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Taipei Vieshow Service Center
1F, No. 16, Songshou Rd., Sinyi Dist., Taipei

Taipei Jhongsiao Service Center
No. 659, 661, Jhongsiao E. Rd., Sec. 5, Sinyi Dist., Taipei

Taipei Dinghao Service Center
1F, No. 71, Sec. 4, Jhongsiao E. Rd., Daan Dist., Taipei

Danshuei Jhongcheng Service Center
1F, No. 124, Jhongheng Rd., Danshuei Township, Taipei County

Taipei Yongkang Service Center
1F., No.174, Sec. 2, Sinyi Rd., Da-an Dist., Taipei

Taipei Gongguan Service Center
No.289, Sec. 3, Roosevelt Rd., Da-an Dist., Taipei

Taipei Bade Service Center
No. 34, Bade Rd., Sec. 3, Songshan Dist., Taipei

Taipei Nanjing West Service Center
No. 42, Nanjing W Rd., Datong Dist., Taipei

Taipei Nongan Service Center
No. 19, Nongan Street, Jhongshan Dist., Taipei City

Taipei Jhancian Service Center
1F., No.38, Sec. 1, Jhongsiao W. Rd., Jhongheng Dist., Taipei

Taipei Simending Service Center
1F, No.12, Emei St., Wanhua Dist., Taipei

Taipei Tianmu Service Center
1F., No. 11, Tianmu W, Rd., Shihlin Dist., Taipei

Taipei Wunlin Service Center
1F, No. 678, Wunlin Rd., Shihlin Dist., Taipei

Taipei Mingsheng E Service Center
1F., No.71, Sec. 4, Minsheng E. Rd., Songshan Dist., Taipei

Banchiao Minzu Service Center
No. 33, Minzu Rd., Banchiao City, Taipei County

Yonghe Fuhe Service Center
No.137, Fuhe Rd., Yunghe City, Taipei County

Jhonghe Jhonghe Service Center
1-2F, No. 72, Jhonghe Rd., Jhonghe City, Taipei County

Jhonghe Nanshihiao Service Center
No.2, Lane 64, Sec. 1, Singnan Rd., Jhonghe City, Taipei County

Taipei Tucheng Service Center
1F., No.261, Yumin Rd., Tucheng City, Taipei County

Neihu Guangdian Service Center
No. 498, Rueiguang Rd., Neihu Dist., Taipei

Sanchong Tomson Service Center
1F-2, No. 2, Lane 609, Chongsin Rd., Sec. 5, Sanchong City, Taipei County

Sanchong Tiantai Service Center
1F, No. 102, Sec. 2, Chongsin Rd., Sanchong City, Taipei County

Taipei Sinjhuang Service Center
1F, No.299, Jhongheng Rd, Sinjhuang City, Taipei County

Sindian Cijhang Service Center
No.165, Sec. 2, Beisin Rd., Sindian City, Taipei County

Jilung Yiyi Service Center
1F, No. 38, Yiyi Rd., Jhongheng Dist., Jilung City

Luodong Shingdong Service Center
1F, No. 150, Shingdong Rd., Luodong Towership, Yilan County

Hualien Jhongheng Service Center
No. 46, Sanmin St., Hualien City, Hualien County

Taipei Sijhih Service Center
No.111, Jhongsing Rd., Sijhih City, Taipei County

Yilan Jhongshan II Service Center
No.37, Sec. 3, Jhongshan Rd., Yilan City, Yilan County

Taoyuan Chenggong Service Center
No. 86, Sec. 2, Chenggong Rd., Taoyuan City, Taoyuan County

Jhongli Huanbei Service Center
No. 542, Huanbei Rd., Jhongli City, Taoyuan County

Yangmei Dacheng Service Center
No. 140, Dacheng Rd., Yangmei Township, Taoyuan County

Yaoyuan Bede Service Center
1F., No.780, Sec. 1, Jieshou Rd., Bade City, Taoyuan County

Hsinchu Jhongheng Service Center
No. 9-11, Jhongheng Rd., Hsinchu City

Jhubei Guangming Service Center
No. 95, Guangming 6th Rd., Thubei City, Hsinchu County

Hsinchu Jhuke Service Center
No.633, Sec. 1, Guangfu Rd., East Dist., Hsinchu City

Taoyuan Airport Terminal I Service Center
No. 15, Hangjhan S. Rd., Puxin Village, Dayuan Township, Taoyuan County (3F, Departure Hall)

Taoyuan Airport Terminal II Service Center
No. 9, Hangjhan S. Rd., Dayuan Township, Taoyuan County

Central

Jhunan Boai Service Center
No. 142, Boai St., Jhunan Township, Miaoli County

Miaoli Jhongheng Service Center
No. 501, Jhongheng Rd., Miaoli City, Miaoli County

Fongyuan Jhongheng Service Center
No. 448, Jhongheng Rd., Fongyuan City, Taichung County

Taichung Jhonggang Service Center
No. 7, Sec. 2, Taichung Port Rd., Situn Dist., Taichung City

Taichung Zihyou Service Center
1F, No. 43, Sec. 2, Zihyou Rd., Central Dist. Taichung City

Fongjia Fusing Service Center
No. 338, Fusing Rd., Situn Dist., Taichung City

Taichung Taiping Service Center
No.69, Shusiao Rd., Taiping City, Taichung County

Taichung Donghai Service Center
No. 20, Dongyuan Lane, Taichunggang Rd., Longjing Township, Taichung County

Taichung Wunsin Service Center
1F/2F, No. 151, Sec. 4, Wunsin Rd, Beitun Dist., Taichung City

Taichung Meicun South Service Center
1F., No.62, Meicun S. Rd., South Dist., Taichung City

Changhua Jhongheng Service Center
No. 1, Sec. 1, Jhongheng Rd., Changhua City, Changhua County

Caotun Jhongheng Service Center
No. 859, Jhongheng Rd., Caotun Township, Nantou County

Nantou Fusing Service Center
1F, No. 207, Fusing Rd., Nantou City, Nantou County

Douliou Jhenbei Service Center
No. 10-12, Jhenbei Rd., Douliou City, Yunlin County

Changhua Sihua Service Center
1F., No.370, Sihuan Rd., Sihua Township, Changhua County

South

Chiayi Linsen Service Center
No. 185, Linsen W. Rd., West Dist., Chiayi City

Chiayi Chueiyang Service Center
No. 636, Chueiyang Rd., Chiayi City

Tainan Sinying Service Center
No.71-1, Minjhhih Rd., Sinying City, Tainan County

Tainan Simen Service Center
No.357, Sec. 2, Simen Rd., West Central Dist., Tainan City

Tainan Minsheng Service Center
1F, No. 279, Minsheng Road, Sec. 2, West Central Dist., Tainan City

Tainan Yongkang Service Center
1F., No.663, Jhonghua Rd., Yongkang City, Tainan County

Tainan Minzu Service Center
No.55-1, Sec. 2, Minzu Rd., West Central Dist., Tainan

Tainan Jhonghua Service Center
No.48, Sec. 3, Jhonghua E. Rd., East Dist., Tainan

Tainan Rende Service Center
No.497, Jhongshan Rd., Rende Township, Tainan County

Kaohsiung Lingya Service Center
No.149, Guangzhou 1st St., Lingya Dist., Kaohsiung City

Kaohsiung Mingcheng Service Center
No.288, Heti Rd., Sanmin Dist., Kaohsiung City

Kaohsiung Sanduo Service Center
1F., No.214-12, Sanduo 3rd Rd., Lingya Dist., Kaohsiung City

Kaohsiung JyueMin Service Center
No. 197, JyueMin Rd., Sanmin Dist., Kaohsiung City

Kaohsiung Jyudan Service Center
1F., No. 179, Sinjhuangzai Rd., Zuoying Dist., Kaohsiung City

Gangshan Liouciao East Service Center
1F., No.32-5, Liouciao E. Rd., Gangshan Township, Kaohsiung County

Kaohsiung Linsen Service Center
No. 243-1, Linsen 1st Rd., Sinsing Dist., Kaohsiung City

Kaohsiung Sansin Service Center
1F., No.279, Sanduo 1st Rd., Lingya Dist., Kaohsiung City

Fongshan Wujia Service Center
1F., No.535, Wujia 2nd Rd., Fongshan City, Kaohsiung County

Kaohsiung Fongshan Service Center
No. 148-1~3, Jhongshan Rd., Fongshan City, Kaohsiung County

Pingtung Fusing Service Center
1F, No. 586-3, Zihyou Road, Pingtung City, Pingtung County

Pingtung Minzu Service Center
No.174, Minzu Rd., Pingtung City, Pingtung County

Taitung Jhonghua Service Center
No.518, Sec. 1, Jhonghua Rd., Taitung City, Taitung County

Kaohsiung Rongzong Service Center
No.1, Rongzong Rd., Zuoying District, Kaohsiung City



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Letter to Shareholders

Dear Shareholders,

Taiwan Mobile (“the Company”) completed its merger of Taiwan Fixed Network Co., Ltd. (TFN) and Taiwan Telecommunication Network Services Co., Ltd. (TTN) last year, allowing the Company to expand its telecommunications footprint from mobile communications to fixed-line and cable services. Bolstered by the acquisitions, the Company has become an integrated information, communication and entertainment provider that offers mobile, cable TV, broadband and fixed line services.

Transition to digital age

Taiwan Mobile’s consolidated revenue and EBITDA, including fixed-line and cable business, reached NT\$66.1 billion and NT\$30.2 billion in 2007, rising 12% and 11%, respectively, compared with its performance a year ago as a pure mobile service operator. Its consolidated net income and earnings per share were NT\$6.6 billion and NT\$1.68, respectively, achieving 96% of its target for 2007. Mobile services continued to be the Company’s major profit generator in 2007, accounting for 89% of its consolidated EBITDA. Despite a sluggish wireless market and a stricter regulatory environment, the Company still outpaced the industry and saw a 1% YoY rise in telecom service revenue, driven by sound growth in prepaid and value-added services. Annual growth in its mobile EBITDA was also far ahead of its closest rival. As for fixed-line, although its performance

was constrained by the major operator’s ownership of the last mile and voice revenue was affected by rising substitute technologies, the Company’s revenue and EBITDA grew 9% and 97% respectively from 2006, thanks to a better product mix and synergy. Cable multi-system operator (MSO) revenue and EBITDA also increased 9% and 12% YoY, respectively, aided by 44% and 6% in revenue additions from broadband and pay-TV.

Enhancing company value and shareholders’ interests

To enhance its core competitiveness, the Company focused on maximizing shareholders’ interests by adjusting its capital structure and strengthening corporate governance in 2007.

1. Capital reduction

To compensate for lower distributable earnings as a result of asset write-offs, the Company declared a capital reduction of NT\$12 billion and returned NT\$2.4 in cash per share to shareholders in February 2008. Adding the cash return in its declared cash dividend for 2007 earnings, total cash distributed to shareholders hit a record high.

2. Treasury stock to support future investments

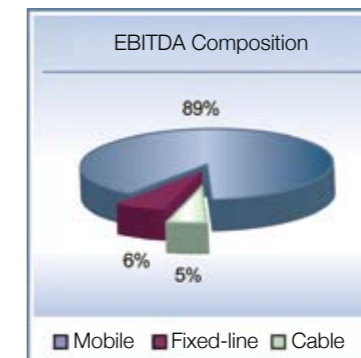
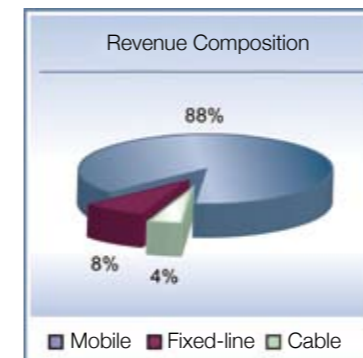
TFN’s original 21.4% holding in Taiwan Mobile is treated as treasury stock after the acquisition. Valued at over NT\$49 billion*, this shareholding can be used to purchase or acquire investments that can expand the Company’s cable MSO market share or explore other financial opportunities to maximize shareholders’ interests.



Group and Divisional Performance

Unit: NT\$m

		Mobile	Cable MSO	Fixed-line	Consolidated
Revenue	2007	59,252	4,024	8,225	66,095
	YoY	1%	9%	9%	12%
EBITDA	2007	27,490	2,106	1,343	30,153
	YoY	1%	12%	97%	11%
Operating Income	2007	19,390	1,624	16	21,317
	YoY	0%	20%	Turned Positive	10%

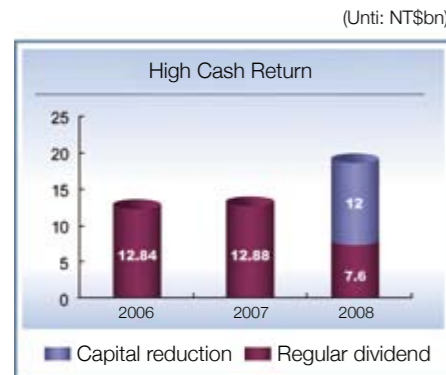


3. Recognition for corporate governance

Taiwan Mobile's commitment to corporate governance was recognized for the second year in a row with a "CG6002 certification" from the Corporate Governance Association and with an A+ honor rating in the "2007 Information Transparency and Disclosure Ranking Results in Taiwan" conducted by the Securities and Futures Institute. The Company also won recognition for its dedication and care for customers and employees, including the "Gold Trusted Brand Award" from *Reader's Digest*; the "2007 Information Security Dedicated Award" from *Information Security Taiwan*, the only telecommunication operator to receive such an award; and the "Happy Workers – Best Employer Award" from *Cheers Magazine* and global consulting firm, Watson Wyatt. Moreover, the Company was ranked as Taiwan's top 10 of "Asia's 200 Most-admired Companies" by *The Wall Street Journal* in 2008. Taiwan Mobile was the sole telecom awardee.

Geared up towards growth

To meet the challenges of the trend toward digital convergence, the Company launched "Taiwan Mobile," "TWM Broadband" and "TWM Solution" early this year to target the consumer, home and corporate markets. Aside from market segmentation, the Company hopes to boost customer subscription to different services through effective cross-selling and product bundling strategies to drive revenue growth.

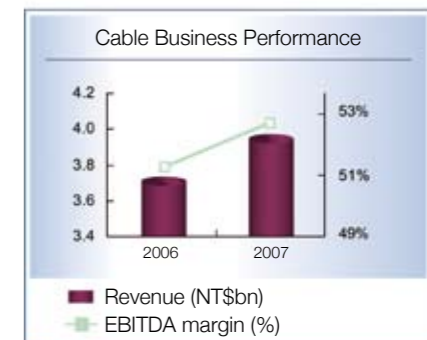
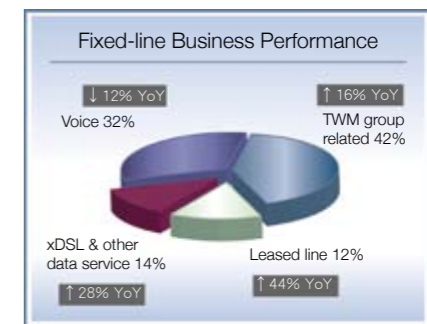
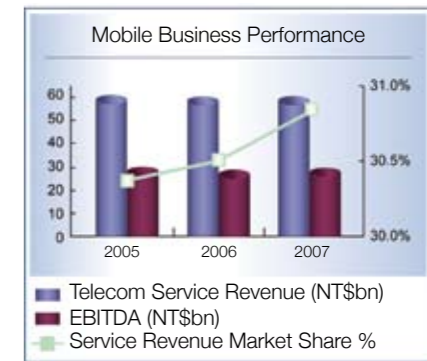


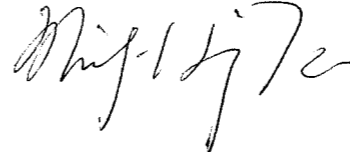
To attract new subscribers, Taiwan Mobile launched a new rate plan early this year, which allows users to choose a time slot when they can make 8 or 12 hours of free intranet call.

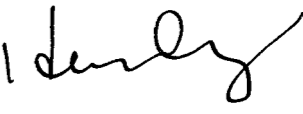
With more users migrating to 3G, the Company aims to introduce more multimedia handset models and aggressively expand 3.5G (HSDPA) coverage to offer more value-added and faster data services. On the cable business front, the Company will continue to stimulate subscriber growth in cable broadband and invest in digital network to provide premium services in the future. Future focuses of enterprise solutions would be on leased line revenue growth and further growth in integrated mobile and fixed-line services.

Digital convergence promises to be the wave of the future, offering new opportunities in an already saturated telecommunications market. Taiwan Mobile has defined this year as the "Year of Digital Convergence," signifying its readiness to meet the challenges of this new age. Consolidation and integration have strengthened and expanded the Company's role in wireless communication, broadband and cable TV media businesses, further differentiating it from the competition. Taiwan Mobile aims to become a leader in the convergent service market.

* : The number of treasury shares and market value on January 31, 2008, the last trading date before trading suspension for capital reduction



Chairman 
Richard Tsai

President 
Harvey Chang

Ch.1 Company Highlights

Vision

The Company's core vision is to provide the best communication experience for its customers. Its aim is to become a leader in digital convergence, offering integrated information, telecommunication and media services to enhance the Company's value and maximize shareholders' interests.

Core Competency

The Company has expanded its communication platform to cover mobile, fixed-line, cable TV and broadband services. Through innovation, the Company is able to provide integrated "Quadruple Play" services that meet the demands of the consumer, home and corporate markets for excellent service and information security.

Company Profile

Taiwan Mobile Co., Ltd. was incorporated in the Republic of China ("ROC") on February 25, 1997. The first non-state owned company to receive a GSM 1800 license, TWM was

also the first private telecommunications company to go public and the first wireless operator to launch 3G services using Wideband Code-Division Multiple Access (WCDMA) technology.

To expand its operational scale, the Company acquired southern regional operator TransAsia Telecommunications Inc. in July 2001 and central regional operator Mobitai Communications in August 2004, lifting its combined market share to around 30% of telecom service revenue. The Company further acquired Taiwan Fixed Network Co. Ltd. and Taiwan Telecommunication Network Services Co., Ltd. in 2007, allowing it to offer a "Quadruple-Play" of services covering mobile, fixed-line, cable TV and broadband.

Taiwan Mobile's shares began trading on the ROC's Over-the-Counter Securities Exchange in 2000. In 2002, the Company's shares were listed on the Taiwan Stock Exchange (Ticker: 3045) and included in the Taiwan 50 Index and Morgan Stanley Composite Index. The Company's commitment to improving corporate governance won recognition in 2004 and 2006, with citations for "Best Corporate Governance" in Taiwan by *Euromoney*. It was also granted "CG6001" and "CG6002" certifications from the Corporate Governance Association in 2006 and 2007, respectively, and awarded the "Excellence in Corporate Social Responsibility" and ranked No. 1 in corporate governance by *CommonWealth magazine* for the second year in a row since 2007.

Since its inception, the Company has strived to provide customers with products that best meet their needs, as well as high-quality and secure communication services. Taiwan Mobile was the first company worldwide to obtain an ISO 27001 Information Security Management System certification, demonstrating its dedication to protecting customer privacy and providing world-class security. The Company's customer service has also won numerous commendations from different media outlets. In 2004, the Company won *Next magazine's* "Best Customer Service Mobile Telecom Operator in Taiwan" award. The following year, the Company garnered the "2005 Excellent Service Award" from *Global Views Monthly* and was ranked No.1 in Taiwan's telecommunications service sector. The Company was also a recipient of *Reader's Digest's* "Gold Trusted Brand Award" from 2004 to 2008. Moreover, the Company was ranked in Taiwan's top 10 of "Asia's 200 Most-admired Companies" by *The Wall Street Journal*. Taiwan Mobile was the sole telecom awardee.

While insisting on providing premium services, Taiwan Mobile is also committed to further enhancing corporate governance and promoting employees' well-being. Looking ahead, the Company will continue to strengthen its competitiveness to achieve its goal of becoming the most reliable telecom operator in Taiwan and create a paradigm for telecom services in the new era.



△ Integrated mobile communication, fixed-line and cable service for the transition to digital age.

In 2007, Taiwan Mobile was awarded the "Excellence in Corporate Social Responsibility" and ranked No.1 in corporate governance sector by *CommonWealth magazine*. In the same year, it also received *Global Views Monthly's* third annual "Corporate Social Responsibility Award – Service Sector Category" for its exemplary achievements in strategy, management, financial transparency and corporate social responsibility.



Milestones

- 2008**
January Introduced a revolutionary rate plan – “My Hour” – which allows users to choose a time slot when they can make 8 or 12 hours of free intranet calls.
- 2007**
December Taiwan United Communications Co., Ltd. (TUC), a subsidiary of the Company, increased its stake in Taiwan Telecommunication Network Services Co., Ltd. (TTN) up to 99.53%.
- December** Taihsing International Telecommunications Co., Ltd. (TIT), a subsidiary of the Company, acquired 100% holdings in TFN.
- December** To simplify investment structure, Mobitai Communications Co., Ltd merged into TransAsia Telecommunication Inc. (TAT).
- December** The Company’s capital reduced to NT\$38bn after a capital reduction of NT\$12bn.
- October** Hosted the Fifth Members Forum for Bridge Mobile Alliance – Asia Pacific’s largest mobile alliance group – which was held in Taiwan for the first time.
- October** Signed an agreement with Hurray! Holdings to acquire Hurray! Times Communications Co. in China to facilitate development of mobile content.
- September** Established Taiwan Mobile Cloud Leopards Basketball Team to join the Taiwan Super Basketball League (SBL).
- August** Acquired a 45% stake in Taiwan Telecommunication Network Services Co., Ltd. (TTN), one of the top three Internet service providers in Taiwan, to expand its footprint in the corporate market.
- June** Announced NT\$12bn capital reduction plan to raise its return on equity.
- April** Acquired an 84% stake in Taiwan Fixed Network, combining telecommunications and media businesses to enhance its competitiveness.
- March** Announced to tender offer TFN at NT\$8.3 per share through the Company’s subsidiary, Taihsing International Telecommunications Co., Ltd. (TIT).
- January** Launched 3.5G (HSDPA) service which allows maximum access speeds of 3.6Mbps in Taipei and Hsinchu.
- 2006**
December Became the first in Taiwan to provide BlackBerry service, the world’s No.1 mobile email solution.
- August** Richard Tsai and Daniel Tsai were elected as Chairman and Vice Chairman, respectively, at the tenth session of the fourth Board of Directors.
- June** Acquired full ownership of TransAsia Telecom by purchasing the remaining minority stake.
- January** Launched a revolutionary rate plan called “my Zone” which allows customers to select one of five zones as their home zone and enjoy discounted rates when making calls to people within this designated zone.
- January** Acquired full ownership of Mobitai by purchasing the remaining minority stake.
- 2005**
August Launched OneNet service with TransAsia Telecommunications and Mobitai to provide discounted intranet calls and uniform services to customers of all three companies.
- June** Merged Taiwan Tele-Shop and integrated 132 of TTS’ employees.
- May** Soft launch of its 3G services – “catch 3! catch your eyes!” – to symbolize the start of a new era in mobile communications in Taiwan.
- April** Changed its English name from Taiwan Cellular Corp. to Taiwan Mobile Co., Ltd., (TWM) and instituted a colorful, new logo symbolizing the Company’s customer and service-oriented approach as Taiwan enters the 3G era.



Hosted the Fifth Members Forum for Bridge Mobile Alliance



Established Taiwan Mobile Cloud Leopards Basketball Team



- 2004**
November Joined Bridge Mobile Alliance, the largest mobile alliance in Asia.
- August** Acquired a 67% stake in Mobitai, increasing its subscriber base to 8.2 million.
- July** Launched “myfone” corporate identity and marketing campaign.
- 2003**
July Harvey Chang was appointed as President at the 15th session of the Third Board of Directors.
- July** Daniel Tsai and Richard Tsai were elected as Chairman and Vice Chairman, respectively, at the second session of the Third Board of Managing Directors.
- June** Taiwan Telecom Group’s operating model was discontinued.
- 2002**
November Included in the MSCI INDEX.
- October** Included in the TAIWAN 50 INDEX.
- August** Moved from the OTC exchange to the TSE mainboard.
- May** C. S. Chen was appointed as President at the second session of the Third Board of Directors.
- May** Set up Taiwan Telecom Group to centralize administration of TCC, Taiwan Fixed Network and other affiliates. Group Chairman, Vice-Chairman, CEO, COO and CSO were Jack T. Sun, Richard Tsai, Joseph Lee, S. T. Chang and Ray-Ying Fan, respectively.
- April** Jack T. Sun and Joseph Lee were re-elected as Chairman and Vice Chairman, respectively, at the first session of the Third Board of Directors.
- February** Granted 3G license.
- 2001**
September Founded Taiwan Infotainment Co., Ltd. to provide electronic yellow page directory services.
- July** Teamed up with an affiliate to acquire 95.62% of TransAsia Telecommunications, boosting its subscriber base to 6.42 million.
- June** Set up operating affiliates Taiwan Teleservices & Technologies to handle its customer services and Taiwan Elitec to take charge of its information technology businesses. Invested in Howin Technologies to handle network operations and maintenance service.
- 2000**
December Subscriber base surpassed five million.
- November** Ray-Ying Fan was appointed as President at the eighth session of the Second Board of Directors.
- September** Became the first private telecoms operator to start trading on Taiwan’s Over-the-Counter market.
- 1999**
June Jack T. Sun and Joseph Lee were re-elected as Chairman and Vice Chairman, respectively, at the first session of the Second Board of Directors.
- 1998**
November Subscriber base surpassed one million.
- August** Set up Taiwan Tele-Shop Co. Ltd. (TTS) to handle TCC’s franchises and handset procurement businesses.
- January** Launched commercial service and mobile numbers with the “0935” prefix.
- 1997**
December Became the first nationwide private operator to obtain a GSM 1800 network operating license.
- February** Taiwan Cellular Corp. (TCC) incorporated.
- January** Jack T. Sun and Joseph Lee were elected as Chairman and Vice Chairman, respectively, while Lai-Ting Zou was appointed as President at the first session of the First Board of Directors.
- 1996**
May Preparation for the Company’s incorporation.



Announced to tender offer TFN



Introduced a revolutionary rate plan – “My Hour”

Awards & Recognitions

2008

- April** Received the "Gold Trusted Brand" by *Reader's Digest* for the fifth year in a row.
- March** Recognized as Taiwan's top 10 in "Asia's 200 Most-admired Companies" by *The Wall Street Journal*. Taiwan Mobile was the sole telecom awardee.
- March** Awarded "Excellence in Corporate Social Responsibility" by *CommonWealth magazine* for the second year in a row.

2007

- August** Received the "Happy Worker – Best Employer Award" in Taiwan and Asia – the sole telecom operator honored with the award – from *Cheers Magazine's* 2nd annual survey.
- July** Received an "A+" rating in "Transparency & Information Disclosure" along with 14 other enterprises from Taiwan's Securities and Futures Institute for the second year in a row.
- May** Awarded *Global Views Monthly's* third annual "Corporate Social Responsibility Award – Service Sector Category," for its exemplary achievements in strategy, management, financial transparency and corporate social responsibility.
- April** Received the "2007 Information Security Contribution Award" by *iSecuTech Magazine* and the Executive Yuan's Research, Development and Evaluation Commission for its outstanding contribution to the field of information security. Taiwan Mobile was the sole telecom awardee.
- April** Awarded the "Gold Trusted Brand" by *Reader's Digest* for the fourth year in a row.
- March** Received "CG6002 certification" from the Corporate Governance Association for the second year in a row.
- March** Awarded the "Excellence in Corporate Social Responsibility" and ranked No.1 in corporate governance sector by *CommonWealth magazine*.

2006

- November** Received the "Best Social Responsibility Award – Corporate Category" and the "Outstanding Management Award" for its CEO, Harvey Chang, during the Fourth Taiwan Business Awards, marking the first time that a company received multiple awards at the annual event.
- September** Ranked No. 1 by *Euromoney* for "Best Corporate Governance in Taiwan" – the second time Taiwan Mobile received such recognition.
- July** Taiwan Mobile and TWM Foundation won the 8th WenXin Gold and Silver awards from the Council of Cultural Affairs in recognition of the Company's contribution to local cultural affairs.
- May** Won distinctions for Best Managed Company, Best Corporate Governance and Best Commitment to Strong Dividends by *Finance Asia's* "Taiwan's Best Managed Companies Poll."
- April** Received a "Gold Trusted Brand Award" from *Reader's Digest* for the third year in a row.
- March** Taiwan Ratings Corp. raised its long-term corporate credit rating and its unsecured corporate bond rating of Taiwan Mobile from 'twAA' to 'twAA+'.
- February** Received the first CG6001 certification from the Corporate Governance Association.
- January** TWM and its subsidiary, Taiwan Teleservices & Technologies Co., Ltd., obtained the first worldwide ISO 27001 Information Security Management System certification. Also received certifications from England, Sweden and Norway, demonstrating the Company's commitment to providing information security.



"Gold Trusted Brand", *Reader's Digest*



"Excellence in Corporate Social Responsibility", *CommonWealth magazine*

2005

- November** Led Taiwan delegation in participating in the first World Cyber Game Mobile Tournament and won one gold and one silver medal. Also won first and second place in the first Asia Mobile Tournament held by SingTel.
- October** Awarded "2005 Most Admired Company in Taiwan" by *CommonWealth magazine* and ranked No.1 in Taiwan's telecommunications services sector.
- October** Awarded "2005 Excellent Service Award" by *Global Views Monthly* and ranked No.1 in Taiwan's telecommunications services sector.
- May** Awarded the "Corporate Social Responsibility Award" by *Global Views Monthly* and ranked No.1 in Taiwan's service sector.
- April** Awarded the "Gold Trusted Brand Award" by *Reader's Digest* for the second year in a row.

2004

- December** Taiwan Ratings Corp. raised TWM's long-term corporate credit rating and its unsecured corporate bond rating from 'twA+' to 'twAA'.
- October** Ranked No.1 by *Next magazine* for "Best Customer Service Mobile Telecom Operator in Taiwan."
- September** Ranked No. 1 by *Euromoney* for "Best Corporate Governance in Taiwan."
- July** Ranked No. 1 by *Institutional Investor* for "Most Improved Corporate Governance."
- June** Ranked No. 1 by the Directorate General of Telecommunications for "Best Telecommunications Company" in respect to personal information and privacy.
- April** Awarded the "Gold Trusted Brand Award" by *Reader's Digest*.

2003

- December** Ranked No. 3 by *The Asset* for "Best Corporate Governance in Taiwan."
- December** Ranked No. 1 and No. 2 by *Asiamoney* for "Most Improved Corporate Governance" and "Most Improved Investor Relations," respectively.

2002

- April** Ranked No. 6 by *CommonWealth Magazine* for Top 500 companies in Taiwan's service sector.
- January** Ranked as the most desirable brand among telecommunications operators in Taiwan by *Breakthrough Marketing magazine*.

2001

- December** Ranked as one of the top 10 companies in Taiwan by *Far Eastern Economic Review magazine*.
- October** Voted by mobile subscribers as the "Best Mobile Service Provider" in Taiwan in a poll conducted by the Institute for Information Industry.
- September** Ranked the 7th largest mobile operator in Asia Pacific by *Asia Pacific Mobile Analyst*.
- January** Selected by *Asiamoney magazine's* poll as the "Best New Taiwan Listed Company."

2000

- March** Network engineering management accredited with ISO 9002 certification.

1999

- December** Rated "excellent" by the Directorate General of Telecommunications for service quality, based on three criteria – downtime, blocking rate and coverage in tunnel.
- July** Customer service system accredited with ISO 9002 certification.



"Corporate Social Responsibility Award – Service Sector Category", *Global Views Monthly*



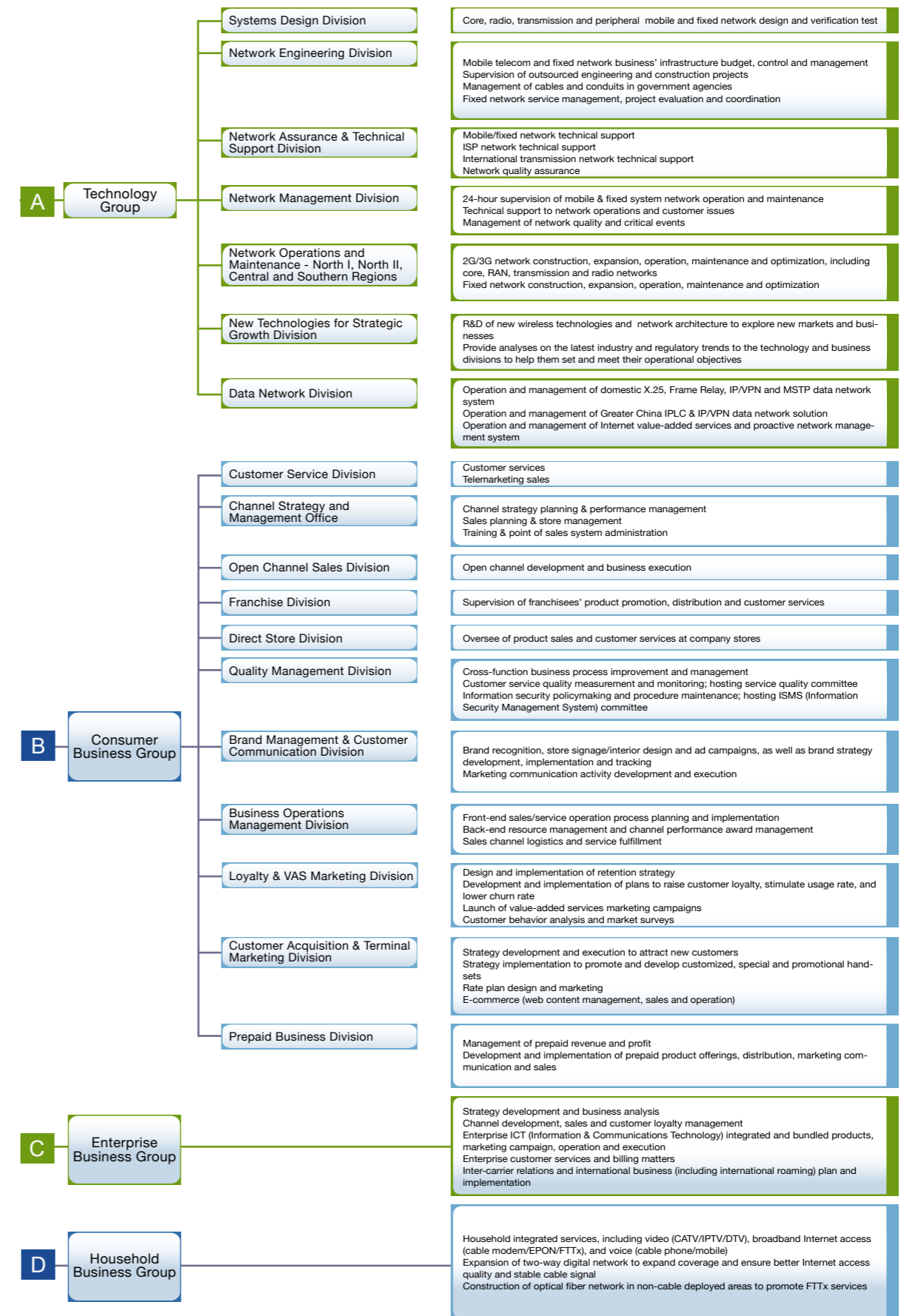
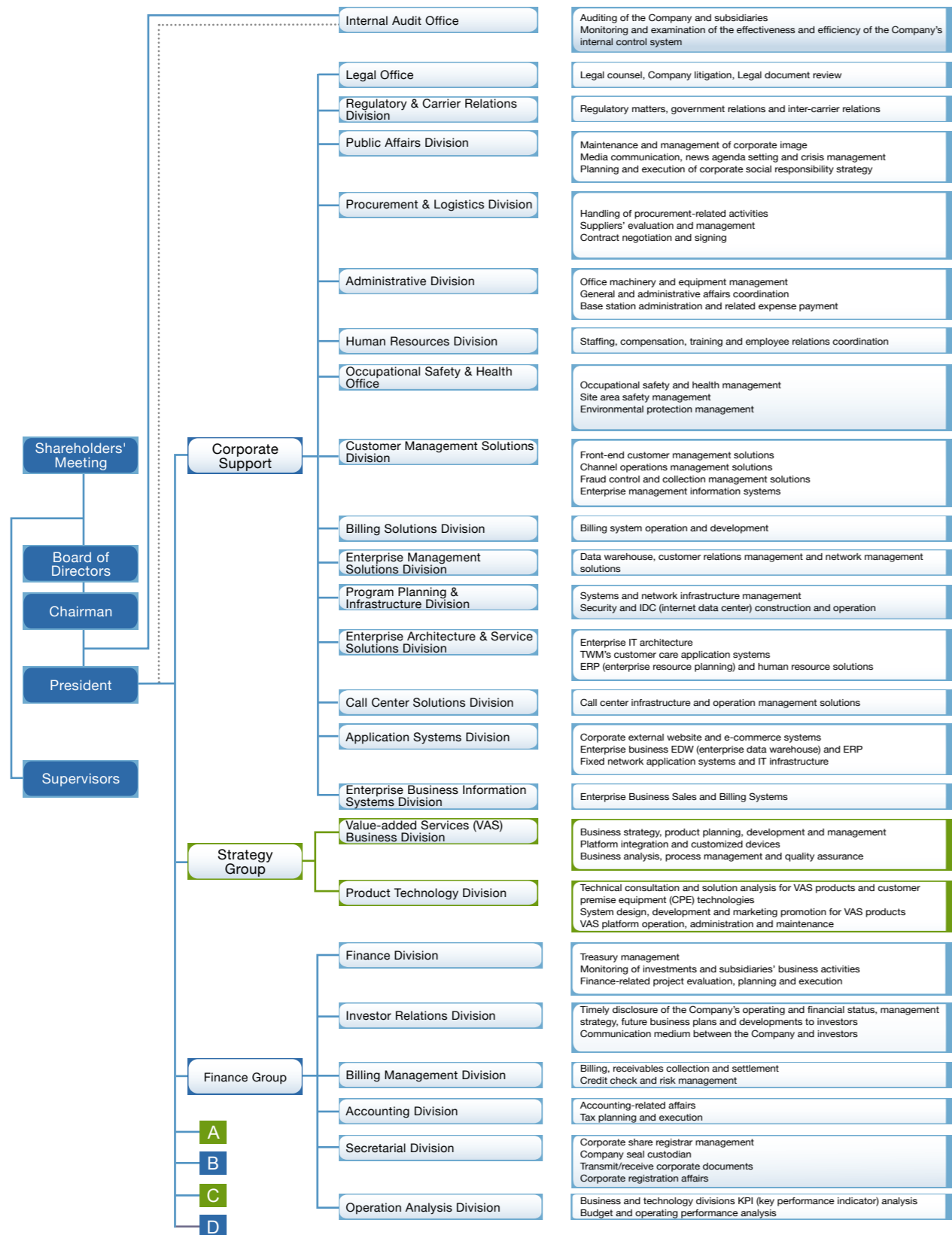
"Happy Worker – Best Employer Award", *Cheers Magazine*



"2007 Information Security Contribution Award", *iSecuTech Magazine*

Ch.2 Organization

Organization



Board of Directors

The board of directors, acting on behalf of the Company's shareholders, is charged with the task of supervising the management team. The board, elected and approved during the AGM on June 14, 2005, is composed of 12 members, including four independent directors. This more than fulfills current regulations requiring public companies to have at least two independent directors. Information regarding the Company's Fourth Board of Directors is detailed below:

Chairman **Richard Tsai**



Representative of
Fu-Chi Venture Corp.

Date elected: 2005.06.14
Term expires: 2008.06.13

Shareholding when elected
Shares 4,235,569
% 0.086

Current shareholding
Shares 4,849,515
*81,149,154
%** 0.128
*2.135

Spouse/minor's shareholdings
Shares 5,651,663

%** 0.149

Education and experience
MBA, Stern School, New York University
Chairman, Fubon Securities Co., Ltd.

Current position(s) in other companies
Vice Chairman, Fubon Financial Holding Co.
Chairman, Fubon Life Assurance Co., Ltd.
Director, Taiwan Fixed Network Co., Ltd.
Chairman, TransAsia Telecommunications, Inc.

Manager is a spouse or consanguineous within two degrees

Title Vice Chairman
Name Daniel Tsai
Relationship Brother

Vice Chairman **Daniel Tsai**



Representative of
Fu-Chi Venture Corp.

Date elected: 2005.06.14
Term expires: 2008.06.13

Shareholding when elected
Shares 4,235,569
% 0.086

Current shareholding
Shares 4,849,515
*81,151,434
%** 0.128
*2.135

Spouse/minor's shareholdings
Shares 6,745,863

%** 0.177

Education and experience
LL.B., National Taiwan University
LL.M., Georgetown University
Chairman, Fubon Insurance

Current position(s) in other companies
Chairman and CEO, Fubon Financial Holding Co.
Chairman, Taipei Fubon Commercial Bank
Chairman, Fubon Land Development Co.
Director, Taiwan Fixed Network Co., Ltd.
Director, TransAsia Telecommunications, Inc.

Manager is a spouse or consanguineous within two degrees

Title Chairman
Name Richard Tsai
Relationship Brother

Director **Harvey Chang**



Representative of
Kuo-Ki Investment Co., Ltd.

Date elected: 2005.06.14
Term expires: 2008.06.13

Shareholding when elected
Shares 225,478
% 0.005

Current shareholding
Shares 171,373
*3,085,780
%** 0.005
*0.081

Spouse/minor's shareholdings
Shares -
%** -

Education and experience
MBA, Wharton School, University of Pennsylvania
Senior Vice President, Trust Dept. and Foreign Dept., Chiao Tung Bank
President, Grand Cathay Securities Corp.
President, China Development Corp.
Chairman, China Securities Investment Trust Corp.
Vice Chairman, KG Telecommunications Co., Ltd.
SVP & CFO, Taiwan Semiconductor Manufacturing Co., Ltd.

Current position(s) in other companies
President, Taiwan Mobile Co., Ltd.
Director and President, TransAsia Telecommunications, Inc.
Chairman, Taiwan Teleservices & Technologies Co., Ltd.
Director and President, Taiwan Cellular Co., Ltd.
Chairman and President, Taiwan Fixed Network Co., Ltd.
Chairman, IC Broadcasting Co., Ltd.
Director and President, TFN Investment Co., Ltd.
Director, Taiwan Super Basketball Co., Ltd.
Chairman, Taiwan Telecommunication Network Services Co., Ltd.
Chairman, Taiwan Fund, Inc.
Director, CX Technology Corp.
Independent Director, Lite-on Technology Corp.

Manager is a spouse or consanguineous within two degrees

Title -
Name -
Relationship -

Director **Vivien Hsu**



Representative of
Taiwan Fixed Network Co., Ltd.

Date elected: 2005.06.14
Term expires: 2008.06.13

Shareholding when elected
Shares 900,352,762
% 18.241

Current shareholding
Shares 456,294,760
*788,926
%** 12.005
*0.021

Spouse/minor's shareholdings
Shares -
%** -

Education and experience
MBA, University of New South Wales, Australia
MBA, National Chengchi University
EVP & CFO, KG Telecom Co.
President & CEO, Lambda Net Co.
President & CEO, KGEx.com Co.
President & CEO, KG Satellite Communication Co., Ltd.
CFO, Cathay Financial Holding Co.
SVP & Chief of Staff, Taiwan Mobile Co., Ltd.
Chairman, Taiwan Tele-Shop Co., Ltd.
Senior Consultant & Acting President, Taiwan Fixed Network Co., Ltd.

Current position(s) in other companies

SVP & CFO, Taiwan Mobile Co., Ltd.
Director, Taiwan Teleservices & Technologies Co., Ltd.
Director, Taiwan Cellular Co., Ltd.
Director, Taiwan Fixed Network Co., Ltd.
Director, Reach & Range, Inc.
Supervisor, TFN Investment Co., Ltd.
Chairman, WirtTV Broadcasting Co., Ltd.
Director, TFN Media Co., Ltd.
Director, Yeong Jia Leh Cable TV Co., Ltd.
Director, North Coast Cable TV Co., Ltd.

Manager is a spouse or consanguineous within two degrees

Title -
Name -
Relationship -

Director **Benny Chen**



Representative of
Taiwan Fixed Network Co., Ltd.

Date elected: 2005.06.14
Term expires: 2008.06.13

Shareholding when elected
Shares 900,352,762
% 18.241

Current shareholding
Shares 456,294,760
*None
%** 12.005
*None

Spouse/minor's shareholdings
Shares -
%** -

Education and experience
MBA, Southern Illinois University
Country Business Manager, Consumer Banking, Citigroup in China
Deputy President, Consumer Banking Group, Chinatrust Financial Holding
Chief Business Strategy & Marketing Officer, Far EastOne Telecommunications Co., Ltd.
SVP and Chief Business Officer, Taiwan Mobile Co., Ltd.

Current position(s) in other companies

Consultant, Taiwan High Speed Rail Corp.
Director/Member of executive committee and risk control committee, Taichung Bank Ltd.

Manager is a spouse or consanguineous within two degrees

Title -
Name -
Relationship -

Director **Nita Ing**

Representative of
Ching Shan Zhen Corp.

%**

Date elected: 2005.06.14
Term expires: 2008.06.13

Shareholding when elected
Shares 2,246,617
% 0.046

Current shareholding
Shares 1,707,528
*5,595,623
%** 0.045
*0.147

Spouse/minor's shareholdings
Shares -

Education and experience
University of California, Los Angeles

Current position(s) in other
companies
Chairman, Continental Engineering
Co., Ltd.
Director, Taiwan Synthetic Rubber
Co., Ltd.
Chairman, Hao Ran Foundation
Chairman, Taiwan High Speed Rail
Corp.
Chairman, 921 Earthquake Relief
Foundation

Manager is a spouse or consan-
guineous within two degrees

Title -
Name -
Relationship -

Independent Director **Jack J.T. Huang**

Date elected: 2005.06.14
Term expires: 2008.06.13

Shareholding when elected
Shares -
% -

Current shareholding
Shares -
%** -

Spouse/minor's shareholdings
Shares -
%** -

Education and experience
LL.B., National Taiwan University
LL.M., Northwestern University
S.J.D., Harvard University

Current position(s) in other
companies
Partner-in-charge, Jones Day
Director, Yulon Motor Co., Ltd.
Director, China Motor Corp.
Independent Director, World Peace
Holding
Independent Director, Systex Corp.

Manager is a spouse or consan-
guineous within two degrees

Title -
Name -
Relationship -

Independent Director **Wen-Li Yeh**

Date elected: 2005.06.14
Term expires: 2008.06.13

Shareholding when elected
Shares -
% -

Current shareholding
Shares -
%** -

Spouse/minor's shareholdings
Shares -
%** -

Education and experience
Dept. of Architecture, Chung-Yuan
Christian University

Current position(s) in other
companies
Chairman, Aegis Media Taiwan
Master and Ph.D. candidate, Univer-
sity of Paris
Graduate Studies, University of Cali-
fornia, Berkeley
Planner, Council for Economic Plan-
ning and Development under the
Executive Yuan
Managing Director, United Pacific
International, Inc.
President, United Communications
Managing Director and Vice Chair-
man, United Advertising Co.
Chairman, Carat-United Media Ser-
vices (Taiwan) Ltd.

Manager is a spouse or consan-
guineous within two degrees

Title -
Name -
Relationship -

Independent Director **J. Carl Hsu**

Date elected: 2005.06.14
Term expires: 2008.06.13

Shareholding when elected
Shares -
% -

Current shareholding
Shares -
%** -

Spouse/minor's shareholdings
Shares -
%** -

Education and experience
BSEE, National Taiwan University
MS and Ph.D. in Computer Science,
UCLA
Senior Executive, AT&T, Bell
Labs, and Lucent Technologies
Communications Software Group
Professor, Taiwan's Tsing-Hua Univer-
sity, Peking University and others

Current position(s) in other
companies
Professor, Peking University and
other universities
Board member of Rogers Corpora-
tion, USA

Manager is a spouse or consan-
guineous within two degrees
Title -
Name -
Relationship -

Independent Director **Tsung-Ming Chung**

Date elected: 2005.06.15
Term expires: 2008.06.13

Shareholding when elected
Shares -
% -

Current shareholding
Shares -
%** -

Spouse/minor's shareholdings
Shares -
%** -

Education and experience
BBA, National Taiwan University
MBA, National Chengchi University
CPA, ROC
CPA, Connecticut, USA
Partner, T.N. Soong & Co.
Instructor, Dept. of Accounting, Na-
tional Chengchi University

Current position(s) in other
companies
Chairman and CEO, Dynapack Corp.
Independent Supervisor, Chroma
Ate, Inc.
Independent Supervisor, Polytronics
Technology Corp.
Managing Director, Far Eastern Int'l
Commercial Bank
Director, Unity Opto Technology

Manager is a spouse or consan-
guineous within two degrees
Title -
Name -
Relationship -

Supervisor **Victor Kung**

Representative of
Fu-Chi Venture Corp

Date elected: 2005.06.15
Term expires: 2008.06.13

Shareholding when elected
Shares 4,235,569
% 0.086

Current shareholding
Shares 4,849,515
*None
%** 0.128
*None

Spouse/minor's shareholdings
Shares -
%** -

Education and experience
MA in Economics and MBA in Fi-
nance, New York University
Executive Vice President, Walden
International Investment Group
Executive Director, Citicorp Capital
Asia Ltd.
Director of Direct Investments, AIG
Investment Corp.

Supervisor, Fubon Financial Holding Venture
Capital
Director, Fubon Bank (HK) Limited
Director, Epoch Foundation
Director, Taiwan After-Care Association
Supervisor, Commercial Development Institute
Supervisor, Fubon Multimedia Technology
Supervisor, WinTV Broadcasting Co., Ltd.

Manager is a spouse or consan-
guineous within two degrees
Title -
Name -
Relationship -

Current position(s) in other
companies
Director and President, Fubon Financial Holding
Director, Fubon Insurance Co.
Supervisor, Fubon Life Assurance Co., Ltd.
Director, Taipei Fubon Commercial Bank
Director, World Vision Taiwan
Chairman, Fubon Asset Management
Director, Taipei Fubon Bank Charitable Founda-
tion
Supervisor, Fubon Venture Capital Management
Consulting

Major shareholders of TWM's institutional investors

As of February 9, 2008

Institutional investor	Major shareholders
Fu-Chi Venture Corp.	Richard Tsai (50.20%), Mei-Hui Ueng Tsai (49.75%), Cheng Ru Tsai (0.05%)
Kuo-Ki Investment Co., Ltd.	Daniel Tsai (50%), Richard Tsai (50%)
Taiwan Fixed Network Co., Ltd.	Taiwan Cellular Co., Ltd. (100%)
Ching Shan Zhen Corp.	Dugan Co. (100%)

Major shareholders of companies mentioned on the right hand side of the table above

As of February 9, 2008

Company	Major shareholders
Taiwan Cellular Co., Ltd.	Taiwan Mobile Co., Ltd. (100%)
Dugan Co.	Long Reign Holdings, Inc. (100%)



△ Board of Directors

Independence criteria of directors and supervisors

As of February 9, 2008

Name	Over five years of experience in business, finance, legal and/or other areas related to the Company's business	Independence criteria (Notes)										No. of other public companies also serving as an independent director	
		1	2	3	4	5	6	7	8	9	10		
Richard Tsai	V						V	V		V			
Daniel Tsai	V						V	V		V			
Harvey Chang	V			V	V			V	V	V		1	
Vivien Hsu	V			V	V		V	V	V	V			
Benny Chen	V	V		V	V	V	V	V	V	V			
Nita Ing	V	V		V	V	V	V	V	V	V			
Jack J.T. Huang	V	V	V	V	V	V	V	V	V	V	V	2	
Wen-Li Yeh	V	V	V	V	V	V	V	V	V	V	V		
J. Carl Hsu	V	V	V	V	V	V	V	V	V	V	V		
Tsung-Ming Chung	V	V	V	V	V	V	V	V	V	V	V		
Victor Kung	V	V		V	V	V	V	V	V	V	V		

"V" denotes meeting the conditions specified above

Criterion 1: Not an employee of the Company or of the Company's affiliated companies

Criterion 2: Not a director or supervisor of the Company's affiliated companies

Criterion 3: Neither a shareholder that directly or indirectly owns more than 1% of the Company's outstanding shares, nor one of the Company's top 10 individual shareholders

Criterion 4: Not a spouse or a relative within second degree by affinity, or within five degrees by consanguinity to any person specified in criteria 1 to 3

Criterion 5: Neither a director, supervisor, or employee of an entity that directly and/or indirectly holds more than 5% of the Company's shares, nor one of the Company's top five shareholders

Criterion 6: Not a director, supervisor, manager, or shareholder owning more than 5% of the outstanding shares of certain companies that have financial or business relationship with the Company

Criterion 7: Not an owner, partner, director, supervisor, manager, or spouse of any of the aforementioned, of any sole proprietorship, partnership, company, or institution that provided financial, commercial, legal consultation, and other services to the Company or its affiliates within the past year

Criterion 8: Not a spouse or relative within second degree by affinity to other directors

Criterion 9: Not in contravention of Article 30 of the Company Law

Criterion 10: Not an institutional shareholder or its representative pursuant to Article 27 of the Company Law

Employee Bonus and Compensation to Directors and Supervisors

Earnings Distribution Plan According to the Company's Articles of Incorporation:

According to the Company's Articles of Incorporation, annual net income after paying income taxes, deducting previous years' losses, appropriating 10% thereof for legal reserves, and setting aside special reserves, shall be distributed in the following order:

1. Dividends and bonuses to preferred stockholders;
2. Maximum of 0.3% as compensation to directors and supervisors;
3. 1% to 3% as bonuses to employees;
4. Remainder thereafter to be set aside for stock/cash dividends to shareholders as determined in the annual shareholders' meeting.

The board of directors is empowered to decide the allocation of stock bonuses to employees. Recipients are to include qualified employees of subsidiaries. Compensation to specific directors or supervisors is calculated based on the performance of the Company and the board of directors.

Compensation to Directors and Supervisors over the Past Two Years:

Unit: NT\$

Type	Year	Compensation to directors	As % of net profit	Compensation to supervisors	As a % of net profit	Net profit
On a stand-alone basis	2006	135,680,102	0.84%	8,169,311	0.05%	16,170,741,111
	2007	125,854,471	1.90%	510,000	0.01%	6,612,996,970
On a consolidated basis	2006	149,603,877	0.92%	8,172,311	0.05%	16,214,911,285
	2007	132,286,240	1.95%	552,230	0.01%	6,771,368,590

Earnings Distributed as Employee Bonus and Compensation to Directors and Supervisors in the Previous Year

An employee bonus of NT\$432,303,119 and compensation to directors and supervisors of NT\$43,230,312, as approved in the 2007 board of directors' and shareholders' meetings, were duly paid in 2007.

2007 Employee Bonus and Compensation to Directors and Supervisors Proposal Adopted by Board of Directors

1. On January 31, 2008, the board of directors proposed to distribute an employee cash bonus of NT\$181,155,474 and compensation to directors and supervisors of NT\$18,115,547. The above proposal is subject to approval at the annual shareholders' meeting.
2. Proposed employee stock bonus as a percentage of retained earnings distributed: None.
3. Pro forma earnings per share with employee bonus and compensation to directors and supervisors: NT\$1.63.

Compensation to Managers over the Past Two Years:

Unit: NT\$

Type	Year	Management compensation	As a % of net profit	Net profit
On a stand-alone basis	2006	244,480,785	1.51%	16,170,741,111
	2007	272,818,313	4.13%	6,612,996,970
On a consolidated basis	2006	300,715,516	1.85%	16,214,911,285
	2007	274,913,271	4.06%	6,771,368,590

Compensation to Directors, Supervisors and Managers in 2007

Guiding principles for compensation to directors and supervisors are as follows:

1. Remuneration policies, standards and package:

- (1) The Board is authorized to decide the remuneration for the Chairman and Vice Chairman, but this should not be higher than the remuneration payable to the CEO of the Company.
- (2) Directors and supervisors are paid according to the resolution of earnings distribution approved at the annual general shareholders' meeting.
- (3) Transportation allowances are paid quarterly based on attendance in board meetings and for services rendered as members of the Corporate Governance Committee and Audit Committee

2. Procedure for setting remuneration:

- (1) In accordance with the Company's Articles of Incorporation, compensation to directors and supervisors shall not exceed 0.3% of the Company's annual net income after paying income taxes, deducting previous years' losses, appropriating 10% thereof for legal reserves, and setting aside special reserves.
- (2) Transportation allowances are subject to discussion and assessment by the Corporate Governance Committee, and then forwarded to the Board for approval.

3. Performance factor:

Compensation to each director or supervisor is assessed based on his/her contribution in the operation of the Company and the Board.

Compensation to Directors

Unit: NT\$

Title	Name	Director's compensation								Employee profit sharing								A+B+C+D+E as % of net profit	Compensation from investees other than subsidiaries	Other allowance									
		Cash compensation (A)		Earnings paid as compensation to directors (B)		Professional fee (C)		A+B+C as % of net profit		Performance-based salary (D)	Earnings paid as bonus to employees (E)				Employee stock option granted (F)														
		Stand-alone	Consolidated	Stand-alone	Consolidated	Stand-alone	Consolidated	Stand-alone	Consolidated		Consolidated	Stand-alone		Consolidated		Stand-alone	Consolidated												
												Cash bonus	Stock bonus	Cash bonus	Stock bonus														
Chairman	Richard Tsai, Representative of Fu-Chi Venture Corp.	-	-	1,753,116	1,753,116	360,000	620,330	0.03%	0.04%																				
Vice Chairman	Daniel Tsai, Representative of Fu-Chi Venture Corp.	-	-	1,168,745	1,168,745	360,000	630,000	0.02%	0.03%																				
Director	Harvey Chang, Representative of Kuo-Ki Investment Co., Ltd.	-	-	1,168,745	1,168,745	360,000	490,394	0.02%	0.02%																				
Director	Vivien Hsu, Representative of Taiwan Fixed Network Co., Ltd.* (Previous representative: Piere Chen**)	-	-	0	0	270,000	579,330	0.00%	0.01%																				
Director	Benny Chen, Representative of Taiwan Fixed Network Co., Ltd.* (Previous representative: Yu-Lon Chiao**)	-	-	0	0	90,000	93,000	0.00%	0.00%	65,562,379																			
Director	Nita Ing, Representative of Ching Shang Zhen Corp.			1,168,745	1,168,745	90,000	105,000	0.02%	0.02%																				
Independent Director	Jack J.T. Huang	-	-	3,214,049	3,214,049	500,000	500,000	0.06%	0.05%																				
Independent Director	Wen-Li Yeh	-	-	3,214,049	3,214,049	450,000	450,000	0.06%	0.05%																				
Independent Director	J. Carl Hsu	-	-	3,214,049	3,214,049	430,000	430,000	0.06%	0.05%																				
Independent Director	Tsung-Ming Chung	-	-	3,214,049	3,214,049	520,000	520,000	0.06%	0.06%																				
Total		-	-	18,115,547	18,115,547	3,520,000	4,523,054	0.33%	0.33%	65,562,339																			

* TFN waived the director compensation.

