

Taiwan Mobile Co., Ltd. and Subsidiaries

**Consolidated Financial Statements for the
Three Months Ended March 31, 2007 and 2006 and
Independent Accountants' Review Report**

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

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

We have reviewed the accompanying consolidated balance sheets of Taiwan Mobile Co., Ltd. (the "Corporation") and subsidiaries as of March 31, 2007 and 2006, and the related statements of income and cash flows for the three months then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to issue a report based on our reviews.

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

Based on our reviews, we are not aware of any material modifications that should be made to the consolidated financial statements referred to above for them to be in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, requirements of the Business Accounting Law and Guidelines Governing Business Accounting relevant to financial accounting standards, and accounting principles generally accepted in the Republic of China.

As disclosed in Note 25 to the consolidated financial statements, to position as an integrated telecom and media player down the road differentiating from competition and build growth momentum through exposure to higher margin lines of business, the board of directors of the Corporation's subsidiary, Taihsing International Telecommunications Co., Ltd., resolved on March 1, 2007 and April 9, 2007 to acquire Taiwan Fixed Network Co., Ltd. (TFN) through a public tender offer at NT\$8.3 per share from March 2, 2007 to April 13, 2007. As of the end of the public tender offer period, 4,781,501 thousand shares had been acquired (74.09 percent of TFN's outstanding shares), and the transaction was settled on April 17, 2007.

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 Nos. 34 and 36 on January 1, 2006.

April 17, 2007

Notice to Readers

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

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

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

MARCH 31, 2007 AND 2006

(In Thousands of New Taiwan Dollars, Except Par Value)

(Reviewed, Not Audited)

ASSETS	2007		2006		LIABILITIES AND SHAREHOLDERS' EQUITY	2007		2006	
	Amount	%	Amount	%		Amount	%	Amount	%
CURRENT ASSETS					CURRENT LIABILITIES				
Cash and cash equivalents (Notes 2, 4 and 22)	\$ 24,144,097	18	\$ 21,815,958	18	Short-term bank loans (Notes 14 and 23)	\$ 12,500,000	9	\$ -	-
Financial assets at fair value through profit or loss - current (Notes 2, 3 and 5)	7,910,615	6	-	-	Accounts payable (Note 22)	2,288,448	2	2,501,902	2
Available-for-sale financial assets - current (Notes 2, 3 and 6)	355,833	-	9,180,000	8	Income taxes payable (Notes 2 and 18)	3,832,388	3	2,155,561	2
Notes receivable	12,608	-	24,039	-	Accrued expenses (Note 22)	3,610,759	3	4,333,523	3
Accounts receivable - third parties (Notes 2 and 7)	5,844,634	5	6,111,784	5	Other payables (Note 22)	3,029,397	2	2,484,427	2
Accounts receivable - related parties (Notes 2 and 22)	225,571	-	247,279	-	Advance receipts	906,131	1	785,684	1
Other receivables (Note 22)	246,844	-	169,427	-	Current portion of long-term liabilities (Notes 2, 15 and 23)	3,803,112	3	1,942,219	2
Inventories (Note 2)	77,820	-	1,537	-	Guarantee deposits	104,849	-	170,947	-
Prepayments (Note 22)	529,738	1	416,942	-	Other current liabilities (Note 22)	639,700	-	638,719	-
Deferred income tax assets - current (Notes 2 and 18)	181,644	-	151,945	-					
Pledged time deposits (Notes 22 and 23)	12,510,000	9	10,000	-	Total current liabilities	30,714,784	23	15,012,982	12
Other current assets	23,096	-	54,646	-					
Total current assets	52,062,500	39	38,183,557	31	LONG-TERM LIABILITIES				
INVESTMENTS					Hedging derivative financial liabilities (Notes 2, 3, 21 and 26)	281,089	-	416,807	-
Financial assets carried at cost (Notes 2 and 9)	3,879,192	3	4,006,307	3	Bonds payable (Notes 2, 15 and 23)	10,000,000	8	14,478,137	12
PROPERTY AND EQUIPMENT (Notes 2, 10, 22 and 23)					Total long-term liabilities	10,281,089	8	14,894,944	12
Cost					OTHER LIABILITIES				
Land	3,863,140	3	3,971,337	3	Accrued pension cost (Notes 2 and 16)	-	-	83,615	-
Buildings	2,475,229	2	2,531,057	2	Guarantee deposits	247,357	-	235,073	-
Telecommunication equipment	77,967,180	58	79,666,711	64	Other (Notes 2 and 8)	-	-	472,778	1
Office equipment	197,110	-	147,523	-	Total other liabilities	247,357	-	791,466	1
Leased assets	1,276,190	1	1,284,961	1	Total liabilities	41,243,230	31	30,699,392	25
Miscellaneous equipment	1,949,014	1	1,827,653	2	SHAREHOLDERS' EQUITY (Notes 2 and 17)				
Total cost	87,727,863	65	89,429,242	72	Parent's shareholders' equity				
Less: Accumulated depreciation	(32,132,077)	(24)	(29,375,107)	(24)	Capital stock - \$10 par value				
	55,595,786	41	60,054,135	48	Authorized: 6,000,000 thousand shares				
Construction in progress and advance payments	3,146,441	2	2,152,807	2	Issued: 4,999,757 thousand shares in 2007 and 4,955,602 thousand shares in 2006	49,997,573	37	49,556,024	40
Net property and equipment	58,742,227	43	62,206,942	50	Entitlement certificates	-	-	62,275	-
INTANGIBLE ASSETS					Capital surplus	8,756,090	6	8,080,161	6
3G concession (Note 2)	8,785,582	7	9,533,291	8	Retained earnings				
Goodwill (Notes 2 and 11)	6,835,370	5	6,459,168	5	Legal reserve	10,128,401	8	8,504,731	7
Total intangible assets	15,620,952	12	15,992,459	13	Special reserve	3,350,000	2	2,201,631	2
OTHER ASSETS					Unappropriated earnings	23,033,286	17	22,280,328	18
Assets leased to others (Notes 2 and 12)	2,408,471	2	921,726	1	Other equity				
Idle assets (Notes 2 and 12)	227,439	-	264,976	-	Cumulative translation adjustments	8,488	-	2,838	-
Refundable deposits	313,266	-	304,820	-	Unrealized gains (losses) on financial instruments	(168,023)	-	1,911,950	2
Deferred charges (Notes 2 and 13)	462,615	-	565,247	1	Treasury stock	(1,402,946)	(1)	(323,544)	-
Deferred income tax assets - non-current (Notes 2 and 18)	1,173,196	1	1,107,649	1		93,702,869	69	92,276,394	75
Other (Notes 2, 16 and 23)	80,685	-	87,052	-	Minority interests	24,444	-	664,949	-
Total other assets	4,665,672	3	3,251,470	3	Total shareholders' equity	93,727,313	69	92,941,343	75
TOTAL	\$ 134,970,543	100	\$ 123,640,735	100	TOTAL	\$ 134,970,543	100	\$ 123,640,735	100

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

(With Deloitte & Touche review report dated April 17, 2007)

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME THREE MONTHS ENDED MARCH 31, 2007 AND 2006 (In Thousands of New Taiwan Dollars, Except Earnings Per Share) (Reviewed, Not Audited)

	2007		2006	
	Amount	%	Amount	%
OPERATING REVENUES (Notes 2 and 22)				
Telecommunication service revenue	\$ 14,411,995	100	\$ 14,458,179	99
Other revenue	<u>71,956</u>	<u>-</u>	<u>137,717</u>	<u>1</u>
Total operating revenues	14,483,951	100	14,595,896	100
OPERATING COSTS (Notes 2, 20 and 22)	<u>6,183,281</u>	<u>43</u>	<u>6,032,579</u>	<u>41</u>
GROSS PROFIT	<u>8,300,670</u>	<u>57</u>	<u>8,563,317</u>	<u>59</u>
OPERATING EXPENSES (Notes 2, 20 and 22)				
Marketing	2,223,425	15	3,011,503	21
Administrative	<u>1,097,162</u>	<u>8</u>	<u>1,003,143</u>	<u>7</u>
Total operating expenses	<u>3,320,587</u>	<u>23</u>	<u>4,014,646</u>	<u>28</u>
OPERATING INCOME	<u>4,980,083</u>	<u>34</u>	<u>4,548,671</u>	<u>31</u>
NON-OPERATING INCOME AND GAINS				
Interest income	52,173	1	58,655	1
Penalty income	51,140	-	58,180	-
Gain on disposal of investments, net (Note 2)	36,696	-	625,689	4
Rental income (Note 22)	27,564	-	17,493	-
Gain on disposal of property and equipment (Note 2)	3,799	-	7	-
Equity in earnings of equity-method investees, net (Notes 2 and 8)	-	-	16,126	-
Other	<u>129,052</u>	<u>1</u>	<u>99,248</u>	<u>1</u>
Total non-operating income and gains	<u>300,424</u>	<u>2</u>	<u>875,398</u>	<u>6</u>
NON-OPERATING EXPENSES AND LOSSES				
Loss on disposal and retirement of property and equipment (Note 2)	185,161	1	1,541,908	10
Interest expenses (Notes 2, 10 and 14)	79,162	1	124,087	1
Other (Notes 2 and 12)	<u>35,851</u>	<u>-</u>	<u>89,126</u>	<u>1</u>
Total non-operating expenses and losses	<u>300,174</u>	<u>2</u>	<u>1,755,121</u>	<u>12</u>
INCOME BEFORE INCOME TAX	4,980,333	34	3,668,948	25
INCOME TAX EXPENSE (Notes 2 and 18)	<u>1,170,665</u>	<u>8</u>	<u>548,636</u>	<u>4</u>

(Continued)

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

THREE MONTHS ENDED MARCH 31, 2007 AND 2006

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

(Reviewed, Not Audited)

	2007		2006	
	Amount	%	Amount	%
INCOME AFTER INCOME TAX	\$ 3,809,668	26	\$ 3,120,312	21
CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES (Note 3)	<u>-</u>	<u>-</u>	<u>35</u>	<u>-</u>
CONSOLIDATED NET INCOME	<u>\$ 3,809,668</u>	<u>26</u>	<u>\$ 3,120,347</u>	<u>21</u>
ATTRIBUTED TO				
Shareholders of the parent	\$ 3,809,732	26	\$ 3,104,903	21
Minority interests	<u>(64)</u>	<u>-</u>	<u>15,444</u>	<u>-</u>
	<u>\$ 3,809,668</u>	<u>26</u>	<u>\$ 3,120,347</u>	<u>21</u>
	2007		2006	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
EARNINGS PER SHARE (Note 19)				
Basic	<u>\$ 0.96</u>	<u>\$ 0.77</u>	<u>\$ 0.65</u>	<u>\$ 0.63</u>
Diluted	<u>\$ 0.96</u>	<u>\$ 0.77</u>	<u>\$ 0.65</u>	<u>\$ 0.62</u>

