1
Other	47,033	-	33,654	-
Total other assets	3,039,553	3	3,139,195	3
TOTAL	$ 116,971,444	100	$ 117,369,438	100

	2006		2005	
LIABILITIES AND SHAREHOLDERS' EQUITY	**Amount**	**%**	**Amount**	**%**
CURRENT LIABILITIES				
Accounts payable (Note 21)	$ 1,432,563	1	$ 1,478,408	1
Income taxes payable (Notes 2 and 17)	2,106,039	2	1,094,727	1
Accrued expenses (Note 21)	3,765,661	3	3,385,889	3
Other payables (Note 21)	3,519,371	3	3,115,999	2
Advance receipts	994,230	1	1,018,485	1
Current portion of long-term liabilities (Notes 2, 13 and 21)	3,814,448	3	4,543,020	4
Guarantee deposits	46,070	-	70,021	-
Other current liabilities (Note 21)	885,661	1	771,304	1
Total current liabilities	16,564,043	14	15,477,853	13
LONG-TERM LIABILITIES				
Hedging derivative financial liabilities (Notes 2, 3, 20 and 24)	291,046	-	-	-
Bonds payable (Notes 2, 13 and 21)	10,000,000	9	14,584,125	13
Total long-term liabilities	10,291,046	9	14,584,125	13
OTHER LIABILITIES				
Accrued pension cost (Notes 2 and 15)	-	-	83,615	-
Guarantee deposits	248,561	-	233,800	-
Other	-	-	1,289	-
Total other liabilities	248,561	-	318,704	-
Total liabilities	27,103,650	23	30,380,682	26
SHAREHOLDERS' EQUITY (Notes 2 and 16)				
Capital stock - $10 par value				
Authorized: 6,000,000 thousand shares				
Issued: 4,999,325 thousand shares in 2006 and 4,949,206 thousand shares in 2005	49,993,251	43	49,492,065	42
Entitlement certificates	-	-	29,871	-
Capital surplus	8,748,571	7	7,905,337	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	19,228,424	16	19,175,425	16
Other equity				
Cumulative translation adjustments	3,860	-	3,240	-
Unrealized losses of financial instruments	(147,423)	-	-	-
Treasury stock	(1,437,290)	(1)	(323,544)	-
Total shareholders' equity	89,867,794	77	86,988,756	74
TOTAL	$ 116,971,444	100	$ 117,369,438	100

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

(With Deloitte & Touche audit report dated January 11, 2007)

TAIWAN MOBILE CO., LTD.

STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2006 AND 2005
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2006		2005	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUES (Notes 2 and 21)				
Telecommunication service revenue	$47,692,697	100	$47,216,688	100
Other revenue	198,592	-	191,884	-
Total operating revenues	47,891,289	100	47,408,572	100
OPERATING COSTS (Notes 2, 19 and 21)	20,426,896	42	19,352,338	41
GROSS PROFIT	27,464,393	58	28,056,234	59
OPERATING EXPENSES (Notes 2, 19 and 21)				
Marketing	9,054,285	19	8,037,368	17
Administrative	3,428,865	7	2,848,081	6
Total operating expenses	12,483,150	26	10,885,449	23
OPERATING INCOME	14,981,243	32	17,170,785	36
NON-OPERATING INCOME AND GAINS				
Investment income recognized under the equity method, net (Notes 2 and 8)	2,743,058	6	2,150,967	5
Gain on disposal of investments, net (Note 2)	2,129,507	5	-	-
Dividend income	643,816	1	940,000	2
Penalty income	170,667	-	157,616	-
Interest income	158,282	-	56,954	-
Rental income (Note 21)	64,751	-	163,996	-
Foreign exchange gain, net (Note 2)	60,008	-	4,495	-
Revaluation gain on financial assets (Note 2)	53,737	-	-	-
Gain on disposal of property and equipment (Notes 2 and 21)	7,752	-	115,925	-
Other (Note 7)	324,406	1	249,181	1
Total non-operating income and gains	6,355,984	13	3,839,134	8
NON-OPERATING EXPENSES AND LOSSES				
Loss on disposal and retirement of property and equipment (Notes 2 and 21)	3,339,303	7	1,638,074	3
Interest expenses (Notes 2 and 10)	416,729	1	594,181	1
Impairment loss (Notes 2 and 11)	2,005	-	105,870	-
Loss on disposal of investment, net (Note 2)	-	-	20,535	-
Other (Notes 2 and 11)	100,689	-	339,802	1
Total non-operating expenses and losses	3,858,726	8	2,698,462	5

(Continued)

TAIWAN MOBILE CO., LTD.

STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2006 AND 2005
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2006		2005	
	Amount	%	Amount	%
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAX	$17,478,501	36	$18,311,457	39
INCOME TAX EXPENSE (Notes 2 and 17)	1,307,795	2	2,074,759	5
INCOME FROM CONTINUING OPERATIONS	16,170,706	34	16,236,698	34
CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES (Note 3)	35	-	-	-
NET INCOME	$16,170,741	34	$16,236,698	34

	2006		2005	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
EARNINGS PER SHARE (Note 18)				
Basic	$ 3.54	$ 3.28	$ 3.74	$ 3.31
Diluted	$ 3.53	$ 3.26	$ 3.68	$ 3.26

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 retroactively are as follows:

	2006	2005
NET INCOME	$ 16,170,706	$ 16,292,233
EARNINGS PER SHARE		
Basic	$ 3.28	$ 3.33
Diluted	$ 3.26	$ 3.27

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

(With Deloitte & Touche audit report dated January 11, 2007) (Concluded)

TAIWAN MOBILE CO., LTD.

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2006 AND 2005
(In Thousands of New Taiwan Dollars, Except Per Share Amounts)

	Capital Stock				Retained Earnings							
	Capital Stock	Entitlement Certificates	Total	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated	Total	Cumulative Translation Adjustments	Unrealized Gains of Financial Instruments	Treasury Stock	Total Shareholders' Equity
BALANCE, JANUARY 1, 2005	$ 48,883,886	$ 279,670	$ 49,163,556	$ 7,258,873	$ 6,839,315	$ -	$ 19,554,125	$ 26,393,440	$ (1,631)	$ -	$ (1,841,417)	$ 80,972,821
Appropriation of 2004 earnings												
Legal reserve	-	-	-	-	1,665,416	-	(1,665,416)	-	-	-	-	-
Special reserve	-	-	-	-	-	2,201,631	(2,201,631)	-	-	-	-	-
Remuneration to directors and supervisors	-	-	-	-	-	-	(63,936)	(63,936)	-	-	-	(63,936)
Bonus to employees - cash	-	-	-	-	-	-	(383,613)	(383,613)	-	-	-	(383,613)
Cash dividends - $2.47302 per share	-	-	-	-	-	-	(12,126,821)	(12,126,821)	-	-	-	(12,126,821)
Balance after appropriation	48,883,886	279,670	49,163,556	7,258,873	8,504,731	2,201,631	3,112,708	13,819,070	(1,631)	-	(1,841,417)	68,398,451
Translation adjustments on long-term investments	-	-	-	-	-	-	-	-	4,871	-	-	4,871
Transfer of treasury stock to employees	-	-	-	-	-	-	(173,981)	(173,981)	-	-	1,837,663	1,663,682
Conversion of convertible bonds to capital stock and entitlement certificates	608,179	(249,799)	358,380	646,464	-	-	-	-	-	-	-	1,004,844
Buyback of treasury stock	-	-	-	-	-	-	-	-	-	-	(319,790)	(319,790)
Net income in 2005	-	-	-	-	-	-	16,236,698	16,236,698	-	-	-	16,236,698
BALANCE, DECEMBER 31, 2005	49,492,065	29,871	49,521,936	7,905,337	8,504,731	2,201,631	19,175,425	29,881,787	3,240	-	(323,544)	86,988,756
Appropriation of 2005 earnings												
Legal reserve	-	-	-	-	1,623,670	-	(1,623,670)	-	-	-	-	-
Special reserve	-	-	-	-	-	1,150,000	(1,150,000)	-	-	-	-	-
Reversal of special reserve	-	-	-	-	-	(1,631)	1,631	-	-	-	-	-
Remuneration to directors and supervisors	-	-	-	-	-	-	(40,394)	(40,394)	-	-	-	(40,394)
Bonus to employees - cash	-	-	-	-	-	-	(403,940)	(403,940)	-	-	-	(403,940)
Cash dividends - $2.61677 per share	-	-	-	-	-	-	(12,843,997)	(12,843,997)	-	-	-	(12,843,997)
Balance after appropriation	49,492,065	29,871	49,521,936	7,905,337	10,128,401	3,350,000	3,115,055	16,593,456	3,240	-	(323,544)	73,700,425
Translation adjustments on long-term investments	-	-	-	-	-	-	-	-	620	-	-	620
Transfer of treasury stock to employees	-	-	-	-	-	-	(57,372)	(57,372)	-	-	704,624	647,252
Conversion of convertible bonds to capital stock and entitlement certificates	501,186	(29,871)	471,315	843,234	-	-	-	-	-	-	-	1,314,549
Buyback of treasury stock	-	-	-	-	-	-	-	-	-	-	(1,818,370)	(1,818,370)
Net income in 2006	-	-	-	-	-	-	16,170,741	16,170,741	-	-	-	16,170,741
Effect of the first time adoption of new issued SFASs	-	-	-	-	-	-	-	-	-	1,834,639	-	1,834,639
Unrealized losses on financial instruments, net	-	-	-	-	-	-	-	-	-	(1,982,062)	-	(1,982,062)
BALANCE, DECEMBER 31, 2006	$ 49,993,251	$ -	$ 49,993,251	$ 8,748,571	$ 10,128,401	$ 3,350,000	$ 19,228,424	$ 32,706,825	$ 3,860	$ (147,423)	$ (1,437,290)	$ 89,867,794

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

(With Deloitte & Touche audit report dated January 11, 2007)

TAIWAN MOBILE CO., LTD.