** TFN reappointed Vivien Hsu and Benny Chen as representatives on April 11, 2007, and August 26, 2007, respectively.

Range of compensation to directors	Name of directors		Name of directors	
	Director's compensation		Director's compensation + Employee profit sharing	
	On a stand-alone basis	On a consolidated basis	On a stand-alone basis	On a consolidated basis
NT\$0~NT\$1,999,999	Vice Chairman: Daniel Tsai Directors: Harvey Chang Vivien Hsu Benny Chen Nita Ing Pieere Chen Yu-Lon Chiao Kuo-Ki Investment Co., Ltd. Ching Shang Zhen Corp.	Vice Chairman: Daniel Tsai Directors: Harvey Chang Vivien Hsu Benny Chen Nita Ing Pieere Chen Yu-Lon Chiao Kuo-Ki Investment Co., Ltd. Ching Shang Zhen Corp.	Director: Nita Ing Pieere Chen Yu-Lon Chiao Kuo-Ki Investment Co., Ltd. Ching Shang Zhen Corp.	Director: Nita Ing Pieere Chen Yu-Lon Chiao Kuo-Ki Investment Co., Ltd. Ching Shang Zhen Corp.
NT\$2,000,000~NT\$4,999,999	Chairman: Richard Tsai Independent Directors: Jack J.T. Huang Wen-Li Yeh J. Carl Hsu Tsung-Ming Chung Fu-Chi Venture Corp.	Chairman: Richard Tsai Independent Directors: Jack J.T. Huang Wen-Li Yeh J. Carl Hsu Tsung-Ming Chung Fu-Chi Venture Corp.	Independent Directors: Jack J.T. Huang Wen-Li Yeh J. Carl Hsu Tsung-Ming Chung Fu-Chi Venture Corp.	Independent Directors: Jack J.T. Huang Wen-Li Yeh J. Carl Hsu Tsung-Ming Chung Fu-Chi Venture Corp.
NT\$5,000,000~NT\$9,999,999	-	-	Director: Vivien Hsu	Director: Vivien Hsu
NT\$10,000,000~NT\$14,999,999	-	-	Chairman: Richard Tsai Director: Benny Chen	Director: Benny Chen
NT\$15,000,000~NT\$29,999,999	-	-	Vice Chairman: Daniel Tsai	Chairman: Richard Tsai Vice Chairman: Daniel Tsai
NT\$30,000,000~NT\$49,999,999	-	-	-	-
NT\$50,000,000~NT\$99,999,999	-	-	Director: Harvey Chang	Director: Harvey Chang
NT\$100,000,000 and above	-	-	-	-

Note: Pieere Chen and Yu-Lon Chiao were discharged on April 11, 2007 and July 1, 2008 respectively. The compensation paid was based on their tenures. There are currently 10 directors.

Compensation to Supervisors

Unit:NT\$

Title	Name	Compensation to supervisor				Compensation to supervisor		A+B+C as % of net profit		Compensation from investees outside subsidiaries
		Cash compensation (A)		Earnings paid as compensation to supervisors (B)		Professional fee (C)				
		Stand-alone	Consolidated	Stand-alone	Consolidated	Stand-alone	Consolidated	Stand-alone	Consolidated	
Supervisor (Note1)	Temporary vacant, Representative of Taiwan Fixed Network Co., Ltd. not being reappointed (Previous representative: Polar Hsieh) (Note2)	-	-	0	0	100,000	142,230	0.00%	0.00%	None
Supervisor (Note1)	Victor Kung, Representative of Fu-Chi Venture Corp	-	-	0	0	410,000	410,000	0.01%	0.01%	

Note 1: Both supervisors forfeited their compensation in 2007.

Note 2: Polar Hsieh resigned on April 26, 2007.

Compensation to Managers

Guiding principles for compensation to the president and vice presidents are as follows:

1. Compensation to the president and vice presidents comprises of a fixed monthly salary and performance bonus, with each accounting for about half of the total package.

2. Performance bonuses are determined based on the individuals' contribution to the Company and the results of an annual performance appraisal.
3. The Human Resources Department is tasked with preparing the annual compensation to the president and vice presidents and submitting a report to the independent directors of the Corporate Governance Committee.

Unit: NT\$

Title and Name	Resigned managers/ Managers transferred to affiliated companies				Total
	President and Chief Executive Officer, Harvey Chang; Senior Vice President and Chief Operating Officer of the Consumer Business Group, Cliff Lai; Senior Vice President and Chief Operating Officer of the Enterprise Business Group, George C. Chou; Senior Vice President and Chief Strategy Officer, Dr. JC Dorng; Senior Adviser and Acting Chief Technology Officer, Frank Lin; Senior Vice President and Chief Financial Officer, Vivien Hsu; Vice President, Ruth Law; Vice President, Rosie Yu; Vice President, Ariel Hwang; Vice President, C.A. Chuang; Vice President, H.S. Wang; Vice President, James Chang; Vice President, D.S. Chiou; Vice President, Joseph Yang; Vice President, Jay Hong; Vice President, Egon Chen; Vice President, Chien Chen; Vice President, Tech Juan; Vice President, Andrew Wong; Vice President, Jerry Chu; Vice President, Jeff Ku; Vice President, Simon Wang; Vice President, Paul Huang; Vice President, Sean Hsieh				
Salary	Stand-alone		98,680,364	19,265,523	117,945,887
	Consolidated		100,764,697	19,265,523	120,030,220
Performance based salary	Stand-alone		42,518,245	9,738,664	52,256,909
	Consolidated		42,528,870	9,738,664	52,267,534
Employee profit sharing	Stand-alone	Cash	99,410,266	3,205,251	102,615,517
		Stock	-	-	-
	Consolidated	Cash	99,410,266	3,205,251	102,615,517
		Stock	-	-	-
Total compensation	Stand-alone		240,608,875	32,209,438	272,818,313
	Consolidated		242,703,833	32,209,438	274,913,271
As a % of net profit	Stand-alone		3.64%	0.49%	4.13%
	Consolidated		3.58%	0.48%	4.06%
Employee stock options	Stand-alone		-	-	-
	Consolidated		-	-	-
Compensation from investees other than subsidiaries	Stand-alone		-	-	-
	Consolidated		-	-	-
Other allowance	Stand-alone		3,359,269	538,820	3,898,089
	Consolidated		3,498,997	538,820	4,037,817

Range of compensation to management	Name of senior management	
	2007	
	On a stand-alone basis	On a consolidated basis
NT\$0~NT\$1,999,999	Vice President, Joseph Yang	Vice President, Joseph Yang
NT\$2,000,000~NT\$4,999,999	Senior Vice President and Chief Operating Officer of Enterprise Business Group, George C. Chou; Vice President, Daphne Yang; Vice President, Charles Shen	Senior Vice President and Chief Operating Officer of Enterprise Business Group, George C. Chou; Vice President, Daphne Yang; Vice President, Charles Shen
NT\$5,000,000~NT\$9,999,999	Senior Vice President and Chief Financial Officer, Vivien Hsu; Senior Vice President and Chief Operating Officer of Consumer Business Group, Cliff Lai; Vice President, Ruth Law; Vice President, Rosie Yu; Vice President, Ariel Hwang; Vice President, Simon Wang; Vice President, C.A. Chuang; Vice President, Jerry Chu; Vice President, Egon Chen; Vice President, Chien Chen; Vice President, Tech Juan; Vice President, D.S. Chiou; Vice President, Jay Hong; Vice President, Andrew Wong; Vice President, H.S. Wang; Vice President, Jeff Ku; Vice President, Paul Huang; Vice President, Sean Hsieh; Vice President, Jerry Fang; Vice President, James Yang	Senior Vice President and Chief Financial Officer, Vivien Hsu; Senior Vice President and Chief Operating Officer of Consumer Business Group, Cliff Lai; Vice President, Ruth Law; Vice President, Rosie Yu; Vice President, Ariel Hwang; Vice President, Simon Wang; Vice President, C.A. Chuang; Vice President, Jerry Chu; Vice President, Egon Chen; Vice President, Chien Chen; Vice President, Tech Juan; Vice President, D.S. Chiou; Vice President, Jay Hong; Vice President, Andrew Wong; Vice President, H.S. Wang; Vice President, Jeff Ku; Vice President, Paul Huang; Vice President, Sean Hsieh; Vice President, Jerry Fang; Vice President, James Yang
NT\$10,000,000~NT\$14,999,999	Senior Vice President and Chief Strategy Officer, Dr. JC Dorng; Senior Adviser and Acting Chief Technology Officer, Frank Lin; Senior Vice President, Benny Chen; Vice President, James Chang	Senior Vice President and Chief Strategy Officer, Dr. JC Dorng; Senior Adviser and Acting Chief Technology Officer, Frank Lin; Senior Vice President, Benny Chen; Vice President, James Chang
NT\$15,000,000~NT\$29,999,999	-	-
NT\$30,000,000~NT\$49,999,999	-	-
NT\$50,000,000~NT\$99,999,999	President and Chief Executive Officer, Harvey Chang	President and Chief Executive Officer, Harvey Chang
NT\$100,000,000 and above	-	-
Total	29	29

Note: The compensation paid to managers in the above table was based on tenures. The compensation paid to the managers who also serve as directors will be disclosed in the table of "Compensation to Directors".

Management Team

Corporate Support

Corporate Support provides essential support and assistance to both management and the entire workforce with its focus on improving the operational work flow and execution and adapting to changes in the market.



Corporate Support

President and Chief Executive Officer **Harvey Chang**

Effective date:	2003.09.08	Education and experience	Current position(s) in other companies	Officer, director, or supervisor is a spouse or consanguineous within two degrees
Shareholding / %*:	3,085,780	MBA, Wharton School, University of Pennsylvania	Director and President, TransAsia Telecommunications, Inc.	Title -
Spouse/minor's shareholding / %*:	0.081%	SVP, Chiao Tung Bank's Trust and Foreign Departments	Chairman, Taiwan Teleservices & Technologies Co., Ltd.	Name -
		President of Grand Cathay Securities Corp.	Director and President, Taiwan Cellular Co., Ltd.	Relationship -
		President, China Development Corp.	Chairman and President, Taiwan Fixed Network Co., Ltd.	
		Chairman, China Securities Investment Trust Corp.	Chairman, IC Broadcasting Co., Ltd.	
		Vice Chairman, KG Telecommunications Co., Ltd.	Director and President, TFN Investment Co., Ltd.	
		SVP and CFO, Taiwan Semiconductor Manufacturing Co., Ltd.	Director, Taiwan Super Basketball Co., Ltd.	
			Chairman, Taiwan Telecommunication Network Services Co., Ltd.	
			Chairman, Taiwan Fund, Inc.	
			Director, CX Technology Corp.	
			Independent Director, Lite-on Technology Corp.	

Vice President **Jay Hong**

Effective date:	2004.05.06	Education and experience	Current position(s) in other companies	Officer, director, or supervisor is a spouse or consanguineous within two degrees
Shareholding / %*:	91,205	EMBA, National Sun Yat-Sen University	None	Title -
Spouse/minor's shareholding / %*:	0.002%	Engineering Supervisor, Engineering Division, Nan Ya Plastics		Name -
		Director, Procurement Division, TransAsia Telecommunications, Inc.		Relationship -
		Vice President, Customer Service Division, TransAsia Telecommunications, Inc.		
		Vice President, Direct Store Division, Taiwan Mobile Co., Ltd.		
		President, Taiwan Teleservices & Technologies Co., Ltd.		

Vice President **C.A. Chuang**

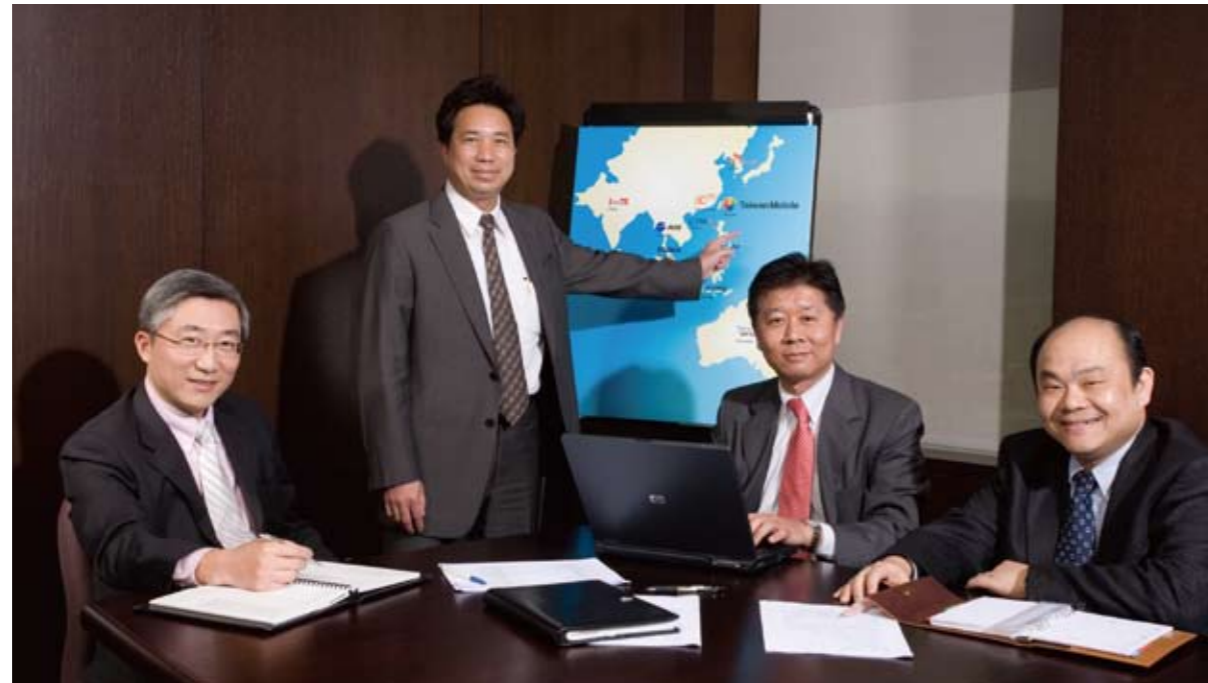
Effective date:	2003.12.01	Education and experience	Current position(s) in other companies	Officer, director, or supervisor is a spouse or consanguineous within two degrees
Shareholding / %*:	126,927	MBA, International Institute for Management Development, Switzerland	None	Title -
Spouse/minor's shareholding / %*:	0.003%	MS in Industrial Education, National Taiwan Normal University		Name -
		Manager, Human Resources Dept., China Steel Corp.		Relationship -
		Vice President, TransAsia Telecommunications, Inc.		

Vice President **Ariel Hwang**

Effective date:	2004.03.01	Education and experience	Current position(s) in other companies	Officer, director, or supervisor is a spouse or consanguineous within two degrees
Shareholding / %*:	-	LL.B., National Taiwan University	Legal consultant, Taiwan Fixed Network Co., Ltd.	Title -
Spouse/minor's shareholding / %*:	-	LL.M., National Taipei University	Legal consultant, Fubon Financial Holding Co., Ltd.	Name -
		EMBA, National Taiwan University	Supervisor, Union Cable TV Co., Ltd.	Relationship -
		Judge, Taoyuan District Court, Taiwan	Supervisor, Yeong Jia Leh Cable TV Co., Ltd.	
		Judge, Banciao District Court, Taiwan	Supervisor, North Coast Cable TV Co., Ltd.	
		Judge, Taipei District Court, Taiwan	Supervisor, Phoenix Cable TV Co., Ltd.	
		Judge, Taiwan High Court	Supervisor, Global View Cable TV Co., Ltd.	

Vice President **HS Wang**

Effective date:	2005.05.01	Education and experience	Current position(s) in other companies	Officer, director, or supervisor is a spouse or consanguineous within two degrees
Shareholding / %*:	9,241	Ph.D. in Electrical and Computer Engineering, Rutgers, The State University of New Jersey	None	Title -
Spouse/minor's shareholding / %*:	0.000%	Lecturer/Assistant Professor, Information Engineering Dept., The Chinese University of Hong Kong		Name -
		Vice President, Mediatec Corp.		Relationship -
		Vice President, First International Telecom		



Strategy & IT

Strategy and IT

Through constant monitoring of global trends in telecommunication services and related industry developments, the Strategy Group endeavors to embrace emerging trends and opportunities and develop products and services that can best fulfill customers' needs by integrating the latest technologies and content.

Senior Vice President and Chief Strategy Officer **Dr. JC Dornig**

Effective date:	2006.10.11	Education and experience	Current position(s) in other companies	Officer, director, or supervisor is a spouse or consanguineous within two degrees
Shareholding / %*:	121,607	Master and Ph.D. in Computer Science, University of Illinois	None	Title
Spouse/minor's shareholding / %*	0.003%	Researcher, AT&T_Bell Lab. Manager, Amdahl Corp. Vice President of Transaction Engineers, Independence Technology Corp. Founder and CEO, EnterpriseLink Technology Corp. VP and General Director, Institute for Information Industry		Name
				Relationship

Vice President **Andrew Wong**

Effective date:	2003.12.01	Education and experience	Current position(s) in other companies	Officer, director, or supervisor is a spouse or consanguineous within two degrees
Shareholding / %*:	76,764	MBA, George Washington University Manager, Johnson, Bassin & Shaw Manager, MCI Communications	None	Title
Spouse/minor's shareholding / %*	0.002%	Vice President, Far EasTone Telecommunications Co., Ltd.		Name
				Relationship

Vice President **Jeff Ku**

Effective date:	2005.06.06	Education and experience	Current position(s) in other companies	Officer, director, or supervisor is a spouse or consanguineous within two degrees
Shareholding / %*:	83,604	EMBA, National Taiwan University MBA, University of Wollongong, Australia	None	Title
Spouse/minor's shareholding / %*	0.002%	Director, Far EasTone Telecommunications Co., Ltd. Vice President, Taiwan High Speed Rail Corp.		Name
				Relationship

Vice President **James Chang**

Effective date:	2004.09.17	Education and experience	Current position(s) in other companies	Officer, director, or supervisor is a spouse or consanguineous within two degrees
Shareholding / %*:	91,205	MS in Computer Science, University of Illinois, Chicago	None	Title
Spouse/minor's shareholding / %*	0.002%	District Manager, AT&T Laboratories Senior Delivery Manager, IBM Global Services Senior Director, TBCommerce Network Corp. Director, AT&T Laboratories		Name
				Relationship

Finance Group

The Finance Group strives to uphold international standards and practices in corporate governance, promote financial transparency through discreet information disclosure to the Board of Directors and related parties on the Company's operation and road map, as well as maintain an open communication channel with domestic and overseas investors. The group also helps all the business divisions to make good use of the Company's financial resources through effective cost controls and sound financial and investment planning.

Finance



Senior Vice President and Chief Financial Officer **Vivien Hsu**

Effective date:	2007.07.02	Education and experience	Current position(s) in other companies	Officer, director, or supervisor is a spouse or consanguineous within two degrees
Shareholding / %*:	788,926	MBA, University of New South Wales, Australia	Director, Taiwan Teleservices & Technologies Co., Ltd.	Title
Spouse/ minor's shareholding / %*:	0.021%	MBA, National Chengchi University	Director, Taiwan Cellular Co., Ltd.	Name
		EVP & CFO, KG Telecom Co.	Director, Taiwan Fixed Network Co., Ltd.	Relationship
		President & CEO, Lambda Net Co.	Director, Reach & Range, Inc.	
		President & CEO, KGEx.com Co.	Supervisor, TFN Investment Co., Ltd.	
		President & CEO, KG Satellite Communication Co., Ltd.	Chairman, Win TV Broadcasting Co., Ltd.	
		CFO, Cathay Financial Holding Co.	Director, TFN Media Co., Ltd.	
		SVP & Chief of Staff, Taiwan Mobile Co., Ltd.	Director, Yeong Jia Leh Cable TV Co., Ltd.	
		Chairman, Taiwan Tele-Shop Co., Ltd.	Director, North Coast Cable TV Co., Ltd.	
		Senior Consultant & Acting President, Taiwan Fixed Network Co., Ltd.		

Vice President **Ruth Liaw**

Effective date:	2006.05.15	Education and experience	Current position(s) in other companies	Officer, director, or supervisor is a spouse or consanguineous within two degrees
Shareholding / %*:	45,602	MBA, National Chengchi University	Director, Taiwan Fixed Network Co., Ltd.	Title
Spouse/ minor's shareholding / %*:	0.001%	Partner, Arthur Andersen & Co.	Director, Taiwan Cellular Co., Ltd.	Name
		CFO, Arima Computer Corp.	Supervisor, Taiwan Telecommunication Network Services Co., Ltd.	Relationship
			Supervisor, Union Cable TV Co., Ltd.	
			Supervisor, Yeong Jia Leh Cable TV Co., Ltd.	
			Supervisor, North Coast Cable TV Co., Ltd.	
			Supervisor, Phoenix Cable TV Co., Ltd.	
			Supervisor, Global View Cable TV Co., Ltd.	

Vice President **Rosie Yu**

Effective date:	2006.02.06	Education and experience	Current position(s) in other companies	Officer, director, or supervisor is a spouse or consanguineous within two degrees
Shareholding / %*:	-	BA, National Taiwan University	Supervisor, Taiwan Cellular Co., Ltd.	Title
Spouse/ minor's shareholding / %*:	-	Executive Vice President, China Securities Co., Ltd.	Supervisor, Taiwan Teleservices & Technologies Co., Ltd.	Name
		General Manager, Citicorp Int'l Securities Ltd., Taipei Branch	Supervisor, TransAsia Telecommunications, Inc.	Relationship
		General Manager, Credit Lyonnais Securities (Asia) Ltd., Taipei Branch	Supervisor, TFN Media Co., Ltd.	
		President, Global Investment Holdings Co., Ltd.	Supervisor, Reach & Range, Inc.	
		Chairman, Global Investment Advisory (HK) Ltd.		

Technology Group

Stability and adaptability best describe the Technology Group's short to long-term mission. Aside from offering a solid technology platform that ensures high network quality, the group continues to implement forward-looking analysis of technology and products to cope with industry and regulatory trends and changes in order to enhance its leading edge.

Technology



Senior Adviser and Acting Chief Technology Officer **Frank Lin**

Effective date:	2006.05.02	Education and experience	Current position(s) in other companies	Officer, director, or supervisor is a spouse or consanguineous within two degrees
Shareholding / %*:	190,011	BS, National Taiwan University of Science and Technology Deputy General Director, Chunghwa Telecom	None	Title -
Spouse/ minor's shareholding / %*:	0.005%	Chief Technical Adviser and Vice President, KG Telecom CTO, SVP, and EVP, VIBO Telecom		Name -
				Relationship -

Vice President **Techi Juan**

Effective date:	2002.05.21	Education and experience	Current position(s) in other companies	Officer, director, or supervisor is a spouse or consanguineous within two degrees
Shareholding / %*:	59,960	MS in Electronics Engineering, University of Missouri, Columbia Engineer, Lucent Technologies Telecommunications Taiwan Co. Technical Manager, Asia Pacific Intellectual Property Association Senior Director, Taiwan Mobile Co., Ltd.	None	Title -
Spouse/ minor's shareholding / %*:	0.002%			Name -
				Relationship -

Vice President **Egon Chen**

Effective date:	2004.02.16	Education and experience	Current position(s) in other companies	Officer, director, or supervisor is a spouse or consanguineous within two degrees
Shareholding / %*:	139,509	BS in Electronics Engineering, Tamkang University Project Manager, Siemens Telecommunication Systems Ltd. Director, Suretone Telecom, Inc. Director, Taiwan Mobile Co., Ltd. Senior Director, Taiwan Fixed Network Co., Ltd. Vice President, Howin Technologies	None	Title -
Spouse/ minor's shareholding / %*:	0.004%			Name -
				Relationship -

Vice President **Chien Chen**

Effective date:	2004.02.16	Education and experience	Current position(s) in other companies	Officer, director, or supervisor is a spouse or consanguineous within two degrees
Shareholding / %*:	47,882	National Taipei Institute of Technology Manager, Siemens Telecommunication Systems Ltd. Director, Suretone Telecom, Inc. Vice President, Taiwan Fixed Network Co., Ltd. Vice President, Howin Technologies	None	Title -
Spouse/ minor's shareholding / %*:	0.001%			Name -
				Relationship -

Consumer Business Group

The Consumer Business Group (CBG) is devoted to promoting the Company's vision of "creating the best mobile communications experience" to enable customers to embrace their lives with ease and confidence. Working from the perspective of the customer, the Company develops products and services based on CBG's observation of customer behavior to better anticipate customer needs and demands. These include useful, innovative and attractive value-added services such as mobile Internet and 3.5G data cards that allow customers to enjoy mobile broadband anytime, anywhere. The Company has built up a comprehensive and convenient service network to ensure customer satisfaction and loyalty, and CBG will keep on delivering the best mobile experience to make customers truly believe "Taiwan Mobile, my mobile!"

Consumer Business Group



Senior Vice President and Chief Operating Officer **Cliff Lai**

Effective date:	2007.08.01	Education and experience	Current position(s) in other companies	Officer, director, or supervisor is a spouse or consanguineous within two degrees
Shareholding / %*:	197,611	EMBA, National Chengchi University MS in Electrical Engineering, North Carolina State University, USA	Director, Great Taipei Broadband Co., Ltd. Director, Taiwan Internet Association (TWIA) Director, Taiwan Network Information Center (TWNIC) Director, Taiwan Teleservices & Technologies Co., Ltd. Director, Taiwan Super Basketball Co., Ltd. Director, Taiwan Telecommunications Network Services	Title - Name - Relationship -
Spouse/minor's shareholding / %*:	0.005%	Researcher, AT&T Laboratories Vice President, Tecom Corp. Ltd. Vice President, Mobitai Corp. Ltd. President, Reach and Range, Inc. SVP, Taiwan Fixed Network Co., Ltd. CEO, Fu Yang Media Technology Co., Ltd.		

Vice President **Sean Hsieh**

Effective date:	2003.12.08	Education and experience	Current position(s) in other companies	Officer, director, or supervisor is a spouse or consanguineous within two degrees
Shareholding / %*:	247,774	BS in Business Administration and Sociology, Fu Jen Catholic University, University of Texas, Austin Account Supervisor, Bozell CCAA Group Account Director, Series DMB&B Communications Marketing and Sales Manager, PUMA North Asia Ltd., Taiwan Branch Marketing Director, TransAsia Telecommunications, Inc.	Vice President, TransAsia Telecommunications, Inc. Vice President, Enterprise Solution and Channel Sales, Taiwan Mobile Co., Ltd.	Title - Name - Relationship -
Spouse/minor's shareholding / %*:	0.007%			

Vice President **Jerry Chu**

Effective date:	2003.12.01	Education and experience	Current position(s) in other companies	Officer, director, or supervisor is a spouse or consanguineous within two degrees
Shareholding / %*:	418,784	MBA, University of Toronto, Canada LL.B., Department of Law, National Taiwan University Director, Finance Management Division, KG Telecom Director, Business Process Management Division, KG Telecom Director, Revenue Assurance Division, KG Telecom Vice President, Quality Director, Corporate Banking, Citibank, N.A., Taipei Branch	Vice President, CitiService Head, Corporate Banking, Citibank, N.A., Taipei Branch Vice President, Senior Country Operations Officer, Operations and Technology Head, Global Transaction Service, Citibank, N.A., Taipei Branch Supervisor, Taiwan Fixed Network Co., Ltd. Director & President, Taiwan Teleservices & Technologies Co., Ltd.	Title - Name - Relationship -
Spouse/minor's shareholding / %*:	0.011%			

Vice President **Paul Huang**

Effective date:	2008.01.21	Education and experience	Current position(s) in other companies	Officer, director, or supervisor is a spouse or consanguineous within two degrees
Shareholding / %*:	131,487	MS in Computer Science, Bradley University, USA Supervisor, Siemens Telecommunications Systems Ltd. Account and Project Manager, Nortel, Taiwan Branch Vice President, Business Development, Hong Kong Telecom, Taiwan Branch	Vice President, Sales and Services, Far EastTone Telecommunications Co., Ltd. Vice President, Business and Operations, Far Eastern Electronic Toll Collection Co., Ltd.	Title - Name - Relationship -
Spouse/minor's shareholding / %*:	0.003%			

Vice President **Simon Wang**

Effective date:	2004.10.11	Education and experience	Current position(s) in other companies	Officer, director, or supervisor is a spouse or consanguineous within two degrees
Shareholding / %*:	72,204	EMBA, National Taiwan University BS in Telecommunications Engineering, National Chiao Tung University Manager, Technology & Quality Division, Philips Electronics Industry Co., Ltd. General Manager, Philips Optel Division Corp. Ltd. General Manager, Fu Shing Can Manufacturing Co., Ltd.	General Manager, ICAN Manufacturing Co., Ltd. Director, TECO Optical Electronics Co., Ltd. Factory Manager, YATE PCB Co., Ltd. Executive Vice President, TransAsia Telecommunications, Inc.	Title - Name - Relationship -
Spouse/minor's shareholding / %*:	0.002%			

Enterprise Business Group

The Enterprise Business Group (EBG) provides enterprises with an integrated information and communication service called "TWM Solution" by consolidating the resources of TFN, TTN and TWM. To ensure high-quality information and communication services, EBG offers customized industry solutions that cater to businesses' diverse requests. TWM Solution endeavors to meet enterprises' telecommunications and management needs, increase their operational efficiency, and provide more added value and easy-to-use services. TWM aims not only to work with enterprise customers but to grow and develop long-term win-win partnerships.



Enterprise Business Group

Senior Vice President and Chief Operating Officer **George C. Chou**

Effective date:	2007.11.26	Education and experience	Co., Ltd. CEO, Fu Yang Media Technology Co., Ltd. Senior Consultant, Taiwan Mobile Co., Ltd.	Chairman, Phoenix Cable TV Co., Ltd. Chairman, Globalview Cable TV Co., Ltd. Director, Taiwan Acceptance Corporation Director, Concord System Management Corp. Supervisor, Sunfar Computer Co., Ltd.
Shareholding / %*:	60,955			
Spouse/ minor's shareholding / %*	0.002%			
		Current position(s) in other companies	Chief Operating Officer, Taiwan Fixed Network Co., Ltd. Vice Chairman, Taiwan Telecommunication Network Services Co., Ltd. Chairman & President, Reach & Range, Inc. Chairman, North Coast Cable TV Co., Ltd. Chairman, Yeong Jia Leh Cable TV Co., Ltd. Chairman, Union Cable TV Co., Ltd.	Officer, director, or supervisor is a spouse or consanguineous within two degrees
				Title - Name - Relationship -

Vice President **Joseph Yang**

Effective date:	2007.11.09	Education and experience	Sales VP, Eastern Broadband Telecom Director, Finance Industry, IBM Taiwan Technical Manager, Central & South Branch, IBM Taiwan Advisory System Engineer, System Engineer, IBM Taiwan	Current position(s) in other companies	None
Shareholding / %*:	22,801				
Spouse/ minor's shareholding / %*	0.001%				
		Current position(s) in other companies	BS in Transportation Management, National Chiao Tung University Product Director, Asia Region, High Tech Computer (HTC) Chief Marketing Officer, Asia Pacific Telecom Group Senior VP, Asia Pacific Telecom Group Chief Operating Officer, Eastern Broadband Telecom	Officer, director, or supervisor is a spouse or consanguineous within two degrees	Title - Name - Relationship -

Household Business Group

Tasked with promoting "TWM Broadband," the Household Business Group (HBG) consolidates the group's mobile, fixed network, cable TV and channel resources to provide household customers with convergent services, including video (CATV/IPTV/DTV), broadband Internet access (cable modem/FTTx), mobile and content. The group hopes to excel in providing customers with the best experience, product offerings and services and become the top choice for triple play for every family.

HBG utilizes its existing strengths to team up with other groups within the Company or form partnerships with leading brands to pioneer new developments and create new business niches. The Company continues to expand its network construction, develop innovative products and provide customers with expansive customer care and services. Looking ahead, HBG aims to bring video, voice and data convergent services into every home and narrow the digitalization gap in remote areas.



Household Business Group

President, TFN Media Co., Ltd. **James Jeng**

Effective date:	2007.11.15	Education and experience	Executive Vice President, United Fiber Optic Communication Inc. Member of Technical Staff, AT&T Bell Lab, USA	Officer, director, or supervisor is a spouse or consanguineous within two degrees	Title - Name - Relationship -
Shareholding / %*:	-				
Spouse/ minor's shareholding / %*	-				
		Current position(s) in other companies	Ph. D. Electrical and Computer Engineering, New York State University, USA CEO, Asia Pacific Telecom Group CEO, Asia Pacific Broadband Wireless CEO, Asia Pacific Broadband Telecom President, Asia Pacific Online	Officer, director, or supervisor is a spouse or consanguineous within two degrees	Title - Name - Relationship -

Vice President **D.S. Chiou**

Effective date:	2002.05.21	Education and experience	MS in Computer Science, University of California, Riverside Project Manager, Siemens Telecommunication Systems Ltd. Project Manager, Suretone Communications Co., Ltd. Senior Director, Taiwan Mobile Co., Ltd. General Manager, Taiwan Teleservices & Technologies Co., Ltd.	Current position(s) in other companies	Director and President, Yeong Jia Leh Cable TV Co., Ltd.
Shareholding / %*:	21,665				
Spouse/ minor's shareholding / %*	0.001%				
		Officer, director, or supervisor is a spouse or consanguineous within two degrees			Title - Name - Relationship -

Human Resources

A wealth of outstanding and professional talent is the Company's most valuable resources.

Human Resources Composition

Employee Statistics for the Most Recent Two Years until the Publication Date for 2008

Year		2006	2007	2008 (as of Feb. 9)
Number of employees	Male	1,165	1,454	1,490
	Female	981	1,074	1,088
	Total	2,146	2,528	2,578
Average age		34	35	35
Average years of service		4.5	5.6	5.7
Education level	Ph.D.	0.32%	0.28%	0.31%
	Master	15.45%	16.89%	16.68%
	University	48.14%	49.53%	49.73%
	College	32.06%	30.73%	30.64%
	Others	3.03%	2.57%	2.64%

Note: The numbers above were based on Taiwan Mobile alone.

Employee Statistics by Division

Division	Number	Percentage (%)
Corporate Support	576	22.34%
Finance	213	8.26%
Technology	856	33.20%
Strategy	127	4.93%
Consumer Business Group	802	31.11%
Enterprise Business Group (Note)	2	0.08%
Household Business Group (Note)	2	0.08%
Total	2,578	100.00%

Note: Enterprise Business Group also includes 558 employees from TFN. Household Business Group also includes 106 employees from TFNM and 502 employees from 7 CATV subsidiaries.

Employee Benefits and Employee Rights Protection

The Company has set up an employee conduct/ethical standards policy to serve as guidelines for employee behavior and development. To motivate employees, the Company has launched various compensation and benefits programs that are performance-based. Overall, the Company's human resources policies surpass basic labor law requirements, such as the Labor Standards Law. These policies are detailed as follows:

1. Employee Behavior/Ethical Standards

The Company has established policies and rules as a guide for employees' conduct, rights, responsibilities, and ethical standards. They are as follows:

- (1) Delegation of Authority
 - a. Authorization guidelines and limitations
Aimed to streamline the business process, strengthen the distribution of responsibility, as well as specify management's authority at each job level
 - b. Empowerment and delegation rules
Designed to ensure smooth and normal business operations
 - c. Job ranking, title and organizational structure policy
Formulated to correspond to employees' career plan
- (2) Work Regulations
The Company's work regulations clearly define the rules and responsibility of both management and labor. The Company's modern management approach has effectively promoted cooperation among employees and benefited the Company.
- (3) Divisional Responsibilities
The Company's major divisions are separated by functions. Each division is tasked with specific job responsibilities, and this separation of functions has strengthened the core competency of the Company.
- (4) Reward and Punishment Policies
The Company has drawn up a number of policies on rewards and punishments to encourage employees who have made special contributions to the Company as well as discourage employees from behaving in a manner deemed damaging to the Company. These policies are stated in Article 14 and Article 47 to Article 58 in the Company's "Work Regulations."

- (5) Employee Assessment Policy
Supervisors provide feedback, assistance and map out individual development plans based on employee performance.
- (6) Attendance and Leave Policy
Enforcement of this policy – designed to serve as a guideline for employees – helps enhance work quality.
- (7) Business Confidentiality Policy
To safeguard the Company's competitive advantages, employees are required to sign a "Confidentiality and Intellectual Property Rights Statement" and "Employment Contract" in order to protect the Company against potential damage from the disclosure of trade secrets. The Company provides employees with related training courses and information to strengthen the concept of information security.
- (8) Sexual Harassment Prevention and Handling Procedures
The Company's "Work Regulations" include rules designed to prevent sexual harassment in the workplace and promote gender equality. The Company is actively disseminating information on laws and procedures for filing complaints on sexual harassment on its intranet to serve as a guideline for employees.

2. Benefits Policies and Implementation

- (1) All employees are entitled to labor insurance, national health insurance, and group insurance coverage starting from the first day of work.
- (2) The Company has an employee treasury stock subscription plan, an annual bonus plan, and an employee profit-sharing plan.
- (3) An Employees' Welfare Committee was established in July 1998 to handle and implement employee benefits policies. The committee is in charge of a number

of benefits designed to raise employees' quality of life and promote physical and mental well-being, including club activities, company outings, family day, and benefits for special occasions such as weddings, festivals and funerals.

3. Employee Stock Ownership Plan

Designed to boost employee retention, the Employee Stock Ownership Plan was implemented in January 2006. Under the plan, employees are encouraged to invest a certain amount of their monthly pay – with the Company contributing a similar percentage – to purchase company shares.



△ Hold "Family Day" for employees every year

4. Employee Training and Education Program

- (1) To help employees develop their expertise in telecommunication technologies and business administration, the Company has a scholarship program designed to provide employees with the opportunity to study at home or abroad. The Company is also committed to the continuous training and development of its employees in order to create a win-win situation for both the Company and its employees.

- (2) The Company sends annually a large number of employees to attend local and international telecommunication conferences, management forums, consulting seminars, and vendor training programs. These activities exercise a profound influence on upgrading the Company's technologies, developing new products, introducing innovative new ideas, and improving managerial skills.
- (3) The Company provides external training reimbursement to all employees annually. Employees can select external training courses related to their jobs and needs. Employees can also combine their interest and competence development to maximize training effectiveness.
- (4) Orientation for new employees includes an introduction to corporate culture, company organization, telecommunications market, IT and network system, labor safety, as well as information security training.
- (5) Core competency development: Focus on basic competencies, including problem solving, decision-making, communication, project management, basic legal knowledge of the telecommunications market, team building and service skills.
- (6) Management training and development: Separate training programs for entry-level management, middle management and senior management. Training courses include performance management, leadership, motivation skills, strategy management, project management, team dynamics skills and organizational development skills.

- (7) Employees whose jobs are related to the release of the Company's financial information are encouraged to obtain certifications in related fields. Certification details are as follows:
 - a. Certified Internal Auditor (CIA): One employee in Operation Analysis Division; seven in Internal Audit Office.
 - b. Basic examination of internal controls conducted by the Securities and Futures Institute: three in Secretarial Division.
 - c. Qualified Internal Auditor (QIA): One employee in Operation Analysis Division; three in Internal Audit Office; one in Accounting Division.
 - d. Certified Public Accountants (CPA): Two in Operation Analysis Division; three employees in Accounting Division.



△ "Excel Customer Experience" project to build a customer-centric philosophy

5. Retirement Plan and Implementation

- (1) The Company has specific Employee Retirement Guidelines.
- (2) The Company has set up a Labor Pension Supervisory Committee, which was approved by the Taipei Municipal Government in February 1998. Since May 1988, the Company has been allocating on a monthly basis, a retirement pen-

sion equivalent to 2% of the employees' monthly salaries.

- (3) The Company implemented the New Labor Pension System in July 2005.
- (4) In accordance with Issue No. 18 of the Financial Accounting Standards of the ROC, the Company shall retain the services of an actuary to assess and calculate the labor pension reserve and provide a detailed report.

6. Employee Safety and Sanitary Policy

To fulfill the Company's social responsibility in providing its employees with a safe, healthy and comfortable working environment, the Company endeavors to:

- (1) Abide by and comply with regulations on environmental protection, safety and sanitation.
- (2) Be on constant lookout for potential hazards in the work environment to minimize accidents.
- (3) Promote health education, conduct physical examinations, and implement health management programs.
- (4) Promote and instill energy-saving consciousness to help reduce waste of resources.

Management/Labor Relations

The Company, working under the management and labor as one concept and belief that a win-win situation can be achieved when the two sides work together, has followed relevant labor laws and regulations, held quarterly management/labor forums to facilitate communication, and promoted employee benefits to build a harmonious and satisfactory management/labor relationship. The Company has therefore not experienced any losses due to management/labor disputes and does not foresee the situation occurring in the future

Ch.3 Corporate Governance

Corporate Governance Principle

The Company acknowledges the importance of good corporate governance and abides by corporate governance practices based on the principles below.

Execution Principle

- Timely disclosure of material information
- Sound check and balance between the board and management team
- Establishment of an Audit Committee to ensure fair and independent financial oversight
- Allotment of seats for independent board members and supervisors

Current Practices of Corporate Governance

Item	Current practice
Shareholding structure and shareholders' interests	Handling of shareholders' suggestions and disputes The spokesperson or secretarial division personnel handles all non-legal issues; the legal division handles all legal issues.
	Identification of major shareholders and investors with controlling interests The secretarial division provides a list of shareholders.
	Risk control mechanisms and firewalls between the Company and its subsidiaries The Company has established "Rules and Procedures on Conducting Transactions between Group Companies and Related Parties" and "Rules and Procedures on Monitoring Subsidiaries" as risk control mechanisms.
Board of directors and its responsibilities	Independent directors The Company's board includes four independent directors.
	Periodic review of CPA's independence The Audit Committee conducts periodic reviews.
Supervisors and their responsibilities	Independent supervisors Not applicable.
	Communication between supervisors and the Company's employees and shareholders Employees and shareholders may send their requests to the supervisors' mailbox.
Communication channels with stakeholders	The spokesperson and spokesperson's mailbox serves as the main communication channel between the Company and its stakeholders.
Information disclosure	Disclosure of financial, operational and corporate governance information Disclosure of financial-related and corporate Governance information is posted periodically on the Company's website.
	Other ways of disclosing information The Company has set up an English website, designated personnel to gather and disclose Company information, and appointed a spokesperson.
Functional committees	The Corporate Governance Committee oversees the functions of committees dealing with nominations of board directors and supervisors and compensation.

- Establishment of a Corporate Governance Committee to ensure that sound corporate governance practices and systems be in place
- Adoption of a cash dividend policy based on high earnings payout ratio
- Distribution of all employee profit sharing in the form of cash

Current Practices

To better execute the Company's corporate governance principles, the Company has implemented a number of changes in its corporate governance structure. On June 15, 2006, the Company revised the "Rules and Procedures on Governing Shareholders' Meeting", which were set on January 30, 1997. On June 5, 2002, the Company revised the "Rules and Procedures on Conducting Transactions between Group Companies and Related Parties", which were first passed on August 31, 1999. On April 30, 2004, the Company approved the "Corporate Governance Committee Charter" and the "Audit Committee Charter". And on January 31, 2008, the Company revised the "Rules and Procedures Governing Board of Directors' Meeting", which were promulgated on October 28, 2005. (For detailed information on the rules and charters, please refer to the Company's official website.) With these changes, the Company's corporate governance structure not only meets Taiwan's Securities and Exchange Act, but also adheres to the highest international standards.

Corporate Governance Implementation

Corporate Governance Committee and Audit Committee

The Company's corporate governance structure is composed of two committees: a Corporate Governance Committee and an Audit Committee.

1. Corporate Governance Committee:

The Corporate Governance Committee is composed entirely of independent board directors and its operation is bound by the "Corporate Governance Committee Charter". Its main responsibilities cover the following:

- (1) Determining and shaping corporate governance principles and practices
- (2) Nominating independent directors and supervisors
- (3) Supervising the operations of the board of directors, supervisors and functional committees

2. Audit Committee:

The Audit Committee is composed entirely of independent board directors and its operation is bound by the "Audit Committee Charter." Its main responsibility is to assist the board in overseeing the following:

- (1) Integrity of the Company's financial statements
- (2) Independent auditors' qualifications and integrity
- (3) Internal audit
- (4) Company's compliance with legal and regulatory
- (5) Company's existing and potential risks

Corporate Governance Operation

Attendance of board members and supervisors at board meetings:

The Board of Directors convened 10 times in 2007.

Title	Name	Attendance in person	By proxy	Attendance ratio	Remarks
Chairman	Richard Tsai, Representative of Fu-Chi Venture Corp.	10	0	100%	
Vice Chairman	Daniel Tsai, Representative of Fu-Chi Venture Corp.	10	0	100%	
Director	Harvey Chang, Representative of Kuo-Ki Investment Co., Ltd.	10	0	100%	
Director	Vivien Hsu, Representative of Taiwan Fixed Network Co., Ltd.	7	0	100%	Hsu took over after Pieere Chen resigned on April 11, 2007. Hsu and Chen were required to attend 7 and 3 meetings, respectively.
	Pieere Chen, Previous representative	0	2	0%	
Director	Benny Chen, Representative of Taiwan Fixed Network Co., Ltd.	1	0	50%	Chen took over on Aug. 26, 2007, after Chiao resigned on July 1, 2007. Chen and Chiao were required to attend 2 and 7 meetings, respectively.
	Yu-Lon Chiao, Previous Representative	2	5	29%	
Director	Nita Ing	2	5	20%	
Independent Director	Jack J.T. Huang	6	4	60%	
Independent Director	Wen-Li Yeh	8	2	80%	
Independent Director	J. Carl Hsu	5	4	50%	
Independent Director	Tsung-Ming Chung	8	2	80%	
Supervisor	Victor Kung, Representative of Fu-Chi Venture Corp.	7	0	70%	
Supervisor	Temporary vacant, Representative of Taiwan Fixed Network Co., Ltd. not being reappointed	2	0	50%	Polar Hsieh resigned as representative on April 4, 2007, and was required to attend 4 meetings.

Notes :

- (1) Any objections or issues raised by independent directors against BOD resolutions pursuant to Article 14-3 of the Securities and Exchange Act: None.
- (2) Directors' adherence to Company rules on avoiding conflict of interests:
- During the 14th meeting of the fourth Board of Directors on March 1, 2007, Company directors who also serve as directors or supervisors of Taiwan Fixed Network (i.e., Chairman Richard Tsai, Vice Chairman Daniel Tsai, Director Nita Ing, Director Pieere Chen, and Director Yu-Lon Chiao) abstained from voting on the issue of a public tender offer for Taiwan Fixed Network (TFN) shares through Taihsing International Telecommunications Co., Ltd. (TIT), the Company's 100% -owned subsidiary. Jack Huang, whose law firm acts as legal consultant to Fubon Security Co., the agency handling the tender offer, also abstained from voting due to conflict of interests in accordance with Articles 178 and 206 of the Company Act.
 - During the 16th meeting of the fourth Board of Directors on April 26, 2007, Vice Chairman Daniel Tsai, who also serves as chairman of TFN; Director Vivien Hsu and Director Yu-Lon Chiao, who were representatives of TFN; and Wen-Li Yeh, who acts for Jack Huang, abstained from voting on the issue of continuous buying of TFN shares due to conflict of interests in accordance with articles 178 and 206 of the Company Act.
- (3) Other BOD objectives:
- BOD performance evaluation: The 11th meeting of the fourth session of the BOD approved the "Rules and Procedures on Evaluating BOD Performance" on October 26, 2006. The Corporate Governance Committee will summarize the directors' self-assessment reports and resolutions and submit them to the BOD. The 2007 BOD performance self-evaluation was conducted during the 24th meeting of the fourth Board of Directors on January 31, 2008.
 - Training programs for directors and supervisors: The Company conducts regular seminars in the office to facilitate interaction between the lecturer, directors and supervisors and meet the required training hours.
 - Information transparency: The Company is committed to upholding transparency in operations and protection of stockholders' interests, and thereby discloses BOD resolutions in a timely and consistent manner.

Major resolutions in the 2007 shareholders' meeting

Matters discussed and approved:

- 2006 business and financial reports
- 2006 earnings distribution proposal
- NT\$12bn cash capital reduction (record date: Feb. 9, 2008; cash payment and new shares first traded on Feb. 20, 2008)
- Amendments to the Company's "Articles of Incorporation"
- Amendments to the "Rules and Procedures on Election of Directors and Supervisors"
- Amendments to the "Rules and Procedures on Acquisition or Disposal of Assets"
- Amendments to the "Rules and Procedures on Lending and Making Endorsements/Guarantees"
- Removal of non-competition restrictions for Director Vivien Hsu

Resolutions made in the 2007 general shareholders' meeting have all been duly executed.

Major resolutions at board meetings

- Approved 2006 profit distribution proposal
- Approved capital expenditure projects for network optimization and 3G implementation
- Approved 1Q 2007 stand-alone and consolidated financial forecasts
- Approved the record date for conversion of CB II into new shares
- Approved the public tender offer for Taiwan Fixed Network shares through Taihsing International Telecommunications Co., Ltd. (TIT), a 100%-owned subsidiary of the Company

- Approved cash investment in Taiwan Cellular Co., Ltd.
- Approved a loan of NT\$12.5 billion to TIT
- Approved a maximum of NT\$18 billion in endorsement/guarantee for TIT
- Approved holding the 2007 general shareholders' meeting
- Approved 2Q 2007 stand-alone and consolidated financial forecasts
- Approved continued purchase of TFN shares
- Approved the removal of non-competition restrictions on Company management who also serve as TFN officials
- Approved additional information on holding the 2007 annual general shareholders' meeting
- Approved cash capital reduction proposal
- Approved asset write-offs and disposal losses for 2H 2007.
- Approved 3Q and 4Q 2007 stand-alone and consolidated financial forecasts
- Approved acquisition of Taiwan Telecommunication Network Services shares through Taiwan United Communications Co., Ltd., a 100%-owned subsidiary of the Company
- Set record date for cash dividend
- Approved a NT\$3.5 billion loan to TFN
- Approved revisions in the amount of asset write-offs and disposal losses for 2007 to NT\$12.33bn
- Approved changes in the 4Q 2007 stand-alone and consolidated financial forecasts
- Approved issuance of employee stock option program
- Approved record date for capital reduction
- Approved cash investment in TCC
- Approved a syndication loan of NT\$20bn from banks with TIT

- (26) Approved loans of NT\$4.15bn and NT\$1.25bn to Tai Fu Media Technology Co., Ltd. and TFN Media Co. Ltd., respectively
- (27) Approved change in Chief Internal Auditor
- (28) Approved the removal of non-competition restrictions on Company management

- (29) Approved 1Q 2008 capital expenditure projects for network optimization and 3G construction
- (30) Approved 1Q 2008 stand-alone and consolidated financial forecasts

The above information is posted on <http://newmops.tse.com.tw>.

Major disputes between directors as well as supervisors in relation to board meeting resolutions from 2007 to February 9, 2008: None

Attendance of independent supervisors during Audit Committee meetings

The Audit Committee convened 6 times in 2007.

Title	Name	Attendance in person	By proxy	Attendance ratio	Remarks
Independent Director	Tsung-Ming Chung	6		100%	Appointed committee chairman
Independent Director	Jack J.T. Huang	6		100%	
Independent Director	Wen-Li Yeh	5	1	83.33%	
Independent Director	J. Carl Hsu	4	1	66.67%	

Note:

- (1) Any objections or issues raised by the Audit Committee against resolutions, pursuant to Article 14-5 of the Securities and Exchange Act, that were approved by over two-thirds of the directors: None.
- (2) Any conflict of interests among independent directors: None.

Internal Control Office Organization

Board of Directors	
Internal Audit Office	
Internal Audit Operations Unit	Compliance Unit
1. Auditing of the Company and its subsidiaries 2. Monitoring and examination of the effectiveness and efficiency of the Company's internal control system	1. Conducting special audits 2. Handling staff complaints 3. Handling suppliers' complaints 4. Collecting, disseminating and ensuring compliance with applicable laws and regulations

- (1) Internal audit operation
- The Company's internal audit office is an independent unit that reports directly to the Board of Directors and briefs the CEO on a regular and as-needed basis.
- The internal audit office is responsible for the examination and assessment of the internal controls of the Company's financial, sales, operations, and management departments. All departments, including those of the subsidiaries', are subject to its audit.
- Regular internal audits are executed according to the annual audit plan. Special audit projects are implemented as needed. These audits enhance internal control and provide timely recommendations for future improvements. In accordance with corporate governance, audit reports are regularly submitted to and reviewed by the Chairman as well as the Audit Committee.

- The internal audit office also examines the mechanisms and results of self-evaluations by departments and subsidiaries to ensure strict implementation. In addition, the internal audit office generates and consolidates related inspection reports for the CEO and the Board of Directors to evaluate the overall efficiency of existing internal control systems before generating an internal control system statement.
- (2) Violation of regulations and internal policies: None.
- (3) Internal Control Statement

Taiwan Mobile Co., Ltd.

Internal Control Statement

Date: January 31, 2008

Taiwan Mobile (TWM) states the following with regard to its internal control system for the period January 1, 2007 to December 31, 2007:

1. TWM is fully aware that establishing, operating, and maintaining an internal control system are the responsibilities of its Board of Directors and management. TWM has established such a system to provide reasonable assurance in achieving objectives related to the effectiveness and efficiency of operations (including profits, performance, and safeguarding of assets), reliability of financial reporting, and compliance with applicable laws and regulations.
2. An internal control system has inherent limitations. An effective internal control system, no matter how perfectly designed, can provide only a reasonable assurance in the accomplishment of the three goals mentioned above. Furthermore, the effectiveness of an internal control system may change along with changes in environment or circumstances. The internal control system of the Company contains self-monitoring mechanisms, and the Company takes corrective actions as soon as a deficiency is identified.
3. TWM evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the "Regulations Governing the Establishment of Internal Control Systems" by Public Companies promulgated by the Securities and Futures Bureau, Financial Supervisory Commission, Executive Yuan (herein referred to as "Regulations"). The internal control system evaluation criteria adopted by the Regulations divide internal control into five key elements based on the process of management control: 1. Control environment, 2. Risk assessment, 3. Control activities, 4. Information and communications, 5. Monitoring. Each element further contains several items. Please refer to the Regulations for details.
4. TWM has evaluated the design and operating effectiveness of its internal control system according to the aforesaid criteria.
5. Based on the findings of the evaluation mentioned in the preceding paragraph, TWM believes that during the stated time period, its internal control system (including its supervision of subsidiaries), which encompasses internal controls for the knowledge of the degree of achievement of operational effectiveness and efficiency objectives, reliability of financial reporting, and compliance with applicable laws and regulations, was effectively designed and operating and reasonably assured the achievement of the above-stated objectives.
6. This statement will form a major part of the Company's Annual Report and Prospectus and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Act.
7. This statement has been passed by the Board of Directors' Meeting of TWM held on January 31, 2008, where all of the 9 attending directors did not express any dissenting opinion and affirmed the content of the same.

Taiwan Mobile Co., Ltd.

Chairman:

Richard Tsai



President:

Harvey Chang



Additional Information

Training program for directors and supervisors:

Title	Name	Date of training		Organization	Training program	Hours
		From	To			
Director, Representative of Kuo-Ki Investment Co., Ltd.	Harvey Chang	2003/12/09	2003/12/11	Harvard University	The CEO Workshop	20.0
		2004/12/11	2004/12/12	China Eisenhower Fellowships Conference	Building Vibrant Economies	8.0
		2005/03/17	2005/03/17	Taiwan Academy of Banking and Finance	Corporate Governance Forum	2.0
		2005/09/23	2005/09/23	Taiwan Academy of Banking and Finance	Corporate Governance Forum	2.0
		2005/11/10	2005/11/10	Corporate Governance Association	Creating Core Values for Corporations	3.0
		2006/02/10	2006/02/10	Financial Supervisory Commission, Executive Yuan	Taipei Corporate Governance Forum	4.0
		2006/04/04	2006/04/04	Financial Supervisory Commission, Executive Yuan	Corporate Governance International Forum	2.0
		2006/12/05	2006/12/05	Corporate Governance Association	Speaker for "Corporate Governance Series Forum"	2.0
		2007/03/15	2007/03/15	Corporate Governance Association	Speaker for "Corporate Governance Series Forum"	2.0
Director, Representative of Taiwan Fixed Network Co., Ltd.	Vivien Hsu,	2007/09/17	2007/09/17	CPA Association, R.O.C.	Tax Relief Program	3.0
		2007/10/19	2007/10/19	Corporate Governance Association	The Practice of Audit Committee	3.0
		2007/11/29	2007/11/29	Accounting Research and Development Foundation	How Taiwan's Financial Officials Monitor Tax Accounts in China	6.0
Director, Representative of Taiwan Fixed Network Co., Ltd.	Benny Chen	2007/10/19	2007/10/19	Corporate Governance Association	Independent Directors and Audit Committee Operation and Practices	3.0
		2007/10/26	2007/10/26	Corporate Governance Association	Strategies for Auditing Corporate Governance and Enterprise Tax Planning	3.0

Title	Name	Date of training		Organization	Training program	Hours
		From	To			
Independent Director	Jack J.T. Huang	2004/08/16	2004/08/16	Securities & Futures Institute	Speaker for "M&A and Legal Responsibility of Directors and Supervisors"	3.0
		2004/11/24	2004/11/24	Securities & Futures Institute	FAQ on Financial Statements and Legal Responsibility	3.0
		2005/08/09	2005/08/09	Corporate Governance Association	How to Maintain Shareholders' Interest in M&A Deals	1.0
		2005/10/13	2005/10/13	Securities & Futures Institute	Speaker for "M&A and Legal Responsibility of Directors and Supervisors"	2.0
		2005/12/19	2005/12/19	Securities & Futures Institute	Speaker for "M&A and Legal Responsibility of Directors and Supervisors"	3.0
		2006/02/06	2006/02/06	Corporate Governance Association	Speaker for "Forum on Corporate Governance Practices for Financial Holding Companies"	2.5
		2006/12/05	2006/12/05	Corporate Governance Association	Speaker for "Corporate Governance Series Forum"	1.5
		2007/03/22	2007/03/22	Securities & Futures Institute	Speaker for "The Impact of Private Equity Funds on Corporate Governance"	3.0
		2007/04/17	2007/04/17	Securities & Futures Institute	Speaker for "An Analysis of Corporate Governance in Financial Holding Companies and Financial Institutions"	3.0
		2007/11/13	2007/11/13	Securities & Futures Institute	Speaker for "Corporate Mergers and the Role of Corporate Governance"	3.0
		2007/12/05	2007/12/05	Securities & Futures Institute	Speaker for "Private Placement and M&A"	3.0
Independent Director	Wen-Li Yeh	2005/09/14	2005/09/14	Corporate Governance Association	Corporate Governance	3.0
		2007/12/06	2007/12/06	Securities & Futures Institute	The Demarcation of Rights and Responsibilities of Directors, Supervisors and Managers	3.0

Title	Name	Date of training		Organization	Training program	Hours		
		From	To					
Independent Director	J. Carl Hsu	2005/09/14	2005/09/14	Corporate Governance Association	Corporate Governance	3.0		
		2007/10/31	2007/10/31	Securities & Futures Institute	Advanced Seminar on the Practices of Directors and Supervisors: Financial Crimes and Legal Repercussions	3.0		
Independent Director	Tsun-Ming Chung	2003/07/12	2003/07/12	Taiwan Academy of Banking and Finance	Classes for Senior Managers of Mutual Funds	6.0		
		2003/12/09	2003/12/09	Corporate Governance Association	Corporate Governance	4.0		
		2004/04/26	2004/04/26	Corporate Governance Association	Corporate Governance and Risk Management	3.0		
		2005/08/23	2005/08/23	Securities & Futures Institute	Raising Capital and Shareholders' Interests	3.0		
		2006/02/10	2006/02/10	Financial Supervisory Commission, Executive Yuan	Taipei Corporate Governance Forum	6.0		
		2006/04/04	2006/04/04	Corporate Governance Association	Platform for Global Competition – Corporate Governance	2.0		
		2007/11/20	2007/11/20	Accounting Research and Development Foundation	Analysis of the Impact of Employee Compensation and Taxes on Company Earnings	3.0		
		Supervisor, Representative of Fu-Chi Venture Corp.	Victor Kung	2003/11/14	2003/11/14	College of Management, National Taiwan University	Corporate Governance Forum	1.0
				2003/11/26	2003/11/26	Securities and Futures Bureau	Corporate Governance Forum	1.0
2003/12/06	2003/12/06			Chinese Management Association	Corporate Governance and Risk Management Forum	1.0		

Note: Above training requirements have been fulfilled.