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

(With Deloitte & Touche review report dated April 17, 2007)

(Concluded)

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS THREE MONTHS ENDED MARCH 31, 2007 AND 2006 (In Thousands of New Taiwan Dollars) (Reviewed, Not Audited)

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Consolidated net income	\$ 3,809,668	\$ 3,120,347
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	1,710,057	1,675,847
Deferred income taxes	382,934	(450,269)
Amortization	246,058	276,858
Bad debts	242,510	224,444
Loss on disposal of property and equipment, net	181,362	1,541,901
Reversal of allowance for loss on inventories	(7,018)	-
Accrued interest compensation	504	23,910
Pension cost	(280)	(6,965)
Gain on disposal of available-for-sale financial assets	-	(625,506)
Loss on buyback of bonds payable	-	44,419
Equity in earnings of equity-method investees, net	-	(16,126)
Net changes in operating assets and liabilities		
Financial asset held for trading	6,166,553	600,000
Notes receivable	(775)	(9,991)
Accounts receivable - third parties	74,333	33,507
Accounts receivable - related parties	24,367	42,815
Other receivables	32,072	113,892
Inventories	(39,570)	4,514
Prepayments	70,084	139,726
Other current assets	(729)	(36,890)
Accounts payable	479,379	629,117
Income taxes payable	780,548	982,992
Accrued expenses	(397,923)	169,952
Other payables	(99,256)	91,286
Advance receipts	(109,404)	(301,160)
Other current liabilities	(39,156)	(147,312)
Net cash provided by operating activities	<u>13,506,318</u>	<u>8,121,308</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in pledged time deposits	(12,500,000)	-
Acquisition of property and equipment	(1,760,893)	(1,429,932)
Increase in deferred charges	(25,426)	(28,614)
Decrease (increase) in refundable deposits	(11,306)	5,214
Proceeds from disposal of property and equipment	4,479	5,787
Decrease in other assets	71	125
Proceeds from disposal of available-for-sale financial assets	-	2,944,800
Increase in goodwill	-	(45,139)
Net cash provided by (used in) investing activities	<u>(14,293,075)</u>	<u>1,452,241</u>

(Continued)

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS THREE MONTHS ENDED MARCH 31, 2007 AND 2006 (In Thousands of New Taiwan Dollars) (Reviewed, Not Audited)

	<u>2007</u>	<u>2006</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term bank loans	\$ 12,500,000	\$ -
Transfer of treasury stock to employees	29,474	-
Increase (decrease) in guarantee deposits	(15,766)	1,146
Decrease in bonds payable	-	(1,500,000)
Buyback of bonds payable	-	(936,524)
Decrease in minority interests	-	(182,150)
Increase in other liabilities	-	17,438
	<u>12,513,708</u>	<u>(2,600,090)</u>
Net cash provided by (used in) financing activities		
	<u>1,421</u>	<u>956</u>
EFFECT OF EXCHANGE RATE CHANGES		
	<u>11,728,372</u>	<u>6,974,415</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		
	<u>12,415,725</u>	<u>14,841,543</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD		
	<u>\$24,144,097</u>	<u>\$21,815,958</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD		
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid	\$ -	\$ 107,265
Deduct: Interest paid - interest capitalized	-	(2,911)
Interest paid - excluding interest capitalized	<u>\$ -</u>	<u>\$ 104,354</u>
Income tax paid	<u>\$ 8,693</u>	<u>\$ 15,913</u>
NON-CASH INVESTING AND FINANCING ACTIVITIES		
Current portion of long-term liabilities	<u>\$ 3,803,112</u>	<u>\$ 1,942,219</u>
Conversion of convertible bonds to capital stock and entitlement certificates	<u>\$ 10,200</u>	<u>\$ 230,200</u>
CASH INVESTING AND FINANCING ACTIVITIES		
Acquisition of property and equipment	\$ 1,415,069	\$ 906,028
Add: Decrease in other payables	<u>345,824</u>	<u>523,904</u>
Cash paid for acquisition of property and equipment	<u>\$ 1,760,893</u>	<u>\$ 1,429,932</u>

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

(With Deloitte & Touche review report dated April 17, 2007)

(Concluded)

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

THREE MONTHS ENDED MARCH 31, 2007 AND 2006

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

(Reviewed, Not Audited)

1. ORGANIZATION AND OPERATIONS

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

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

As of March 31, 2007 and 2006, the Corporation and subsidiaries had 2,978 and 3,534 employees, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying consolidated financial statements have been prepared in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, the Business Accounting Law, Guidelines Governing Business Accounting, and accounting principles generally accepted in the ROC. In conformity with these guidelines, the Law, and principles, the Corporation and subsidiaries (hereinafter referred to as the “Group”) are 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.

Consolidation

a. Basis of consolidation

The consolidated financial statements have been prepared in accordance with the Statement of Financial Accounting Standards (SFAS) No. 7, “Consolidated Financial Statements,” and included the financial statements of the Corporation, its direct and indirect subsidiaries with at least 50% shareholding and other investees controlled by the Corporation. All significant intercompany transactions and balances are eliminated on consolidation. As obtaining the majority of the shareholder’s equity of the

subsidiaries during the year, the company starts to consolidate the related revenues and expenses of the subsidiaries since the date of having the controlling interest.

For foreign subsidiaries using their local currency as their functional currency, assets and liabilities are translated at exchange rates in effect on the balance sheet date; shareholders' equity accounts are translated using historical exchange rates and income statement accounts are translated using average exchange rates during the period.

All significant intercompany balances and transactions have been eliminated upon consolidation.

b. Under the above basis of consolidation, the consolidated entities were as follows:

Investor	Subsidiary	Nature of Business	Percentage of Ownership as of March 31		Note
			2007	2006	
Corporation	TransAsia Telecommunications Inc. (TAT)	Wireless service provider	100.00	100.00	Formerly TAT International Telecommunication Co., Ltd.; established on February 8, 2006 by investing the former TAT's shares; merged with the former TAT on June 27, 2006 and renamed as TransAsia Telecommunications Inc.
Corporation	Taiwan Cellular Co., Ltd. (TCC; formerly Taihsing Den Syun Co., Ltd. (TDS))	Equipment installation and IT service	100.00	100.00	Established in 2005 by investing the former Mobitai's shares
Corporation	Taiwan Cellular Co., Ltd. (the former TCC)	Telecommunications equipment retailing and wholesale	-	99.99	Merged into TCC on May 1, 2006
TAT	TransAsia Telecommunications Inc. (The former TAT)	Wireless service provider	-	92.32	Merged into TAT International Telecommunications Co., Ltd. on June 27, 2006
TCC (formerly TDS)	Mobitai Communications (Mobitai)	Wireless service provider	100.00	100.00	Formerly Tai Ya International Telecommunications Co., Ltd.; merged with the former Mobitai on January 1, 2006 and renamed as Mobitai Communications
TCC (formerly TDS)	Tai Yi Digital Broadcasting Co., Ltd. (TYDB)	Digital broadcast service provider	49.90	-	-
TCC (formerly TDS)	TWM Holding Co. Ltd. (formerly Simax Investmet Holdings Ltd.)	Investment	100.00	-	-
TCC (formerly TDS)	Taihsing International Telecommunications Co., Ltd. (TIT)	Investment	100.00	-	-
TCC (formerly TDS)	Taiwan Teleservices & Technologies Co., Ltd. (TT&T)	Call center service	100.00	-	-
The former TCC	Tai Yi Digital Broadcasting Co., Ltd. (TYDB)	Digital broadcast service provider	-	49.90	-
The former TCC	Taiwan Teleservices & Technologies Co., Ltd. (TT&T)	Call center service	-	95.88	-
TT&T	TT&T Casualty & Property Insurance Agency Co., Ltd. (TCPIA)	Insurance agency	100.00	100.00	-
TT&T	TT&T Life Insurance Agency Co., Ltd. (TLIA)	Insurance agency	100.00	100.00	-
TT&T	TT&T Holdings Co., Ltd. (TT&T Holdings)	Investment	100.00	100.00	-
TT&T Holding	Xiamen Taifu Teleservices & Technologies Ltd.	Call center service	100.00	100.00	-
TT&T Holding	Dalian Xinkai Teleservices & Technologies Ltd.	Call center service	-	50.00	Sold on July 10, 2006

Among the consolidated subsidiaries, except the financial statements as of and for the three months ended March 31, 2007 of TAT, MBT and TIT and the financial statements as of and for the three months ended March 31, 2006 had been and audited or reviewed, the financial statements of the rest of the minor consolidated subsidiaries were unreviewed (the Corporation's management considered that the adjustment might be immaterial if the carrying value of the investment income or losses were determined on the basis of reviewed financial statements).

The Group'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. Other assets such as property and equipment and intangible assets are classified as non-current. Current liabilities are obligations held for trading and those expected to be due within twelve months from the balance sheet date. All other liabilities are classified as non-current.

Cash Equivalents

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

Financial Instruments at Fair Value through Profit or Loss

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

The fair value of open-end mutual funds is based on the net assets value on the balance sheets date.

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 by the Equity Method

Long-term investments in which the Corporation and subsidiaries 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 from the Corporation's sales to its subsidiaries are deferred and included in deferred income and have been recorded as other liabilities. 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 6 years; leased assets - 20 years; leasehold improvements - 5 to 10 years; and miscellaneous equipment - 3 to 8 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.

3G Concession

Concession refers 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.

Goodwill

Goodwill is the unidentifiable difference between the cost of acquisition and the equity in the investee's net asset value and was amortized over 8 to 20 years according to individual investee's circumstance. Starting January 1, 2006, in accordance with the newly revised SFAS, goodwill is no longer amortized. Please refer to the accounting policy of investments accounted for by the equity method.

Idle Assets

Properties not currently used in operations are stated at the lower of book value or net realizable value, with the difference charged to current income. 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 2 to 15 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 not allowed.

Pension Costs

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

Bonds Payable

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

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

Income Taxes

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

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

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

Income tax of 10% on unappropriated earnings generated 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 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 prepaid card service are recognized on the basis of minutes of usage.

