Taiwan Mobile Co., Ltd.

Financial Statements for the
Nine Months Ended September 30, 2008 and 2007 and
Independent Accountants' Review Report

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

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

We have reviewed the accompanying balance sheets of Taiwan Mobile Co., Ltd. (the "Corporation") as of September 30, 2008 and 2007, and the related statements of income and cash flows for the nine months then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to issue a report based on our reviews.

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 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 stated in Note 3 to the financial statements, in March 2007, the Accounting Research and Development Foundation issued an interpretation that requires companies to recognize employees bonuses and remuneration paid to directors and supervisors as expenses starting from January 1, 2008. The mentioned bonuses and remuneration were previously recorded as appropriations from earnings.

As stated in Note 7 to the financial statements, to position as an integrated telecom and media player down the road differentiating from competition and build growth momentum exposure to higher margin lines of business, the Board of Directors of the Corporation's subsidiary, Taihsing International Telecommunications Co., Ltd. (TIT), resolved to acquire Taiwan Fixed Network Co., Ltd. (the former TFN) through a public tender offer on March 1, 2007, and approved to buy shares continuously from minority interests on April 26, 2007, both at the price of NT$8.3 per share. On December 28, 2007, TFN merged into TIT (surviving company) by paying NT$8.3 per share cash to minority interests, and the surviving company is renamed as TFN.

We have also reviewed the consolidated balance sheets of the Corporation and its subsidiaries as of September 30, 2008 and 2007 and the related consolidated statements of income and cash flows for the nine months then ended. In our report dated October 21, 2008, we have issued a modified unqualified review report on these consolidated financial statements.

October 21, 2008

<u>*Notice to Readers*</u>

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

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

TAIWAN MOBILE CO., LTD.

BALANCE SHEETS
SEPTEMBER 30, 2008 AND 2007
(In Thousands of New Taiwan Dollars, Except Par Value)
(Reviewed, Not Audited)

	2008		2007	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 2, 4 and 24)	$ 583,765	1	$ 3,130,517	4
Available-for-sale financial assets - current (Notes 2 and 5)	200,794	-	180,365	-
Notes receivable	9,471	-	14,629	-
Accounts receivable - third parties (Notes 2 and 6)	6,222,618	7	5,383,149	6
Accounts receivable - related parties (Notes 2 and 24)	239,517	-	294,627	-
Other receivables - third parties	232,027	-	200,209	-
Other receivables - related parties (Note 24)	2,452,721	3	402,282	1
Inventories (Note 2)	160,876	-	52,670	-
Prepayments (Note 24)	631,461	1	520,021	1
Deferred income tax assets - current (Notes 2 and 20)	276,532	-	103,596	-
Pledged time deposits (Notes 24 and 25)	10,000	-	10,000	-
Other current assets	6,731	-	10,474	-
Total current assets	11,026,513	12	10,302,539	12
INVESTMENTS				
Investments accounted for using equity method (Notes 2, 7 and 19)	14,554,253	17	10,723,160	12
Hedging derivative financial assets - non-current (Notes 2, 23 and 27)	22,707	-	-	-
Financial assets carried at cost - non-current (Notes 2 and 8)	60,064	-	52,052	-
Total investments	14,637,024	17	10,775,212	12
PROPERTY AND EQUIPMENT (Notes 2, 9 and 24)				
Cost				
Land	3,866,289	4	3,655,983	4
Buildings	2,385,587	3	2,181,890	3
Telecommunication equipment	60,627,401	68	71,195,218	81
Office equipment	142,093	-	114,366	-
Leased assets	1,276,190	1	1,276,190	2
Miscellaneous equipment	2,339,415	3	2,150,212	2
Total cost	70,636,975	79	80,573,859	92
Less accumulated depreciation	29,540,562	33	28,890,798	33
	41,096,413	46	51,683,061	59
Construction in progress and advance payments	1,840,648	2	2,540,038	3
Net property and equipment	42,937,061	48	54,223,099	62
INTANGIBLE ASSETS (Note 2)				
3G concession	7,664,018	9	8,411,727	9
Computer software cost	11,390	-	34,526	-
Goodwill (Note 10)	6,835,370	8	-	-
Total intangible assets	14,510,778	17	8,446,253	9
OTHER ASSETS				
Assets leased to others (Notes 2, 11 and 24)	2,309,268	3	2,387,465	3
Idle assets (Notes 2 and 11)	138,989	-	226,475	-
Refundable deposits	317,173	-	293,409	1
Deferred charges (Notes 2, 12 and 24)	283,433	-	256,198	-
Deferred income tax assets - non-current (Notes 2 and 20)	2,590,082	3	934,629	1
Other	67,377	-	39,874	-
Total other assets	5,706,322	6	4,138,050	5
TOTAL	$ 88,817,698	100	$ 87,885,153	100

	2008		2007	
LIABILITIES AND SHAREHOLDERS' EQUITY	**Amount**	**%**	**Amount**	**%**
CURRENT LIABILITIES				
Short-term bank loans (Note 13)	$ 12,400,000	14	$ 4,300,000	5
Short-term notes and bills payable (Note 14)	2,843,224	3	1,998,970	2
Accounts payable (Note 24)	2,019,539	2	1,483,949	2
Income taxes payable (Notes 2 and 20)	1,489,574	2	806,608	1
Accrued expenses (Note 24)	4,364,062	5	4,120,381	5
Other payables (Note 24)	3,655,722	4	3,942,918	4
Advance receipts (Note 15)	1,045,100	1	799,739	1
Current portion of long-term liabilities (Notes 2, 16 and 23)	2,500,000	3	3,750,000	4
Guarantee deposits	81,000	-	28,132	-
Other current liabilities (Note 24)	643,186	1	905,345	1
Total current liabilities	31,041,407	35	22,136,042	25
LONG-TERM LIABILITIES				
Bonds payable (Notes 2, 16 and 23)	7,500,000	8	10,000,000	12
Hedging derivative financial liabilities (Notes 2, 23 and 27)	-	-	182,840	-
Total long-term liabilities	7,500,000	8	10,182,840	12
OTHER LIABILITIES				
Guarantee deposits	244,289	-	258,270	-
Deferred credits - gains on inter-affiliate accounts (Notes 2 and 7)	1,238,378	2	1,586,156	2
Long-term investments credit balances (Notes 2 and 7)	-	-	2,664,615	3
Total other liabilities	1,482,667	2	4,509,041	5
Total liabilities	40,024,074	45	36,827,923	42
SHAREHOLDERS' EQUITY (Notes 2, 7 and 19)				
Capital stock - NT$10 par value				
Authorized: 6,000,000 thousand shares				
Issued: 3,800,925 thousand shares in 2008 and 5,000,925 thousand shares in 2007	38,009,254	43	50,009,254	57
Capital surplus				
From convertible bonds	8,775,819	10	8,775,819	10
From treasury stock transactions	3,493,759	4	4,127	-
From long-term investments	1,166	-	-	-
Retained earnings				
Legal reserve	12,406,775	14	11,745,475	13
Special reserve	3,406,744	4	3,493,563	4
Unappropriated earnings	14,569,830	16	15,832,086	18
Other equity				
Cumulative translation adjustments	9,253	-	5,427	-
Net loss not recognized as pension cost	1,604	-	-	-
Unrealized gains (losses) of financial instruments	8,520	-	(316,677)	-
Treasury stock	(31,889,100)	(36)	(38,491,844)	(44)
Total shareholders' equity	48,793,624	55	51,057,230	58
TOTAL	$ 88,817,698	100	$ 87,885,153	100

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

(With Deloitte & Touche review report dated October 21, 2008)

TAIWAN MOBILE CO., LTD.

STATEMENTS OF INCOME
NINE MONTHS ENDED SEPTEMBER 30, 2008 AND 2007
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)
(Reviewed, Not Audited)

	2008		2007	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUES (Notes 2 and 24)				
Telecommunication service revenue	$39,679,413	99	$38,083,870	100
Other revenue	434,946	1	186,798	-
Total operating revenues	40,114,359	100	38,270,668	100
OPERATING COSTS (Notes 2, 22 and 24)	17,480,103	44	16,559,858	43
GROSS PROFIT	22,634,256	56	21,710,810	57
OPERATING EXPENSES (Notes 2, 22 and 24)				
Marketing	7,081,118	17	6,467,844	17
Administrative	2,688,989	7	2,712,874	7
Total operating expenses	9,770,107	24	9,180,718	24
OPERATING INCOME	12,864,149	32	12,530,092	33
NON-OPERATING INCOME AND GAINS				
Investment income recognized under the equity method, net (Notes 2 and 7)	3,278,323	8	3,135,725	8
Penalty income	141,133	-	126,309	1
Rental income (Notes 2 and 24)	103,103	-	79,348	-
Interest income (Note 24)	77,413	-	247,536	1
Gain on disposal of property and equipment (Note 2)	1,414	-	3,824	-
Valuation gain on financial instruments (Note 2)	36	-	39,408	-
Foreign exchange gain, net (Note 2)	-	-	21,569	-
Dividend income (Note 2)	-	-	9,623	-
Other (Notes 2 and 6)	177,264	-	96,818	-
Total non-operating income and gains	3,778,686	8	3,760,160	10
NON-OPERATING EXPENSES AND LOSSES				
Interest expenses (Notes 2, 9 and 24)	526,556	1	270,146	1
Loss on disposal and retirement of property and equipment (Note 2)	441,151	1	916,913	2
Impairment loss (Notes 2 and 8)	11,532	-	-	-
Other (Note 2)	64,820	-	30,528	-
Total non-operating expenses and losses	1,044,059	2	1,217,587	3

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TAIWAN MOBILE CO., LTD.

STATEMENTS OF INCOME
NINE MONTHS ENDED SEPTEMBER 30, 2008 AND 2007
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)
(Reviewed, Not Audited)

	2008		2007	
	Amount	%	Amount	%
INCOME BEFORE INCOME TAX	$15,598,776	38	$15,072,665	40
INCOME TAX EXPENSE (Notes 2 and 20)	3,373,573	8	3,347,812	9
NET INCOME	$12,225,203	30	$11,724,853	31

	2008		2007	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
EARNINGS PER SHARE (Note 21)				
Basic	$ 5.26	$ 4.12	$ 3.65	$ 2.84
Diluted	$ 5.25	$ 4.12	$ 3.65	$ 2.84

Pro forma information should the Corporation's shocks held by its subsidiaries be treated as an investment instead of treasury stock (after income tax):

	2008	2007
NET INCOME	$ 15,710,935	$ 11,724,853
EARNINGS PER SHARE		
Basic	$ 4.13	$ 2.36
Diluted	$ 4.13	$ 2.36

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

(With Deloitte & Touche review report dated October 21, 2008) (Concluded)

TAIWAN MOBILE CO., LTD.

STATEMENTS OF CASH FLOWS
NINE MONTHS ENDED SEPTEMBER 30, 2008 AND 2007
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$12,225,203	$11,724,853
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	4,437,366	4,622,575
Investment income recognized under the equity method, net	(3,278,323)	(3,135,725)
Cash dividends received from equity-method investees	3,245,715	1,979,210
Amortization	646,323	670,602
Bad debts	471,106	616,838
Loss on disposal and retirement of property and equipment, net	439,737	913,089
Deferred income taxes	89,751	483,722
Provision for (recovery of) loss on inventories	18,323	(8,169)
Impairment loss	11,532	-
Pension cost	(1,116)	(2,107)
Accrued interest compensation	-	(2,297)
Net changes in operating assets and liabilities		
Financial assets held for trading	-	11,109,207
Notes receivable	5,139	(3,223)
Accounts receivable - third parties	(685,858)	(948,175)
Accounts receivable - related parties	56,823	41,923
Other receivables - third parties	(85,410)	42,073
Other receivables - related parties	84,226	(147,422)
Inventories	(96,978)	(13,270)
Prepayments	(36,741)	44,424
Other current assets	11,497	5,949
Accounts payable	210,574	51,386
Income taxes payable	588,815	(1,299,431)
Accrued expenses	(254,545)	354,721
Other payables	694,165	683,410
Advance receipts	(68,009)	(194,491)
Other current liabilities	(275,692)	19,686
Net cash provided by operating activities	18,453,623	27,609,358
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	(3,802,646)	(4,459,902)
Proceeds from investees' capital reduction	1,802,688	3,458,463
Repayment of financing provided to investees	1,250,000	-
Financing provided to investees	(1,000,000)	(12,500,000)
Increase in long-term investments accounted for using equity method	(185,000)	(12,742,430)
Cash received from merger with subsidiaries	124,754	-
Increase in deferred charges	(97,643)	(55,105)
Decrease (increase) in other assets	(10,317)	223
Increase in refundable deposits	(9,448)	(18,424)

(Continued)

TAIWAN MOBILE CO., LTD.