The Company has purchased liability insurance for its directors and supervisors.

Resigned/discharged officers responsible for financial reports

As of February 9, 2008

Title	Name	Date elected	Date resigned	Reasons
Chief Audit Officer	Jerry Chu	2004.05.12	2008.01.17	Job rotation

Certified Public Accountant (CPA) Information

CPA and CPA opinions for the past five years

Year	Accounting firm	Name of CPA	Opinion
2003	Deloitte & Touche	Charles Yen, Morris Yang	Unqualified opinion
2004	Deloitte & Touche	Peter Fan, Morris Yang	Unqualified opinion
2005	Deloitte & Touche	Peter Fan, Vita Kuo	Unqualified opinion
2006	Deloitte & Touche	Peter Fan, Vita Kuo	Modified unqualified opinion
2007	Deloitte & Touche	Peter Fan, Vita Kuo	Modified unqualified opinion

Reasons for changing CPAs

1. CPA changes in the past two years: None
2. CPA changes in the past five years: Regular job rotations within Deloitte & Touche resulted in the change of CPAs from 2003 to 2005.

CPA Service Fees

Unit: NT\$'000

Accounting firm	Name of CPA	Audit fee	Non-audit fee			Whether the CPA's audit period covers an entire fiscal year		Note
			Company registration	Other	Subtotal	Yes	No	
Deloitte & Touche	Peter Fan Vita Kuo	7,920*	340	2,587	2,927	v		Fees for other non-audit services were mainly for tax projects

* : No increase in audit fees in 2007.

Chairman, CEO, and chief officer of finance or accounting holding positions in the Company's audit firm or its affiliates: None.

Achievements and Recognitions

In line with its commitment to corporate governance, the Company merged Taiwan Fixed Network Co., Ltd. in 2007 to simplify its cross-holding structure and enhance financial transparency. The Company also carried out a NT\$12bn capital reduction to improve its balance sheet efficiency and shareholders' return.

In recognition of its efforts to promote financial transparency, the Company received an A+ rating in 2006 and 2007, along with 14 other companies, in the Securities and Futures Institute's "Information Transparency and Disclosure Ranking in Taiwan." The Company was also a recipient of the "CG6001" and "CG6002" corporate governance certifications from the Financial Supervisory Commission, Corporate Governance Association, Taiwan Stock Exchange Corp. and GreTai Securities Market for two consecutive years. In 2007 and 2008, the Company was awarded the "Excellence in Corporate Social Responsibility" and ranked No.1 in corporate governance sector by *CommonWealth magazine*. Moreover, the Company was ranked as Taiwan's top 10 of "Asia's 200 Most-admired Companies" by *The Wall Street Journal* in 2008.



△ Conversation with Chairman of Leader to Leader Institute, Frances Hesselbein, about corporate social responsibility

Ch.4 Financial Information

Capital and Shares

History of Capitalization

As of February 9, 2008 Unit: shares / NT\$

Date	Par value (NT\$)	Authorized capital		Paid-in capital		Remarks	
		Shares	Amount (NT\$)	Shares	Amount (NT\$)	Source of capital (NT\$)	Effective date & cert. no.
Feb. 2007	10	6,000,000,000	60,000,000,000	4,999,325,082	49,993,250,820	CB conversion: NT\$9,491,450	N.A.
May 2007	10	6,000,000,000	60,000,000,000	4,999,757,281	49,997,572,810	CB conversion: NT\$4,321,990	N.A.
Aug. 2007	10	6,000,000,000	60,000,000,000	5,000,414,054	50,004,140,540	CB conversion: NT\$6,567,730	N.A.
Nov. 2007	10	6,000,000,000	60,000,000,000	5,000,925,363	50,009,253,630	CB conversion: NT\$5,113,090	N.A.
Dec. 2007	10	6,000,000,000	60,000,000,000	3,800,925,363	38,009,253,630	Cash capital reduction: NT\$12,000,000,000	N.A.

As of February 9, 2008 Unit: shares

	Authorized capital			Remarks
	Listed shares	Unissued shares	Total	
Common stock	3,800,925,363	2,199,074,637	6,000,000,000	None

Shareholder Structure

As of February 9, 2008

	Government agencies	Financial institutions	Other institutions	Individuals	Foreign institutions & individuals	Total
No. of shareholders	1	15	205	37,523	601	38,345
Total shares owned	3,496,204	261,383,082	1,423,781,354	379,719,425	1,732,545,298	3,800,925,363
Holding percentage (%)	0.09	6.88	37.46	9.99	45.58	100.00

Shareholding Distribution

Par value: NT\$10/share As of February 9, 2008

Shareholding range	Number of shareholders	Total shares owned	Holding percentage
1 ~ 999	19,547	7,241,468	0.191%
1,000 ~ 5,000	13,076	29,760,568	0.783%
5,001 ~ 10,000	2,758	19,544,156	0.514%
10,001 ~ 15,000	789	9,554,622	0.251%
15,001 ~ 20,000	547	9,170,347	0.241%
20,001 ~ 30,000	372	9,023,583	0.237%
30,001 ~ 50,000	309	11,602,111	0.305%
50,001 ~ 100,000	223	15,894,932	0.418%
100,001 ~ 200,000	153	22,336,968	0.588%
200,001 ~ 400,000	119	35,196,337	0.926%
400,001 ~ 600,000	64	31,123,676	0.819%
600,001 ~ 800,000	49	34,546,897	0.909%
800,001 ~ 1,000,000	41	36,336,663	0.956%
1,000,001 and above	298	3,529,593,035	92.862%
Total	38,345	3,800,925,363	100.00%

Major Shareholders

As of February 9, 2008

Name	Total shares owned	Holding percentage
Taiwan Fixed Network Co., Ltd.	456,294,760	12.005%
TFN Investment Co., Ltd.	355,622,851	9.356%
Ming Dong Co., Ltd.	170,609,725	4.489%
Dao Ying Co., Ltd.	116,616,380	3.068%
DLK Holding Co. L.L.C	114,006,661	2.999%
JPMorgan Chase Bank N.A. Taipei Branch (custodian for Capital World Growth and Income Fund Inc.)	98,572,439	2.593%
Fubon Securities Co., Ltd.	96,584,163	2.541%
Fubon Life Assurance Co., Ltd.	89,773,963	2.362%
JPMorgan Chase Bank N.A. Taipei Branch (custodian for Templeton Asian Growth Fund)	83,951,609	2.209%
Daniel Tsai	81,151,434	2.135%

Major Shareholders of TWM's Institutional Investors

Institutional investors	Major shareholders
Taiwan Fixed Network Co., Ltd.	Taiwan Cellular Co., Ltd. (100%)
TFN Investment Co., Ltd.	Taiwan Fixed Network Co., Ltd. (100%)
Fubon Securities Co., Ltd.	Fubon Financial Holding Co. (100%)
Fubon Life Assurance Co., Ltd.	Fubon Financial Holding Co. (100%)

Shareholding Changes of Directors, Supervisors, Managers and Major Shareholders

For 2007 and up to the publication date for 2008, the Company's directors, supervisors and major shareholders that own more than 10% of the Company's outstanding shares did not conduct any major share transfers or pledges, except for Taiwan Fixed Network's disposal of 300 million shares holdings of the Company. The Company has maintained a good relationship with its directors, supervisors and major shareholders. With maximizing shareholder value as its goal, the Company has strived to maintain a stable management in order to decrease shareholder risk. Below is a chart detailing net changes in shareholdings of directors, supervisors, managers and major shareholders.

Insignificant Changes in Shareholder Structure

Unit: Shares

Title	Name	2007		2008 (as of February 9)	
		Net change in shareholding	Net change in shares pledged	Net change in shareholding ¹	Net change in shares pledged
Chairman	Richard Tsai, Representative of Fu-Chi Venture Corp.				
Vice Chairman	Daniel Tsai, Representative of Fu-Chi Venture Corp.	2,145,000	0	(1,531,054)	0
Supervisor	Victor Kung, Representative of Fu-Chi Venture Corp.				
Director	Harvey Chang, Representative of Kuo-Ki Investment Co., Ltd.	0	0	(54,105)	0
Director	Vivien Hsu, Representative of Taiwan Fixed Network Co., Ltd.				
Director	Benny Chen, Representative of Taiwan Fixed Network Co., Ltd.	0	0	(444,058,002)	0
Supervisor	Temporary vacant, Representative of Taiwan Fixed Network Co., Ltd.				
Director	Nita Ing, Representative of Ching Shang Zhen Co., Ltd.	0	0	(539,089)	0
Independent Director	Jack J.T. Huang	0	0	0	0
Independent Director	Wen-Li Yeh	0	0	0	0
Independent Director	J. Carl Hsu	0	0	0	0
Independent Director	Tsung-Ming Chung	0	0	0	0
President & Chief Executive Officer	Harvey Chang	(4,170,000)	0	(974,220)	0
Chief Strategy Officer	JC Dorng	185,000	0	(63,393)	0
Chief Financial Officer	Vivien Hsu	360,000	0	(249,074)	0
Chief Technology Officer	Frank Lin	216,000	0	(59,989)	0
Chief Operating Officer of Consumer Business Group	Cliff Lai	260,000	0	(62,389)	0
Chief Operating Officer of Enterprise Business Group	George C. Chou	80,000	0	(19,245)	0
Vice President	Jay Hong	120,000	0	(28,795)	0
Vice President	C.A. Chuang	130,000	0	(40,073)	0
Vice President	Ariel Hwang	33,000	0	(33,000)	0
Vice President	James Chang	120,000	0	(28,795)	0
Vice President	D.S. Chiou	69,000	0	(56,841)	0
Vice President	HS Wang	69,000	0	(65,918)	0
Vice President	Joseph Yang	30,000	0	(7,199)	0
Vice President	Andrew Wong	104,000	0	(33,236)	0
Vice President	Jeff Ku	120,000	0	(36,396)	0
Vice President	Ruth Liaw	110,000	0	(74,398)	0
Vice President	Rosie Yu	120,000	0	(120,000)	0
Vice President	Techi Juan	87,000	0	(27,931)	0
Vice President	Egon Chen	(9,000)	0	(44,045)	0
Vice President	Chien Chen	90,000	0	(42,118)	0
Vice President	Sean Hsieh	160,000	0	(88,226)	0
Vice President	Jerry Chu	249,000	0	(150,216)	0
Vice President	Paul Huang	173,000	0	(41,513)	0
Vice President	Simon Wang	104,000	0	(31,796)	0

Note1: The shareholding of directors, supervisors, managers and major shareholders decreased partially due to the 24% capital reduction on February 9, 2008.

Stock Trade with Related Party:

Title	Name	Reasons for trading	Trading date	Counter Party	Relationship	Shares	Trading price (NT\$)
Representative of institutional investor	Harvey Chang	Disposal	2007.2.28	Yu-Wei Investment Co., Ltd.	Designated party	3,600,000	31.95
			2007.7.17	Wei-Cheng Investment Co., Ltd.	Designated party	6,000,000	41.40

Stock Pledged with Related Party: None**Direct and Indirect Investments in Affiliated Companies**

As of December 31, 2007 Unit: shares, %

Long-term investments	Investment by TWM		Direct & indirect investment by TWM's directors, supervisors and management		Total investment	
	Shares	Holding (%)	Shares	Holding (%)	Shares	Holding (%)
TransAsia Telecommunications Inc.	900,000,000	100.00	-	-	900,000,000	100.00
Taiwan Cellular Co., Ltd.	364,958,330	100.00	-	-	364,958,330	100.00
Wealth Media Technology Co., Ltd.	8,700,000	100.00	-	-	8,700,000	100.00
Bridge Mobile Pte Ltd.	1,000,000	10.00	-	-	1,000,000	10.00



△ Received "CG6002 certification" from the Corporate Governance Association

Share Price, Net Worth, Earnings, Dividends and Related Information

Unit: NT\$, shares in thousand

		2006	2007	As of Feb. 9, 2008 (Note 3)	
Share price (NT\$)	High	33.85	45.80	49.50	
	Low	28.00	31.65	42.15	
	Average	31.10	38.22	45.41	
Net worth per share (NT\$)	Before earnings appropriation	18.14	11.54	11.54	
	After earnings appropriation	15.45	Note 1	Note 1	
Earnings per share (NT\$)	Adjusted weighted avg. outstanding shares		4,933,714	3,928,228	3,928,228
	Earnings per share	Before adjustment	3.28	1.68	1.68
		After adjustment	3.28	Note 1	Note 1
Dividends per share (NT\$)	Cash dividends		2.59	Note 1	-
	Stock dividends	Retained earnings	-	Note 1	-
		Capital surplus	-	-	-
	Accumulated unpaid dividends		-	-	-
PE and dividend yield (Note 2)	Price earnings ratio (x)	Before adjustment	9.48	22.75	-
		After adjustment	9.48	Note 1	-
	Price to cash dividend (x)		12.01	-	-
	Cash dividend yield (%)		8.33%	-	-

Note1: The appropriation amount indicated above is based on resolutions approved at the annual shareholders' meetings in the subsequent year. The appropriation amount for 2007 has not yet been approved.

Note2: Price earnings ratio = Average closing price / earnings per share
Price to cash dividend = Average closing price / cash dividend per share
Cash dividend yield = Cash dividend per share / Average closing price

Note3: Net worth per share and earnings per share are based on the most recent audited financial statements. All others are as of February 9, 2008.

Relationship among TWM's Top 10 Shareholders

As of February 9, 2008

Name (A)	Current shareholding		Spouse/minor's shareholding		Name and relationship among TWM's shareholders as defined in the Statement of Financial Accounting Standards No. 6	
	Shares	%	Shares	%	Name (B)	B is A's:
Taiwan Fixed Network	456,294,760	12.005%	--	--	TFN Investment Fubon Securities Fubon Life Assurance Daniel Tsai	Subsidiary Related party Related party Director
Chairman: Harvey Chang					TFN Investment	A is B's director
TFN Investment	355,622,851	9.356%	--	--	Taiwan Fixed Network Fubon Securities Fubon Life Assurance Daniel Tsai	Parent company Related party A and B have the same chairman Director
Chairman: Richard Tsai					Taiwan Fixed Network Fubon Life Assurance Daniel Tsai	A is B's director A is B's Chairman Relative within two degrees
Ming Dong Co., Ltd.	170,609,725	4.489%	--	--	Fubon Securities Fubon Life Assurance	Related party Related party
Chairman: Chin-Neng Kao					--	--
Dao Ying Co., Ltd.	116,616,380	3.068%	--	--	Fubon Securities Fubon Life Assurance	Related party Related party
Chairman: Chao-Nan Kuo					--	--
DLK Holding Co. L.L.C	114,006,661	2.999%	--	--	--	--
JPMorgan Chase Bank N.A. Taipei Branch (custodian for Capital World Growth and Income Fund Inc.)	98,572,439	2.593%	--	--	--	--
Fubon Securities Co., Ltd.	96,584,163	2.541%	--	--	Taiwan Fixed Network TFN Investment Ming Dong Co Dao Ying Co Fubon Life Assurance Daniel Tsai	Related party Related party Related party Related party A and B are subsidiaries of Fubon Financial Holding Co., Ltd. Related party
Chairman: Kung-Liang Yeh					--	--
Fubon Life Assurance Co., Ltd.	89,773,963	2.362%	--	--	Taiwan Fixed Network TFN Investment Ming Dong Co. Dao Ying Co. Fubon Securities Daniel Tsai	Related party A and B have the same chairman Related party Related party A and B are subsidiaries of Fubon Financial Holding B is a relative within two degrees of A's chairman
Chairman: Richard Tsai					Taiwan Fixed Network TFN Investment Daniel Tsai	A is B's director A is B's Chairman Relative within two degrees
JPMorgan Chase Bank N.A. Taipei Branch (custodian for Templeton Asian Growth Fund)	83,951,609	2.209%	--	--	--	--
Daniel Tsai	81,151,434	2.135%	6,754,863	0.177%	Taiwan Fixed Network TFN Investment Fubon Securities Fubon Life Assurance Richard Tsai Richard Tsai	Director Director Related party B's chairman is a relative within two degrees of A Relative within two degrees Relative within two degrees

Dividend Policy

1. Dividend policy under Articles of Incorporation:

Stock dividends should not exceed 80% of total dividends distributed in a single year and should take into account the Company's major capital expenditure plans for the year. The dividend payout proposed by the board of directors has to be approved at the annual shareholders' meeting.

2. Proposed dividend allocation for approval at the annual shareholders' meeting:

Cash dividend is proposed to be NT\$7,601,850,726 or NT\$2 per share, based on post capital reduction share count of 3,800,925,363. This does not include dividends to be forfeited by TFN and TFN Investment on the record date of earnings distribution.

Impact of stock dividend distribu-

As of February 9, 2008 Unit: NT\$, shares, %

Share buyback	4th
Purpose	Transfer to employees
Buyback period	2006.04.28 ~ 2006.06.27
Buyback price range	NT\$29.93 ~ NT\$32.98
Total number of shares bought back	57,804,000
Buyback amount (NT\$)	1,818,370,677
Number of shares canceled/transferred	57,804,000
Treasury stock balance (shares)	0
As % of the Company's total issued shares	0%

Corporate Bond Issuance

tion on business performance and EPS

Not applicable. The board of directors proposes to distribute only cash dividends this year.

Share Buyback

Corporate Bonds

As of February 9, 2008

Issuance	First secured corporate bonds	First unsecured corporate bonds
Issue date	February 1, 2001	December 13, 2002
Denomination	NT\$1,000,000	NT\$5,000,000
Issuance and listing	Not applicable	Not applicable
Issue price	100%	100%
Total amount	NT\$3,000,000,000	NT\$15,000,000,000
Coupon	5.31% p.a.	IA ~ IL: 2.60% p.a. IIA ~ IIL: 5.21% p.a. minus floating rate but not lower than 0% IIIA ~ IIIM: 2.80% p.a. IVA ~ IVM: 5.75% p.a. minus floating rate but not lower than 0% The floating rate is based on the USD 6-month LIBOR rate quoted on page 3750 of Hong Kong Bridge Telerate at 11 a.m. London time
Term	5 years, 12 separate series: A~L, maturing from Feb. 1-16, 2006	5 years, maturing on Dec. 13-30, 2007 7 years, maturing on Dec. 13-31, 2009
Guarantor	Syndicated by ICBC and 15 other banks	None
Trustee	Bank SinoPac, Trust Division	Bank SinoPac, Trust Division
Underwriter	None	None
Legal counsel	None	None
Auditor	Arthur Lee, CPA, and Jason Hsia, CPA, Deloitte & Touche	Peter Lin, CPA, and Morris Yang, CPA, Deloitte & Touche
Repayment	Repayment of half of the principal at the end of the 4th year and the remaining half at the end of the 5th year	IA ~ IL: repayment of 50% of the principal at the end of the 4th year and the remaining 50% at the end of the 5th year IIA ~ IIL: repayment in full upon maturity IIIA ~ IIIM: repayment of 50% of the principal at the end of the 6th year and the remaining 50% at the end of the 7th year IVA ~ IVM: repayment in full upon maturity
Outstanding balance	NT\$ 0	NT\$10,000,000,000
Early repayment clause	None	None
Covenants	1. During the effective period of the syndicated credit agreement, the current ratio at the end of each year must be maintained at greater than 100%. 2. During the effective period of the syndicated credit agreement, the debt to equity ratio at the end of each year must be maintained at less than 100%. 3. Starting in 2001, the long-term solvency ratio must be at least 150%	None
Credit rating agency, rating date, company credit rating	Not applicable	Taiwan Rating Co., Ltd, 2002.11.20, twAA- Taiwan Rating Co., Ltd, 2003.03.18, twA+ Taiwan Rating Co., Ltd, 2004.12.22, twAA Taiwan Rating Co., Ltd, 2006.03.01, twAA+ Taiwan Rating Co., Ltd, 2007.04.24, twAA
Ancillary rights	Amount converted/ exchanged into common shares, ADRs or other securities Rules governing issuance or conversion (exchanged or subscription)	Not applicable
Dilution and other effects on shareholders' equity	Not applicable	Not applicable
Custodian	Not applicable	Not applicable

(Continued)

As of February 9, 2008

Issuance	First unsecured convertible bonds	Second unsecured convertible bonds
Issue date	August 25, 2001	August 16, 2002
Denomination	NT\$100,000	NT\$100,000
Issuance and listing	Not applicable	Not applicable
Issuing price	100%	100%
Total amount	NT\$10,000,000,000	NT\$6,000,000,000
Coupon	Zero coupon	Zero coupon
Tenure	5 years, redemption date is Aug. 24, 2006	5 years, redemption date is Aug. 15, 2007
Guarantor	None	None
Trustee	Bank SinoPac, Trust Division	Bank SinoPac, Trust Division
Underwriter	Fubon Securities Co., Ltd.	Fubon Securities Co., Ltd.
Legal counsel	Esq. Tsai-Sheng Lin	Esq. Tsai-Sheng Lin
Auditor	Arthur Lee, CPA, and Jason Hsia, CPA, Deloitte & Touche	Jason Hsia, CPA, and Morris Yang, CPA, Deloitte & Touche
Repayment	Except for early conversions to common shares pursuant to articles 10 and 18 of the rule governing the issuance of convertible bonds, or redemptions by the Company pursuant to Article 18 of the rule, or bondholders selling the bond back to the issuing company pursuant to Article 19 of the rule, full repayment in cash is due upon maturity.	Except for early conversions to common shares pursuant to articles 10 and 17 of the rule governing the issuance of convertible bonds, or redemptions by the Company pursuant to Article 17 of the rule, or bondholders selling the bond back to the issuing company pursuant to Article 18 of the rule, full repayment in cash based on face value plus interest compensation is due upon maturity.
Outstanding balance	NT\$ 0	NT\$ 0
Redemption or early repayment clause	After the third month of the issuance to 40 days before maturity, in the event the closing price of the Company's common share exceeds 50% of the current conversion price for 30 consecutive business days, and the convertible bonds' outstanding balance is lower than 10% of the total issuance amount, the Company may opt for compulsory conversion or redemption to convert the bonds to entitlement certificates at the current conversion price or redeem the bonds in cash at par value from the bondholder.	After the third month of the issuance to 40 days before maturity, in the event the closing price of the Company's common share exceeds 50% of the current conversion price for 30 consecutive business days, and the convertible bonds' outstanding balance is lower than 10% of the total issuance amount, the Company may opt for compulsory conversion or redemption to convert the bonds to common shares at the current conversion price or redeem the bonds in cash at par value from the bondholder.
Covenants	For covenants pertaining to cash dividend distribution and preferred shares issuance, please refer to articles 7 and 26 of the rule for issuance and conversion of this unsecured convertible bond.	For covenants pertaining to cash dividend distribution and preferred shares issuance, please refer to articles 7 and 25 of the rule for issuance and conversion of this unsecured convertible bond.
Credit rating agency, rating date, company credit rating	Not applicable	Not applicable
Ancillary Rights	Amount converted/ exchanged into common shares, ADRs or other securities Rules governing issuance or conversion (exchanged or subscription)	Amount converted/ exchanged into common shares, ADRs or other securities Rules governing issuance or conversion (exchanged or subscription)
Dilution and other effects on shareholders' interest	NT\$10,000,000,000 (Total CB buyback amounted to NT\$3,194,400,000 as of Aug. 24, 2006)	NT\$6,000,000,000 (Total CB buyback amounted to NT\$544,700,000 as of Aug. 15, 2007)
	For anti-dilution criteria and price resetting conditions, please refer to Article 9 of the rule for conversion of this unsecured convertible bond.	For anti-dilution criteria and price resetting conditions, please refer to Article 9 of the rule for conversion of this unsecured convertible bond.
	Not applicable	Not applicable
Custodian	Not applicable	Not applicable

Convertible Bond Information

As of February 9, 2008 Unit: NT\$

Issuance	First unsecured convertible bonds		Second unsecured convertible bonds			
	2005	2006* (as of Aug. 24)	2005	2006	2007** (as of Aug. 15)	
Market price (denomination of the bond)	High	142.01	138.00	138.00	139.50	182.00
	Low	120.20	121.50	120.00	110.70	139.30
	Average	133.36	127.74	130.21	126.32	164.57
Conversion price (NT\$)	24.3 / 23.3	23.3 / 22.2	25.7 / 24.7	24.7 / 23.6	23.6 / 22.1	
Issue date and conversion price (NT\$) on issue date	2001.08.25 39.0	2001.08.25 39.0	2002.08.16 41.2	2002.08.16 41.2	2002.08.16 41.2	
Method of conversion	Issue new shares	Issue new shares	Issue new shares	Issue new shares	Issue new shares	

*First unsecured convertible bond issue matured on Aug. 24, 2006

**Second unsecured convertible bond issue matured on Aug. 15, 2007

Exchangeable Bond: None

Shelf Registration Issuance: None

Bond with Warrant: None

Other Significant Issues

Mergers and Acquisitions by Issuing New Shares: None

Other Issuance:

1. Preferred Shares: None
2. Depositary Receipt Issuance: None
3. Employee Stock Options: None
4. Private Placement of Company Shares: None

Taiwan Mobile Shares Held / Sold by Subsidiaries:

Unit: NT\$'000; share; %

Subsidiary	Paid-in capital	Source of funding	% owned by the Company	Acquisition / disposal date	Shares acquired and amount	Shares sold and amount	Investment income	Ending balance of total No. of shares and value (Note 1)	Pledge	Guarantees / endorsements by the Company	Financing by the Company
TFN (formerly known as Taihsing International Telecommunications Co., Ltd.)	40,000,000	Equity	100%	December, 2007	-	-	-	900,352,762 shares NT\$30,079,818 (Note2)	None	\$18,050,000	-
				January, 2007	-	300,000,000 shares NT\$13,560,000 (or NT\$13,509,828, net of fee charge and transaction tax)	\$3,487,150	600,352,762 shares NT\$20,057,141 (Note2)	None	\$11,430,000	-
				February, 2007 (TWM capital reduction)	-	144,058,002 shares NT\$1,440,580	-	456,294,760 shares NT\$18,616,561	None	\$10,980,000	-
TFN Investment Co., Ltd.	20,619,388	Equity	100%	December, 2007	-	-	-	467,897,463 shares NT\$15,985,271 (Note2)	None	-	-
				February, 2007 (TWM capital reduction)	-	112,274,612 shares NT\$1,122,746	-	355,622,851 shares NT\$14,862,525	None	-	-

Note1: Ending balance of value was carrying cost, not including evaluation gain / loss.

Note2: Numbers before capital reduction.

Other Significant Events Affecting Shareholders' Equity or Stock Price: None

Ch.5 Operating Strategy

Macroeconomics

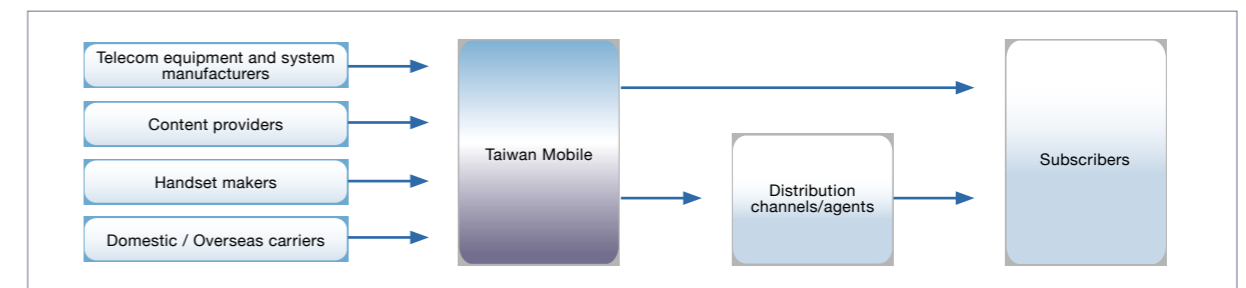
Consumer spending in communication and broadcasting related services is largely influenced by the macroeconomic environment. Statistics released by the Directorate General of Budget, Accounting and Statistics (DGBAS) showed that private consumption rose 2.6% in 2007, from 1.8% in 2006, spurred by rising incomes, hefty cash dividends distributed by listed companies, and increasing labor employment and social welfare benefits. With DGBAS forecasting private consumption growth of 2.9% in 2008, the mobile market is likewise expected to experience a similar growth pattern.

Mobile Business

Industry Developments

- The big three telecom operators continue to dominate the market, adopting market segmented rate plans to prevent cutthroat competition.
- Growth in the 2G sector is likely to be capped by a high penetration rate. Competitive prices, together with improving handset features, functions and quality, have spurred the migration to 3G networks.
- The rising need for high-speed Internet access, aggressive deployment of HSDPA (3.5G) infrastructure and promotion of various data content are expected to boost revenue from value-added services.
- The National Communications Commission (NCC) released WiMAX licenses in July 2007, and winners have started building network infrastructure.
- The NCC approved a three-year proposal requiring telecom operators to cut tariffs for selective 2G services, including prepaid calls, fixed-to-mobile calls and highest tariff rate plans, by 4.88% per annum starting in April 2007.
- Telecom companies are positioning themselves to meet the challenges of digital convergence and the growth opportunities it offers.

Mobile industry value chain



Products and Services

The Company holds a GSM 1800 license and a 3G license to operate mobile phone services nationwide, covering Taiwan, Kinmen, Matsu and other outlying islands.

The Company provides mobile services with the following prefixes — 0935, 0939, 0922, 0920, 0918, 0952, 0953, 0958, 0914, 0961, 0970, 0987 — with services as categorized below:

Type of service	Mobile phone		Phone card	
	Postpaid subscription		Postpaid vouchers	
	Prepaid subscription		Prepaid reload cards	

(1) Basic telecommunication services, such as calling or receiving calls from local fixed line, domestic long distance, international direct dialing, mobile phone and pager services.

- (2) Value-added services, including voice mail, call forwarding, call waiting, conferencing, short messaging service (SMS), roaming, call barring, video calls, and multimedia & content services (e.g., ringtones, games, screensavers, MP3, video clips, video streaming) through GPRS/3G/HSDPA transmission.
- (3) Business solutions, such as enterprise package and mobile virtual private network (MVPN), mobile messaging service (a dedicated platform to deliver cost-effective, high-volume SMS), mobile data service (wireless Internet access via GPRS/ 3G/HSDPA, positioning tracking/fleet management via GPS/GPRS), and mobile office (BlackBerry email solutions)

Revenue breakdown by service

	2007		2006	
	Amount (NT\$'000)	% of total	Amount (NT\$'000)	% of total
Telecommunications service revenue	51,023,299	99.49%	47,692,697	99.59%
Other revenue*	261,557	0.51%	198,592	0.41%
Total revenue	51,284,856	100.00%	47,891,289	100.00%

* Includes revenue from handset sales and commissions from receipts under custody and payment on behalf of others.

Mobile subscriber number and revenue for the past two years

	2007			2006		
	Domestic		Overseas	Domestic		Overseas
	Average No. of subscribers	Revenue (NT\$'000)	Revenue (NT\$'000)	Average No. of subscribers	Revenue (NT\$'000)	Revenue (NT\$'000)
Telecommunication services	5,175,916	51,023,299	-	4,806,275	47,692,697	-

Note: Average number of subscribers = (sum of monthly average number of subscribers)/12

Major Contracts

Nature	Counterpart	Contract period	Description	Restriction clauses
Sale & distribution	Synnex Technology International Corporation	2005.02.01 ~ 2006.01.31 (contracts automatically renew upon expiration date)	Synnex is authorized to distribute TWM's mobile subscription services	Non-disclosure
	Aurora Telecom Corporation	2007.06.01 ~ 2008.06.30	Aurora is authorized to distribute TWM's mobile subscription services	Non-disclosure
Communication service agency agreement	TransAsia Telecommunications, Inc.(TAT)	2006.01.01 ~ 2010.12.31	Provides TransAsia telecommunication related service	Non-disclosure
	Mobitai Communications (Merged into TAT on Dec. 15, 2007)	2006.01.01 ~ 2010.12.31	Provides Mobitai telecommunication related service	Non-disclosure
Network interconnection	Chunghwa Telecom Co., Ltd.	2005.01.01 ~ 2005.12.31 (under negotiation) (Note 1)	Network interconnection contract	Non-disclosure
	VIBO Telecom Co., Ltd.	2006.01.16 ~ 2007.01.15 (under negotiation) (Note 2)	Voice and short message service contract	Non-disclosure
	New Century InfoComm Tech Co., Ltd.	2005.05.01 ~ 2006.04.30 (under negotiation) (Note 1)	Network interconnection contract	Non-disclosure
	Taiwan Fixed Network Co., Ltd.	2007.07.01 ~ 2008.06.30	Network interconnection contract	Non-disclosure
	Asia Pacific Broadband Telecom Co., Ltd.	2005.10.15 ~ 2006.10.14 (under negotiation) (Note 1)	Network interconnection contract	Non-disclosure
	Asia Pacific Broadband Wireless Communications, Inc.	2003.07.23 ~ 2004.07.22 (under negotiation) (Note 1)	Voice and short message service contract	Non-disclosure
	TransAsia Telecommunications, Inc.	2004.03.15 ~ 2005.03.14 (under negotiation) (Note 2)	Voice and short messaging service contract	Non-disclosure
	Mobitai Communications (merged with TransAsia on 2007.12.15)	2004.09.13 ~ 2005.09.12 (under negotiation) (Note 2)	Voice and short message service contract	Non-disclosure
	Far EasTone Telecommunications Co., Ltd.	2004.02.10 ~ 2005.02.09 (under negotiation) (Note 2)	Voice and short messaging service contract	Non-disclosure
	KG Telecommunications Co., Ltd.	2004.03.01 ~ 2005.02.28 (under negotiation) (Note 2)	Voice and short messaging service contract	Non-disclosure
First International Telecom Corp.	2005.05.01 ~ 2006.04.30 (under negotiation) (Note 2)	Voice and short messaging service contract	Non-disclosure	

Nature	Counterpart	Contract period	Description	Restriction clauses
Handset purchase	Synnex Technology International Corporation	2004.05.01 ~ 2005.04.30 (contracts automatically renew upon expiration date)	TWM accepts Synnex's consignment to sell handsets and related products	Non-disclosure
Equipment acquisition	Nokia Corporation	2006.09.26 ~ 2009.12.31	Equipment contract for installation of 3G system	Non-disclosure
Customer service	Taiwan Teleservices & Technologies Co., Ltd.	2006.01.01 ~ 2010.12.31	TT&T to handle TWM, TAT, and MBT customer service and product sales	Non-disclosure, restriction on competition sales

Note1: When the network interconnection contract expires, in the event that both parties are unable to conclude negotiations within three months thereafter, the process shall be as follows:

(1) If both parties concur to continue negotiations, the original contract terms will continue to take effect until a new agreement is reached.

(2) Either party can appeal to the Directorate General of Telecommunications for a ruling. Prior to the date of such a ruling, the original contract terms shall continue to take effect. Following the ruling, new contract terms will be formed based on the ruling.

Note2: Negotiations for the new agreement shall commence three months prior to the expiry date of the original agreement. If negotiations are not finalized prior to the expiry date, both parties agree to perform their obligations based on the original agreement until such time when negotiations are finalized by the parties

Note3: If both parties do not finalize signing of the new contract and the current contract has expired, the current contract shall remain valid.



△ Launched first "My Hour" rate plan to allow users to choose a time slot when they can make free intranet calls

Operating Status

1. Postpaid products and services

The Company continues to lead in offering postpaid rate plans. Following the launch of "myfone" rate plans in 2004, the Company introduced "My Zone 268/568" in 2006, allowing regional zone base users to enjoy half rates for both on-net and off-net calls, which became a major driving force in signing up new customers. To maintain its sales momentum and attract high-usage customers, "My Zone 968" was launched in January 2007. The percentage of mid-to-high rate plan subscribers to total new subscribers grew 2.5 times within the first quarter of launching "My Zone 968." The "My Zone" series now accounts for about 60% of total monthly new subscribers and has surpassed the one million mark. The Company also introduced "My Hour" 688/988 rate plans last year, which allow customers to select and make free on-net calls during an 8 or 12-hour period.

The Company also has excellent loyalty programs in place to help secure its customer base and minimize churn rates. For high average revenue per user (ARPU) customers, the Company has an exclusive program called "my VIP." It also offers a credit card program that allows customers to earn rebates based on their phone bills.

2. Prepaid products and services

As part of its commitment to offering better services and boosting usage, the Company was the first in 2007 to introduce 3G prepaid services, dubbed "3G Fun Heart Prepaid Card," enabling prepaid users to enjoy 3G high-speed transmission and instantly accessible video content. The Company also launched discount plans for young people to hook up with their circle of friends and after-school low rates for teenagers. The Company plans to continue cultivating this younger demographic to maintain its market leadership. Late last year, the Company further introduced an innovative hybrid rate plan called "Zero Monthly Fee," which combines the features of prepaid and postpaid services.

The Company has continued to expand its lead in the foreign workers' market. To capture the Indonesian and Filipino workers' market, the Company has teamed up with Telkomsel Telecom of Indonesia and Globe Telecom of the Philippines, both of which are members of the Bridge Mobile Alliance — the biggest mobile telecommunications alliance in the Asia-Pacific region. A competitive new product was introduced — the first transnational co-brand prepaid cards in Taiwan, called the "OK Simpati-Kagen Card" and the "OK Kababayan Card," which boosted Taiwan Mobile's share of these two market segments.

▽ Introduced "Zero monthly fee" rate plan combining features of prepaid and postpaid services



With the continuous introduction of new products and more flexible offerings in the prepaid card market, Taiwan Mobile has survived the fierce market competition and experienced growth in spite of a declining market. In 2007, the Company experienced a strong year-on-year growth in terms of the number of prepaid subscribers and revenue.

▽ Introduced Near Field Communication (NFC) Mobile PayPass™ handsets



3. Value-added services

The Company has seen a sharp increase in its VAS user penetration and ARPU, led by mobile Internet, which posted a 44% rise in revenue, aided by the Company's bundling of competitive data tariffs and customized handsets. As a market leader in launching innovative products, the Company set several milestones in 2007: 1) the first Taiwanese operator to introduce Near Field Communication (NFC) Mobile PayPass™ handset in cooperation with MasterCard International; 2) the first Taiwanese operator to launch mobile video blog (Vblog) and mobile music video game; 3) provide 3G universal SIM cards that serve as a personal messaging center combining messaging, personal information management and phone book backup functions; 4) the first local operator to provide "set my ring back tone same as my friend's whether or not they are Taiwan Mobile subscribers"; and 5) launch ultra-



△ Number of downloads of mobile game "DAIKO: Drum Master" broke records

slim 3.5G data card and offer a single data rate for roaming charges in Bridge alliance member operators' areas.

The Company will continue to pursue its goal of providing simple and convenient mobile phone services by enhancing its "Catch" mobile Internet portal, offering easy to understand mobile Internet tariffs and easy to use customized handsets. With broadband and multimedia gaining in popularity, the Company is keen on developing and promoting diverse triple play services to address the different lifestyles and needs of all customer segments. This not only enables the Company to differentiate its products and increase customer satisfaction, but can also lead to exponential growth in data ARPU.

4. Enterprise customer services

The Company has developed several enterprise solution packages, including mobile communication and data services, to meet corporate telecommunication needs. Launched in December 2006, the globally popular BlackBerry email solution was designed to meet the demand for mobile office solutions by employees of multinationals. The service has already attracted about 700 enterprise clients by the end of 2007. As digital convergence takes off, the Company

plans to provide integrated communication services, offering a "one-stop shopping" service that combines fixed line, mobile and data solutions to fulfill the requirements of enterprises in different market segments.

Opportunities and Challenges

The overall macroeconomic environment remains favorable for growth in the telecommunications industry with the major positive and negative factors as well as countermeasures outlined below:

1. Positive factors:

- (1) 3G and 3.5G technologies enable high-speed and better quality transmission of mobile content, leading to higher subscriber usage and increased revenue for telecom operators.
- (2) The digital era has contributed to the convergence of information, communication and media industries, and telecom companies are poised to play a pivotal role in the delivery of multimedia content to customers.
- (3) Along with rapid development of the internet, many innovative technologies and business models have extended to mobile internet.

▽ Launched exclusively the wildly popular BlackBerry email solution



2. Negative factors:

- (1) New policies and regulatory revisions by the NCC have increased the uncertainty of future operations and profitability.
- (2) WiMAX technology offers comparable high-speed broadband access that can rival other wireless communication technologies.

3. Countermeasures:

- (1) The Company has completed the consolidation of Taiwan Fixed Network Co., Ltd. (TFN) and Telecommunication Network Services Co., Ltd. (TTN), expanding its market share in the wireless communication, information and media industries. This is expected to fuel growth in revenue and profitability.
- (2) The Company closely monitors changes and developments in regulatory policies to formulate countermeasures in advance.
- (3) HSDPA is a more mature technology and ready for commercialization. In addition to an all-out effort in deploying 3.5G network to provide high-speed broadband access, the Company will closely monitor the development of long-term evolution (LTE) technology.
- (4) The Company will introduce high-end technology, such as NFC (Near Field Communication) and LBS (Location Based Services) to promote value-added services.

4. Competitive Advantages and Strategies

- (1) Improving client portfolio
Due to changes in the scale of total new subscriber acquisitions, gross adds in new subscribers in 2007 was less than in 2006.

However, strategies to improve client portfolio helped raise the ratio of mid to high-usage customers as a percentage of gross adds and kept the churn rate low. As a result, mid to high-usage customers accounted for over 60% of total new acquired subscribers. This could translate into ARPU growth in the future.

(2) Diversity of sales channels

The Company expanded direct and franchised shops and improved the quality of service to increase the number of walk-in customers and sales. Faced with fierce competition in conventional sales channels, the Company ventured into direct mailing, e-commerce, and telemarketing to reach different market segments and target high-usage customers, thereby boosting sales, lowering cost and enhancing quality control over sales channels.

(3) Leading wireless broadband services

The Company took the lead in launching 3G services in 2005 and 3.5G services at the beginning of 2007. In addition to flexible rate plans, exclusive handsets and extensive value-added services, subscribers of the Company, TransAsia Telecommunications and Mobitai can be upgraded seamlessly. As of the end of 2007, the company's 3G subscriber base reached 1.24 million, with data

▽ Offered a single data rate for roaming charges in Bridge alliance member areas



ARPU significantly surpassing that of 2G subscribers, spurring further development of value-added services.

(4) Expanding resources from international alliances

The Company is the sole Taiwanese member of the Bridge Alliance, the largest mobile alliance in Asia Pacific. The alliance consolidates the region's leading telecommunication operators – SingTel in Singapore, Maxis in Malaysia, CSL in Hong Kong, Bharti in India, Telkomsel in Indonesia, AIS in Thailand, Globe in Philippines, Optus in Australia, CTM in Macau, SKT in South Korea, and Taiwan Mobile in Taiwan – with a combined customer base exceeding 180 million. Having the advantage of economies of scale as well as a regional-based service platform, the Company occupies a leading position and possesses rich resources in procurement, content and new technologies.

5. Operating Results Review

As the Company continued to devote resources to developing new products and providing the best service for its customers, its total revenue still rose 1% YoY in 2007 despite a saturated market and keen competition. Sales were bolstered by growth rates of 19% and 23% in pre-paid and VAS revenues, allowing the Company to outperform and expand its share of the telecom service market.

With the deployment of its 3G network, depreciation and base station related expenses leveled up operating cost by 3% compared with the previous year. Nevertheless, efforts to reduce operating expenses helped to sustain operating income. Non-operating asset write-off of obsolete equipment weighed on net income in 2007, but this should translate into substantial savings in depreciation expense in 2008.



△ Introduced "Ring Tone DIY" services

Fixed Line Business

Industry Developments

The paradigm shift in the telecom industry is continuing with players pursuing vertical integration through mergers and acquisitions throughout the value chain, incorporating television, broadband access, data, voice, media and mobile services to satisfy customers' diverse needs. A quick overview of the services is outlined below:

1. Local call service:

NCC data shows that the penetration rate of fixed line services was 57.9% in 2007, down 1ppt from 2006. Given the recent shift to data service, industry experts forecast little change in the number of subscribers ahead.

2. Long distance call service:

The rising popularity of VPN services, mobile phone services and VoIP services have cut into the market for long distance call services.

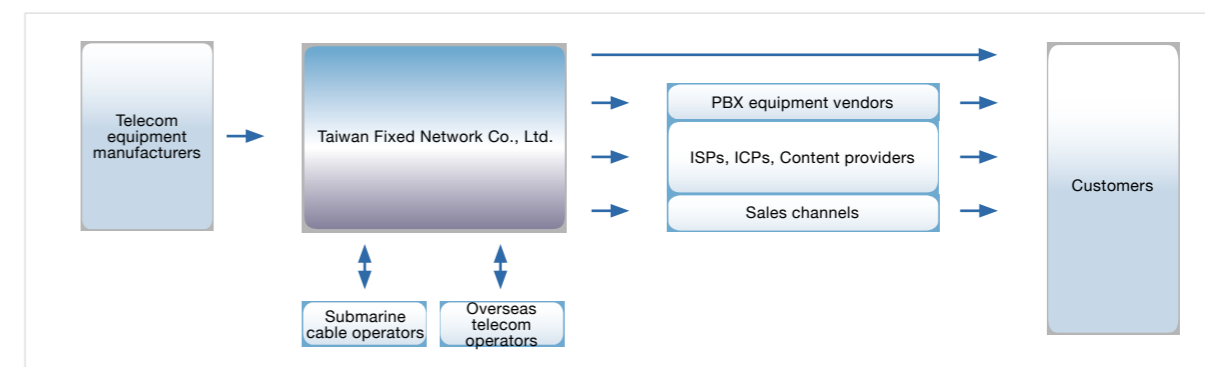
3. International direct dialing (IDD) service:

The rising demand for communication services across the Taiwan Strait, opening of the local market to foreign workers and the regionalization and globalization of Taiwan-based enterprises continue to support demand for IDD. However, overall market revenue is expected to shrink due to cutthroat pricing competition in the foreign workers' market.

4. Internet access services:

Total market revenue is expected to grow as enterprises become more dependent on the Internet, content services become more diverse, and fiber broadband services become widely accepted. Adding in the fact that telecom operators are aggressively promoting 3G/3.5G wireless services, and more integrated wireless and wired line markets emerge, revenues are expected to grow in spite of falling prices and a saturated market.

Fixed line industry value chain



Products and Services

The fixed telecommunication network service license, which was issued in 2000, grants the Company the right to provide Taiwan and the outlying islands, including Kinmen and Matsu, with the following services:

Business Item	Produce / Service	Description
Voice Service	Local calls	We provide integrated voice solutions, including IDD, VoIP and intelligent network service (e.g., 080 domestic toll-free service and IDD prepaid cards), enabling users to save on huge calling costs. TFN continues to develop advanced technologies to enhance reliability and provide instant response to ensure customer satisfaction.
	Long distance calls	
	IDD (International Direct Dialing)	
	Audio conference	
	Centrex	
	VoIP for enterprise	
	Cable phone	
	IDD prepaid card	
	Super saving international card	
	080 Domestic toll-free number	
	Foreign toll-free number	
0209 Voice information provision service		
Circuit Service	IPLC (International private leased circuit)	We offer different types of circuits for information transmission, including fixed-rate circuits and dedicated bandwidth for data transmission between two terminals. TFN offers the best transmission environment for various applications, including voice, data and multimedia information.
	International Metro Ethernet	
	ADSL	
	Leased line	
	Metro Ethernet	
VPN Service	FTTx	A virtual private network (VPN) is a communications network tunneled through another network and dedicated for a specific network. We offer VPN service to enhance communications security for popular applications such as POS systems, credit card transactions and ATMs. TFN also delivers total solutions, including Layer 2 VPN and IP VPN, to expand customers' business opportunities.
	International IP-VPN	
	IP-VPN	
	ADSL-VPN	
	ATM (Asynchronous transfer mode)	
Internet Service	FR (Frame relay)	We offer Internet access via fiber optics, copper wires or Metro Ethernet. The Company also provides Internet Data Center (IDC) services, including co-location, web hosting, super mail and domain name registration. TFN's hosting services not only cover carrier-level facilities, but also managing/maintenance services for customers. Enterprise customers are thus able to lower their IT expense and focus on their own core competence.
	Leased line access	
	Metro Ethernet access	
	ADSL access	
	Transit	
	Co-location	
	Web hosting	
	Super mail	
Domain Name		

Opportunities and Challenges

The Company believes that the overall macro environment remains favorable in terms of growth for the fixed line industry. The major positive and negative factors as well as countermeasures are outlined as follows:

1. Positive factors:

- (1) Strong demand for mobile data services: To meet consumer demand for more high-speed broadband services anytime anywhere, the Company can leverage off fixed line's backbone network to facilitate delivery of mobile services, such as mobile data cards.
- (2) Strong demand for integrated information services for enterprise clients: Future convergent products are aimed at consolidating intranet, broadband management, and information security into a one-stop shop for customers. The Company has the advantage of possessing resources for both mobile and fixed line services.
- (3) The telecom industry's demand for leased circuit is increasing due to expansion of 3G, WiMAX, and FTTx network deployment.
- (4) NCC ordered Chunghwa Telecom (CHT) to provide local loop services at cost to new telecom entrants in order to lower costs and resolve a service bottleneck.

2. Negative factors:

- (1) Local loop bottleneck is a major obstacle to fixed line operators' business expansion.
- (2) VoIP penetration has cannibalized fixed line operators' traditional voice revenue.

- (3) NCC pushed for rationalization of telecom tariffs and demanded all telecom operators lower retail rates gradually, but this only added to the difficulties of new players.

3. Countermeasures:

- (1) Raising ARPU: Target high-usage customers by providing services such as "Information and Communications Integrated Solution" that meet customers' varying needs, creating a win-win situation to enhance customer loyalty.
- (2) Providing high-quality services: Focus on IP VPN and Metro Ethernet solution to provide high-quality integrated platform infrastructure and take the lead in technology advancement.
- (3) Expanding cost and operation synergy: Strengthen internal controls and professional division of labor, upgrade IT system and support, revise IP policy and submarine cable strategy to ensure short, mid and long-term benefits and improve core competence to benefit shareholders.
- (4) Maintaining market leadership in broadband and multimedia application integrated services: Closely monitor industry developments in combining voice, image, data, mobile and IT services. The Company aims to surpass the success of its traditional business model by providing the best customer service quality through the Next Generation Network (NGN) framework, and synergize the resources of the group to the benefit and satisfaction of its customers.

4. Competitive Advantages and Strategies

(1) Brand new image

The Company works on the concept of providing quality “customer privileges” by utilizing its extensive experience and expertise in broadband technology. A new service, called “TWM Solution,” was launched at the end of 2007, integrating quality services provided by Taiwan Fixed Network, Taiwan Telecommunication Network Services and Taiwan Mobile.

(2) Professional management team and efficient support group

The Company leads the competition in achieving synergy from the integration of group resources, including mobile telephony, fixed network and cable TV network, with integrated back-office functions, e.g., network planning, operation and maintenance, information technology, and procurement, to support its frontline operations. This organizational matrix allows business units to focus on product planning and sales activities. As a result, corporate and enterprise customers are able to experience the professional service provided by “TWM Solution.”

(3) Effective direct and channel sales teams

Expand services through direct sales teams, channel partners, and retail chains across the nation.

▽ Providing integrated information and communication services to enterprise customers



△ Deployed broadband network to provide services for remote areas in Alishan

Operating Results Review

The Company endeavored to improve its product mix after the merger with TFN. As a result, total revenue from fixed-line business increased 9% YoY, aided by the 44% and 28% YoY growth in leased line and data services, respectively. As the Company consolidated its resources, operating income turned positive with operating cost and expense declining 10% YoY.

Due to TFN's superior enterprise customer base, the Company expanded its share of the enterprise market. Following the merger with TTN, the Company is looking forward to exploring the full potential of combining mobile and fixed-line resources in providing enterprise customers with more competitive and integrated telecom solutions.

Cable Business

Industry Developments

1. Mergers and acquisitions initiated by foreign investments and private placements

A wave of mergers and acquisitions swept across Taiwan's cable TV (CATV) in 2007, as foreign investments and private equity funds swamped the local industry. After a year of consolidation, TFN Media, the Company's CATV division, ranked as the fourth-largest multi-system (MSO) operator in terms of subscriber number. Chunghwa Telecom also ventured into the IPTV market, offering bundled FTTx broadband and multimedia on demand (MOD) services and effectively positioning itself as a major competitor in the CATV market.

As the CATV market nears saturation, CATV operators have employed different measures to provide customers with more diverse and value-added services in hopes of increasing revenue. To meet the challenges of digital convergence and better compete with CHT, the Company has built a fiber optic network in addition to continuous upgrade of network quality; conducted R&D for integrated technological solutions; and launched DTV, high-speed broadband surfing, and cable phone services to meet the demands of home customers.

2. NCC promulgates multiple policies

The National Communications Commission (NCC), the regulatory body which oversees the cable TV industry, promulgated several key policies as a means to accelerate the development of digital convergence. These include:

(1) Promulgation of “Guidelines for Applying

for Renewal of Permits & Licenses for CATV System Operators,” advising CATV operators that intend to continue operations to submit a proposal on CATV migration from analog transmission to digital communication along with concrete plans for promotion of digital services.

(2) Revision of “Regulations Governing Fixed Network Telecommunications Businesses,” dated May 21, 2007, to include multimedia content transmission platforms. Local network operators are permitted to set up open transmission platforms, while CATV system operators are permitted to apply for operation of local network services within the regions where they offer CATV service.

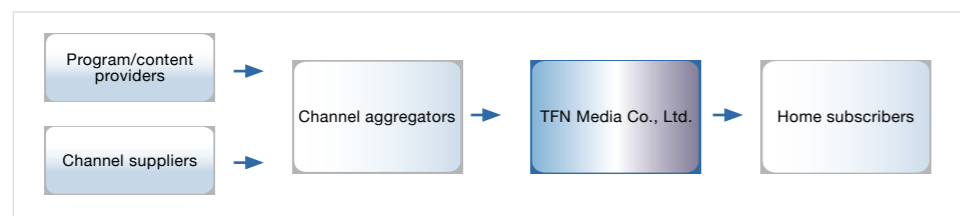
(3) On November 15, 2007, the NCC approved CHT's petition to charge subscribers NT\$89 as its platform service fee for transmitting multimedia content. As for service charges to channel suppliers for transmitting contents over the MOD platform, the maximum limit is set at NT\$800,000 per channel per month. NCC permitted CHT to offer MOD business, but not to take the initiative in assembling channels.

(4) NCC planned to integrate the three major broadcasting laws (Cable Radio & Television Act, Satellite Radio & Television Act, and Radio & Television Act) into a single law – the Telecommunications Act. On December 9, 2007, it completed the draft of the Communications Administration Act to directly oversee its three main divisions: infrastructure, operation and content application. The draft proposes to remove the cap on subscriber market share and cable system operator (SO) market share as stated in Article 21 of

“Cable Radio and Television Act”, raise the ceiling on foreign shareholding percentage, and transfer the right to review monthly price caps from local governments to a central authority. All these are expected to benefit the industry. However, under the new structure, cable SOs are required to secure two additional business licenses – one for broadcast TV service and another for broadcast com-

munication network. Cable SOs also face more regulatory restrictions compared to telecom operators, which are expanding their video service footprint. The draft does not provide specific guidelines on new business areas, such as charges for subscribing to different programs or content and changes in operating regions, casting a cloud of uncertainty over the CATV business.

Cable industry value chain



Products and Services

In 2007, the Company strengthened customer loyalty and maximized revenue generation by focusing on local sustainability, taking the lead in launching landmark digital products and services, broadening its market share, and developing innovative digital products and value-added services. The Company has maintained its leading market position by continually providing diversified and integrated digital products to attract more subscribers.

TFN Media (TFNM), the cable division of the Company, holds a Type II telecommunications business license. Each of the seven subsidiary CATV operators of TFNM holds a CATV business license and is engaged in key products and services, including pay TV and Internet access services through cable broadband and fiber optic broadband. TFNM teamed up with Taiwan Fixed Network to launch cable phone (VoIP broadband phone) services, which are now available in Sinhuang, Sijhih and Tamshui in Taipei County, Ilan County and Fengshan in Kaohsiung County.

TFNM's key products and services

Target customers	Service category	Description	Highlights
Households in licensed area	Pay TV	Cable TV	Using coaxial cables as the media, diverse and multifaceted data content such as TV programs as well as video services are transmitted to customer terminals.
	Broadband Internet access	Cable broadband	With the cable system operators paving the way for HFC networks, the Company will utilize this new cable modem technology and know-how to offer broadband Internet services to customers.
		Optical fiber	Utilize optical fibers already installed in buildings to provide customers with FTTx broadband Internet services.
	Voice	Cable phone (VoIP broadband phone) services	Using the IP based HFC network system, the Company is able to offer voice services at very competitive prices.

Opportunities and Challenges

The Company believes that the CATV industry will continue to evolve. Factors, both advantageous and disadvantageous, which may affect the CATV industry are outlined below:

1. Positive factors:

- (1) CATV MSOs have a virtual monopoly of the market in their respective regions. CATV operators have built up their brand names and service awareness locally, making them difficult to replace.
- (2) With the arrival of the digital era, the convergence of video, voice and data services has come to dominate the communications market. CATV operators have the “last mile” advantage, allowing them to develop and offer CATV hybrid fiber/coaxial (HFC) networks and multiple product and service technology solutions, including digital TV, video on demand, cable modem broadband services, IPTV and cable phone VoIP, offering customers a whole new range of possibilities.
- (3) The NCC completed a draft “Strategic Policies to Promote CATV Digitization Development” in early 2007 to guide the CATV industry in its digital transition and help it overcome longstanding bottlenecks. The policies also highlighted the government’s determination to focus and promote CATV digitization. The close communication and coordination between the government and the CATV industry should aid and benefit the industry’s development and progress.
- (4) Digitization of the CATV industry will boost broadband efficiency. The ad-

ditional broadband frequencies can be used to accommodate digital multimedia to create innovative services, e.g., sports lottery and optional video services. CATV may also be integrated into digital multiple-play platforms to provide diverse digital services. CATV operators will also be better equipped to crack down on piracy, control subscription revenue and provide more value-added services.

2. Negative factors:

- (1) CATV rates are reviewed by the local county/city governments on an annual basis. Given a slowing economy, several county governments have lowered the price cap for 2008 by 2%~5%, impacting MSO’s revenue.
- (2) Given the high penetration in the pay TV market, there is limited room for growth in the subscriber base.
- (3) The content of Chunghwa Telecom’s MOD services is not as rich and versatile as CATV channels’ offerings and cannot be viewed through an extension because of bandwidth restrictions. Nonetheless, Chunghwa Telecom remains a potential threat to traditional CATV operators given its expansive national network.

3. Countermeasures:

- (1) The Company will monitor regulatory revisions through continuous communication and lobbying and will map out appropriate plans and countermeasures.
- (2) The Company will push for the building of two-way optical fiber networks to upgrade network quality and signal stability. It will offer integrated technological solutions, develop new products and value-added services. Through such

efforts, it can maximize ARPU and revenue.

- (3) In line with the CATV digitization policies promulgated by the authorities, the Company will aggressively invest in manpower, technology, capital and marketing resources to design digital CATV products and services within the Company's operating regions, as well as coordinating measures in line with the time schedule of digitization.
- (4) The Company will aggressively explore merger and acquisition or investment opportunities of CATV to expand current market share.