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2006 AND 2005
(In Thousands of New Taiwan Dollars)

	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$16,170,741	$16,236,698
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	5,495,382	4,680,486
Loss on disposal and retirement of property and equipment, net	3,331,551	1,522,149
Investment income recognized under the equity method, net	(2,743,058)	(2,150,967)
Gains on disposal of available-for-sale financial assets	(2,110,978)	-
Bad debts	962,389	664,296
Deferred income taxes	(922,397)	217,735
Amortization	909,016	725,416
Cash dividends received from equity-method investees	125,204	3,075,042
Pension cost	(83,615)	(50,277)
Loss on buyback of bonds payable	59,982	191,109
Accrued interest compensation	36,247	120,100
Gains on disposal of idle assets, net	(9,681)	(356)
Loss due to market decline of inventory	8,449	-
Impairment loss	2,005	105,870
Gains on disposal of long-term investments	(1)	(5,812)
Net changes in operating assets and liabilities		
Financial assets held for trading	(10,509,207)	2,032,465
Notes receivable	1,264	(12,617)
Accounts receivable - third parties	(1,044,819)	(1,249,751)
Accounts receivable - related parties	192,142	(46,514)
Other receivables - third parties	(73,492)	(137,005)
Other receivables - related parties	242,444	(148,421)
Inventories	(39,361)	-
Prepayments	(90,648)	(29,483)
Other current assets	(9,174)	(1,174)
Accounts payable	(45,845)	104,365
Income taxes payable	1,011,312	(817,071)
Accrued expenses	379,772	618,362
Other payables	247,195	661,493
Advance receipts	(24,255)	166,030
Other current liabilities	114,357	484,160
Net cash provided by operating activities	11,582,921	26,956,328
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of available-for-sale financial assets	11,265,915	-
Acquisition of property and equipment	(7,355,072)	(3,077,727)
Proceeds from disposal of long-term investments	1,499,551	205,924
Capital return of investees	1,119,715	-
Increase in long-term investments accounted for using equity method	(500,000)	(1,457,805)
Proceeds from disposal of property and equipment	180,527	2,148,517

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TAIWAN MOBILE CO., LTD.

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2006 AND 2005
(In Thousands of New Taiwan Dollars)

	2006	2005
Increase in deferred charges	$ (158,827)	$ (149,093)
Proceeds from disposal of idle assets	44,633	7,050
Increase in refundable deposits	(13,862)	(6,237)
Decrease in other assets	767	929
Proceeds on investee's liquidation	-	2,970,851
Decrease in pledged time deposits	-	600,000
Cash received from merger with Taiwan Elitec Corporation	-	5,958
Net cash provided by investing activities	6,083,347	1,248,367
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash dividends paid	(12,843,925)	(12,146,818)
Decrease in bonds payable	(2,753,300)	(1,500,000)
Buyback of treasury stock	(1,818,370)	(319,790)
Buyback of bonds payable	(1,341,076)	(1,135,009)
Transfer of treasury stock to employees	647,252	1,663,682
Bonus to employees	(403,940)	(394,148)
Remuneration to directors and supervisors	(37,970)	(63,936)
Increase (decrease) in guarantee deposits	(9,190)	93,768
Decrease in other liabilities	(1,290)	(1,290)
Decrease in long-term bank loans	-	(8,400,000)
Net cash used in financing activities	(18,561,809)	(22,203,541)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(895,541)	6,001,154
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	9,098,004	3,096,850
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 8,202,463	$ 9,098,004
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid	$ 464,300	$ 620,911
Deduct: Interest capitalized	(11,647)	(71,194)
Interest paid - excluding interest capitalized	452,653	549,717
Income taxes paid	$ 1,029,886	$ 2,235,986
NON-CASH INVESTING AND FINANCING ACTIVITIES		
Current portion of long-term liabilities	$ 3,814,448	$ 4,543,020
Conversion of convertible bonds to capital stock and entitlement certificates	$ 1,118,100	$ 891,800

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TAIWAN MOBILE CO., LTD.

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2006 AND 2005
(In Thousands of New Taiwan Dollars)

	2006	2005
CASH INVESTING AND FINANCING ACTIVITIES		
Acquisition of property and equipment	$ 7,529,952	$ 3,731,962
Increase in other payables	(174,880)	(654,235)
Cash paid for acquisition of property and equipment	$ 7,355,072	$ 3,077,727

SUPPLEMENTAL INFORMATION ON SUBSIDIARY:

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

Accounts receivable	$ 17,015
Other receivables	7,948
Other current assets	35
Property and equipment	2,811
Refundable deposits	554
Assets acquired from TEC	$ 28,363
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 audit report dated January 11, 2007) (Concluded)

1. ORGANIZATION

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 December 31, 2006 and 2005, the Corporation had 2,146 and 2,072 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, Business Accounting Law, Criteria for Handling Business Accounting and accounting principles generally accepted in the ROC. In conformity with these guidelines, laws and principles, the Corporation is required to make certain estimates and assumptions that could affect the amounts of allowance for doubtful accounts, Provision for losses on decline in value of inventories, 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. Property and equipment, intangible assets and those not classified as current assets are non-current assets. Current liabilities are obligations held for trading and those expected to be due within twelve months from the balance sheet date. All other liabilities not classified as current liabilities are non-current liabilities.

Cash Equivalents

Government bonds 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.

Inventories

Inventories are stated at the weighted-average method and the lower of cost or market value. Market value are evaluated on the basis of replacement cost or net realizable value.

Financial Assets Carried at Cost

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

Investments Accounted for Using Equity Method

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

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

Gains or losses on the Corporation's equity accounted investee's sales to the Corporation 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 using 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 and Equipment and Assets Leased to Others

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

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

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

Intangible Assets

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

Idle Assets

Idle assets are stated at the lower of book value or fair value, with the difference charged to current income. Depreciation expense is computed using the straight-line method over the estimated useful lives of the assets.

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.

Asset Impairment

If the carrying value of assets (including property 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 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 is expensed in the year when the shareholders resolve the retention of the earnings.

Income Basic Tax Act has taken effect from January 1, 2006. The amount of basic income shall be the sum of the taxable income as calculated in accordance with the Income Tax Act, plus deductions claimed in regard to investment tax credit granted under the provisions of other laws. The amount of basic tax shall be the amount of basic income multiplied by the tax rate (10%). Between the basic tax under the Income Basic Tax Act and the regular income tax calculated based on the Income Tax Act, the Corporation should pay whichever is the higher amount for the current income tax.

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 year ended December 31, 2005 have been reclassified to conform to the presentation of financial statements as of and for the year ended December 31, 2006.

3. REASONS AND EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES

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 Principles (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 year ended December 31, 2006, but had no effect on net income and earnings per share (net of tax).

b. Reclassifications by the adoption of these SFASs

The 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 using cost method denominated in foreign currencies

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

3) Interest rate swap contracts

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

Due to the adoption of new and amended SFASs starting from January 1, 2006, certain accounts in the financial statements as of and for the six months ended June 30, 2005 have been reclassified as follows to conform to the presentation of the financial statements as of and for the six months ended June 30, 2006.

	Before Reclassification	After Reclassification
Balance sheet		
Short-term investments	$ 9,877,177	$ -
Long-term investments	3,858,308	-
Financial assets at fair value through profit or loss	-	600,000
Available-for-sale financial assets	-	9,277,177
Financial assets carried at cost	-	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 year ended December 31, 2006.

4. CASH AND CASH EQUIVALENTS

	December 31	
	2006	2005
Short-term notes and bills with resale rights	$ 5,180,248	$ -
Time deposits	2,306,051	1,213,252
Cash in banks	680,131	336,206
Cash on hand	32,503	28,530
Revolving funds	3,530	3,097
Government bonds with resale rights	-	7,516,919
	$ 8,202,463	$ 9,098,004

5. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS - CURRENT

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

	December 31	
	2006	2005
Financial assets held for trading		
Beneficiary certificates		
Open-end funds	$ 11,109,207	$ 600,000

6. AVAILABLE-FOR-SALE FINANCIAL ASSETS - CURRENT

	December 31	
	2006	2005
Domestic listed stocks		
Chunghwa Telecom Co., Ltd.	$ 162,893	$ 9,277,177

In the year ended December 31, 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

	December 31	
	2006	2005
Accounts receivable	$ 5,529,384	$ 5,411,935
Less allowance for doubtful accounts	(461,630)	(392,518)
	$ 5,067,754	$ 5,019,417

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 USING EQUITY METHOD

	December 31			
	2006		2005	
	Carrying Value	% of Owner-ship	Carrying Value	% of Owner-ship
TransAsia Telecommunications Inc. (TAT, formerly TAT International Telecommunications Co., Ltd.)	$ 14,009,973	100	$ -	-
Taiwan Cellular Co., Ltd. (TCC, formerly Taihsing Den Syun Co., Ltd.)	3,877,659	100	3,781,996	100.00
TransAsia Telecommunications Inc. (former TAT)	-	-	12,458,466	92.32
Taiwan Cellular Co., Ltd. (former TCC)	-	-	992,550	99.99
	$ 17,887,632		$ 17,233,012	

a. TransAsia Telecommunications Inc.