STATEMENTS OF CASH FLOWS
NINE MONTHS ENDED SEPTEMBER 30, 2008 AND 2007
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	2008	2007
Increase in computer software costs	$ (2,491)	$ (117)
Proceeds from disposal of property and equipment	2,407	4,641
Increase in financial assets carried at cost - non-current	-	(19,892)
Net cash used in investing activities	(1,927,696)	(26,332,543)
CASH FLOWS FROM FINANCING ACTIVITIES		
Capital reduction	(11,997,771)	-
Cash dividends paid	(7,601,804)	(12,880,127)
Increase in short-term notes and bills payable	1,248,471	1,998,970
Bonus to employees	(181,155)	(432,303)
Increase in short-term borrowing	145,609	4,300,000
Remuneration to directors and supervisors	(18,116)	(43,231)
Decrease in guarantee deposits	(835)	(8,229)
Transfer of treasury stock to employees	-	735,059
Decrease in bonds payable	-	(18,900)
Net cash used in financing activities	(18,405,601)	(6,348,761)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,879,674)	(5,071,946)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	2,463,439	8,202,463
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 583,765	$ 3,130,517
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid	$ 387,936	$ 112,641
Less capitalized interest	8,596	21,347
Interest paid - excluding capitalized interest	$ 379,340	$ 91,294
Income taxes paid	$ 2,296,365	$ 3,536,990
NON-CASH INVESTING AND FINANCING ACTIVITIES		
Current portion of long-term liabilities	$ 2,500,000	$ 3,750,000
Conversion of convertible bonds to capital stock and entitlement certificates	$ -	$ 43,251
Receivable from investees' capital reduction	$ 350,000	$ -
Reclassification of the corporation's shares held by its subsidiaries to treasury stock	$ 31,889,100	$ 37,790,356
Participation in subsidiary's rights issue with TFN shares	$ -	$ 5,287,100
CASH INVESTING AND FINANCING ACTIVITIES		
Acquisition of property and equipment	$ 3,423,480	$ 4,226,493
Decrease in other payables	379,166	233,409
Cash paid for acquisition of property and equipment	$ 3,802,646	$ 4,459,902

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TAIWAN MOBILE CO., LTD.

STATEMENTS OF CASH FLOWS
NINE MONTHS ENDED SEPTEMBER 30, 2008 AND 2007
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

The Corporation merged with TransAsia Telecommunications Inc. on September 2, 2008. The book values of the assets and liabilities upon a merger were as follows:

Cash	$ 124,754
Accounts receivable	758,874
Other accounts receivable	2,102,930
Prepayments	38,355
Other current assets	570
Property and equipment	1,644,531
Intangible assets	6,843,089
Other assets	35,415
	11,548,518
Accounts payable	300,846
Income taxes payable	54,224
Accrued expenses	142,097
Other payables	161,391
Advance receipts	5,107
Other current liabilities	77,023
Other liabilities	322
	741,010
Net	$10,807,508

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

(With Deloitte & Touche review report dated October 21, 2008) (Concluded)

1. ORGANIZATION AND OPERATIONS

Taiwan Mobile Co., Ltd. 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 issued by the Directorate General of Telecommunications (DGT) of the ROC. The license allows the Corporation to provide services for 15 years from 1997 onwards. It also entails the payment of an annual license fee consisting of 2% of total wireless communication service revenues. On March 24, 2005, the Corporation received the third generation (3G) concession operation license issued by the DGT. The 3G license allows the Corporation to provide services from the issuance date of the license to December 31, 2018.

As of September 30, 2008 and 2007, the Corporation had 2,523 and 2,480 employees, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements have been prepared in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, 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 is required to make certain estimates and assumptions that could affect the amounts of allowance for doubtful accounts, provision for losses on decline in value of inventories, depreciation, pension, allowance for deferred income tax assets, bonus to employees, remuneration to directors and supervisors, impairment loss on assets, etc. Actual results may differ from these estimates.

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

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

Classification of 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

Short-term bills acquired with repurchase 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 sheet 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 lower of weighted-average cost or market value. Market value is evaluated on the basis of replacement cost or net realizable value.

Investments Accounted for Using Equity Method

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

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 assets value. Goodwill is no longer amortized. If the fair value of identifiable net assets acquired exceeds the cost of investments, the excess should be assigned to non-current assets (except for financial assets not under equity method, assets for disposal, deferred income tax assets and prepaid pension costs or other retirement benefit costs). If these assets are all reduced to zero, the remaining excess should be recognized as extraordinary gain. 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 assets value is also no longer amortized and applies the same accounting treatment as goodwill.

Gains or losses from downstream transactions to its subsidiaries are deferred and included in deferred income (loss) and recorded as other liabilities (assets). Gains or losses on the upstream transactions to the Corporation by equity-method investees that are not majority owned are deferred in proportion to the Corporation's ownership percentages in the investees until these sales are realized through transactions with third parties.

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

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 loss is recognized if a decrease in the fair value of the instruments can be objectively related to an event. Reversal of impairment loss is not allowed.

Property and Equipment and Assets Leased to Others

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

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

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

Accounting for Leases

In accordance with SFAS No. 2, "Accounting for Leases," a lease is identified as either an operating lease or a capital lease based on the lease contract terms, the collectability of the leasehold and the un-reimbursable costs to be incurred by the lessor.

The asset held under an operating lease is stated at cost, and depreciated on the straight-line basis over the estimated useful life. Receivables collected are periodically recognized as rental income during the lease contract.

The accounting treatment for a lessor shall be as follows: At the inception date of a capital lease, total leasehold receivables shall be recognized as all rental receivables plus the pre-determined bargain purchase price offered to the lessee upon maturity or estimated residual value. For a financing lease, leasehold receivables should be recognized as the sum of present value derived from each future rental receivable based on an implicit interest rate of the lease. The excess of total leasehold receivables over the present value of leasehold receivables should be deferred as unrealized interest income, and amortized as interest income by the effective interest method upon each collection.

Intangible Assets

a. Franchise

   Franchise refers to the payment for the 3G mobile telecommunication service - License C. The 3G concession is recorded at acquisition cost and is amortized by straight-line method over 13 years and 9 months starting from the launch of 3G services.

b. Computer software

   Computer software cost is amortized by the straight-line method over 3 years.

c. Goodwill

   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

Property not currently used in operations are stated at the lower of book value or net realizable value, with the difference charged to current loss. 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, cost, bond issuance costs, and arrangement fees for syndicated bank loans are amortized by the straight-line method over three to seven years.

Asset Impairment

If the carrying value of assets (including property and equipment, intangible assets, idle assets, assets leased to others, investments accounted for using equity method and deferred charge) is more than its 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 flow-through 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 provided for as income tax in the year when the shareholders resolve the retention of the earnings.

Treasury Stock

The purchase of issued shares is accounted for by debiting treasury stock, which is a reduction of shareholders' equity. The Corporation's shares held by its subsidiaries are treated as treasury stock and reclassified from investments accounted for using equity method to treasury stock.

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

Foreign-currency Transactions

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

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

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

The above prevailing exchange rates are based on the average of bid and ask rates of major 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 services 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

Derivatives that qualify as effective hedging instruments are measured at fair value, with subsequent changes in fair value recognized either in earnings or shareholders' equity, depending on the nature of the hedge.

Hedge Accounting

When hedge accounting is applied, gain or loss from changes in the fair value of the derivatives (hedging instruments) shall be offset by that of financial assets/liabilities (hedged position).

The Corporation entered into interest rate swaps (IRS) contracts to hedge against cash flow risk from inverse floating interest rates of liabilities, thus was qualified to apply hedge accounting. The accounting treatment is as follows: Gain or loss from changes in the fair value of the derivatives, which is recognized in shareholder's equity, shall be reclassified in earnings, if gain or loss from the expected transaction of the hedged position occurs. When there is objective evidence that the net loss recognized in shareholders' equity is expected to be not recoverable, the mentioned net loss should be reclassified in earnings as well.

Reclassification

Certain accounts in the financial statements as of and for the nine months ended September 30, 2007 have been reclassified to conform to the presentation of financial statements as of and for the nine months ended September 30, 2008.

3. REASONS AND EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES

In March 2007, the Accounting Research and Development Foundation issued an interpretation that requires companies and their subsidiaries to recognize those bonuses to employees and remunerations to directors and supervisors as expenses starting from January 1, 2008. The mentioned bonuses and remunerations were previously recorded as appropriations from earnings. The adoption of this interpretation resulted in a decrease of $226,733 thousand in net income and a decrease in basic earnings per share of $0.08 for the nine months ended September 30, 2008.

4. CASH AND CASH EQUIVALENTS

	September 30	
	2008	**2007**
Cash in banks	$ 424,374	$ 650,007
Short-term notes and bills with repurchase rights	89,503	1,914,322
Time deposits	42,586	537,634
Cash on hand	23,009	25,189
Revolving funds	4,293	3,365
	$ 583,765	$ 3,130,517

5. AVAILABLE-FOR-SALE FINANCIAL ASSETS - CURRENT

	September 30	
	2008	**2007**
Domestic listed stocks		
Chunghwa Telecom Co., Ltd.	$ 200,794	$ 180,365

6. ACCOUNTS RECEIVABLE - THIRD PARTIES

	September 30	
	2008	**2007**
Accounts receivable	$ 6,694,630	$ 5,827,041
Less allowance for doubtful accounts	(472,012)	(443,892)
	$ 6,222,618	$ 5,383,149

In the first quarter of 2008, the Corporation entered into an accounts receivable factoring contract with HC Second Asset Management Co., Ltd. The Corporation sold $1,122,544 thousand of the overdue accounts receivable, which had been written off, to HC Second Asset Management Co., Ltd. The aggregate selling price was $15,358 thousand. Under this contract, the Corporation would no longer assume the risk on this receivable.

7. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	September 30			
	2008		2007	
	Carrying Value	% of Owner-ship	Carrying Value	% of Owner-ship
Taiwan Cellular Co., Ltd. (TCC)	$ 14,318,804	100	$ -	-
Wealth Media Technology Co., Ltd. (WMT)	235,449	100	2,000	100
TransAsia Telecommunications Inc. (TAT)	-	-	10,721,160	100
	$ 14,554,253		$ 10,723,160	
Credit balance (recorded as other liabilities)				
Taiwan Cellular Co., Ltd. (TCC)	$ -	-	$ 2,664,615	100

a. Taiwan Cellular Co., Ltd.

On March 1, 2007, TCC's Board of Directors resolved the rights issue of 18,028 thousand shares at $1,000 per share. On the record date (March 8, 2007), the Corporation subscribed for all the shares by cash of $12,740,430 thousand and the 637,000 thousand shares of Taiwan Fixed Network Co., Ltd. (TFN) value at $8.3 per share. After the capital injection, TCC is still a wholly-owned subsidiary of the Corporation.

TCC's Board of Directors resolved the rights issue of 21,931 thousand shares at $1,000 dollars on October 31, 2007. On the record date (December 26, 2007), the Corporation subscribed for all the shares and TCC is still a wholly-owned subsidiary.

On April 18, 2008, TCC's Board of Directors decided to reduce its capital by $1,000,000 thousand, resulting in the cancellation of 100,000 thousand shares and the cash return to investors. On the record date (May 1, 2008), the Corporation was entitled to receive $1,000,000 thousand based on its 100% equity in TCC.