4. Competitive Advantages and Strategies

- (1) Service commitment to the local community
CATV is normally confined to service within local communities. Given the Company's commitment to upholding "sustainability through dedicated service," it has held a variety of educational and training programs to upgrade employee capabilities and customer-service quality. Meanwhile, 24/7 customer service hotlines are available to serve customers' urgent needs. These efforts reflect the Company's service dedication and commitment to achieving customer satisfaction.
- (2) Two-way transmission network construction
To provide stable network quality and diverse products and services to its target customers, the Company has mapped out two-way HFC network systems and upgraded outmoded circuits to enhance the performance of existing circuits. TFN Media has finished construction of two-way networks in Sinjhuang, Taishan and Linkou in Taipei County, Ilan County, and Fengshan in Kaohsiung County. TFN Media is thus now in a strong

position to meet customer demand for digital products and services.

- (3) Launch of innovative products and services
CATV operators have the competitive advantage with their control over the "last mile" in all CATV channels. Through one cable channel, an operator can provide subscribers with a variety of products and services. With this in mind, the Company has aggressively invested in human resources, technological know-how and other resources to provide integrated technology solutions through its CATV channel. It is deeply committed to providing innovative products and services that meet customer needs. Services rendered by TFN Media include CATV, cable modem broadband surfing, FTTx broadband Internet, and cable phone VoIP. The Company expects to launch more forward-looking products and services that will boost overall performance.
- (4) Integration of group resources
The Taiwan Mobile Group provides mobile, fixed network, CATV and content services. By integrating the group's marketing resources and its strong technological support, the Company has become a formidable presence in this intensely competitive industry.

Operating Results Review

Cable business revenue mainly comes from pay TV revenue, with a small percentage derived from cable broadband service. Pay TV revenue grew 6% YoY in 2007 due to the steady increase in subscriber base, resulting in better economies of scale, lower costs and a higher operating income. The cable broadband business experienced significant growth in 2007, with revenue and the number of subscribers increasing 44% and 40% YoY, respectively. Revenue and operating income of the entire cable division rose 9% and 20% YoY, respectively.

Short and Long-term Business Development Plan

The Company has structured its operation into three business groups: Consumer, Enterprise and Household. Each group has its own distinct business focus and product portfolios as shown below.

Consumer Business Group (CBG)

CBG's target customers are individual consumers. Its primary services include voice, messaging, mobile Internet and video. This year Taiwan Mobile will continue to focus on developing high value customers and raising mobile Internet penetration and usage. It will also promote 3G/3.5G businesses through network expansion and launch of innovative products. Taiwan Mobile plans to fully maximize the potential of new technologies by launching GPS and NFC enabled services.

The Company's marketing thrust will be to enhance the quality of life by promoting new lifestyles with access to digital entertainment in the future. To this end, Taiwan Mobile plans on taking the following initiatives:

- Employ new technology that will deliver advanced multimedia services such as mobile TV, follow-me content, etc.
- Link mobile world with the Internet's Web 2.0 community and social network services.
- Provide segmented service packages that are more varied and cater to different customer needs.

Enterprise Business Group (EBG)

EBG focuses on network and data services for enterprise customers. Its key products include Mobile VPN, IP-VPN, IDC, VoIP, Fiber link, and IP transit. This year, EBG's focus will be to provide customers with key solutions through telecom products that support integrated information and communication services.

- TWM's vision is to expand its enterprise services from network-centric to ICT centric solution and services by taking the following directions:
- ICT solutions – Collaborate with IT or system integrator vendors that will help develop and deploy enterprise ICT solutions.
- Managing services – Advance managing services to support real-time system monitoring and measure performance as well as ensure end-to-end network reliability, availability, and security.

Household Business Group (HBG)

HBG focuses on cable-based services for households. Its key products include cable TV, cable modem, and cable phones. This year, HBG aims to increase its market penetration, offer convergent services, increase household ARPU, and build up its triple play business through the following measures:

- Complete two-way cable network upgrade and build up digital TV business.
- Construct FTTx networks outside of CATV zone for broadband and IPTV trial.
- Deploy TV portals to introduce intelligent home care and Internet services.



△ Enriching mobile data services by offering easy-to-use internet portal

Ch.6 Risk Management Analysis

In the course of operating its business, the Company faces three major types of internal and external risks, namely: industry risk, financial risk and operating risk. The Company realizes the damages these risks may cause and therefore has established a risk management committee to set policies in order to minimize any particular incident's effect on the Company's operations.

Industry Risk

Technology Changes and Development

1. Wireless Broadband Access (WBA), a new technology

(1) Potential impact

WBA is a communications technology based on Orthogonal Frequency Division Multiplexing (OFDM) and is capable of providing speeds of up to 10 Mbps on the equivalent frequency bandwidth of 3G's 5MHz. Considered a foundation for the next generation of mobile broadband communications, WBA poses a reasonable threat to 3G technology. To meet the challenges of emerging global wireless broadband technologies and other development trends in the communications industry, the National Communications Commission (NCC) has adopted a two-stage approach in licensing WiMAX technology. The first stage involved the release on July 26, 2007 of six regional licenses -- three in the north and three in the south. These licenses, with a spectrum of 30MHz each and valid for six years, can be consolidated into a nationwide license. The second stage would be the release of at least one nationwide license, valid for 10 years, after June 2009.

(2) Countermeasures

As WiMAX is still an evolving technology, the Company submitted a conservative bid and was not awarded a license in the initial stage.

While the standard for mobile WiMAX protocol (IEEE802.16e) has been set in line with the WiMAX Forum's timetable, equipment interoperability tests are still ongoing. Given the limited number of WiMAX equipment suppliers, the likelihood of a commercial launch before the end of 2008 is low. The suspension of a WiMax deployment cooperation between Sprint Nextel and Clearwire has raised concerns about the development of WiMAX.

The technology for 3.5G High Speed Downlink Packet Access (HSDPA), in comparison, is mature and ready for commercialization. The speed of the connection throughput for 3.5G is 7.2 Mbps and should rise to 10.8 Mbps with continuous upgrades, placing it on the same level as WBA. In the short term, HSDPA will be a more commercially competitive technology than WBA. In addition, the 3G extended long-term evolution technology that is under development may provide the same services as WiMAX. The Company is fully involved in this technology's development and evaluation is ongoing.

To cope with the dynamic changes in the market, TWM has drawn up a long-term plan to strengthen its wireless broadband and multimedia services. It has hired a renowned global consulting agency to analyze industry trends and formulate effective strategies.

2. Rising popularity of Internet protocol

(1) Potential impact

The popularity of Internet Protocol (IP) has revolutionized the telecommunications business and network infrastructure, giving rise to increased communications traffic. Among these changes, the introduction of voice-over IP (VoIP) service has had the greatest impact on the fixed-line operators' voice revenue. The increasing popularity of wireless local area networks (WLAN) could also facilitate the deployment of voice over WLAN (VoWLAN) and affect mobile operators' future voice revenue.

(2) Countermeasures

The necessity of building an IP core network infrastructure based on next generation network (NGN) is an urgent task. The Company has organized an IP Infrastructure Committee to study and analyze the demand, costs and benefits of developing an IP multimedia subsystem (IMS) and IP core access and transmission technologies. The Company has also started many IMS application trials in the lab to keep abreast of the technology's development. Additionally, it is conducting research on advanced optical network transmission technology to introduce the latest cost-effective optical network backbone at the appropriate time in the future.

3. Telecommunications and media convergence

(1) Potential impact

The mobile and fixed-line communications and media industries, which have similar service models and technologies, have been on a converging trend in recent years. This has facilitated the exchange and transmission of digital content and services among different carriers, systems and platforms, and is a factor for potential consolidation in the telecommunications and broadcasting industries.

(2) Countermeasures

As mentioned, the Company has hired a renowned global consulting agency, which is also tasked with analyzing trends and issues arising from the convergence of fixed and mobile communications and implementing measures to address the trend toward communications and media convergence. In addition, the Company has merged Taiwan Fixed Network (TFN) and Taiwan Fixed Network Media (TFNM, formerly known as Fu Yang Media) and acquired Taiwan Telecommunication Network Services (TTN) in 2007 to enhance the Company's competitiveness in the digital era. In 2008, TWM will integrate the group's resources in research and development into digital convergence in order to launch services as soon as possible.

Regulatory Changes

1. Communications Administration Act

(1) Potential impact

In line with the trend toward digital convergence, the NCC submitted a Communications Administration Act to the Cabinet for review on December 20, 2007. The draft legislation combines the current "Telecommunications Act," the "Cable Radio and Television Act", the "Radio and Television Act", and the "Satellite Broadcasting Act" by eliminating the boundaries between the telecom and broadcasting industries, and regulating these industries by infrastructure, service platform and content instead.

(2) Countermeasures

During the act's drafting, the Company proposed amendments to protect its rights. The Company will closely monitor the draft's progress as well as continue its efforts to consolidate the TWM group's resources to keep pace with the digital convergence trend.

2. Pricing right and call revenue shifted to fixed-line operators

(1) Potential impact

To encourage mobile operators, the NCC promoted in 1977 the "Mobile network pricing mechanism for network interconnection and other matters relating to local calls," with the right to set prices for fixed-to-mobile calls awarded to mobile operators. However, interconnection charging will be changed from the beginning of 2011, with the right to set prices being transferred from mobile operators to fixed-line ones. As such, major fixed-line operators will receive the call revenue

and pay an interconnecting charge and a transition fee to mobile operators for every fixed line to mobile call. The transition fee will be decreased proportionally on a yearly basis from the beginning of 2011 to the end of 2016. Smaller fixed-line operators will only have to pay interconnecting charges to mobile operators.

(2) Countermeasures

With the proliferation of and convenience provided by mobile phones, calling from fixed lines has been replaced by handsets, thereby limiting the impact on revenue of the change in pricing for fixed line to mobile calls. Moreover, with the fast development of 3G and data applications, the Company will focus on various value-added services and content to satisfy users' needs and boost usage.

3. Minimum paid-in capital requirement for fixed-line operators

(1) Potential impact

Effective Feb. 1, 2008, the paid-in capital requirement was lowered from NT\$16 billion to NT\$8.4 billion for new fixed-line operators and from NT\$40 billion to NT\$21 billion for the three existing fixed-line operators to foster competition.

(2) Countermeasures

TFN has paid-in capital of NT\$40 billion. The lower paid-in capital requirement will allow TFN to have a more efficient balance sheet.

4. CHT cutting price for local loop

(1) Potential impact

After finding CHT's local loop a bottleneck, NCC ordered the telecom operator in late 2006 to rent it out to other operators, with the monthly fee fixed at NT\$140 – down from

NT\$220 per month. The measure, approved on Sept. 1, 2007, translates into a 36% cost-saving for TFN in terms of leasing lines from CHT.

(2) Countermeasures

With local loop costs dropping, TFN will evaluate the feasibility of renting a local loop line and co-locating with CHT to achieve economies of scale in select areas to increase revenue from ADSL services. Despite reduced local loop costs, it is still hard for non-CHT fixed-line operators to provide competitive prices. TFN will therefore continue to petition the NCC for further price cuts on local loop and open fiber-to-the-building (FTTB) access in the future.

5. Price cap on cable TV

(1) Potential impact

According to Article 51 of the "Cable Radio and Television Act," cable TV charges should be reviewed and approved by local governments on an annual basis. Pricing for 2008 was approved before Jan. 10 this year. Among the regions in which TFN Media Co., Ltd.(TFNM) operates, only Taipei County lowered the price ceiling from NT\$550 to NT\$520.

(2) Countermeasures

TFNM will continue holding talks with local governments about its cost structure to set a more reasonable price ceiling and suggest that the NCC amend the "Cable Radio and Television Act" to centralize decision-making for pricing to enhance information transparency. It would also request that a more flexible pricing system be adopted to give system operators more resources to invest in digital services.

6. Digitalization of cable TV

(1) Potential impact

Since its establishment, the NCC has actively promoted the digitalization of cable TV as a key policy and has held numerous meetings with cable system operators to collect their opinions. Among the major issues that TFNM has to address during this period of transition are the commencement of digital services in Taipei County in 2008, cable operators providing a free second set-top box, and price packages for different program services.

(2) Countermeasures

TFNM, the subsidiary of the Company, will continue to hold dialogue with the NCC on the difficulties of forming partnerships with other cable system operators and propose an alternate solution. As for the expenditure for set-top boxes, TFNM and other operators are planning to obtain approval from the Fair Trade Commission for joint procurement to reduce costs.

Financial Risk

1. Impact of interest rate fluctuations

The Company has pegged the floating interest rate for its first unsecured corporate bond with a total value of NT\$7.5bn at 2.25% and 2.45% through interest rate swap (IRS) agreements upon issuance. All other issued corporate bonds have fixed interest rates. The Company is thus completely hedged against interest rate fluctuations.

The IRS is settled semi-annually and is classified as a "cash-flow hedge." Based on the fair market valuation provided by banks as of January 15, 2008, the Company has a mark-to-market loss of around NT\$8 million from the IRS. This

unrealized loss does not affect the income statement and is instead booked under shareholders' equity.

The main factors affecting the mark-to-market estimation are the US interest rate, the yield curve and the US\$-to-NT\$ interest rate differential. When the bond matures and the IRS terminates, the gain/loss associated with the IRS will cease.

2. Impact of exchange rate fluctuations

The Company's main business is providing mobile phone services and its main service area is Taiwan. Except for its international roaming business, all operating revenues are denominated in NT dollars. Some of the Company's capital expenditures are denominated in euros and US dollars. To minimize impacts from foreign exchange rate fluctuations, the Company hedges risks through foreign currency deposits.

The Company's foreign exchange gain totaled NT\$23.563 million in 2007, and exchange rate fluctuations had a minimal impact on the Company.

3. Impact of inflation

Inflation had a minimal impact on the Company's operating performance in the past year up until the publication date.

Operating Risk

Investment Policy and Reasons for Gains & Losses for High-Risk/High-Leverage Financial Products, Derivatives, Loans to Others, and Guarantees of Debts

1. The Company did not engage in high-risk, high-leverage financial investment in recent years.
2. The Company passed the "Rules and Procedures on Lending and Making Endorsement/Guarantees" to supervise financing and endorsement activities. As the counterparties in its loans and guarantees to others are all its subsidiaries, there is minimal operating risk.
3. The derivative product positions the Company held in 2007 were for purposes other than trading. The interest rate swap contracts were signed to minimize interest rate risks in bank borrowings on a floating interest rate. The Company's hedging strategies are meant to avoid cash flow risks. No substantial earnings/loss resulted from the derivative transactions.

Mergers and Acquisitions

1. Merger and acquisition update

- (1) Hong Yuan Investment Co., Ltd. merged into TFN Investment Co., Ltd., a subsidiary of the Company, on June 5, 2007.
- (2) Acquired 100% of Reach & Range Inc. through share swap with TFN Digital Co., Ltd., a subsidiary of the Company, on June 29, 2007.
- (3) TFN Digital merged into TFN Investment on June 30, 2007.

- (4) Fu Yang Media Co., Ltd. merged into TFN Media Co., Ltd. on December 1, 2007.
- (5) Mobitai Communications Co., Ltd. merged into TransAsia Telecommunication Inc. (TAT) on December 15, 2007.
- (6) Merger of Taiwan Fixed Network Co., Ltd. (TFN) and Taihsing International Telecommunication Co., Ltd. TIT acquired 84.03% of TFN's shares through a public tender offer of NT\$8.3 per share from March to April, 2007, and continued acquiring its shares on the Emerging Stock Market from May to December. TIT merged with the former TFN and was renamed TFN on December 28, 2007.
- (7) Completion of acquisition of Taiwan Telecommunication Network Services Co., Ltd. (TTN). Taiwan United Communications Co., Ltd. (TUC), a subsidiary of the Company, acquired 98.35% of TTN's shareholding at NT\$13.843 per share between August and November 2007, and acquired the remaining shareholding through a share swap on December 31, 2007.
- (8) TUC merged into TFN (the former TIT) on January 1, 2008.

2. Expected benefits and potential risks

- (1) Expected benefits:
The mergers and acquisitions should contribute to corporate integration and enhance operating efficiency.

- (2) Potential risks:
There are no potential risks involved as the Company has already owned controlling interests in the above-mentioned companies and had control over their operations prior to the mergers.
- (3) Countermeasures:
Not applicable.

Supply and Distribution Concentration (Supplier and Customer Risk)

The Company's main supplier is Chunghwa Telecom (CHT) for network interconnections and leased lines. These costs accounted for 22.21% of total operating costs in 2007. The Company has been increasing usage of leased lines supplied by other fixed line operators (e.g. Taiwan Fixed Network) to spread out supplier risk.

On the revenue side, CHT is the Company's largest customer due to interconnection revenue. However, the Company has a very diverse subscriber base for its mobile services. As such, there is no customer concentration risk.

Due to the addition of new players and an expanding telecom subscriber base, the Company expects its supplier and customer risk to continue to decrease in the coming years.

1. Top Supplier (over 10% of total operating costs)

2007			2006			Reason for change
Company	Amount (NT\$'000)	% of operating costs	Company	Amount (NT\$'000)	% of operating costs	
Chunghwa Telecom	4,981,191	22.21%	Chunghwa Telecom	4,624,745	22.64%	For business purposes

2. Top Customer (over 10% of total revenue)

2007			2006			Reason for change
Company	Amount (NT\$'000)	% of revenue	Company	Amount (NT\$'000)	% of revenue	
Chunghwa Telecom	9,194,171	17.93%	Chunghwa Telecom	9,122,441	19.05%	For business purposes

Impact of Changes in Brand Image to the Company's Risk Management Policies:

None

Expected Benefits and Risks Related to Plant Facility Expansions:

Not applicable

Significant Shareholding Changes of Directors, Supervisors and Major Shareholders:

The shareholding changes of directors, supervisors and major shareholders, disclosed in Chapter 4, had a minimal impact on the Company.

Changes in Management Control:

Not applicable

Significant Lawsuits and Non-litigious Matters

Summary of all material litigation, administrative proceedings, and other non-litigious matters in which the Company or its directors, supervisors, managers and major shareholders (with more than 10% shareholding), or subsidiaries were involved within the past two years up to the report's publication date, that may have a significant impact on shareholders' equity or the share price are listed below:

1. The Company

Damage claim against Chunghwa Telecom Co., Ltd.

Parties Involved: The Company is the plaintiff and Chunghwa Telecom Co., Ltd. is the defendant

Amount Claimed: NT\$211,521,377

Date of Filing: July 26, 2004

Grounds for Lawsuit:

In accordance with the Agreement on Network Interconnection entered into by the Company and Chunghwa Telecom Co., Ltd., CHT shall not activate calls that are not specified in the agreement. However, CHT completed the illegal routing of calls from CityPhone and Best Way Telecommunication Co., Ltd. Such illegal routing caused the Company great losses in interconnection fees. The Company thus filed a lawsuit demanding compensation for the amount stated above.

Status: The case was settled out of court.

2. The Company's directors, supervisors, managers and major shareholders (with more than 10% shareholding):

None.

3. The Company's subsidiaries

(1) TransAsia Telecommunications Inc.

Damage claim by TransAsia Telecommunications Inc. (TAT) against Chunghwa Telecom Co., Ltd.

Parties Involved: TAT is the plaintiff and CHT is the defendant

Amount Claimed: NT\$40,946,017

Date of Filing: July 26, 2004

Grounds for Lawsuit:

In accordance with the Agreement on Network Interconnection entered into by TAT and CHT, CHT shall not activate calls that are not specified in the agreement. However, CHT completed the illegal routing of calls from CityPhone and Best Way Telecommunication Co., Ltd. Such illegal routing caused TAT great losses in interconnection fees. TAT therefore filed a lawsuit demanding compensation for the amount stated above.

Status: The case was settled out of court.

(2) Mobitai Communications Co., Ltd.

Damage claim by the Company's affiliate, Mobitai Communications Co., Ltd. against Chunghwa Telecom Co., Ltd.

Parties Involved: Mobitai is the plaintiff and CHT is the defendant.

Amount Claimed: NT\$18,216,593

Date of Filing: August 2005

Grounds for Lawsuit:

In accordance with the Agreement on Network Interconnection entered into by Mobitai and CHT, CHT shall not activate calls that are not specified in the Agreement. However, CHT completed the illegal routing of calls from CityPhone and Best Way Telecommunication Co., Ltd. Such illegal routing caused Mobitai great losses in interconnection fees and Mobitai thus filed a lawsuit demanding compensation for the amount stated above.

Status: The case was settled out of court.

Violation of Regulations and Internal Policies

1. The Company

(1) Grounds for violation:

The National Communications Commission (NCC) asserted in a letter to the Company dated March 16, 2007, that the rate plan, "New Generation Campus Mobile Plan 499/599/999," was in contravention of the first paragraph of Article 9 of the "Administrative Regulation Governing Tariffs of Type I Telecommunications Enterprises," enacted pursuant to the third paragraph of Article 26 of the "Telecommunications Act." A fine of NT\$300,000 was imposed on the Company pursuant to the fourth sub-paragraph of the first paragraph of Article 62-1 of the "Telecommunications Act".

Internal punishment: None

Improvement: The Company has submitted the rate plan to the NCC.

(2) **Grounds for violation:**

The NCC asserted in a letter to the Company dated August 7, 2007, that the Company expanded the switching equipment in its network system without obtaining the NCC's approval. The Company was therefore in contravention of Article 57 of the "Regulations Governing Mobile Communication Business," enacted pursuant to the sixth paragraph of Article 14 of the "Telecommunications Act." A fine of NT\$300,000 was imposed on the Company pursuant to Article 63 of the "Telecommunications Act."

Internal punishment: None

Improvement: The Company has filed an application for the expansion.

(3) **Grounds for violation:**

The NCC asserted in a letter to the Company dated October 17, 2007, that the Luzhou-Minzu franchise store provided substitute SIM cards to customers without identifying and checking the personal information of said customers. The Company was therefore in contravention of the first and second paragraphs of Article 73 of the "Regulations Governing Mobile Communication Business," enacted pursuant to the sixth paragraph of Article 14 of the "Telecommunications Act." A fine of NT\$300,000 was imposed on the Company pursuant to Article 63 of the "Telecommunications Act."

Internal punishment: The franchise store has been fined 100 times the service charge for SIM card change as compensation.

Improvement: The Company has reviewed the relevant regulations thoroughly to make sure all the employees of its franchise stores are well informed, and has strengthened training in related matters.

(4) **Grounds for violation:**

The NCC asserted in its letter to the Company dated November 30, 2007, that the Jhongli-Youming franchise store sold prepaid SIM cards to customers without identifying and checking the personal information of said customers. The Company was therefore in contravention of the first and second paragraphs of Article 73 of the "Regulations Governing Mobile Communication Business," enacted pursuant to the sixth paragraph of Article 14 of the "Telecommunications Act." A fine of NT\$300,000 was imposed on the Company pursuant to Article 63 of the "Telecommunications Act."

Internal punishment: The Company has terminated its contract with the franchise store.

Improvement: The Company has reviewed the relevant regulations thoroughly to make sure all the employees of its franchise stores are well informed, and has strengthened training in related matters.

(5) **Grounds for violation:**

The NCC asserted in its letter to the Company dated November 1st, 2007 that the Company constructed a base station (BTS) without prior official approval. The Company was therefore in contravention of the first paragraph of Article 22 of the Regulations Governing Mobile Communication Business, enacted pursuant to the sixth paragraph of Article 14 of Telecommunications Act. As such, a fine of NT\$300,000 was imposed on the Company pursuant to Article 63 of the Telecommunications Act.

Internal punishment: None

Improvement: The mentioned BTS was removed.

2. The Company's subsidiaries:

None

Risk Management

Risk Management Policies

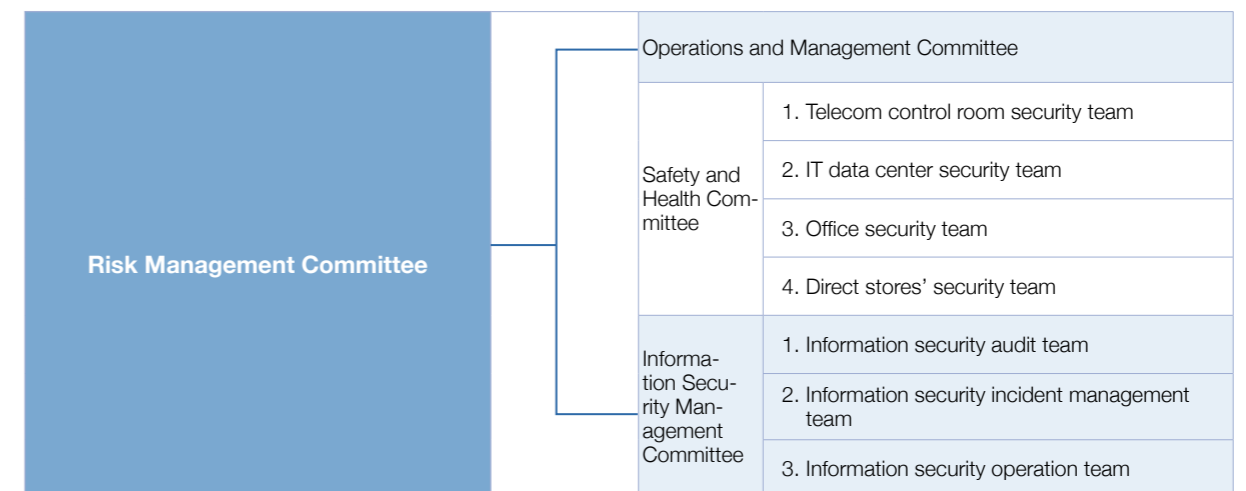
1. Promote a management business model based on risk management.
2. Establish a risk management structure that can effectively cite, evaluate, supervise and control risks.
3. Create a company-wide risk management structure that can limit risks to an acceptable range.
4. Set up good risk management practices and continue to improve upon them.

Risk Management Structure

The Company's risk management structure is made up of three committees. The functions of each committee are as follows:

- (1) **Operations and Management Committee:** Conduct periodic reviews of each business group's operating target and performance to ensure the Company's guidance and budget execution.
- (2) **Safety and Health Committee:** Tasked with supervising and reducing potential risks to workers' health and safety.
- (3) **Information Security Management Committee:** Supervise important information assets for confidentiality, integrity, availability, and regulations compliance to control and reduce operational risks to an effective and reasonable level.

Risk Management Committee Organization



Ch.7 Our Values

Best Service Quality

The Company believes that cultivating customer loyalty is the key to maintaining its competitiveness. With telecom market “best practices” and surveys showing that “customer experience” is the critical factor that determines customer loyalty, the Company launched “Excel Customer Experience” (ECE) in 2006, with the goal of “providing the best experience for our customers.” Last year the Company conducted a series of workshops and encouraged continuous communication and interaction, increasing awareness of the value of a “customer-oriented” approach to provide leading-edge services.

Excellent Brand Image

Taiwan Mobile’s success in the telecommunications field comes from its focus on providing a more personal and satisfying experience to its customers, allowing them to enjoy smooth and worry-free communication. By adopting the customers’ perspective as its own, Taiwan Mobile is able to better respond to their needs. The Company has strived to infuse its “Product, People and Process” – from product development to management and staff and service process – with four key values – simplicity, innovation, passion and integrity – to ensure that each customer receives consistent and excellent service. Through these efforts, Taiwan Mobile hopes customers will identify with the brand and reckon “Taiwan Mobile, My Mobile.”

Aside from continuously improving its mobile communication service, Taiwan Mobile is actively pursuing the digital convergence of mobile services, the Internet and cable TV that is expected to rewrite the future. Taiwan Mobile has teamed up with TWM Group affiliates to target three major markets: “Taiwan Mobile” to serve the individual mobile communication needs of the consumer market; “TWM Broadband” to deliver cyberhome and digital services for the home market; and “TWM Solution” to help the corporate market integrate information and communication to promote synergy and innovation.

Looking ahead, TWM Group – Taiwan Mobile, TWM Broadband and TWM Solution – will use the power of technology and transform them into simple, useful and friendly communication solutions that enable customers to embrace their lives with ease and confidence.

Innovative Research and Development

Research and Development Spending

Investment in research and development for mobile business and its ratio as a percentage of total mobile revenue are shown in the table below. For 2008, the Company plans to spend NT\$763 million to research and develop more advanced technologies designed to increase customer satisfaction, which in turn should boost revenue and overall operations growth.

Year	2007	As of Feb. 9, 2008
R&D expense (NT\$'000)	363,562	31,384
As a % of total revenue	0.71%	0.71%

Major Research and Development Achievements

Project name	Details
UMTS – WLAN seamless handover technology development	Research into the seamless access algorithm between universal mobile telecommunications system (UMTS) and wireless local area network (WLAN) in order to provide better coverage and throughput of multimedia services. Development of Voice Call Continuity (VCC) proof of concept system, which enables seamless handover between packet call and circuit call with a VCC enabled dual-mode handset.
SIP to CAMEL gateway technologies development	Development of session initiation protocol (SIP) to customized applications for mobile networks enhanced logic (CAMEL) gateways, which provides SIP protocol enabled IP networks to integrate with existing intelligent networks in creating innovative technologies.
Enterprise architecture	Establishment of a system architecture based on the international telecom standard – new generation operations systems and software (NGOSS) – to facilitate integration of business applications.
Service Delivery and Management Platform (SDMP) Phase II	Establishment of SDMP – TWM’s core value-added service (VAS) platform – to provide major services, such as service registration, control and management of service life cycle flow, and provide standard application interfaces for content and service providers.
Messaging center	Establishment of a messaging center, which provides an easy way to use a web-based portal that converges TWM/TAT/MBT short messaging service and multimedia messaging service capabilities (MMS), adding to the convenience of an integrated phonebook service.
Video blog	Establishment of a 3G video blog service, which integrates streaming, MMS and wireless application protocol (WAP) technologies for users to upload video content to the service platform to share with friends or communities.

▽ Providing high quality customer services to create best customer experience



Future Research and Development Plans

1. Strategic plans:

Project name	Objective	Status	Completion date
Fixed and mobile service (FMC) technology development	Develop an IP multimedia subsystem (IMS) based FMC service network testbed.	Technology feasibility evaluation completed; currently working on the integration and tests between each function module and vendors' IMS system.	Apr. 2008
Internet Protocol Television (IPTV) multi-cast technology development	Build an Internet protocol television (IPTV) multi-cast network testbed and develop related network management software.	Working on system requirement analysis.	Sep. 2008
Customer Information Management (CIM)	Set up CIM to meet the needs of future triple/quadruple play (digital convergence) by offering a scalable and extensible infrastructure for instant analysis of market segments, customer retention, value-added products and customer experience.	Assessment of system feasibility completed; currently working on solution evaluation and vendor selection.	Dec. 2008
Service Oriented Architecture (SOA) Planning Project	Develop an SOA to introduce a new methodology and framework with a three-year roadmap to transform TWM into an SOA-enabled organization. The project will help reduce the cost of development, integration and management; minimize redundancy and inconsistency of data; and increase system reusability. This will allow for a more flexible IT framework that is available for future diverse business requirements.	Vendor qualification assessment.	Dec. 2008

2. Systems development:

Project name	Details	Status	Completion date
Information security monitoring and management of 3G network	Study and analysis of information security for UMTS backbone networks and wireless Internet access for mobile users.	Work in progress.	May 2008
Research on 3GPP LTE and WiMAX Technology	Research into the pros and cons of 3GPP LTE and WiMAX in preparation for future rollout.	Work in progress.	Apr. 2008
3G wireless radio propagation model creation with EMI analyses	Research on the radio propagation model and electromagnetic interference (EMI) issue between WiMAX and 3G systems.	Work in progress.	Nov. 2008

3. Value-added services:

Project Name	Details	Status	Completion date
IMS - IP Centrex	Develop an IP Centrex using VoIP technology to replace legacy private branch exchange (PBX) system for enterprise customers. Primary benefits include: 1. Savings in both capital and operating costs. 2. System and equipment installed at carrier's premises, instead of customer's, to enhance service reliability. 3. Choice of more varied devices, including mobile phones, desk phones and PC software.	Planning and designing system specifications.	Sep. 2008
SDMP Phase III: VAS Transaction Management System (VTXM)	Develop a more flexible system for calculating and managing fees and charges for both pre-paid and post-paid customers as telecom value-added services become more complex. This includes an advice on charging (AOC) mechanism that would make transactions more transparent and could facilitate the development of more price-competitive VAS.	Planning and designing system specifications.	Oct. 2008
Near Field Communication(NFC) Mobile Wallet	Form partnerships with banks and merchants to provide Mobile Wallet service using NFC technology to develop universal SIM cards that incorporate the functions of a credit card, transportation ticket, membership card, coupons, vouchers, etc. into a single card.	Planning and designing system specifications.	Jun. 2008
2G/3G Sports Lottery	Provide online betting service for 2G/3G users, as well as a more user-friendly interface that integrates live broadcast of games with a betting menu via 3G mobile phones.	Planning and designing system specifications.	Jul. 2008
Synchronization Markup Language (SyncML) Phonebook Backup	Set up a web interface that allows subscribers to edit, manage and back up their handset-based phonebooks, as well as access other value-added systems.	Planning and designing system specifications.	Jun. 2008

Corporate Social Responsibility

Corporate social responsibility is not only a key measurement of a company's competitiveness, but also a demonstration of a company's core value. Taiwan Mobile formed a foundation in 1999 as a way of giving back to society and has received numerous recognitions for its efforts. These include the "Best Social Responsibility Award – Corporate Category" at the fourth Taiwan Business Awards ceremony in 2006 and the "Excellence in Corporate Social Responsibility" from CommonWealth magazine in 2007.

The Company allocates NT\$50 million to NT\$60 million annually to its corporate social responsibility division to undertake various social welfare activities, including education for children living in remote areas, development of teenagers' character and integrity, care for the disadvantaged, art and cultural activities, and environmental protection.

In 2007, the Taiwan Mobile Foundation devoted 63% of its budget to social welfare, 25% to telecom research, and 8% to emergency rescue. The major beneficiaries and targets were teenagers and children; minorities and the disadvantaged; and arts and culture promotion.

1. Green Company

In response to global warming, green policies have become a new indicator of corporate social responsibility. Taiwan Mobile has strived to promote energy-efficient measures and care for the environment through its environmental protection website (Green Life TWM) and campaigns such as “Energy conservation,” “Going paperless — e-monthly statements,” “Recycling of handsets and batteries” and “Environmental care and exchange project.” The Company hopes to contribute to the reduction of greenhouse gas emissions to comply with international and domestic regulations on environmental protection and build an environmentally friendly system.

2. Corporate Volunteers

Taiwan Mobile set up an official Corporate Volunteer Program in 2007 to encourage wider participation by Company employees, allowing them to serve in local communities and meet the need for volunteer services throughout the country. Hundreds of corporate volunteers took part in the “Telecom Exhibition for the Disabled” in June 2007 and “Caring for the Elderly Who Live Alone in Hualien” in January 2008. The Corporate Volunteer Program has successfully served as a platform for employees to contribute to society.

3. Social Care

Taiwan Mobile takes a proactive approach to helping the underprivileged. In June 2007, the Company held a Telecom Exhibition for the Disabled to provide exclusive premium services to benefit the disabled in Taiwan, which number about 1 million. In October 2007, Taiwan Mobile set up broadband services in remote villages such as Alishan’s Shanmei Village, Shizi Village and Chashan Village. The Company also allocated a budget and built a community network library to realize the dream of “Broadband for Every Village” on Alishan.

4. Promotion of Arts and Culture

In 2007, Taiwan Mobile organized the first “My-fone Mobile Composition Award,” encouraging participants to create quality SMS messages and ringtones for the new mobile platform. As part of the Company’s commitment to promoting a cultural renaissance, it has also sponsored big exhibitions, including “Splendor of the Baroque and Beyond” at the National Palace Museum and “Rodin in Taichung” at the Taichung City Government Building. Furthermore, the Company has held free local concerts in Hualien, Taichung, Taichung and Pingtung as part of its efforts to promote and popularize classical music.

Ch.8 Financial Report

Financial Status

Balance sheet

The Company’s condensed balance sheets for the past five years and explanation of significant changes are as follows:

1. Current assets

In 2007, the Company liquidated its bond funds to meet its funding needs to acquire Taiwan Fixed Network Co., Ltd. (TFN) shares, resulting in a decrease in current assets.

2. Funds and long-term investments

In 2007, the Company increased its investment in Taiwan Cellular Co., Ltd. (TCC) to acquire TFN shares. However, long-term investments were still lower than the previous year because TransAsia Telecommunications, Inc. (TAT), one of the Company’s subsidiaries, had a capital reduction, and Company shares held by its subsidiaries were reclassified as treasury stock.

3. Fixed assets

The disposal of obsolete 2G equipment resulted in a decline in fixed assets.

4. Other assets

In 2007, other assets increased due to reclassification from fixed assets of one of the Company’s office buildings being leased out and an increase in deferred tax assets related to timing difference in recognition assets write-off losses between financial accounting and tax accounting.

5. Current liabilities

The Company raised bank loans to meet its funding needs to acquire TFN shares, resulting in increased current liabilities.

6. Long-term liabilities

Repayment of long-term bank loans as well as settlement and conversion of convertible bonds contributed to the steady decline in long-term liabilities.

7. Other liabilities

The Company invested in TCC, as mentioned in (2), with TFN shares valued at NT\$8.30, the same price as the public offering for TFN. In accordance with the Statements of Financial Accounting Standards (SFAS), the spread between the price of NT\$8.30 and the carrying cost has been deferred as unrealized gain and reclassified as other liabilities.

8. Stockholders’ equity

The conversion of convertible bonds increased capital and capital surplus, while a 24% capital reduction approved by the shareholders’ meeting in 2007 decreased capital. The provision of special reserves leveled up unappropriated retained earnings along the years. The Company’s shares held by subsidiaries were classified as treasury stock, decreasing shareholders’ equity in 2007.

Unit: NT\$'000

		2003	2004	2005	2006	2007
Current assets		26,069,897	21,449,832	25,779,977	26,112,730	11,831,063
Funds and long-term investments		26,768,421	23,737,612	21,091,320	21,620,736	15,276,374
Fixed assets		62,505,230	60,190,612	57,638,728	57,224,824	42,568,638
Intangible assets		10,281,784	10,281,583	9,720,218	9,036,696	8,249,458
Other assets		4,693,947	5,594,292	3,139,195	2,976,458	6,076,924
Total assets		130,319,279	121,253,931	117,369,438	116,971,444	84,002,457
Current liabilities	Before appropriation	17,189,229	12,611,294	15,477,853	16,564,043	42,763,948
	After appropriation	28,692,202	25,185,664	28,766,184	29,919,728	(Note 1)
Long-term liabilities		43,808,584	27,486,226	14,584,125	10,291,046	7,551,665
Other liabilities		130,700	183,590	318,704	248,561	1,833,915
Total liabilities	Before appropriation	61,128,513	40,281,110	30,380,682	27,103,650	52,149,528
	After appropriation	72,631,486	52,855,480	43,669,013	40,459,335	(Note 1)
Capital stock		46,998,258	48,883,886	49,492,065	49,993,251	38,009,254
Capital surplus		3,366,010	7,258,873	7,905,337	8,748,571	8,785,159
Retained earnings	Before appropriation	21,317,020	26,393,440	29,881,787	32,706,825	25,959,268
	After appropriation	9,814,047	13,819,070	16,593,456	19,351,140	(Note 1)
Unrealized valuation loss on long-term investments		-	-	-	(147,423)	(64,043)
Translation adjustments		34,450	(1,631)	3,240	3,860	5,764
Net loss not recognized as pension cost						1,534
Total shareholders' equity	Before appropriation	69,190,766	80,972,821	86,988,756	89,867,794	31,852,929
	After appropriation	57,687,793	68,398,451	73,700,425	76,512,109	(Note 1)

Note1: 2007 earnings appropriation proposals have yet to be approved in the shareholders' meeting.

Note2: 2003-2007 financial information has been duly audited by independent auditors.

Income Statement

The Company's condensed income statements for the past five years and explanation for significant changes are as follows:

1. Non-operating income

In 2004, non-operating income grew due to a dividend income of NT\$1.25bn from Chunghwa Telecom and gains of NT\$1.04bn from the disposal of CHT shares. In 2006, non-operating income rose on gains of NT\$2.1bn from the disposal of CHT shares.

2. Non-operating expense

Losses from asset write-off of obsolete telecom equipment following its technology upgrade and network integration were recognized in 2006 and 2007.

Unit: NT\$'000

	2003	2004	2005	2006	2007
Revenue	44,995,790	44,786,009	47,408,572	47,891,289	51,284,856
Gross profit	27,140,642	26,514,232	28,056,234	27,464,393	28,914,695
Operating income	15,201,619	16,295,485	17,170,785	14,981,243	16,025,677
Non-operating income	2,194,575	5,680,226	3,839,134	6,355,984	4,538,500
Non-operating expense	2,929,394	2,559,801	2,698,462	3,858,726	12,508,313
Pre-tax income	14,466,800	19,415,910	18,311,457	17,478,501	8,055,864
Net income	13,344,447	16,658,456	16,236,698	16,170,741	6,612,997
EPS (NT\$)	2.91	3.55	3.31	3.28	1.68

Note: 2003-2007 financial information has been duly audited by independent auditors.

Financial analysis for the past five years

		2003	2004	2005	2006	2007	
Financial structure	Debt to asset ratio	46.91%	33.22%	25.88%	23.17%	62.08%	
	Long-term capital to fixed asset ratio	180.78%	180.19%	176.22%	175.03%	92.57%	
	Current ratio	151.66%	170.08%	166.56%	157.65%	27.67%	
Solvency	Quick ratio	147.86%	166.55%	163.49%	154.05%	26.17%	
	Interest coverage ratio (x)	10.13	18.66	31.82	42.94	21.58	
Operations	Accounts receivable turnover (x)	7.57	7.43	7.77	7.37	7.75	
	Average collection days	48.22	49.13	46.98	49.59	47.10	
	Inventory turnover (x)	-	-	-	2.53	2.02	
	Accounts payable turnover (x)	12.16	12.81	13.57	14.03	14.75	
	Average sales days	-	-	-	144.27	180.69	
	Fixed asset turnover (x)	0.72	0.74	0.82	0.84	1.20	
	Total asset turnover (x)	0.33	0.37	0.40	0.41	0.61	
	Return on assets	10.64%	13.90%	13.98%	14.07%	6.87%	
Profitability	Return on equity	20.00%	22.19%	19.33%	18.29%	10.87%	
	% of paid-in capital	Operating income	32.35%	33.15%	34.67%	29.97%	42.16%
		Pre-tax income	30.78%	39.49%	36.98%	34.96%	21.19%
	Net income margin	29.66%	37.20%	34.25%	33.77%	12.89%	
	EPS (NT\$)	2.91	3.55	3.31	3.28	1.68	
Cash flow	Cash flow ratio	155.00%	179.26%	174.16%	69.93%	79.87%	
	Cash flow adequacy ratio	107.95%	132.52%	162.30%	126.44%	148.13%	
	Cash reinvestment rate	15.17%	9.89%	13.02%	-	24.93%	
Leverage	Operating leverage	1.48	1.42	1.43	1.64	1.70	
	Financial leverage	1.12	1.07	1.04	1.03	1.03	
Others	EBITDA (NT\$'000)	20,060,377	21,192,488	22,576,687	21,385,641	23,205,291	
	EBITDA margin	44.58%	47.32%	47.62%	44.65%	45.25%	
	ARPU (NT\$)	582	693	846	831	826	
	MOU (in thousand minutes)	11,612,586	11,720,178	12,213,446	12,903,920	13,554,863	

Explanation for items with deviation exceeding 20% in 2007:

- Aside from the classification of Company shares held by its subsidiaries as treasury shares, the Company liquidated its bond fund investment and secured bank loans to meet its financing need in acquiring TFN, resulting in a decline in total assets and an increase in current liabilities. The debt to asset ratio increased, while current ratio and quick ratio decreased accordingly.
- The asset write-off of obsolete 2G telecom equipment leveled up disposal losses and decreased fixed assets. As a result, the return on assets, return on equity, ratio of pre-tax income as a % of paid-in capital, net income margin, EPS and interest coverage ratio declined while the fixed asset turnover rose.
- A capital reduction of NT\$12bn raised the ratio of operating income as a % of paid-in capital.
- The capital reduction resulted in a decline in shareholders' equity, while the classification of Company shares held by subsidiaries as treasury stock resulted in a drop in the long-term capital to fixed asset ratio.
- Overall, the decrease in total assets increased the total asset turnover and cash reinvestment rates.
- Continuous expansion in enterprise market and rising procurement of new model handsets weighed on inventory turnover and increased average sales days.

Formulas for the above table:

Financial Structure

- Debt to Asset Ratio = Total Liabilities / Total Assets
- Long-term Capital to Fixed Asset Ratio = (Shareholders' Equity + Long-term Liabilities) / Net Fixed Assets

Solvency

- Current Ratio = Current Assets / Current Liabilities
- Quick Ratio = (Current Assets - Inventory - Prepaid Expenses) / Current Liabilities
- Interest Cover = Income before Interest and Tax / Interest Expense

Operations

- Accounts Receivable Turnover = Net Revenue / Average Accounts Receivable
- Average Collection Days = 365 / AR Turnover Ratio
- Inventory Turnover = COGS / Average Inventory
- Accounts Payable Turnover = COGS / Average Accounts Payable
- Average Sales Days = 365 / Inventory Turnover Ratio
- Fixed Asset Turnover = Net Revenue / Net Fixed Assets
- Total Asset Turnover = Net Revenue / Total Assets

Profitability

- Return on Assets = (Net Income + Interest Expense * (1 - Tax Rate)) / Average Assets
- Return on Equity = Net Income / Average Equity
- Net Income Margin = Net Income / Net Sales
- EPS = (Net Income - Preferred Stock Dividend) / Weighted Average Outstanding Shares

Cash Flow

- Cash Flow Ratio = Cash Flow from Operating Activities / Current Liabilities
- Cash Flow Adequacy Ratio = Net Cash Flow from Operating Activities for the Past 5 Years / (Capital Expenditures + Increases in Inventory + Cash Dividend) for the Past 5 Years
- Cash Reinvestment Rate = (Cash Flow from Operating Activities - Cash Dividends) / (Gross Fixed Assets + Long-term Investments + Other Assets + Working Capital) (If working capital value is negative, use 0 for that value)

Leverage

- Operating Leverage = (Net Revenue - Variable Operating Costs and Expenses) / Operating Income
- Financial Leverage = Operating Income / (Operating Income - Interest Expense)

Others

- EBITDA = Operating Income + Depreciation & Amortization
- EBITDA Margin = EBITDA/Net Revenue
- ARPU = Net Telecom Service Revenue / Average Number of Subscribers
- MOU = Outgoing & Incoming Minutes

Financial and Operating Results Analysis

Financial results

1. Explanation of significant changes – i.e., at least a 10% change amounting to more than NT\$10 million – in the past two years' assets, liabilities and shareholders' equity:

- (1) Decline in current assets and rise in current liabilities were due to liquidation of bond fund investment and loans from banks for TFN acquisition.
- (2) Decline in fixed assets resulted from asset write-off of obsolete 2G telecom equipment.

- (3) Other assets increased due to reclassification from fixed assets of one of the Company's office buildings being leased out and a rise in deferred tax assets related to timing difference in recognition assets write-off losses between financial accounting and tax accounting.
- (4) Repayment of long-term bank loans as well as settlement and conversion of convertible bonds contributed to the steady decline in long-term liabilities.
- (5) Decrease in paid-in capital resulted from capital reduction of NT\$12bn.

Balance Sheet (2007 versus 2006)

Unit: NT\$'000, %

	2007	2006	YoY change	
			Amount	%
Current assets	11,831,063	26,113,822	(14,281,667)	(54.69)
Fixed assets	42,568,638	57,224,824	(14,656,186)	(25.61)
Other assets	6,076,924	2,976,458	3,100,466	104.17
Total assets	84,002,457	116,971,444	(32,968,987)	(28.19)
Current liabilities	42,763,948	16,564,043	26,199,905	158.17
Long-term liabilities	7,551,665	10,291,046	(2,739,381)	(26.62)
Total liabilities	52,149,528	27,103,650	25,045,878	92.41
Paid-in capital	38,009,254	49,993,251	(11,983,997)	(23.97)
Capital surplus	8,785,159	8,748,571	36,588	0.42
Retained earnings	25,959,268	32,706,825	(6,747,557)	(20.63)
Total shareholders' equity	31,852,929	89,867,794	(58,014,865)	(64.56)

2. Impact of changes on financial results: No significant impact

3. Preventive measures: Not applicable

Operating results

1. Explanation of significant changes in the past two years' revenue, operating income and income before tax:

- (1) Increase in non-operating income: Gains on disposal of CHT shares recognized in 2006.
- (2) Increase in non-operating expense: Unrealized losses from asset write-off of obsolete telecom equipment following its technology upgrade and network integration increased in 2007.

Income Statement (2007 versus 2006)

Unit: NT\$'000, %

	2007	2006	YoY change	
			Amount	%
Revenue	51,284,856	47,891,289	3,393,567	7.09
Operating costs	(22,370,161)	(20,426,896)	1,943,265	9.51
Gross profit	28,914,695	27,464,393	1,450,302	5.28
Operating expense	(12,889,018)	(12,483,150)	405,868	3.25
Operating income	16,025,677	14,981,243	1,044,434	6.97
Non-operating income	4,538,500	6,355,984	(1,817,484)	(28.59)
Non-operating expense	(12,508,313)	(3,858,726)	8,649,587	224.16
Income before tax	8,055,864	17,478,501	(9,422,637)	(53.91)
Net income	6,612,997	16,170,741	(9,557,744)	(59.11)

2. Revenue outlook, key assumptions, potential impact on the Company's business and corresponding proposal:

The mobile market subscriber base is expected to grow in 2008, slightly surpassing figures in 2007, as new products and services are released by telecom operators. To realize the full

potential of this growth, the Company will focus on signing up new mid-to-high usage customers and continue developing attractive value-added services to lead the market in new subscriber gross additions. The Company has the edge in branding and handset procurement that will raise its cost and marketing efficiency and help in meeting its target.

Consolidated Financial Analysis (2007 versus 2006)

		2007	2006
Financial structure (%)	Debt to asset ratio	66.94	24.09
	Long-term capital to fixed asset ratio	78.38	164.33
Solvency (%)	Current ratio	30.68	191.50
	Quick ratio	28.93	187.99
	Interest coverage ratio (x)	10.48	45.81
Operations	Accounts receivable turnover (x)	8.23	7.48
	Average collection days	44.35	48.80
	Inventory turnover (x)	2.23	2.72
	Accounts payable turnover (x)	11.92	13.39
	Average sales days	163.68	134.19
	Fixed asset turnover (x)	1.30	0.97
	Total asset turnover (x)	0.67	0.50
Profitability (%)	Return on assets	6.91	13.88
	Return on equity	11.07	18.25
	% of paid-in capital	56.08	38.67
	Operating income Pre-tax income	23.55	37.82
	Net profit margin	10.24	27.53
	EPS (NT\$)	1.68	3.28
Cash flow (%)	Cash flow ratio	70.80	75.16
	Cash flow adequacy ratio	173.78	139.76
	Cash reinvestment rate	35.98	0.58
Leverage	Operating leverage	1.74	1.60
	Financial leverage	1.05	1.02

Explanation for items with deviation exceeding 20% in 2007:

- Aside from the classification of Company shares held by its subsidiaries as treasury shares, the Company liquidated its bond fund investment and secured bank loans to meet its financing need in acquiring TFN, resulting in a decline in total assets and an increase in current liabilities. The debt to asset ratio increased, while the current ratio and quick ratio decreased accordingly.
- The asset write-off of obsolete 2G telecom equipment leveled up disposal losses and decreased fixed assets. As a result, the return on assets, return on equity, ratio of pre-tax income as a % of paid-in capital, net income margin, EPS and interest coverage ratio declined while the fixed asset turnover rose.
- A capital reduction of NT\$12bn raised the ratio of operating income as a % of paid-in capital.
- The capital reduction resulted in a decline in shareholders' equity, while the classification of Company shares held by subsidiaries as treasury stock resulted in a drop in the long-term capital to fixed asset ratio.
- The liquidation of bond fund investment raised cash inflows from operating activity and, accordingly, cash flow adequacy ratio.
- In summary, the decrease in total assets increased the total assets turnover and cash reinvestment rates.

Cash flow analysis

1. 2007 cash flow analysis:

- Cash flow from operating activities: Cash inflow increased from 2006 due to the liquidation of bond fund investment.
- Cash flow from investment activities: Cash inflow increased due to TFN acquisition.
- Cash flow from financing activities: Cash outflow decreased due to short-term loans from banks for TFN acquisition.

2. Plans to improve negative liquidity: Not applicable

3. Projected cash flow for 2008:

- Projected cash inflow from operating activities: Projected operating cash inflow in 2008 will be less than 2007 when it was boosted by liquidation of bond funds. Other than this, the projected cash inflow in 2008 from operating activities shall remain stable.

- Projected cash outflow from investment activities: For capital expenditures.
- Projected cash outflow from financing activities: For capital reduction, distribution of cash dividends, and repayment of long-term debts.

Major capital expenditures and sources of capital analysis

Due to stable operations and cash flows, the Company was able to fund all major capital expenditures using internal capital; as such, no effect on the Company's financials.

4. Source of funding for negative cash flow in 2008: Not applicable

Statement of Cash Flow (2007 versus 2006)

Unit: NT\$'000, %

	2007	2006	YoY Change	
			Amount	%
Cash inflow (outflow) from operating activities	34,156,322	11,584,013	22,572,309	194.86
Cash inflow (outflow) from investment activities	(39,784,642)	6,082,255	(45,866,897)	(754.11)
Cash inflow (outflow) from financing activities	(110,704)	(18,561,809)	18,451,105	99.40
Net cash	(5,739,024)	(895,541)	(4,843,483)	(540.84)

2008 Cash Flows Analysis

Unit: NT\$'000

Cash balance, beginning of the year (1)	Forecast net cash inflow from operations (2)	Total cash outflow from investment and financing activities (3)	Cash balance, end of the year (1) +(2) -(3)	Source of funding for negative cash balance	
				Cash inflow from investment activities	Cash inflow from financing activities
2,463,439	22,849,799	22,906,095	2,407,143	-	-

Investments

Investment policies, profitability analyses, and improvement plans: See chart below.

Unit: NT\$'000

Explanation Item	Amount	Rationale	Main reasons for gains (losses)	Improvement plans	Other future investment plans
Taiwan Cellular Co., Ltd. (TCC)	39,958,330	To finance its acquisition of TFN through TCC and to meet the National Communication Commission's minimum capital requirement in accordance with "Regulations Governing Fixed Network Telecommunications Businesses"	TCC's profits mainly came from its subsidiaries' income.	--	--

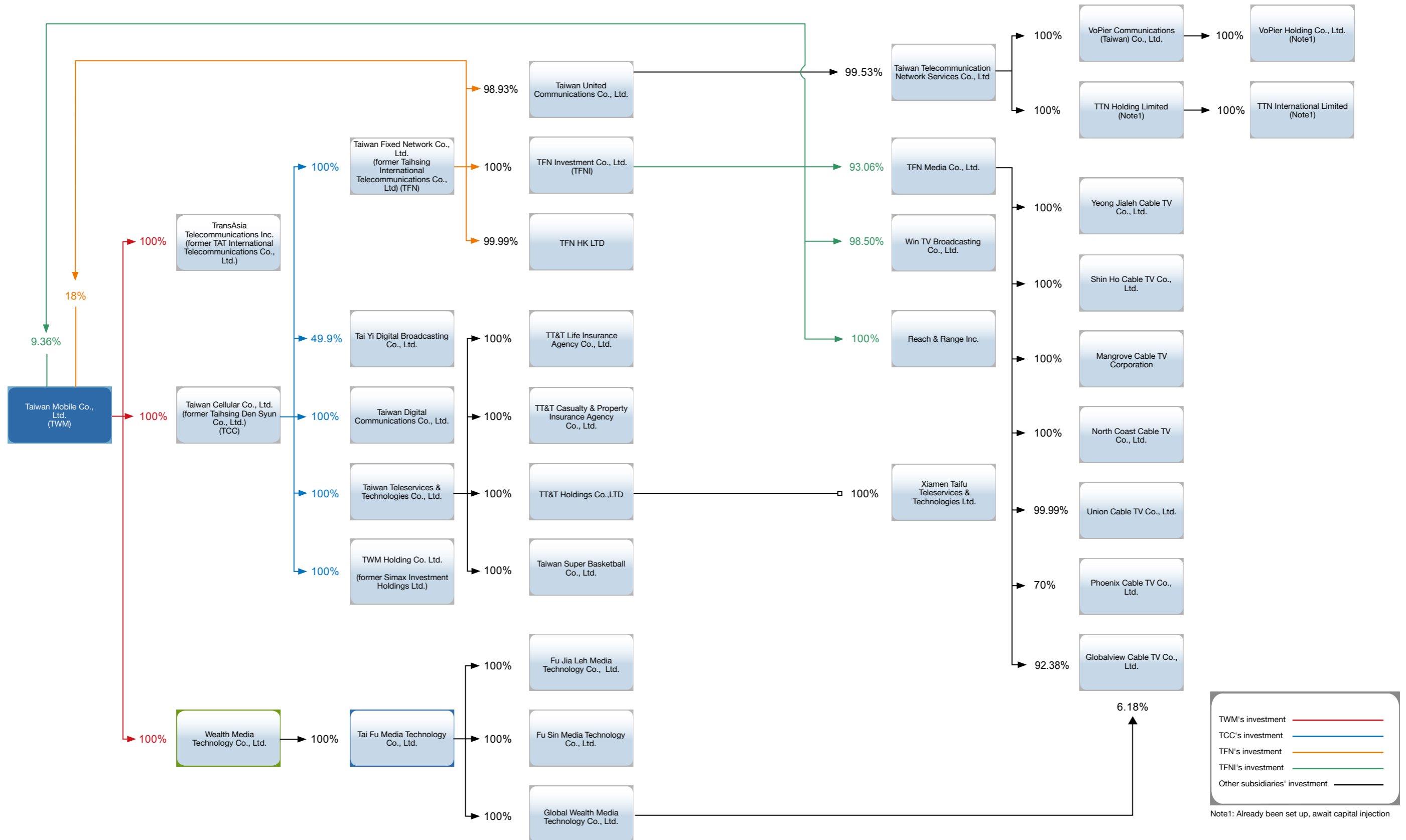
Note: Investments made in 2007 exceeded 5% of the Company's paid-in capital.