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.

b. Taiwan Cellular Co., Ltd. (formerly Taihsing Den Syun Co., Ltd.)

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 Inc. (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 board of directors of TCC resolved the stock issuance of 50,000 thousand shares with par value of $10 dollars each for cash injection on October 26, 2006. On the record date (October 31, 2006), the Corporation subscribed for all the shares and TCC was still wholly-owned subsidiary.

c. Company liquidated

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.

d. Taiwan Fixed Network Co., Ltd.

Previously, although the Corporation's equity ownership 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.

e. Equity in investees' net gains or losses

The carrying value of the investments under equity method and the related investment income or losses were determined on the basis of audited financial statements. The Corporation's investment income or losses were as follows:

	2006	2005
TAT	$ 1,551,510	$ -
TCC (formerly TDS)	1,160,351	(87,303)
The former TCC (formerly Taihsing Den Den Co., Ltd.)	31,198	37,123
The former TAT	(1)	1,998,251
The former Mobitai	-	272,488
TFN	-	(96,979)
Tai Hung Investments Ltd.	-	23,818
T.I. Investment Ltd.	-	20,923
Tai Hsuo Investments Ltd.	-	(19,976)
Tai Fu Investments Ltd.	-	4,439
Taiwan Elitec Corporation	-	(1,817)
	$ 2,743,058	$ 2,150,967

f. Asset impairment

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:

1) 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.

2) 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.

3) 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 - NON-CURRENT

	December 31 2006	December 31 2005
Domestic emerging stocks		
TFN	$ 3,700,944	$ 3,826,148
Foreign unlisted stocks		
Bridge Technologies 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 AND EQUIPMENT - ACCUMULATED DEPRECIATION

	December 31 2006	December 31 2005
Buildings	$ 277,685	$ 203,180
Telecommunication equipment	23,811,758	20,928,068
Office equipment	42,478	32,228
Leased assets	292,461	228,651
Miscellaneous equipment	588,790	345,044
	$ 25,013,172	$ 21,737,171

Interest expenses capitalized for the years ended December 31, 2006 and 2005 amounted to $11,647 thousand and $71,194 thousand, respectively, with interest rates ranging from 2.28% to 3.12% and from 2.64%-3.60%, respectively.

11. ASSETS LEASED TO OTHERS AND IDLE ASSETS

	December 31	
	2006	2005
Assets leased to others		
Cost	$ 744,476	$ 2,042,895
Less accumulated depreciation	(35,134)	(250,984)
Less accumulated impairment	(10,591)	(10,591)
	$ 698,751	$ 1,781,320
Idle assets		
Cost	$ 2,674,530	$ 2,728,439
Less accumulated depreciation	(724,710)	(727,416)
Less accumulated impairment	(1,721,899)	(1,739,594)
	$ 227,921	$ 261,429

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 $2,005 thousand and $105,870 thousand for the years ended December 31, 2006 and 2005, respectively.

12. DEFERRED CHARGES

	December 31	
	2006	2005
Interior decoration	$ 267,738	$ 149,018
Computer software	64,187	106,840
Other	12,754	75,532
	$ 344,679	$ 331,390

13. BONDS PAYABLE

	December 31			
	2006		2005	
	Current	Non-current	Current	Non-current
Domestic secured bonds	$ -	$ -	$ 1,500,000	$ -
Domestic unsecured bonds	3,750,000	10,000,000	1,250,000	13,750,000
1st domestic unsecured convertible bonds	-	-	1,480,000	-
2nd domestic unsecured convertible bonds	55,900	-	-	747,300
Add accrued interest compensation	8,548	-	313,020	86,825
	$ 3,814,448	$ 10,000,000	$ 4,543,020	$ 14,584,125

a. Domestic secured bonds

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

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

b. Domestic unsecured bonds

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

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

c. 1st domestic convertible bonds

On August 25, 2001, the Corporation issued $10,000,000 thousand of five-year domestic convertible bonds, with each bond having a face value of $100 thousand and 0% interest. Within the conversion period, starting from 3 months after the issuance date to the 10th day 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 (due date), 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 December 31, 2006, bonds amounting to $5,399,400 thousand have been converted to $ 209,271 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
2007	$ 3,750,000
2008	2,500,000
2009	7,500,000
	$ 13,750,000

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. The Corporation recognized a pension cost of $84,629 thousand for the years ended December 31, 2006.

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

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

a. Pension cost

	Years Ended December 31	
	2006	**2005**
Service cost	$ 2,946	$ 19,872
Interest cost	6,520	4,571
Projected return of pension assets	(6,785)	(4,290)
Amortization	(2,868)	(3,486)
Pension cost	$ (187)	$ 16,667

b. Changes in the prepaid (accrued) pension cost

	Years Ended December 31	
	2006	**2005**
Benefit obligation		
Vested	$ -	$ -
Non-vested	(165,054)	(157,928)
Accumulated	(165,054)	(157,928)
Additional benefits based on future salaries	(111,718)	(102,878)
Projected benefit obligation	(276,772)	(260,806)
Fair value of plan assets	362,224	258,701
Funded status	85,452	(2,105)
Unrecognized net transition obligation	8,271	8,786
Unrecognized net gain or loss	(92,526)	(102,836)
Prepaid pension cost (accrued pension cost)	$ 1,197	$ (96,155)

For the year ended in December 31, 2005, a portion of the above ending balance was recorded as accrued pension cost, and the other portion, as accrued expenses.

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

	Years Ended December 31	
	2006	**2005**
Vested benefits	$ -	$ -

d. Actuarial assumptions

	Years Ended December 31 2006	2005
Discount rate used in determining present values	2.75%	2.50%
Future salary increase rate	2.50%	2.50%
Expected rate of return on plan assets	2.75%	2.50%

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		

Had the above bonus to employees and remuneration to directors and supervisors been charged against income in 2006 and 2005, the basic earnings per share in that year would have decreased from NT$3.31 and NT$3.55 to NT$3.22 and NT$3.46 respectively.

The appropriation of the Corporation's 2006 earnings had not been proposed by the Board of Directors as of January 11, 2007, the independent auditors' report date. Information on the appropriation of 2006 earnings proposed by the Board of Directors and resolved by the shareholders can be accessed through the Market Observation Post System on the Taiwan Stock Exchange Corporation's website.

c. Treasury stock

(Shares in Thousands)

Purpose of Buyback	Beginning Shares	Increase	Decrease	Ending Shares
Year ended December 31, 2006				
To be transferred to employees	11,551	57,804	22,818	46,537
Year ended December 31, 2005				
To be transferred to employees	65,368	11,551	65,368	11,551

For the year ended December 31, 2006, the Corporation transferred the treasury stock through various tranches to employees at 22,818 thousand shares at NT$30.47 and 28.17 per share, respectively, resulting in a reduction of retained earnings, amounting to $57,372 thousands.

For the year ended December 31, 2005, the Corporation transferred 65,368 thousand shares of treasury stock through various tranches to employees at NT$25.65, $25.54, $25.5 and $25.48 per share, respectively, resulting in a reduction of retained earnings, amounting to $173,981 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 year ended December 31, 2006 were summarized as follows:

	Year Ended December 31, 2006
Available-for-sale financial assets	
Effect of the first time adoption of new issued SFASs	$ 2,082,823
Fair value changes recognized directly in equity	68,807
Transfer to current gains or loss upon sales of financial assets	(2,110,978)
	40,652
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	29,900
	(218,284)
Recognition of investees' changes in unrealized gains or losses by the equity method	30,209
	$ (147,423)

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:

	Years Ended December 31	
	2006	2005
Tax on pretax income at statutory tax rate (25%)	$ 4,369,615	$ 4,577,854
Add (deduct) tax effects of		
Permanent differences		
Investment income from domestic investees accounted for under the equity method	(685,764)	(537,742)
Tax-exempt dividend income	(160,954)	(235,000)
Gain on disposal of marketable securities	(532,377)	(54,364)
Other	(26,260)	109,500
Temporary differences	471,065	27,238
Tax-exempt income	(402,696)	(2,047,741)
Income tax (10%) on unappropriated earnings	132,470	368,266
Investment tax credits	(1,108,394)	(362,436)
Deferred income tax	(922,397)	217,735
Prior year's adjustment	164,071	11,449
Tax on short-term bills	9,416	-
Income tax expense	$ 1,307,795	$ 2,074,759

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

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

	December 31	
	2006	2005
Provision for doubtful accounts	$ 719,412	$ 623,237
Provision for impairment losses on idle assets	343,792	384,253
Unrealized loss on retirement of property and equipment	714,861	245,321
Unrealized loss on financial liabilities	72,761	-
Accrued interest compensation	2,137	99,962
Accrued pension cost	(273)	16,210
Other	2,112	-
	1,854,802	1,368,983
Less valuation allowance	(305,804)	(815,143)
	$ 1,548,998	$ 553,840
Deferred income tax assets		
Current	$ 102,814	$ 83,561
Non-current	1,446,184	470,279
	$ 1,548,998	$ 553,840

d. Integrated income tax information was as follows:

Balance of imputation credit account (ICA)	$ 1,091,242	$ 1,532,065

As of December 31, 2006, there were no unappropriated earnings generated before January 1, 1998. The actual creditable ratio applied to the 2006 and 2005 earnings appropriation were 16.63% and 9.88%, respectively.