On July 29, 2008, TCC's Board of Directors decided to reduce its capital by $1,150,000 thousand, resulting in the cancellation of 115,000 thousand shares and the cash return to investors. On the record date (August 1, 2008), the Corporation was entitled to receive $1,150,000 thousand based on its 100% equity in TCC.

TCC established wholly-owned Taihsing International Telecommunications Co., Ltd. (TIT) on January 30, 2007. On March 1, 2007, the Board of Directors of TIT resolved to issue 1,806,820 thousand shares with par value of $10 for capital injection. On the record date (March 15, 2007), TCC subscribed for all the shares by cash of $12,740,430 thousand and the 641,900 thousand shares of TFN valued at $8.3 per share. TIT's Board of Directors resolved another rights issue of $21,930,800 thousand on October 31, 2007. TCC subscribed for all the shares and TIT is still a wholly-owned subsidiary of TCC.

Based on the revised SFAS No. 5, "Long-term Investments in Equity Securities," unrealized gains (losses) on downstream transactions should be deferred. Thus, the spread between the original cost and the disposal price of the TFN shares on these transactions had been deferred. As of September 30, 2008, the amount recognized by the Corporation and TCC was deferred credits $1,238,378 thousand and deferred debits $1,713 thousand, respectively.

With the purpose of positioning and differentiating itself from the competition as an integrated telecom and media player down the road, and building growth momentum exposure to higher margin lines of business, the Board of Directors of TIT resolved to acquire TFN through a public tender offer on March 1, 2007, and approved to buy shares continuously from minority interests on April 26, 2007, both at the price of $8.3 per share. TFN and its subsidiaries have become the subsidiaries of the Corporation since April 17, 2007. In addition, TIT's Board of Directors resolved on June 29, 2007 to fully merge TFN at $8.3 per share, with TIT as the surviving company. TIT thus assumed all the rights and obligations of TFN and was renamed as TFN on the record date, December 28, 2007.

As of September 30, 2008, TFN and its subsidiary held 811,918 thousand shares of the Corporation. Based on SFAS No. 30, "Treasury Stock", the Corporation's shares held by subsidiaries are treated as treasury stock. This accounting treatment increased the Corporation's treasury stock account by $31,889,100 thousand. Please refer to Note 19 for details.

TFN reclassified investments in the former TFN from "financial assets carried at cost" account to "investments accounted for using equity method" account effective on April 17, 2007. The investment income from the former TFN for the period from January 1, 2007 to April 16, 2007 should be therefore accrued retroactively. Given that the Corporation controlled the former TFN through TFN (100% owned by the Corporation) and the former TFN held over 20% stake in the Corporation, the Corporation and the former TFN recognized investment income from each other based on treasury stock method. Moreover, the former TFN and its subsidiary became the subsidiaries of the Corporation, and reclassified investments in the Corporation from "investments accounted for using equity method" account to "available-for-sale financial assets - non-current" account effective on April 17, 2007.

The subsidiary of the Corporation, Taiwan United Communication Co., Ltd. (TUC), bought Taiwan Telecommunication Network Services Co., Ltd. (TTN) to help businesses meet their needs for digital convergence. To integrate enterprise resources and enhance the operating efficiency, TUC's Board of Directors decided on November 30, 2007 to acquire 100% of TTN though share swap on December 31, 2007. TFN's Board of Directors resolved on December 31, 2007 to fully merge TUC at $1,384.3 per share, with TFN as the surviving company. The record date of the merger was January 1, 2008. TFN assumed all the rights and obligations of TUC.

On May 22, 2008, TFN's Board of Directors resolved to merge TTN, with TFN as the surviving company. The record date of the merger was August 1, 2008. TFN assumed all the rights and obligations of TTN.

b. Wealth Media Technology Co., Ltd.

To integrate enterprise resources, the Corporation established Wealth Media Technology Co., Ltd. (WMT) on August 7, 2007. WMT's Board of Directors resolved the rights issue of 8,500 thousand shares and 18,500 thousand shares at $10 par value on October 11, 2007 and March 28, 2008, respectively. On the record dates (October 15, 2007 and April 1, 2008), the Corporation subscribed for all the shares and WMT is still a wholly-owned subsidiary of the Corporation.

c. TransAsia Telecommunications Inc.

On February 27, 2007, TAT's Board of Directors decided to reduce capital by $3,458,463 thousand, resulting in the cancellation of 345,846 thousand shares and the capital return to investors. On the record date, March 5, 2007, the Corporation was entitled to receive $3,458,463 thousand based on its 100% holding in TAT.

To integrate enterprise resources and enhance the operating efficiency, TAT's Board of Directors decided on September 4, 2007 to merge Mobitai Communications (Mobitai) with TAT as the surviving company. Mobitai was a wireless operator, incorporated in November 2005. TAT assumed all of Mobitai's rights and obligations in this cash merger with purchase price of $2,562,000 thousand ($12.81 per share) on the record date of December 15, 2007.

On July 31, 2008, the Board of Directors of the Corporation resolved to merge TAT, with the Corporation as the surviving company. The record date of the merger was September 2, 2008. The Corporation assumed all the rights and obligations of TAT.

d. Equity in investees' net gains or losses

The financial statements used as basis for calculating the carrying values of equity-method investments and the related income or losses were all unreviewed, except the financial statements of TAT and TFN (the subsidiary of TCC) for the nine months ended September 30, 2008 and the financial statements of TAT, Mobitai (the subsidiary of TCC), and the former TFN for the nine months ended September 30, 2007. The Corporation's management considered that, had these financial statements been reviewed, any adjustments would have been immaterial and would thus have had no material effects on the Corporation's financial statements.

The Corporation's investment income or losses were as follows:

	Nine Months Ended September 30	
	2008	**2007**
TCC	$ 2,179,356	$ 1,530,979
TAT	1,131,233	1,604,746
WMT	(32,266)	-
	$ 3,728,323	$ 3,135,725

All the financial statements of subsidiaries have been consolidated into the consolidated financial statements of the Corporation.

8. FINANCIAL ASSETS CARRIED AT COST - NON-CURRENT

	September 30	
	2008	**2007**
Foreign unlisted stocks		
Bridge Mobile Pte Ltd.	$ 60,064	$ 52,052

Because there is no active market quotation and a reliable fair value can not be estimated, the above investments are measured at cost. An impairment loss of $11,532 thousand was recognized for the first nine months of 2008.

9. PROPERTY AND EQUIPMENT - ACCUMULATED DEPRECIATION

	September 30	
	2008	**2007**
Buildings	$ 331,487	$ 252,232
Telecommunication equipment	27,521,322	27,347,708
Office equipment	101,559	59,797
Leased assets	404,127	340,317
Miscellaneous equipment	1,182,067	890,744
	$ 29,540,562	$ 28,890,798

Capitalized interests for the nine months ended September 30, 2008 and 2007 were $8,596 thousand and $21,347 thousand, respectively, with capitalization rates ranging from 2.4%-2.64% and 2.4%-3.0%, respectively.

The Corporation bought farmland located in Yang-Mei, Taoyuan for the amount of $12,000 thousand from the former TFN, based on the need for deploying telecom equipment. Because only an individual could be the owner of farmland according to related regulations, its ownership is under the landholder through a fiduciary contract.

10. GOODWILL

On September 2, 2008, the Corporation merged with TAT resulting in the recognition of goodwill at the book value of $6,835,670 thousand.

In conformity with SFAS No. 35, "Accounting for Asset Impairment," the Corporation, TAT and Mobitai, all engaged in mobile service, were combined viewed as one cash-generating unit in 2007. The critical assumptions to evaluate the recoverable amounts of operating assets and goodwill were as follows:

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 2007 financial statements.

c. Assumptions on discount rate

   In 2007, the Corporation used the discount rate of 6.78% in calculating the asset recoverable amounts.

Based on the key assumptions of the cash-generating unit, the Corporation'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, 2007.

11. ASSETS LEASED TO OTHERS AND IDLE ASSETS

	September 30	
	2008	**2007**
Assets leased to others		
Cost	$ 2,495,897	$ 2,505,112
Less accumulated depreciation	(132,136)	(107,056)
Less accumulated impairment	(54,493)	(10,591)
	$ 2,309,268	$ 2,387,465

(Continued)

	September 30	
	2008	2007
Idle assets		
Cost	$ 505,399	$ 1,647,101
Less allowance for value decline	(187,519)	(881,844)
Less accumulated depreciation	(94,297)	(410,011)
Less accumulated impairment	(84,594)	(128,771)
	$ 138,989	$ 226,475

(Concluded)

12. DEFERRED CHARGES

	September 30	
	2008	2007
Interior decoration	$ 255,126	$ 245,366
Arrangement fee for syndicated bank loans	17,790	-
Other	10,517	10,832
	$ 283,433	$ 256,198

13. SHORT-TERM BANK LOANS

	September 30	
	2008	2007
Unsecured loans from financial institutions	$ 12,400,000	$ 4,300,000
Interest rate	2.46%-2.66%	2.36%-2.50%

14. SHORT-TERM NOTES AND BILLS PAYABLE

	September 30	
	2008	2007
Commercial paper payable		
Shanghai Commercial and Savings Bank	$ 1,450,000	$ 2,000,000
China Bills Finance Corporation	500,000	-
International Bills Finance Corporation	500,000	-
Mega Bills Finance Corporation	400,000	-
Less discount on short-term notes and bills payable	(6,776)	(1,030)
Net carrying value	$ 2,843,224	$ 1,998,970
Interest rate	2.494%-2.5%	2.012%
Period	2008.7.23-2008.11.17	2007.8.9-2007.10.8

15. ADVANCE RECEIPTS

The Corporation entered into a contract with Mega International Commercial Bank Co., Ltd., which provided performance guarantee for advance receipts from prepaid card customers in accordance with NCC's new policy effective on April 1, 2007. The guaranteed advance receipts from prepaid card customers were $118,128 thousand as of September 30, 2008.

16. BONDS PAYABLE

	September 30			
	2008		2007	
	Current	Non-current	Current	Non-current
Domestic unsecured bonds	$ 2,500,000	$ 7,500,000	$ 3,750,000	$ 10,000,000

a. 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 bonds. The interest rates and payment terms are as follows:

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

Future repayments of corporate bonds are as follows:

Year	Amount
The fourth quarter, 2008	$ 2,500,000
2009	7,500,000
	$ 10,000,000

b. 2nd domestic convertible bonds

On August 16, 2002, the Corporation issued $6,000,000 thousand of five-year domestic unsecured 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$22.1 per share since July 24, 2007. As of August 15, 2007 (due date), bonds amounting to $5,436,400 thousand had been converted to 210,871 thousand of common shares. Bonds amounting to $544,700 thousand were purchased and canceled by the Corporation, and $18,900 thousand, the amount of the remaining bonds, was repaid by the Corporation on August 15, 2007.

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 has redeemed 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%.

17. LONG-TERM BORROWING

To provide medium-term working capital, the Corporation and its subsidiary, TFN, entered into a syndicated loan with a joint credit line of $13,500,000 thousand with 9 banks led by Chinatrust Commercial Bank on February 21, 2008. The tenor is three years starting from May 20, 2008. Based on contract term, interests are payable monthly and the principal is due upon maturity. Upon maturity, the loan is allowed to revolve within its credit limits. The contract requires the Corporation to maintain certain financial ratio including debt ratios, interest coverage, and tangible net asset ratio based on semi-annual financials. The first drawdown amount was fully repaid on August 18, 2008. The Corporation also bears the repayment liability with respect to TFN's borrowing. Please refer to Note 24 for further information.

18. PENSION PLAN

The Labor Pension Act (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 contributed amount was $80,951 thousand and $67,823 thousand for the nine months ended September 30, 2008 and 2007, respectively.

The Labor Standards Act (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 Bank of Taiwan (formerly in the Central Trust of China, which was merged into the Bank of Taiwan in July 2007.) Approved by Department of Labor, Taipei City Government on April 13, 2007 and January 22, 2008, the Corporation suspended contributing from February 2007 to January 2009.