Financial turnover difficulties for the Company and its affiliates: None

Affiliates

1. Investment Holding Structure

As of December 31, 2007



Note1: Already been set up, await capital injection

2. Affiliates' Profile

Unit: NT\$'000

Name	Date of incorporation	Address	Paid-in capital	Main business
TransAsia Telecommunications, Inc.	2006.02.08	13F-1, No. 172-1, Jilung Rd., Sec. 2, Taipei	9,000,000	Telecom service provider
Taiwan Cellular Co., Ltd.	2005.09.20	13F-1, No. 172-1, Jilung Rd., Sec. 2, Taipei	3,649,583	Telecom engineering and IT service
Tai Yi Digital Broadcasting Co., Ltd.	2006.01.03	13F-1, No. 172-1, Jilung Rd., Sec. 2, Taipei	50,000	Broadcasting business and telecom service subscription agency
TWM Holding Co., Ltd.	2006.06.09	c/o Arias, Fabrega & Fabrega Trust Co., BVI Ltd, 325 Waterfront Drive, Road Town, Tortola, British Virgin Islands	US\$1	Investment
Taiwan Digital Communications Co., Ltd.	2007.06.06	13F-1, No. 172-1, Jilung Rd., Sec. 2, Taipei	12,000	Telecom engineering and IT service
Taiwan Teleservices & Technologies Co., Ltd.	2001.09.05	15F-1, No. 172-1, Jilung Rd., Sec. 2, Taipei	300,000	Call center service
TT&T Life Insurance Agency Co., Ltd.	2004.12.16	15F-1, No. 172-1, Jilung Rd., Sec. 2, Taipei	3,000	Insurance agency
TT&T Casualty & Property Insurance Agency Co., Ltd.	2005.03.22	15F-1, No. 172-1, Jilung Rd., Sec. 2, Taipei	3,000	Insurance agency
Taiwan Super Basketball Co., Ltd.	2007.09.07	15F-1, No. 172-1, Jilung Rd., Sec. 2, Taipei	20,000	Basketball team management
TT&T Holdings Co., Ltd.	2004.10.18	TrustNet Chambers, P.O. Box 1225, Apia, Samoa	US\$1,300	Investment
Xiamen Taifu Teleservices & Technologies Co., Ltd.	2005.04.05	3F-B, No.2, Xiamen Software Park, Xiamen City, PRC	US\$1,300	Call center service
Taiwan Fixed Network Co., Ltd.	2007.01.30	13F-1, No. 172-1, Jilung Rd., Sec. 2, Taipei	40,000,000	Fixed line service provider
Taiwan United Communications Co., Ltd.	2007.04.14	13F-1, No. 172-1, Jilung Rd., Sec. 2, Taipei	12,028	Telecom engineering and IT service
Taiwan Telecommunication Network Services Co., Ltd.	1989.11.01	1F, No. 91, Songren Rd., Xinyi District, Taipei	1,087,000	Internet service provider
VoPier Communications (Taiwan) Co., Ltd.	2001.06.08	1F, No. 91, Songren Rd., Xinyi District, Taipei	120,000	ISR and international prepaid card service provider
TFN Investment Co., Ltd.	2001.12.20	13F-1, No.172-1, Jilung Rd., Sec. 2, Taipei	20,619,388	Investment

Name	Date of incorporation	Address	Paid-in capital	Main business
Reach & Range, Inc.	1995.12.04	13F-1, No. 172-1, Jilung Rd., Sec. 2, Taipei	24,000	Telecommunication equipment installation and IT service provider
Win TV Broadcasting Co., Ltd.	2005.10.17	9F, No. 206, Dunhua S. Rd., Sec. 2, Da-an District, Taipei	600,000	TV program provider
TFN HK LIMITED	2003.05.14	Unit 507, 5/F, Tower 1, Silvercord, 30 Canton Road, Tsimshatsui, Kowloon, Hong Kong	HKD1,300	Telecom service provider
TFN Media Co., Ltd.	2005.01.21	6F, No. 206, Dunhua S. Rd., Sec. 2, Da-an District, Taipei	2,305,263	Cable broadband and value-added service provider
Yeong Jialeh Cable TV Co., Ltd.	1994.09.26	10F, No. 651-5, Jhongjheng Rd., Sinjhuang City, Taipei County	339,400	Cable TV service provider
Shin Ho Cable TV Co., Ltd.	1996.09.25	6, No. 651-8, Jhongjheng Rd., Sinjhuang City, Taipei County	200,000	Cable TV service provider
Mangrove Cable TV Corp.	1996.01.23	5F, No. 33, Lane 3, Jhongjheng E. Rd., Sec. 1, Danshuei Township, Taipei County	211,600	Cable TV service provider
North Coast Cable TV Co., Ltd.	1996.09.06	1F, No.2, Lane 389, Jhongshan Rd., Meitian Village, Jinshan Township, Taipei County	211,600	Cable TV service provider
Phoenix Cable TV Co., Ltd.	1996.08.22	No. 312, Fongping 1st Rd., Daliao Township, Kaohsiung County	680,902	Cable TV service provider
Globalview Cable TV Co., Ltd.	1995.11.25	No. 206, Sec. 2, Datong Rd., Sijhih City, Taipei County	560,000	Cable TV service provider
Union Cable TV Co., Ltd.	2005.02.04	No. 28-23, Donggang Rd., Yilan City, Yilan County	1,704,633	Cable TV service provider
Wealth Media Technology Co., Ltd.	2007.08.07	13F-1, No. 172-1, Jilung Rd., Sec. 2, Taipei	87,000	Investment
Tai Fu Media Technology Co., Ltd.	2007.10.15	13F-1, No. 172-1, Jilung Rd., Sec. 2, Taipei	85,000	Investment
Global Wealth Media Technology Co., Ltd.	2007.10.23	1F, No. 206, Datong Rd., Sec. 2, Sijhih City, Taipei County	84,000	Investment
Fu Jia Leh Media Technology Co., Ltd.	2007.11.20	13F-1, No. 172-1, Jilung Rd., Sec. 2, Taipei	1,171,000	Investment
Fu Sin Media Technology Co., Ltd.	2007.11.20	13F-1, No. 172-1, Jilung Rd., Sec. 2, Taipei	1,000	Investment

3. Affiliates' Operating Highlights

Unit: NT\$'000

Company Name	Paid-in capital	Total assets	Total liabilities	Net worth	Operating revenue	Operating income	Net income	EPS (NT\$)
TransAsia Telecommunications Inc.	9,000,000	12,510,875	1,180,209	11,330,666	6,039,709	2,217,323	1,838,396	1.92
Taiwan Cellular Co., Ltd.	3,649,583	57,913,360	915,323	56,998,037	-	(4,200)	1,768,315	5.2
Tai Yi Digital Broadcasting Co., Ltd	50,000	47,318	210	47,108	-	(2,403)	(1,810)	(0.36)
TWM Holding Co., Ltd.	0.032	248,716	99	248,617	-	(2,841)	2,115	2,115,277
Taiwan Digital Communications Co., Ltd.	12,000	11,232	60	11,172	-	(901)	(828)	(0.08)
Taiwan Teleservices & Technologies Co., Ltd.	300,000	545,621	295,635	249,986	925,311	110,944	106,713	2.29
TT&T Life Insurance Agency Co., Ltd.	3,000	3,009	-	3,009	-	(35)	(4)	-
TT&T Casualty & Property Insurance Agency Co., Ltd.	3,000	2,672	-	2,672	-	(34)	(31)	(0.01)
Taiwan Super Basketball Co., Ltd.	20,000	30,163	10,117	20,046	15,605	49	46	0.02
TT&T Holdings Co., Ltd.	42,249	49,365	6,594	42,771	10,682	486	(1,426)	(1.10)
Xiamen Taifu Teleservices & Technologies Ltd.	42,249	52,027	9,377	42,650	55,176	2,495	(1,393)	NA
Taiwan Fixed Network Co., Ltd.	40,000,000	70,791,675	17,651,655	53,140,020	54,531	(16,218)	809,140	0.51
Taiwan United Communications Co., Ltd.	12,028	1,524,978	1,051	1,523,927	-	(1,428)	(3,677)	(0.58)
Taiwan Telecommunication Network Services Co., Ltd	1,087,000	1,193,621	251,556	942,065	1,051,731	25,288	(6,077)	(0.06)
VoPier Communications (Taiwan) Co., Ltd.	120,000	12,527	80	12,447	-	(1,179)	(706)	(0.06)
TFN Investment Co., Ltd.	20,619,388	30,248,113	3,024,553	27,223,560	1,230,215	1,106,639	1,093,693	0.55

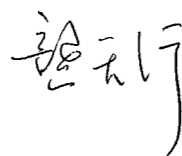
Company Name	Paid-in capital	Total assets	Total liabilities	Net worth	Operating revenue	Operating income	Net income	EPS (NT\$)
Reach & Range Inc.	24,000	40,050	14,766	25,284	41,309	(1,936)	1,022	0.26
Win TV Broadcasting Co., Ltd.	600,000	320,663	64,683	255,980	120,783	(121,127)	(142,674)	(2.48)
TFN HK LIMITED	5,416	3,967	892	3,075	2,890	(583)	(489)	(0.38)
TFN Media Co., Ltd.	2,305,263	12,336,955	9,167,460	3,169,495	1,451,146	475,984	751,015	3.26
Yeong Jialeh Cable TV Co., Ltd.	339,400	830,505	276,049	554,456	833,272	217,424	161,612	4.76
Shin Ho Cable TV Co., Ltd.	200,000	300,327	57,535	242,792	176,871	41,571	36,609	1.83
Mangrove Cable TV Corporation	211,600	362,283	106,878	255,405	230,609	61,939	30,321	1.43
North Coast Cable TV Co., Ltd.	211,600	257,258	30,453	226,805	120,693	1,144	2,416	0.11
Phoenix Cable TV Co., Ltd.	680,902	1,160,865	223,689	937,176	1,093,066	273,215	195,131	2.87
Globalview Cable TV Co., Ltd.	560,000	820,377	161,457	658,920	458,455	104,923	87,701	1.57
Union Cable TV Co., Ltd.	1,704,633	2,019,864	209,400	1,810,464	595,610	140,905	106,163	0.62
Wealth Media Technology Co., Ltd.	87,000	82,769	54	82,715	-	(162)	(4,285)	(0.96)
Tai Fu Media Technology Co., Ltd.	85,000	2,090,329	2,009,453	80,876	-	(159)	(4,124)	(0.49)
Global Wealth Media Technology Co., Ltd.	84,000	85,173	198	84,975	-	(184)	975	0.12
Fu Jia Leh Media Technology Co., Ltd.	1,171,000	2,001,428	217	2,001,211	-	(510)	(489)	(0.01)
Fu Sin Media Technology Co., Ltd.	1,000	1,000	100	900	-	(100)	(100)	(1.00)

Supervisor's Report

February 9, 2008

The Board of Directors of Taiwan Mobile Co., Ltd. has submitted to the undersigned, the Company's 2007 business reports, financial statements, and proposal for profit distribution. The CPAs of Deloitte & Touche were retained to audit the financial statements and have submitted a report relating thereto. I, the undersigned, having further examined said business reports, statements, and proposal, attest to the correctness and accuracy of their contents. In accordance with Article 219 of the Company Act, I hereby submit this report.

Supervisor
Victor Kung
Fu-Chi Venture Corp.



Taiwan Mobile Co., Ltd.

**Financial Statements for the
Years Ended December 31, 2007 and 2006 and
Independent Auditors' Report**

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying balance sheets of Taiwan Mobile Co., Ltd. (the "Corporation") as of December 31, 2007 and 2006, and the related statements of income, changes in shareholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Taiwan Mobile Co., Ltd. as of December 31, 2007 and 2006, and the results of its operations and its cash flows for the years then ended, in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, 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 8 of 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 minorities 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 minorities, and the surviving company is renamed as TFN.

As stated in Note 3 to the financial statements, on January 1, 2006, the Corporation adopted the newly issued Statements of Financial Accounting Standards ("Statements" or SFAS) No. 34, "Accounting for Financial Instruments" and No. 36, "Disclosure and Presentation of Financial Instruments" and the related revisions of previously released Statements, which were amended to harmonize with SFAS Nos. 34 and 36.

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

We have also audited the consolidated balance sheets of the Corporation and its subsidiaries as of December 31, 2007 and 2006 and the related consolidated statements of income, changes in shareholders' equity, and cash flows for the years then ended. In our report dated January 11, 2008, we have issued a modified unqualified opinion on these consolidated financial statements.

January 11, 2008

Notice to Readers

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

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

BALANCE SHEETS
DECEMBER 31, 2007 AND 2006
(In Thousands of New Taiwan Dollars, Except Par Value)

ASSETS	2007		2006	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 2, 4 and 22)	\$ 2,463,439	3	\$ 8,202,463	7
Financial assets at fair value through profit or loss - current (Notes 2, 3 and 5)	-	-	11,109,207	10
A available-for-sale financial assets - current (Notes 2, 3 and 6)	177,112	-	162,893	-
Notes receivable	14,539	-	11,406	-
Accounts receivable - third parties (Notes 2 and 7)	5,369,871	7	5,067,754	4
Accounts receivable - related parties (Notes 2 and 22)	296,340	-	325,843	-
Other receivables - third parties	206,331	-	242,681	-
Other receivables - related parties (Note 22)	2,536,947	3	265,567	-
Inventories (Note 2)	82,222	-	31,232	-
Prepayments (Note 2)	556,365	1	564,446	1
Deferred income tax assets - current (Notes 2 and 18)	98,239	-	102,814	-
Pledged time deposits (Notes 22 and 23)	10,000	-	10,000	-
Other current assets	17,658	-	16,424	-
Total current assets	11,831,063	14	26,112,730	22
INVESTMENTS				
Investments accounted for using equity method (Notes 2, 8 and 17)	15,204,778	18	17,887,632	15
Financial assets carried at cost - non-current (Notes 2, 3 and 9)	71,596	-	3,733,104	3
Total investments	15,276,374	18	21,620,736	18
PROPERTY AND EQUIPMENT (Notes 2, 10 and 22)				
Cost				
Land	3,655,983	4	4,845,823	4
Buildings	2,181,890	3	2,753,923	2
Telecommunication equipment	52,622,256	63	68,261,533	58
Office equipment	113,782	-	106,305	-
Leased assets	1,276,190	2	1,276,190	1
Miscellaneous equipment	1,965,778	2	1,692,467	2
Total cost	61,815,879	74	78,936,241	67
Less accumulated depreciation	(21,412,695)	(26)	(25,013,172)	(21)
Construction in progress and advance payments	40,403,184	48	53,923,069	46
Net property and equipment	2,165,454	3	3,301,725	3
INTANGIBLE ASSETS (Note 2)				
3G concession	8,224,800	10	8,972,509	8
Computer software cost	24,658	-	64,187	-
Other (Notes 2 and 16)	8,249,458	10	9,036,696	8
Total other assets	6,076,924	7	2,976,458	3
TOTAL	\$ 84,002,457	100	\$ 116,971,444	100
LIABILITIES AND SHAREHOLDERS' EQUITY				
CURRENT LIABILITIES				
Short-term bank loans (Note 13)	\$ 14,000,000	17	\$ -	-
Short-term notes and bills payable (Note 14)	1,594,753	2	-	-
Accounts payable (Note 22)	1,600,396	2	1,432,563	1
Income taxes payable (Notes 2 and 18)	846,535	1	2,106,039	2
Accrued expenses (Note 22)	4,593,124	5	3,765,661	3
Other payables (Notes 17 and 22)	15,568,725	19	3,519,371	3
Advance receipts	1,108,002	1	994,230	1
Current portion of long-term liabilities (Notes 2, 15 and 21)	2,500,000	3	3,814,448	3
Guarantee deposits	25,529	-	46,070	-
Other current liabilities (Note 22)	976,884	1	885,661	1
Total current liabilities	42,763,948	51	16,564,043	14
LONG-TERM LIABILITIES				
Hedging derivative financial liabilities (Notes 2, 3, 21 and 25)	51,665	-	291,046	-
Bonds payable (Notes 2, 15 and 21)	7,500,000	9	10,000,000	9
Total long-term liabilities	7,551,665	9	10,291,046	9
OTHER LIABILITIES				
Guarantee deposits	247,759	-	248,561	-
Deferred credits - gains on inter-affiliate accounts (Notes 2 and 8)	1,586,156	2	-	-
Total other liabilities	1,833,915	2	248,561	-
Total liabilities	52,149,528	62	27,103,650	23
SHAREHOLDERS' EQUITY (Notes 2, 3, 8 and 17)				
Capital stock - NT\$10 par value	-	-	-	-
Authorized: 6,000,000 thousand shares	-	-	-	-
Issued and outstanding: 3,800,925 thousand shares in 2007 and 4,999,325 thousand shares in 2006	38,009,254	45	49,993,251	43
Capital surplus	8,785,159	11	8,748,571	7
Retained earnings	11,745,475	14	10,128,401	9
Legal reserve	3,493,563	4	3,350,000	3
Special reserve	10,720,230	13	19,228,424	16
Unappropriated earnings	-	-	3,860	-
Other equity	5,764	-	1,534	-
Cumulative translation adjustments	1,534	-	(147,423)	-
Net loss not recognized as pension cost	(64,043)	-	(147,423)	-
Unrealized losses of financial instruments	(40,844,007)	(49)	(1,437,290)	(1)
Treasury stock	-	-	-	-
Total shareholders' equity	31,852,929	38	89,867,794	77
TOTAL	\$ 84,002,457	100	\$ 116,971,444	100

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

(With Deloitte & Touche audit report dated January 11, 2008)

TAIWAN MOBILE CO., LTD.

STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2007 AND 2006
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2007		2006	
	Amount	%	Amount	%
OPERATING REVENUES (Notes 2 and 22)				
Telecommunications service revenue	\$ 51,023,299	99	\$ 47,692,697	100
Other revenue	261,557	1	198,592	-
Total operating revenues	51,284,856	100	47,891,289	100
OPERATING COSTS (Notes 2, 20 and 22)	22,370,161	44	20,426,896	43
GROSS PROFIT	28,914,695	56	27,464,393	57
OPERATING EXPENSES (Notes 2, 20 and 22)				
Marketing	8,958,751	17	9,054,285	19
Administrative	3,930,267	8	3,428,865	7
Total operating expenses	12,889,018	25	12,483,150	26
OPERATING INCOME	16,025,677	31	14,981,243	31
NON-OPERATING INCOME AND GAINS				
Investment income recognized under the equity method, net (Notes 2 and 8)	3,661,808	7	2,743,058	6
Interest income (Note 22)	339,060	1	158,282	-
Penalty income	173,290	-	170,667	-
Rental income (Note 22)	105,480	-	64,751	-
Valuation gain on financial assets, net (Note 2)	39,408	-	72,264	-
Foreign exchange gain, net (Note 2)	23,563	-	60,008	-
Dividend income	9,623	-	643,816	1
Gain on disposal of property and equipment (Note 2)	3,978	-	7,752	-
Gain on disposal of investments, net (Notes 2 and 6)	-	-	2,110,980	5
Other (Notes 2, 7 and 22)	182,290	1	324,406	1
Total non-operating income and gains	4,538,500	9	6,355,984	13
NON-OPERATING EXPENSES AND LOSSES				
Loss on disposal and retirement of property and equipment (Notes 2 and 22)	12,069,502	23	3,339,303	7
Interest expenses (Notes 2, 10, 13 and 14)	391,480	1	416,729	1
Other (Notes 2 and 11)	47,331	-	102,694	-
Total non-operating expenses and losses	12,508,313	24	3,858,726	8

(Continued)

TAIWAN MOBILE CO., LTD.

STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2007 AND 2006

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

	2007		2006	
	Amount	%	Amount	%
INCOME BEFORE INCOME TAX	\$ 8,055,864	16	\$ 17,478,501	36
INCOME TAX EXPENSE (Notes 2 and 18)	<u>1,442,867</u>	<u>3</u>	<u>1,307,795</u>	<u>3</u>
INCOME AFTER INCOME TAX	6,612,997	13	16,170,706	33
CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES (Note 3)	-	-	<u>35</u>	-
NET INCOME	<u>\$ 6,612,997</u>	<u>13</u>	<u>\$ 16,170,741</u>	<u>33</u>
	2007		2006	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
EARNINGS PER SHARE (Note 19)				
Basic	<u>\$ 2.05</u>	<u>\$ 1.68</u>	<u>\$ 3.54</u>	<u>\$ 3.28</u>
Diluted	<u>\$ 2.05</u>	<u>\$ 1.68</u>	<u>\$ 3.53</u>	<u>\$ 3.26</u>

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

	2007	2006
NET INCOME BEFORE CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES	<u>\$ 6,612,997</u>	<u>\$ 16,170,706</u>
NET INCOME	<u>\$ 6,612,997</u>	<u>\$ 16,170,741</u>
EARNINGS PER SHARE		
Basic	<u>\$ 1.36</u>	<u>\$ 3.28</u>
Diluted	<u>\$ 1.36</u>	<u>\$ 3.26</u>

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

(With Deloitte & Touche audit report dated January 11, 2008)

(Concluded)

TAIWAN MOBILE CO., LTD.

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

YEARS ENDED DECEMBER 31, 2007 AND 2006

(In Thousands of New Taiwan Dollars)

	Capital Stock		Legal Reserve	Special Reserve	Retained Earnings		Cumulative Translation Adjustments	Net Loss Not Recognized As Pension Cost	Unrealized Losses on Financial Instruments	Treasury Stock	Total Shareholders' Equity
	Issued and Outstanding Capital Stock	Entitlement Certificates			Unappropriated	Total					
BALANCE, JANUARY 1, 2006	\$ 49,492,065	\$ 29,871	\$ 8,504,731	\$ 2,201,631	\$ 19,175,425	\$ 29,881,787	\$ 3,240	\$ -	\$ -	\$ (323,544)	\$ 86,988,756
Appropriation of the 2005 earnings	-	-	-	-	(1,623,670)	-	-	-	-	-	-
Legal reserve	-	-	1,623,670	-	(1,150,000)	-	-	-	-	-	-
Special reserve	-	-	-	1,150,000	-	-	-	-	-	-	-
Reversal of special reserve	-	-	-	(1,631)	1,631	-	-	-	-	-	-
Remuneration to directors and supervisors	-	-	-	-	(40,394)	(40,394)	-	-	-	-	(40,394)
Bonus to employees - cash	-	-	-	-	(403,940)	(403,940)	-	-	-	-	(403,940)
Cash dividends - NT\$2.61677 per share	-	-	-	-	(12,843,997)	(12,843,997)	-	-	-	-	(12,843,997)
Balance after appropriation	49,492,065	29,871	10,128,401	3,350,000	3,115,055	16,593,456	3,240	-	-	(323,544)	73,700,425
Adjustment in equity of subsidiaries	-	-	-	-	-	-	620	-	-	-	620
Transfer of treasury stock to employees	-	-	-	-	(57,372)	(57,372)	-	-	-	704,624	647,252
Conversion of convertible bonds to capital stock and entitlement certificates	501,186	(29,871)	-	-	-	-	-	-	-	-	1,314,549
Buyback of issued shares	-	-	-	-	-	-	-	-	-	(1,818,370)	(1,818,370)
Net income in 2006	-	-	-	-	16,170,741	16,170,741	-	-	-	-	16,170,741
Effect of the first time adoption of newly issued SFAS No. 34	-	-	-	-	-	-	-	-	-	-	-
Unrealized losses on financial instruments, net	-	-	-	-	-	-	-	-	1,834,639	-	1,834,639
BALANCE, DECEMBER 31, 2006	49,993,251	-	10,128,401	3,350,000	19,228,424	32,706,825	3,860	-	(1,982,062)	(1,437,290)	89,867,794
Appropriation of the 2006 earnings	-	-	-	-	(1,617,074)	-	-	-	-	-	-
Legal reserve	-	-	1,617,074	-	(1,432,563)	-	-	-	-	-	-
Special reserve	-	-	-	1,432,563	-	-	-	-	-	-	-
Remuneration to directors and supervisors	-	-	-	-	(43,231)	(43,231)	-	-	-	-	(43,231)
Bonus to employees - cash	-	-	-	-	(432,303)	(432,303)	-	-	-	-	(432,303)
Cash dividends - NT\$2.8757 per share	-	-	-	-	(12,880,151)	(12,880,151)	-	-	-	-	(12,880,151)
Balance after appropriation	49,993,251	-	11,745,475	3,493,563	4,112,102	19,351,140	3,860	-	(47,423)	(1,437,290)	76,512,109
Adjustment in equity of subsidiaries	-	-	-	-	-	-	1,904	1,534	(113,063)	-	(108,312)
Unrealized gain on financial instruments, net	-	-	-	-	-	-	-	-	196,443	-	196,443
Transfer of treasury stock to employees	-	-	-	-	(4,869)	(4,869)	-	-	-	1,437,290	1,440,448
Conversion of convertible bonds to capital stock and entitlement certificates	16,003	-	-	-	-	-	-	-	-	-	43,251
Adjustments of treasury stock held by subsidiaries	-	-	-	-	-	-	-	-	-	(40,844,007)	(40,844,007)
Cash reduction (Note 17)	(12,000,000)	-	-	-	-	-	-	-	-	-	(12,000,000)
Net income in 2007	-	-	-	-	6,612,997	6,612,997	-	-	-	-	6,612,997
BALANCE, DECEMBER 31, 2007	\$ 38,009,254	\$ -	\$ 11,745,475	\$ 3,493,563	\$ 10,720,420	\$ 25,959,268	\$ 5,764	\$ 1,534	\$ (64,043)	\$ (40,844,007)	\$ 31,852,929

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

(With Deloitte & Touche audit report dated January 11, 2008)

TAIWAN MOBILE CO., LTD.

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2007 AND 2006
(In Thousands of New Taiwan Dollars)

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 6,612,997	\$ 16,170,741
Adjustments to reconcile net income to net cash provided by operating activities:		
Loss on disposal and retirement of property and equipment, net	12,065,524	3,331,551
Depreciation	6,287,945	5,495,382
Investment income recognized under the equity method, net	(3,661,808)	(2,743,058)
Cash dividends received from equity-method investees	1,979,210	125,204
Deferred income taxes	(1,485,805)	(922,397)
Amortization	891,669	909,016
Bad debts	806,142	962,389
Pension cost	(8,903)	(83,615)
(Recovery of) provision for loss on inventories	(8,276)	8,449
Accrued interest compensation	(2,297)	36,247
Gains on disposal of available-for-sale financial assets	-	(2,110,978)
Loss on buyback of bonds payable	-	59,982
Gains on disposal of idle assets, net	-	(9,681)
Impairment loss	-	2,005
Gains on disposal of long-term investments	-	(1)
Net changes in operating assets and liabilities		
Financial assets held for trading	11,109,207	(10,509,207)
Notes receivable	(3,133)	1,264
Accounts receivable - third parties	(1,126,076)	(1,044,819)
Accounts receivable - related parties	29,503	202,849
Other receivables - third parties	24,963	(73,492)
Other receivables - related parties	(16,380)	231,737
Inventories	(42,714)	(39,361)
Prepayments	8,081	(89,556)
Other current assets	(1,234)	(9,174)
Accounts payable	167,833	(45,845)
Income taxes payable	(1,259,504)	1,011,312
Accrued expenses	827,463	379,772
Other payables	806,919	247,195
Advance receipts	113,772	(24,255)
Other current liabilities	41,224	114,357
Net cash provided by operating activities	<u>34,156,322</u>	<u>11,584,013</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in long-term investments accounted for using equity method	(34,758,230)	(500,000)
Acquisition of property and equipment	(6,109,099)	(7,355,072)
Proceeds from investee' capital reduction	3,458,463	1,119,715
Financing provided to investees	(2,255,000)	-
Increase in deferred charges	(70,671)	(149,625)
Increase in financial assets carried at cost-non-current	(39,436)	-

(Continued)

TAIWAN MOBILE CO., LTD.

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2007 AND 2006
(In Thousands of New Taiwan Dollars)

	2007	2006
Increase in refundable deposits	\$ (21,010)	\$ (13,862)
Proceeds from disposal of property and equipment	10,163	180,527
Decrease in other assets	295	(325)
Increase in computer software costs	(117)	(9,202)
Proceeds from disposal of available-for-sale financial assets	-	11,265,915
Proceeds from disposal of long-term investments	-	1,499,551
Proceeds from disposal of idle assets	-	44,633
Net cash provided by (used in) investing activities	<u>(39,784,642)</u>	<u>6,082,255</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term bank loans	14,000,000	-
Cash dividends paid	(12,880,128)	(12,843,925)
Decrease in bonds payable	(3,768,900)	(2,753,300)
Increase in short-term notes and bills payable	1,594,753	-
Transfer of treasury stock to employees	1,440,448	647,252
Bonus to employees	(432,303)	(403,940)
Remuneration to directors and supervisors	(43,231)	(37,970)
Decrease in guarantee deposits	(21,343)	(9,190)
Buyback of treasury stock	-	(1,818,370)
Buyback of bonds payable	-	(1,341,076)
Decrease in other liabilities	-	(1,290)
Net cash used in financing activities	<u>(110,704)</u>	<u>(18,561,809)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(5,739,024)	(895,541)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>8,202,463</u>	<u>9,098,004</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 2,463,439</u>	<u>\$ 8,202,463</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid	415,329	\$ 464,300
Less: Interest capitalized	(25,981)	(11,647)
Interest paid - excluding interest capitalized	<u>\$ 389,348</u>	<u>452,653</u>
Income taxes paid	<u>\$ 3,562,111</u>	<u>\$ 1,029,886</u>
NON-CASH INVESTING AND FINANCING ACTIVITIES		
Current portion of long-term liabilities	<u>\$ 2,500,000</u>	<u>\$ 3,814,448</u>
Conversion of convertible bonds to capital stock and entitlement certificates	<u>\$ 43,251</u>	<u>\$ 1,314,549</u>
Reclassification of the corporation's shares held by its subsidiaries to treasury stock	<u>\$ 40,844,007</u>	<u>\$ -</u>
Refundable capital reduction	<u>\$ 12,000,000</u>	<u>\$ -</u>
Participation in subsidiary's rights issue with TFN shares	<u>\$ 5,287,100</u>	<u>\$ -</u>

(Continued)

TAIWAN MOBILE CO., LTD.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2007 AND 2006
(In Thousands of New Taiwan Dollars)

	2007	2006
CASH INVESTING AND FINANCING ACTIVITIES		
Acquisition of property and equipment	\$ 5,389,350	\$ 7,529,952
Decrease (increase) in other payables	<u>719,749</u>	<u>(174,880)</u>
Cash paid for acquisition of property and equipment	<u>\$ 6,109,099</u>	<u>\$ 7,355,072</u>

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

(With Deloitte & Touche audit report dated January 11, 2008)

(Concluded)

TAIWAN MOBILE CO., LTD.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2007 AND 2006
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)
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 (nation-wide GSM 1800; "GSM" means "global system for mobile communications") issued by the Directorate General of Telecommunications (DGT) of the ROC. The license allows the Corporation to provide services for 15 years from 1997 onwards. It also entails the payment of an annual license fee consisting of 2% of total wireless communication service revenues. On March 24, 2005, the Corporation received the third generation (3G) concession operation license issued by the DGT. The 3G license allows the Corporation to provide services from the issuance date of the license to December 31, 2018.

As of December 31, 2007 and 2006, the Corporation had 2,528 and 2,146 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, 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

Government bonds and 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 asset 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 but instead tested annually for impairment. An impairment test is also required if there is evidence indicating that goodwill might be impaired as a result of specific events or changes in economic environment. 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 the 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 the Corporation's sales to its subsidiaries are deferred and included in deferred income and recorded as other liabilities. Gains or losses on the sales 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. Gains or losses from transactions between two equity-method investees are deferred in proportion to the Corporation's equivalent stock ownership in the investees if the Corporation has controlling power over each investee.

If the investor does not have controlling power over the two equity-method investees that have transactions with each other, unrealized gains or losses on the transactions should be deferred in proportion to the product of the percentage of ownership in one investee multiplied by the ownership percentage in the other investee.

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

Financial Assets Carried at Cost

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

Property and Equipment and Assets Leased to Others

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

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

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

Intangible Assets

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

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

Idle Assets

Properties not currently used in operations are stated at the lower of book value or net realizable value, with the difference charged to current 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 and issuance costs of bonds are amortized by the straight-line method over 3 to 7 years or contract periods.

Asset Impairment

If the carrying value of assets (including property and equipment, intangible assets, idle assets, assets leased to others, investments accounted for using equity method and deferred charges) is more than their recoverable amount, which indicates that an impairment exists, an impairment loss should be recognized. Any subsequent reversal of the impairment loss for the increase in recoverable amount is recognized as income. The reversal of impairment loss on goodwill is not allowed.

Pension Costs

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

Bonds Payable

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

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

Income Taxes

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

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

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

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

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

Treasury Stock

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

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

Reclassification

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

3. REASONS AND EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES

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

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

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

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

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

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

4. CASH AND CASH EQUIVALENTS

	December 31	
	2007	2006
Short-term notes and bills with repurchase rights	\$ 1,771,757	\$ 5,180,248
Cash in banks	428,407	680,131
Time deposits	237,820	2,306,051
Cash on hand	22,347	32,503
Revolving funds	3,108	3,530
	<u>\$ 2,463,439</u>	<u>\$ 8,202,463</u>

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

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

	December 31	
	2007	2006
<u>Financial assets held for trading</u>		
Beneficiary certificates		
Open-end funds	\$ -	\$ 11,109,207

6. AVAILABLE-FOR-SALE FINANCIAL ASSETS - CURRENT

	December 31	
	2007	2006
Domestic listed stocks		
Chunghwa Telecom Co., Ltd.	\$ 177,112	\$ 162,893

For the year ended December 31, 2006, the Corporation recognized a gain of \$2,110,978 thousand from selling 200,000 thousand shares of Chunghwa Telecom Co., Ltd.

7. ACCOUNTS RECEIVABLE - THIRD PARTIES

	December 31	
	2007	2006
Accounts receivable	\$ 5,811,715	\$ 5,529,384
Less allowance for doubtful accounts	(441,844)	(461,630)
	<u>\$ 5,369,871</u>	<u>\$ 5,067,754</u>

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

8. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	December 31			
	2007		2006	
	Carrying Value	% of Ownership	Carrying Value	% of Ownership
TransAsia Telecommunications Inc. (TAT, formerly TAT International Telecommunications Co., Ltd.)	\$ 11,330,665	100.00	\$ 14,009,973	100.00
Taiwan Cellular Co., Ltd. (TCC, formerly Taihsing Den Syun Co., Ltd.)	3,791,398	100.00	3,877,659	100.00
Wealth Media Technology Co., Ltd.	<u>82,715</u>	100.00	<u>-</u>	-
	<u>\$ 15,204,778</u>		<u>\$ 17,887,632</u>	

a. TransAsia Telecommunications Inc.

On January 26, 2006, the Corporation established TAT International Telecommunications Co., Ltd. (TATIT) and acquired 100% equity in TATIT with 328,645 thousand shares of TransAsia Telecommunications Inc. (the former TAT). TATIT's Board of Directors proposed, on January 26, 2006, and decided, on June 15, 2006, to merge the former TAT with TATIT, with TATIT as the surviving company. TATIT thus assumed all the former TAT's rights and obligations and was renamed as TransAsia Telecommunications Inc. (TAT) on the record date, June 27, 2006. TAT mainly provides wireless services.

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

To integrate enterprise resources and enhance the operating efficiency, TAT's Board of Directors decided on December 14, 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.

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

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

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

TCC's Board of Directors resolved the rights issue of 50,000 thousand shares at \$10 dollars on October 26, 2006. On the record date (October 31, 2006), the Corporation subscribed for all the shares and TCC is still a wholly-owned subsidiary.

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.

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. After the capital injection, 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. The amount recognized by the Corporation and TCC was deferred credits \$1,586,156 thousand and deferred debits \$2,194 thousand, respectively.

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 TIT resolved to acquire TFN through a public tender offer on March 1, 2007, and approved to buy shares continuously from minorities 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 December 31, 2007, TFN and its subsidiary held 1,368,250 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 share account by \$40,844,007 thousand. Please refer to note 17 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.

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 through 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. On the record date of the merger was January 1, 2008. TFN assumed all the rights and obligations of TUC on the record date, June 27, 2006.

c. Wealth Media Technology Co., Ltd

To integrate enterprise resources, the Corporation established Wealth Media Technology Co., Ltd. (WMTC) on August 7, 2007. As of December 31, 2007, the Corporation owned 100% of WMTC with \$87,000 thousand investment.

d. Equity in investees' net gains or losses

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

	<u>December 31</u>	
	<u>2007</u>	<u>2006</u>
TAT	\$ 1,881,453	\$ 1,551,510
TCC (formerly TDS)	1,784,640	1,160,351
The former TCC (formerly Taihsing Den Den Co., Ltd.)	-	31,198
The former TAT	-	(1)
WMTC	<u>(4,285)</u>	<u>-</u>
	<u>\$ 3,661,808</u>	<u>\$ 2,743,058</u>

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

9. FINANCIAL ASSETS CARRIED AT COST - NON-CURRENT

	<u>December 31</u>	
	<u>2007</u>	<u>2006</u>
Domestic emerging stocks		
The former Taiwan Fixed Network Co., Ltd. (The former TFN)	\$ -	\$ 3,700,944
Foreign unlisted stocks		
Bridge Mobile Pte Ltd.	<u>71,596</u>	<u>32,160</u>
	<u>\$ 71,596</u>	<u>\$ 3,733,104</u>

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

On March 1, 2007, the Board of Directors of the Corporation resolved to attend the capital injection of TCC with all its shares of the former TFN. Please refer to the description in note 8.

10. PROPERTY AND EQUIPMENT - ACCUMULATED DEPRECIATION

	<u>December 31</u>	
	<u>2007</u>	<u>2006</u>
Buildings	\$ 263,553	\$ 277,685
Telecommunication equipment	19,948,510	23,811,758
Office equipment	65,371	42,478
Leased assets	356,270	292,461
Miscellaneous equipment	<u>778,991</u>	<u>588,790</u>
	<u>\$ 21,412,695</u>	<u>\$ 25,013,172</u>

Interest expenses capitalized for the years ended December 31, 2007 and 2006 amounted to \$25,981 thousand and \$11,647 thousand, respectively, with interest rates ranging from 2.4%-3.0% and from 2.28%-3.12%, respectively.

11. ASSETS LEASED TO OTHERS AND IDLE ASSETS

	<u>December 31</u>	
	<u>2007</u>	<u>2006</u>
Assets leased to others		
Cost	\$ 2,504,090	\$ 744,476
Less accumulated depreciation	(111,224)	(35,134)
Less accumulated impairment	<u>(10,591)</u>	<u>(10,591)</u>
	<u>\$ 2,382,275</u>	<u>\$ 698,751</u>
Idle assets		
Cost	\$ 643,893	\$ 2,674,530
Less allowance for value decline	(187,424)	1,592,960
Less accumulated depreciation	(101,705)	(724,710)
Less accumulated impairment	<u>(128,771)</u>	<u>(128,939)</u>
	<u>\$ 225,993</u>	<u>\$ 227,921</u>

The impairment losses of idle property were determined based on their appraised values and net realizable value, respectively, and the Corporation recognized impairment losses of \$2,005 thousand for the year ended December 31, 2006.

12. DEFERRED CHARGES

	<u>December 31</u>	
	<u>2007</u>	<u>2006</u>
Interior decoration	\$ 236,055	\$ 267,738
Other	<u>11,101</u>	<u>12,754</u>
	<u>\$ 247,156</u>	<u>\$ 280,492</u>

13. SHORT-TERM BANK LOANS

	December 31	
	2007	2006
Unsecured loans	\$ 14,000,000	\$ -
Interest rate	2.365%-2.6%	-

14. SHORT-TERM NOTES AND BILLS PAYABLE

	December 31	
	2007	2006
Commercial paper payable		
China Bills Finance Corporation	\$ 850,000	\$ -
International Bills Financial Corporation	750,000	-
Less: Discount on short-term notes and bills payable	(5,247)	-
Net carrying value	\$ 1,594,753	\$ -
Interest rate	2.0%-2.121%	-

15. BONDS PAYABLE

	December 31			
	2007		2006	
	Current	Non-current	Current	Non-current
Domestic unsecured bonds	\$ 2,500,000	\$ 7,500,000	\$ 3,750,000	\$ 10,000,000
2nd domestic convertible bonds			55,900	-
Add accrued interest compensation			8,548	-
	<u>\$ 2,500,000</u>	<u>\$ 7,500,000</u>	<u>\$ 3,814,448</u>	<u>\$ 10,000,000</u>

a. Domestic secured bonds

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

b. Domestic unsecured bonds

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

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

Future repayments of corporate bonds are as follows:

Year	Amount
2008	\$ 2,500,000
2009	<u>7,500,000</u>
	<u>\$ 10,000,000</u>

c. 1st domestic convertible bonds

On August 25, 2001, the Corporation issued \$10,000,000 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, starting from 3 months after the issuance date to the 10th day before maturity, the bondholders may ask for bond conversion into common stocks or entitlement certificates of the Corporation. Cash is paid for those bonds that cannot be converted into one share. The conversion price is subject to adjustment based on the prescribed formula. The conversion price has been \$22.2 per share since July 20, 2006. As of August 24, 2006, bonds amounting to \$6,802,300 thousand had been converted to 226,716 thousand of common share. As of August 24 (due date), 2006, bonds amounting to \$3,194,400 thousand were purchased and canceled by the Corporation, and the other \$3,300 thousand was repaid by the Corporation on August 24, 2006.

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

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

d. 2nd domestic convertible bonds

On August 16, 2002, the Corporation issued \$6,000,000 thousand of five-year domestic 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 \$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%.

16. PENSION PLAN

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

The new LPA provides for a defined contribution pension plan. Starting from July 1, 2005, the Corporation should contribute monthly an amount equal to 6% of the employees' monthly wages to the employees' individual pension accounts. The contributed amount was \$94,309 thousand and \$80,034 thousand for the years ended December 31, 2007 and 2006, respectively.

The LSA provides for a defined benefit pension plan. Benefits are based on the length of service and average basic pay of the six months before retirement. The Corporation contributes monthly an amount equal to 2% of the employees' monthly wages to a pension fund. The pension fund is managed by an independently administered pension fund committee and deposited in the committee's name in the 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, the Corporation suspended contributing from February 2007 to January 2008.)

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

a. Pension cost

	Years Ended December 31	
	2007	2006
Service cost	\$ 2,172	\$ 2,946
Interest cost	7,611	6,520
Projected return of pension assets	(10,312)	(6,785)
Amortization	(2,044)	(2,868)
	<u>\$ (2,573)</u>	<u>\$ (187)</u>

b. Changes in the prepaid pension cost

	December 31	
	2007	2006
Benefit obligation		
Vested	\$ -	\$ -
Non-vested	(183,210)	(165,054)
Accumulated	(183,210)	(165,054)
Additional benefits based on future salaries	(130,004)	(111,718)
Projected benefit obligation	(313,214)	(276,772)
Fair value of plan assets	414,075	362,224
Funded status	100,861	85,452
Unrecognized net transition obligation	7,756	8,271
Unrecognized Prior Service Cost	443	-
Unrecognized net gain or loss	(99,065)	(92,526)
	<u>\$ 9,995</u>	<u>\$ 1,197</u>
Prepaid pension cost		
	<u>\$ -</u>	<u>\$ -</u>

c. Vested benefit

d. Actuarial assumptions

	Years Ended December 31	
	2007	2006
Discount rate used in determining present values	2.75%	2.75%
Future salary increase rate	3.00%	2.50%
Expected rate of return on plan assets	2.75%	2.75%

17. 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.

Capital surplus as of December 31, 2007 and 2006 were as follows:

	December 31	
	2007	2006
Premium of convertible bonds	\$ 8,775,819	\$ 8,748,571
Surplus from treasury stock transactions	8,027	-
Arising from long-term investments	<u>1,313</u>	<u>-</u>
	<u>\$ 8,785,159</u>	<u>\$ 8,748,571</u>

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.

The 2006 and 2005 earnings appropriations resolved by the shareholders in their meetings on June 15, 2007 and June 15, 2006 were as follows:

	Appropriation of Earnings		Dividend Per Share	
	For Fiscal	For Fiscal	For Fiscal	For Fiscal
	Year 2006	Year 2005	Year 2006	Year 2005
Appropriation of legal reserve	\$ 1,617,074	\$ 1,623,670		
Appropriation of special reserve	143,563	1,150,000		
Reversal of special reserve	-	(1,631)		
Remuneration to directors and supervisors	43,231	40,394		
Cash bonus to employees	432,303	403,940		
Cash dividends	<u>12,880,151</u>	<u>12,843,997</u>	\$ 2.58757	\$ 2.61677
	<u>\$ 15,116,322</u>	<u>\$ 16,060,370</u>		

Had the above bonus to employees and remuneration to directors and supervisors been charged against income in 2007 and 2006, the basic earnings per share in that year would have decreased from \$3.28 to \$3.18 and from \$3.31 to \$3.22, respectively.

The appropriation of the Corporation's 2007 earnings had not been proposed by the Board of Directors as of January 11, 2008, the date of the accompanying independent auditors' report. Information on the appropriation of 2007 earnings proposed by the Board of Directors and resolved by the shareholders can be accessed through the Market Observation Post System on the Taiwan Stock Exchange Corporation's website.

c. Cash reduction

To increase ROE (Return of Equity) and maintain stable EPS (Earnings Per Share) and dividend, the Corporation's AGM (Annual General Shareholders' Meeting) resolved on June 15, 2007, a capital reduction of \$12,000,000 thousand, representing 24% of outstanding shares. The authority approved the Corporation's capital reduction on October 17, 2007. The Corporation's Board of Directors set the record date on December 1, 2007 to return \$12,000,000 thousand to investors, credited to the account of "other payables".

d. Treasury stock

Purpose of Buyback	(Shares in Thousands)			
	Beginning	Increase	Decrease	Ending
	Shares			Shares
<u>Year ended December 31, 2007</u>				
To be transferred to employees	46,537	-	46,537	-
Shares held by subsidiaries	-	1,368,250	-	1,368,250
				(Note)
<u>Year ended December 31, 2006</u>				
To be transferred to employees	11,551	57,804	22,818	46,537

Note: Shares held before capital reduction.

1) Transfer of stock to employees

For the year ended December 31, 2007, the Corporation transferred the bought-back treasury stocks through various tranches to employees of 46,537 thousand shares at \$28.17, \$31.16 and \$31.15 per share, respectively, resulting in a reduction of retained earnings, amounting to \$4,869 thousand and an increase on paid-in capital, amounting to \$8,027 thousand.

For the year ended December 31, 2006, the Corporation transferred the treasury stock through various tranches to employees of 22,818 thousand shares at \$30.47 and \$28.17 per share, resulting in a reduction of retained earnings, amounting to \$57,372 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 December 31, 2007, TFN and TFN Investment Co., Ltd., its subsidiary, held the carrying and market value of the treasury stocks, amounting to \$56,235,084 thousand. The Corporation reclassified \$40,844,007 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 consolidated financial statement, the shareholders are entitled to exercise their rights on these shares, except for participation in capital injection by cash. In addition, based on the ROC Company Act, the shareholders of treasury stocks can not exercise the voting right.

e. Unrealized losses on financial instruments

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

	<u>Years Ended December 31</u>	
	<u>2007</u>	<u>2006</u>
Available-for-sale financial assets		
Balance, beginning of year	\$ 40,652	\$ -
Effect of the first time adoption of new issued SFAS No. 34	-	2,082,823
Fair value changes recognized directly in equity	16,908	68,807
Transfer to current gains or loss upon sales of financial assets	<u>-</u>	<u>(2,110,978)</u>
	<u>57,560</u>	<u>40,652</u>
Changes in unrealized gains (losses) of cash flow hedge		
Balance, beginning of year	(218,284)	-
Effect of the first time adoption of new issued SFAS No. 34	-	(248,184)
Fair value changes recognized directly in equity	<u>179,535</u>	<u>29,900</u>
	<u>(38,749)</u>	<u>(218,284)</u>
Recognition of investees' changes in unrealized gains or losses by the equity method		
Balance, beginning of year	30,209	-
Fair value changes recognized directly in equity	<u>(113,063)</u>	<u>30,209</u>
	<u>(82,854)</u>	<u>30,209</u>
Unrealized losses on financial instruments	<u>\$ (64,043)</u>	<u>\$ (147,423)</u>

18. INCOME TAX EXPENSE

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

	<u>Years Ended December 31</u>	
	<u>2007</u>	<u>2006</u>
Tax on pretax income at statutory tax rate (25%)	\$ 2,013,956	\$ 4,369,615
Add (deduct) tax effects of		
Permanent differences		
Investment income from domestic investees accounted for using equity method	(915,452)	(685,764)
Tax-exempt dividend revenue	(2,406)	(160,954)
Gain on disposal of marketable securities	(9,852)	(532,377)
Other	(19,808)	(26,260)
Temporary differences	1,485,973	471,065
Tax-exempt income	-	(402,696)
Income tax (10%) on unappropriated earnings	105,442	132,470
Investment tax credits	(281,134)	(1,108,394)
Deferred income tax	(1,485,805)	(922,397)
Prior years' adjustment	535,754	164,071
Tax on short-term bills	<u>16,199</u>	<u>9,416</u>
Income tax expense	<u>\$ 1,442,867</u>	<u>\$ 1,307,795</u>

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

	<u>December 31</u>	
	<u>2007</u>	<u>2006</u>
Provision for doubtful accounts	\$ 741,535	\$ 719,412
Provision for impairment losses on idle assets	65,016	343,792
Unrealized loss on retirement of property and equipment	2,452,952	714,861
Unrealized loss on financial liabilities	12,916	72,761
Accrued interest compensation of bonds payables	-	2,137
Accrued pension cost	(790)	(273)
Other	<u>3,096</u>	<u>2,112</u>
	<u>3,274,725</u>	<u>1,854,802</u>
Less valuation allowance	<u>(299,767)</u>	<u>(305,804)</u>
	<u>\$ 2,974,958</u>	<u>\$ 1,548,998</u>
Deferred income tax assets		
Current	\$ 98,239	\$ 102,814
Non-current	<u>2,876,719</u>	<u>1,446,184</u>
	<u>\$ 2,974,958</u>	<u>\$ 1,548,998</u>

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

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

- d. Integrated income tax information was as follows:

	<u>December 31</u>	
	<u>2007</u>	<u>2006</u>
Balance of imputation credit account (ICA)	\$ 2,329,511	\$ 1,091,242

As of December 31, 2007, there were no unappropriated earnings generated before January 1, 1998. The estimated creditable ratio for the 2007 earnings appropriation and the actual creditable ratio for the 2006 earnings appropriation were 29.63% and 19.21%, respectively.

The imputation credits allocated to the shareholders are based on the ICA balance as of the date of dividend distribution. The estimated creditable ratio for the 2007 earnings appropriation may be adjusted when the imputation credits are distributed.

- e. 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.

19. EARNINGS PER SHARE

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

(In New Taiwan Dollar)

	<u>For the Years Ended December 31</u>			
	<u>2007</u>		<u>2006</u>	
	<u>Before Income Tax</u>	<u>After Income Tax</u>	<u>Before Income Tax</u>	<u>After Income Tax</u>
Basic EPS				
Income before cumulative effect of changes in accounting principles	\$ 2.05	\$ 1.68	\$ 3.54	\$ 3.28
Cumulative effect of changes in accounting principle	-	-	-	-
Net income	<u>\$ 2.05</u>	<u>\$ 1.68</u>	<u>\$ 3.54</u>	<u>\$ 3.28</u>
Diluted EPS				
Income before cumulative effect of changes in accounting principles	\$ 2.05	\$ 1.68	\$ 3.53	\$ 3.26
Cumulative effect of changes in accounting principle	-	-	-	-
Net income	<u>\$ 2.05</u>	<u>\$ 1.68</u>	<u>\$ 3.53</u>	<u>\$ 3.26</u>

	<u>Amounts (Numerator)</u>		<u>Shares (Denominator) (Thousands)</u>	<u>EPS (NT\$)</u>	
	<u>Before Income Tax</u>	<u>After Income Tax</u>		<u>Before Income Tax</u>	<u>After Income Tax</u>
<u>For the year ended December 31, 2007</u>					
Basic EPS					
Income of common shareholders	\$ 8,055,864	\$ 6,612,997	3,928,228	\$ 2.05	\$ 1.68
Add effect of potentially dilutive convertible bonds 2nd convertible bonds (with implied yield rate of 3.3%)	<u>1,034</u>	<u>776</u>	<u>1,183</u>		
Diluted EPS					
Income of common shareholders with dilutive effect of potential common shares	<u>\$ 8,056,898</u>	<u>\$ 6,613,773</u>	<u>3,929,411</u>	<u>\$ 2.05</u>	<u>\$ 1.68</u>
<u>For the year ended December 31, 2006</u>					
Basic EPS					
Income of common shareholders	\$ 17,478,536	\$ 16,170,741	4,933,714	\$ 3.54	\$ 3.28
Add effect of potentially dilutive convertible bonds 1st convertible bonds (with implied yield rate of 4.5%)	22,764	17,073	19,022		
2nd convertible bonds (with implied yield rate of 3.3%)	<u>13,483</u>	<u>10,112</u>	<u>15,298</u>		
Diluted EPS					
Income of common shareholders with dilutive effect of potential common shares	<u>\$ 17,514,783</u>	<u>\$ 16,197,926</u>	<u>4,968,034</u>	<u>\$ 3.53</u>	<u>\$ 3.26</u>

20. LABOR COST, DEPRECIATION AND AMORTIZATION EXPENSE

	<u>For the Years Ended December 31</u>					
	<u>2007</u>			<u>2006</u>		
	<u>Classified as Operating Costs</u>	<u>Classified as Operating Expenses</u>	<u>Total</u>	<u>Classified as Operating Costs</u>	<u>Classified as Operating Expenses</u>	<u>Total</u>
Labor cost						
Salary	\$ 572,841	\$ 1,747,153	\$ 2,319,994	\$ 416,853	\$ 1,205,679	\$ 1,622,532
Labor and health insurance	33,609	75,370	108,979	25,649	69,301	94,950
Pension	23,223	50,340	73,563	23,769	61,048	84,817
Other	<u>32,512</u>	<u>74,582</u>	<u>107,094</u>	<u>27,567</u>	<u>83,302</u>	<u>110,869</u>
	<u>\$ 662,185</u>	<u>\$ 1,947,445</u>	<u>\$ 2,609,630</u>	<u>\$ 493,838</u>	<u>\$ 1,419,330</u>	<u>\$ 1,913,168</u>
Depreciation	\$ 5,755,382	\$ 513,982	\$ 6,269,364	\$ 5,104,861	\$ 381,362	\$ 5,486,223
Amortization	764,039	119,414	883,453	769,424	132,091	901,515

21. FINANCIAL INSTRUMENT TRANSACTIONS

a. Fair value information

	December 31			
	2007		2006	
	Carrying Value	Fair Value	Carrying Value	Fair Value
<u>Non-derivative financial instruments</u>				
Liabilities				
Bonds payable (including current portion)	\$ 10,000,000	\$ 9,942,440	\$ 13,814,448	\$ 13,741,839

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

- 1) Financial assets at fair value through profit or loss and available-for-sale financial assets - based on quoted prices in an active market on the balance sheet date.
- 2) Because there is no active market and a reliable fair value could only be verified at a more than reasonable cost, the fair values of investments in unlisted stocks carried at cost or accounted for using equity method can be measured by net worth of investee or estimate of the book value.
- 3) Bonds payable - based on the over-the-counter quotations in December.
- 4) Derivative financial instruments - based on valuation results provided by banks. As of December 31, the financial instrument held by the Corporation turned into financial liability, evaluated by the bid price of counter party.
- 5) The above financial instruments do not include cash and cash equivalents, notes and accounts receivables, pledged time deposits, refundable deposits, short-term bank loans, 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 \$2,019,577 thousand and \$7,496,299 thousand as of December 31, 2007 and 2006, respectively, and the financial liabilities exposed to fair value interest rate risk amounted to \$20,594,753 thousand and \$6,314,448 thousand as of December 31, 2007 and 2006, respectively. The financial assets exposed to cash flow interest rate risk amounted to \$422,189 thousand and \$673,136 thousand as of December 31, 2007 and 2006, respectively, and the financial liabilities exposed to cash flow interest rate risk amounted to \$5,051,665 thousand and \$7,791,046 thousand as of December 31, 2007 and 2006, respectively.

e. Information on financial risks:

1) Market risk

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

2) Credit risk

Credit risk represents the potential impacts to financial assets that the Corporation might encounter if counter-parties or third parties breach the contracts. Factors that affect the impacts include credit risk concentration, components of financial instruments, contract amount and other receivables. The Corporation's evaluation of credit risk exposure as of December 31, 2007 and 2006 were both zero because all of counter-parties are reputable financial institutions with good credit ratings.