The imputation credits allocated to the shareholders are based on the ICA balance as of the date of dividend distribution. The estimated creditable ratio for the 2006 earnings appropriation may be adjusted when the imputation credits are distributed.

e. Income tax returns through 2001 had been examined by the tax authorities. However, the Corporation disagreed with the examination result of the income tax returns from 1999 to 2001, and filed requests for reexamination.

18. EARNINGS PER SHARE

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

(In New Taiwan Dollar)

	For the Years Ended December 31			
	2006		2005	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
Basic EPS				
Income from continuing operations	$ 3.54	$ 3.28	$ 3.74	$ 3.31
Cumulative effect of changes in accounting principle	-	-	-	-
Net income	$ 3.54	$ 3.28	$ 3.74	$ 3.31
Diluted EPS				
Income from continuing operations	$ 3.53	$ 3.26	$ 3.68	$ 3.26
Cumulative effect of changes in accounting principle	-	-	-	-
Net income	$ 3.53	$ 3.26	$ 3.68	$ 3.26

	Amounts (Numerator)		Shares	EPS (NT$)	
	Before Income Tax	After Income Tax	(Denominator) (Thousands)	Before Income Tax	After Income Tax
For the year ended December 31, 2006					
Weighted-average number of outstanding shares			4,978,245		
Less buyback of issued shares			(44,531)		
Basic EPS					
Income of common shareholders	$ 17,478,536	$ 16,170,741	4,933,714	$ 3.54	$ 3.28
Add effect of potentially dilutive convertible bonds					
1st convertible bonds (with implied yield rate of 4.5%)	22,764	17,073	19,022		
2nd convertible bonds (with implied yield rate of 3.3%)	13,483	10,112	15,298		
Diluted EPS					
Income of common shareholders with dilutive effect of potential common shares	$ 17,514,783	$ 16,197,926	4,968,034	$ 3.53	$ 3.26
For the year ended December 31, 2005					
Weighted-average number of outstanding shares			4,941,187		
Less buyback of issued shares			(42,936)		
Basic EPS					
Income of common shareholders	$ 18,311,457	$ 16,236,698	4,898,251	$ 3.74	$ 3.31
Add effect of potentially dilutive convertible bonds					
1st convertible bonds (with implied yield rate of 4.5%)	84,858	63,644	69,753		
2nd convertible bonds (with implied yield rate of 3.3%)	35,242	26,432	39,736		
Diluted EPS					
Income of common shareholders with dilutive effect of potential common shares	$ 18,431,557	$ 16,326,774	5,007,740	$ 3.68	$ 3.26

19. LABOR COST, DEPRECIATION AND AMORTIZATION EXPENSE

	For the Year Ended December 31					
	2006			2005		
	Classified as Operating Costs	Classified as Operating Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Total
Labor cost						
Salary	$ 416,853	$ 1,205,679	$ 1,622,532	$ 326,589	$ 950,519	$ 1,277,108
Labor and health insurance	25,649	69,301	94,950	22,805	50,347	73,152
Pension	23,769	61,048	84,817	14,939	33,585	48,524
Other	27,567	83,302	110,869	28,034	66,041	94,075
	$ 493,838	$ 1,419,330	$ 1,913,168	$ 392,367	$ 1,100,492	$ 1,492,859
Depreciation	$ 5,104,861	$ 381,362	$ 5,486,223	$ 4,372,515	$ 259,001	$ 4,631,516
Amortization	769,424	132,091	901,515	583,341	108,474	691,815

20. FINANCIAL INSTRUMENT TRANSACTIONS

a. Fair value information

	December 31			
	2006		2005	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Non-derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss	$ 11,109,207	$ 11,109,207	$ 600,000	$ 600,035
Available-for-sale financial assets	162,893	162,893	9,277,177	11,360,000
Liabilities				
Bonds payable (including current portion)	13,814,448	13,741,839	19,127,145	19,240,182
Derivative financial instruments				
Liabilities				
Interest rate swap contracts	291,046	291,046	-	330,912

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 December.

4) Derivative financial instruments - based on valuation results provided by banks. As of December 31, the financial instrument held by the Corporation turned into financial liability, evaluated by the bid price of counter party.

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 $7,496,299 thousand and $8,740,171 thousand as of December 31, 2006 and 2005, respectively, and the financial liabilities exposed to fair value interest rate risk amounted to $6,314,448 thousand and $11,627,145 thousand as of December 31, 2006 and 2005, respectively. The financial assets exposed to cash flow interest rate risk amounted to $673,136 thousand and $309,220 thousand as of December 31, 2006 and 2005, respectively, and the financial liabilities exposed to cash flow interest rate risk amounted to $7,791,046 thousand and $7,830,912 thousand as of December 31, 2006 and 2005, respectively.

e. Information on financial risks:

1) Market risk

The interest rate swap (IRS) contracts are used to hedge interest rate fluctuation on its liabilities with 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 December 31, 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
TWM Holding Co., Ltd. (formerly 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 Life Assurance Co., Ltd.	Same chairman
Fubon Securities Investment Trust Co., Ltd.	Related party in substance
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

(Continued)

Related Party	Relationship with the Corporation
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)
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 TATIT on June 27, 2006)

(Concluded)

b. Significant transactions with related parties were summarized below:

1) Operating revenues

	2006		2005	
	Amount	% of Total Revenues	Amount	% of Total Revenues
TFN	$ 1,411,029	3	$ 1,330,153	3
TAT (including the former TAT)	693,059	1	1,478,940	3
Mobitai	285,079	1	-	-
Taipei Fubon Commercial Bank Co., Ltd. (TFCB)	19,771	-	24,818	-
The former Mobitai	-	-	652,632	1
TT&T	-	-	15,471	-
	$ 2,408,938		$ 3,502,014	

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

2) Operating costs

	2006 Amount	2006 % of Total Costs	2005 Amount	2005 % of Total Costs
TFN	$ 868,958	4	$ 854,665	4
TAT (including the former TAT)	341,755	2	633,163	3
Mobitai	193,763	1	-	-
Fubon Ins.	89,322	-	107,429	1
The former Mobitai	-	-	230,314	1
	$ 1,493,798		$ 1,825,571	

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

3) Property transactions

Acquisition of property and equipment

	2006 Description	2006 Amount
TFN	Land and buildings	$ 1,565,000
TT&T	Office equipment, miscellaneous equipment and deferred charges	59,476
		$ 1,624,476

a) The Corporation bought a real estate from TFN based on the need for base station. Only a natural person could be the owner of the farmland due to the related regulations. The Corporation bought the farmland located inYang-mei, Taoyuan for the amount of $12,000 thousand through setting up of a fiduciary contract with the landholder in December 2006 and is applying for the change of the land category. The land was pledged as collateral to the Corporation and the Corporation uses the land for operation purpose.

b) For the real estate bought from TFN, the transaction amount was based on the appraisal value from the appraisal institution.

	2005 Description	2005 Amount
TFN	Miscellaneous equipment	$ 111,124
TCC (formerly Taihsing Den Den Co., Ltd.)	Land and buildings	73,407
TAT	Direct shops, office equipment and interior decoration	23,471
		$ 208,002

The above acquisitions were made at arm’s length.

Disposal of property and equipment

	2006	
	Description	**Amount**
TFN	Land and buildings	$ 152,000

	2005	
	Description	**Amount**
TFN	Telecommunication equipment, miscellaneous equipment and deferred charges	$ 2,093,154

The above disposal was made at arm's length, the transaction amount was based on the appraisal value from the appraisal institution. And it resulted in a disposal loss of $3,848 thousand and disposal gain of $70,085 thousand for the years ended December 31, 2006 and 2005, respectively.

4) Rental income

	Leased Sites/Equipment	**2006**	**2005**
TFN	Ji-lung Road, Tai-Chung, Chung-Ho and Tang-Cherng offices, BTS, etc.	$ 27,410	$ 30,187
TT&T	Tang-Cherng and Tai-Chung offices telecommunication equipment and miscellaneous equipment	34	97,280
		$ 27,444	$ 127,467

The above lease transactions were based on market price and rent was collected monthly.