19. SHAREHOLDERS' EQUITY

a. Capital surplus

Under the Company Act, 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. Also, the capital surplus from long-term investments may not be used for any purpose.

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 will 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.

For the nine months ended September 30, 2008, the bonuses to employees and remuneration to directors and supervisors were accrued based on a respective 3% and 0.3% of net income (net of the bonus to employees and remuneration to directors and supervisors) after setting aside 10% net income as legal reserves. The significant difference between annual accruals and the amount approved by the Board shall be adjusted in the current year. If the board's approval differs from the amount ratified at the annual general shareholders' meeting, the difference will be treated as changes in accounting estimation and will be adjusted in 2009's P&L. If employee bonuses are paid in the form of company shares, the number of employee bonus shares shall be derived from dividing the approved bonus amount by its closing price one day prior to the AGM (Annual General Shareholders' Meeting), adjusted for cash and/or stock dividends if any.

The 2007 and 2006 earnings appropriations resolved by the AGMs on June 13, 2008 and June 15, 2007 were as follows:

	Appropriation of Earnings		**Dividend Per Share (NT$)**	
	For Fiscal Year 2007	**For Fiscal Year 2006**	**For Fiscal Year 2007**	**For Fiscal Year 2006**
Appropriation of legal reserve	$ 661,300	$ 1,617,074		
Appropriation of special reserve	-	143,563		
Reversal of special reserve	(86,819)	-		
Remuneration to directors and supervisors	18,116	43,231		
Cash bonus to employees	181,155	432,303		
Cash dividends	7,601,851	12,880,151	$2.54326	$ 2.58757
	$ 8,375,603	$ 15,116,322		

Information about the bonus to employees, directors and supervisors is available on the Market Observation Post System website of the Taiwan Stock Exchange.

c. Capital reduction by cash

To increase ROE (Return of Equity) and maintain stable EPS (Earnings per Share) and dividend, the Corporation's AGM resolved on June 15, 2007, a capital reduction of $12,000,000 thousand, representing 24% of outstanding shares. The Corporation's Board of Directors resolved the record date of December 1, 2007, and completed the procedure for registration changes, which is already approved by the authority. Trading suspension period started from February 1 to 19, 2008, and new shares resumed trading from February 20, 2008.

d. Treasury stock

(Shares in Thousands)

Purpose of Buyback	**Beginning Shares**	**Increase**	**Decrease**	**Ending Shares**
Nine months ended September 30, 2008				
Shares held by subsidiaries	1,368,250 (Note)	-	556,332	811,918
Nine months ended September 30, 2007				
To be transferred to employees	46,537	-	23,824	22,713
Shares held by subsidiaries	-	1,368,250	-	1,368,250

Note: Shares held before capital reduction.

1) Transfer of stock to employees

For the nine months ended September 30, 2007, the Corporation transferred the treasury stocks through various tranches to employees of 23,824 thousand shares at NT$28.17 and NT$31.16 per share, respectively, resulting in a reduction of retained earnings, amounting to $4,869 thousand and an increase on paid-in capital, amounting to $4,127 thousand.

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

2) Shares held by subsidiaries

On September 30, 2008, TFN and TFN Investment Co., Ltd. (TFNI), its subsidiary, held the carrying and market value of the treasury stocks, amounting to $41,407,798 thousand. The Corporation reclassified $31,889,100 thousand from investments accounted for using equity method to treasury stock based on SFAS No. 30, "Treasury Stock". Although these shares are treated as treasury stock in the financial statements, the shareholders are entitled to excise their rights on these shares, except for participation in capital injection by cash. In addition, based on the ROC Company Law, the shareholders of treasury stocks can not exercise the voting right.

In the first quarter of 2008, TFN sold 300,000 thousand shares of the Corporation for $13,509,828 thousand. Disposal gain from the sales resulted in an increase in capital surplus by $3,485,732 thousand. In addition, the Corporation's shares held by subsidiaries were reduced by 256,332 thousand shares due to the Corporation's capital reduction.

e. Unrealized losses on financial instruments

Unrealized gains or losses on financial instruments for the nine months ended September 30, 2008 and 2007 were summarized as follows:

	Nine Months Ended September 30	
	2008	**2007**
Available-for-sale financial assets		
Balance, beginning of period	$ 57,560	$ 40,652
Fair value changes recognized in equity	23,681	17,472
	81,241	58,124
Unrealized gains (losses) of cash flow hedge		
Balance, beginning of period	(38,749)	(218,284)
Fair value changes recognized in equity	55,779	81,154
	17,030	(137,130)
Recognition of investees' changes in unrealized gains or losses by the equity method		
Balance, beginning of period	(82,854)	30,209
Fair value changes recognized in equity	(6,897)	(267,880)
	(89,751)	(237,671)
Unrealized gains (losses) on financial instruments	$ 8,520	$ (316,677)

20. INCOME TAX EXPENSE

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

	Nine Months Ended September 30	
	2008	**2007**
Tax on pretax income at statutory tax rate (25%)	$ 3,899,684	$ 3,768,156
Add (deduct) tax effects of		
Permanent differences		
Investment income from domestic investees accounted for using equity method	(819,581)	(783,931)
Other	(7,743)	(28,842)
Temporary differences	(287,006)	(484,812)
Income tax (10%) on unappropriated earnings	-	105,442
Investment tax credits	(70,735)	(261,558)
Deferred income tax	89,751	483,722
Prior year's adjustment	564,409	536,221
Tax on short-term bills	4,794	13,414
Income tax expense	$ 3,373,573	$ 3,347,812

b. Deferred income tax assets (liabilities) were as follows:

	September 30 2008	September 30 2007
Unrealized loss on retirement of property and equipment	$ 2,223,843	$ 341,577
Provision for doubtful accounts	685,187	744,738
Investment tax credits	197,179	-
Provision for impairment losses on idle assets	61,660	196,627
Amortization of goodwill	(9,493)	-
Unrealized loss (gain) on financial liabilities	(5,677)	45,710
Accrued pension cost	(2,778)	(273)
Other	17,320	8,345
	3,167,241	1,336,724
Less valuation allowance	(300,627)	(298,499)
	$ 2,866,614	$ 1,038,225
Deferred income tax assets		
Current	$ 276,532	$ 103,596
Non-current	2,590,082	934,629
	$ 2,866,614	$ 1,038,225

c. As of September 30, 2008, the Corporation's investment tax credits consisted of the following:

Regulatory Basis of Tax Credits	Item	Total Creditable Amount	Remaining Creditable Amount	Expiry Year
Statute for Upgrading Industries	Purchase of machinery and equipment	$ 267,914	$ 197,179	2012

d. Integrated income tax information was as follows:

	September 30 2008	September 30 2007
Balance of imputation credit account (ICA)	$ 1,510,840	$ 795,755

As of September 30, 2008, there were no unappropriated earnings generated before January 1, 1998. The actual creditable ratio for the 2007 and 2006 earnings appropriation were 38.96% and 18.49%, respectively.

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

	Year
The Corporation	2005
TAT	Not applicable
The former TAT	2006
Mobitai	2005

Income tax returns through 2005 had been examined by the tax authorities. However, the Corporation disagreed with the examination result of the income tax returns from 1999 to 2005, and filed requests for reexamination.

The former TAT's income tax returns through 2006 had been examined by the tax authorities. However, the former TAT disagreed with the examination result on the income tax returns and filed administrative proceedings for 2002 to 2003 which was conducted by the Supreme Court of the R.O.C. and petition for reexamination of 2004 and 2005's income tax return.

21. EARNINGS PER SHARE

	Amounts (Numerator)		Shares	EPS (NT$)	
	Before Income Tax	After Income Tax	(Denominator) (Thousands)	Before Income Tax	After Income Tax
Nine months ended September 30, 2008					
Basic EPS					
Income of common shareholders	$ 15,598,776	$ 12,225,203	2,964,875	$ 5.26	$ 4.12
Add effect of potentially dilutive convertible stock					
Bonus to employees	-	-	5,279		
Diluted EPS					
Income of common shareholders with dilutive effect of potential common shares	$ 15,598,776	$ 12,225,203	2,970,154	$ 5.25	$ 4.12
Nine months ended September 30, 2007					
Basic EPS					
Income of common shareholders	$ 15,072,665	$ 11,724,853	4,130,643	$ 3.65	$ 2.84
Add effect of potentially dilutive convertible bonds					
2nd convertible bonds (with implied yield rate of 3.3%)	1,034	776	1,582		
Diluted EPS					
Income of common shareholders with dilutive effect of potential common shares	$ 15,073,699	$ 11,725,629	4,132,225	$ 3.65	$ 2.84

When calculating fully diluted EPS, employee bonus shares to be granted should be included in the calculation of weighted average number of outstanding shares. The share count shall be derived from dividing the estimated bonus amount by its closing price on the balance sheet date. The dilutive effect should be continuously evaluated till the AGM actually resolves stock bonuses to employees.

22. LABOR COST, DEPRECIATION AND AMORTIZATION EXPENSE

	Nine Months Ended September 30					
	2008			2007		
	Classified as Operating Costs	Classified as Operating Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Total
Labor cost						
Salary	$ 611,045	$ 1,263,882	$ 1,874,927	$ 408,380	$ 1,098,177	$ 1,506,557
Labor and health insurance	31,265	61,349	92,614	23,741	55,869	79,610
Pension	22,921	44,237	67,158	17,723	39,820	57,543
Other	29,278	57,842	87,120	22,417	52,086	74,503
	$ 694,509	$ 1,427,310	$ 2,121,819	$ 472,261	$ 1,245,952	$ 1,718,213
Depreciation	$ 4,053,907	$ 371,268	$ 4,425,175	$ 4,223,864	$ 384,780	$ 4,608,644
Amortization	569,452	75,870	645,322	573,056	90,352	663,408

23. FINANCIAL INSTRUMENT TRANSACTIONS

a. Fair value information

	September 30			
	2008		2007	
	Carrying Value	Fair Value	Carrying Value	Fair Value
<u>Non-derivative financial instruments</u>				
Liabilities				
Bonds payable (including current portion)	$ 10,000,000	$ 9,979,941	$ 13,750,000	$ 13,670,537

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

1) 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 be measured by net worth of investee or estimate of the book value.

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

4) Derivative financial instruments - based on valuation results provided by banks. As of September 30, the financial instrument held by the Corporation turned into financial asset, 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, short-term borrowing, short-term notes and bills payable, notes and accounts payable and guarantee deposits. Because of the short maturities of these instruments, the carrying values represent a reasonable basis to estimate fair values.

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

d. The financial assets exposed to fair value interest rate risk amounted to $142,089 thousand and $2,461,956 thousand as of September 30, 2008 and 2007, respectively, and the financial liabilities exposed to fair value interest rate risk amounted to $20,243,224 thousand and $12,548,970 thousand as of September 30, 2008 and 2007, respectively. The financial assets exposed to cash flow interest rate risk amounted to $438,541 thousand and $642,760 thousand as of September 30, 2008 and 2007, respectively, and the financial liabilities exposed to cash flow interest rate risk amounted to $5,000,000 thousand and $7,682,840 thousand as of September 30, 2008 and 2007, 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 inverse floating interest rates. Since the interest receivable and payable are settled at net amounts on the settlement date. The market risk is immaterial.

2) Credit risk

Credit risk represents the potential impacts to financial assets that the Corporation might encounter if counter-parties or third parties breach the contracts. Factors that affect the impacts include credit risk concentration, components of financial instruments, contract amount and other receivables. The Corporation's evaluation of credit risk exposure as of September 30, 2008 and 2007 were both zero because all of counter-parties are reputable financial institutions with good credit ratings.

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

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

3) Liquidity risk

The Corporation's operating funds are deemed sufficient to meet the cash flow demand, therefore, liquidity risk is not considered to be significant.

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 inverse 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.