Promotion Expenses

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

Hedging Derivative Financial Instruments

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

Reclassification

Certain accounts in the financial statements as of and for the three months ended March 31, 2006 have been reclassified to conform to the presentation of financial statements as of and for the three months ended March 31, 2007.

3. REASONS AND EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES

Effective January 1, 2006, the Group 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 Group 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	<u>-</u>	<u>(248,184)</u>
	<u>\$ 35</u>	<u>\$ 1,834,639</u>

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

- b. Starting on January 1, 2006, the Group 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 increased the income after income tax by \$124,018 thousand and \$115,595 thousand and had no effect on the cumulative effect of changes in accounting principle for the three months ended March 31, 2007 and 2006.

4. CASH AND CASH EQUIVALENTS

	<u>March 31</u>	
	<u>2007</u>	<u>2006</u>
Short-term notes and bills with resale rights	\$ 9,163,850	\$ 1,938,734
Time deposits	1,111,067	964,324
Checking and demand deposits	13,568,914	790,130
Government bonds with resale rights	266,599	18,092,069
Cash on hand	30,077	27,505
Revolving funds	<u>3,590</u>	<u>3,196</u>
	<u>\$ 24,144,097</u>	<u>\$ 21,815,958</u>

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

Information of financial instruments held for trading is summarized as follows:

	<u>March 31</u>	
	2007	2006
<u>Financial assets held for trading</u>		
Beneficiary certificates		
Open-end mutual funds	\$ 7,910,615	\$ _____ -

6. AVAILABLE-FOR-SALE FINANCIAL ASSETS - CURRENT

	<u>March 31</u>	
	2007	2006
Domestic listed stocks		
Chunghwa Telecom Co., Ltd.	\$ 172,301	\$ 9,180,000
Overseas listed stocks		
Hurray! Holding Co., Ltd. (NASDAQ listed company)	<u>183,532</u>	<u>_____ -</u>
	<u>\$ 355,833</u>	<u>\$ 9,180,000</u>

In the three months ended March 31, 2006, the Corporation recognized a gain of \$625,506 thousand from selling 50,000 thousand shares of Chunghwa Telecom Co., Ltd.

7. ACCOUNTS RECEIVABLE - THIRD PARTIES

	<u>March 31</u>	
	2007	2006
Accounts receivable	\$ 6,397,600	\$ 6,577,855
Less allowance for doubtful accounts	<u>(552,966)</u>	<u>(466,071)</u>
	<u>\$ 5,844,634</u>	<u>\$ 6,111,784</u>

8. INVESTMENTS ACCOUNTED FOR BY THE EQUITY METHOD

	<u>March 31, 2006</u>	
	Carrying Value	% of Owner- ship
Credit balance (recorded as other liabilities - other)		
Howin Technologies Co., Ltd.	\$ <u>(454,051)</u>	27.50

The investment income in Howin Technologies Co., Ltd. (HTC) was recognized under the equity method by debiting long-term investments. However, the accumulated receipts of cash dividends and capital reduction distributed by HTC and the accumulated profits from intercompany transactions between HTC and the consolidated entities were recognized by crediting long-term investments, which resulted in a credit balance on the long-term investment in HTC. In the year ended December 31, 2006, HTC was divested.

The financial statements used as the bases for calculating carrying value of the investments and the related investment income or loss were unreviewed.

9. FINANCIAL ASSETS CARRIED AT COST - NON-CURRENT

	<u>March 31</u>	
	<u>2007</u>	<u>2006</u>
Domestic emerging stocks		
Taiwan Fixed Network Co., Ltd.	\$ 3,743,808	\$ 3,869,976
Domestic unlisted stocks		
Arcoa Communication Co., Ltd.	67,731	67,731
Parawin Venture Capital Corp.	25,144	25,144
WEB Point Co., Ltd.	7,084	8,031
Sunnet Technologies Co., Ltd.	3,265	3,265
Foreign unlisted stocks		
Bridge Mobile Pte Ltd.	<u>32,160</u>	<u>32,160</u>
	<u>\$ 3,879,192</u>	<u>\$ 4,006,307</u>

Because there is no active market quotation and a reliable fair value can not be estimated, the above investments are measured at cost.

10. PROPERTY AND EQUIPMENT - ACCUMULATED DEPRECIATION

	<u>March 31</u>	
	<u>2007</u>	<u>2006</u>
Buildings	\$ 270,000	\$ 277,904
Telecommunication equipment	30,699,810	27,986,046
Office equipment	94,139	114,773
Leased assets	308,413	251,133
Miscellaneous equipment	<u>759,715</u>	<u>745,251</u>
	<u>\$ 32,132,077</u>	<u>\$ 29,375,107</u>

Interest expenses capitalized for the three months ended March 31, 2007 and 2006 amounted to \$9,287 thousand and \$2,911 thousand, respectively, with interest rates ranging from 2.4% -2.64% and from 2.76% to 3.12%, respectively.

11. GOODWILL

In conformity with SFAS No. 35, "Accounting for Asset Impairment," the Group identified the Corporation, TAT and Mobitai in 2006 and the Corporation, the former TAT and the former Mobitai in 2005 as the smallest identifiable group of cash-generating units. TAT (including the former TAT) and Mobitai (including the former Mobitai) mainly provide second-generation GSM wireless communication services. The recoverable amounts TAT (including the former TAT) and Mobitai (including the former Mobitai) were measured by the assets for operating and goodwill values in use under the following critical assumptions:

a. Assumptions on operating revenues

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

b. Assumptions on operating costs and expenses

The estimates of commissions, customer retention costs, customer service costs and bill processing costs were based on the projected changes in subscriber numbers. The estimates of remaining costs and expenses were based on the proportion of the actual costs and expenses to operating revenues in the 2006 and 2005 financial statements.

c. Assumptions on discount rate

In, 2006, the Group used the discount rates of 8.7%, 9.84%, and 9.70% in calculating the asset recoverable amounts of the corporation, TAT and the Mobitai, respectively. In 2005, the discount rates are 8.12%, 7.63%, and 8.72% for the corporation, former TAT, and the former Mobitai, respectively.

On the basis of critical assumptions of each cash-generating unit, the Group's management believes that the carrying amounts of these assets for operating and goodwill will not exceed their recoverable amounts even if there are changes in the critical assumptions used to estimate recoverable amounts as long as these changes are reasonable for the year ended December 31, 2006 and 2005.

12. ASSETS LEASED TO OTHERS AND IDLE ASSETS

	<u>March 31</u>	
	<u>2007</u>	<u>2006</u>
Assets leased to others		
Cost	\$ 2,527,005	\$ 987,396
Less accumulated depreciation	(107,943)	(55,079)
Less accumulated impairment	<u>(10,591)</u>	<u>(10,591)</u>
	<u>\$ 2,408,471</u>	<u>\$ 921,726</u>
Idle assets		
Cost	\$ 2,461,759	\$ 3,384,090
Less accumulated depreciation	(672,179)	(1,032,081)
Less accumulated impairment	<u>(1,562,141)</u>	<u>(2,087,033)</u>
	<u>\$ 227,439</u>	<u>\$ 264,976</u>

13. DEFERRED CHARGES

	<u>March 31</u>	
	<u>2007</u>	<u>2006</u>
Interior decoration	\$ 280,505	\$ 164,587
Computer software cost	115,298	214,107
Construction expenditures	54,918	131,968
Other	<u>11,894</u>	<u>54,585</u>
	<u>\$ 462,615</u>	<u>\$ 565,247</u>

14. SHORT-TERM BANK LOANS

	<u>March 31</u>	
	<u>2007</u>	<u>2006</u>
Mortgage loan	\$ <u>12,500,000</u>	\$ <u> </u> -

The amount of mortgage loan with annual interest rate of 1.2684% of TIT, a subsidiary of the Corporation, was to mature on April 11, 2007. Repayment of the loan and interests payable are on maturity date.

15. BONDS PAYABLE

	<u>March 31</u>			
	<u>2007</u>		<u>2006</u>	
	<u>Current</u>	<u>Non-current</u>	<u>Current</u>	<u>Non-current</u>
Domestic unsecured bonds	\$ 3,750,000	\$ 10,000,000	\$ 1,250,000	\$ 13,750,000
1st domestic unsecured convertible bonds	-	-	565,200	-
2nd domestic unsecured convertible bonds	45,700	-	-	647,200
Add accrued interest compensation	<u>7,412</u>	<u>-</u>	<u>127,019</u>	<u>80,937</u>
	<u>\$ 3,803,112</u>	<u>\$ 10,000,000</u>	<u>\$ 1,942,219</u>	<u>\$ 14,478,137</u>

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.

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
	<u>\$ 15,000,000</u>		

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 113.30% 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 March 31, 2007, bonds amounting to \$5,409,600 thousand have been converted to 209,703 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
From the second to fourth quarter, 2007	\$ 3,750,000
2008	2,500,000
2009	<u>7,500,000</u>
	<u>\$ 13,750,000</u>

16. 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 Group recognized a pension cost of \$29,146 thousand and \$36,415 thousand for the three months ended March 31, 2007 and 2006, respectively.

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.

17. 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 2006 earnings appropriations proposed by the Board of Directors on January 25, 2007 and the 2005 earnings appropriations resolved by the shareholders in their meeting on June 15, 2006 were as follow:

	<u>Appropriation of Earnings</u>		<u>Dividend Per Share</u> (NT\$)	
	<u>For Fiscal Year 2006</u>	<u>For Fiscal Year 2005</u>	<u>For Fiscal Year 2006</u>	<u>For Fiscal Year 2005</u>
Appropriation of legal reserve	\$ 1,617,074	\$ 1,623,670		
Appropriation of special reserve	143,563	1,150,000		
Reversal of special reserve	-	(1,631)		
Remuneration to directors and supervisors	43,231	40,394		
Cash bonus to employees	432,303	403,940		
Cash dividends	<u>12,880,151</u>	<u>12,843,997</u>	\$2.6	\$2.61677
	<u>\$ 15,116,322</u>	<u>\$ 16,060,370</u>		

The appropriation of the Corporation's 2006 earnings had not been approved by the shareholders meeting as of April 17, 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

<u>Purpose of Buyback</u>	<u>(Shares in Thousands)</u>			
	<u>Beginning Shares</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Shares</u>
<u>Three months ended March 31, 2007</u>				
To be transferred to employees	46,537	-	1,112	45,425
<u>Three months ended March 31, 2006</u>				
To be transferred to employees	11,551	-	-	11,551

For the three months ended March 31, 2007, the Corporation transferred the treasury stock through various tranches to employees of 1,112 thousand shares at NT\$28.17 per share, resulting in a reduction of retained earnings, amounting to \$4,870 thousands.