5) Cash in banks

	December 31			
	2006		2005	
	Amount	**%**	**Amount**	**%**
a) Cash in banks				
TFCB	$ 58,493	1	$ 106,816	1
b) Pledged time deposits				
TFCB	$ 10,000	100	$ 10,000	100

6) Receivables and payables

	December 31			
	2006		2005	
	Amount	%	Amount	%
a) Accounts receivable				
TFN	$ 222,747	4	$ 141,698	3
TAT	80,210	1	-	-
Mobitai	29,897	1	-	-
The former TAT	-	-	152,427	3
The former Mobitai	-	-	230,606	4
Other	3696	-	3,960	-
	$ 336,550		$ 528,691	
b) Other receivables				
TAT	$ 139,777	28	$ -	-
Mobitai	99,075	20	-	-
FSC	8	-	43,162	6
The former Mobitai	-	-	263,663	39
The former TAT	-	-	151,629	23
The former TCC	-	-	21,810	3
Other	16,000	3	17,040	3
	$ 254,860		$ 497,304	
c) Accounts payable				
TAT	$ 23,937	2	$ -	-
The former TAT	-	-	17,050	1
The former Mobitai	-	-	52,478	4
	$ 23,937		$ 69,528	
d) Accrued expenses				
TT&T	$ 153,397	4	$ 206,309	6
TFN	55,074	1	12,771	-
The former TCC	-	-	20,525	1
	$ 208,471		$ 239,605	
e) Other payables				
TAT	$ 96,570	3	$ -	-
Mobitai	63,717	2	-	-
TFN	44,130	1	88,835	3
The former TAT	-	-	165,360	5
The former Mobitai	-	-	39,276	1
	$ 204,417		$ 293,471	

(Continued)

	December 31			
	2006		2005	
	Amount	%	Amount	%
f) Other current liabilities - collections and temporary credits for the following				
TAT	$ 202,048	23	$ -	-
Mobitai	95,468	11	-	-
TFN	34,262	4	32,822	4
TFCB	4,682	1	12,684	2
The former Mobitai	-	-	154,183	20
The former TAT	-	-	161,795	21
	$ 336,460		$ 361,484	
g) Prepayments				
Fubon Ins.	$ 70,985	13	$ 7,029	1

(Concluded)

	For the Years Ended December 31	
	2006	2005
7) Telecommunication service expenses		
TFN	$ 66,424	$ 20,951
8) Commission expenses		
TT&T	$ -	$ 42,804
TTS	-	29,247
	$ -	$ 72,051
9) Professional service fees		
TT&T	$ 992,514	$ 943,912
TTS	-	156,689
	$ 992,514	$ 1,100,601
10) Miscellaneous purchases		
TT&T	$ 15,300	$ -
11) Insurance expenses		
Fubon Ins.	$ 10,391	$ 14,612
12) Other expenses		
TT&T	$ 24,109	$ 33
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) 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.

c) For the years ended December 31, 2006 and 2005, the Corporation provided business services for service charges, which were recorded as deductions from related costs and expenses. The Corporation's service charges were as follows:

	For the Years Ended December 31	
	2006	**2005**
The former TAT (including TAT)	$ 667,254	$ 710,549
The former Mobitai (including Mobitai)	375,292	205,030
	$ 1,042,546	$ 915,579

22. ASSETS PLEDGED

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

	December 31	
	2006	**2005**
Time deposits	$ 10,000	$ 10,000
Fixed assets, net carrying value	-	10,883,199
	$ 10,000	$ 10,893,199

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. As of December 31, 2006, the above amount has not yet paid.

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 December 31, 2006, payments of $3,062,442 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 December 31, 2006, payments of US$17,310 thousand and NT$66,902 thousand have been made, respectively.

d. Unused letters of credit for acquisition of equipment were EUR269 thousand as of December 31, 2006.

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

	Amount
2007	$ 26,223
2008	30,002

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: Table 4 (attached).

f. Disposal of individual real estate at prices of at least $100 million or 20% of the paid-in capital: Table 5 (attached).

g. Total purchase from or sale to related parties amounting to at least $100 million or 20% of the paid-in capital: Table 6 (attached).

h. Receivables from related parties amounting to at least $100 million or 20% of the paid-in capital: Table 7 (attached).

i. Names, locations, and related information of investees on which the Corporation exercised significant influence: Table 8 (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 years ended December 31, 2006 and 2005, the Corporation recognized losses of $141,434 thousand and gains of $4,386 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 9 (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.

25. SEGMENT INFORMATION

a. Industry

The Corporation is primarily a wireless communication services provider.

b. Foreign operations

The Corporation has no revenue-generating unit that operates outside the ROC.

c. Foreign revenues

The Corporation has no foreign revenues.

d. Customers with revenues exceeding 10% of the total net operating revenues were as follows:

	2006		2005	
Company	**Amount**	**Percentage of Operating Revenue**	**Amount**	**Percentage of Operating Revenue**
Chunghwa Telecom Co., Ltd.	$ 9,122,441	19	$ 9,484,888	20

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

FINANCING PROVIDED
YEAR ENDED DECEMBER 31, 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	$ -	2.674%	Necessary for short-term financing	$ -	Operating capital	$ -	-	$ -	$ 2,810,635	$ 2,810,635

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.

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

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

Holding Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	December 31, 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	45,175	$ 602,192	-	$ 602,192 (Note 2)	
	ABN AMRO Income Fund	-	Financial assets at fair value through profit or loss - current	25,387	401,917	-	401,917 (Note 2)	
	ABN AMRO Bond Fund	-	Financial assets at fair value through profit or loss - current	126,959	1,913,171	-	1,913,171 (Note 2)	
	ABN AMRO Select Bond Fund	-	Financial assets at fair value through profit or loss - current	35,432	401,565	-	401,565 (Note 2)	
	AIG Taiwan Bond Fund	-	Financial assets at fair value through profit or loss - current	153,928	1,962,733	-	1,962,733 (Note 2)	
	Dresdner Bond Dam Fund	-	Financial assets at fair value through profit or loss - current	130,038	1,506,803	-	1,506,803 (Note 2)	
	Fubon Jin-Ju-I Fund	-	Financial assets at fair value through profit or loss - current	81,999	1,002,954	-	1,002,954 (Note 2)	
	NITC Bond Fund	-	Financial assets at fair value through profit or loss - current	17,122	2,817,260	-	2,817,260 (Note 2)	
	Prudential Financial Bond Fund	-	Financial assets at fair value through profit or loss - current	13,686	200,015	-	200,015 (Note 2)	
	JF (Taiwan) Bond Fund	-	Financial assets at fair value through profit or loss - current	19,702	300,597	-	300,597 (Note 2)	
	Stock							
	Chunghwa Telecom Co., Ltd.	-	Available-for-sale financial assets - current	2,688	162,893	0.028	162,893 (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	6,673,229	
	Bridge Mobile Pte Ltd.	-	Financial assets carried at cost - non-current	1,000	32,160	12.50	21,543	
	TransAsia Telecommunications Inc.	Subsidiary	Long-term investments - equity method	1,245,846	14,009,973	100.00	14,053,173	
	Taiwan Cellular Co., Ltd. (formerly Taihsing Den Syun Co., Ltd.)	Subsidiary	Long-term investments - equity method	325,000	3,877,659	100.00	3,894,039	

(Continued)

Holding Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	December 31, 2006 Shares/Units (Thousands)	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value (Note 1)	Note
TransAsia Telecommunications Inc.	Beneficiary certificate							
	ABN AMRO Bond Fund	-	Financial assets at fair value through profit or loss - current	46,758	$ 704,606	-	$ 704,606 (Note 2)	
	AIG Taiwan Bond Fund	-	Financial assets at fair value through profit or loss - current	71,000	905,330	-	905,330 (Note 2)	
	Prudential Financial Bond Fund	-	Financial assets at fair value through profit or loss - current	37,966	554,861	-	554,861 (Note 2)	
	JF (Taiwan) Bond Fund	-	Financial assets at fair value through profit or loss - current	42,808	653,130	-	653,130 (Note 2)	
	Fubon Jin-Ju-I Fund	-	Financial assets at fair value through profit or loss - current	12,267	150,035	-	150,035 (Note 2)	
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	54,089	
	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	2,499,650	100.00	2,513,562	
	Taiwan Teleservices & Technologies Co., Ltd.	Subsidiary	Long-term investments - equity method	70,000	540,640	100.00	540,640	
	Tai Yi Digital Broadcasting Co., Ltd.	Subsidiary	Long-term investments - equity method	2,495	24,410	49.90	24,410	
	TWM Holding Co., Ltd.	Subsidiary	Long-term investments - equity method	1 share	325,693	100.00	325,693	
TWM Holding Co., Ltd.	ADS							
	Hurray! Holding Co., Ltd.	-	Available-for-sale financial assets - current	1,080	US$ 6,696	5.02	US$ 6,696 (Note 3)	
Mobitai Communications	Stock							
	Yes Mobile Holdings Company	-	Financial assets carried at cost - non- current	74	- (Note 5)	0.19	- (Note 4)	

(Continued)

Holding Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	December 31, 2006				Note
				Shares/Units (Thousands)	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value (Note 1)	
Taiwan Teleservices & Technologies Co., Ltd.	Stock							
	TT&T Life Insurance Agency Co., Ltd.	Subsidiary	Long-term investments - equity method	300	$ 3,021	100.00	$ 3,021	
	TT&T Casualty & Property Insurance Agency Co., Ltd.	Subsidiary	Long-term investments - equity method	300	2,703	100.00	2,703	
	TT & T Holdings Co., Ltd.	Subsidiary	Long-term investments - equity method	1,300	41,565	100.00	41,565	
TT&T Holdings Co., Ltd.	Stock							
	Xiamen Taifu Teleservices & Technologies Ltd.	Subsidiary	Long-term investments - equity method	-	US$ 1,268	100.00	US$ 1,268	

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 December 31, 2006.