24. RELATED-PARTY TRANSACTIONS

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

Related Party	Relationship with the Corporation
Taiwan Cellular Co., Ltd. (TCC)	Subsidiary
Wealth Media Technology Co., Ltd. (WMT)	Subsidiary
Tai Fu Media Technology Co., Ltd. (TFMT)	Subsidiary
Global Wealth Media Technology Co., Ltd.	Subsidiary
Fu Sin Media Technology Co., Ltd.	Subsidiary
Fu Jia Leh Media Technology Co., Ltd.	Subsidiary
Tai Yi Digital Broadcasting Co., Ltd.	Equity-method investee of TCC
TWM Holding Co. Ltd.	Subsidiary
Taiwan Super Basketball Co., Ltd.	Subsidiary
TT&T Holdings Co., Ltd.	Subsidiary
Xiamen Taifu Teleservices & Technologies Ltd.	Subsidiary
Taiwan Fixed Network Co., Ltd. (TFN)	Subsidiary

(Continued)

Related Party	Relationship with the Corporation
Taiwan Digital Communications Co., Ltd.	Subsidiary
Taiwan Teleservices & Technologies Co., Ltd. (TT&T)	Subsidiary (VoPier Communications (Taiwan) Co., Ltd., as a subsidiary from September 7, 2007, merged the former TT&T and renamed as TT&T on September 1, 2008.)
TFN Investment Co., Ltd.	Subsidiary (change relationship on April 17, 2007)
Reach & Range Inc.	Subsidiary (change relationship on April 17, 2007)
Win TV Broadcasting Co., Ltd.	Subsidiary (change relationship on April 17, 2007)
TFN Media Co., Ltd. (TFNM)	Subsidiary (change relationship on April 17, 2007)
Yeong Jialeh Cable TV Co., Ltd.	Subsidiary (change relationship on April 17, 2007)
Shin Ho Cable TV Co., Ltd.	Subsidiary (change relationship on April 17, 2007)
Mangrove Cable TV Corporation	Subsidiary (change relationship on April 17, 2007)
North Coast Cable TV Co., Ltd.	Subsidiary (change relationship on April 17, 2007)
Phoenix Cable TV Co., Ltd.	Subsidiary (change relationship on April 17, 2007)
Globalview Cable TV Co., Ltd.	Subsidiary (change relationship on April 17, 2007)
Union Cable TV Co., Ltd.	Subsidiary (change relationship on April 17, 2007)
TFN HK LIMITED	Subsidiary (change relationship on April 17, 2007)
Hurray! Times Communications (Beijing) Ltd.	Subsidiary (change relationship on April 24, 2008)
Taiwan Mobile Foundation (TWM Foundation)	Over one third of the Foundation’s issued fund came from the Corporation
Fubon Life Assurance Co., Ltd.	Same chairman
Fubon Securities Investment Trust Co., Ltd.	Related party in substance
Fubon Direct Marketing Consulting Co., Ltd.	Related party in substance
Fubon Financial Venture Capital Co., Ltd.	Related party in substance
Fubon Multimedia Technology Co., Ltd. (FMT)	Related party in substance
Fubon Asset Management Co., Ltd.	Related party in substance
Chung Hsing Constructions Co., Ltd.	Related party in substance
Fubon Land Development Co., Ltd.	Related party in substance
Fubon Financial Holding Company	Related party in substance
Taipei Fubon Commercial Bank Co., Ltd. (TFCB)	Related party in substance
Fubon Securities Co., Ltd.	Related party in substance
Fubon Future Co., Ltd.	Related party in substance
Fubon Investment Services Co., Ltd.	Related party in substance
Fubon Insurance Co., Ltd. (Fubon Ins.)	Related party in substance
Fubon Property Management Co., Ltd. (FPM)	Related party in substance
Taiwan Sport Lottery Corporation (TSL)	Related party in substance
Fu Yang Multimedia Co., Ltd.	Subsidiary (change relationship on April 17, 2007 and merged into TFN Media Co., Ltd. on December 1, 2007)
Mobitai Communications (Mobitai)	Subsidiary (merged into TAT on December 15, 2007)
The former Taiwan Fixed Network Co., Ltd. (The former TFN)	Subsidiary (change relationship on April 17, 2007 and merged into TFN on December 28, 2007)
Taiwan United Communication Co., Ltd. (TUC)	Subsidiary (merged into TFN on January 1, 2008)
TT&T Casualty & Property Insurance Agency Co., Ltd.	Subsidiary (liquidated on March 15, 2008)
TT&T Life Insurance Agency Co., Ltd.	Subsidiary (liquidated on May 15, 2008)
Taiwan Telecommunication Network Services Co., Ltd. (TTN)	Subsidiary (merged into TFN on August 1, 2008)
Taiwan Teleservices & Technologies Co., Ltd. (the former TT&T)	Subsidiary (merged into TT&T on September 1, 2008)
TransAsia Telecommunications Inc. (TAT)	Subsidiary (merged into the Corporation on September 2, 2008)

(Concluded)

b. Significant transactions with related parties were summarized below:

1) Operating revenues

	Nine Months Ended September 30			
	2008		2007	
	Amount	% of Total Revenues	Amount	% of Total Revenues
TFN (including the former TFN)	$ 1,523,819	4	$ 1,183,132	3
TAT	459,338	1	445,300	1
TFCB	10,805	-	11,569	-
Mobitai	-	-	194,818	1
	$ 1,993,962		$ 1,834,819	

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

2) Operating costs

	Nine Months Ended September 30			
	2008		2007	
	Amount	% of Total Costs	Amount	% of Total Costs
TFN (including the former TFN)	$ 717,100	4	$ 647,843	4
TAT	257,796	1	220,942	1
Fubon Ins.	47,602	-	65,689	-
Mobitai	-	-	151,399	1
	$ 1,022,498		$ 1,085,873	

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

3) Property transactions

Acquisition of property and equipment

	Nine Months Ended September 30, 2007	
	Description	Amount
The former TFN	Telecommunication equipment, construction in progress, miscellaneous equipment and deferred charges	$ 13,172

4) Operating lease income

	Leased Property	Nine Months Ended September 30 2008	2007
TFN (including the former TFN)	Offices and BTS, etc.	$ 48,086	$ 55,637
FMT	Office appliance, etc.	21,974	-
		$ 70,060	$ 55,637

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

5) Cash in banks

	September 30 2008 Amount	%	2007 Amount	%
a) Cash in banks				
TFCB	$ 100,063	17	$ 84,568	3
b) Pledged time deposits				
TFCB	$ 10,000	100	$ 10,000	100

6) Receivables and payables

a) Accounts receivable

	2008 Amount	%	2007 Amount	%
TFN	$ 229,563	4	$ -	-
The former TFN	-	-	214,724	4
TAT	-	-	60,805	1
Mobitai	-	-	15,950	-
Other (Note)	9,954	-	3,148	-
	$ 239,517		$ 294,627	

Note: Leasehold receivables from TSL were as follows:

September 30, 2008	Current Portion	Maturities of Over One Year (Classified Under Other Assets)	Total
Leasehold receivables	$ 3,494	$ 11,480	$ 14,974
Less: Unrealized interest income	(549)	(959)	(1,508)
	$ 2,945	$ 10,521	$ 13,466

	September 30			
	2008		2007	
	Amount	%	Amount	%
b) Other receivables (Note)				
TFMT	$ 2,022,541	75	$ -	-
TCC	350,000	13	-	-
TFN	64,731	2	145,729	24
FMT	10,844	-	-	-
TAT	-	-	120,068	20
Mobitai	-	-	97,282	16
The former TFN	-	-	36,641	6
Other	4,605	-	2,562	-
	$ 2,452,721		$ 402,282	

Note: Financing to related parties was as follows:

	Nine Months Ended September 30, 2008			
Related Party	**Ending Balance**	**Maximum Balance**	**Interest Rate %**	**Interest Income**
TFMT	$ 2,005,000	$ 2,005,000	2.554-2.568	$ 38,441
TFNM	-	1,250,000	2.538-2.548	10,793
	$ 2,005,000	$ 3,255,000		$ 49,234

	Nine Months Ended September 30, 2007			
Related Party	**Ending Balance**	**Maximum Balance**	**Interest Rate %**	**Interest Income**
TFN	$ -	$ 12,500,000	2.474	$ 145,729

	September 30			
	2008		2007	
	Amount	%	Amount	%
c) Prepayments				
Fubon Ins.	$ 10,040	2	$ 5,174	1
d) Accounts payable				
TFN	$ 11,725	1	$ -	-
TAT	-	-	19,105	1
	$ 11,725		$ 19,105	
e) Accrued expenses				
TT&T	$ 78,528	2	$ -	-
TFN	78,052	2	-	-
The former TFN	-	-	177,619	4
The former TT&T	-	-	156,856	4
TCC	-	-	19,203	-
	$ 156,580		$ 353,678	

	September 30			
	2008		2007	
	Amount	%	Amount	%
f) Other payables				
TFN	$ 103,899	3	$ -	-
TAT	-	-	173,612	4
Mobitai	-	-	94,835	2
The former TFN	-	-	61,304	2
	$ 103,899		$ 329,751	
g) Other current liabilities - collections and temporary credits for the following				
TFN	$ 356,611	55	$ -	-
The former TFN	-	-	287,787	32
TAT	-	-	160,782	18
Mobitai	-	-	84,963	9
	$ 356,611		$ 533,532	

	Nine Months Ended September 30	
	2008	2007
7) Telecommunication service expenses		
TFN (include the former TFN)	$ 60,502	$ 63,323
8) Professional service fees		
TT&T (include the former TT&T)	$ 675,614	$ 650,235
9) Insurance expenses		
Fubon Ins.	$ 9,230	$ 12,008
10) Maintenance expenses		
FPM	$ 13,961	$ 8,036
11) Other expenses		
FPM	$ 14,843	$ 14,136
12) Donation		
TWM Foundation	$ 22,000	$ 18,000

13) Financing from related parties was as follows:

	Nine Months Ended September 30, 2008			
Related Party	**Ending Balance**	**Maximum Balance**	**Interest Rate %**	**Interest Expense**
TAT	$ -	$ 1,745,609	2.572-2.604	$ 15,205

14) Endorsement/guarantee provided

a) The Corporation provided $18,000,000 thousand guarantee for TFN's bank loan. As of September 30, 2008, TFN had not made any drawdown on this loan. The Corporation also provide TFN $10,122,700 thousand in promissory notes outstanding for its borrowings with banks.

b) The Corporation and its subsidiary, TFN, obtained $13,500,000 thousand of syndicated loan from 9 banks led by Chinatrust Commercial Bank. The Corporation provided a guarantee for TFN's bank loan. As of September 30, 2008, TFN had not made any drawdown on this loan.

c) As of September 30, 2008, the Corporation had provided TFN $50,000 thousand as performance guarantee for IDD calling card service issued by July 31, 2008 in accordance with NCC's new policy effective on April 1, 2007.

15) Other

For the nine months ended September 30, 2008 and 2007, the Corporation provided services to companies below and fees received by the Corporation, which were recorded as deductions from related costs and expenses. The Corporation's service charges received were as follows:

	Nine Months Ended September 30	
	2008	**2007**
TAT	$ 488,422	$ 421,162
TFN	266,819	-
Mobitai	-	235,651
	$ 755,241	$ 656,813

25. ASSETS PLEDGED

The assets pledged as collaterals for credit line of deposit overdraft were as follows:

	September 30	
	2008	**2007**
Time deposits	$ 10,000	$ 10,000

26. 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 September 30, 2008, payments of $2,523,983 thousand has been made.

b. Future minimum rental payments as of September 30, 2008 for significant operating lease agreements were summarized as follows:

	Amount
The fourth quarter, 2008	$ 8,067
2009	32,514
2010	27,976
2011	11,642
2012	5,367

27. ADDITIONAL DISCLOSURES

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

a. Financing provided: Table 1 (attached)

b. Endorsement/guarantee provided: Table 2 (attached)

c. Marketable securities held: Table 3 (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 4 (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 5 (attached).

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

i. Names, locations, and related information of investees on which the Corporation exercised significant influence: Table 7 (attached).

j. Derivative transactions

1) The Corporation entered into interest rate swap (IRS) contracts in December 2002 to hedge fluctuation on inverse floating interest rates of bonds, which are settled semiannually. Please refer to Note 23 for the related information.