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

d. Unrealized gains (losses) on financial instruments

Unrealized gains or losses on financial instruments for the three months ended March 31, 2007 and 2006 were summarized as follows:

	Three Months Ended	
	March 31	
	2007	2006
Available-for-sale financial assets		
Balance, beginning of period	\$ 40,652	\$ -
Effect of the first time adoption of new issued SFASs	-	2,082,823
Fair value changes recognized directly in equity	9,408	764,800
Transfer to current gains or loss upon sales of financial assets	-	(625,506)
	<u>50,060</u>	<u>2,222,117</u>
Changes in unrealized gains (losses) of cash flow hedge		
Balance, beginning of period	(218,284)	-
Effect of the first time adoption of new issued SFASs	-	(248,184)
Fair value changes recognized directly in equity	7,467	(64,421)
	<u>(210,817)</u>	<u>(312,605)</u>
Recognition of investees' changes in unrealized gains or losses by the equity method		
Balance, beginning of period	30,209	-
Fair value changes recognized directly in equity	(37,475)	2,438
	<u>(7,266)</u>	<u>2,438</u>
Unrealized gain (losses) of financial instruments	<u>\$ (168,023)</u>	<u>\$ 1,911,950</u>

18. INCOME TAX EXPENSE

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

	Three Months Ended	
	March 31	
	2007	2006
Tax on pretax income at statutory tax rate (25%)	\$ 1,421,703	\$ 979,614
Add (deduct) tax effects of		
Permanent differences		
Investment income from domestic investees accounted for under the equity method	(186,496)	(61,771)
Gain on disposal of marketable securities	(9,174)	(156,422)
Other	(10,271)	7,484
Temporary differences	(391,481)	55,078
Tax-exempt income	-	(78,172)

	Three Months Ended March 31	
	2007	2006
Income tax (10%) on unappropriated earnings	\$ -	\$ 242,811
Investment tax credits	(36,122)	-
Prior year's loss carryforward	(7,980)	(5,948)
Deferred income taxes	382,934	(450,269)
Prior year's adjustment	319	11,809
Tax on short-term bills	<u>7,233</u>	<u>4,422</u>
Income tax expense	<u>\$ 1,170,665</u>	<u>\$ 548,636</u>

- b. Under Article 8 of the Statute 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.

<u>Equipment Expansion Projects</u>	<u>Tax-Exempt Period</u>
Switches, BTS and related telecommunication equipment, acquired from September 30, 2000 to September 30, 2001	2002 to 2006

- c. Deferred income tax assets as of March 31, 2007 and 2006 were as follows:

	March 31	
	2007	2006
Provision for doubtful accounts	\$ 877,602	\$ 749,255
Unrealized loss on retirement of property and equipment	528,620	263,033
Provision for impairment losses on idle assets	303,815	435,833
Amortization of goodwill	(90,257)	-
Unrealized loss on financial liabilities	70,272	104,202
Prior year's loss carryforward	31,664	61,256
Accrued interest compensation	1,853	51,989
Other	<u>15,608</u>	<u>24,296</u>
	1,739,177	1,689,864
Less valuation allowance	<u>(384,337)</u>	<u>(430,270)</u>
	<u>\$ 1,354,840</u>	<u>\$ 1,259,594</u>
Deferred income tax assets		
Current	\$ 181,644	\$ 151,945
Non-current	<u>1,173,196</u>	<u>1,107,649</u>
	<u>\$ 1,354,840</u>	<u>\$ 1,259,594</u>

	March 31	
	2007	2006
d. Integrated income tax information was as follows:		
Balance of imputation credit account (ICA)		
The Corporation	\$ 1,671,100	\$ 1,532,129
The former TAT		\$ 375,004
TAT	\$ 195,986	\$ -
Mobitai	\$ 316	\$ 2,625
The former TCC		\$ 360,126
TCC (former TDS)	\$ 92	\$ -
TYDB	\$ 71	\$ -
TIT	\$ -	\$ -
TT&T	\$ 27,798	\$ 25,599
TCPIA	\$ -	\$ -
TLIA	\$ 7	\$ -

As of March 31, 2007, there were no unappropriated earnings generated before January 1, 1998. The estimated or actual creditable ratio for the 2006 and 2005 earnings appropriation were as follows:

	2006	2005
The Corporation	19.64%	9.88%
The former TAT	Not applicable	-
TAT	33.33%	Not applicable
Mobitai	22.11%	-
The former TCC	Not applicable	-
TCC (formerly TDS)	18.04%	-
TYDB	-	Not applicable
TIT	-	Not applicable
TT&T	-	-
TCPIA	-	-
TLIA	33.33%	6.83%

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. The latest years through which income tax returns had been examined and cleared by the tax authorities were as follows:

	Year
The Corporation	2001
The former TAT	2004
TAT	None
The former Mobitai	2004
Mobitai	None
The former TCC	2004
TCC (formerly TDS)	None
TYDB	2004
TIT	Not applicable
TT&T	2003
TCPIA	None
TLIA	2004

The Corporation's income tax returns through 2001 had been examined by the tax authorities. However, the Corporation disagreed with the examination result on the income tax returns from 1999 to 2001, and filed requests for reexamination.

The former TAT's income tax returns through 2004 had been examined by the tax authorities. However, the former TAT disagreed with the examination result on the income tax returns from 2002 to 2004, and filed administrative proceedings to settle this matter for 2002 to 2003 and petition for reexamination in 2004.

19. EARNINGS PER SHARE

(New Taiwan Dollars)

	Three Months Ended March 31			
	2007		2006	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
Basic EPS				
Income before Cumulative effect of changes in accounting principles	\$ 0.96	\$ 0.77	\$ 0.65	\$ 0.63
Cumulative effect of changes in accounting principle	-	-	-	-
Net income	<u>\$ 0.96</u>	<u>\$ 0.77</u>	<u>\$ 0.65</u>	<u>\$ 0.63</u>
Diluted EPS				
Income before Cumulative effect of changes in accounting principles	\$ 0.96	\$ 0.77	\$ 0.65	\$ 0.62
Cumulative effect of changes in accounting principle	-	-	-	-
Net income	<u>\$ 0.96</u>	<u>\$ 0.77</u>	<u>\$ 0.65</u>	<u>\$ 0.62</u>

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

	Amounts (Numerator)		Shares (Denominator) (Thousands)	EPS (NT\$)	
	Before Income Tax	After Income Tax		Before Income Tax	After Income Tax
<u>Three months ended March 31, 2007</u>					
Weighted-average number of outstanding shares			4,999,388		
Less buyback of issued shares			<u>(45,450)</u>		
Basic EPS					
Income of common shareholders	\$ 4,746,614	\$ 3,809,732	4,953,938	<u>\$ 0.96</u>	<u>\$ 0.77</u>
Add effect of potentially dilutive convertible bonds 2nd convertible bonds (with implied yield rate of 3.3%)	<u>504</u>	<u>378</u>	<u>2,306</u>		
Diluted EPS					
Income of common shareholders with dilutive effect of potential common shares	<u>\$ 4,747,118</u>	<u>\$ 3,810,110</u>	<u>4,956,244</u>	<u>\$ 0.96</u>	<u>\$ 0.77</u>

(Continued)

	<u>Amounts (Numerator)</u>		<u>Shares (Denominator) (Thousands)</u>	<u>EPS (NT\$)</u>	
	<u>Before</u>	<u>After</u>		<u>Before</u>	<u>After</u>
	<u>Income Tax</u>	<u>Income Tax</u>		<u>Income Tax</u>	<u>Income Tax</u>
<u>Three months ended March 31, 2006</u>					
Weighted-average number of outstanding shares			4,954,893		
Less buyback of issued shares			(11,551)		
Basic EPS					
Income of common shareholders	\$ 3,227,541	\$ 3,104,903	4,943,342	<u>\$ 0.65</u>	<u>\$ 0.63</u>
Add effect of potentially dilutive convertible bonds					
1st convertible bonds (with implied yield rate of 4.5%)	17,443	13,083	56,574		
2nd convertible bonds (with implied yield rate of 3.3%)	<u>6,467</u>	<u>4,850</u>	<u>29,521</u>		
Diluted EPS					
Income of common shareholders with dilutive effect of potential common shares	<u>\$ 3,251,451</u>	<u>\$ 3,122,836</u>	<u>5,029,437</u>	<u>\$ 0.65</u>	<u>\$ 0.62</u>

(Concluded)

20. LABOR COST, DEPRECIATION AND AMORTIZATION EXPENSE

	<u>Three Months Ended March 31</u>					
	<u>2007</u>			<u>2006</u>		
	<u>Classified as Operating Cost</u>	<u>Classified as Operating Expenses</u>	<u>Total</u>	<u>Classified as Operating Cost</u>	<u>Classified as Operating Expenses</u>	<u>Total</u>
Labor cost						
Salary	\$ 156,935	\$ 575,332	\$ 732,267	\$ 110,495	\$ 566,414	\$ 676,909
Labor and health insurance	8,964	34,400	43,364	6,873	36,716	43,589
Pension	7,404	23,849	31,253	6,243	28,662	34,905
Other	<u>8,335</u>	<u>24,146</u>	<u>32,481</u>	<u>5,845</u>	<u>24,489</u>	<u>30,334</u>
	<u>\$ 181,638</u>	<u>\$ 657,727</u>	<u>\$ 839,365</u>	<u>\$ 129,456</u>	<u>\$ 656,281</u>	<u>\$ 785,737</u>
Depreciation	\$ 1,574,619	\$ 130,124	\$ 1,704,743	\$ 1,569,347	\$ 103,677	\$ 1,673,024
Amortization	207,396	36,264	243,660	216,967	57,678	274,645

21. FINANCIAL INSTRUMENT TRANSACTIONS

a. Fair value information

	<u>March 31</u>			
	<u>2007</u>		<u>2006</u>	
	<u>Carrying Value</u>	<u>Fair Value</u>	<u>Carrying Value</u>	<u>Fair Value</u>
<u>Non-derivative financial instruments</u>				
Liabilities				
Bonds payable (including current portion)	\$13,803,112	\$13,731,265	\$16,420,356	\$16,546,633

- 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 March.
 - 4) Derivative financial instruments - based on valuation results provided by banks. As of March 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 refundable 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 \$23,051,516 thousand and \$21,005,127 thousand as of March 31, 2007 and 2006, respectively, and the financial liabilities exposed to fair value interest rate risk amounted to \$18,803,112 thousand and \$8,920,356 thousand as of March 31, 2007 and 2006, respectively. The financial assets exposed to cash flow interest rate risk amounted to \$13,559,046 thousand and \$740,843 thousand as of March 31, 2007 and 2006, respectively, and the financial liabilities exposed to cash flow interest rate risk amounted to \$7,781,089 thousand and \$7,916,807 thousand as of March 31, 2007 and 2006, 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 March 31, 2007 and 2006 were both zero because all of counter-parties are reputable financial institutions with good credit ratings.