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

Note 4: As of January 11, 2007, the independent auditors' 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
YEAR ENDED DECEMBER 31, 2006
(In Thousands of New Taiwan Dollars)

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Shares/Units (Thousands)	Amount	Shares/Units (Thousands)	Amount	Shares/Units (Thousands)	Amount	Carrying Value	Gain (Loss) on Disposal	Shares/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	-	-	-	-	98,134	1,300,000	52,959	702,108	700,000	2,108	45,175	602,192 (Note 1)
	ABN AMRO Income Fund	Financial assets at fair value through profit or loss - current	-	-	-	-	25,387	400,000	-	-	-	-	25,387	401,917 (Note 1)
	ABN AMRO Bond Fund	Financial assets at fair value through profit or loss - current	-	-	-	-	160,324	2,400,000	33,365	500,000	498,035	1,965	126,959	1,913,171 (Note 1)
	ABN AMRO Select Bond Fund	Financial assets at fair value through profit or loss - current	-	-	-	-	106,679	1,200,000	71,247	803,071	800,000	3,071	35,432	401,565 (Note 1)
	AIG Taiwan Bond Fund	Financial assets at fair value through profit or loss - current	-	-	-	-	189,406	2,400,000	35,478	450,000	448,233	1,767	153,928	1,962,733 (Note 1)
	Dresdner Bond Dam Fund	Financial assets at fair value through profit or loss - current	-	-	-	-	217,137	2,500,000	87,099	1,003,660	1,000,000	3,660	130,038	1,506,803 (Note 1)
	Fubon Chi-Shun III Fund	Financial assets at fair value through profit or loss - current	-	-	-	-	47,546	500,000	47,546	500,000	500,599	599	-	- (Notes 1 and 2)
	Fubon Jin-Ju-I Fund	Financial assets at fair value through profit or loss - current	-	-	-	-	81,999	1,000,000	-	-	-	-	81,999	1,002,954 (Notes 1 and 2)
	NITC Bond Fund	Financial assets at fair value through profit or loss - current	-	-	-	-	19,872	3,250,000	2,750	450,000	448,262	1,738	17,122	2,817,260 (Note 1)
	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	-	-
	Prudential Financial Bond Fund	Financial assets at fair value through profit or loss - current	-	-	-	-	13,686	200,000	-	-	-	-	13,686	200,015 (Note 1)
	JF (Taiwan) Bond Fund	Financial assets at fair value through profit or loss - current	-	-	-	-	39,521	600,000	19,819	300,739	300,000	739	19,702	300,597 (Note 1)
	Stock													
	Chunghwa Telecom Co., Ltd.	Available-for-sale financial assets - current	-	-	200,000	9,277,177	2,688	-	200,000	11,265,915	9,154,936	2,110,979	2,688	162,893 (Note 1)
	The former TransAsia Telecommunications Inc.	Long-term investments - equity method	TransAsia Telecommunications Inc.	Subsidiary	328,645	12,458,466	-	-	328,645	3 (Note 3)	12,458,465	1 (Note 3)	-	- (Note 3)
	TransAsia Telecommunications Inc.	Long-term investments - equity method	-	Subsidiary	-	-	1,245,846	12,458,463	-	-	-	-	1,245,846	14,009,973 (Note 4)
	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 5)	- (Note 5)	-	- (Note 5)
	Taiwan Cellular Co., Ltd. (formerly Taihsing Den Syun Co., Ltd.)	Long-term investments - equity method	-	Subsidiary	386,972	3,781,996	50,000	500,000	-	-	-	-	325,000	3,877,659 (Note 6)
TransAsia Telecommunications Inc.	Beneficiary certificate													
	ABN AMRO Bond Fund	Financial assets at fair value through profit or loss - current	-	-	-	-	46,758	700,000	-	-	-	-	46,758	704,606 (Note 1)
	AIG Taiwan Bond Fund	Financial assets at fair value through profit or loss - current	-	-	-	-	94,744	1,200,000	23,744	302,712	300,000	2,712	71,000	905,330 (Note 1)
	Prudential Financial Bond Fund	Financial assets at fair value through profit or loss - current	-	-	-	-	68,924	1,000,000	30,958	450,000	448,437	1,563	37,966	554,861 (Note 4)
	JF (Taiwan) Bond Fund	Financial assets at fair value through profit or loss - current	-	-	-	-	42,808	650,000	-	-	-	-	42,808	653,130 (Note 4)
	Fubon Jin-Ju-I Fund	Financial assets at fair value through profit or loss - current	-	-	-	-	12,267	150,000	-	-	-	-	12,267	150,035 (Note 4)

(Continued)

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Shares/Units (Thousands)	Amount	Shares/Units (Thousands)	Amount	Shares/Units (Thousands)	Amount	Carrying Value	Gain (Loss) on Disposal	Shares/Units (Thousands)	Amount
	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 3)	-	$ - (Note 3)
Mobitai Communications	Stock The former Mobitai Communications	Long-term investments - equity method	-	-	365,078	3,532,794	-	-	365,078	-	3,532,794	- (Note 7)	-	- (Note 7)
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 8)	- (Note 8)	-	-
	TWM Holding Co., Ltd.	Long-term investments - equity method	-	-	-	-	1 share	292,961	-	-	-	-	1 share	325,693 (Note 9)
TWM Holding Co., Ltd.	ADS Hurray! Holding Co., Ltd.	Available-for-sale financial assets - current	-	-	-	-	1,080	US$ 5,771	-	-	-	-	1,080	US$ 6,696 (Note 1)

Note 1: The amount included the revaluation gain on financial assets.

Note 2: Fubon Chi-Shun III Fund merged into Fubon Jin-Ju-I Fund on October 16, 2006, held 47,331 units on the date of consolidation, and transferred carrying value of $500,000 thousand into Fubon Jin-Ju-I Fund 41,032 units.

Note 3: 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 4: The amount included the investment income adjustment of $1,551,510 thousand.

Note 5: 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 6: The amount included (a) the capital reduction adjustment of $1,119,715 thousand; (b) the investment income adjustment of $1,160,351 thousand; (c) the additional paid-in capital 5,083 thousand; (d) the reclassification of unrealized gain from intercompany transactions resulting from the sale of investment of Howin Technologies Co., Ltd. amounting to ($484,380) thousand; (e) cumulative translation adjustments of $4,115 thousand and (f)financial asset of unrealized gain $30,209 thousand.

Note 7: 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 8: 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 9: The amount included (a) the investment income adjustment of $1,552 thousand; (b) the recognition of cumulative translation adjustment of $971 thousand and unrealized gain of $30,209 thousand on financial assets.

(Concluded)

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST $100 MILLION OR 20% OF THE PAID-IN CAPITAL
YEAR ENDED DECEMBER 31, 2006
(In Thousands of New Taiwan Dollars)

Company Name	Types of Property	Transaction Date	Transaction Amount	Payment Term	Counter-party	Nature of Relationship	Prior transaction of Related Counter-party				Price Reference	Purpose of Acquisition	Other Terms
							Owner	Relationship	Transfer Date	Amount			
The Corporation	Land and buildings	2006.12.13	$1,565,000	Finish payment	Taiwan Fixed Network Co., Ltd.	Related party in substance	Crowell Development Corp.	None	2001.2.22	$1,483,850	Appraisal report (depending on average five appraisal companies)	Operating purpose	-
							Suretone Telecom. Inc.	None	2001.3.16	20,000	Appraisal report	Operating purpose	-

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

DISPOSAL OF INDIVIDUAL REAL ESTATE AT PRICES OF AT LEAST $100 MILLION OR 20% OF THE PAID-IN CAPITAL
YEAR ENDED DECEMBER 31, 2006
(In Thousands of New Taiwan Dollars)

Company Name	Types of Property	Transact-ion Date	Original Acquisition Date	Carrying Value	Transaction Amount	Receivable Term	Gain on disposal	Counter-party	Nature of Relationship	Purpose of disposal	Price Reference	Other Terms
The Corporation	Land and buildings	2006.12.13	2000.6.30	155,848	152,000	Finish receipts	(3,848)	Taiwan Fixed Network Co., Ltd.	Related party in substance	Appropriately use assets to sufficient	Appraisal report	-

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
YEAR ENDED DECEMBER 31, 2006
(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction		Note/Accounts Payable or Receivable		Note
			Purchase/ Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
The Corporation	TransAsia Telecommunications Inc. (including the former TAT)	Subsidiary	Sale	$ (693,059)	(1)	Based on contract terms	-	-	$ 80,210 (Note 1)	1	
			Purchase	341,755	2	Based on contract terms	-	-	(23,937)	(2)	
	Taiwan Fixed Network Co., Ltd.	Related party in substance	Sale	(1,411,029)	(3)	Based on contract terms	-	-	222,747	4	
			Purchase	868,958	4	Based on contract terms	-	-	54,674 (Note 3)	1	
	Mobitai Communications	Subsidiary	Sale	(285,079)	(1)	Based on contract terms	-	-	29,897	-	
			Purchase	193,763	1	Based on contract terms	-	-	(644)	-	
	Taiwan Teleservices & Technologies Co., Ltd.	Subsidiary	Purchase	992,514	(Note 2)	Based on contract terms	-	-	(153,397) (Note 3)	-	
TransAsia Telecommunications Inc. (including the former TAT)	The Corporation	Ultimate parent	Sale	(337,170)	(4)	Based on contract terms	-	-	23,937	2	
			Purchase	693,026	20	Based on contract terms	-	-	(83,496)	(28)	
Mobitai Communications	The Corporation	Ultimate parent	Sale	(193,537)	(4)	Based on contract terms	-	-	644	-	
			Purchase	285,050	12	Based on contract terms	-	-	(19,612)	(10)	
Taiwan Teleservices & Technologies Co., Ltd.	The Corporation	Ultimate parent	Sale	(989,923)	(83)	Based on contract terms	-	-	152,601	91	

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

Note 2: Recognized as operating expenses.