Financial Instrument	Term	Contract Amount	Due Date
Interest rate swap contracts	Inverse floating interest rate in exchange for fixed interest rate of 2.25%	$ 2,500,000	December 2007
	Inverse floating interest rate in exchange for fixed interest rate of 2.45%	5,000,000	December 2009

The Corporation entered into IRS contracts to hedge inverse floating interest rate fluctuation. For the nine months ended September 30, 2008 and 2007, the Corporation recognized losses of $33,595 thousand and $119,873 thousand, respectively, recorded as addition to interest expense.

2) The former TFN entered into IRS contracts in June 2005 to hedge interest floating rate fluctuations on syndicated loans, which are settled quarterly. The IRS contracts were all cleared on June 25, 2007, and the related information is as follows:

Financial Instrument	Term	Contract Amount
Interest rate swap contracts	Floating interest rate in exchange for fixed interest rate of 1.61%	$ 500,000
	Floating interest rate in exchange for fixed interest rate of 1.60%	500,000
	Floating interest rate in exchange for fixed interest rate of 1.63%	500,000

The former TFN entered into IRS contracts to hedge inverse floating interest rate fluctuation. TFN recognized gains $894 thousand in 2007.

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 8 (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.

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

FINANCING PROVIDED
NINE MONTHS ENDED SEPTEMBER 30, 2008
(In Thousands of New Taiwan Dollars)

No.	Lending Company	Borrowing Company	Financial Statement Account	Maximum Balance for the Period	Ending Balance	Interest Rate	Financing Purpose	Transaction Amounts	Reasons for Short-term Financing	Allowance for Doubtful Accounts	Collateral		Lending Limit for Each Borrowing Company (Note)	Lending Company's Lending Amount Limits (Note)
											Item	Value		
0	Taiwan Mobile Co., Ltd. (the "Corporation")	Tai Fu Media Technology Co., Ltd.	Other receivables	$ 2,005,000	$ 2,005,000	2.554%-2.568%	Short-term financing	$ -	To meet its financing needs in acquiring minorities	$ -	-	-	$ 19,517,449 (Note 1)	$ 19,517,449 (Note 1)
		TFN Media Co., Ltd.	Other receivables	1,250,000	-	2.538%-2.548%	Short-term financing	-	To meet its financing needs in acquiring minorities	-	-	-	19,517,449 (Note 1)	19,517,449 (Note 1)
		Taiwan Cellular Co., Ltd.	Other receivables	900,000	-	2.477%	Short-term financing	-	To meet its financing needs in setting up subsidiaries	-	-	-	19,517,449 (Notes 1 and 2)	19,517,449 (Note 1)
1	Taiwan Cellular Co., Ltd.	Taiwan Fixed Network Co., Ltd.	Other receivables	2,500,000	-	2.558%	Short-term financing	-	To pay off bank loan	-	-	-	21,528,192 (Note 1)	21,528,192 (Note 1)
		TFN Media Co., Ltd.	Other receivables	1,250,000	250,000	2.538%	Short-term financing	-	To meet its financing needs in acquiring minorities	-	-	-	21,528,192 (Note 1)	21,528,192 (Note 1)
2	Taiwan Fixed Network Co., Ltd.	TFN Investment Co., Ltd.	Other receivables	1,150,000	-	2.56%	Short-term financing	-	Operating capital	-	-	-	21,190,212 (Note 1)	21,190,212 (Note 1)
		TFN Media Co., Ltd.	Other receivables	1,500,000	1,500,000	2.574%-2.604%	Short-term financing	-	Operating capital	-	-	-	21,190,212 (Note 1)	21,190,212 (Note 1)
3	TFN Investment Co., Ltd.	TFN Media Co., Ltd.	Other receivables	1,000,000	1,000,000	2.538%	Short-term financing	-	To meet its financing needs in acquiring minorities	-	-	-	10,472,002 (Note 1)	10,472,002 (Note 1)
		TFN Media Co., Ltd.	Other receivables	3,000,000	2,900,000	2.602%	Short-term financing	-	Operating capital	-	-	-	10,472,002 (Note 1)	10,472,002 (Note 1)
4	Union Cable TV Co., Ltd.	TFN Media Co., Ltd.	Other receivables - related parties	560,000	560,000	2.538%-2.604%	Transactions	199,662	Business requirements	-	-	-	13,500,000 (Note 3)	13,500,000 (Note 3)
5	North Coast Cable TV Co., Ltd.	TFN Media Co., Ltd.	Other receivables - related parties	205,000	-	2.538%-2.597%	Transactions	7,239	Business requirements	-	-	-	12,000,000 (Note 3)	12,000,000 (Note 3)
6	Mangrove Cable TV Corporation	TFN Media Co., Ltd.	Other receivables - related parties	98,000	68,000	2.538%-2.594%	Transactions	16,832	Business requirements	-	-	-	12,000,000 (Note 3)	12,000,000 (Note 3)
7	Globalview Cable TV Co., Ltd.	TFN Media Co., Ltd.	Other receivables - related parties	400,000	320,000	2.538%-2.604%	Transactions	155,047	Business requirements	-	-	-	12,000,000 (Note 3)	12,000,000 (Note 3)
8	Phoenix Cable TV Co., Ltd.	TFN Media Co., Ltd.	Other receivables - related parties	500,000	430,000	2.591%-2.594%	Transactions	408,451	Business requirements	-	-	-	12,000,000 (Note 3)	12,000,000 (Note 3)
9	Shin Ho Cable TV Co., Ltd.	TFN Media Co., Ltd.	Other receivables - related parties	247,700	207,700	2.538%-2.604%	Transactions	6,701	Business requirements	-	-	-	12,000,000 (Note 3)	12,000,000 (Note 3)
10	Yeong Jialeh Cable TV Co., Ltd.	TFN Media Co., Ltd.	Other receivables - related parties	180,000	130,000	2.591%-2.594%	Transactions	301,968	Business requirements	-	-	-	24,000,000 (Note 3)	24,000,000 (Note 3)

Note 1: For the entities which have short-term financing needs (loaning entities), the aggregate amount of loaning fund shall not exceed 40 percent of the financing company's net worth. The individual loaning fund shall be limited to the lowest amount of the following items: 1) 40 percent of the financing company's net worth; 2) the amount that the financing company invests in the loaning entities; or 3) the amount = (the share portion of the loaning entities that the financing company invests)* (the total loaning amounts of the loaning entities). In the event that a financing company directly or indirectly 100% owns a counter-party, the individual lending amount and the aggregate amount of loaning funds shall not exceed 40% of the financing company's net worth.

Note 2 Assumed all MBT's financing provided to others due to merger.

Note 3: Where funds are loaned for reasons of business dealings, the individual lending amount and the aggregate amount of loaning funds shall be both limited to the higher amount of the following items: 1) a multiple of the financing company's capital, or 2) the amount of business dealing.

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

ENDORSEMENT/GUARANTEE PROVIDED
NINE MONTHS ENDED SEPTEMBER 30, 2008
(In Thousands of New Taiwan Dollars)

No.	Endorsement/Guarantor (A)	Receiving Party		Maximum Guarantee/ Endorsement Amount Can Be Provided to Each Receiving Party	Maximum Balance for the Period (Note 1)	Ending Balance (Note 1)	Value of Collaterals	Ratio of Accumulated Endorsement/ Guarantee to Net Worth of the Guarantor (Note 1)	Maximum Guarantee/ Endorsement Can Be Provided by the Guarantor/Endorser
		Name (B)	Nature of Relationship (B is A's)						
0	The Corporation	Taiwan Fixed Network Co., Ltd. (TFN)	(Note 2)	$ 80,000,000 (Note 3)	$ 23,672,700	$ 23,672,700	$ -	48.52%	$ 48,793,624
1	TFN Investment Co., Ltd.	WinTV Broadcasting Co., Ltd.	(Note 4)	252,141 (Note 5)	50,000	50,000	-	0.19%	26,180,005 (Note 5)
2	Taiwan Teleservices & Technologies Co., Ltd. (TT&T)	Taiwan Fixed Network Co., Ltd.	(Note 6)	20,000 (Note 7)	223	146	-	0.40%	36,538 (Note 7)

Note 1: Maximum guarantee/endorsement amount for the period and the ending balance are the amount allowed, not actual appropriation.

Note 2: Direct/Indirect subsidiary

Note 3: For over 50% direct/indirect owned subsidiaries, the aggregate endorsement/guarantee amount provided shall not exceed the net worth of the Corporation, and the upper-limit to each subsidiary shall be the amount of investment from the Corporation. But for 100% direct/indirect owned subsidiaries, the upper-limit mentioned above could be raised to double of the investment amount.

Note 4: Direct subsidiary

Note 5: For over 50% direct/indirect owned subsidiaries, the aggregate endorsement/guarantee amount provided shall not exceed the net worth of TFNI, and the upper-limit to each subsidiary shall be the amount of investment after deducting accumulated deficit from TFNI.

Note 6: Parent company

Note 7: The endorsement/guarantee amount provided by TT&T, shall be limited within the net worth of TT&T, and not over double of the investment amount after deducting accumulated deficit from TT&T.

TABLE 3

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
SEPTEMBER 30, 2008
(In Thousands of New Taiwan Dollars or U.S. Dollars)

Investing Company (A)	Marketable Securities Invested (B)	Relationship with the Investing Company (B is A's)	Financial Statement Account	September 30, 2008 Shares/Units (Thousands)	Carrying Value	Percentage of Ownership	Market Value (Note 1)	Note
Taiwan Mobile Co., Ltd.	Stock							
	Chunghwa Telecom Co., Ltd.	-	Available-for-sale financial assets - current	2,688	$ 200,794	0.028	$ 200,794 (Note 2)	
	Bridge Mobile Pte Ltd.	-	Financial assets carried at cost - non-current	2,200	60,064	10.00	55,488	
	Yes Mobile Holdings Company	-	Financial assets carried at cost - non-current	74	- (Note 3)	0.19	- (Note 4)	
	Wealth Media Technology Co., Ltd.	Subsidiary	Long-term investments - equity method	27,200	235,449	100.00	235,449	
	Taiwan Cellular Co., Ltd.	Subsidiary	Long-term investments - equity method	149,958	14,318,804 (Note 5)	100.00	53,820,479	
Wealth Media Technology Co., Ltd.	Stock							
	Tai Fu Media Technology Co., Ltd.	Subsidiary	Long-term investments - equity method	27,000	233,792	100.00	233,792	
Tai Fu Media Technology Co., Ltd.	Stock							
	Global Wealth Media Technology Co., Ltd.	Subsidiary	Long-term investments - equity method	8,400	87,302	100.00	87,302	
	Fu Jia Leh Media Technology Co., Ltd.	Subsidiary	Long-term investments - equity method	117,100	2,001,113	100.00	2,001,113	
	Fu Sin Media Technology Co., Ltd.	Subsidiary	Long-term investments - equity method	13,500	138,069	100.00	138,069	
Global Wealth Media Technology Co., Ltd.	Stock							
	Globalview Cable TV Co., Ltd.	Subsidiary	Long-term investments - equity method	3,460	82,504	6.179	39,177	
Fu Sin Media Technology Co., Ltd.	Stock							
	Phoenix Cable TV Co., Ltd.	Subsidiary	Long-term investments - equity method	2,272	130,838	3.34	30,559	
Taiwan Cellular Co., Ltd.	Stock							
	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	22,202	3.00	- (Note 4)	
	Transportation High Tech Inc.	-	Financial assets carried at cost - non-current	1,200	- (Note 3)	12.00	- (Note 4)	
	WEB Point Co., Ltd.	-	Financial assets carried at cost - non-current	803	6,773	3.17	- (Note 4)	
	Tai Yi Digital Broadcasting Co., Ltd.	Subsidiary	Long-term investments - equity method	2,495	23,318	49.90	23,318	
	TWM Holding Co. Ltd.	Subsidiary	Long-term investments - equity method	1 share	US$ 7,638	100.00	US$ 7,638	
	Taiwan Fixed Network Co., Ltd.	Subsidiary	Long-term investments - equity method	4,000,000	52,975,530	100.00	52,975,530	
	Taiwan Digital Communication Co., Ltd.	Subsidiary	Long-term investments - equity method	1,200	11,079	100.00	11,079	