The Group'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 working 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.

22. RELATED-PARTY TRANSACTIONS

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

Related Party	Relationship with the Group
Taiwan Mobile Foundation	Over one third of the Foundation's issued fund came from the Corporation
Howin Technologies Co., Ltd. (HTC)	Equity-method investee (all shares were sold in June 2006)
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
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
Fubon Multimedia Technology Co., Ltd. (FMT)	Related party in substance

b. Significant transactions with related parties were summarized below:

1) Operating revenues

	Three Months Ended March 31			
	2007		2006	
	Amount	% of Total Revenues	Amount	% of Total Revenues
TFN	\$ 382,003	3	\$ 375,667	3
FMT	5,162	-	29,234	-
TFCB	<u>2,635</u>	-	<u>13,337</u>	-
	<u>\$ 389,800</u>		<u>\$ 418,238</u>	

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

2) Operating costs

	Three Months Ended March 31			
	2007		2006	
	Amount	% of Total Costs	Amount	% of Total Costs
TFN	\$ 216,001	3	\$ 228,545	4
Fubon Ins.	<u>24,171</u>	-	<u>25,804</u>	-
	<u>\$ 240,172</u>		<u>\$ 254,349</u>	

The above companies rendered mainly telecommunication, maintenance and insurance services to the Group. The average payment term for notes and accounts payable was approximately two months.

3) Rental income

	Description	Three Months Ended March 31	
		2007	2006
TFN	Ji-lung Road, Dunhua S. Road, Tai-Chung, Chung-Ho and Tang-Cherng offices, BTS, etc.	<u>\$ 18,825</u>	<u>\$ 7,171</u>

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

	March 31			
	2007		2006	
	Amount	%	Amount	%
4) Cash in banks				
a) Cash in banks				
TFCB	<u>\$ 434,039</u>	2	<u>\$ 549,714</u>	3
b) Pledged time deposits				
TFCB	<u>\$ 10,000</u>	-	<u>\$ 10,000</u>	100

	March 31			
	2007		2006	
	Amount	%	Amount	%
5) Receivables and payables				
a) Accounts receivable				
TFN	\$ 217,861	4	\$ 181,180	3
FMT	3,607	-	51,511	1
Other	<u>4,103</u>	-	<u>14,588</u>	-
	<u>\$ 225,571</u>		<u>\$ 247,279</u>	
b) Other receivables				
TFN	\$ 21,797	9	\$ 14,672	9
TFCB	<u>2,921</u>	1	<u>10,666</u>	6
	<u>\$ 24,718</u>		<u>\$ 25,338</u>	
c) Prepayments				
Fubon Ins.	<u>\$ 52,392</u>	10	<u>\$ 62,237</u>	15
d) Accounts payable				
TFN	<u>\$ 11,233</u>	-	<u>\$ 4,026</u>	-
e) Accrued expenses				
TFN	\$ 70,435	2	\$ 69,685	2
Fubon Ins.	<u>2,852</u>	-	<u>11,759</u>	-
	<u>\$ 73,287</u>		<u>\$ 81,444</u>	
f) Other payables				
TFN	<u>\$ 52,917</u>	2	<u>\$ 110,761</u>	4
g) Other current liabilities - collections and temporary credits for the following				
TFN	<u>\$ 29,419</u>	5	<u>\$ 28,297</u>	4
Three Months Ended				
March 31				
		2007	2006	
6) Telecommunications service expenses				
TFN		<u>\$ 24,288</u>	<u>\$ 14,026</u>	

7) Other

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 in Yang-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 transfer of the ownership. The Corporation uses the land for operation purpose.

23. ASSETS PLEDGED

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

	March 31	
	2007	2006
Current assets - time deposits	\$ 12,510,000	\$ 10,000
Fixed assets, net carrying value	-	10,633,913
Other assets - time deposits	-	2,000
	<u>\$ 12,510,000</u>	<u>\$ 10,645,913</u>

24. 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 March 31, 2007, payments of \$181,837 thousand has been made.
- 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 March 31, 2007, payments of \$3,777,626 thousand has been made.
- c. Unused letters of credit for acquisition of equipment were EUR521 thousand as of March 31, 2007.
- d. Future minimum rental payments as of March 31, 2007 for significant operating lease agreements were summarized as follows:

	Amount
From the second to fourth quarter, 2007	\$ 19,709
2008	18,648
2009	2,911

25. SUBSEQUENT EVENTS

- a. To position as an integrated telecom and media player down the road differentiating from competition and build growth momentum through exposure to higher margin lines of business, the board of directors of the Corporation's subsidiary, TIT, resolved on March 1, 2007 and April 9, 2007 to acquire TFN through a public tender offer at NT\$8.3 per share from March 2, 2007 to April 13, 2007. As of the end of the public tender offer period, 4,781,501 thousand shares had been acquired (74.09 percent of TFN's outstanding shares), and the transaction was settled on April 17, 2007.

- b. On March 1, 2007, the Corporation's Board of Directors approved to loan \$12,500,000 thousand and provide a \$18,000,000 thousand guarantee to TIT to meet its financing need in acquiring TFN. On April 11, 2007, the Corporation loaned \$12,500,000 thousand to TIT. As of April 17, 2007, TIT has obtained a loan of \$14,190,000 thousand from bank.

26. ADDITIONAL DISCLOSURES

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

- a. Financing provided: None
- b. Endorsement/guarantee provided: Table 1 (attached)
- c. Marketable securities held: Table 2 (attached)
- d. Marketable securities acquired and disposed of at costs or prices of at least \$100 million or 20% of the paid-in capital: Table 3 (attached)
- e. Acquisition of individual real estate at costs of at least \$100 million or 20% of the paid-in capital: None
- f. Disposal of individual real estate at prices of at least \$100 million or 20% of the paid-in capital: None
- g. Total purchase from or sale to related parties amounting to at least \$100 million or 20% of the paid-in capital: Table 4 (attached)
- h. Receivables from related parties amounting to at least \$100 million or 20% of the paid-in capital: Table 5 (attached)
- i. Names, locations, and related information of investees on which the Corporation exercised significant influence: Table 6 (attached)
- j. Derivative transactions

The Corporation entered into interest rate swap (IRS) contracts in December 2002 to hedge fluctuation on anti-floating interest rates of bonds, which are settled semiannually. Please refer to Note 21 for the related information.

Financial Instrument	Term	Contract Amount
Interest rate swap contracts	Anti-floating interest rate in exchange for fixed interest rates of 2.25%	\$ 2,500,000
	Anti-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 three months ended March 31, 2007 and 2006, the Corporation recognized losses of \$39,396 thousand and \$27,595 thousand, respectively, recorded as addition to interest expense.

k. Investment in Mainland China:

- 1) The name of the investee company in Mainland China, the main businesses and products, issued capital, method of investment, information on inflow or outflow of capital, ownership, investment gain or loss, ending balance, amount received as earnings distributions from the investment, and the limitation on investment: Table 7 (attached)
 - 2) Significant direct or indirect transactions with the investee company, its prices and terms of payment, unrealized gain or loss, and other related information which is helpful to understand the impact of investment in Mainland China on financial reports: None
- l. Business relationships and significant intercompany transactions: Table 8 and Table 9 (attached).

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

ENDORSEMENT/GUARANTEE PROVIDED

MARCH 31, 2007

(In Thousands of New Taiwan Dollars)

No.	Endorsement/Guarantor	Receiving Party		Maximum Guarantee/ Endorsement Amount Allowed for Receiving Party (Note 3)	Maximum Balance for the Period (Note 2)	Ending Balance (Note 2)	Value of Collateral Property, Plant, and Equipment	Ratio of Accumulated Amount of Collateral to Net Equity of the Latest Financial Statement (Note 2)	Maximum Total Guarantee/ Endorsement Allowed to Be Provided by the Guarantor/Endorser (Note 3)
		Name	Nature of Relationship						
0	The Corporation	Taihsing International Telecommunications Co., Ltd.	(Note 1)	\$ 18,069,200	\$ 18,000,000	\$ 18,000,000	\$ -	19.21%	\$ 93,702,869

Note 1: An investee in which the Corporation holds directly and indirectly over 50% of the equity interest.

Note 2: Maximum Guarantee/ Endorsement amount for the period and the ending balance are the amount allowed, not actual appropriation.

Note 3: Under the Regulation No. 12 of the "Procedures for Endorsement/Guarantee and Lending of Funds," the Corporation limits the endorsement/guarantee amount for each subsidiary within the net value of the Corporation, and the endorsement/guarantee amount for each counter-party should not exceed the amount of the Corporation's investment in the counter-party.