Note 3: Recognized as accrued expenses.

TABLE 7

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

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

Company Name	Related Party	Nature of Relationship	Ending Balance		Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Bad Debts
						Amount	Action Taken		
The Corporation	TransAsia Telecommunications Inc.	Subsidiary	Accounts receivable	$ 80,210	5.97 (Note 1)	$ -	-	$ -	$ -
			Other receivables	139,777	-	-	-	-	-
	Mobitai Communications	Subsidiary	Accounts receivable	29,897	2.19	-	-	-	-
			Other receivables	99,075	-	-	-	-	-
	Taiwan Fixed Network Co., Ltd.	Related party in substance	Accounts receivable	222,747	7.74	-	-	21,996	-
			Other receivables	8,265	-	-	-	-	-
TransAsia Telecommunications Inc.	The Corporation	Ultimate parent	Accounts receivable	23,937	16.45	-	-	-	-
			Other receivables	297,019	-	-	-	96,570	-
Mobitai Communications	The Corporation	Ultimate parent	Accounts receivable	4,107	6.78	-	-	2,713	-
			Other receivables	159,229	-	-	-	63,717	-
Taiwan Teleservices & Technologies Co., Ltd.	The Corporation	Ultimate parent	Accounts receivable	152,601	5.91	-	-	-	-

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

TABLE 8

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
YEAR ENDED DECEMBER 31, 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 December 31, 2006			Net Income (Loss) of the Investee	Investment Income (Loss)	Note
				December 31, 2006	December 31, 2005	Shares (Thousands)	Percentage of Ownership	Carrying Value			
The Corporation	Taiwan Cellular Co., Ltd.	Taipei, Taiwan	Telecommunication 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	3,250,000	3,869,715	325,000	100	3,877,659	692,350	1,160,351	
	TransAsia Telecommunications Inc.	Taipei, Taiwan	Wireless service provider	12,458,463	-	1,245,846	100	14,009,973	1,594,710	1,551,510	
Taiwan Cellular Co., Ltd. (formerly Taihsing Den Syun Co., Ltd.)	Taiwan Teleservices & Technologies Co., Ltd.	Taipei, Taiwan	Call center service	91,277	327,146	70,000	100	540,640	96,433	NA	
	Mobitai Communications	Taipei, Taiwan	Wireless service provider	2,000,000	3,650,782	200,000	100	2,499,650	631,550	NA	
	Tai Yi Digital Broadcasting Co., Ltd.	Taipei, Taiwan	Telecommunication business and cell phone number agency of broadcasts	24,950	24,950	2,495	49.9	24,410	(646)	NA	
	Howin Technologies Co., Ltd.	Taipei, Taiwan	Communication engineering and equipment	-	131,700	-	-	-	-	NA	
	TWM Holding Co. Ltd.	British Virgin Islands	Investment	US$ 9,000	-	1 share	100	325,693	US$ 47	NA	
Taiwan Teleservices & Technologies Co., Ltd.	TT&T Life Insurance Agency Co., Ltd.	Taipei, Taiwan	Insurance agent	3,000	3,000	300	100	3,021	9	NA	
	TT&T Casualty & Property Insurance Agency Co., Ltd.	Taipei, Taiwan	Insurance agent	3,000	3,000	300	100	2,703	(62)	NA	
	TT&T Holdings Co., Ltd.	Samoa	Investment	46,386	83,530	1,300	100	41,565	US$ (85)	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	US$ 1,268	RMB 24	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	-	-	-	-	NA	
Mobitai Communications	The former Mobitai Communications	Taichung, Taiwan	Wireless service provider	-	3,650,782	-	-	-	-	NA	

TABLE 9

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

INVESTMENT IN MAINLAND CHINA
YEAR ENDED DECEMBER 31, 2006
(In Thousands of New Taiwan Dollars or U.S. Dollars and 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 December 31, 2006	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Value as of December 31, 2006	Accumulated Inward Remittance of Earnings as of December 31, 2006
					Outflow	Inflow					
Dalian Xinkai Teleservices & Technologies Ltd.	Call center service	RMB 25,011 (NT$104,526)	Indirect investment in the Company in Mainland China through a third place by the Corporation's subsidiary, Taiwan Teleservices & Technologies Co., Ltd.	US$ 666 (NT$ 21,752)	$ -	US$ 500 (NT$ 16,330)	$ -	-	(US$ 89) (NT$ 2,907)	$ -	$ -
Xiamen Taifu Teleservices & Technologies Ltd.	Call center service	US$ 1,300 (NT$ 42,458)	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$ 32,660)	US$ 300 (NT$ 9,798)	-	US$ 1,300 (NT$ 42,458)	100% ownership of indirect investment by the Corporation's subsidiary	US$ 3 (NT$ 98)	US$ 1,268 (NT$ 41,413)	-

Accumulated Investment in Mainland China as of December 31, 2006	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment Authorized by Investment Commission, MOEA
US$1,300 (NT$42,458)	Note 2	Note 2

Note 1: The above amounts were translated into New Taiwan Dollars at the exchange rate of US$1=NT$32.66 and RMB1=NT$4.1792 as of December 31, 2006.

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

SCHEDULE 1

TAIWAN MOBILE CO., LTD.

CASH AND CASH EQUIVALENTS
DECEMBER 31, 2006
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Item	Due Date	Amount
Short-term notes and bills with resale rights	2006.12.26-2007.01.10	$ 5,180,248
Time deposits		
(US$8,020,377.98, exchange rate at US$1=NT$32.66)	2006.10.13-2007.02.05	261,945
(EUR17,352,007.91, exchange rate at EUR1=NT$42.883)	2006.12.04-2007.03.22	744,106
(NTD)	2006.12.04-2007.03.26	1,300,000
		2,306,051
Cash in banks		
Foreign-currency deposits		
(EUR705,651.35, exchange rate at EUR1=NT$42.883)		30,260
(US$1,569,153.49, exchange rate at US$1=NT$32.66)		51,249
Checking deposits		6,995
Demand deposits		591,627
		680,131
Cash on hand		32,503
Revolving funds		3,530
		$ 8,202,463

TAIWAN MOBILE CO., LTD.

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS
DECEMBER 31, 2006
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Security Type and Company Name	Shares/Units (Thousand)	Cost	Market Price Per Share/Unit (NT$)	Market Price
Beneficiary certificates				
Fun-hwa Bond Fund	45,175	$ 600,000	$ 13.3303	$ 602,192
ABN Amro Income Fund	25,387	400,000	15.8314	401,917
ABN Amro Bond Fund	126,959	1,901,965	15.0692	1,913,171
ABN Amro Select Bond Fund	35,432	400,000	11.3335	401,565
AIG Taiwan Bond Fund	153,928	1,951,767	12.7510	1,962,733
Dresdner Bond Dam Fund	130,038	1,500,000	11.5874	1,506,803
Fubon Jin-Ju-I Fund	81,999	1,000,000	12.2313	1,002,954
NITC Bond Fund	17,122	2,801,738	164.5410	2,817,260
Prudential Financial Bond Fund	13,686	200,000	14.6148	200,015
JF (Taiwan) Bond Fund	19,702	300,000	15.2573	300,597
				$ 11,109,207

Note: None of the above investments were provided as collateral.

TAIWAN MOBILE CO., LTD.

ACCOUNTS RECEIVABLE
DECEMBER 31, 2006
(In Thousands of New Taiwan Dollars)

Client	Amount
Related parties	
Taiwan Fixed Network Co., Ltd.	$ 222,747
TransAsia Telecommunications Inc.	80,210
Other (Note)	33,593
	336,550
Third parties	
Chunghwa Telecom Co., Ltd.	821,674
Other (Note)	4,707,710
	5,529,384
Less allowance for doubtful accounts	(461,630)
	5,067,754
	$ 5,404,304

Note: Each of the account was less than 5% of the total account balance.

TAIWAN MOBILE CO., LTD.