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

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

3) Liquidity risk

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

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

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

22. RELATED-PARTY TRANSACTIONS

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

Related Party	Relationship with the Corporation
TransAsia Telecommunications Inc. (TAT; formerly TAT International Telecommunications Co., Ltd.)	Subsidiary
Taiwan Cellular Co., Ltd. (TCC; formerly Taihsing Den Syun Co., Ltd.)	Subsidiary
Wealth Media Technology Co., Ltd.	Subsidiary
Tai Fu Media Technology Co., Ltd.	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 under control of TCC

(Continued)

Related Party	Relationship with the Corporation
TWM Holding Co. Ltd. (formerly Simax Investment Holdings Ltd.)	Subsidiary
Taiwan Digital Communications Co., Ltd.	Subsidiary
Taiwan Teleservices & Technologies Co., Ltd. (TT&T)	Subsidiary
TT&T Casualty & Property Insurance Agency Co., Ltd.	Subsidiary
TT&T Life Insurance Agency 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
Taiwan United Communication Co., Ltd. (TUC)	Subsidiary
Taiwan Telecommunication Network Services Co., Ltd. (TTN)	Subsidiary (change relationship on September 7, 2007)
VoPier Communications (Taiwan) Co., Ltd.	Subsidiary (change relationship on September 7, 2007)
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 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)
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
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. (FSC)	Related party in substance
Fubon Insurance Co., Ltd. (Fubon Ins.)	Related party in substance
Fubon Property Management Co., Ltd. (FPMC)	Related party in substance
The former Mobitai Communications (the former Mobitai)	Subsidiary (merged into TYIT on January 1, 2006)
Taiwan Cellular Co., Ltd. (the former TCC)	Subsidiary (merged into TCC (formerly Taihsing Den Syun Co., Ltd.) on May 1, 2006)

(Continued)

Related Party	Relationship with the Corporation
TransAsia Telecommunications Inc. (the former TAT)	Subsidiary (merged into former TAT International on June 27, 2006)
Howin Technologies Co., Ltd. (HTC)	Equity-method investee of TCC (formerly Taihsing Den Syun Co., Ltd.) and the former TAT (all shares were sold in June 2006)
Dalian Xinkai Teleservices & Technologies Ltd.	Subsidiary (all shares were sold in July 2006)
Hong Yuan Investment Co., Ltd.	Subsidiary (merged into TFN Investment Co., Ltd. on June 5, 2007)
TFN US LTD.	Subsidiary (liquidated on June 8, 2007)
TFN Digital Co., Ltd.	Subsidiary (merged into TFN Investment Co., Ltd. on June 30, 2007)
Fu Yang Multimedia Co., Ltd.	Subsidiary (change relationship on April 17, 2007 and merged into TFN Media Ltd. on December 1, 2007)
Mobitai Communications (Mobitai; formerly Tai Ya International Telecommunications Co., Ltd. (TYIT))	Subsidiary (merged with the former Mobitai on January 1, 2006 and was renamed Mobitai Communications; and 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)

(Concluded)

b. Significant transactions with related parties were summarized below:

1) Operating revenues

	For the Years Ended December 31			
	2007		2006	
	Amount	% of Total Revenues	Amount	% of Total Revenues
TFN (including the former TFN)	\$ 1,638,666	3	\$ 1,411,029	3
TAT (including the former TAT)	584,457	1	693,059	1
Mobitai	242,924	-	285,079	1
TFCB	15,154	-	19,771	-
	<u>\$ 2,481,201</u>		<u>\$ 2,408,938</u>	

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

	For the Years Ended December 31			
	2007		2006	
	Amount	% of Total Costs	Amount	% of Total Costs
TFN (including the former TFN)	\$ 901,022	4	\$ 868,958	4
TAT (including the former TAT)	295,200	1	341,755	2
Mobitai	185,391	1	193,763	1
Fubon Ins.	81,044	-	89,322	-
	<u>\$ 1,462,657</u>		<u>\$ 1,493,798</u>	

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

Year Ended December 31, 2007		
	Description	Amount
The former TFN	Telecommunication equipment, construction in progress, miscellaneous equipment and deferred charges	\$ <u>13,172</u>

Year Ended December 31, 2006		
	Description	Amount
The former TFN	Land and buildings	\$ 1,565,000
TT&T	Office equipment, miscellaneous equipment and deferred charges	59,476
		<u>\$ 1,624,476</u>

Disposal of property and equipment

Year Ended December 31, 2006		
	Description	Amount
The former TFN	Land and buildings	\$ <u>152,000</u>

The above disposal was made at arm's length, and the transaction amount was based on the value obtained from an appraising firm. This disposal resulted in a loss of \$3,848 thousand in 2006

4) Operating lease income

	Leased Sites/Equipment	For the Years Ended December 31	
		2007	2006
TFN (including the former TFN)	Offices and BTS, etc.	\$ <u>73,769</u>	\$ <u>27,410</u>

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

5) Cash in banks

	December 31			
	2007		2006	
	Amount	%	Amount	%
a) Cash in banks				
TFCB	\$ <u>58,456</u>	2	\$ <u>58,493</u>	1
b) Pledged time deposits				
TFCB	\$ <u>10,000</u>	100	\$ <u>10,000</u>	100

6) Receivables and payables

	December 31			
	2007		2006	
	Amount	%	Amount	%
a) Accounts receivable				
TFN	\$ 218,970	4	\$ -	-
TAT	73,498	1	80,210	1
The former TFN	-	-	222,747	4
Mobitai	-	-	19,190	1
Other	<u>3,872</u>	-	<u>3,696</u>	-
	<u>\$ 296,340</u>		<u>\$ 325,843</u>	
b) Other receivables				
Tai Fu Media Technology Co., Ltd. (Note)	\$ 2,009,353	73	\$ -	-
TFN Media Ltd. (Note)	250,487	9	-	-
TAT	217,895	8	139,777	28
TFN	55,636	2	-	-
Mobitai	-	-	109,782	22
Other	<u>3,576</u>	-	<u>16,008</u>	3
	<u>\$ 2,536,947</u>		<u>\$ 265,567</u>	

Note: Financing to related parties was as follows:

Related Party	Year Ended December 31, 2007			
	Ending Balance	Maximum Balance	Interest Rate	Interest Income
Tai Fu Media Technology Co., Ltd.	\$ 2,005,000	\$ 2,005,000	2.554-2.568	\$ 4,353
TFNM	250,000	250,000	2.538	487
The former TFN	-	3,500,000	2.94	4,793
TFN	-	<u>12,500,000</u>	2.474	<u>213,510</u>
	<u>\$ 2,255,000</u>	<u>\$ 18,255,000</u>		<u>\$ 223,143</u>

	December 31			
	2007		2006	
	Amount	%	Amount	%
c) Prepayments				
Fubon Ins.	\$ <u>48,864</u>	9	\$ <u>70,985</u>	13
d) Accounts payable				
TAT	\$ <u>19,609</u>	1	\$ <u>23,937</u>	2

	December 31			
	2007		2006	
	Amount	%	Amount	%
e) Accrued expenses				
TT&T	\$ 159,147	3	153,397	4
TFN	134,734	3	-	-
Taiwan Super Basketball Co., Ltd.	13,500	-	-	-
The former TFN	-	-	55,074	1
	<u>\$ 307,381</u>		<u>\$ 208,471</u>	
f) Other payables				
TAT	\$ 251,648	2	\$ 96,570	3
TFN	94,611	1	-	-
Mobitai	-	-	63,717	2
The former TFN	-	-	44,130	1
	<u>\$ 346,259</u>		<u>\$ 204,417</u>	
g) Other current liabilities - collections and temporary credits for the following				
TFN	\$ 334,846	36	\$ -	-
TAT	239,384	26	202,048	23
The former TFN	-	-	194,924	22
Mobitai	-	-	95,468	11
	<u>\$ 574,230</u>		<u>\$ 492,440</u>	
			Years Ended December 31	
			2007	2006
7) Telecommunication service expenses				
TFN (including the former TFN)			<u>\$ 85,676</u>	<u>\$ 66,424</u>
8) Professional service fees				
TT&T			<u>\$ 875,660</u>	<u>\$ 992,514</u>
9) Miscellaneous purchases				
TT&T			<u>\$ -</u>	<u>\$ 15,300</u>
10) Insurance expenses				
Fubon Ins.			<u>\$ 14,856</u>	<u>\$ 10,391</u>
11) Other expenses				
FPMC			\$ 18,863	\$ 21,985
TT&T			-	24,109
			<u>\$ 18,863</u>	<u>\$ 46,094</u>

	Years Ended December 31	
	2007	2006
12) Donation		
TWM Foundation	<u>\$ 18,000</u>	<u>\$ 21,000</u>
13) Repairs and Maintenance		
FPMC	<u>\$ 19,288</u>	<u>\$ -</u>
14) Advertisement expenses		
Taiwan Super Basketball Co., Ltd.	<u>\$ 13,500</u>	<u>\$ -</u>
15) Endorsement/guarantee provided		
Miscellaneous income		
TFN (including the former TFN)	<u>\$ 32,504</u>	<u>\$ -</u>
a) The Corporation provided a \$18,000,000 thousand guarantee for TFN's bank loan. As of December 31, 2007, TFN had drawn down a bank loan of \$5,340,000 thousand under this guarantee.		
b) As of December 31, 2007, the Corporation had provided TFN \$50,000 thousand as performance guarantee for customers for IDD calling card, in accordance with NCC's new policy effective on April 1, 2007.		
16) Other		
a) As of December 31, 2007, TAT had provided the Corporation \$1,000,000 thousand as performance guarantee for customers when issuing prepaid card in accordance with new policy set by NCC on April 1, 2007.		
b) The Corporation bought a real estate from the former TFN based on the need for base station. Only a natural person could be the owner of the farmland due to the related regulations. The Corporation bought the farmland located in Yang-Mei, Taoyuan for the amount of \$12,000 thousand through setting up of a fiduciary contract with the landholder in December 2006 and is applying for the transfer of the ownership. The Corporation uses the land for operation purpose.		
c) For the years ended December 31, 2007 and 2006, the Corporation provided business services for service charges, which were recorded as deductions from related costs and expenses. The Corporation's service charges were as follows:		
	Years Ended December 31	
	2007	2006
TAT (including the former TAT)	\$ 578,125	\$ 665,927
Mobitai	296,343	\$ 374,449
TFN(including the former TFN)	<u>63,686</u>	<u>-</u>
	<u>\$ 938,154</u>	<u>\$ 1,040,376</u>

23. ASSETS PLEDGED

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

	December 31	
	2007	2006
Time deposits	<u>\$ 10,000</u>	<u>\$ 10,000</u>

24. COMMITMENTS AND CONTINGENT EVENTS

- a. To enhance 3G mobile communications, expand network coverage and increase the service functions, the Corporation entered into a 3G expansion contract with Nokia for \$4,800,000 thousand in September 2006. As of December 31, 2007, the purchase amount was \$1,127,795 thousand.
- b. Unused letters of credit for acquisition of equipment were EUR22 thousand as of December 31, 2007.
- c. Future minimum rental payments as of December 31, 2007 for significant operating lease agreements were summarized as follows:

	Amount
2008	\$ 29,488
2009	11,197
2010	11,476
2011	11,642
2012	5,367

25. 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 anti-floating interest rates of bonds, which are settled semiannually. Please refer to Note 21 for the related information.

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

The Corporation entered into IRS contracts to hedge anti-floating interest rate fluctuation. For the years ended December 31, 2007 and 2006, the Corporation recognized losses of \$157,945 thousand and \$141,434 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 floating interest rate fluctuation and 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.

26. SEGMENT INFORMATION

a. Industry

The Corporation is primarily a wireless communication services provider.

b. Foreign operations

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

c. Foreign revenues

The Corporation has no foreign revenues.

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

Company	2007		2006	
	Amount	Percentage of Operating Revenue	Amount	Percentage of Operating Revenue
Chunghwa Telecom Co., Ltd.	\$ 9,194,171	18	\$ 9,122,441	19

TABLE I

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

FINANCING PROVIDED
YEAR ENDED DECEMBER 31, 2007
(In Thousands of New Taiwan Dollars)

No.	Financing Company	Counter-party	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		Financing Limit for Each Borrowing Company (Note)	Financing Company's Financing Amount Limits (Note)
											Item	Value		
0	The Corporation	The former Taiwan Fixed Network Co., Ltd. Taiwan Fixed Network Co., Ltd.	Other receivables Other receivables	\$ 3,500,000 12,500,000	\$ - -	2.94% 2.474%	Short-term financing Short-term financing	\$ - -	To finance subsidiaries to pay off the syndicate loan To meet its financing needs in acquiring the former TFN	- -	- -	\$ 12,741,172 12,741,172	12,741,172 12,741,172	
		Tai Fu Media Technology Co., Ltd. TFN Media Ltd.	Other receivables Other receivables	2,005,000 250,000	2,005,000 250,000	2.554% 2.568% 2.538%	Short-term financing Short-term financing	- -	To meet its financing needs in acquiring minorities To meet its financing needs in acquiring minorities	- -	- -	12,741,172 1,500,000	12,741,172 (Note 1)	
1	TransAsia Telecommunications Inc. (Note 4)	Taiwan Cellular Co., Ltd. (formerly Taihsing Den Syun Co., Ltd.)	Other receivables	900,000	900,000	2.477%	Short-term financing	-	To meet its financing needs in setting up subsidiaries	-	-	-	4,532,266 (Note 1)	
2	Taiwan Cellular Co., Ltd. (formerly Taihsing Den Syun Co., Ltd.)	Taiwan Fixed Network Co., Ltd. TFN Media Ltd.	Other receivables Other receivables	2,500,000 1,250,000	2,500,000 1,250,000	2.558% 2.538%	Short-term financing Short-term financing	- -	To pay off bank loan To meet its financing needs in acquiring minorities	- -	- -	22,799,215 1,500,000	22,799,215 (Note 1) 22,799,215 (Note 1)	
3	TFN Investment Co., Ltd.	The former Taiwan Fixed Network Co., Ltd. TFN Media Ltd.	Other receivables Other receivables	1,200,000 1,000,000	- 1,000,000	2.501% 2.538%	Short-term financing Short-term financing	- -	To finance parent company to pay off bank loan. To meet its financing needs in acquiring minorities	- -	- -	21,256,008 1,267,798	27,223,560 (Note 2) 27,223,560 (Note 2)	
4	Union Cable TV Co., Ltd.	TFN Media Ltd.	Other receivables - related parties	460,000	460,000	2.538% 3.7947%	Transactions	229,923	Business requirements	-	-	13,500,000 (Note 3)	13,500,000 (Note 3)	
5	North Coast Cable TV Co., Ltd.	TFN Media Ltd.	Other receivables - related parties	140,000	140,000	2.538% 3.7947%	Transactions	60,910	Business requirements	-	-	12,000,000 (Note 3)	12,000,000 (Note 3)	
6	Mangrove Cable TV Corporation	TFN Media Ltd.	Other receivables - related parties	43,000	43,000	2.538% 3.7947%	Transactions	13,401	Business requirements	-	-	12,000,000 (Note 3)	12,000,000 (Note 3)	
7	Globalview Cable TV Co., Ltd.	TFN Media Ltd.	Other receivables - related parties	210,000	210,000	2.538% 3.7947%	Transactions	199,423	Business requirements	-	-	12,000,000 (Note 3)	12,000,000 (Note 3)	
8	Shin Ho Cable TV Co., Ltd.	TFN Media Ltd.	Other receivables - related parties	207,700	207,700	2.538% 3.7947%	Transactions	13,707	Business requirements	-	-	12,000,000 (Note 3)	12,000,000 (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: (a) The amount of financing provided, including transactions, business cooperation and short-term financing, should not exceed the higher amount between the net worth of the corporation or the amount of transactions plus business cooperation. (b) The limited amount of financing provided for short-term financing should not exceed 40% of the net worth of the financing company, and the amount financed to each counter-party should not exceed 40% of the net worth of the counter-party.

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.

Note 4: Assumed all MBT's financing provided to others due to merger. (Concluded)

TABLE 2

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

ENDORSEMENT/GUARANTEE PROVIDED
YEAR ENDED DECEMBER 31, 2007
(In Thousands of New Taiwan Dollars)

No.	Endorsement/Guarantor (A)	Receiving Party		Maximum Guarantee/ Endorsement Amount Allowed for Receiving Party	Maximum Balance for the Period (Note 4)	Ending Balance (Note 4)	Value of Collaterals	Ratio of Accumulated Amount of Endorsement/ Guarantee to Net Equity of the Receiving Party (Note 4)	Maximum Total Guarantee/ Endorsement Allowed to Be Provided by the Guarantor/Endorser
		Name (B)	Nature of Relationship (B is A's)						
0	The Corporation	Taiwan Fixed Network Co., Ltd.	(Note 1)	\$ 80,000,000 (Note 5)	\$ 18,050,000	\$ 18,050,000	\$ -	56.67%	\$ 31,852,929 (Note 5)
1	TransAsia Telecommunications Inc.	The Corporation	(Note 2)	18,000,000 (Note 6)	1,000,000	1,000,000	-	8.83%	11,330,665 (Note 6)
2	TFN Investment Co., Ltd.	WinTV Broadcasting Co., Ltd.	(Note 3)	27,223,560 (Note 7)	50,000	50,000	-	0.18%	27,223,560 (Note 7)
3	VoPier Communications (Taiwan) Co., Ltd.	Taiwan Telecommunication Network Services Co., Ltd.	(Note 2)	240,000 (Note 8)	262	233	-	1.87%	12,447 (Note 8)
4	TFN Media Ltd.	TFN Media Ltd.	(Note 1)	15,000,000 (Note 9)	7,000,000 (Note 10)	-	(Note 10)	-	15,000,000 (Note 9)
5	Union Cable TV Co., Ltd.	Union Cable TV Co., Ltd.	(Note 1)	1,350,000 (Note 9)	-	-	-	-	1,350,000 (Note 9)
6	North Coast Cable TV Co., Ltd.	North Coast Cable TV Co., Ltd.	(Note 1)	12,000,000 (Note 9)	-	-	-	-	12,000,000 (Note 9)
7	Mangrove Cable TV Corporation	Mangrove Cable TV Corporation	(Note 1)	12,000,000 (Note 9)	-	-	-	-	12,000,000 (Note 9)
8	Globalview Cable TV Co., Ltd.	Globalview Cable TV Co., Ltd.	(Note 1)	12,000,000 (Note 9)	-	-	-	-	12,000,000 (Note 9)
9	Phoenix Cable TV Co., Ltd.	Phoenix Cable TV Co., Ltd.	(Note 1)	12,000,000 (Note 9)	-	-	-	-	12,000,000 (Note 9)
10	Shin Ho Cable TV Co., Ltd.	Shin Ho Cable TV Co., Ltd.	(Note 1)	12,000,000 (Note 9)	-	-	-	-	12,000,000 (Note 9)
11	Yeong Jialeh Cable TV Co., Ltd.	Yeong Jialeh Cable TV Co., Ltd.	(Note 1)	24,000,000 (Note 9)	-	-	-	-	24,000,000 (Note 9)

(Continued)

- Note 1: Direct/indirect subsidiary
- Note 2: Parent company
- Note 3: Direct subsidiary
- Note 4: Maximum guarantee/endorsement amount for the period and the ending balance are the amount allowed, not actual appropriation.
- Note 5: The Corporation limits the endorsement/guarantee amount for the company that directly or indirectly entitled the whole percentage of voting rights within net value of the Corporation, and the endorsement/guarantee amount for each counter-party.
- Note 6: The Corporation limits the endorsement/guarantee amount for directly or indirectly entitled the whole percentage of TAT within the net value of TAT, and the endorsement/guarantee amount should not exceed double TAT's investment amount.
- Note 7: The individual lending amount and the aggregate amount of loaning funds to subsidiaries shall be both limited to the higher amount of the following items: 1) the financing company's net worth, or 2) the amount of business dealing.
- Note 8: TTN wholly owns VoPier Communications. The total guarantee/endorsement amount for VoPier's to provide shall not exceed its net worth. The guarantee/endorsement amount to each shareholder provided by VoPier limits to 2 times of its stake.
- Note 9: 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.
- Note 10: TFNM, FYM, UCCTV, NCCTV, MCTV, GCTV, PCTV, SHCTV and YJCTV are sureties for each other to obtain a syndicate loan from Chinatrust Commercial Bank and other financial institutions. The credit line was \$7,000,000 thousand. Those nine companies are jointly liable for this loan. As of December 31, 2007, those companies had paid off all the syndicate loan. The \$83,968 thousand of collaterals were redeemed from bank on January 7, 2008.

(Concluded)

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
YEAR ENDED DECEMBER 31, 2007
(In Thousands of New Taiwan Dollars or U.S. Dollars)

TABLE 3

Holding Company Name	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	Shares/Units (Thousands)	December 31, 2007		Note
					Carrying Value	Percentage of Ownership	
Taiwan Mobile Co., Ltd.	Stock Chunghua Telecom Co., Ltd.	-	Available-for-sale financial assets - current	2,957 (Note 9)	\$ 177,112	0.028%	\$ 177,112 (Note 2)
	Bridge Mobile Pte Ltd.	-	Financial assets carried at cost - non-current	2,200	71,596	10.00%	61,225
	TransAsia Telecommunications Inc.	Subsidiary	Long-term investments - equity method	900,000	11,330,665	100.00%	11,330,665
	Wealth Media Technology Co., Ltd.	Subsidiary	Long-term investments - equity method	8,700	82,715	100.00%	82,715
	Taiwan Cellular Co., Ltd. (formerly Taising Den Syun Co., Ltd.)	Subsidiary	Long-term investments - equity method	364,958	3,791,398 (Note 3)	100.00%	56,998,037
TransAsia Telecommunications Inc.	Stock Yes Mobile Holdings Company	-	Financial assets carried at cost - non-current	74	- (Note 5)	0.19%	- (Note 4)
Wealth Media Technology Co., Ltd.	Stock Tai Fu Media Technology Co., Ltd.	Subsidiary	Long-term investments - equity method	8,500	80,876	100.00%	80,876
Tai Fu Media Technology Co., Ltd.	Stock Global Wealth Media Technology Co., Ltd. Fu Jia Leh Media Technology Co., Ltd. Fu Sin Media Technology Co., Ltd.	Subsidiary Subsidiary Subsidiary	Long-term investments - equity method Long-term investments - equity method Long-term investments - equity method	8,400 117,100 100	84,975 2,001,211 900	100.00% 100.00% 100.00%	84,975 2,001,211 900
Global Wealth Media Technology Co., Ltd.	Stock Globalview Cable TV Co., Ltd.	Subsidiary	Long-term investments - equity method	3,460	84,039	6.18%	40,715
Taiwan Cellular Co., Ltd. (formerly Taising Den Syun 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 5)	12.00%	- (Note 4)
	WEB Point Co., Ltd.	-	Financial assets carried at cost - non-current	803	6,773	3.17%	- (Note 4)
	Taiwan Teleservices & Technologies Co., Ltd.	Subsidiary	Long-term investments - equity method	30,000	249,986	100.00%	249,986
	Tai Yi Digital Broadcasting Co., Ltd.	Subsidiary	Long-term investments - equity method	2,495	23,507	49.90%	23,507
	TWM Holding Co. Ltd.	Subsidiary	Long-term investments - equity method	1 share	7,650	100.00%	7,650
	Taiwan Fixed Network Co., Ltd.	Subsidiary	Long-term investments - equity method	4,000,000	53,140,019	100.00%	53,140,019
	Taiwan Digital Communication Co., Ltd.	Subsidiary	Long-term investments - equity method	1,200	11,172	100.00%	11,172

(Continued)

Holding Company Name	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	December 31, 2007			Note
				Shares/Units (Thousands)	Carrying Value	Percentage of Ownership	
Taiwan Teleservices & Technologies Co., Ltd.	Stock TT&T Life Insurance Agency Co., Ltd. TT&T Casualty & Property Insurance Agency Co., Ltd.	Subsidiary Subsidiary	Long-term investments - equity method Long-term investments - equity method	300 300	\$ 3,009 2,672	100.00% 100.00%	\$ 3,009 2,672
TT&T Holdings Co., Ltd.	TT & T Holdings Co., Ltd. Taiwan Super Basketball Co., Ltd.	Subsidiary Subsidiary	Long-term investments - equity method Long-term investments - equity method	1,300 2,000	US\$ 1,316 20,046	100.00% 100.00%	US\$ 1,316 20,046
TT&T Holdings Co., Ltd.	Stock Xiamen Taifu Teleservices & Technologies Ltd.	Subsidiary	Long-term investments - equity method	-	US\$ 1,312	100.00%	US\$ 1,312
TWM Holding Co., Ltd.	ADS Hurray! Holding Co., Ltd.	-	Available-for-sale financial assets - current	1,080	US\$ 4,309	4.97%	US\$ 4,309 (Note 2)
Taiwan Fixed Network Co., Ltd.	Stock Taiwan Mobile Co., Ltd.	The Corporation	Available-for-sale financial assets - non-current	900,353 (Note 9)	37,004,498	18.00%	37,004,498 (Note 2)
TFN Investment Co., Ltd.	TFN Investment Co., Ltd. Taiwan United Communication Co., Ltd. TFN HK Limited Taiwan High Speed Rail Corporation	Subsidiary Subsidiary Subsidiary -	Long-term investments - equity method Long-term investments - equity method Long-term investments - equity method Financial assets carried at cost - non-current	2,061,939 1,190 1,299 225,531	24,215,585 1,507,621 3,075 2,120,829	100.00% 98.93% 99.99% 3.97%	27,223,560 1,507,621 3,075 2,41,036 (Note 8)
TFN Investment Co., Ltd.	Stock Taiwan Mobile Co., Ltd.	The Corporation	Available-for-sale financial assets - non-current	467,897 (Note 9)	19,230,586	9.36%	19,230,586 (Note 2)
TFN Media Ltd.	Reach & Range Inc. WinTV Broadcasting Co., Ltd. TFN Media Ltd. Great Taipei Broadband Co., Ltd. Fubon Financial Holding Company Preferred stock Taiwan High Speed Rail Corporation - Unlisted Convertible Preferred Stock - series A	Subsidiary Subsidiary Subsidiary - Related parties -	Long-term investments - equity method Long-term investments - equity method Long-term investments - equity method Long-term investments - equity method Financial assets carried at cost - non-current Available-for-sale financial assets - current Bonds measured at amortized cost - non-current	2,400 59,100 214,518 10,000 62,023 50,000	32,355 254,942 2,951,824 50,528 1,786,256 500,000	100.00% 98.50% 93.06% 6.67% 0.80% 1.03%	25,284 252,141 2,949,532 50,528 (Note 8) 1,786,256 (Note 2) -
TFN Media Ltd.	Stock Yeong Jialeh Cable TV Co., Ltd. Shin Ho Cable TV Co., Ltd.	Subsidiary Subsidiary	Long-term investments - equity method Long-term investments - equity method	33,940 20,000	2,078,790 729,647	100.00% 100.00%	554,455 242,792 (Note 7)

(Continued)

Holding Company Name	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	December 31, 2007			Note
				Shares/Units (Thousands)	Carrying Value	Percentage of Ownership	
Taiwan United Communication Co., Ltd.	Stock Mangrove Cable TV Corporation North Coast Cable TV Co., Ltd. Phoenix Cable TV Co., Ltd. Union Cable TV Co., Ltd. Globalview Cable TV Co., Ltd.	Subsidiary Subsidiary Subsidiary Subsidiary Subsidiary	Long-term investments - equity method Long-term investments - equity method Long-term investments - equity method Long-term investments - equity method Long-term investments - equity method	21,160 21,160 47,663 170,441 51,733	\$ 518,552 518,645 2,069,063 2,014,883 1,231,162	100.00% 100.00% 70.00% 99.99% 92.38%	\$ 255,405 (Note 7) 226,805 656,023 1,810,283 608,710
Taiwan Telecommunication Network Services Co., Ltd.	Stock Taiwan Telecommunication Network Services Co., Ltd.	Subsidiary	Long-term investments - equity method	108,193	1,493,729	99.53%	942,065
Taiwan Telecommunication Network Services Co., Ltd.	Stock VoPier Communications (Taiwan) Co., Ltd.	Subsidiary	Long-term investments - equity method	12,000	12,447	100.00%	12,447
VoPier Communications (Taiwan) Co., Ltd.	Preferred stock New Century InfoComm Technology Co., Ltd. Beneficiary certificates Fuh-Hwa Bond Fund Fuh-Hwa Yuli Bond Fund ING Taiwan Income Fund Beneficiary certificates CAPITAL Income Fund IBT 1699 Bond Fund E. Sun ERA Bond Fund Fuh-Hwa Bond Fund	- - - - - - - - - -	Financial assets carried at cost - non-current Financial assets at fair value through profit or loss - current Financial assets at fair value through profit or loss - current Financial assets at fair value through profit or loss - current Financial assets at fair value through profit or loss - current Financial assets at fair value through profit or loss - current Financial assets at fair value through profit or loss - current Financial assets at fair value through profit or loss - current Financial assets at fair value through profit or loss - current	33,684 2,272 4,043 2,556 71 210 145 278	239,817 30,775 50,988 41,120 1,072 2,649 1,598 3,771	0.84% - - - - - - -	- (Note 4) - 30,775 (Note 6) 50,988 (Note 6) 41,120 (Note 6) 1,072 (Note 6) 2,649 (Note 6) 1,598 (Note 6) 3,771 (Note 6)

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

Note 2: Based on the closing price on December 31, 2007.

Note 3: Taiwan Mobile shares held indirectly by Taiwan Cellular Co., Ltd. (TCC) are classified as treasury shares. Therefore, TWM's carrying cost of TCC was reduced from NT\$56,998,037 thousand by NT\$40,844,007 thousand and another NT\$12,362,632 thousand unrealized gain.

Note 4: As of December 31, 2007, the independent auditors' report date, the investee's net value was not available.

Note 5: Impairment loss recognized in 2004 reduced the value to zero.

(Continued)

Note 6: Based on the net assets value of the fund on December 31, 2007.

Note 7: Partial shares are held under trustee accounts.

Note 8: Calculation was based on unaudited financial statements.

Note 9: Shares held before capital reduction.

(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
YEAR ENDED DECEMBER 31, 2007
(In Thousands of New Taiwan Dollars)

TABLE 4

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	Gain (Loss) on Disposal	Shares/Units (Thousands)	Amount
Taiwan Mobile Co., Ltd.	Beneficiary certificate Fuhsua Bond Fund	Financial assets at fair value through profit or loss - current	-	-	45,175	\$ 602,192	-	\$ -	45,175	\$ 604,649	\$ -	-	
	ING Taiwan Income Fund	Financial assets at fair value through profit or loss - current	-	-	25,387	401,917	-	-	25,387	403,656	-	-	
	ING Taiwan Bond Fund	Financial assets at fair value through profit or loss - current	-	-	126,959	1,913,171	-	-	126,959	1,920,610	-	-	
	ING Taiwan Select Bond Fund	Financial assets at fair value through profit or loss - current	-	-	35,432	401,565	-	-	35,432	401,827	-	-	
	AIG Taiwan Bond Fund	Financial assets at fair value through profit or loss - current	-	-	153,928	1,962,733	-	-	153,928	1,968,901	-	-	
	Dreschner Bond Dnm Fund	Financial assets at fair value through profit or loss - current	-	-	130,038	1,306,803	-	-	130,038	1,512,928	-	-	
	Fubon Jm-Ju-I Fund	Financial assets at fair value through profit or loss - current	-	-	81,999	1,002,954	-	-	81,999	1,007,112	-	-	
	NITC Bond Fund	Financial assets at fair value through profit or loss - current	-	-	17,122	2,817,260	-	-	17,122	2,826,608	-	-	
	Prudential Financial Bond Fund	Financial assets at fair value through profit or loss - current	-	-	13,686	200,015	-	-	13,686	200,500	-	-	
	JF (Taiwan) Bond Fund	Financial assets at fair value through profit or loss - current	-	-	19,702	300,597	-	-	19,702	301,824	-	-	
	Stock Taiwan Cellular Co., Ltd. (formerly Tahsing Den Syun Co., Ltd.) The Former Taiwan Fixed Network Co., Ltd.	Long-term investments - equity method Financial assets carried at cost - non-current	-	Taiwan Cellular Co., Ltd. (formerly Tahsing Den Syun Co., Ltd.)	-	3,877,659	39,958	39,958,330	-	-	-	364,958	3,791,398 (Note 2)
	TransAsia Telecommunications Inc.	Beneficiary certificate ING Taiwan Bond Fund	Financial assets at fair value through profit or loss - current	-	-	46,758	704,606	-	-	46,758	706,382	-	-
		AIG Taiwan Bond Fund	Financial assets at fair value through profit or loss - current	-	-	71,000	905,330	-	-	71,000	907,488	-	-
Prudential Financial Bond Fund		Financial assets at fair value through profit or loss - current	-	-	37,966	554,861	-	-	37,966	556,205	-	-	
JF (Taiwan) Bond Fund		Financial assets at fair value through profit or loss - current	-	-	42,808	653,130	-	-	42,808	654,757	-	-	
Fubon Jm-Ju-I Fund		Financial assets at fair value through profit or loss - current	-	-	12,267	150,035	24,522	300,000	36,789	451,112	-	-	
Stock MobiTai Communications		Long-term investments - equity method	Taiwan Cellular Co., Ltd. (formerly Tahsing Den Syun Co., Ltd.)	Related party	-	-	200,000	-	200,000	-	(Note 7)	-	
Stock Fu Jia Leh Media Technology Co., Ltd.		Long-term investments - equity method	-	-	-	-	117,100	2,001,700	-	-	-	117,100	
Stock Taiwan Fixed Network Co., Ltd. (formerly Tahsing Den Syun Co., Ltd.)		Long-term investments - equity method	-	-	-	-	4,000,000	40,000,000	-	-	-	4,000,000	
Stock The former Taiwan Fixed Network Co., Ltd. Taiwan Digital Communications Co., Ltd.		Financial assets carried at cost - non-current Long-term investments - equity method	-	Taiwan Mobile Co., Ltd.	Parent	4,900	42,864	637,000	5,287,100	641,900	5,329,964	(Note 5)	11,172 (Note 6)
Stock The former Taiwan Fixed Network Co., Ltd.		Long-term investments - equity method	-	-	-	-	5,624,640	46,677,052	-	46,677,052	(Note 8)	-	
Tai Fu Media Technology Co., Ltd.		Stock Fu Jia Leh Media Technology Co., Ltd.	Long-term investments - equity method	-	-	-	-	2,001,700	-	-	-	2,001,211 (Note 10)	
Taiwan Cellular Co., Ltd. (formerly Tahsing Den Syun Co., Ltd.)		Stock Taiwan Fixed Network Co., Ltd. The former Taiwan Fixed Network Co., Ltd. Taiwan Digital Communications Co., Ltd.	Long-term investments - equity method Financial assets carried at cost - non-current Long-term investments - equity method	-	-	4,900	42,864	637,000	5,287,100	641,900	5,329,964	(Note 5)	53,140,019 (Note 4)
Taiwan Fixed Network Co., Ltd.		Stock The former Taiwan Fixed Network Co., Ltd.	Long-term investments - equity method	-	-	-	-	260,000	-	-	-	1,200	

(Continued)

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	Shares/Units (Thousands)	Amount
	Taiwan United Communication Co., Ltd.	Long-term investments - equity method				\$	1,190	\$ 1,509,887	\$	-	1,190	\$ 1,507,621 (Note 9)
	Beneficiary certificate Fubon Jm-Ju-I Fund	Available-for-sale financial assets - current			57,696	705,702	-	-	710,087	57,696	12,344	-
	Fubon Chi-Hsiang Fund	Available-for-sale financial assets - current			32,588	474,301	-	-	477,065	32,588	16,793	-
	ING Taiwan Income Fund	Available-for-sale financial assets - current			31,345	496,241	-	-	499,590	31,345	17,150	-
	ING Taiwan Bond Fund	Available-for-sale financial assets - current			28,577	430,627	-	-	433,302	28,577	4,781	-
	NITC Bond Fund	Available-for-sale financial assets - current			2,303	378,968	-	-	381,266	2,303	4,844	-
	Fuhwa Apex Bond Fund	Available-for-sale financial assets - current			10,426	123,066	-	-	123,396	10,426	365	-
	JF (Taiwan) Bond Fund	Available-for-sale financial assets - current			13,110	200,016	-	-	201,238	13,110	1,238	-
	Capital Income Fund	Available-for-sale financial assets - current			13,432	200,009	-	-	201,269	13,432	1,269	-
	Prudential Financial Bond Fund	Available-for-sale financial assets - current			6,842	100,000	-	-	100,602	6,842	602	-
	Fuhwa Advantage Bond Fund	Available-for-sale financial assets - current			11,510	120,005	-	-	120,322	11,510	322	-
	Fuhwa Bond Fund	Available-for-sale financial assets - current			-	-	19,009	243,719	244,487	19,009	768	-
TFN Investment Co., Ltd.	Beneficiary certificate ING Taiwan Bond Fund	Available-for-sale financial assets - current			26,669	401,881	46,329	700,000	1,107,087	72,998	7,087	-
	ING Taiwan Income Fund	Available-for-sale financial assets - current			9,837	155,733	23,108	368,000	526,976	32,945	3,976	-
	JF (Taiwan) Bond Fund	Available-for-sale financial assets - current			6,624	101,072	13,095	200,000	302,760	19,719	2,231	-
	JF (Taiwan) First Bond Fund	Available-for-sale financial assets - current			-	-	14,192	200,000	200,663	14,192	663	-
	Capital Income Fund	Available-for-sale financial assets - current			-	-	56,930	850,000	853,129	56,930	3,129	-
	NITC Bond Fund	Available-for-sale financial assets - current			61	10,083	1,031	170,000	180,849	1,092	1,015	-
	NITC Taiwan Bond Fund	Available-for-sale financial assets - current			-	-	38,924	550,000	551,907	38,924	1,907	-
	Fubon Chi-Hsiang Fund	Available-for-sale financial assets - current			12,322	179,343	-	-	180,423	12,322	2,337	-
	Fubon Jm-Ju-I Fund	Available-for-sale financial assets - current			28,751	351,658	84,371	1,034,237	1,392,522	113,122	8,285	-
	Pea Well Pool Fund	Available-for-sale financial assets - current			-	-	23,896	300,000	301,054	23,896	1,054	-
	Upame James Bond Fund	Available-for-sale financial assets - current			-	-	16,160	250,000	250,827	16,160	827	-
	Fuhwa Bond Fund	Available-for-sale financial assets - current			-	-	23,399	300,000	301,006	23,399	1,006	-
Taiwan United Communication Co., Ltd.	Stock Fubon Financial Holding Company	Available-for-sale financial assets - current			53,293	1,625,432	34,645	1,032,419	835,250	25,915	154,940	1,786,256
	Taiwan Telecommunication Network Services Co., Ltd.	Long-term investments - equity method			-	-	108,193	1,497,701	-	-	-	1,493,729 (Note 11)
Globalview Cable TV Co., Ltd.	Beneficiary certificate IBT Ta Chong Bond Fund	Available-for-sale financial assets - current			7,679	100,003	-	-	100,700	7,679	700	-
Shin Ho Cable TV Co., Ltd.	Beneficiary certificate Fubon Jm-Ju-I Fund	Available-for-sale financial assets - current			5,724	70,009	-	-	70,523	5,724	523	-

(Continued)

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

Note 2: The amount included (a) the cash dividend adjustment of \$544,114 thousand; (b) the investment income adjustment of \$1,784,640 thousand; (c) the recognition of cumulative translation adjustments of \$1,904 thousand; (d) unrealized loss of \$113,063 thousand on financial asset; (e) capital surplus \$331,485 thousand; and (f) net loss not recognized as pension cost 1,534 thousand. Moreover, 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, amount to \$40,844,007 thousand.

Note 3: For its reorganization, the Corporation resolved to inject capital into Taiwan Cellular Co., Ltd. (formerly Taishing Den Syun Co., Ltd.) with all its shares of Taiwan Fixed Network Co., Ltd. (The former TFN). The difference between the original cost and the disposal price of the former TFN shares, \$1,586,156 thousand, was recognized by the Corporation as deferred credits. There was no gain or loss on this transaction.

Note 4: The amount included (a) the investment income adjustment of \$809,140 thousand; (b) the recognition of cumulative translation adjustment of \$751 thousand; (c) unrealize loss of \$12,327,281 thousand on financial assets; (d) capital surplus \$1,313 thousand; and (e) net loss not recognized as pension cost \$1,534 thousand.

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

Note 6: The amount included the capital reduction adjustment of \$248,000 thousand and the investment loss adjustment of \$828 thousand.

Note 7: For its reorganization, Mobitat Communications merged into TAT. There was no gain or loss on this share transaction.

Note 8: For its reorganization, the former TFN merged into TFN. There was no gain or loss on this share transaction.

Note 9: The amount included (a) the investment loss adjustment of \$3,579 thousand; and (b) capital surplus \$1,313 thousand.

Note 10: The amount included the investment loss adjustment of \$489 thousand.

Note 11: The amount included (a) the investment income adjustment of \$8,955 thousand; and (b) the difference between the cost of acquisition and the equity in the investee's net asset value, amount to \$12,927 thousand.

(Concluded)

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

TOTAL PURCHASE FROM OR SALE TO RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2007
(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Transaction Details		Other Transaction		Notes/Accounts Payable or Receivable		Note
			Purchase/Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	
Taiwan Mobile Co., Ltd.	TransAsia Telecommunications Inc.	Subsidiary	Sale	\$ (584,457)	1	Based on contract terms	-	\$ 73,498	1
	Taiwan Fixed Network Co., Ltd. (including the former Taiwan Fixed Network Co., Ltd.)	Subsidiary	Purchase	295,200	1	Based on contract terms	-	(19,609)	1
			Sale	(1,638,666)	3	Based on contract terms	-	218,970	4
	Mobitai Communications	Subsidiary	Purchase	901,022	4	Based on contract terms	-	-	-
TransAsia Telecommunications Inc.	Taiwan Teleservices & Technologies Co., Ltd.	Subsidiary	Purchase	(242,924)	-	Based on contract terms	-	-	-
			Purchase	185,391	1	Based on contract terms	-	-	-
			Purchase	875,660	(Note 1)	Based on contract terms	-	(159,147)	(Note 2)
Mobitai Communications	The Corporation	Parent	Sale	(295,200)	5	Based on contract terms	-	19,754	3
			Purchase	584,457	21	Based on contract terms	-	(75,158)	20
Taiwan Teleservices & Technologies Co., Ltd.	The Corporation	Ultimate parent	Sale	(185,009)	6	Based on contract terms	-	-	-
			Purchase	242,924	15	Based on contract terms	-	-	-
			Sale	(875,715)	95	Based on contract terms	-	158,849	93
Taiwan Fixed Network Co., Ltd. (Including the former Taiwan Fixed Network Co., Ltd.)	The Corporation	Ultimate parent	Sale	(979,542)	12	Based on contract terms	-	351,873	37
									(Note 3)
TFN Media Ltd.	Yeong Jialeh Cable TV Co., Ltd.	Subsidiary	Purchase	1,593,670	24	Based on contract terms	-	(1,013)	-
	Phoenix Cable TV Co., Ltd.	Subsidiary	Sale	(282,163)	19	Based on contract terms	-	24,689	16
	Union Cable TV Co., Ltd.	Subsidiary	Sale	(427,388)	29	Based on contract terms	-	37,396	25
	Globalview Cable TV Co., Ltd.	Subsidiary	Sale	(191,523)	13	Based on contract terms	-	16,758	11
Yeong Jialeh Cable TV Co., Ltd.	TFN Media Ltd.	Parent	Royalty	(165,656)	11	Based on contract terms	-	14,495	10
							(Note 4)	(24,689)	76
Union Cable TV Co., Ltd.	TFN Media Ltd.	Parent	Royalty	191,523	53	Based on contract terms	(Note 4)	(16,758)	47
								(14,495)	55
Phoenix Cable TV Co., Ltd.	TFN Media Ltd.	Parent	Royalty	165,656	62	Based on contract terms	(Note 4)	(37,396)	62

(Continued)

Note 1: Recognized as operating expenses.

Note 2: Recognized as accrued expenses.

Note 3: Shown as TFN's ending balance.

Note 4: No comparables on such kind of transactions.

(Concluded)

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2007
(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
Taiwan Mobile Co., Ltd.	TransAsia Telecommunications Inc. Taiwan Fixed Network Co., Ltd.	Subsidiary Subsidiary	Accounts receivable \$ 73,498 Other receivables 217,895 Accounts receivable 218,970	7.6 7.42 (Note 1)	\$ - - -	- - -	\$ - - -	- - -
TransAsia Telecommunications Inc.	Tai Fu Media Technology Co., Ltd. TFN Media Ltd.	Subsidiary Subsidiary	Other receivables 55,636 Other receivables 2,009,353 Other receivables 250,487	- - -	- - -	- - -	6,181 - -	- - -
Taiwan Cellular Co., Ltd. (formerly Taisheng Den Syun Co., Ltd.)	The Corporation Taiwan Cellular Co., Ltd. (formerly Taisheng Den Syun Co., Ltd.)	Parent Related party	Accounts receivable 19,754 Other receivables 491,482 Other receivables 902,871	13.51	- - -	- - -	- - -	- - -
Taiwan Fixed Network Co., Ltd.	Taiwan Fixed Network Co., Ltd. TFN Media Ltd.	Subsidiary Subsidiary	Other receivables 2,501,051 Other receivables 1,252,434	- -	- -	- -	- -	- -
Taiwan Teleservices & Technologies Co., Ltd.	The Corporation	Ultimate parent	Accounts receivable 158,849 Other receivables 303	5.62	- -	- -	- -	- -
Taiwan Fixed Network Co., Ltd.	The Corporation	Ultimate parent	Accounts receivable 351,873	3.06 (Note 1)	-	-	70,497	-
TFN Investment Co., Ltd.	TFN Media Ltd.	Subsidiary	Other receivables 1,000,000	-	-	-	-	-
North Coast Cable TV Co., Ltd.	TFN Media Ltd.	Parent	Accounts receivables 442 Other receivables 144,388	-	-	-	-	-
Shin Ho Cable TV C., Ltd.	TFN Media Ltd.	Parent	Accounts receivables 671 Other receivables 211,705	-	-	-	-	-
Union Cable TV Co., Ltd.	TFN Media Ltd.	Parent	Accounts receivable 6,549 Other receivables 467,239	-	-	-	-	-
Globalview Cable TV Co., Ltd.	TFN Media Ltd.	Parent	Accounts receivable 1,831 Other receivables 215,688	-	-	-	-	-

Note 1: Including accounts receivable of the former TFN.

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

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

Investor	Investee	Location	Main Businesses and Products	Original Investment Amount December 31, 2007	Balance as of December 31, 2007		Percentage of Ownership	Net Income (Loss) of the Investee	Investment Income (Loss)	Note
					Shares (Thousands)	Carrying Value				
Taiwan Mobile Co., Ltd.	Taiwan Cellular Co., Ltd. (formerly Taisheng Den Syun Co., Ltd.) TransAsia Telecommunications Inc. Wealth Media Technology Co., Ltd.	Taipei, Taiwan Taipei, Taiwan Taipei, Taiwan	Equipment installation and IT service Wireless service provider Investment	\$ 43,208,330 9,000,000 87,000	\$ 3,250,000 12,458,463 -	364,958 900,000 8,700	100 100 100	\$ 1,768,315 1,838,396 (4,285)	\$ 1,784,640 1,881,453 (4,285)	
Wealth Media Technology Co., Ltd.	Tai Fu Media Technology Co., Ltd.	Taipei, Taiwan	Investment	88,000	-	8,500	100	(4,124)	NA	
Tai Fu Media Technology Co., Ltd.	Global Wealth Media Technology Co., Ltd. Fu Jia Leh Media Technology Co., Ltd. Fu Sin Media Technology Co., Ltd.	Taipei Country, Taiwan Taipei, Taiwan Taipei, Taiwan	Investment Investment Investment	84,000 2,001,700 1,000	- - -	8,400 117,100 100	100 100 100	975 (489) (100)	NA NA NA	
Global Wealth Media Technology Co., Ltd.	Globalview Cable TV Co., Ltd.	Sijhih Township	Cable television system	82,882	-	3,460	6.18	87,701	NA	
Taiwan Cellular Co., Ltd. (formerly Taisheng Den Syun Co., Ltd.)	Taiwan Teleservices & Technologies Co., Ltd. Tai Yi Digital Broadcasting Co., Ltd. TWM Holding Co. Ltd.	Taipei, Taiwan Taipei, Taiwan British Virgin Islands	Call center service Broadcasts business and cell phone number agency Investment	5,294 24,950 9,000	405,294 24,950 9,000	30,000 2,495 1 share	100 49.9 100	106,713 (1,810) 64	NA NA NA	
Taiwan Teleservices & Technologies Co., Ltd.	Taiwan Fixed Network Co., Ltd. Taiwan Digital Communications Co., Ltd.	Taipei, Taiwan Taipei, Taiwan	Fixed network service Equipment installation and IT service	40,000,000 12,000	- -	4,000,000 1,200	100 100	US\$ 809,140 (828)	NA NA	
TT&T Holdings Co., Ltd.	TT&T Life Insurance Agency Co., Ltd. TT&T Casualty & Property Insurance Agency Co., Ltd. TT&T Holdings Co., Ltd. Taiwan Super Basketball Co., Ltd.	Taipei, Taiwan Taipei, Taiwan Samsa Taipei, Taiwan	Insurance agent Insurance agent Investment Basketball team management and relative business	3,000 3,000 1,300 20,000	3,000 3,000 1,300 -	300 300 1,300 2,000	100 100 100 100	3,009 2,672 US\$ 1,316 US\$ 20,046	NA NA NA NA	
TT&T Holdings Co., Ltd.	Xiamen Taifu Teleservices & Technologies Ltd. TFN Investment Co., Ltd. Taiwan United Communication Co., Ltd. TFN HK Limited	Xiamen Taipei, Taiwan Taipei, Taiwan Hong Kong	Call center service Investment Equipment installation and IT service Telecommunications	US\$ 1,300 17,897,639 1,509,887 5,816	US\$ 1,300 17,500,000 - 5,816	US\$ - 2,061,939 1,100 1,299	100 100 98.93 99.99	US\$ (42) 1,093,693 (3,677) (489)	NA NA NA NA	
TFN Investment Co., Ltd.	Reach & Range Inc. WinTV Broadcasting Co., Ltd. TFN Media Ltd.	Taipei, Taiwan Taipei, Taiwan Taipei, Taiwan	Service, telecommunication equipment installment and IT service Broadcasts business Type II telecommunication services	31,764 591,000 1,500,000	60,258 - -	2,400 59,100 214,518	100 98.5 93.06	1,022 (142,674) 751,015	NA NA NA	
Taiwan United Communication Co., Ltd.	Taiwan Telecommunication Network Services Co., Ltd. VoPier Communications (Taiwan) Co., Ltd.	Taipei, Taiwan Taipei, Taiwan	Telecommunications International simple resales and prepaid card	1,497,701 120,000	- 120,000	108,193 12,000	99.53 100	1,493,729 (706)	NA NA	
TFN Media Ltd.	Globalview Cable TV Co., Ltd. Yeong Jialeh Cable TV Co., Ltd. Shin Ho Cable TV Co., Ltd.	Sijhih Township Shijhuangshih Township Shijhuangshih Township	Cable television system Cable television system Cable television system	841,413 1,616,824 661,781	841,413 1,616,824 661,781	51,733 33,940 20,000	92.38 100 100	1,231,162 161,612 36,609	NA NA NA	
TFN Media Ltd.	Miangrove Cable TV Corporation	Danshueijhen Township	Cable television system	397,703	397,703	21,160	(Note 2)	518,552	NA	
North Coast Cable TV Co., Ltd. Phoenix Cable TV Co., Ltd. Union Cable TV Co., Ltd.	North Coast Cable TV Co., Ltd. Phoenix Cable TV Co., Ltd. Union Cable TV Co., Ltd.	Danshueijhen Township Kaohsiung County Yilan City	Cable television system Cable television system Cable television system	399,193 1,229,257 1,904,440	399,193 1,229,257 1,904,440	21,160 47,663 170,441	(Note 2) 100 99.99	2,416 195,131 106,163	NA NA NA	

Note 1: Taiwan Mobile shares held indirectly by Taiwan Cellular Co., Ltd. (TCC) are classified as treasury shares. Therefore, TWM's carrying cost of TCC was reduced from NT\$56,998,037 thousand by NT\$ 40,844,007 thousand and another NT\$12,362,632 thousand unrealized gain.

Note 2: Partial shares are held under trustee accounts.

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

INVESTMENT IN MAINLAND CHINA

DECEMBER 31, 2007

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

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type	Accumulated Outflow of Investment from Taiwan as of December 31, 2006	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2007	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Value as of December 31, 2007	Accumulated Inward Remittances of Earnings as of December 31, 2007
					Outflow	Inflow					
Xiamen Taifu Teleservices & Technologies Ltd.	Call center service	US\$ 1,300 (NT\$ 42,249)	Indirect investment in the Company in Mainland China through a third place by the Corporation's subsidiary, Taiwan Teleservices & Technologies Co., Ltd.	US\$ 1,300 (NT\$ 42,249)	\$ -	-	US\$ 1,300 (NT\$ 42,249)	100% ownership of indirect investment by the Corporation's subsidiary	(US\$ 42) (NT\$ 1,378)	US\$ 1,312 (NT\$ 42,650)	\$ -

Accumulated Investment in Mainland China as of December 31, 2007	Investment Amounts Authorized by Investment Commission, MOEA (Note 2)	Upper Limit on Investment Authorized by Investment Commission, MOEA (Note 2)
US\$ 1,300 (NT\$ 42,249)	US\$ 1,300 (NT\$ 42,249)	\$ 99,994

Note 1: The above amounts were translated into New Taiwan dollars at the exchange rate of US\$1=NT\$32.499 and RMB1=NT\$4.4491 as of December 31, 2007.

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

SCHEDULE 1

TAIWAN MOBILE CO., LTD.

CASH AND CASH EQUIVALENTS
DECEMBER 31, 2007

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

Item	Due Date	Amount
Short-term bills with repurchase rights	January 14, 2008	\$ 1,771,757
Cash in banks		
Foreign-currency deposits		
(EUR313,864.57, exchange rate at EUR1=NT\$47.666)		14,961
(US\$998,008.76, exchange rate at US\$1=NT\$32.499)		32,434
Checking deposits		6,218
Demand deposits		374,794
		<u>428,407</u>
Time deposits		
NTD deposit	July 6, 2008	3,000
(US\$3,643,180.20, exchange rate at US\$1=NT\$ 32.499)	January 8, 2008	118,400
(EUR2,442,408.44, exchange rate at EUR1=NT\$ 47.666)	January 23, 2008	116,420
		<u>237,820</u>
Cash on hand		<u>22,347</u>
Revolving funds		<u>3,108</u>
		<u>\$ 2,463,439</u>

TAIWAN MOBILE CO., LTD.

ACCOUNTS RECEIVABLE DECEMBER 31, 2007 (In Thousands of New Taiwan Dollars)

Client	Amount
Related parties	
Taiwan Fixed Network Co., Ltd.	\$ 218,970
TransAsia Telecommunications Inc.	73,498
Other	3,872
	<u>296,340</u>
Third parties	
Chunghwa Telecom Co., Ltd.	780,232
Other (Note)	5,031,483
	<u>5,811,715</u>
Less allowance for doubtful accounts	<u>(441,844)</u>
	<u>5,369,871</u>
	<u>\$ 5,666,211</u>

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

SCHEDULE 2

SCHEDULE 3

TAIWAN MOBILE CO., LTD.

CHANGES IN INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD YEAR ENDED DECEMBER 31, 2007 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

	Par Value	Beginning Balance		Increase		Decrease		Adjustments on Equity Method (Note 2)		Ending Balance		Market Price or Net Asset Value (Note 3)
		Thousand Shares	Amount	Thousand Shares	Amount	Thousand Shares	Amount	Thousand Shares	% of Ownership	Amount	Amount	
TransAsia Telecommunications Inc.	NT\$10	1,245,846	\$ 14,009,973	-	\$ -	345,846	\$ 4,893,559	\$ 2,214,251	900,000	100.00	\$ 11,330,665	\$ 11,330,665
Taiwan Cellular Co., Ltd. (formerly Taisheng Den Syun Co., Ltd.)	NT\$10	325,000	3,877,659	39,958	39,958,330	-	41,388,121	1,343,530	364,958	100.00	3,791,398	3,791,398
Wealth Media Technology Co., Ltd.	NT\$10	-	-	8,700	87,000	-	-	(4,285)	8,700	100.00	82,715	82,715
Total			<u>\$ 17,887,632</u>		<u>\$ 40,045,330</u>		<u>\$ 46,281,680</u>				<u>\$ 15,204,778</u>	

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

- Capital reduction of TransAsia Telecommunications Inc.
- Distributing cash dividends from TransAsia Telecommunications Inc.
- Distributing cash dividends from Taiwan Cellular Co., Ltd.
- Reclassified to treasury stock

	\$ 3,458,463
	1,435,096
	544,114
	<u>40,884,007</u>
	<u>\$ 46,281,680</u>

Note 2: Adjustments on equity method included the following:

- Investment income recognized based on investees' financial statements
- Cumulative translation adjustments
- Changes in unrealized gains of financial instruments
- Capital surplus arising from long-term investment
- Net loss not recognized as pension cost

	\$ 3,661,808
	1,904
	(113,063)
	1,313
	<u>1,534</u>
	<u>\$ 3,553,496</u>

Note 3: The net asset value of investees was calculated based on audited financial statements as of December 31, 2007.

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

SCHEDULE 4

TAIWAN MOBILE CO., LTD.

CHANGES IN PROPERTY AND EQUIPMENT
YEAR ENDED DECEMBER 31, 2007
(In Thousands of New Taiwan Dollars)

	Beginning Balance	Changes for the Period			Ending Balance
		Increase	Decrease	Reclassification	
Cost					
Land	\$ 4,845,823	\$ -	\$ -	\$ (1,189,840)	\$ 3,655,983
Buildings	2,753,923	-	-	(572,033)	2,181,890
Telecommunication equipment	68,261,533	-	21,577,335	5,938,058	52,622,256
Office equipment	106,305	4,189	2,957	6,245	113,782
Leased assets	1,276,190	-	-	-	1,276,190
Miscellaneous equipment	1,692,467	233,751	303,325	342,885	1,965,778
	<u>78,936,241</u>	<u>\$ 237,940</u>	<u>\$ 21,883,617</u>	<u>\$ 4,525,315</u>	<u>61,815,879</u>
Accumulated depreciation					
Buildings	277,685	\$ 45,305	\$ -	\$ (59,437)	263,553
Telecommunication equipment	23,811,758	5,708,580	9,571,828	-	19,948,510
Office equipment	42,478	24,661	1,768	-	65,371
Leased assets	292,461	63,809	-	-	356,270
Miscellaneous equipment	588,790	427,009	236,808	-	778,991
	<u>25,013,172</u>	<u>\$ 6,269,364</u>	<u>\$ 9,810,404</u>	<u>\$ (59,437)</u>	<u>21,412,695</u>
Construction in progress and advance payments	3,301,755	\$ 5,151,410	\$ 277	\$ (6,287,434)	2,165,454
Net property and equipment	<u>\$ 57,224,824</u>				<u>\$ 42,568,638</u>

Note 1: The total insurance for property and equipment and assets leased to others amounted to \$ 32,654,541 thousand.

Note 2: The increase of the construction in progress and advance payments included capitalized interests amounting to \$25,981 thousand.

SCHEDULE 5

TAIWAN MOBILE CO., LTD.

NON-OPERATING ASSETS
DECEMBER 31, 2007
(In Thousands of New Taiwan Dollars)

	Cost	Accumulated Depreciation	Net Carrying Value
Assets leased to others			
Land	\$ 1,661,886	\$ -	\$ 1,661,886
Buildings	838,721	111,224	727,497
	<u>\$ 2,500,607</u>	<u>\$ 111,224</u>	<u>2,389,383</u>
Deferred charges, net			
Interior decoration, etc.			3,483
			<u>2,392,866</u>
Less accumulated impairment			<u>(10,591)</u>
			<u>\$ 2,382,275</u>
Idle assets			
Land	\$ 238,960	\$ -	238,960
Buildings	137,010	23,548	113,462
Telecommunication equipment	265,618	78,099	187,519
Miscellaneous equipment	386	58	328
	<u>\$ 641,974</u>	<u>\$ 101,705</u>	<u>540,269</u>
Deferred charges, net			1,919
			<u>542,188</u>
Less allowance for losses			(187,424)
Less accumulated impairment			<u>(128,771)</u>
			<u>\$ 225,993</u>

SCHEDULE 6

TAIWAN MOBILE CO., LTD.

SHORT-TERM BANK LOANS
DECEMBER 31, 2007
(In Thousands of New Taiwan Dollars)

Bond Type and Creditor	Amount	Financing Period	Interest Rate	Credit Agreement	Mortgage or Guarantee
Loan in credit					
First Bank	\$ 2,000,000	December 7, 2007 - February 19, 2008	2.365-2.459	\$ 2,000,000	None
E.Sun Bank	600,000	December 25, 2007 - February 22, 2008	2.50	2,000,000	None
Taiwan Business Bank	500,000	December 7, 2007 - February 19, 2008	2.45-2.51	500,000	None
Bank of Taiwan	5,500,000	December 7, 2007 - March 24, 2008	2.46-2.5592	6,000,000	None
Land Bank	500,000	December 12, 2007 - January 30, 2008	2.395	2,000,000	None
Taiwan Cooperation Bank	200,000	December 17, 2007 - January 30, 2008	2.52	2,200,000	None
Mizuho Corporate Bank	3,000,000	December 25, 2007 - March 24, 2008	2.528	3,000,000	None
Hua Nan Bank	1,100,000	December 25, 2007 - February 22, 2008	2.49	3,000,000	None
Chang Hwa Bank	600,000	December 7, 2007 - March 24, 2008	2.58-2.60	1,000,000	None
	<u>\$ 14,000,000</u>			<u>\$ 21,700,000</u>	

SCHEDULE 7

TAIWAN MOBILE CO., LTD.

SHORT-TERM NOTES AND BILLS PAYABLE
DECEMBER 31, 2007
(In Thousands of New Taiwan Dollars)

Bond Type	Trustee	Issuing Period	Interest Rate	Amount		
				Issuance Amount	Unamortized Discounts	Carrying Value
Commercial paper						
	China Bills Finance Corporation	November 12, 2007 - February 19, 2008	2.0%-2.05%	\$ 850,000	\$ (2,721)	\$ 847,279
	International Bills financial Corporation	December 7, 2007 - February 19, 2008	2.121%	750,000	(2,526)	747,474
				<u>\$ 1,600,000</u>	<u>\$ (5,247)</u>	<u>\$ 1,594,753</u>

SCHEDULE 8

TAIWAN MOBILE CO., LTD.

**ACCOUNTS PAYABLE
DECEMBER 31, 2007
(In Thousands of New Taiwan Dollars)**

Suppliers	Amount
National Communication Commission	\$ 1,315,145
Other (Note)	<u>285,251</u>
	<u>\$ 1,600,396</u>

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

SCHEDULE 9

TAIWAN MOBILE CO., LTD.

**ACCRUED EXPENSES
DECEMBER 31, 2007
(In Thousands of New Taiwan Dollars)**

Nature	Amount
Salaries and bonuses	\$ 1,581,207
Commissions	1,036,220
Repair and maintenance expenses	596,570
Professional service fees	359,819
Advertising	125,920
Other (Note)	<u>893,388</u>
	<u>\$ 4,593,124</u>

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

SCHEDULE 10

TAIWAN MOBILE CO., LTD.