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

MARCH 31, 2007

(In Thousands of New Taiwan Dollars or U.S. Dollars)

Holding Company Name	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	March 31, 2007				Note
				Shares/Units (Thousands)	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value (Note 1)	
Taiwan Mobile Co., Ltd.	<u>Beneficiary certificate</u> Fuh-Hwa Bond Fund	-	Financial assets at fair value through profit or loss - current	45,175	\$ 604,360	-	\$ 604,360 (Note 2)	
	ING Taiwan Income Fund	-	Financial assets at fair value through profit or loss - current	25,387	403,453	-	403,453 (Note 2)	
	ING Taiwan Bond Fund	-	Financial assets at fair value through profit or loss - current	106,743	1,614,420	-	1,614,420 (Note 2)	
	AIG Taiwan Bond Fund	-	Financial assets at fair value through profit or loss - current	74,772	956,726	-	956,726 (Note 2)	
	Dresdner Bond Dam Fund	-	Financial assets at fair value through profit or loss - current	130,038	1,512,200	-	1,512,200 (Note 2)	
	Fubon Jin-Ju-I Fund	-	Financial assets at fair value through profit or loss - current	81,999	1,006,620	-	1,006,620 (Note 2)	
	NITC Bond Fund	-	Financial assets at fair value through profit or loss - current	9,151	1,511,156	-	1,511,156 (Note 2)	
	JF (Taiwan) Bond Fund	-	Financial assets at fair value through profit or loss - current	19,702	301,680	-	301,680 (Note 2)	
	<u>Stock</u> Chunghwa Telecom Co., Ltd.	-	Available-for-sale financial assets - current	2,688	172,301	0.028	172,301 (Note 3)	
	Bridge Mobile Pte Ltd.	-	Financial assets carried at cost - non-current	1,000	32,160	12.5	21,438	
TransAsia Telecommunications Inc.	Subsidiary	Long-term investments - equity method	900,000	9,595,173	100	9,607,268		
Taiwan Cellular Co., Ltd. (formerly Taihsing Den Syun Co., Ltd.)	Subsidiary	Long-term investments - equity method	343,028	21,595,490	100	21,602,477		
Taiwan Cellular Co., Ltd. (formerly Taihsing Den Syun Co., Ltd.)	<u>Stock</u> Arcoa Communication Co., Ltd.	-	Financial assets carried at cost - non-current	6,998	67,731	5.21	- (Note 4)	
	Parawin Venture Capital Corp.	-	Financial assets carried at cost - non-current	3,000	25,144	3	- (Note 4)	
	Transportation High Tech Inc.	-	Financial assets carried at cost - non-current	1,200	- (Note 5)	12	- (Note 4)	
	WEB Point Co., Ltd.	-	Financial assets carried at cost - non-current	803	7,084	3.17	- (Note 4)	

(Continued)

Holding Company Name	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	March 31, 2007				Note
				Shares/Units (Thousands)	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value (Note 1)	
	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	2,279,766	100	2,286,126	
	Taiwan Teleservices & Technologies Co., Ltd.	Subsidiary	Long-term investments - equity method	70,000	563,121	100	563,121	
	Tai Yi Digital Broadcasting Co., Ltd.	Subsidiary	Long-term investments - equity method	2,495	24,347	49.9	24,347	
	TWM Holding Co. Ltd.	Subsidiary	Long-term investments - equity method	1 share	US\$ 8,848	100	US\$ 8,848	
	Taihsing International Telecommunications Co., Ltd.	Subsidiary	Long-term investments - equity method	1,806,920	18,063,154	100	18,063,154	
TWM Holding Co. Ltd.	<u>ADS</u> Hurray! Holding Co., Ltd.	-	Available-for-sale financial assets - current	1,080	US\$ 5,551	5.02	US\$ 5,551 (Note 3)	
Mobitai Communications	<u>Stock</u> Yes Mobile Holdings Company	-	Financial assets carried at cost - non-current	74	- (Note 5)	0.19	- (Note 4)	
Taiwan Teleservices & Technologies Co., Ltd.	<u>Stock</u> TT&T Life Insurance Agency Co., Ltd.	Subsidiary	Long-term investments - equity method	300	\$ 3,013	100	\$ 3,013	
	TT&T Casualty & Property Insurance Agency Co., Ltd.	Subsidiary	Long-term investments - equity method	300	2,703	100	2,703	
	TT & T Holdings Co., Ltd.	Subsidiary	Long-term investments - equity method	1,300	US\$ 1,275	100	US\$ 1,275	
TT&T Holdings Co., Ltd.	<u>Stock</u> Xiamen Taifu Teleservices & Technologies Ltd.	Subsidiary	Long-term investments - equity method	-	US\$ 1,270	100	US\$ 1,270	
Taihsing International Telecommunications Co., Ltd.	<u>Stock</u> Taiwan Fixed Network Co., Ltd.	Related party in substance	Financial assets carried at cost - non-current	641,900	5,327,770	9.95	6,834,174	

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

Note 2: Based on the net assets value of the fund on March 31, 2007.

Note 3: Based on the closing price on March 31, 2007.

Note 4: As of April 17, 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
THREE MONTHS ENDED MARCH 31, 2007
(In Thousands of New Taiwan Dollars)

Company Name	Marketable Securities Type and Issuer	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal			Ending Balance		
					Shares/Units (Thousands)	Amount	Shares/Units (Thousands)	Amount	Shares/Units (Thousands)	Amount	Carrying Value	Gain (Loss) on Disposal	Shares/Units (Thousands)	Amount
Taiwan Mobile Co., Ltd.	<u>Beneficiary certificate</u> ING Taiwan Bond Fund	Financial assets at fair value through profit or loss - current	-	-	126,959	\$ 1,913,171	-	\$ -	20,216	\$ 305,401	\$ 301,965	\$ 3,436	106,743	\$ 1,614,420
	ING Taiwan Select Bond Fund	Financial assets at fair value through profit or loss - current	-	-	35,432	401,565	-	-	35,432	401,827	400,000	1,827	-	-
	AIG Taiwan Bond Fund	Financial assets at fair value through profit or loss - current	-	-	153,928	1,962,733	-	-	79,156	1,011,718	1,001,767	9,951	74,772	956,726
	NITC Bond Fund	Financial assets at fair value through profit or loss - current	-	-	17,122	2,817,260	-	-	7,971	1,314,738	1,301,738	13,000	9,151	1,511,156
	Prudential Financial Bond Fund	Financial assets at fair value through profit or loss - current	-	-	13,686	200,015	-	-	13,686	200,500	200,000	500	-	-
	<u>Stock</u> Taiwan Cellular Co., Ltd. (formerly Taihsing Den Syun Co., Ltd.) Taiwan Fixed Network Co., Ltd.	Long-term investments - equity method Financial assets carried at cost - non-current	- Taiwan Cellular Co., Ltd.	- Subsidiary	325,000 637,000	3,877,659 3,700,944	18,028 -	18,027,530 -	- 637,000	- 8.3	- 3,700,944	- (Note 3)	- -	343,028 -
TransAsia Telecommunications Inc.	<u>Beneficiary certificate</u> ING Taiwan Bond Fund	Financial assets at fair value through profit or loss - current	-	-	46,758	704,606	-	-	46,758	706,382	700,000	6,382	-	-
	AIG Taiwan Bond Fund	Financial assets at fair value through profit or loss - current	-	-	71,000	905,330	-	-	71,000	907,488	900,000	7,488	-	-
	Prudential Financial Bond Fund	Financial assets at fair value through profit or loss - current	-	-	37,966	554,861	-	-	37,966	556,205	551,563	4,642	-	-
	JF (Taiwan) Bond Fund	Financial assets at fair value through profit or loss - current	-	-	42,808	653,130	-	-	42,808	654,757	650,000	4,757	-	-
	Fubon Jin-Ju-I Fund	Financial assets at fair value through profit or loss - current	-	-	12,267	150,035	24,522	300,000	36,789	451,112	450,000	1,112	-	-
Taiwan Cellular Co., Ltd. (formerly Taihsing Den Syun Co., Ltd.)	<u>Stock</u> Taihsing International Telecommunications Co., Ltd. Taiwan Fixed Network Co., Ltd.	Long-term investments - equity method Financial assets carried at cost - non-current	- Taiwan Mobile Co., Ltd	- Parent	- 4,900	- 42,864	1,806,920 637,000	18,069,200 5,287,100	- 641,900	- 8.3	- 5,329,964	- (Note 5)	1,806,920 -	18,063,154 (Note 4)
	<u>Stock</u> Taiwan Fixed Network Co., Ltd.	Financial assets carried at cost - non-current	Taiwan Cellular Co., Ltd.	Parent	-	-	641,900	5,327,770	-	-	-	-	641,900	5,327,770

Note 1: The amount of beginning and ending fund balance that belongs to marketable securities included the revaluation gain on financial assets.

Note 2: The amount included (a) the cash dividend adjustment of \$544,114 thousand; (b) the investment income adjustment of \$267,262 thousand; (c) the recognition of cumulative translation adjustments of \$4,628 thousand and (d) unrealized loss of \$37,475 thousand on financial asset.

Note 3: For its reorganization, the Corporation resolved to attend the capital injection of Taiwan Cellular Co., Ltd. with all its shares of Taiwan Fixed Network Co., Ltd. The spread between the original cost and the disposal price of the TFN shares, \$1,586,156 thousand, was recognized by the corporation as deferred credits. There was no gain or loss on this transaction.

Note 4: The amount included the investment loss adjustment of \$6,046 thousand.

Note 5: For its reorganization, TCC resolved to attend the capital injection of Taihsing International Telecommunications Co., Ltd. with all its shares of Taiwan Fixed Network Co., Inc. The spread between the original cost and the disposal price of the TFN shares, \$2,194 thousand, was recognized by TCC as deferred debits. There was no gain or loss on this share transaction.

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
THREE MONTHS ENDED MARCH 31, 2007
(In Thousands of New Taiwan Dollars)**

Company Name	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Payable or Receivable		Note
			Purchase/Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
Taiwan Mobile Co., Ltd.	TransAsia Telecommunications Inc.	Subsidiary	Sale	\$ (164,431)	1	Based on contract terms	-	-	\$ 65,523	1	
	Taiwan Fixed Network Co., Ltd.	Related party in substance	Sale	(358,199)	3	Based on contract terms	-	-	195,569	4	
	Taiwan Fixed Network Co., Ltd.	Related party in substance	Purchase	204,629	4	Based on contract terms	-	-	(11,233)	1	
	Taiwan Teleservices & Technologies Co., Ltd.	Subsidiary	Purchase	219,296	(Note 1)	Based on contract terms	-	-	(153,842)	(Note 2)	
TransAsia Telecommunications Inc.	The Corporation	Parent	Purchase	164,431	22	Based on contract terms	-	-	(67,265)	20	
Taiwan Teleservices & Technologies Co., Ltd.	The Corporation	Ultimate parent	Sale	(219,306)	94	Based on contract terms	-	-	153,877	89	

Note 1: Recognized as operating expenses.

Note 2: Recognized as accrued expenses.