(Continued)

Investing Company (A)	Marketable Securities Invested (B)	Relationship with the Investing Company (B is A's)	Financial Statement Account	September 30, 2008				Note
				Shares/Units (Thousands)	Carrying Value	Percentage of Ownership	Market Value (Note 1)	
TWM Holding Co. Ltd.	ADS							
	Hurray! Holding Co., Ltd.	-	Available-for-sale financial assets - current	1,080	US$ 2,970	4.94	US$ 2,970 (Note 2)	
	Stock							
	Hurray! Times Communications, Beijing	Subsidiary	Long-term investments - equity method	-	US$ 4,551	100.00	US$ 3,591	
Taiwan Fixed Network Co., Ltd.	Stock							
	Taiwan Mobile Co., Ltd.	Ultimate parent	Available-for-sale financial assets - non-current	456,295	23,271,033	12.00	23,271,033 (Note 2)	
	TFN Investment Co., Ltd.	Subsidiary	Long-term investments - equity method	2,061,939	23,714,892	100.00	26,180,005	
	TFN HK Limited	Subsidiary	Long-term investments - equity method	1,300	2,796	100.00	2,796	
	Taiwan Teleservices & Technologies Co., Ltd.	Subsidiary	Long-term investments - equity method	1,000	36,538	100.00	36,538	
	Taiwan High Speed Rail Corporation	-	Financial assets carried at cost - non-current	225,531	2,120,829	3.82	- (Note 4)	
	Preferred stock							
	New Century InfoComm Technology Co., Ltd.	-	Financial assets carried at cost - non-current	33,684	187,042	0.84	- (Note 4)	
Taiwan Teleservices & Technologies Co., Ltd.	Stock							
	TT&T Holdings Co., Ltd.	Subsidiary	Long-term investments - equity method	1,300	US$ 1,383	100.00	US$ 1,383	
	Taiwan Super Basketball Co., Ltd.	Subsidiary	Long-term investments - equity method	2,000	(779)	100.00	(779)	
TT&T Holdings Co., Ltd.	Stock							
	Xiamen Taifu Teleservices & Technologies Ltd.	Subsidiary	Long-term investments - equity method	-	US$ 1,381	100.00	US$ 1,381	
TFN Investment Co., Ltd.	Stock							
	Taiwan Mobile Co., Ltd.	Ultimate parent	Available-for-sale financial assets - non-current	355,623	18,136,765	9.36	18,136,765 (Note 2)	
	Reach & Range Inc.	Subsidiary	Long-term investments - equity method	2,400	34,128	100.00	27,057	
	WinTV Broadcasting Co., Ltd.	Subsidiary	Long-term investments - equity method	25,214	208,353	98.50	205,535	
	TFN Media Co., Ltd.	Subsidiary	Long-term investments - equity method	230,526	3,445,846	100.00	3,136,884	
	Great Taipei Broadband Co., Ltd.	-	Financial assets carried at cost - non-current	10,000	50,528	6.67	- (Note 4)	
	Preferred stock							
	Taiwan High Speed Rail Corporation - Unlisted Convertible Preferred Stock - series A	-	Bonds measured at amortized cost - non - current	50,000	500,000	1.08	-	
TFN Media Co., Ltd.	Stock							
	Yeong Jialeh Cable TV Co., Ltd.	Subsidiary	Long-term investments - equity method	33,940	2,065,285	100.00	540,805	
	Shin Ho Cable TV Co., Ltd.	Subsidiary	Long-term investments - equity method	20,000	701,417	100.00	214,528	Note 6
	Mangrove Cable TV Corporation	Subsidiary	Long-term investments - equity method	21,160	543,536	100.00	280,361	Note 6

(Continued)

Investing Company (A)	Marketable Securities Invested (B)	Relationship with the Investing Company (B is A's)	Financial Statement Account	September 30, 2008				Note
				Shares/Units (Thousands)	Carrying Value	Percentage of Ownership	Market Value (Note 1)	
	North Coast Cable TV Co., Ltd.	Subsidiary	Long-term investments - equity method	21,160	$ 220,412	100.00	$ 220,412	
	Phoenix Cable TV Co., Ltd.	Subsidiary	Long-term investments - equity method	65,818	3,109,823	96.66	885,318	
	Union Cable TV Co., Ltd.	Subsidiary	Long-term investments - equity method	170,441	1,997,044	99.99	1,792,296	
	Globalview Cable TV Co., Ltd.	Subsidiary	Long-term investments - equity method	51,733	1,208,281	92.38	585,761	

Note 1: Based on the investee's net worth as shown in its latest financial statements if market value was not available.

Note 2: Based on the closing price on September 30, 2008.

Note 3: Impairment loss recognized in 2004 reduced the value to zero.

Note 4: As of October 21, 2008, the independent auditors' report date, the investee's net worth was not available.

Note 5: Taiwan Mobile shares held indirectly by TFN and TFNI (both are subsidiaries of TCC) are classified as treasury shares. Therefore, TWM's carrying cost of $53,820,479 on TCC shall be reduced by downward adjusting the latter's net worth by $31,889,100 thousand, excluding $7,615,218 thousand unrealized gain from financial assets investment, and adding back recognition of upstream transactions gains of $2,643 thousand.

Note 6: Some shares are held under trustee accounts.

(Concluded)

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED OR DISPOSED AMOUNTING TO AT LEAST $100 MILLION OR 20% OF THE PAID-IN CAPITAL
NINE MONTHS ENDED SEPTEMBER 30, 2008
(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 (Note 1)	
					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.	Beneficiary certificate Fubon Chi-Hsiang Fund	Financial assets at fair value through profit or loss - current	-	-	-	$ -	13,497	$ 200,000	13,497	$ 200,036	$ 200,036	$ -	-	$ -
	Stock Wealth Media Technology Co., Ltd.	Long-term investments-equity method.	-	-	8,700	82,715	18,500	185,000	-	-	-	-	27,200	235,449 (Note 2)
TransAsia Telecommunications Inc.	Beneficiary certificate Fubon Chi-Hsiang Fund	Financial assets at fair value through profit or loss - current	-	-	-	-	13,497	200,000	13,497	200,036	200,036	-	-	-
Wealth Media Technology Co., Ltd.	Stock Tai Fu Media Technology Co., Ltd.	Long-term investments - equity method	-	-	8,500	80,876	18,500	185,000	-	-	-	-	27,000	233,792 (Note 3)
Tai Fu Media Technology Co., Ltd.	Stock Fu Sin Media Technology Co., Ltd..	Long-term investments - equity method	-	-	100	900	13,400	134,000	-	-	-	-	13,500	138,069 (Note 4)
Fu Sin Media Technology Co., Ltd.	Stock Phoenix Cable TV Co., Ltd.	Long-term investments - equity method	-	-	-	-	2,272	133,358	-	-	-	-	2,272	130,838 (Note 5)
TWM Holding Co. Ltd.	Stock Hurray! Times Communications, Beijing	Long-term investments - equity method	-	-	-	-	-	US$ 5,005	-	-	-	-	-	US$ 4,551 (Note 6)
Taiwan Fixed Network Co., Ltd.	Stock Taiwan Mobile Co., Ltd.	Available-for-sale financial assets - non-current	-	-	900,353	37,004,498	-	-	300,000	13,509,828	10,022,678	3,487,150	456,295 (Note 7)	23,271,033 (Note 7)
TFN Investment Co., Ltd.	Stock Fubon Financial Holding Company	Available-for-sale financial assets - current	-	-	62,023	1,786,256	-	-	62,023	2,089,511	1,628,197	461,314	-	-
	TFN Media Co., Ltd.	Long-term investments - equity method	-	-	214,518	2,951,824	16,008	535,714	-	-	-	-	230,526	3,445,846 (Note 8)
TFN Media Co., Ltd.	Stock Phoenix Cable TV Co., Ltd.	Long-term investments - equity method	-	-	47,663	2,069,063	18,155	1,065,710	-	-	-	-	65,818	3,009,823 (Note 9)

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 the investment loss adjustment of $32,266 thousand.

Note 3: The amount included the investment loss adjustment of $32,084 thousand.

Note 4: The amount included the investment income adjustment of $3,169 thousand.

Note 5: The amount included the cash dividends adjustment of $5,854 thousand and the investment income adjustment of $3,334 thousand.

Note 6: The amount included the investment loss adjustment of US$549 thousand and the recognition of cumulative translation adjustments of US$95 thousand.

Note 7: The shares included the capital reduction adjustment of 144,058 thousand shares. The amount included the capital reduction adjustment of $720,267 thousand and unrealized gain of $4,431,054 thousand.

Note 8: The amount included the cash dividends adjustment of $675,846 thousand, the investment income adjustment of $634,084 thousand and net loss not recognized as pension cost adjustment of 70 thousand.

Note 9: The amount included the cash dividends adjustment of $169,589 thousand and the investment income adjustment of $144,639 thousand.

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

TOTAL PURCHASE FROM OR SALE TO RELATED PARTIES AMOUNTING TO AT LEAST $100 MILLION OR 20% OF THE PAID-IN CAPITAL
NINE MONTHS ENDED SEPTEMBER 30, 2008
(In Thousands of New Taiwan Dollars)

Company Name (A)	Related Party (B)	Nature of Relationship (B is A's)	Transaction Details				Transactions with Terms Different from Others		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. (the "Corporation")	TransAsia Telecommunications Inc.	Subsidiary	Sale	$ (459,338)	(1)	Based on contract terms	-	-	$ -	-	
			Purchase	257,796	1	Based on contract terms	-	-	-	-	
	Taiwan Fixed Network Co., Ltd.	Subsidiary	Sale	(1,523,819)	(4)	Based on contract terms	-	-	229,563	4	
			Purchase	717,100	4	Based on contract terms	-	-	(11,725)	(1)	
	Taiwan Teleservices & Technologies Co., Ltd. (including the former TT&T)	Subsidiary	Purchase	675,614	(Note 1)	Based on contract terms	-	-	(78,528)	(Note 2)	
TransAsia Telecommunications Inc.	The Corporation	Parent	Sale	(257,796)	(6)	Based on contract terms	-	-	-	-	
			Purchase	459,338	20	Based on contract terms	-	-	-	-	
Taiwan Teleservices & Technologies Co., Ltd.(including the former TT&T)	The Corporation	Ultimate parent	Sale	(675,698)	(82)	Based on contract terms	-	-	78,494	70	
Taiwan Fixed Network Co., Ltd.	The Corporation	Ultimate parent	Sale	(774,062)	(11)	Based on contract terms	-	-	105,487	10	
			Purchase	1,518,308	31	Based on contract terms	-	-	(2,853)	-	
TFN Media Co., Ltd.	Phoenix Cable TV Co., Ltd.	Subsidiary	Sale	(325,265)	(20)	Based on contract terms	(Note 3)	(Note 3)	72,281	27	
	Yeong Jialeh Cable TV Co., Ltd.	Subsidiary	Sale	(243,993)	(15)	Based on contract terms	(Note 3)	(Note 3)	54,221	20	
	Union Cable TV Co., Ltd.	Subsidiary	Sale	(148,230)	(9)	Based on contract terms	(Note 3)	(Note 3)	32,940	12	
	Globalview Cable TV Co., Ltd.	Subsidiary	Sale	(126,409)	(8)	Based on contract terms	(Note 3)	(Note 3)	28,091	10	
Yeong Jialeh Cable TV Co., Ltd.	TFN Media Co., Ltd.	Parent	Royalty	243,993	60	Based on contract terms	(Note 3)	(Note 3)	(54,221)	(74)	
Phoenix Cable TV Co., Ltd.	TFN Media Co., Ltd.	Parent	Royalty	325,265	63	Based on contract terms	(Note 3)	(Note 3)	(72,281)	(76)	
Union Cable TV Co., Ltd.	TFN Media Co., Ltd.	Parent	Royalty	126,409	58	Based on contract terms	(Note 3)	(Note 3)	(28,091)	(84)	
Globalview Cable TV Co., Ltd.	TFN Media Co., Ltd.	Parent	Royalty	148,230	64	Based on contract terms	(Note 3)	(Note 3)	(32,940)	(76)	
Mangrove Cable TV Corporation	Dai-Ka Ltd.	Related party in substance	Royalty	80,017	59	Based on contract terms	(Note 3)	(Note 3)	(27,117)	(89)	

Note 1: Recognized as operating expenses.