**OTHER PAYABLE
DECEMBER 31, 2007**

(In Thousands of New Taiwan Dollars)

Item	Amount
Payables for capital reduction	\$ 12,000,000
Payables for equipment and constructions	1,489,616
Value-added tax payables	142,430
Other (Note)	<u>1,936,679</u>
	<u>\$ 15,568,725</u>

SCHEDULE 11

TAIWAN MOBILE CO., LTD.

BONDS PAYABLE

DECEMBER 31, 2007

(In Thousands of New Taiwan Dollars)

Bond Type	Trustee	Date of Issuance	Payment Terms	Interest Rate	Issuance Amount	Repayment	Current Portion	Non-current Portion	Balance
1st domestic unsecured bonds	Bank SinoPac, Trust Division	December 13, 2002	Note 15	Note 1.5	\$ 15,000,000	\$ 5,000,000	\$ 2,500,000	\$ 7,500,000	\$ 10,000,000

SCHEDULE 12**TAIWAN MOBILE CO., LTD.****OPERATING REVENUES
YEAR ENDED DECEMBER 31, 2007
(In Thousands of New Taiwan Dollars)**

Item	Amount
Telecom service revenues	
Network interconnection (Note 1)	\$ 15,506,218
Airtime usage	16,955,533
Monthly access fee and activation fee	<u>18,561,548</u>
	51,023,299
Other operating revenues (Note 2)	<u>261,557</u>
	<u>\$ 51,284,856</u>

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

Note 2: Including commissions from receipts under custody and payments on behalf of others and revenues from handsets sales.

SCHEDULE 13**TAIWAN MOBILE CO., LTD.****OPERATING COSTS
YEAR ENDED DECEMBER 31, 2007
(In Thousands of New Taiwan Dollars)**

Item	Amount
Telecom service costs	
Network interconnection (Note 1)	\$ 8,907,967
Depreciation	5,755,382
Concession fee (2G&3G)	1,768,227
Monthly leased-line charges	1,259,745
Rents	1,381,271
Frequency usage fee	401,867
Maintenance materials and constructions	934,577
Other (Note 2)	<u>1,961,125</u>
	<u>\$ 22,370,161</u>

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

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

SCHEDULE 14**TAIWAN MOBILE CO., LTD.****OPERATING EXPENSES
YEAR ENDED DECEMBER 31, 2007
(In Thousands of New Taiwan Dollars)**

Item	Marketing	Administrative	Total
Commissions	\$ 6,289,368	\$ -	\$ 6,289,368
Salaries and pension	687,795	1,109,698	1,797,493
Professional service fees	794,161	285,853	1,080,014
Bad debts	-	804,775	804,775
Service charges	28,990	464,759	493,749
Depreciation	78,683	435,299	513,982
Advertising	308,822	24,664	333,486
Other (Note)	<u>770,932</u>	<u>805,219</u>	<u>1,576,151</u>
	<u>\$ 8,958,751</u>	<u>\$ 3,930,267</u>	<u>\$ 12,889,018</u>

Taiwan Mobile Co., Ltd. and Subsidiaries

**Consolidated Financial Statements for the
Years Ended December 31, 2007 and 2006 and
Independent Auditors' Report**

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

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated balance sheets of Taiwan Mobile Co., Ltd. (the "Corporation") and subsidiaries as of December 31, 2007 and 2006, and the related consolidated statements of income, changes in shareholders' equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Corporation's management. Our responsibility is to issue a report based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Taiwan Mobile Co., Ltd. and subsidiaries as of December 31, 2007 and 2006, and the consolidated results of their operations and their consolidated cash flows for the years then ended, 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 2 to the consolidated financial statements, to position as an integrated telecom and media player down the road differentiating from competition and build growth momentum through exposure to higher margin lines of business, Taiwan Fixed Network, Ltd. (the former Taihsing International Telecommunications Co., Ltd.), the subsidiary of the Corporation, acquired up to 84.03% of Taiwan Fixed Network, Ltd. (the former TFN)'s shares since April 17, 2007. Because the former TFN is controlled by the Corporation, the former TFN and its subsidiaries have been included in the accompanying consolidated financial statements for the period from April 17, 2007 to December 31, 2007.

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

January 11, 2008

Notice to Readers

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

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

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2007 AND 2006

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

ASSETS	2007		2006	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 2, 4 and 25)	\$ 7,028,091	7	\$ 12,415,725	11
Financial assets at fair value through profit or loss - current (Notes 2, 3 and 5)	131,973	-	14,077,168	12
Available-for-sale financial assets - current (Notes 2, 3 and 6)	2,103,403	2	381,569	-
Notes receivable	85,103	-	11,833	-
Accounts receivable - third parties (Notes 2 and 7)	6,759,589	7	6,167,474	5
Accounts receivable - related parties (Notes 2 and 25)	120,634	-	249,938	-
Other receivables (Note 2)	246,695	1	278,989	-
Inventories (Note 2)	159,843	1	31,232	-
Prepayments (Note 25)	134,055	1	600,914	1
Deferred income tax assets - current (Notes 2 and 21)	47,706	-	185,973	-
Planned time deposits (Notes 25 and 26)	22,603	-	10,000	-
Other current assets	17,690,295	18	22,367	-
Total current assets			34,433,182	29
INVESTMENTS				
Financial assets carried at cost - non-current (Notes 2 and 9)	2,526,701	3	3,879,192	3
Bonds measured at amortized cost - non-current (Notes 2 and 10)	500,000	-	-	-
Total investments	3,026,701	3	3,879,192	3
PROPERTY AND EQUIPMENT (Notes 2, 11, 25 and 26)				
Cost				
Land	6,102,661	6	5,040,980	4
Buildings	4,127,653	4	3,044,455	3
Telecommunication equipment	63,494,920	65	77,034,600	65
Office equipment	286,826	1	159,161	1
Leased assets	1,276,190	1	1,276,190	1
Miscellaneous equipment	2,347,927	3	1,859,680	2
Total cost	77,636,177	79	88,415,066	75
Less accumulated impairment	(998)	-	-	-
Accumulated depreciation	(28,950,472)	(29)	(30,755,119)	(26)
Construction in progress and advance payments	48,684,707	50	57,659,947	49
Total	2,296,595	2	3,305,954	3
Net property and equipment	50,981,302	52	60,965,901	52
INTANGIBLE ASSETS (Note 2)				
3G concession	8,224,800	8	8,972,509	7
Goodwill (Note 12)	9,231,478	10	6,835,370	6
Computer software cost	127,818	-	137,997	-
Other intangible assets	2,861,323	3	-	-
Customer relationship (Note 12)	1,382,000	1	-	-
Operating rights (Note 12)	15,934	-	-	-
Other intangible assets	4,259,257	4	-	-
Total intangible assets	21,843,353	22	15,945,876	13
OTHER ASSETS				
Assets leased to others (Notes 2 and 13)	547,295	1	722,041	1
Idle assets (Notes 2 and 13)	315,583	-	227,921	-
Refundable deposits	405,585	1	301,960	-
Deferred charges (Notes 2 and 14)	262,093	-	300,879	-
Deferred income tax assets - non-current (Notes 2 and 21)	2,898,598	3	1,554,290	2
Other (Notes 2 and 19)	59,451	-	81,107	-
Total other assets	4,488,605	5	3,188,298	3
TOTAL	\$ 98,030,256	100	\$ 118,412,549	100

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

(With Deloitte & Touche audit report dated January 11, 2008)

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2007 AND 2006

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

	2007		2006	
	Amount	%	Amount	%
OPERATING REVENUES (Notes 2 and 25)				
Telecommunication service revenue	\$62,941,659	95	\$58,486,616	99
Other revenue	3,153,502	5	419,478	1
Total operating revenues	66,095,161	100	58,906,094	100
OPERATING COSTS (Notes 2, 23 and 25)				
Telecommunication service cost	27,858,430	42	24,669,382	42
Other cost	1,405,604	2	50,665	-
Total operating costs	29,264,034	44	24,720,047	42
GROSS PROFIT	36,831,127	56	34,186,047	58
OPERATING EXPENSES (Notes 2, 23 and 25)				
Marketing	10,314,473	16	10,438,834	18
Administrative	5,199,631	8	4,414,925	7
Total operating expenses	15,514,104	24	14,853,759	25
OPERATING INCOME	21,317,023	32	19,332,288	33
NON-OPERATING INCOME AND GAIN				
Interest income	258,123	1	214,410	-
Penalty income	206,873	-	222,637	1
Investment income recognized under the equity method, net (Notes 2 and 8)	172,777	-	554,770	1
Dividend income	89,468	-	644,323	1
Gain on disposal of investments, net (Notes 2 and 6)	75,336	-	2,110,171	4
Rental income (Note 25)	65,293	-	59,887	-
Valuation gain on financial assets (Note 2)	48,231	-	92,937	-
Exchange gain, net (Note 2)	21,461	-	59,612	-
Gain on disposal of property and equipment (Note 2)	6,109	-	10,976	-
Other (Note 7)	300,818	1	548,863	1
Total non-operating income and gain	1,244,489	2	4,518,586	8
NON-OPERATING EXPENSES AND LOSSES				
Loss on disposal and retirement of property and equipment (Notes 2 and 25)	12,446,046	19	4,284,139	7
Interest expenses (Notes 2, 11 and 25)	943,585	2	421,958	1
Financial expenses	82,425	-	9,819	-
Impairment loss (Notes 2, 9 and 13)	10,139	-	2,953	-

(Continued)

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2007 AND 2006
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2007		2006	
	Amount	%	Amount	%
Losses on inventory valuation (Note 2)	\$ 10,056	-	\$ 8,449	-
Other (Note 2)	<u>119,534</u>	<u>-</u>	<u>215,798</u>	<u>1</u>
Total non-operating expenses and losses	<u>13,611,785</u>	<u>21</u>	<u>4,943,116</u>	<u>9</u>
INCOME BEFORE INCOME TAX	8,949,727	13	18,907,758	32
INCOME TAX EXPENSE (Notes 2 and 21)	<u>2,178,358</u>	<u>3</u>	<u>2,692,882</u>	<u>4</u>
INCOME AFTER INCOME TAX	6,771,369	10	16,214,876	28
CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES (Note 3)	<u>-</u>	<u>-</u>	<u>35</u>	<u>-</u>
CONSOLIDATED NET INCOME	<u>\$ 6,771,369</u>	<u>10</u>	<u>\$ 16,214,911</u>	<u>28</u>
ATTRIBUTED TO				
Shareholders of the parent	\$ 6,612,997	10	\$ 16,170,741	28
Minority interests	<u>158,372</u>	<u>-</u>	<u>44,170</u>	<u>-</u>
	<u>\$ 6,771,369</u>	<u>10</u>	<u>\$ 16,214,911</u>	<u>28</u>
	<u>2007</u>		<u>2006</u>	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
EARNINGS PER SHARE (Note 22)				
Basic	\$ 2.05	\$ 1.68	\$ 3.54	\$ 3.28
Diluted	\$ 2.05	\$ 1.68	\$ 3.53	\$ 3.26

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

(With Deloitte & Touche audit report dated January 11, 2008)

(Concluded)

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2007 AND 2006
(In Thousands of New Taiwan Dollars)

	Capital Stock	Capital Stock Entitlement Certificates	Capital Surplus	Legal Reserve	Special Reserve	Retained Earnings	Total	Cumulative Translation Adjustments	Net Loss Not Recognized As Pension Cost	Unrealized Loss on Financial Instruments	Treasury Stock	Minority Interests	Total Shareholders' Equity
BALANCE, JANUARY 1, 2006	\$49,492,065	\$ 29,871	\$ 7,905,337	\$ 8,504,731	\$ 2,201,631	\$ 19,175,425	\$ 29,881,787	\$ 3,240	\$ -	\$ -	\$ (323,544)	\$ 806,817	\$87,795,573
Appropriation of the 2005 earnings	-	-	-	-	-	(1,623,670)	-	-	-	-	-	-	-
Legal reserve	-	-	-	1,623,670	1,150,000	(1,150,000)	-	-	-	-	-	-	-
Special reserve	-	-	-	-	(1,631)	1,631	-	-	-	-	-	-	-
Reversal of special reserve	-	-	-	-	-	(40,394)	(40,394)	-	-	-	-	-	(40,394)
Remuneration to directors and supervisors	-	-	-	-	-	(403,940)	(403,940)	-	-	-	-	-	(403,940)
Bonus to employees - cash	-	-	-	-	-	(12,843,997)	(12,843,997)	-	-	-	-	-	(12,843,997)
Cash dividends - \$2.61677 per share	-	-	-	-	-	3,115,055	3,115,055	3,240	-	-	(323,544)	806,817	74,507,242
Balance after appropriation	49,492,065	29,871	7,905,337	10,128,401	3,350,000	16,593,456	29,881,787	620	-	-	-	2,483	88,000,000
Adjustments on change of equity in equity-method investments	-	-	-	-	-	(57,372)	(57,372)	-	-	-	-	-	3,103
Transfer of treasury stock to employees	-	-	-	-	-	-	-	-	-	-	704,624	-	647,252
Conversion of convertible bonds to capital stock and entitlement certificates	501,186	(29,871)	843,234	-	-	-	-	-	-	-	(1,818,370)	-	1,314,549
Buyback of issued shares	-	-	-	-	-	16,170,741	16,170,741	-	-	-	-	44,170	(1,818,370)
Consolidated net income in 2006	-	-	-	-	-	-	-	-	-	1,834,639	-	-	16,214,911
Effect of the first time adoption of new issued SFASs No. 34	-	-	-	-	-	-	-	-	-	(1,982,062)	-	-	1,834,639
Unrealized losses on financial instruments, net	-	-	-	-	-	-	-	-	-	-	-	(854,012)	(1,982,062)
Decrease in minority interests	-	-	-	-	-	-	-	-	-	-	-	25,050	(854,012)
Adjustments for the change of consolidated entities	-	-	-	-	-	-	-	-	-	-	-	-	25,050
BALANCE, DECEMBER 31, 2006	49,993,251	-	8,748,571	10,128,401	3,350,000	19,228,424	32,706,825	3,860	-	(147,423)	(1,437,290)	24,508	89,892,302
Appropriation of the 2006 earnings	-	-	-	-	-	(1,617,074)	-	-	-	-	-	-	-
Legal reserve	-	-	-	1,617,074	1,435,563	(1,435,563)	-	-	-	-	-	-	(43,231)
Special reserve	-	-	-	-	-	(432,303)	(432,303)	-	-	-	-	-	(432,303)
Remuneration to directors and supervisors	-	-	-	-	-	(12,880,151)	(12,880,151)	-	-	-	-	-	(12,880,151)
Bonus to employees - cash	-	-	-	-	-	4,112,102	4,112,102	-	-	-	-	-	76,536,617
Cash dividends - \$2.58757 per share	-	-	-	-	-	3,493,563	3,493,563	-	-	-	-	-	(1,083,312)
Balance after appropriation	49,993,251	-	8,748,571	11,745,475	3,493,563	19,351,140	32,706,825	3,860	1,534	(147,423)	(1,437,290)	24,508	89,892,302
Adjustments on change of equity in equity-method investments	-	-	-	-	-	-	-	-	-	-	-	-	-
Unrealized gains on financial instruments, net	-	-	-	-	-	(4,869)	(4,869)	-	-	196,443	-	-	196,443
Transfer of treasury stock to employees	-	-	-	-	-	-	-	-	-	-	1,437,290	-	1,440,448
Conversion of convertible bonds to capital stock and entitlement certificates	16,003	-	27,248	-	-	-	-	-	-	-	(40,844,007)	-	43,251
Adjustments of treasury stock held by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	(40,844,007)
Cash reduction (Note 20)	(12,000,000)	-	-	-	-	-	-	-	-	-	-	-	(12,000,000)
Consolidated net income in 2007	-	-	-	-	-	6,612,997	6,612,997	-	-	-	-	158,372	6,771,369
Dividend distribution to minority interests by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(13,819)	(13,819)
Effect of acquisition the subsidiaries	-	-	-	-	-	-	-	-	-	-	-	472,417	472,417
Decreasing in minority interests	-	-	-	-	-	-	-	-	-	-	-	(89,246)	(89,246)
BALANCE, DECEMBER 31, 2007	\$38,009,254	\$ -	\$8,785,159	\$11,745,475	\$3,493,563	\$10,720,230	\$25,959,268	\$ 5,764	\$1,534	\$ (64,043)	\$ (40,844,007)	\$ 252,232	\$32,405,161

The accompanying notes are an integral part of the consolidated financial statements.
 (With Deloitte & Touche audit report dated January 11, 2008)

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2007 AND 2006
(In Thousands of New Taiwan Dollars)

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Consolidated net income	\$ 6,771,369	\$ 16,214,911
Adjustments to reconcile net income to net cash provided by operating activities:		
Loss on disposal and retirement of property and equipment, net	12,439,937	4,273,163
Depreciation	7,763,722	6,779,602
Deferred income taxes	(1,281,621)	(962,379)
Amortization	1,072,318	1,044,535
Bad debts	907,566	1,196,051
Investment income recognized under the equity method, net	(172,777)	(554,770)
Pension cost	(132,459)	(77,742)
Amortization of long-term notes payable	80,269	-
Gain on disposal of available-for-sale financial assets	(75,336)	(2,110,171)
Impairment loss	10,139	2,953
Provision for price decline of inventories	10,056	8,449
Accrued interest compensation	(2,297)	36,247
Gain on disposal of idle assets, net	(2,151)	(9,681)
Other	5,622	15,971
Cash dividends received from equity-method investees	-	138,210
Loss on buyback of bonds payable	-	59,982
Net changes in operating assets and liabilities		
Financial asset held for trading	14,086,306	(13,477,168)
Notes receivable	(50,060)	2,215
Accounts receivable - third parties	(473,142)	(748,455)
Accounts receivable - related parties	129,304	(62,866)
Other receivable	105,377	(189,789)
Inventories	33,399	(33,630)
Prepayments	110,008	(29,678)
Other current assets	124,642	(6,664)
Notes payable	47,279	(8,033)
Accounts payable	(204,073)	(63,716)
Income taxes payable	(1,885,015)	1,879,271
Accrued expenses	702,703	(154,709)
Other payables	885,048	528,410
Advance receipts	127,453	(68,909)
Other current liabilities	(311,906)	(106,930)
Net cash provided by operating activities	<u>40,821,680</u>	<u>13,514,680</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in acquiring subsidiaries	(42,913,002)	-
Proceeds from disposal of available-for-sale financial assets	11,936,213	11,265,915
Acquisition of property and equipment	(7,057,863)	(7,347,586)
Acquisition of available-for-sale financial assets	(334,000)	(188,468)
Proceeds from investees' capital return	63,158	-

(Continued)

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2007 AND 2006
(In Thousands of New Taiwan Dollars)

	2007	2006
Increase in financial assets carried at cost - non-current	\$ (39,436)	\$ -
Decrease in computer software cost and other intangible assets	38,260	-
Increase in deferred charges	(21,793)	(170,943)
Proceeds from disposal of property and equipment	14,583	188,699
Proceeds from disposal of financial assets carried at cost - non-current	13,249	-
Decrease (increase) in pledged time deposits	(5,249)	2,000
Proceeds from disposal of idle assets	2,151	44,633
Decrease in other assets	2,129	720
Decrease (increase) in refundable deposits	(1,603)	8,074
Increase in goodwill	-	(421,341)
Proceeds from disposal of long-term investments	-	70,268
Proceeds from disposal of subsidiary shares	-	6,447
Net cash provided by (used in) investing activities	<u>(38,303,203)</u>	<u>3,458,418</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in long-term loans	(20,704,000)	-
Increase in short-term bank loans	19,340,000	-
Cash dividends paid	(9,353,504)	(12,843,925)
Decrease in bonds payable	(3,768,900)	(2,753,300)
Increase in short-term notes and bills payable	1,594,753	-
Transfer of treasury stock to employees	1,440,448	647,252
Bonus to employees	(432,303)	(403,940)
Decrease in minority interests	(89,246)	(808,663)
Decrease in guarantee deposits	(62,466)	(36,901)
Remuneration to directors and supervisors	(34,863)	(37,970)
Decrease (increase) in other liabilities	19,744	(2,216)
Buyback of treasury stock	-	(1,818,370)
Buyback of bonds payable	-	(1,341,076)
Net cash used in financing activities	<u>(12,050,337)</u>	<u>(19,399,109)</u>
EFFECT OF EXCHANGE RATE CHANGES	<u>1,587</u>	<u>193</u>
ACQUISITION OF CASH AND CASH EQUIVALENT FOR SUBSIDIARIES	<u>4,142,639</u>	<u>-</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(5,387,634)	(2,425,818)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>12,415,725</u>	<u>14,841,543</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 7,028,091</u>	<u>\$ 12,415,725</u>

(Continued)

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
 YEARS ENDED DECEMBER 31, 2007 AND 2006
 (In Thousands of New Taiwan Dollars)

	2007	2006
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid	\$ 1,014,951	\$ 469,519
Less: interest capitalized	<u>(25,981)</u>	<u>(11,647)</u>
Interest paid - excluding interest capitalized	<u>\$ 988,970</u>	<u>\$ 457,872</u>
Income tax paid	<u>\$ 4,708,894</u>	<u>\$ 1,531,391</u>
NON-CASH INVESTING AND FINANCING ACTIVITIES		
Current portion of long-term liabilities	<u>\$ 4,940,340</u>	<u>\$ 3,814,448</u>
Conversion of convertible bonds to capital stock and entitlement certificates	<u>\$ 43,251</u>	<u>\$ 1,314,549</u>
Payables for capital reduction	<u>\$ 12,000,000</u>	<u>\$ -</u>
CASH INVESTING AND FINANCING ACTIVITIES		
Acquisition of property and equipment	\$ 6,284,450	\$ 7,512,091
Increase in notes payable	(1,073)	-
Decrease (increase) in other payables	<u>774,486</u>	<u>(164,505)</u>
Cash paid for acquisition of property and equipment	<u>\$ 7,057,863</u>	<u>\$ 7,347,586</u>
The Corporation acquired 74.65% of Taiwan Fixed Network Co., Ltd.'s shares (the former TFN) on April 17, 2007. The fair values of the assets and liabilities as of April 17, 2007 were as follows:		
Cash		\$ 3,919,950
Available-for-sale financial assets - current		13,363,247
Accounts receivable		896,662
Inventories		160,803
Other receivable		3,066,995
Other current assets		439,823
Investments accounted for using equity method		44,670,593
Financial assets carried at cost - non-current		2,239,242
Bonds measured at amortized cost - non-current		500,000
Property and equipment		5,229,013
Intangible assets		6,650,044
Other assets		<u>357,080</u>
		<u>81,493,452</u>
Accounts payable		1,327,269
Accrued expenses		567,354
Other payables		453,711
Current portion of long-term liabilities		15,748,972
Other current liabilities		928,479
Long-term bank loans and notes payables		7,315,099

(Continued)

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
 YEARS ENDED DECEMBER 31, 2007 AND 2006
 (In Thousands of New Taiwan Dollars)

Accrued pension costs	\$ 121,265
Other liabilities	<u>148,086</u>
	<u>26,610,235</u>
Net	54,883,217
Percentage of equity interest	<u>84.6%</u>
	46,431,202
Less: Fair value of 9.95% stake owned before tender offer (including investment income recognized under the equity method from January 1, 2007 to April 16, 2007, and the difference between preceding and following fair market value of purchase price allocation.)	<u>(6,444,914)</u>
Cash paid for acquisition of the former TFN	<u>\$ 39,986,288</u>
The Corporation acquired 52.35% of Taiwan Telecommunication Network Services Co., Ltd.'s shares in September 2007. The fair values of the assets and liabilities upon acquisition were as follows:	
Cash	\$ 222,689
Financial assets at fair value through profit or loss - current	141,111
Accounts receivable	165,087
Inventories	11,263
Other current assets	13,578
Financial assets carried at cost - non-current	332,400
Property and equipment	292,462
Intangible assets	551,454
Other assets	<u>41,843</u>
	<u>1,771,887</u>
Accounts payable	116,329
Accrued expenses	34,364
Other payables	4,796
Other current liabilities	76,632
Accrued pension costs	31,080
Other liabilities	<u>3,968</u>
	<u>267,169</u>
Net	1,504,718
Percentage of equity interest	<u>52.35%</u>
Cash paid for acquisition of Taiwan Telecommunication Network Services Co., Ltd.	<u>\$ 787,720</u>

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

(With Deloitte & Touche audit report dated January 11, 2008)

(Concluded)

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2007 AND 2006

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

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

As of December 31, 2007 and 2006, the Corporation and subsidiaries had 4,586 and 3,037 employees, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying consolidated financial statements have been prepared in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, the Business Accounting Law, Guidelines Governing Business Accounting, and accounting principles generally accepted in the ROC. In conformity with these guidelines, the Law, and principles, the Corporation and subsidiaries (hereinafter referred to as the "Group") are required to make certain estimates and assumptions that could affect the amounts of allowance for doubtful accounts, provision for losses on decline in value of inventories, depreciation, pension, allowance for deferred income tax assets, impairment loss on assets, etc. Actual results may differ from these estimates.

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

Consolidation

a. Basis of consolidation

The consolidated financial statements have been prepared in accordance with the Statement of Financial Accounting Standards (SFAS) No. 7, "Consolidated Financial Statements," and included the financial statements of the Corporation, its direct and indirect subsidiaries with at least 50% shareholding and other investees controlled by the Corporation. As obtaining the majority of the shareholder's equity of the subsidiaries during the year, the company starts to consolidate the related revenues and expenses of the subsidiaries since the date of having the controlling interest.

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

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

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

Investor	Subsidiary	Nature of Business	Percentage of Ownership as of		Note
			December 31, 2007	December 31, 2006	
Corporation	TransAsia Telecommunications Inc. (TAT)	Wireless service provider	100.00	100.00	Formerly TAT International Telecommunication Co., Ltd.; established on February 8, 2006 by investing the former TAT's shares; merged with the former TAT on June 27, 2006 and renamed as TransAsia Telecommunications Inc.
Corporation	Wealth Media Technology Co., Ltd. (WMT)	Investment	100.00	-	Established on August 7, 2007
WMT	Tai Fu Media Technology Co., Ltd. (TFMT)	Investment	100.00	-	Established on October 18, 2007
TFMT	Global Wealth Media Technology Co., Ltd. (GWMT)	Investment	100.00	-	Established on October 26, 2007
TFMT	Fu Jia Leh Media Technology Co., Ltd. (FJLMT)	Investment	100.00	-	Established on November 23, 2007
TFMT	Fu Sin Media Technology Co., Ltd. (FSMT)	Investment	100.00	-	Established on November 23, 2007
GWMT	Globalview Cable TV Co., Ltd. (GCTV)	Cable TV SO (System Operator)	6.179	-	
Corporation	Taiwan Cellular Co., Ltd. (TCC; formerly Taihsing Den Syun Co., Ltd. (TDS))	Equipment installation and IT service	100.00	100.00	-
TCC (formerly TDS)	Mobitai Communications (Mobitai)	Wireless service provider	-	100.00	Formerly Tai Ya International Telecommunications Co., Ltd.; merged with the former Mobitai on January 1, 2006 and renamed as Mobitai Communications, and merged into TAT on December 15, 2007
TCC (formerly TDS)	Tai Yi Digital Broadcasting Co., Ltd. (TYDB)	Broadcasts business and cell phone number agency	49.90	49.90	-
TCC (formerly TDS)	TWM Holding Co. Ltd. (formerly Simax Investment Holdings Ltd.)	Investment	100.00	100.00	-
TCC (formerly TDS)	Taiwan Fixed Network Co., Ltd. (TFN)	Fixed network service	100.00	-	Established on January 30, 2007. Formerly Taihsing International Telecommunications Co., Ltd., merged with the former TFN on December 28, 2007 and renamed as Taiwan Fixed Network Co., Ltd.
TCC (formerly TDS)	Taiwan Digital Communications Co., Ltd. (TDC)	Communication service	100.00	-	Established on June 6, 2007
TCC (formerly TDS)	Taiwan Teleservices & Technologies Co., Ltd. (TT&T)	Call center service	100.00	100.00	-
TT&T	TT&T Casualty & Property Insurance Agency Co., Ltd. (TCPIA)	Insurance agency	100.00	100.00	-
TT&T	TT&T Life Insurance Agency Co., Ltd. (TLIA)	Insurance agency	100.00	100.00	-
TT&T	Taiwan Super Basketball Co., Ltd. (TSB)	Basketball team management and related business	100.00	-	Established on September 21, 2007
TT&T	TT&T Holdings Co., Ltd. (TT&T Holding)	Investment	100.00	100.00	-
TT&T Holding	Xiamen Taifu Teleservices & Technologies Ltd.	Call center service	100.00	100.00	-

(Continued)

Investor	Subsidiary	Nature of Business	Percentage of Ownership as of December 31		Note
			2007	2006	
TFN	Taiwan Fixed Network Co., Ltd. (the former TFN)	Fixed network service	-	-	a. TFN acquired more than 50% equity of the former on April 17, 2007 and consolidated it and its subsidiaries into financial statements. The former TFN was merged into TFN on December 28, 2007.
					b. As of December 31, 2007, TFN and TFNI own the Corporation's 1,368,250 thousand shares, representing 27.36% shareholding.
TFN	TFN Investment Co., Ltd. (TFNI)	Investment	100.00	-	(Note 1)
TFN	TFN HK Ltd.	Telecommunications	99.99	-	(Note 1)
TFN	Taiwan United Communication Co., Ltd. (TUC)	Communication service	98.93	-	Established on April 14, 2007, and acquired minorities of TTN through share swap on December 31, 2007.
The former TFN	Hong Yuan Investment Co., Ltd. (HYI)	Investment	-	-	Merged into TFNI on June 5, 2007
The former TFN	TFN US Ltd.	Telecommunications	-	-	Liquidated on June 8, 2007
TUC	Taiwan Telecommunication Network Services Co., Ltd. (TTN)	Data communication/voice value-added service	99.53	-	TUC acquired more than 50% equity and consolidated TTN into financial statements since September, 2007. TUC acquired minorities of TTN through share swap on December 31, 2007.
TTN	VoPier Communications (Taiwan) Co., Ltd. (VoPier)	International simple resale and prepaid card	100.00	-	-
TFNI	Reach & Range Inc. (R&R)	Telecom equipment sales and maintainance	100.00	-	-
TFNI	TFN Digital Co., Ltd. (TFND)	Telecom equipment sales and maintainance	-	-	Merged into TFNI on June 30, 2007
TFNI	Win TV Broadcasting Co., Ltd. (WTVB)	TV program producing	98.50	-	-
TFNI	Fu Yang Media Co., Ltd. (FYM)	Cable TV MSO (Multi System Operator)	-	-	Merged into TFNM on December 1, 2007
TFNI	TFN Media Ltd. (TFNM)	Cable broadband service	93.06	-	-
TFNM	FYM	Cable TV MSO (Multi System Operator)	-	-	Merged into TFNM on December 1, 2007
TFNM	Union Cable TV Co., Ltd. (UCTV)	Cable TV SO (System Operator)	99.99	-	(Note 2)
TFNM	Shin Ho Cable TV Co., Ltd. (SHCTV)	Cable TV SO (System Operator)	100.00	-	Partial shares held under trustee accounts (Note 2)
TFNM	Yeong Jialeh Cable TV Co., Ltd. (YJCTV)	Cable TV SO (System Operator)	100.00	-	(Note 2)
TFNM	Mangrove Cable TV Corporation (MCTV)	Cable TV SO (System Operator)	100.00	-	Partial shares held under trustee accounts (Note 2)
TFNM	North Coast Cable TV Co., Ltd. (NCCTV)	Cable TV SO (System Operator)	100.00	-	(Note 2)
TFNM	Phoenix Cable TV Co., Ltd. (PCTV)	Cable TV SO (System Operator)	70.00	-	(Note 2)
TFNM	GCTV	Cable TV SO (System Operator)	92.38	-	(Note 2)

(Concluded)

Note 1: The former TFN merged into TFN on December 28, 2007, thus, the company became the subsidiary of TFN.

Note 2: FYM merged into TFNM on December 1, 2007, thus, the company became the subsidiary of TFNM.

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 TIT resolved to acquire the former TFN through a public tender offer on March 1, 2007, and approved to buy shares continuously from minorities on April 26, 2007, both at the price of \$8.3 per share. The former 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 the former 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 April 17, 2007, the Corporation owned 84.03% of the former TFN's shares through subsidiaries. The financial numbers of the former TFN and its subsidiaries from April 17 to December 31, 2007 have been included in the accompanying consolidated financial statements.

In September, 2007, the Corporation owned more than 50% of TTN's shares through subsidiaries. The financial numbers of TTN and its subsidiary from September to December, 2007 have been included in the accompanying consolidated financial statements.

The Group's main 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

Government bonds and 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 sheets date.

Available-for-sale Financial Assets

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

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

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

The fair value of listed securities is based on the closing price on the balance sheet date. The fair values of open-end mutual funds are referred to financial assets at fair value through profit or loss.

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 are evaluated on the basis of replacement cost or net realizable value.

Investments Accounted for Using Equity Method

Long-term investments in which the Corporation and subsidiaries own 20% or more of an investee's outstanding voting shares or exercise significant influence on an investee are accounted for by the equity method.

Effective 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 but instead tested annually for impairment. An impairment test is also required if there is evidence indicating that goodwill might be impaired as a result of specific events or changes in economic environment. If the fair value of identifiable net assets acquired exceeds the cost of investments, the difference should be allocated to reduce non-current assets proportionately to their respective fair values (except for financial assets not under the 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 from 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 the Corporation's sales to its subsidiaries are deferred and included in deferred income and recorded as other liabilities. Gains or losses on the sales 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. Gains or losses from transactions between two equity-method investees are deferred in proportion to the Corporation's equivalent stock ownership in the investees if the Corporation has controlling power over each investee.

If the investor does not have controlling power over the two equity-method investees that have transactions with each other, unrealized gains or losses on the transactions should be deferred in proportion to the percentage of ownership in one investee multiplied by the ownership percentage in the other investee.

The cost and the resulted gain or loss from sales of investments 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 non-publicly traded and emerging stocks, etc, is measured at cost. The accounting for the dividends from financial assets carried at cost is the same as that for available-for-sale financial assets. Impairment losses are recognized if there is objective evidence of a decrease in fair value. Reversal of impairment losses is not allowed.

Bonds Measured at Amortized Cost

Bond portfolios with fixed or determinable payments and with no quoted prices in an active market are carried at amortized cost using the effective interest method. These bond portfolios are initially recognized at fair value plus transaction costs that are directly attributable to the acquisition or the issuance of the financial assets. Profit or loss is recognized at the time of de-recognition, impairment or amortization. A regular purchase or sale of financial assets is recognized and de-recognized using trade date accounting.

If there is objective evidence of impairment loss as of the balance sheet date, impairment loss should be recognized. If the impairment loss decreases and the decrease can be related objectively to an event occurring after impairment loss recognition, the impairment loss should be reversed. This reversal should not result in the carrying amount of the financial asset exceeding the amortized cost that would have been determined had no impairment loss been recognized.

Property and Equipment and Assets Leased to Others

Property and equipment and assets leased to others are stated at cost less accumulated depreciation and accumulated impairment. 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 - 40 to 55 years; telecommunication equipment - 2 to 15 years; office equipment - 3 to 8 years; leased assets - 20 years; leasehold improvements - 3 to 10 years; and miscellaneous equipment - 2 to 6 years.

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

Intangible Assets

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 over 13 years and 9 months starting from launch of 3G services.

b. Computer software

Computer software cost is amortized by straight-line method over 2 to 12 years.

c. Goodwill

Goodwill is the unidentifiable difference between the cost of acquisition and the equity in the investee's net asset value. 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.

d. Customer relationship and operating rights

The customer relationship and operating rights shall be identified when analyzing the excess of acquisition cost over the ownership in net assets value of an investee, and be booked at fair values provided by the purchase price allocation report.

Customer relationship and operating rights are measured on the basis of the future economic value and useful life of a subsidiaries' cable TV and data network businesses. Customer relationship is amortized by straight-line method over 6 to 20 years. Operating rights is based on a license issued by the Ministry of Transportation and Communications. Although the license has a statutory period, the subsidiary can file for license renewal. Although the license has a statutory period, it can be filed for renewal. Furthermore, it does not have a definite useful life in light of future competition from IPTV. Thus, this intangible asset should be tested annually for impairment instead of being amortized in accordance with SFAS No. 37. An impairment test is also required if there is evidence of goodwill impairment due to certain circumstances.

e. Other

Trademarks are amortized by the straight-line method over 5 to 10 years.

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, arrangement fee from syndicated bank loan, and issuance costs of bonds are amortized by the straight-line method over 3 to 7 years or contract periods.

Asset Impairment

If the carrying value of assets (including property and equipment, intangible assets, idle assets, assets leased to others and investments accounted for using equity method and deferred charges) is more than their recoverable amount, which indicates that an impairment exists, an impairment loss should be recognized. Any subsequent reversal of the impairment loss for the increase in recoverable amount is recognized as income. The reversal of impairment loss on goodwill is not allowed.

Pension Costs

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

Bonds Payable

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

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

Income Taxes

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

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

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

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

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

Treasury Stock

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

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

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

Revenue Recognition

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

Service revenues from wireless services, value-added services, and fixed network services, net of any applicable discount, are billed at predetermined rates; the fixed-monthly fees on basic cable TV services are accrued; prepaid card service are recognized on the basis of minutes of usage.

Promotion Expenses

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

Hedging Derivative Financial Instruments

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

Reclassification

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

3. REASONS AND EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES

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

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

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

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

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

Starting on January 1, 2006, the Group adopted newly revised SFAS No. 1, “Conceptual Framework for Financial Accounting and Preparation of Financial Statements,” SFAS No. 5, “Long-term Investments in Equity Securities,” and SFAS No. 25, “Business Combinations - Accounting Treatment under Purchase Method.” These revisions primarily included that goodwill is no longer amortized and that the difference between the cost of acquisition and the equity in the investee’s net assets value is subjected to an initial analysis. If defined as goodwill, the difference is no longer amortized but instead tested annually for impairment. These adoptions increased the income after income tax by \$486,667 thousand and had no effect on the cumulative effect of changes in accounting principle for the year ended December 31, 2006.

4. CASH AND CASH EQUIVALENTS

	December 31	
	2007	2006
Short-term notes and bills with repurchase rights	\$ 4,060,621	\$ 8,328,744
Government bonds with repurchase rights	1,239,543	477,460
Cash in banks	1,067,351	1,220,765
Time deposits	632,506	2,352,702
Cash on hand	22,348	32,503
Revolving funds	5,722	3,551
	<u>\$ 7,028,091</u>	<u>\$ 12,415,725</u>

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

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

	December 31	
	2007	2006
<u>Financial assets held for trading</u>		
Beneficiary certificates		
Open-end mutual funds	\$ 131,973	\$ 14,077,168

6. AVAILABLE-FOR-SALE FINANCIAL ASSETS - CURRENT

	<u>December 31</u>	
	<u>2007</u>	<u>2006</u>
Domestic listed stocks		
Fubon Financial Holding Company	\$ 1,786,256	\$ -
Chunghwa Telecom Co., Ltd.	177,112	162,893
Overseas listed stocks		
Hurray! Holding Co., Ltd. (NASDAQ listed company)	<u>140,035</u>	<u>218,676</u>
	<u>\$ 2,103,403</u>	<u>\$ 381,569</u>

In the year ended December 31, 2006, the Corporation recognized a gain of \$2,110,978 thousand from selling 200,000 thousand shares of Chunghwa Telecom Co., Ltd.

7. ACCOUNTS RECEIVABLE - THIRD PARTIES

	<u>December 31</u>	
	<u>2007</u>	<u>2006</u>
Accounts receivable	\$ 7,313,340	\$ 6,753,110
Less allowance for doubtful accounts	<u>(553,751)</u>	<u>(585,636)</u>
	<u>\$ 6,759,589</u>	<u>\$ 6,167,474</u>

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

8. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

The subsidiary of the Corporation, TUC, acquired more than 50% of TTN's shares in September 2007 and thus had control over TTN. The Corporation recognized investment income of \$487 thousand from August 15 (acquisition date) to August 31, on its investment in TTN.

The subsidiary of the Corporation, TFN, acquired more than 50% of the former TFN's shares on April 17, 2007 and thus had control over the former TFN. The Corporation recognized investment income of \$172,290 thousand from January 1 to April 16, on its investment in the former TFN and TFN's subsidiaries.

The investment income in Howin Technologies Co., Ltd. (HTC) was recognized under the equity method by debiting long-term investments. In the year ended December 31, 2006, HTC was divested. The investment income on HTC for the year ended December 31, 2006, determined on the basis of this investee's unaudited financial statements, was \$554,770 thousand, and it included deferred gains or losses on the Corporation's equity accounted investee's sales to the Corporation and reciprocal transactions, amounting to \$552,725 thousand when the Corporation and its subsidiaries sold HTC.

9. FINANCIAL ASSETS CARRIED AT COST - NON-CURRENT

	<u>December 31</u>	
	<u>2007</u>	<u>2006</u>
Domestic emerging stocks		
Taiwan High Speed Rail Corporation	\$ 2,120,829	\$ -
The former Taiwan Fixed Network Co., Ltd.	-	3,743,808
Domestic unlisted stocks		
Arcoa Communication Co., Ltd.	67,731	67,731
Great Taipei Broadband Co., Ltd.	50,528	-
Parawin Venture Capital Corp.	22,202	25,144
WEB Point Co., Ltd.	6,773	7,084
Sunnet Technologies Co., Ltd.	-	3,265
Foreign unlisted stocks		
Bridge Mobile Pte Ltd.	71,596	32,160
Domestic unlisted preferred stock		
New Century Information Tech. Co., Ltd. (NCIC)	<u>187,042</u>	<u>-</u>
	<u>\$ 2,526,701</u>	<u>\$ 3,879,192</u>

The above stocks had no active market quotation and reliably determining their fair values would entail an unreasonably high cost; thus, these investments were measured at cost. For the years ended December 31, 2007 and 2006, the Corporation recognized an impairment loss in proportion to its ownership percentage of net worth amounting to \$10,139 thousand and \$948 thousand.

10. BONDS MEASURED AT AMORTIZED COST - NON-CURRENT

	<u>December 31</u>	
	<u>2007</u>	<u>2006</u>
Taiwan High Speed Rail Corporation - unlisted convertible preferred stock - series A	<u>\$ 500,000</u>	<u>\$ -</u>

11. PROPERTY AND EQUIPMENT - ACCUMULATED DEPRECIATION

	<u>December 31</u>	
	<u>2007</u>	<u>2006</u>
Accumulated depreciation		
Buildings	\$ 534,741	\$ 316,668
Telecommunication equipment	26,866,168	29,399,200
Office equipment	163,392	84,284
Leased assets	356,270	292,461
Miscellaneous equipment	<u>1,029,901</u>	<u>662,506</u>
	<u>\$ 28,950,472</u>	<u>\$ 30,755,119</u>
Accumulated impairment		
Telecommunication equipment	<u>\$ 998</u>	<u>\$ -</u>

Interest expenses capitalized for the years ended December 31, 2007 and 2006 amounted to \$25,981 thousand and \$11,647 thousand, respectively, with interest rates ranging from 2.4% to 3.0% and from 2.28% to 3.12%, respectively.

12. INTANGIBLE ASSETS

	Year Ended December 31, 2007		
	Goodwill	Customer Relationship	Operating Rights
<u>Cost</u>			
Beginning balance	\$ 6,835,370	\$ -	\$ -
Add			
Consolidated acquisition	<u>2,396,108</u>	<u>2,861,323</u>	<u>1,382,000</u>
Ending balance	<u>\$ 9,231,478</u>	<u>\$ 2,861,323</u>	<u>\$ 1,382,000</u>

a. Customer relationship and operating rights

Under SFAS No. 25 - "Business Combinations" and No. 37 - "Accounting for Intangible Assets", the Corporation should measure the fair value of the acquired assets and identify major intangible assets as well as the amortization periods.

- On April 17, 2007, TFN, the Corporation's 100%-owned subsidiary, acquired more than 50% of the former TFN through a public tender offer at the price of NT\$8.3 per share. The Corporation divided the former TFN and its subsidiaries into two cash-generating units, fixed network service and cable TV. Accordingly, customer relationship and operating rights are identified as major intangible assets.
- On September, 2007, TUC, the Corporation's 100%-owned subsidiary, acquired more than 50% of TTN's shares at NT\$13.843 per share. The Corporation measured the fair value of the acquired assets, and viewed TTN's ISP services as one cash-generating unit. Accordingly, customer relationship is identified as major intangible asset.

b. Goodwill

In conformity with SFAS No. 35, "Accounting for Asset Impairment," the Group identified the smallest identifiable group of cash-generating units by years and entities as follows:

In 2006, the Group was engaged in mobile service only and identified the Corporation, TAT and Mobitai as independent cash-generating units.

In 2007, to be in line with the Group's integration of business resources and customer services for better core competence, the Corporation, TAT and Mobitai were viewed as one cash-generating unit. Besides, impairment test on goodwill of newly consolidated cable subsidiaries was needed. The critical assumptions to evaluate the recoverable amounts of operating assets and goodwill by business were as follows:

1) Wireless service

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 and 2006 financial statements.

c) Assumptions on discount rate

In 2007, the Group used the discount rate of 6.78% in calculating the consolidated asset recoverable amounts of the Corporation, TAT and the Mobitai, respectively. In 2006, the discount rates are 8.70%, 9.84%, and 9.70% in calculating the asset recoverable amounts of the Corporation, TAT and the Mobitai, respectively.

2) Cable television business

a) Assumptions on operating revenues

After taking changes in the cable television industry and competitive landscape into consideration, operating revenues were estimated on the basis of the projected changes in subscriber numbers and average revenue per subscriber.

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 and 2006 financial statements.

c) Assumptions on discount rate

The discount rate used to calculate the asset recoverable amounts was ranging 3.86% to 4.64%.

Based on the key assumptions of each cash-generating unit, the Group's management believes that the carrying amounts of these assets for operating and goodwill will not exceed their recoverable amounts even if there are changes in the critical assumptions used to estimate recoverable amounts as long as these changes are reasonable for the years ended December 31, 2007 and 2006.

13. ASSETS LEASED TO OTHERS AND IDLE ASSETS

	December 31	
	2007	2006
Assets leased to others		
Cost	\$ 580,268	\$ 776,379
Less: Accumulated depreciation	(22,382)	(43,747)
Less: Accumulated impairment	<u>(10,591)</u>	<u>(10,591)</u>
	<u>\$ 547,295</u>	<u>\$ 722,041</u>
Idle assets		
Cost	\$ 733,483	\$ 2,676,262
Less: Allowance for value decline	(128,771)	(130,028)
Less: Accumulated depreciation	(187,424)	(1,592,960)
Less: Accumulated impairment	<u>(101,705)</u>	<u>(725,353)</u>
	<u>\$ 315,583</u>	<u>\$ 227,921</u>

The carrying values of idle property (including land, buildings and telecommunication equipment) were less than their net realizable values or appraisal values, thus, the difference was recognized as impairment loss. The Corporation recognized an impairment loss of \$2,005 thousand in 2006.

14. DEFERRED CHARGES

	December 31	
	2007	2006
Interior decoration	\$ 250,917	\$ 279,092
Other	11,176	21,787
	<u>\$ 262,093</u>	<u>\$ 300,879</u>

15. SHORT-TERM BANK LOANS

	December 31	
	2007	2006
Unsecured loans	\$ 19,340,000	\$ -
Interest rate	2.365%-2.6%	-

16. SHORT-TERM NOTES AND BILLS PAYABLE

	December 31	
	2007	2006
Commercial paper payable		
China Bills Finance Corporation	\$ 850,000	\$ -
International Bills financial Corporation	750,000	-
Less: Discount on short-term notes and bills payable	(5,247)	-
Net carrying value	<u>\$ 1,594,753</u>	<u>\$ -</u>
Interest rate	2.0%-2.121%	-

17. BONDS PAYABLE

	December 31			
	2007		2006	
	Current	Non-current	Current	Non-current
Domestic unsecured bonds	\$ 2,500,000	\$ 7,500,000	\$ 3,750,000	\$ 10,000,000
2nd domestic convertible bonds	-	-	55,900	-
Add accrued interest compensation	-	-	8,548	-
	<u>\$ 2,500,000</u>	<u>\$ 7,500,000</u>	<u>\$ 3,814,448</u>	<u>\$ 10,000,000</u>

a. Domestic secured bonds

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

b. Domestic unsecured bonds

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

Future repayments of corporate bonds are as follows:

Year	Amount
2008	\$ 2,500,000
2009	<u>7,500,000</u>
	<u>\$ 10,000,000</u>

c. 1st domestic convertible bonds

On August 25, 2001, the Corporation issued \$10,000,000 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, starting from 3 months after the issuance date to the 10th day before maturity, the bondholders may ask for bond conversion into common stocks or entitlement certificates of the Corporation. Cash is paid for those bonds that cannot be converted into one share. The conversion price is subject to adjustment based on the prescribed formula. The conversion price has been NT\$22.2 per share since July 20, 2006. As of August 24, 2006, bonds amounting to \$6,802,300 thousand had been converted to 226,716 thousand of common shares. As of August 24 (due date), 2006, bonds amounting to \$3,194,400 thousand were purchased and canceled by the Corporation, and the other \$3,300 thousand was repaid by the Corporation on August 24, 2006.

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

On the third year after the issuance date, the holders may redeem the bonds by cash at face value plus interest accrued, which is 113.30% of face value calculated based on an implied yield rate of 4.25%. Upon maturity, the Corporation has redeemed the bonds by cash at face value plus interest accrued, which is 124.62% of face value, calculated based on an implied yield rate of 4.5%.

d. 2nd domestic convertible bonds

On August 16, 2002, the Corporation issued \$6,000,000 thousand of five-year domestic 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, 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%.

18. LONG-TERM NOTES PAYABLE

	<u>December 31</u>	
	<u>2007</u>	<u>2006</u>
Long-term notes payable	\$ 2,450,000	\$ -
Less: Discount on long-term notes payable	(9,660)	-
Current portion of long-term liabilities	<u>(2,440,340)</u>	<u>-</u>
	<u>\$ -</u>	<u>\$ -</u>

TFNI has \$2,450,000 thousand notes payable to Pacific Construction Co., Ltd. for the purchase of FYM in May 2006. The issuing period is 20 months starting from the transaction date. The present value of this payable is \$2,263,875 thousand, based on 4.75% discount rate.

19. PENSION PLAN

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

The new LPA provides for a defined contribution pension plan. Starting from July 1, 2005, the Corporation should contribute monthly an amount equal to 6% of the employees' monthly wages to the employees' individual pension accounts. The contributed amount was \$156,225 thousand and \$108,036 thousand for the years ended December 31, 2007 and 2006, respectively.

The LSA provides for a defined benefit pension plan. Benefits are based on the length of service and average basic pay of the six months before retirement. The Corporation contributes monthly an amount equal to 2% of the employees' monthly wages to a pension fund. The pension fund is managed by an independently administered pension fund committee and deposited in the committee's name in the Bank of Taiwan (formerly 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, the Corporation suspended contributing from February 2007 to January 2008.)

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

a. Pension cost

	<u>Years Ended December 31</u>	
	<u>2007</u>	<u>2006</u>
Service cost	\$ 5,967	\$ 2,946
Interest cost	16,771	8,167
Projected return of pension assets	(15,992)	(8,558)
Amortization	(1,313)	(3,022)
Gain on settlement	<u>(106,056)</u>	<u>(24,026)</u>
Pension cost	<u>\$ (100,623)</u>	<u>\$ (24,493)</u>

b. Changes in the prepaid pension cost

	<u>December 31</u>	
	<u>2007</u>	<u>2006</u>
Benefit obligation		
Vested	\$ (5,002)	\$ -
Non-vested	(330,434)	(178,977)
Accumulated	(335,436)	(178,977)
Additional benefits based on future salaries	(227,841)	(121,863)
Projected benefit obligation	(563,277)	(300,840)
Fair value of plan assets	<u>631,830</u>	<u>418,142</u>
Funded status	68,553	117,302
Unrecognized net transition obligation	24,386	6,165
Unrecognized prior service cost	20,934	-
Unamortized net gain or loss	20,839	-
Unrecognized net gain	(120,728)	(97,964)
Additional liability	<u>(16,932)</u>	<u>-</u>
Prepaid pension cost	<u>\$ (2,948)</u>	<u>\$ 25,503</u>

c. Vested benefit

	<u>\$ (5,604)</u>	<u>\$ -</u>
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d. Actuarial assumptions

	<u>Years Ended December 31</u>	
	<u>2007</u>	<u>2006</u>
Discount rate used in determining present values	2.75-3.5%	2.75%
Future salary increase rate	2.5-3.5%	2.5%
Expected rate of return on plan assets	2.5-2.75%	2.75%

20. 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.

Capital surplus as of December 31, 2007 and 2006 were as follows:

	<u>December 31</u>	
	<u>2007</u>	<u>2006</u>
Premium of convertible bonds	\$ 8,775,819	\$ 8,748,571
Surplus from treasury stock transactions	8,027	-
Arising from long-term investments	<u>1,313</u>	<u>-</u>
	<u>\$ 8,785,159</u>	<u>\$ 8,748,571</u>

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.

The 2006 and 2005 earnings appropriations resolved by the shareholders in their meetings on June 15, 2007 and 2006 were as follows:

	<u>Appropriation of Earnings</u>		<u>Dividend Per Share</u>	
	<u>For Fiscal</u>	<u>For Fiscal</u>	<u>For Fiscal</u>	<u>For Fiscal</u>
	<u>Year 2006</u>	<u>Year 2005</u>	<u>Year 2006</u>	<u>Year 2005</u>
Appropriation of legal reserve	\$ 1,617,074	\$ 1,623,670		
Appropriation of special reserve	143,563	1,150,000		
Reversal of special reserve	-	(1,631)		
Remuneration to directors and supervisors	43,231	40,394		
Cash bonus to employees	432,303	403,940		
Cash dividends	<u>12,880,151</u>	<u>12,843,997</u>	\$2.58757	\$2.61677
	<u>\$ 15,116,322</u>	<u>\$ 16,060,370</u>		

Had the above bonus to employees and remuneration to directors and supervisors been charged against income in 2007 and 2006, the basic earnings per share in that year would have decreased from \$3.28 to \$3.18 and from \$3.31 to \$3.22, respectively.

The appropriation of the Corporation's 2007 earnings had not been proposed by the Board of Directors as of January 11, 2008, the date of the accompanying independent auditors' report. Information on the appropriation of 2007 earnings proposed by the Board of Directors and resolved by the shareholders can be accessed through the Market Observation Post System on the Taiwan Stock Exchange Corporation's website.

c. Cash reduction

To increase ROE (Return of Equity) and maintain stable EPS (Earnings Per Share) and dividend, the Corporation's AGM (Annual General Shareholders' Meeting) resolved on June 15, 2007, a capital reduction of \$12,000,000 thousand, representing 24% of outstanding shares. The authority approved the Corporation's capital reduction on October 17, 2007. The Corporation's Board of Directors set the record date on December 1, 2007 to return \$12,000,000 thousand to investors, credited to the account of "other payables".

d. Treasury stock

(Shares in Thousands)

Purpose of Buyback	Beginning Shares	Increase	Decrease	Ending Shares
<u>Year ended December 31, 2007</u>				
To be transferred to employees	46,537	-	46,537	-
Shares held by subsidiaries	-	1,368,250	-	1,368,250 (Note)
<u>Year ended December 31, 2006</u>				
To be transferred to employees	11,551	57,804	22,818	46,537

Note: Shares held before capital reduction.

1) Transfer of stock to employees

For the year ended December 31, 2007, the Corporation transferred the bought-back treasury stocks through various tranches to employees of 46,537 thousand shares at \$28.17, \$31.16 and \$31.15 per share, respectively, resulting in a reduction of retained earnings, amounting to \$4,869 thousand and an increase on paid-in capital, amounting to \$8,027 thousand.

For the year ended December 31, 2006, the Corporation transferred the treasury stock through various tranches to employees of 22,818 thousand shares at \$30.47 and \$28.17 per share, resulting in a reduction of retained earnings, amounting to \$57,372 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 December 31, 2007, TFN and TFNI, its subsidiary, held the carrying and market value of the treasury stocks, amounting to \$56,235,084 thousand. The Corporation reclassified \$40,844,007 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 consolidated financial statement, the shareholders are entitled to exercise their rights on these shares, except for participation in capital injection by cash. In addition, based on the ROC Company Act, the shareholders of treasury stocks can not exercise the voting right.

e. Unrealized losses on financial instruments

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

	<u>Years Ended December 31</u>	
	<u>2007</u>	<u>2006</u>
Available-for-sale financial assets		
Balance, beginning of year	\$ 40,652	\$ -
Effect of the first time adoption of new issued SFAS No. 34	-	2,082,823
Fair value changes recognized directly in equity	16,908	68,807
Transfer to current gains or loss upon sales of financial assets	-	(2,110,978)
	<u>57,560</u>	<u>40,652</u>
Changes in unrealized gains (losses) of cash flow hedge		
Balance, beginning of year	(218,284)	-
Effect of the first time adoption of new issued SFAS No. 34	-	(248,184)
Fair value changes recognized directly in equity	179,535	29,900
	<u>(38,749)</u>	<u>(218,284)</u>
Recognition of investees' changes in unrealized gains or losses by the equity method		
Balance, beginning of year	30,209	-
Fair value changes recognized directly in equity	(113,063)	30,209
	<u>(82,854)</u>	<u>30,209</u>
Unrealized losses of financial instruments	<u>\$ (64,043)</u>	<u>\$ (147,423)</u>

21. INCOME TAX EXPENSE

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

	<u>Years Ended December 31</u>	
	<u>2007</u>	<u>2006</u>
Tax on pretax income at statutory tax rate (25%)	\$ 4,401,236	\$ 5,450,976
Add (deduct) tax effects of		
Permanent differences		
Investment income from domestic investees accounted for using equity method	(2,558,065)	(852,655)
Tax-exempt dividend income	(16,570)	(160,954)
Gain on disposal of marketable securities	(80,843)	(536,640)
Other	528,327	(39,661)
Temporary differences	1,158,971	550,250
Tax-exempt income	-	(402,696)
Income tax (10%) on unappropriated earnings	106,553	498,050
Investment tax credits	(283,705)	(1,108,394)
Prior years' loss carryforward	(52,856)	(27,543)
Deferred income taxes	(1,281,621)	(962,379)
Prior year's adjustment	200,264	269,276
Tax on short-term bills	32,711	15,252
Income basic tax	<u>23,956</u>	<u>-</u>
Income tax expense	<u>\$ 2,178,358</u>	<u>\$ 2,692,882</u>

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

	December 31	
	2007	2006
Provision for doubtful accounts	\$ 843,509	\$ 852,665
Unrealized loss on retirement of property and equipment	2,616,640	876,933
Provision for impairment losses on idle assets	65,016	343,792
Amortization of goodwill	(207,336)	(61,776)
Unrealized loss on financial liabilities	(2,890)	72,761
Prior year's loss carryforward	122,689	39,644
Investment tax credits	660,937	-
Accrued interest compensation	-	2,137
Accrued pension cost	11,485	(273)
Other	27,764	9,570
	<u>4,137,814</u>	<u>2,135,453</u>
Less valuation allowance	<u>(1,155,956)</u>	<u>(395,190)</u>
	<u>\$ 2,981,858</u>	<u>\$ 1,740,263</u>
Deferred income tax assets		
Current	\$ 134,055	\$ 185,973
Non-current	<u>2,898,598</u>	<u>1,554,290</u>
	<u>\$ 3,032,653</u>	<u>\$ 1,740,263</u>
Deferred income tax liabilities		
Current	\$ (15,806)	\$ -
Non-current	<u>(34,989)</u>	<u>-</u>
	<u>\$ (50,795)</u>	<u>\$ -</u>

c. As of December 31, 2007, TFN, TTN, WTVB and TFNM'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	\$ 660,223	\$ 656,600	2011
	Personnel training	<u>4,337</u>	<u>4,337</u>	2011
		<u>\$ 664,560</u>	<u>\$ 660,937</u>	

d. Following were the net operating loss carryforwards of TT&T, TYDB, TDC, TUC, WTVB, R&R, TTN and VoPier as of December 31, 2007:

Year	Total Creditable Amount	Remaining Creditable Amount	Expiry Year
2003	\$ 238,804	\$ 107,829	2008
2004	37,672	37,672	2009
2005	24,333	24,333	2010
2006	187,161	187,161	2011
2007	<u>133,761</u>	<u>133,761</u>	2012
	<u>\$ 621,731</u>	<u>\$ 490,756</u>	

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

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

f. Integrated income tax information was as follows:

	December 31	
	2007	2006
Balance of imputation credit account (ICA)		
The Corporation	\$ 2,329,511	\$ 1,091,242
TAT	623,834	725,999
Mobitai	Not applicable	112,886
TCC (formerly TDS)	191,520	6,679
WMT	-	-
TFMT	-	-
FJLMT	-	-
GWMT	-	-
FSMT	-	-
TYDB	97	38
TDC	-	-
TT&T	28,081	27,798
TCPIA	-	-
TLIA	8	8
TSB	1	-
TFN	1,567,351	-
TUC	-	-
TTN	619	-
VoPier	-	-
The former TFN	Not applicable	-
TFNI	254,360	-
HYI	Not applicable	-
R&R	-	-
WTVB	-	-
TFND	Not applicable	-
TFNM	164,848	-

	December 31	
	2007	2006
FYM	Not applicable	
UCTV	51,693	
SHCTV	2,153	
YJCTV	33,634	
MCTV	8,403	
NCCTV	1,897	
PCTV	34,467	
GCTV	37,817	

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

	2007	2006
The Corporation	29.63%	19.21%
TAT	33.33%	23.74%
Mobitai	Not applicable	22.11%
TCC (formerly TDS)	10.83%	18.04%
WMT	-	Not applicable
TFMT	-	Not applicable
FJLMT	-	Not applicable
GWMT	-	Not applicable
FSMT	-	Not applicable
TYDB	-	-
TDC	-	Not applicable
TT&T	-	-
TCPIA	-	-
TLIA	-	33.33%
TSB	-	Not applicable
TFN	33.33%	Not applicable
TUC	-	Not applicable
TTN	-	-
VoPier	-	-
The former TFN	Not applicable	-
TFNI	23.22%	33.35%
HYI	Not applicable	0.02%
R&R	0.01%	9.79%
WTVB	-	-
TFND	Not applicable	-
TFNM	29.18%	22.40%
FYM	Not applicable	33.33%
UCTV	33.33%	-
SHCTV	31.93%	25.10%
YJCTV	33.33%	33.34%
MCTV	33.42%	33.41%
NCCTV	34.52%	33.46%
PCTV	32.73%	33.33%
GCTV	33.34%	33.34%

The imputation credits allocated to the shareholders are based on the ICA balance as of the date of dividend distribution. The estimated creditable ratio for the 2007 earnings appropriation may be adjusted when the imputation credits are distributed.