CHANGES IN INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD
YEAR ENDED DECEMBER 31, 2006
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

		Beginning Balance		Increase		Decrease		Adjustments on Equity Method (Note 2)	Ending Balance			Market Price or Net Asset Value (Note 3)
	Par Value	Thousand Shares	Amount	Thousand Shares	Amount	Thousand Shares	Amount (Note 1)		Thousand Shares	% of Ownership	Amount	
TransAsia Telecommunications Inc. (formerly TAT International Telecommunications Co., Ltd.)	NT$10	-	$ -	1,245,846	$ 12,458,463	-	$ -	$ 1,551,510	1,245,846	100.00	$ 14,009,973	$ 14,053,173
Taiwan Cellular Co., Ltd. (formerly Taihsing Den Syun Co., Ltd.)	NT$10	386,972	3,781,996	50,000	500,000	111,972	1,119,715	715,378	325,000	100.00	3,877,659	3,894,039
TransAsia Telecommunications Inc.	NT$10	328,645	12,458,466	-	-	328,645	12,458,465	(1)	-	-	-	-
Taiwan Cellular Co., Ltd.	NT$10	44,300	992,550	-	-	44,300	1,504,633	512,083	-	-	-	-
Total			$ 17,233,012		$ 12,958,463		$ 15,082,813	$ 2,778,970			$ 17,887,632	

Note 1: The decrease in equity method investments included the following:

a. Establishment of TAT International Telecommunications Co., Ltd. by investing the shares of the former TransAsia Telecommunications Inc.	$ 12,458,463
b. Merger of Taihsing Den Syun Co., Ltd. with the former Taiwan Cellular Co., Ltd.	1,504,633
c. Capital reduction of Taiwan Cellular Corporation (formerly Taihsing Den Syun Co., Ltd.)	1,119,715
d. Merger of TAT International Telecommunications Co., Ltd. with the former TransAsia Telecommunications Inc.	2
	$ 15,082,813

Note 2: Adjustments on equity method included the following:

a. Investment income recognized based on investees’ financial statements	$ 2,743,058
b. Translation adjustments on foreign-currency denominated long-term investments	620
c. Changes in investees’ equity	35,292
	$ 2,778,970

Note 3: Based on audited financial statements as of December 31, 2006.

Note 4: None of the above investments were provided as collateral.

SCHEDULE 5

TAIWAN MOBILE CO., LTD.

CHANGES IN PROPERTY AND EQUIPMENT
YEAR ENDED DECEMBER 31, 2006
(In Thousands of New Taiwan Dollars)

	Beginning Balance	Changes for the Period Increase	Changes for the Period Decrease	Changes for the Period Reclassification	Ending Balance
Cost					
Land	$ 3,399,049	$ 1,071,686	$ 116,441	$ 491,529	$ 4,845,823
Buildings	2,001,480	504,163	68,704	316,984	2,753,923
Telecommunication equipment	69,366,884	-	5,652,334	4,546,983	68,261,533
Office equipment	93,138	27,473	15,327	1,540	106,824
Leased assets	1,276,190	-	-	-	1,276,190
Miscellaneous equipment	928,514	379,706	82,815	606,681	1,832,086
	77,065,255	$ 1,983,028	$ 5,935,621	$ 5,963,717	79,076,379
Accumulated depreciation					
Buildings	203,180	$ 46,035	$ 9,270	$ 37,740	277,685
Telecommunication equipment	20,928,068	5,088,927	2,362,714	157,477	23,811,758
Office equipment	32,228	22,085	11,835	-	42,478
Leased assets	228,651	63,810	-	-	292,461
Miscellaneous equipment	345,044	265,366	47,882	26,262	588,790
	21,737,171	$ 5,486,223	$ 2,431,701	$ 221,479	25,013,172
Construction in progress and advance payments	2,310,644	$ 5,546,924	$ 2,699	$ (4,693,252)	3,161,617
Net property, plant and equipment	$ 57,638,728				$ 57,224,824

Note 1: The total insurance for property and equipment and assets leased to others amounted to $41,178,330 thousand.

Note 2: The increase of the construction in progress and advance payments included capitalized interests amounting to $11,647 thousand.

TAIWAN MOBILE CO., LTD.

ASSETS LEASED TO OTHERS AND IDLE ASSETS
DECEMBER 31, 2006
(In Thousands of New Taiwan Dollars)

	Cost	Accumulated Depreciation	Net Carrying Value
Assets leased to others			
Land	$ 472,047	$ -	$ 472,047
Buildings	266,689	35,134	231,555
	$ 738,736	$ 35,134	703,602
Deferred charges, net			
Interior decoration, etc.			5,740
			709,342
Less accumulated impairment			(10,591)
			698,751
Idle assets			
Land	$ 238,960	$ -	238,960
Buildings	137,010	21,620	115,390
Telecommunication equipment	2,295,865	702,905	1,592,960
Miscellaneous equipment	776	185	591
	$ 2,672,611	$ 724,710	1,947,901
Deferred charges, net			1,919
			1,949,820
Less accumulated impairment			(1,721,899)
			227,921
			$ 926,672

TAIWAN MOBILE CO., LTD.

ACCOUNTS PAYABLE
DECEMBER 31, 2006
(In Thousands of New Taiwan Dollars)

Suppliers	Amount
National Communications Commission	$ 1,167,941
Other (Note)	264,622
	$ 1,432,563

Note: Each of the account was less than 5% of the total account balance.

SCHEDULE 8

TAIWAN MOBILE CO., LTD.

ACCRUED EXPENSES
DECEMBER 31, 2006
(In Thousands of New Taiwan Dollars)

Nature	Amount
Salaries and bonuses	$ 1,133,546
Commissions	880,344
Repair and maintenance expenses	530,516
Professional service fees	329,171
Advertisement	149,217
Other (Note)	742,867
	$ 3,765,661

Note: Each of the item was less than 5% of the total account balance.

SCHEDULE 9

TAIWAN MOBILE CO., LTD.

OTHER PAYABLE
DECEMBER 31, 2006
(In Thousands of New Taiwan Dollars)

Item	Amount
Payables on equipment and constructions payable	$ 2,222,399
Value-added tax	119,998
Other	1,176,974
	$ 3,519,371

TAIWAN MOBILE CO., LTD.

BONDS PAYABLE
DECEMBER 31, 2006
(In Thousands of New Taiwan Dollars)

Bond Type	Trustee	Date of Issuance	Payment Terms	Interest Rate	Issuance Amount	Repayment	Buyback	Conversion	Current Portion	Non-current Portion	Total
1st domestic unsecured bonds	Bank SinoPac, Trust Division	December 13, 2002	Note 13	Note 13	$ 15,000,000	$ 1,250,000	$ -	$ -	$ 3,750,000	$ 10,000,000	$ 13,750,000
2nd domestic unsecured convertible bonds	Bank SinoPac, Trust Division	August 16, 2002	Note 13	-	6,000,000	-	544,700	5,399,400	55,900	-	55,900
					$ 21,000,000	$ 1,250,000	$ 544,700	$ 5,399,400	3,805,900	10,000,000	13,805,900
Add accrued interest compensation									8,548	-	8,548
Total									$ 3,814,448	$ 10,000,000	$ 13,814,448

SCHEDULE 11

TAIWAN MOBILE CO., LTD.

OPERATING REVENUES
YEAR ENDED DECEMBER 31, 2006
(In Thousands of New Taiwan Dollars)

Item	Amount
Telecom service revenues	
Network interconnection (Note 1)	$ 15,115,243
Airtime usage	16,187,173
Monthly access fee and activation fee	16,390,281
	47,692,697
Other operating revenues (Note 2)	198,592
	$ 47,891,289

Note 1: Including revenues from other telecommunication operators' use of the Corporation's telecommunication networks and IDD delivery revenues.

Note 2: Including revenues from cooperative co-branding agreement with Taipei Fubon Commercial Bank Co., Ltd. and commissions from receipts under custody and payments on behalf of others.

TAIWAN MOBILE CO., LTD.

OPERATING COSTS
YEAR ENDED DECEMBER 31, 2006
(In Thousands of New Taiwan Dollars)

Item	Amount
Telecom service costs	
Network interconnection (Note 1)	$ 8,391,112
Depreciation	5,104,861
Franchise fee (2G & 3G)	1,701,065
Monthly leased-line charges	1,222,315
Rents	1,073,193
Frequency usage fee	401,867
Maintenance materials and constructions	625,264
Other (Note 2)	1,907,219
	$ 20,426,896

Note 1: Including airtime and interconnection charges paid to other telecommunication operators.

Note 2: Including expenses for maintaining telecommunication service network and equipment.

TAIWAN MOBILE CO., LTD.

OPERATING EXPENSES
YEAR ENDED DECEMBER 31, 2006
(In Thousands of New Taiwan Dollars)

Item	Marketing	Administrative	Total
Commissions	$ 6,585,524	$ -	$ 6,585,524
Salaries	616,874	649,853	1,266,727
Professional service fees	776,183	272,415	1,048,598
Bad debts	-	962,389	962,389
Service charges	28,545	447,535	476,080
Depreciation	71,598	309,764	381,362
Other (Note)	975,561	786,909	1,762,470
	$ 9,054,285	$ 3,428,865	$ 12,483,150

Note: Each of the item was less than 5% of the total account balance.