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL
THREE MONTHS ENDED MARCH 31, 2007
(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			
Taiwan Mobile Co., Ltd.	TransAsia Telecommunications Inc.	Subsidiary	Accounts receivable	\$ 65,523	9.03	\$ -	-	\$ -	\$ -
			Other receivables	151,637		-	-	10,921	-
	Mobitai Communications	Subsidiary	Accounts receivable	17,993	11.18	-	-	-	-
			Other receivables	98,809		-	-	-	-
	Taiwan Fixed Network Co., Ltd.	Related party in substance	Accounts receivable	195,569	6.85	-	-	-	-
			Other receivables	21,365		-	-	-	-
TransAsia Telecommunications Inc.	The Corporation	Parent	Accounts receivable	19,380	13.92	-	-	-	-
			Other receivables	538,702		-	-	191,431	-
Mobitai Communications	The Corporation	Ultimate parent	Accounts receivable	5,334	10.93	-	-	784	-
			Other receivables	268,992		-	-	110,838	-
Taiwan Teleservices & Technologies Co., Ltd.	The Corporation	Ultimate parent	Accounts receivable	153,333	4.03	-	-	-	-
			Other receivables	544		-	-	-	-

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
 THREE MONTHS ENDED MARCH 31, 2007
 (In Thousands of New Taiwan Dollars or U.S. Dollars)

Investor	Investee	Location	Main Businesses and Products	Original Investment Amount		Balance as of March 31, 2007			Net Income (Loss) of the Investee	Investment Income (Loss)	Note
				March 31, 2007	January 1, 2007	Shares (Thousands)	Percentage of Ownership	Carrying Value			
Taiwan Mobile Co., Ltd.	Taiwan Cellular Co., Ltd. (formerly Taihsing Den Syun Co., Ltd.)	Taipei, Taiwan	Equipment installation and IT service	\$ 21,277,530	\$ 3,250,000	343,028	100	\$ 21,595,490	\$ 257,924	\$ 267,262	
	TransAsia Telecommunications Inc.	Taipei, Taiwan	Wireless service provider	9,000,000	12,458,463	900,000	100	9,595,137	447,797	478,723	
Taiwan Cellular Co., Ltd. (formerly Taihsing Den Syun Co., Ltd.)	Taiwan Teleservices & Technologies Co., Ltd.	Taipei, Taiwan	Call center service	91,277	91,277	70,000	100	563,121	21,511	NA	
	Mobitai Communications	Taipei, Taiwan	Wireless service provider	2,000,000	2,000,000	200,000	100	2,279,766	234,770	NA	
	Tai Yi Digital Broadcasting Co., Ltd.	Taipei, Taiwan	Broadcasts business and cell phone number agency	24,950	24,950	2,495	49.9	24,347	(128)	NA	
	TWM Holding Co. Ltd.	British Virgin Islands	Investment	US\$ 9,000	US\$ 9,000	1 share	100	US\$ 8,848	US\$ 20	NA	
	Taihsing International Telecommunications Co., Ltd.	Taipei, Taiwan	Investment	18,069,200	-	1,806,920	100	18,063,154	(6,046)	NA	
Taiwan Teleservices & Technologies Co., Ltd.	TT&T Life Insurance Agency Co., Ltd.	Taipei, Taiwan	Insurance agent	3,000	3,000	300	100	3,013	-	NA	
	TT&T Casualty & Property Insurance Agency Co., Ltd.	Taipei, Taiwan	Insurance agent	3,000	3,000	300	100	2,703	-	NA	
	TT&T Holdings Co., Ltd.	Samoa	Investment	US\$ 1,300	US\$ 1,300	1,300	100	US\$ 1,275	US\$ (12)	NA	
TT&T Holdings Co., Ltd.	Xiamen Taifu Teleservices & Technologies Ltd.	Xiamen	Call center service	US\$ 1,300	US\$ 1,300	-	100	US\$ 1,270	US\$ (12)	NA	

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

INVESTMENT IN MAINLAND CHINA
THREE MONTHS ENDED MARCH 31, 2007
(In Thousands of New Taiwan Dollars or U.S. Dollars)

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type	Accumulated Outflow of Investment from Taiwan as of March 31, 2006	Investment Flows		Accumulated Outflow of Investment from Taiwan as of March 31, 2007	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Value as of March 31, 2007	Accumulated Inward Remittance of Earnings as of March 31, 2007
					Outflow	Inflow					
Xiamen Taifu Teleservices & Technologies Ltd.	Call center service	US\$ 1,300 (NT\$ 42,983)	Indirect investment in the Company in Mainland China through a third place by the Corporation's subsidiary, Taiwan Teleservices & Technologies Co., Ltd.	US\$ 1,300 (NT\$ 42,983)	\$ -	\$ -	US\$ 1,300 (NT\$ 42,983)	100% ownership of indirect investment by the Corporation's subsidiary	US\$ (12) (NT\$ 382)	US\$ 1,270 (NT\$ 41,996)	-

Accumulated Investment in Mainland China as of March 31, 2007	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment Authorized by Investment Commission, MOEA
US\$1,300 (NT\$42,983)	US\$1,300 (NT\$42,983) (Note 2)	\$225,248 (Note 2)

Note 1: The above amounts were translated into New Taiwan Dollars at the exchange rate of US\$1=NT\$33.064 as of March 31, 2007.

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

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

BUSINESS RELATIONSHIP AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
THREE MONTHS ENDED MARCH 31, 2007
(In Thousands of New Taiwan Dollars)

Number	Company Name	Counterparty	Transaction Details				Percentage of Consolidated Total Operating Revenues or Total Assets
			Nature of Relationship (Note)	Account	Amount	Transaction Terms	
0	Taiwan Mobile Co., Ltd.	TransAsia Telecommunications Inc.	1	Accounts receivable	\$ 65,523	Based on regular terms	-
		Mobitai Communications	1	Accounts receivable	17,993	Based on regular terms	-
		TransAsia Telecommunications Inc.	1	Other receivables	151,637	Based on regular terms	-
		Mobitai Communications	1	Other receivables	98,809	Based on regular terms	-
		Taiwan Teleservices & Technologies Co., Ltd.	1	Other receivables	1,151	Based on regular terms	-
		Tai Yi Digital Broadcasting Co., Ltd.	1	Other receivables	17	Based on regular terms	-
		TransAsia Telecommunications Inc.	1	Prepayments	28	Based on regular terms	-
		TransAsia Telecommunications Inc.	1	Accounts payable	19,380	Based on regular terms	-
		Mobitai Communications	1	Accounts payable	1,005	Based on regular terms	-
		Taiwan Teleservices & Technologies Co., Ltd.	1	Accounts payable	5	Based on regular terms	-
		Mobitai Communications	1	Accrued expenses	4,330	Based on regular terms	-
		Taiwan Teleservices & Technologies Co., Ltd.	1	Accrued expenses	153,842	Based on regular terms	-
		TransAsia Telecommunications Inc.	1	Other payables	335,397	Based on regular terms	-
		Mobitai Communications	1	Other payables	166,703	Based on regular terms	-
		TransAsia Telecommunications Inc.	1	Advance receipts	473	Based on regular terms	-
		Mobitai Communications	1	Advance receipts	299	Based on regular terms	-
		Taiwan Teleservices & Technologies Co., Ltd.	1	Advance receipts	34	Based on regular terms	-
		Taiwan Cellular Co., Ltd. (formerly Taihsing Den Syun Co., Ltd.)	1	Advance receipts	34	Based on regular terms	-
		Taihsing International Telecommunications Co., Ltd.	1	Advance receipts	34	Based on regular terms	-
		TransAsia Telecommunications Inc.	1	Other current liabilities	203,829	Based on regular terms	-
		Mobitai Communications	1	Other current liabilities	102,507	Based on regular terms	-
		Taiwan Teleservices & Technologies Co., Ltd.	1	Other current liabilities	31	Based on regular terms	-
		TransAsia Telecommunications Inc.	1	Operating revenues	164,431	Based on regular terms	1%
		Mobitai Communications	1	Operating revenues	66,914	Based on regular terms	-
		TransAsia Telecommunications Inc.	1	Operating costs	85,436	Based on regular terms	1%
		Mobitai Communications	1	Operating costs	41,529	Based on regular terms	-
		Taiwan Teleservices & Technologies Co., Ltd.	1	Marketing expenses	201,922	Based on regular terms	1%
Taiwan Teleservices & Technologies Co., Ltd.	1	Administrative expenses	18,312	Based on regular terms	-		
1	TransAsia Telecommunications Inc.	The Corporation	2	Notes receivable	90	Based on regular terms	-
		The Corporation	2	Accounts receivable	19,380	Based on regular terms	-
		Mobitai Communications	3	Accounts receivable	1,036	Based on regular terms	-
		The Corporation	2	Other receivables	538,702	Based on regular terms	-
		Mobitai Communications	3	Other receivables	10	Based on regular terms	-
		The Corporation	2	Prepayments	473	Based on regular terms	-

(Continued)

Number	Company Name	Counterparty	Transaction Details				Percentage of Consolidated Total Operating Revenues or Total Assets
			Nature of Relationship (Note)	Account	Amount	Transaction Terms	
		The Corporation	2	Accounts payable	\$ 67,092	Based on regular terms	-
		Mobitai Communications	3	Accounts payable	63	Based on regular terms	-
		Taiwan Teleservices & Technologies Co., Ltd.	3	Accounts payable	18	Based on regular terms	-
		The Corporation	2	Accrued expenses	109,931	Based on regular terms	-
		The Corporation	2	Other payables	39,638	Based on regular terms	-
		The Corporation	2	Advance receipts	114	Based on regular terms	-
		The Corporation	2	Other current liabilities	11	Based on regular terms	-
		The Corporation	2	Operating revenues	75,368	Based on regular terms	1%
		Mobitai Communications	3	Operating revenues	2,049	Based on regular terms	-
		The Corporation	2	Operating costs	164,431	Based on regular terms	1%
		Mobitai Communications	3	Operating costs	1,106	Based on regular terms	-
2	Mobitai Communications	The Corporation	2	Accounts receivable	5,334	Based on regular terms	-
		TransAsia Telecommunications Inc.	3	Accounts receivable	63	Based on regular terms	-
		The Corporation	2	Other receivables	268,992	Based on regular terms	-
		The Corporation	2	Prepayments	331	Based on regular terms	-
		The Corporation	2	Accounts payable	19,452	Based on regular terms	-
		TransAsia Telecommunications Inc.	3	Accounts payable	1,046	Based on regular terms	-
		The Corporation	2	Other payables	32,569	Based on regular terms	-
		The Corporation	2	Accrued expenses	64,562	Based on regular terms	-
		The Corporation	2	Operating revenues	51,596	Based on regular terms	-
		TransAsia Telecommunications Inc.	3	Operating revenues	1,106	Based on regular terms	-
		The Corporation	2	Operating costs	66,914	Based on regular terms	-
		TransAsia Telecommunications Inc.	3	Operating costs	2049	Based on regular terms	-
3	Taiwan Cellular Co., Ltd. (formerly Taihsing Den Syun Co., Ltd.)	The Corporation	2	Prepayments	34	Based on regular terms	-
		Taiwan Teleservices & Technologies Co., Ltd.	1	Other receivables	330	Based on regular terms	-
4	Tai Yi Digital Broadcasting Co., Ltd.	The Corporation	2	Accrued expenses	17	Based on regular terms	-
5	Taihsing International Telecommunications Co., Ltd.	The Corporation	2	Prepayments	34	Based on regular terms	-
6	Taiwan Teleservices & Technologies Co., Ltd.	The Corporation	2	Accounts receivable	153,333	Based on regular terms	-
		TransAsia Telecommunications Inc.	3	Accounts receivable	18	Based on regular terms	-
		The Corporation	2	Other receivables	545	Based on regular terms	-
		The Corporation	2	Prepayments	34	Based on regular terms	-
		The Corporation	2	Accrued expenses	1,151	Based on regular terms	-
		Taiwan Cellular Co., Ltd. (formerly Taihsing Den Syun Co., Ltd.)	2	Accrued expenses	330	Based on regular terms	-
		TT&T Holdings Co., Ltd.	1	Accrued expenses	(2,362)	Based on regular terms	-
		Xiamen Taifu Teleservices & Technologies Ltd.	1	Accrued expenses	9,428	Based on regular terms	-
		The Corporation	2	Operating revenues	219,296	Based on regular terms	2%