Note 2: Recognized as accrued expenses.

Note 3: No comparables on such kind of transactions.

TABLE 6

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST $100 MILLION OR 20% OF THE PAID-IN CAPITAL
SEPTEMBER 30, 2008
(In Thousands of New Taiwan Dollars)

Company Name (A)	Related Party (B)	Nature of Relationship (B is A's)	Ending Balance		Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Bad Debts
						Amount	Action Taken		
Taiwan Mobile Co., Ltd. (the "Corporation")	Taiwan Fixed Network Co., Ltd.	Subsidiary	Accounts receivable	$ 229,563	9.06	$ -	-	$ 37	-
			Other receivables	64,731		-	-	68	-
	Taiwan Cellular Co., Ltd.	Subsidiary	Other receivables	350,000		-	-	350,000	-
	Tai Fu Media Technology Co., Ltd.	Subsidiary	Other receivables	2,022,541		-	-	-	-
Taiwan Cellular Co., Ltd.	TFN Media Co., Ltd.	Subsidiary	Other receivables	252,121		-	-	-	-
	Taiwan Teleservices & Technologies Co., Ltd.	Subsidiary	Other receivables	283,244		-	-	-	-
Taiwan Teleservices & Technologies Co., Ltd.	The Corporation	Ultimate parent	Accounts receivable	78,494	7.59	-	-	-	-
			Other receivables	75		-	-	-	-
Taiwan Fixed Network Co., Ltd.	The Corporation	Ultimate parent	Accounts receivable	105,487	4.49	-	-	625	-
			Other receivables	209,868		-	-	81,237	-
	TFN Media Co., Ltd.	Subsidiary	Accounts receivable	20,004	2.81	-	-	-	-
			Other receivables	1,509,283		-	-	-	-
TFN Investment Co., Ltd.	TFN Media Co., Ltd.	Subsidiary	Other receivables	3,909,103		-	-	-	-
Shin Ho Cable TV Co., Ltd.	TFN Media Co., Ltd.	Parent	Accounts receivable	421		-	-	-	-
			Other receivables	211,676		-	-	-	-
Phoenix Cable TV Co., Ltd.	TFN Media Co., Ltd.	Parent	Accounts receivable	6,203		-	-	-	-
			Other receivables	433,563		-	-	-	-
Union Cable TV Co., Ltd.	TFN Media Co., Ltd.	Parent	Accounts receivable	6,852		-	-	-	-
			Other receivables	568,932		-	-	100,000	-
Globalview Cable TV Co., Ltd.	TFN Media Co., Ltd.	Parent	Accounts receivable	2,120		-	-	-	-
			Other receivables	325,733		-	-	-	-
Mangrove Cable TV Corporation	TFN Media Co., Ltd.	Parent	Accounts receivable	1,248		-	-	-	-
			Other receivables	69,138		-	-	-	-
Yeong Jialeh Cable TV Co., Ltd.	TFN Media Co., Ltd.	Parent	Accounts receivable	4,406		-	-	-	-
			Other receivable	130,628		-	-	-	-

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
NINE MONTHS ENDED SEPTEMBER 30, 2008
(In Thousands of New Taiwan Dollars or U.S. Dollars)

Investor	Investee	Location	Main Businesses and Products	Investment Amount: September 30, 2008	Investment Amount: December 31, 2007	Balance as of September 30, 2008: Shares (Thousands)	Balance as of September 30, 2008: Percentage of Ownership	Balance as of September 30, 2008: Carrying Value	Net Income (Loss) of the Investee	Investment Income (Loss)	Note
Taiwan Mobile Co., Ltd.	Taiwan Cellular Co., Ltd.	Taipei, Taiwan	Telecom engineering and IT service	$ 41,058,330	$ 43,208,330	149,958	100.00	$ 14,318,804 (Note 1)	$ 5,314,825	$ 2,179,356	
	Wealth Media Technology Co., Ltd.	Taipei, Taiwan	Investment	272,000	87,000	27,200	100.00	235,449	(32,266)	(32,266)	
Wealth Media Technology Co., Ltd.	Tai Fu Media Technology Co., Ltd.	Taipei, Taiwan	Investment	270,000	85,000	27,000	100.00	233,792	(32,084)	NA	
Tai Fu Media Technology Co., Ltd.	Global Wealth Media Technology Co., Ltd.	Taipei Country, Taiwan	Investment	84,000	84,000	8,400	100.00	87,302	3,204	NA	
	Fu Jia Leh Media Technology Co., Ltd.	Taipei, Taiwan	Investment	2,001,700	2,001,700	117,100	100.00	2,001,113	(97)	NA	
	Fu Sin Media Technology Co., Ltd.	Taipei, Taiwan	Investment	135,000	1,000	13,500	100.00	138,069	3,169	NA	
Global Wealth Media Technology Co., Ltd.	Globalview Cable TV Co., Ltd.	Sijhih Township	Cable TV service provider	82,882	82,882	3,460	6.179	82,504	54,083	NA	
Fu Sin Media Technology Co., Ltd.	Phoenix Cable TV Co., Ltd.	Kaohsiung County	Cable TV service provider	133,358	-	2,272	3.34	130,838	154,319	NA	
Taiwan Cellular Co., Ltd.	Tai Yi Digital Broadcasting Co., Ltd.	Taipei, Taiwan	Broadcasting business and agency of telecom service subscription	24,950	24,950	2,495	49.9	23,318	(378)	NA	
	TWM Holding Co. Ltd.	British Virgin Islands	Investment	US$ 10,800	US$ 9,000	1 share	100.00	US$ 7,638	US$ (567)	NA	
	Taiwan Fixed Network Co., Ltd.	Taipei, Taiwan	Fixed line service provider	40,000,000	40,000,000	4,000,000	100.00	52,975,530	5,265,425	NA	
	Taiwan Digital Communications Co., Ltd.	Taipei, Taiwan	Equipment installation and IT service	12,000	12,000	1,200	100.00	11,079	(93)	NA	
TWM Holding Co., Ltd.	Hurray! Times Communications, Beijing	Beijing	Telecom product innovation and design	US$ 5,005	-	-	100.00	US$ 4,551	US$ (366)	NA	
Taiwan Fixed Network Co., Ltd.	TFN Investment Co., Ltd.	Taipei, Taiwan	Investment	17,897,639	17,897,639	2,061,939	100.00	23,714,892	1,069,230	NA	
	TFN HK Limited	Hong Kong	Telecommunications service provider	5,816	5,816	1,300	100.00	2,796	(240)	NA	
	Taiwan Teleservices & Technologies Co., Ltd.	Taipei, Taiwan	Call center service and ISR (international simple resales)	117,553	120,000	1,000	100.00	36,538	16,193	NA	
Taiwan Teleservices & Technologies Co., Ltd.	TT&T Holdings Co., Ltd.	Samoa	Investment	US$ 1,300	US$ 1,300	1,300	100.00	US$ 1,383	US$ (26)	NA	
	Taiwan Super Basketball Co., Ltd.	Taipei, Taiwan	Basketball team management	20,000	20,000	2,000	100.00	(779)	(20,783)	NA	
TT&T Holdings Co., Ltd.	Xiamen Taifu Teleservices & Technologies Ltd.	Xiamen	Call center service	US$ 1,300	US$ 1,300	-	100.00	US$ 1,381	US$ (25)	NA	
TFN Investment Co., Ltd.	Reach & Range Inc.	Taipei, Taiwan	Telecommunications equipment installment and IT service provider	31,764	31,764	2,400	100.00	34,128	2,693	NA	
	WinTV Broadcasting Co., Ltd.	Taipei, Taiwan	TV program provider	591,000	591,000	25,214	98.50	208,353	(47,316)	NA	
	TFN Media Co., Ltd.	Taipei, Taiwan	Cable broadband and value added service provider	2,035,714	1,500,000	230,526	100.00	3,445,846	643,233	NA	
TFN Media Co., Ltd.	Yeong Jialeh Cable TV Co., Ltd.	Sinjhuangshih Township	Cable TV service provider	1,616,824	1,616,824	33,940	100.00	2,065,285	131,800	NA	
	Shin Ho Cable TV Co., Ltd.	Sinjhuangshih Township	Cable TV service provider	661,781	661,781	20,000 (Note 2)	100.00 (Note 2)	701,417	4,685	NA	
	Mangrove Cable TV Corporation	Danshueijhen Township	Cable TV service provider	397,703	397,703	21,160 (Note 2)	100.00 (Note 2)	543,536	52,245	NA	
	North Coast Cable TV Co., Ltd.	Danshueijhen Township	Cable TV service provider	399,193	399,193	21,160	100.00	220,412	(4,290)	NA	
	Phoenix Cable TV Co., Ltd.	Kaohsiung County	Cable TV service provider	2,294,967	1,229,257	65,818	96.66	3,109,823	154,319	NA	
	Union Cable TV Co., Ltd.	Yilan City	Cable TV service provider	1,904,440	1,904,440	170,441	99.99	1,997,044	77,311	NA	
	Globalview Cable TV Co., Ltd.	Sijhih Township	Cable TV service provider	841,413	841,413	51,733	92.38	1,208,281	54,083	NA	

Note 1: Taiwan Mobile shares held indirectly by TFN and TFNI (both are subsidiaries of TCC) are classified as treasury shares. Therefore, TWM's carrying cost of $53,820,479 thousand on TCC shall be reduced by downward adjusting the latter's net worth by $31,889,100 thousand, excluding $7,615,218 thousand unrealized gain from financial assets investment, and adding back recognition of upstream transactions gains of $2,643 thousand.

Note 2: Some shares are held under trustee accounts.

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

INVESTMENT IN MAINLAND CHINA
NINE MONTHS ENDED SEPTEMBER 30, 2008
(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 September 30, 2007	Investment Flows		Accumulated Outflow of Investment from Taiwan as of September 30, 2008	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 3)	Carrying Value as of September 30, 2008	Accumulated Inward Remittance of Earnings as of September 30, 2008
					Outflow	Inflow					
Xiamen Taifu Teleservices & Technologies Ltd.	Call center service	US$ 1,300 (NT$ 41,659)	Indirect investment in the Companies in Mainland China through a third place by the Corporation's subsidiary, Taiwan Teleservices & Technologies Co., Ltd.	US$ 1,300 (NT$ 41,659)	$ -	$ -	US$ 1,300 (NT$ 41,659)	100% ownership of indirect investment by the Corporation's subsidiary	US$ (25) (NT$ (801))	US$ 1,381 (NT$ 44,254)	$ -
Hurray! Times Communications, (Beijing) Ltd.	Mobile application development and design	US$ 3,000 (NT$ 96,135)	Indirect investment in the Companies in Mainland China through a third place by the Corporation's subsidiary, Taiwan Cellular Co., Ltd.	-	US$ 4,403 (NT$141,094)	-	US$ 4,403 (NT$141,094)	100% ownership of indirect investment by the Corporation's subsidiary	US$ (549) (NT$(17,593))	US$ 4,551 (NT$145,837)	-

Accumulated Investment in Mainland China as of September 30, 2008	Investment Amounts Authorized by Investment Commission, MOEA (Note 2)	Upper Limit on Investment Authorized by Investment Commission, MOEA (Note 2)
US$ 1,300 (NT$ 41,659)	US$ 1,300 (NT$ 41,659)	$ 80,000
US$ 4,403 (NT$ 141,094)	US$ 5,300 (NT$ 169,839)	53,820,479

Note 1: The above amounts were translated into New Taiwan dollars at the exchange rate of US$1=NT$32.045 and RMB1=NT$4.6999 as of September 30, 2008.

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

Note 3: Calculation was based on unreviewed financial statements.