(Continued)

Number	Company Name	Counterparty	Transaction Details				Percentage of Consolidated Total Operating Revenues or Total Assets
			Nature of Relationship (Note)	Account	Amount	Transaction Terms	
		The Corporation Xiamen Taifu Teleservices & Technologies Ltd. TT&T Holdings Co., Ltd. The Corporation	2 1 1 2	Marketing expenses Marketing expenses Marketing expenses Rental income	\$ 1,570 14,293 1,274 2,509	Based on regular terms Based on regular terms Based on regular terms Based on regular terms	- - - -
7	TT&T Holdings Co., Ltd.	Taiwan Teleservices & Technologies Co., Ltd. Taiwan Teleservices & Technologies Co., Ltd. Taiwan Teleservices & Technologies Co., Ltd.	2 2 2	Accounts receivable Accounts payable Operating revenues	1,346 3,708 1,274	Based on regular terms Based on regular terms Based on regular terms	- - -
8	Xiamen Taifu Teleservices & Technologies Ltd.	Taiwan Teleservices & Technologies Co., Ltd. Taiwan Teleservices & Technologies Co., Ltd.	2 2	Accounts receivable Operating revenues	9,428 14,293	Based on regular terms Based on regular terms	- -

Note: 1: Parent to subsidiary.
2: Subsidiary to parent.
3: Between subsidiaries.

(Concluded)

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

BUSINESS RELATIONSHIP AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
THREE MONTHS ENDED MARCH 31, 2006
(In Thousands of New Taiwan Dollars)

Number	Company Name	Counterparty	Transaction Details				Percentage of Consolidated Total Operating Revenues or Total Assets
			Nature of Relationship (Note)	Account	Amount	Transaction Terms	
0	Taiwan Mobile Co., Ltd	The former TransAsia Telecommunications Inc.	1	Accounts receivable	\$ 145,202	Based on regular terms	-
		The former Mobitai Communications	1	Accounts receivable	12,523	Based on regular terms	-
		The former TransAsia Telecommunications Inc.	1	Other receivables	385,889	Based on regular terms	-
		The former Mobitai Communications	1	Other receivables	488,081	Based on regular terms	-
		Taiwan Cellular Co., Ltd. (formerly Taihsing Den Den Co., Ltd.)	1	Other receivables	18,684	Based on regular terms	-
		Taiwan Teleservices & Technologies Co., Ltd.	1	Other receivables	4,988	Based on regular terms	-
		The former TransAsia Telecommunications Inc.	1	Accounts payable	16,029	Based on regular terms	-
		The former Mobitai Communications	1	Accounts payable	45,526	Based on regular terms	-
		The former TransAsia Telecommunications Inc.	1	Other payables	219,813	Based on regular terms	-
		The former Mobitai Communications	1	Other payables	135,888	Based on regular terms	-
		Taiwan Cellular Co., Ltd. (formerly Taihsing Den Den Co., Ltd.)	1	Accrued expenses	20,513	Based on regular terms	-
		Taiwan Teleservices & Technologies Co., Ltd.	1	Accrued expenses	289,741	Based on regular terms	-
		The former TransAsia Telecommunications Inc.	1	Other current liabilities	93,463	Based on regular terms	-
		The former Mobitai Communications	1	Other current liabilities	71,335	Based on regular terms	-
		The former TransAsia Telecommunications Inc.	1	Operating revenues	330,711	Based on regular terms	2%
		The former Mobitai Communications	1	Operating revenues	34,321	Based on regular terms	-
		Taiwan Teleservices & Technologies Co., Ltd.	1	Operating revenues	5,264	Based on regular terms	-
		The former TransAsia Telecommunications Inc.	1	Operating costs	145,416	Based on regular terms	1%
		The former Mobitai Communications	1	Operating costs	68,180	Based on regular terms	-
		Taiwan Teleservices & Technologies Co., Ltd.	1	Marketing expenses	250,005	Based on regular terms	2%
Taiwan Teleservices & Technologies Co., Ltd.	1	Administrative expenses	34,549	Based on regular terms	-		
Taiwan Cellular Co., Ltd. (formerly Taihsing Den Den Co., Ltd.)	1	Rental income	34	Based on regular terms	-		
Taiwan Teleservices & Technologies Co., Ltd.	1	Rental income	34	Based on regular terms	-		
1	The former TransAsia Telecommunications Inc.	The Corporation	2	Accounts receivable	323,232	Based on regular terms	-
		The former Mobitai Communications	3	Accounts receivable	1,901	Based on regular terms	-
		Taiwan Teleservices & Technologies Co., Ltd.	3	Other receivables	1,776	Based on regular terms	-
		The Corporation	2	Accounts payable	142,790	Based on regular terms	-
		The former Mobitai Communications	3	Accounts payable	448	Based on regular terms	-
		The Corporation	2	Other payables	343,336	Based on regular terms	-
		The Corporation	2	Operating revenues	145,412	Based on regular terms	1%
		The former Mobitai Communications	3	Operating revenues	4,280	Based on regular terms	-
		The Corporation	2	Operating costs	330,671	Based on regular terms	2%
		The former Mobitai Communications	3	Operating costs	2,213	Based on regular terms	-

(Continued)

Number	Company Name	Counterparty	Transaction Details				Percentage of Consolidated Total Operating Revenues or Total Assets
			Nature of Relationship (Note)	Account	Amount	Transaction Terms	
2	The former Mobitai Communications	The Corporation	2	Accounts receivable	\$ 250,533	Based on regular terms	-
		The former TransAsia Telecommunications Inc.	3	Accounts receivable	449	Based on regular terms	-
		The Corporation	2	Accounts payable	27,190	Based on regular terms	-
		The former TransAsia Telecommunications Inc.	3	Accounts payable	1,921	Based on regular terms	-
		The Corporation	2	Other payables	479,914	Based on regular terms	-
		The Corporation	2	Accrued expenses	620	Based on regular terms	-
		The Corporation	2	Operating revenues	68,180	Based on regular terms	-
		The former TransAsia Telecommunications Inc.	3	Operating revenues	2,213	Based on regular terms	-
		The Corporation	2	Operating costs	34,321	Based on regular terms	-
		The former TransAsia Telecommunications Inc.	3	Operating costs	4,280	Based on regular terms	-
3	Taiwan Cellular Co., Ltd. (formerly Taihsing Den Den Co., Ltd.)	The Corporation	2	Administrative expenses	34	Based on regular terms	-
4	TransAsia Telecommunications Inc.	The Corporation	2	Accrued expenses	3,298	Based on regular terms	-
5	Taiwan Teleservices & Technologies Co., Ltd.	The Corporation	2	Accounts receivable	284,023	Based on regular terms	-
		The former TransAsia Telecommunications Inc.	3	Accounts receivable	1,312	Based on regular terms	-
		TT&T Holding Co., Ltd.	1	Other payables	43,215	Based on regular terms	-
		The Corporation	2	Accrued expenses	3,699	Based on regular terms	-
		The Corporation	2	Operating revenues	284,553	Based on regular terms	2%
		The Corporation	2	Operating costs	2,008	Based on regular terms	-
		TT&T Holding Co., Ltd.	1	Marketing expenses	15,239	Based on regular terms	-
		The Corporation	2	Administrative expenses	3,290	Based on regular terms	-
6	TT&T Holding Co., Ltd.	Taiwan Teleservices & Technologies Co., Ltd.	2	Accounts receivable	11,900	Based on regular terms	-
		Taiwan Teleservices & Technologies Co., Ltd.	2	Other receivables	30,430	Based on regular terms	-
		Dalian Xinkai Teleservices & Technologies Ltd.	1	Accounts payable	3,868	Based on regular terms	-
		Xiamen Taifu Teleservices & Technologies Ltd.	1	Accounts payable	5,652	Based on regular terms	-
		Dalian Xinkai Teleservices & Technologies Ltd.	1	Deferred credits	27,321	Based on regular terms	-
		Taiwan Teleservices & Technologies Co., Ltd.	2	Operating revenues	15,239	Based on regular terms	-
		Dalian Xinkai Teleservices & Technologies Ltd.	1	Operating costs	3,848	Based on regular terms	-
		Xiamen Taifu Teleservices & Technologies Ltd.	1	Operating costs	8,343	Based on regular terms	-
7	Dalian Xinkai Teleservices & Technologies Ltd.	TT&T Holding Co., Ltd.	2	Accounts receivable	2,521	Based on regular terms	-
		TT&T Holding Co., Ltd.	2	Patent right	28,223	Based on regular terms	-
		TT&T Holding Co., Ltd.	2	Operating revenues	2,521	Based on regular terms	-
8	Xiamen Taifu Teleservices & Technologies Ltd.	TT&T Holding Co., Ltd.	2	Accounts receivable	5,655	Based on regular terms	-
		TT&T Holding Co., Ltd.	2	Operating revenues	8,343	Based on regular terms	-

Note: 1: Parent to subsidiary.
2: Subsidiary to parent.
3: Between subsidiaries.

(Concluded)