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

	Year
The Corporation	2005
The former TAT	2005
TAT	None
The former Mobitai	2004
Mobitai	2005
TCC (formerly TDS)	2005
Taiwan Cellular Co., Ltd. (former TCC)	2006
WMT	Not applicable
TFMT	Not applicable
FJLMT	Not applicable
GWMT	Not applicable
FSMT	Not applicable
TYDB	2005
TDC	Not applicable
TT&T	2005
TCPIA	2005
TLIA	2005
TSB	Not applicable
TFN	Not applicable
TUC	Not applicable
TTN	2005
VoPier	2005
The former TFN	2004
TFNI	2005
HYI	2005
TFND	None
R&R	2005
WTVB	2005
TFNM	2005
FYM	2005
UCTV	2005
SHCTV	2005
YJCTV	2005
MCTV	2005
NCCTV	2005
PCTV	2005
GCTV	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 2005 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.

22. EARNINGS PER SHARE

(In New Taiwan Dollar)

	2007		2006	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
Basic EPS				
Income before cumulative effect of changes in accounting principles	\$ 2.05	\$ 1.68	\$ 3.54	\$ 3.28
Cumulative effect of changes in accounting principle	-	-	-	-
Net income	<u>\$ 2.05</u>	<u>\$ 1.68</u>	<u>\$ 3.54</u>	<u>\$ 3.28</u>
Diluted EPS				
Income before cumulative effect of changes in accounting principles	\$ 2.05	\$ 1.68	\$ 3.53	\$ 3.26
Cumulative effect of changes in accounting principle	-	-	-	-
Net income	<u>\$ 2.05</u>	<u>\$ 1.68</u>	<u>\$ 3.53</u>	<u>\$ 3.26</u>

	Amounts (Numerator)		Shares (Denominator) (Thousands)	EPS (NT\$)	
	Before Income Tax	After Income Tax		Before Income Tax	After Income Tax
<u>For the year ended December 31, 2007</u>					
Basic EPS					
Income of common shareholders	\$ 8,055,864	\$ 6,612,997	3,928,228	\$ 2.05	\$ 1.68
Add effect of potentially dilutive convertible bonds					
2nd convertible bonds (with implied yield rate of 3.3%)	1,034	776	1,183		
Diluted EPS					
Income of common shareholders with dilutive effect of potential common shares	<u>\$ 8,056,898</u>	<u>\$ 6,613,773</u>	<u>3,929,411</u>	<u>\$ 2.05</u>	<u>\$ 1.68</u>
<u>For the year ended December 31, 2006</u>					
Basic EPS					
Income of common shareholders	\$ 17,478,536	\$ 16,170,741	4,933,714	\$ 3.54	\$ 3.28
Add effect of potentially dilutive convertible bonds					
1st convertible bonds (with implied yield rate of 4.5%)	22,764	17,073	19,022		
2nd convertible bonds (with implied yield rate of 3.3%)	13,483	10,112	15,298		
Diluted EPS					
Income of common shareholders with dilutive effect of potential common shares	<u>\$ 17,514,783</u>	<u>\$ 16,197,926</u>	<u>4,968,034</u>	<u>\$ 3.53</u>	<u>\$ 3.26</u>

23. LABOR COST, DEPRECIATION AND AMORTIZATION EXPENSE

	2007			2006		
	Classified as Operating Cost	Classified as Operating Expenses	Total	Classified as Operating Cost	Classified as Operating Expenses	Total
Labor cost						
Salary	\$ 978,871	\$ 3,151,704	\$ 4,130,575	\$ 543,085	\$ 2,211,463	\$ 2,754,548
Labor and health insurance	60,979	160,555	221,534	33,549	138,232	171,781
Pension	42,339	34,631	76,970	31,138	108,845	139,983
Other	51,361	130,325	181,686	33,241	133,299	166,540
	<u>\$ 1,133,550</u>	<u>\$ 3,477,215</u>	<u>\$ 4,610,765</u>	<u>\$ 641,013</u>	<u>\$ 2,591,839</u>	<u>\$ 3,232,852</u>
Depreciation	\$ 7,132,355	\$ 607,630	\$ 7,739,985	\$ 6,307,893	\$ 458,715	\$ 6,766,608
Amortization	910,264	153,819	1,064,083	856,121	180,912	1,037,033

24. FINANCIAL INSTRUMENT TRANSACTIONS

a. Fair value information

	December 31			
	2007		2006	
	Carrying Value	Fair Value	Carrying Value	Fair Value
<u>Non-derivative financial instruments</u>				
Liabilities				
Bonds payable (including current portion)	\$ 10,000,000	\$ 9,942,440	\$ 13,814,448	\$ 13,741,839

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

- 1) Financial assets at fair value through profit or loss and available-for-sale financial assets - based on quoted prices in an active market on the balance sheet date.
- 2) Because there is no active market and a reliable fair value could only be verified at a more than reasonable cost, the fair values of investments in unlisted stocks carried at cost or accounted for using equity method can be measured by net worth of investee or estimate of the book value.
- 3) The fair value of long-term liabilities is measured at the present value of expected cash flows. Fair value approximates book value.
- 4) Bonds payable - based on the over-the-counter quotations in December.
- 5) Derivative financial instruments - based on valuation results provided by banks. As of December 31, the financial instrument held by the Corporation turned into financial liability, evaluated by the bid price of counter party.
- 6) The above financial instruments do not include cash and cash equivalents, notes and accounts receivables, pledged time deposits, refundable deposits, short-term bank loans, 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 \$5,731,890 thousand and \$11,168,906 thousand as of December 31, 2007 and 2006, respectively, and the financial liabilities exposed to fair value interest rate risk amounted to \$28,375,093 thousand and \$6,314,448 thousand as of December 31, 2007 and 2006, respectively. The financial assets exposed to cash flow interest rate risk amounted to \$1,295,434 thousand and \$1,195,118 thousand as of December 31, 2007 and 2006, respectively, and the financial liabilities exposed to cash flow interest rate risk amounted to \$5,051,665 thousand and \$7,791,046 thousand as of December 31, 2007 and 2006, respectively.

e. Information on financial risks:

1) Market risk

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

2) Credit risk

Credit risk represents the potential impacts to financial assets that the Corporation might encounter if counter-parties or third parties breach the contracts. Factors that affect the impacts include credit risk concentration, components of financial instruments, contract amount and other receivables. The Corporation's evaluation of credit risk exposure as of December 31, 2007 and 2006 were both zero because all of counter-parties are reputable financial institutions with good credit ratings.

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

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

3) Liquidity risk

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

4) Cash flow risk from interest rate fluctuations: None

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

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

25. RELATED-PARTY TRANSACTIONS

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

<u>Related Party</u>	<u>Relationship with the Group</u>
Taiwan Mobile 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
Chung Hsing Constructions Co., Ltd.	Related party in substance
Fubon Land Development Co., Ltd.	Related party in substance
The former Taiwan Fixed Network Co., Ltd. (the former TFN)	Related party in substance (included in consolidation on April 17, 2007, and merged into TFN on December 28, 2007)
Taipei Fubon Commercial Bank Co., Ltd. (TFCB)	Related party in substance
Fubon Securities Co., Ltd. (FSC)	Related party in substance
Fubon Insurance Co., Ltd. (Fubon Ins.)	Related party in substance
Fubon Multimedia Technology Co., Ltd. (FMT)	Related party in substance
Fubon Property Management Co., Ltd.	Related party in substance
Fubon Direct Marketing Consulting Co., Ltd. (FDMC)	Related party in substance
Fubon Financial Holding Company	Related party in substance
Dai-Ka Ltd. (DKL)	Related party in substance
Howin Technologies Co., Ltd. (HTC)	Equity-method investee (all shares were sold in June 2006)

- b. Significant transactions with related parties are summarized below:

1) Operating revenues

	<u>2007</u>		<u>2006</u>	
	<u>Amount</u>	<u>% of Total Revenues</u>	<u>Amount</u>	<u>% of Total Revenues</u>
The former TFN	\$ 454,789	1	\$ 1,558,544	3
TFCB	53,981	-	28,895	-
FMT	41,038	-	77,346	-
FDMC	12,246	-	-	-
Fubon Financial Holding Company	<u>11,937</u>	-	<u>-</u>	-
	<u>\$ 573,991</u>		<u>\$ 1,664,785</u>	

The Group rendered mainly telecommunications services to the above companies. The average collection period for notes and accounts receivable was the same as transaction with non-related parties.

2) Operating costs

	2007		2006	
	Amount	% of Total Costs	Amount	% of Total Costs
The former TFN	\$ 256,212	1	\$ 921,696	4
Fubon Ins.	102,579	-	99,222	-
DKL	94,457	-	-	-
	<u>\$ 453,248</u>		<u>\$ 1,020,918</u>	

The above companies rendered mainly telecommunications, maintenance and copyright services to the Group. The average payment term for notes and accounts payable was the same as transaction with non-related parties.

3) Property transactions

Acquisition of property and equipment

		2006	
		Description	Amount
The former TFN	Land and buildings		<u>\$ 1,565,000</u>

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

Disposal of property and equipment

		2006	
		Description	Amount
The former TFN	Land and buildings		<u>\$ 152,000</u>

The above disposals were made at arm's length with the transaction amounts based on the appraisal value from the appraisal institution. And it resulted in a disposal loss of \$3,848 thousand for the year ended December 31, 2006.

4) Rental income

		Leased Sites/Equipment		2007	2006
The former TFN	Offices and BTS, etc.			<u>\$ 22,523</u>	<u>\$ 27,812</u>

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

5) Cash in banks and bank loans

	December 31			
	2007		2006	
	Amount	%	Amount	%
a) Cash in banks				
TFCB	<u>\$ 576,786</u>	8	<u>\$ 417,924</u>	3

	December 31			
	2007		2006	
	Amount	%	Amount	%
b) Pledged time deposits				
TFCB	<u>\$ 22,815</u>	48	<u>\$ 10,000</u>	100
December 31, 2007				

c) Secured loans

TFCB

Short-term secured loans

Maximum balance for the period	<u>\$ 2,180,000</u>
Ending balance	<u>\$ -</u>

Rate (%) 2.1131-2.5941

Interest expenses \$ 25,015

Long-term secured loans

Maximum balance for the period	<u>\$ 2,500,000</u>
Ending balance	<u>\$ -</u>

Rate (%) 2.3568-2.4516

Interest expenses \$ 19,293

6) Receivables and payables

	December 31			
	2007		2006	
	Amount	%	Amount	%
a) Accounts receivable				
TFCB	\$ 70,023	1	\$ -	-
FSC	19,059	-	-	-
The former TFN	-	-	241,998	4
Other	<u>31,552</u>	-	<u>7,940</u>	-
	<u>\$ 120,634</u>		<u>\$ 249,938</u>	
b) Other receivable				
The former TFN	<u>\$ -</u>	-	<u>\$ 10,645</u>	4
c) Prepayments				
Fubon Ins.	<u>\$ 56,278</u>	7	<u>\$ 76,450</u>	13
d) Accounts payable				
DKL	<u>\$ 11,869</u>	-	<u>\$ -</u>	-
e) Accrued expenses				
The former TFN	<u>\$ -</u>	-	<u>\$ 58,733</u>	1

	December 31			
	2007		2006	
	Amount	%	Amount	%
f) Other payables				
The former TFN	\$ -	-	\$ 47,388	1
g) Other current liabilities - collections and temporary credits for the following				
The former TFN	\$ -	-	\$ 34,279	5
		2007	2006	
7) Telecommunications service expenses				
The former TFN		\$ 21,660	\$ 70,387	
8) Insurance expenses				
Fubon Ins.		\$ 21,069	\$ 12,766	
9) Donation				
TWM Foundation		\$ 18,000	\$ 21,000	
10) Repairs and maintenance				
Fubon Property Management Co., Ltd.		\$ 19,288	\$ -	
11) Other expenses				
Fubon Property Management Co., Ltd.		\$ 18,863	\$ 21,985	
12) Endorsement/guarantee provided				
The Corporation and its subsidiaries provide guarantee contracts for related party. Please see Note 27.				
13) Other				

The Corporation bought a real estate from the former TFN based on the need for base station. Only a natural person could be the owner of the farmland due to the related regulations. The Corporation bought the farmland located in Yang-Mei, Taoyuan for the amount of \$12,000 thousand through setting up of a fiduciary contract with the landholder in December 2006 and is applying for the transfer of the ownership. The Corporation uses the land for operation purpose.

26. ASSETS PLEDGED

The assets pledged as collaterals for bank loans, credit line of deposit overdraft, guarantees and refundable deposits for construction contracts were as follows:

	December 31	
	2007	2006
Current assets - time deposits	\$ 47,706	\$ 10,000
Fixed assets, net carrying value	945,693	-
	<u>\$ 993,399</u>	<u>\$ 10,000</u>

The assets, which TFNM and its subsidiaries had pledged or mortgaged as collaterals for syndicated loan, amount to \$833,968 thousand. Since the loan was totally repaid in December 2007, these assets were redeemed on January 7, 2008.

27. COMMITMENTS AND CONTINGENT EVENTS

- a. To enhance 3G mobile communications, expand network coverage and increase the service functions, the Corporation entered into a 3G expansion contract with Nokia for \$4,800,000 thousand in September 2006. As of December 31, 2007, the purchase amount was \$1,127,795 thousand.
- b. Unused letters of credit for acquisition of equipment were EUR22 thousand as of December 31, 2007.
- c. The Corporation provided a \$18,000,000 thousand guarantee for TFN's bank loan. As of December 31, 2007, TFN had drawn down a bank loan of \$5,340,000 thousand under this guarantee.
- d. As of December 31, 2007, the Corporation had provided TFN \$50,000 thousand as performance guarantee for customers for IDD calling card business, in accordance with NCC's new policy, effective April 1, 2007.
- e. As of December 31, 2007, TAT had provided the Corporation \$1,000,000 thousand as performance guarantee for customers, when issuing prepaid card, in accordance with NCC's new policy effective April 1, 2007.
- f. As of December 31, 2007, TFN had NT\$19,380,000 thousand promissory notes outstanding in related to its borrowings with banks.
- g. As of December 31, 2007, TFN had \$2,800 thousand and US\$60 thousand performance guarantees issued by banks for TFN's construction and other projects.
- h. TFNI provided a \$50,000 thousand guarantee for WTVB's bank loan.
- i. TFNI concluded and signed the agreement with Pacific Great Holdings Limited on November, 2006. According to the agreement, TFNI (or the representative of TFNI) will acquire 6.94% equity in 11,660 thousand shares with purchase price of \$535,714 thousand from Pacific. The prompt date will be on January 31, 2008.
- j. As of December 31, 2007, VoPier provided a \$233 thousand guarantee for TTN's obligation of construction and equipment commerce.

- k. Future minimum rental payments as of December 31, 2007 for significant operating lease agreements were summarized as follows:

	Amount
2008	\$ 43,056
2009	20,878
2010	16,766
2011	11,642
2012	5,367

28. 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 anti-floating interest rates of bonds, which are settled semiannually. Please refer to Note 24 for the related information.

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

The Corporation entered into IRS contracts to hedge anti-floating interest rate fluctuation. For the years ended December 31, 2007 and 2006, the Corporation recognized losses of \$157,945 thousand and \$141,434 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 anti-floating interest rate fluctuation. The former TFN recognized gains of \$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

- l. Business relationships and significant intercompany transactions: Table 9 and Table 10 (attached).

29. SEGMENT INFORMATION

- a. Industry

	2007				Adjustments and Elimination	Consolidated
	Mobile	Fixed-line	Cable TV	Others		
Revenues from outside of the Group	\$ 57,982,556	\$ 5,169,368	\$ 2,847,335	\$ 95,902	\$ -	\$ 66,095,161
Revenues from other segments in the Group (Note 2)	<u>1,269,486</u>	<u>798,252</u>	<u>18,174</u>	<u>13,500</u>	<u>(2,099,412)</u>	<u>-</u>
Total revenues	<u>\$ 59,252,042</u>	<u>\$ 5,967,620</u>	<u>\$ 2,865,509</u>	<u>\$ 109,402</u>	<u>\$ (2,099,412)</u>	<u>\$ 66,095,161</u>
Gross profit (loss) (Note 3)	<u>\$ 19,390,294</u>	<u>\$ 122,401</u>	<u>\$ 1,163,485</u>	<u>\$ (77,873)</u>	<u>\$ 718,716</u>	\$ 21,317,023
Interest income						258,123
Investment income, net						172,777
Other income						813,589
Interest expenses						(943,585)
Operating expenses						-
Other expenses						(12,668,200)
Income before income tax						<u>\$ 8,949,727</u>

(Continued)

	2007					Consolidated
	Mobile	Fixed-line	Cable TV	Others	Adjustments and Elimination	
Identifiable assets (Note 4)	\$ 78,023,888	\$ 11,797,459	\$ 12,486,697	\$ 350,827	\$ (9,890,692)	\$ 92,768,179
Financial assets						2,235,376
Long-term investment						3,026,701
General assets						-
Total assets						\$ 98,030,256
Depreciation expenses	\$ 7,145,513	\$ 267,401	\$ 332,554	\$ 18,254		
Amortization expenses	\$ 954,232	\$ 28,140	\$ 88,988	\$ 958		
Capital expenditure	\$ 5,389,700	\$ 432,101	\$ 462,229	\$ 420		

(Concluded)

Note 1: The Group is divided into mobile, fixed-line and cable TV service business.

Note 2: Represents sales or labor service between segments.

Note 3: Represents revenue minus cost and expenses on segment basis, not included the Group's general and administrative expenses.

Note 4: Represents tangible and intangible assets which can be separately allocated to each segment. However, these assets do not include:

- 1) Asset not for use by any specific segment.
- 2) Advances or loans to another segment.
- 3) Investments accounted for using equity method.

For 2006, the Group is primarily engaged in wireless communication services and wholesale retailing of telecommunication equipment, which are accordingly classified into a telecommunication segment and another sales segment. Under SFAS No. 20, "Disclosure of Segment Financial Information," no industry information needs to be disclosed herein because the net income (loss) of the sales segment was less than 10% of the aggregate segment income (loss).

b. Foreign operations

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

c. Foreign revenues

The Corporation has no foreign revenues.

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

Company	2007		2006	
	Amount	Percentage of Operating Revenues (%)	Amount	Percentage of Operating Revenues (%)
Chunghwa Telecom Co., Ltd.	\$ 11,151,044	17	\$ 11,712,979	20

TABLE 1

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

FINANCING PROVIDED
YEAR ENDED DECEMBER 31, 2007
(In Thousands of New Taiwan Dollars)

No.	Financing Company	Counter-party	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		Financing Limit for Each Borrowing Company (Note)	Financing Company's Financing Amount Limits (Note)
											Item	Value		
0	The Corporation	The former Taiwan Fixed Network Co., Ltd.	Other receivables	\$ 3,500,000	\$ -	2.94%	Short-term financing	\$ -	To finance subsidiaries to pay off the syndicate loan	\$ -	-	-	\$ 12,741,172 (Note 1)	\$ 12,741,172 (Note 1)
0	The Corporation	Taiwan Fixed Network Co., Ltd.	Other receivables	12,500,000	-	2.474%	Short-term financing	-	To meet its financing needs in acquiring the former TFN	-	-	-	12,741,172 (Note 1)	12,741,172 (Note 1)
0	The Corporation	Tai Fu Media Technology Co., Ltd.	Other receivables	2,005,000	2,005,000	2.534%-2.568%	Short-term financing	-	To meet its financing needs in acquiring minorities	-	-	-	12,741,172 (Note 1)	12,741,172 (Note 1)
0	The Corporation	TFN Media Ltd.	Other receivables	250,000	250,000	2.538%	Short-term financing	-	To meet its financing needs in acquiring minorities	-	-	-	1,500,000 (Note 1)	12,741,172 (Note 1)
1	TransAsia Telecommunications Inc. (Note 4)	Taiwan Cellular Co., Ltd. (formerly Taihshing Den Syun Co., Ltd.)	Other receivables	900,000	900,000	2.477%	Short-term financing	-	To meet its financing needs in setting up subsidiaries	-	-	-	(Note 4)	4,532,266 (Note 1)
2	Taiwan Cellular Co., Ltd. (formerly Taihshing Den Syun Co., Ltd.)	Taiwan Fixed Network Co., Ltd.	Other receivables	2,500,000	2,500,000	2.558%	Short-term financing	-	To pay off bank loan	-	-	-	22,799,215 (Note 1)	22,799,215 (Note 1)
2	Taiwan Cellular Co., Ltd. (formerly Taihshing Den Syun Co., Ltd.)	TFN Media Ltd.	Other receivables	1,250,000	1,250,000	2.538%	Short-term financing	-	To meet its financing needs in acquiring minorities	-	-	-	1,500,000 (Note 1)	22,799,215 (Note 1)
3	TFN Investment Co., Ltd.	The former Taiwan Fixed Network Co., Ltd.	Other receivables	1,200,000	-	2.501%	Short-term financing	-	To finance parent company to pay off bank loan.	-	-	-	21,256,008 (Note 2)	27,223,560 (Note 2)
3	TFN Investment Co., Ltd.	TFN Media Ltd.	Other receivables	1,000,000	1,000,000	2.538%	Short-term financing	-	To meet its financing needs in acquiring minorities	-	-	-	1,267,798 (Note 2)	27,223,560 (Note 2)
4	Union Cable TV Co., Ltd.	TFN Media Ltd.	Other receivables - related parties	460,000	460,000	2.538%-3.7947%	Transactions	229,923	Business requirements	-	-	-	13,500,000 (Note 3)	13,500,000 (Note 3)
5	North Coast Cable TV Co., Ltd.	TFN Media Ltd.	Other receivables - related parties	140,000	140,000	2.538%-3.7947%	Transactions	60,910	Business requirements	-	-	-	12,000,000 (Note 3)	12,000,000 (Note 3)
6	Mangrove Cable TV Corporation	TFN Media Ltd.	Other receivables - related parties	43,000	43,000	2.538%-3.7947%	Transactions	13,401	Business requirements	-	-	-	12,000,000 (Note 3)	12,000,000 (Note 3)
7	Globalview Cable TV Co., Ltd.	TFN Media Ltd.	Other receivables - related parties	210,000	210,000	2.538%-3.7947%	Transactions	199,423	Business requirements	-	-	-	12,000,000 (Note 3)	12,000,000 (Note 3)
8	Shin Ho Cable TV Co., Ltd.	TFN Media Ltd.	Other receivables - related parties	207,700	207,700	2.538%-3.7947%	Transactions	13,707	Business requirements	-	-	-	12,000,000 (Note 3)	12,000,000 (Note 3)

(Continued)

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: (a) The amount of financing provided, including transactions, business cooperation and short-term financing, should not exceed the higher amount between the net worth of the corporation or the amount of transactions plus business cooperation. (b) The limited amount of financing provided for short-term financing should not exceed 40% of the net worth of the financing company, and the amount financed to each counter-party should not exceed 40% of the net worth of the counter-party.

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.

Note 4: Assumed all MBT's financing provided to others due to merger.

(Concluded)

TABLE 2

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

**ENDORSEMENT/GUARANTEE PROVIDED
YEAR ENDED DECEMBER 31, 2007
(In Thousands of New Taiwan Dollars)**

No.	Endorsement/Guarantor (A)	Receiving Party		Maximum Guarantee/ Endorsement Amount Allowed for Receiving Party	Maximum Balance for the Period (Note 4)	Ending Balance (Note 4)	Value of Collaterals	Ratio of Accumulated Amount of Endorsement/ Guarantee to Net Equity of the Receiving Party (Note 4)	Maximum Total Guarantee/ Endorsement Allowed to Be Provided by the Guarantor/Endorser
		Name (B)	Nature of Relationship (B is A's)						
0	The Corporation	Taiwan Fixed Network Co., Ltd.	(Note 1)	\$ 80,000,000 (Note 5)	\$ 18,050,000	18,050,000	\$ -	56.67%	\$ 31,852,929 (Note 5)
1	TransAsia Telecommunications Inc.	The Corporation	(Note 2)	18,000,000 (Note 6)	1,000,000	1,000,000	-	8.83%	11,330,665 (Note 6)
2	TFN Investment Co., Ltd.	WinTV Broadcasting Co., Ltd.	(Note 3)	27,223,560 (Note 7)	50,000	50,000	-	0.18%	27,223,560 (Note 7)
3	VoPier Communications (Taiwan) Co., Ltd.	Taiwan Telecommunication Network Services Co., Ltd.	(Note 2)	240,000 (Note 8)	262	233	-	1.87%	12,447 (Note 8)
4	TFN Media Ltd.	TFN Media Ltd.	(Note 1)	15,000,000 (Note 9)	7,000,000 (Note 10)	-	-	-	15,000,000 (Note 9)
5	Union Cable TV Co., Ltd.	Union Cable TV Co., Ltd.	(Note 1)	1,350,000 (Note 9)				-	1,350,000 (Note 9)
6	North Coast Cable TV Co., Ltd.	North Coast Cable TV Co., Ltd.	(Note 1)	12,000,000 (Note 9)				-	12,000,000 (Note 9)
7	Mangrove Cable TV Corporation	Mangrove Cable TV Corporation	(Note 1)	12,000,000 (Note 9)				-	12,000,000 (Note 9)
8	Globalview Cable TV Co., Ltd.	Globalview Cable TV Co., Ltd.	(Note 1)	12,000,000 (Note 9)				-	12,000,000 (Note 9)
9	Phoenix Cable TV Co., Ltd.	Phoenix Cable TV Co., Ltd.	(Note 1)	12,000,000 (Note 9)				-	12,000,000 (Note 9)
10	Shin Ho Cable TV Co., Ltd.	Shin Ho Cable TV Co., Ltd.	(Note 1)	12,000,000 (Note 9)				-	12,000,000 (Note 9)
11	Yeong Jialeh Cable TV Co., Ltd.	Yeong Jialeh Cable TV Co., Ltd.	(Note 1)	24,000,000 (Note 9)				-	24,000,000 (Note 9)

(Continued)

Note 1: Direct/indirect subsidiary

Note 2: Parent company

Note 3: Direct subsidiary

Note 4: Maximum guarantee/endorsement amount for the period and the ending balance are the amount allowed, not actual appropriation.

Note 5: The Corporation limits the endorsement/guarantee amount for the company that directly or indirectly entitled the whole percentage of voting rights within net value of the Corporation, and the endorsement/guarantee amount for each counter-party.

Note 6: The Corporation limits the endorsement/guarantee amount for directly or indirectly entitled the whole percentage of TAT within the net value of TAT, and the endorsement/guarantee amount should not exceed double TAT's investment amount.

Note 7: The individual lending amount and the aggregate amount of loaning funds to subsidiaries shall be both limited to the higher amount of the following items: 1) the financing company's net worth, or 2) the amount of business dealing.

Note 8: TTN wholly owns VoPier Communications. The total guarantee/endorsement amount for VoPier's to provide shall not exceed its net worth. The guarantee/endorsement amount to each shareholder provided by VoPier limits to 2 times of its stake.

Note 9: 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.

Note 10: TFFNM, FYM, UCTV, NCCTV, MCTV, GCTV, PCTV, SHCTV and YJCTV are sureties for each other to obtain a syndicate loan from Chinatrust Commercial Bank and other financial institutions. The credit line was \$7,000,000 thousand. Those nine companies are jointly liable for this loan. As of December 31, 2007, those companies had paid off all the syndicate loan. The amount of collaterals refers to Note 26.

(Concluded)

TABLE 3

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
YEAR ENDED DECEMBER 31, 2007
(In Thousands of New Taiwan Dollars or U.S. Dollars)

Holding Company Name	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	December 31, 2007			Note
				Shares/Units (Thousands)	Carrying Value	Percentage of Ownership	
Taiwan Mobile Co., Ltd.	Stock Chunghwa Telecom Co., Ltd.	-	Available-for-sale financial assets - current	2,957 (Note 9)	\$ 177,112	0.028%	\$ 177,112 (Note 2)
	Bridge Mobile Pte Ltd.	-	Financial assets carried at cost - non-current	2,200	71,596	10.00%	61,225
	TransAsia Telecommunications Inc.	Subsidiary	Long-term investments - equity method	900,000	11,330,665	100.00%	11,330,665
	Wealth Media Technology Co., Ltd.	Subsidiary	Long-term investments - equity method	8,700	82,715	100.00%	82,715
	Taiwan Cellular Co., Ltd. (formerly Tathsing Den Syun Co., Ltd.)	Subsidiary	Long-term investments - equity method	364,958	3,791,398 (Note 3)	100.00%	56,998,037
TransAsia Telecommunications Inc.	Stock Yes Mobile Holdings Company	-	Financial assets carried at cost - non-current	74	- (Note 5)	0.19%	- (Note 4)
Wealth Media Technology Co., Ltd.	Stock Tai Fu Media Technology Co., Ltd.	Subsidiary	Long-term investments - equity method	8,500	80,876	100.00%	80,876
Tai Fu Media Technology Co., Ltd.	Stock Global Wealth Media Technology Co., Ltd. Fu Jia Leh Media Technology Co., Ltd. Fu Sin Media Technology Co., Ltd.	Subsidiary Subsidiary Subsidiary	Long-term investments - equity method Long-term investments - equity method Long-term investments - equity method	8,400 117,100 100	84,975 2,001,211 900	100.00% 100.00% 100.00%	84,975 2,001,211 900
Global Wealth Media Technology Co., Ltd.	Stock Globalview Cable TV Co., Ltd.	Subsidiary	Long-term investments - equity method	3,460	84,039	6.18%	40,715
Taiwan Cellular Co., Ltd. (formerly Tathsing Den Syun 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 5)	12.00%	- (Note 4)
	WEB Point Co., Ltd.	-	Financial assets carried at cost - non-current	803	6,773	3.17%	- (Note 4)
	Taiwan Teleservices & Technologies Co., Ltd.	Subsidiary	Long-term investments - equity method	30,000	249,986	100.00%	249,986
	Tai Yi Digital Broadcasting Co., Ltd.	Subsidiary	Long-term investments - equity method	2,495	23,507	49.90%	23,507
	TWM Holding Co. Ltd.	Subsidiary	Long-term investments - equity method	1 share	7,650	100.00%	7,650
	Taiwan Fixed Network Co., Ltd.	Subsidiary	Long-term investments - equity method	4,000,000	53,140,019	100.00%	53,140,019
	Taiwan Digital Communication Co., Ltd.	Subsidiary	Long-term investments - equity method	1,200	11,172	100.00%	11,172

(Continued)

Holding Company Name	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	December 31, 2007			Note
				Shares/Units (Thousands)	Carrying Value	Percentage of Ownership	
Taiwan Teleservices & Technologies Co., Ltd.	Stock TT&T Life Insurance Agency Co., Ltd. TT&T Casualty & Property Insurance Agency Co., Ltd.	Subsidiary Subsidiary	Long-term investments - equity method Long-term investments - equity method	300 300	\$ 3,009 2,672	100.00% 100.00%	\$ 3,009 2,672
TT&T Holdings Co., Ltd.	Stock TT & T Holdings Co., Ltd. Taiwan Super Basketball Co., Ltd.	Subsidiary Subsidiary	Long-term investments - equity method Long-term investments - equity method	1,300 2,000	US\$ 1,316 20,046	100.00% 100.00%	US\$ 1,316 20,046
TWM Holding Co. Ltd.	Stock Xiamen Taifu Teleservices & Technologies Ltd.	Subsidiary	Long-term investments - equity method	-	US\$ 1,312	100.00%	US\$ 1,312
Taiwan Fixed Network Co., Ltd.	ADS Hurray's Holding Co., Ltd.	-	Available-for-sale financial assets - current	1,080	US\$ 4,309	4.97%	US\$ 4,309 (Note 2)
TFN Investment Co., Ltd.	Stock Taiwan Mobile Co., Ltd.	The Corporation	Available-for-sale financial assets - non-current	900,353 (Note 9)	37,004,498	18.00%	37,004,498 (Note 2)
	TFN Investment Co., Ltd.	Subsidiary	Long-term investments - equity method	2,061,939	24,215,585	100.00%	27,223,560
	Taiwan United Communication Co., Ltd.	Subsidiary	Long-term investments - equity method	1,190	1,507,621	98.93%	1,507,621
	TFN HK Limited	Subsidiary	Long-term investments - equity method	1,299	3,075	99.99%	3,075
	Taiwan High Speed Rail Corporation	-	Financial assets carried at cost - non-current	225,531	2,120,829	3.97%	241,036 (Note 8)
	Stock Taiwan Mobile Co., Ltd.	The Corporation	Available-for-sale financial assets - non-current	467,897 (Note 9)	19,230,586	9.36%	19,230,586 (Note 2)
	Reach & Range Inc.	Subsidiary	Long-term investments - equity method	2,400	32,355	100.00%	25,284
	WinTV Broadcasting Co., Ltd.	Subsidiary	Long-term investments - equity method	59,100	254,942	98.50%	252,141
	TFN Media Ltd.	Subsidiary	Long-term investments - equity method	214,518	2,951,824	93.06%	2,949,532
	Great Taipei Broadband Co., Ltd.	-	Financial assets carried at cost - non-current	10,000	50,528	6.67%	50,528 (Note 8)
	Fubon Financial Holding Company	Related parties	Available-for-sale financial assets - current	62,023	1,786,256	0.80%	1,786,256 (Note 2)
	Preferred stock Taiwan High Speed Rail Corporation - Unlisted Convertible Preferred Stock - series A	-	Bonds measured at amortized cost - non-current	50,000	500,000	1.03%	-
TFN Media Ltd.	Stock Yeong Jialeh Cable TV Co., Ltd.	Subsidiary	Long-term investments - equity method	33,940	2,078,790	100.00%	554,455
	Shin Ho Cable TV Co., Ltd.	Subsidiary	Long-term investments - equity method	20,000	729,647	100.00%	242,792 (Note 7)

(Continued)

Holding Company Name	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	December 31, 2007			Note
				Shares/Units (Thousands)	Carrying Value	Percentage of Ownership	
Taiwan United Communication Co., Ltd.	Stock Mangrove Cable TV Corporation	Subsidiary	Long-term investments - equity method	21,160	\$ 518,552	100.00%	\$ 255,405 (Note 7)
	North Coast Cable TV Co., Ltd.	Subsidiary	Long-term investments - equity method	21,160	518,645	100.00%	226,805
	Phoenix Cable TV Co., Ltd.	Subsidiary	Long-term investments - equity method	47,663	2,069,063	70.00%	656,023
	Union Cable TV Co., Ltd.	Subsidiary	Long-term investments - equity method	170,441	2,014,883	99.99%	1,810,283
	Globalview Cable TV Co., Ltd.	Subsidiary	Long-term investments - equity method	51,733	1,231,162	92.38%	608,710
Taiwan Network Services Co., Ltd.	Stock Taiwan Telecommunication Network Services Co., Ltd.	Subsidiary	Long-term investments - equity method	108,193	1,493,729	99.53%	942,065
	VoPier Communications (Taiwan) Co., Ltd.	Subsidiary	Long-term investments - equity method	12,000	12,447	100.00%	12,447
	Preferred Stock New Century InfoComm Technology Co., Ltd.	-	Financial assets carried at cost - non-current	33,684	239,817	0.84%	- (Note 4)
	Beneficiary certificates Fuh-Hwa Bond Fund	-	Financial assets at fair value through profit or loss - current	2,272	30,775	-	30,775 (Note 6)
	Fuh-Hwa Yuli Bond Fund	-	Financial assets at fair value through profit or loss - current	4,043	50,988	-	50,988 (Note 6)
	ING Taiwan Income Fund	-	Financial assets at fair value through profit or loss - current	2,556	41,120	-	41,120 (Note 6)
VoPier Communications (Taiwan) Co., Ltd.	Beneficiary certificates CAPITAL Income Fund	-	Financial assets at fair value through profit or loss - current	71	1,072	-	1,072 (Note 6)
	IBT 1699 Bond Fund	-	Financial assets at fair value through profit or loss - current	210	2,649	-	2,649 (Note 6)
	E. Sun ERA Bond Fund	-	Financial assets at fair value through profit or loss - current	145	1,598	-	1,598 (Note 6)
	Fuh-Hwa Bond Fund	-	Financial assets at fair value through profit or loss - current	278	3,771	-	3,771 (Note 6)

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

Note 2: Based on the closing price on December 31, 2007.

Note 3: Taiwan Mobile shares held indirectly by Taiwan Cellular Co., Ltd. (TCC) are classified as treasury shares. Therefore, TWM's carrying cost of TCC was reduced from NT\$56,998,037 thousand by NT\$40,844,007 thousand and another NT\$12,362,632 thousand unrealized gain.

Note 4: As of December 31, 2007, the independent auditors' report date, the investee's net value was not available.

Note 5: Impairment loss recognized in 2004 reduced the value to zero.

(Continued)

Note 6: Based on the net assets value of the fund on December 31, 2007.

Note 7: Partial shares are held under trustee accounts.

Note 8: Calculation was based on unaudited financial statements.

Note 9: Shares held before capital reduction.

(Concluded)

TABLE 4

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED OR DISPOSED AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL YEAR ENDED DECEMBER 31, 2007
(In Thousands of New Taiwan Dollars)

Company Name	Marketable Securities Type and Issuer	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal		Ending Balance (Note 1)	
					Shares/Units (Thousands)	Amount	Shares/Units (Thousands)	Amount	Shares/Units (Thousands)	Amount	Gain (Loss) on Disposal	Shares/Units (Thousands)
Taiwan Mobile Co., Ltd.	Beneficiary certificate Fubon Bond Fund	Financial assets at fair value through profit or loss - current	-	-	45,175	\$ 602,192	-	\$ -	45,175	\$ 604,649	-	\$ -
	ING Taiwan Income Fund	Financial assets at fair value through profit or loss - current	-	-	25,387	401,917	-	-	25,387	403,656	-	-
	ING Taiwan Bond Fund	Financial assets at fair value through profit or loss - current	-	-	126,959	1,913,171	-	-	126,959	1,920,610	-	-
	ING Taiwan Select Bond Fund	Financial assets at fair value through profit or loss - current	-	-	35,432	401,565	-	-	35,432	401,827	-	-
	AG Taiwan Bond Fund	Financial assets at fair value through profit or loss - current	-	-	153,928	1,962,733	-	-	153,928	1,968,901	-	-
	Dresdner Bond Dam Fund	Financial assets at fair value through profit or loss - current	-	-	130,038	1,506,803	-	-	130,038	1,512,928	-	-
	Fubon Jin-Ju-I Fund	Financial assets at fair value through profit or loss - current	-	-	81,999	1,002,954	-	-	81,999	1,007,112	-	-
	NITC Bond Fund	Financial assets at fair value through profit or loss - current	-	-	17,122	2,817,260	-	-	17,122	2,826,608	-	-
	Prudential Financial Bond Fund	Financial assets at fair value through profit or loss - current	-	-	13,686	200,015	-	-	13,686	200,500	-	-
	JF (Taiwan) Bond Fund	Financial assets at fair value through profit or loss - current	-	-	19,702	300,597	-	-	19,702	301,824	-	-
	Stock Taiwan Cellular Co., Ltd. (formerly Taihshing Den Syun Co., Ltd.) The Former Taiwan Fixed Network Co., Ltd.	Long-term investments - equity method Financial assets carried at cost - non-current	Taiwan Cellular Co., Ltd. (formerly Taihshing Den Syun Co., Ltd.)	Subsidiary	325,000	3,877,659	39,958	39,958,330	637,000	5,287,100	-	3,791,398 (Note 2)
	Beneficiary certificate ING Taiwan Bond Fund	Financial assets at fair value through profit or loss - current	-	-	46,758	704,606	-	-	46,758	706,382	-	-
	AG Taiwan Bond Fund	Financial assets at fair value through profit or loss - current	-	-	71,000	905,330	-	-	71,000	907,488	-	-
	Prudential Financial Bond Fund	Financial assets at fair value through profit or loss - current	-	-	37,966	554,861	-	-	37,966	556,205	-	-
	JF (Taiwan) Bond Fund	Financial assets at fair value through profit or loss - current	-	-	42,808	653,130	-	-	42,808	654,757	-	-
	Fubon Jin-Ju-I Fund	Financial assets at fair value through profit or loss - current	-	-	12,267	150,035	24,522	300,000	36,789	451,112	-	-
	Stock Mobini Communications	Long-term investments-equity method.	Taiwan Cellular Co., Ltd. (formerly Taihshing Den Syun Co., Ltd.)	Related party	-	-	200,000	-	-	(Note 7)	-	-
Tai Fu Media Technology Co., Ltd.	Stock Fu Jia Leih Media Technology Co., Ltd.	Long-term investments - equity method	-	-	-	-	117,100	2,001,700	-	-	-	2,001,211 (Note 10)
Taiwan Cellular Co., Ltd. (formerly Taihshing Den Syun Co., Ltd.)	Stock Taiwan Fixed Network Co., Ltd. The former Taiwan Fixed Network Co., Ltd. Taiwan Digital Communications Co., Ltd.	Long-term investments - equity method Financial assets carried at cost - non-current Long-term investments - equity method	-	-	4,900	42,864	4,000,000	40,000,000	641,900	5,327,770	-	53,140,019 (Note 4)
			Taiwan Mobile Co., Ltd.	Parent	-	-	26,000	260,000	-	-	-	11,172 (Note 6)

(Continued)

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	Shares/Units (Thousands)	Amount
Taiwan Fixed Network Co., Ltd.	Stock The former Taiwan Fixed Network Co., Ltd. Taiwan United Communication Co., Ltd.	Long-term investments - equity method Long-term investments - equity method			-	\$ -	5,624,640	\$ 46,677,052	-	\$ -	-	\$ -
	Beneficiary certificate Fubon Jin-Ju-I Fund	Available-for-sale financial assets - current			57,696	705,702	-	-	710,087	697,743	12,344	-
	Fubon Chi-Hsiang Fund	Available-for-sale financial assets - current			32,588	474,301	-	-	477,065	460,272	16,793	-
	ING Taiwan Income Fund	Available-for-sale financial assets - current			31,345	496,241	-	-	499,590	482,440	17,150	-
	ING Taiwan Bond Fund	Available-for-sale financial assets - current			28,577	430,627	-	-	433,302	482,521	4,781	-
	NITC Bond Fund	Available-for-sale financial assets - current			2,303	378,968	-	-	381,266	376,422	4,844	-
	Fuhwa Apex Bond Fund	Available-for-sale financial assets - current			10,426	123,066	-	-	123,396	123,031	365	-
	JF (Taiwan) Bond Fund	Available-for-sale financial assets - current			13,110	200,016	-	-	201,238	200,000	1,238	-
	Capital Income Fund	Available-for-sale financial assets - current			13,432	200,009	-	-	201,269	200,000	1,269	-
	Prudential Financial Bond Fund	Available-for-sale financial assets - current			6,842	100,000	-	-	100,602	100,000	602	-
	Fuhwa Advantage Bond Fund	Available-for-sale financial assets - current			11,510	120,005	-	-	120,322	120,000	322	-
	Fuhwa Bond Fund	Available-for-sale financial assets - current			-	-	19,009	243,719	244,487	243,719	768	-
TFN Investment Co., Ltd.	Beneficiary certificate ING Taiwan Bond Fund	Available-for-sale financial assets - current			26,669	401,881	46,329	700,000	1,107,087	1,100,000	7,087	-
	ING Taiwan Income Fund	Available-for-sale financial assets - current			9,837	155,733	23,108	368,000	526,976	523,000	3,976	-
	JF (Taiwan) Bond Fund	Available-for-sale financial assets - current			6,624	101,072	13,095	200,000	302,760	300,529	2,231	-
	JF (Taiwan) First Bond Fund	Available-for-sale financial assets - current			-	-	14,192	200,000	200,663	200,000	663	-
	Capital Income Fund	Available-for-sale financial assets - current			-	-	56,930	850,000	853,129	850,000	3,129	-
	NITC Bond Fund	Available-for-sale financial assets - current			61	10,083	1,031	170,000	180,849	179,834	1,015	-
	NITC Taiwan Bond Fund	Available-for-sale financial assets - current			-	-	38,924	550,000	551,907	550,000	1,907	-
	Fubon Chi-Hsiang Fund	Available-for-sale financial assets - current			12,322	179,343	-	-	180,423	178,086	2,337	-
	Fubon Jin-Ju-I Fund	Available-for-sale financial assets - current			28,751	351,658	84,371	1,034,237	1,392,522	1,384,237	8,285	-
	Pea Well Pool Fund	Available-for-sale financial assets - current			-	-	23,896	300,000	301,054	300,000	1,054	-
	Upame James Bond Fund	Available-for-sale financial assets - current			-	-	16,160	250,000	250,827	250,000	827	-
	Fuhwa Bond Fund	Available-for-sale financial assets - current			-	-	23,399	300,000	301,006	300,000	1,006	-
Taiwan United Communication Co., Ltd.	Stock Fubon Financial Holding Company	Available-for-sale financial assets - current			53,293	1,625,432	34,645	1,032,419	835,250	680,310	154,940	1,786,256
Taiwan United Communication Co., Ltd.	Stock Taiwan Telecommunication Network Services Co., Ltd.	Long-term investments - equity method			-	-	108,193	1,497,701	-	-	-	1,493,729 (Note 11)
Globalview Cable TV Co., Ltd.	Beneficiary certificate IBT Ta Chong Bond Fund	Available-for-sale financial assets - current			7,679	100,003	-	-	100,700	100,000	700	-
Shin Ho Cable TV Co., Ltd.	Beneficiary certificate Fubon Jin-Ju-I Fund	Available-for-sale financial assets - current			5,724	70,009	-	-	70,523	70,000	523	-

(Continued)

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

Note 2: The amount included (a) the cash dividend adjustment of \$544,114 thousand; (b) the investment income adjustment of \$1,784,640 thousand; (c) the recognition of cumulative translation adjustments of \$1,904 thousand; (d) unrealized loss of \$13,063 thousand on financial asset; (e) capital surplus \$331,485 thousand; and (f) net loss not recognized as pension cost 1,534 thousand. Moreover, 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, amount to \$40,844,007 thousand.

Note 3: For its reorganization, the Corporation resolved to inject capital into Taiwan Cellular Co., Ltd. (formerly Taihshing Den Syn Co., Ltd.) with all its shares of Taiwan Fixed Network Co., Ltd. (the former TFN). The difference between the original cost and the disposal price of the former TFN shares, \$1,586,156 thousand, was recognized by the Corporation as deferred credits. There was no gain or loss on this transaction.

Note 4: The amount included (a) the investment income adjustment of \$809,140 thousand; (b) the recognition of cumulative translation adjustment of \$751 thousand; and (c) unrealize loss of \$12,327,281 thousand on financial assets; (d) capital surplus \$1,313 thousand; and (e) net loss not recognized as pension cost \$1,534 thousand.

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

Note 6: The amount included the capital reduction adjustment of \$248,000 thousand and the investment loss adjustment of \$828 thousand.

Note 7: For its reorganization, Mobitai Communications merged into TAT. There was no gain or loss on this share transaction.

Note 8: For its reorganization, the former TFN merged into TFN. There was no gain or loss on this share transaction.

Note 9: The amount included (a) the investment loss adjustment of \$3,579 thousand; and (b) capital surplus \$1,313 thousand.

Note 10: The amount included the investment loss adjustment of \$489 thousand.

Note 11: The amount included (a) the investment income adjustment of \$8,955 thousand; and (b) the difference between the cost of acquisition and the equity in the investee's net asset value, amount to \$12,927 thousand.

(Concluded)

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

TOTAL PURCHASE FROM OR SALE TO RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2007
(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Transaction Details		Other Transaction		Notes/Accounts Payable or Receivable		Note
			Purchase/Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	
Taiwan Mobile Co., Ltd.	TransAsia Telecommunications Inc.	Subsidiary	Sale	\$ (584,457)	1	Based on contract terms	-	\$ 73,498	1
	Taiwan Fixed Network Co., Ltd. (including the former Taiwan Fixed Network Co., Ltd.)	Subsidiary	Purchase	295,200	1	Based on contract terms	-	(19,609)	1
	Mobitai Communications	Subsidiary	Sale	(1,638,666)	3	Based on contract terms	-	218,970	4
	Taiwan Teleservices & Technologies Co., Ltd.	Subsidiary	Purchase	901,022	4	Based on contract terms	-	-	-
TransAsia Telecommunications Inc.	The Corporation	Parent	Purchase	(242,924)	-	Based on contract terms	-	-	-
			Sale	185,391	1	Based on contract terms	-	-	-
Mobitai Communications	The Corporation	Ultimate parent	Purchase	875,660	(Note 1)	Based on contract terms	-	(159,147)	(Note 2)
			Sale	(295,200)	5	Based on contract terms	-	19,754	3
Taiwan Teleservices & Technologies Co., Ltd.	The Corporation	Ultimate parent	Purchase	584,457	21	Based on contract terms	-	(75,158)	20
			Sale	(185,009)	6	Based on contract terms	-	-	-
Taiwan Fixed Network Co., Ltd. (including the former Taiwan Fixed Network Co., Ltd.)	The Corporation	Ultimate parent	Purchase	242,924	15	Based on contract terms	-	-	-
			Sale	(875,715)	95	Based on contract terms	-	158,849	93
TFN Media Ltd.	TFN Media Ltd.	Parent	Sale	(979,542)	12	Based on contract terms	-	351,873	(Note 3)
			Purchase	1,593,670	24	Based on contract terms	-	(1,013)	-
Yeong Jialeh Cable TV Co., Ltd.	TFN Media Ltd.	Parent	Sale	(282,163)	19	Based on contract terms	-	24,689	16
			Purchase	(427,388)	29	Based on contract terms	-	37,396	25
			Sale	(191,523)	13	Based on contract terms	-	16,758	11
			Sale	(165,656)	11	Based on contract terms	-	14,495	10
Union Cable TV Co., Ltd.	TFN Media Ltd.	Parent	Royalty	282,163	61	Based on contract terms	(Note 4)	(24,689)	76
			Royalty	191,523	53	Based on contract terms	(Note 4)	(16,758)	47
Globalview Cable TV Co., Ltd.	TFN Media Ltd.	Parent	Royalty	165,656	62	Based on contract terms	(Note 4)	(14,495)	55
			Royalty	427,388	65	Based on contract terms	(Note 4)	(37,396)	62

Note 1: Recognized as operating expenses.

Note 2: Recognized as accrued expenses.

Note 3: Shown as TFN's ending balance.

Note 4: No comparables on such kind of transactions.

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2007
(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
Taiwan Mobile Co., Ltd.	TransAsia Telecommunications Inc.	Subsidiary	Accounts receivable\$ 73,498	7.6	\$ -	-	\$ -	-
	Taiwan Fixed Network Co., Ltd.	Subsidiary	Other receivables 217,895	-	-	-	-	-
			Accounts receivable 218,970	7.42 (Note 1)	-	-	-	-
TransAsia Telecommunications Inc.	The Corporation	Parent	Other receivables 55,636	-	-	6,181	-	-
			Other receivables 2,009,353	-	-	-	-	-
			Other receivables 250,487	-	-	-	-	-
Taiwan Cellular Co., Ltd. (formerly Taihsing Den Syun Co., Ltd.)	The Corporation	Related party	Accounts receivable 19,754	13.51	-	-	-	-
			Other receivables 491,482	-	-	-	-	-
			Other receivables 902,871	-	-	-	-	-
Taiwan Teleservices & Technologies Co., Ltd.	The Corporation	Ultimate parent	Other receivables 2,501,051	-	-	-	-	-
			Other receivables 1,252,434	-	-	-	-	-
Taiwan Fixed Network Co., Ltd.	The Corporation	Ultimate parent	Accounts receivable 158,849	5.62	-	-	-	-
			Other receivables 303	-	-	-	-	-
TFN Investment Co., Ltd.	TFN Media Ltd.	Parent	Accounts receivable 351,873	3.06 (Note 1)	-	70,497	-	-
			Other receivables 1,000,000	-	-	-	-	-
North Coast Cable TV Co., Ltd.	TFN Media Ltd.	Parent	Accounts receivables 442	-	-	-	-	-
			Other receivables 144,388	-	-	-	-	-
Shin Ho Cable TV Co., Ltd.	TFN Media Ltd.	Parent	Accounts receivables 671	-	-	-	-	-
			Other receivables 211,705	-	-	-	-	-
Union Cable TV Co., Ltd.	TFN Media Ltd.	Parent	Accounts receivable 6,549	-	-	-	-	-
			Other receivables 467,239	-	-	-	-	-
Globalview Cable TV Co., Ltd.	TFN Media Ltd.	Parent	Accounts receivable 1,831	-	-	-	-	-
			Other receivables 215,688	-	-	-	-	-

Note 1: Including accounts receivable of the former TFN.

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

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

Investor	Investee	Location	Main Businesses and Products	Original Investment Amount December 31, 2007	Balance as of December 31, 2007 Percentage of Ownership	Carrying Value	Net Income (Loss) of the Investee	Investment Income (Loss)	Note
Taiwan Mobile Co., Ltd.	Taiwan Cellular Co., Ltd. (formerly Tailising Den Syun Co., Ltd.)	Taipei, Taiwan	Equipment installation and IT service	\$ 43,208,330	100	\$ 3,791,398 (Note 1)	\$ 1,768,315	\$ 1,784,640	
	TransAsia Telecommunications Inc. Wealth Media Technology Co., Ltd.	Taipei, Taiwan Taipei, Taiwan	Wireless service provider Investment	9,000,000 87,000	100 100	12,458,463 82,715	1,838,396 (4,285)	1,881,453 (4,285)	
Wealth Media Technology Co., Ltd.	Tai Fu Media Technology Co., Ltd.	Taipei, Taiwan	Investment	85,000	100	80,876	(4,124)	NA	
Tai Fu Media Technology Co., Ltd.	Global Wealth Media Technology Co., Ltd. Fu Jia Leh Media Technology Co., Ltd. Fu Sin Media Technology Co., Ltd.	Taipei Country, Taiwan Taipei, Taiwan Taipei, Taiwan	Investment Investment Investment	84,000 2,001,700 1,000	100 100 100	84,975 2,001,211 900	975 (489) (100)	NA NA NA	
Global Wealth Media Technology Co., Ltd.	Globalview Cable TV Co., Ltd.	Sijhih Township	Cable television system	82,882	6.18	84,039	87,701	NA	
Taiwan Cellular Co., Ltd. (formerly Tailising Den Syun Co., Ltd.)	Taiwan Teleservices & Technologies Co., Ltd. Tai Yi Digital Broadcasting Co., Ltd.	Taipei, Taiwan Taipei, Taiwan	Call center service Broadcasts business and cell phone number agency	5,294 24,950	100 49.9	405,294 23,507	106,713 (1,810)	NA NA	
Taiwan Teleservices & Technologies Co., Ltd.	TWM Holding Co. Ltd. Taiwan Fixed Network Co., Ltd. Taiwan Digital Communications Co., Ltd.	British Virgin Islands Taipei, Taiwan Taipei, Taiwan	Investment Fixed network service Equipment installation and IT service	US\$ 9,000 40,000,000 12,000	100 100 100	US\$ 7,650 53,140,019 11,172	US\$ 64 809,140 (828)	NA NA NA	
	TT&T Life Insurance Agency Co., Ltd. TT&T Casualty & Property Insurance Agency Co., Ltd. TT&T Holdings Co., Ltd. Taiwan Super Basketball Co., Ltd.	Taipei, Taiwan Taipei, Taiwan Saoua Taipei, Taiwan	Insurance agent Insurance agent Investment Basketball team management and relative business	3,000 3,000 1,300 20,000	100 100 100 100	3,009 2,672 US\$ 3,316 20,046	(4) (31) US\$ 46	NA NA NA NA	
TT&T Holdings Co., Ltd.	Xiamen Taifu Teleservices & Technologies Ltd.	Xiamen	Call center service	US\$ 1,300	100	US\$ 1,312	US\$ (42)	NA	
Taiwan Fixed Network Co., Ltd.	TFN Investment Co., Ltd. Taiwan United Communication Co., Ltd. TFN HK Limited	Taipei, Taiwan Taipei, Taiwan Hong Kong	Investment Equipment installation and IT service Telecommunications	17,897,639 1,509,887 5,816	100 98.93 99.99	17,500,000 1,190 1,299	24,215,585 1,507,621 3,075	1,093,693 NA NA	
TFN Investment Co., Ltd.	Reach & Range Inc. WinTV Broadcasting Co., Ltd. TFN Media Ltd.	Taipei, Taiwan Taipei, Taiwan Taipei, Taiwan	Service, telecommunication equipment installment and IT service Broadcasts business Type II telecommunication services	31,764 591,000 1,500,000	100 98.50 93.06	60,258 59,100 2,951,824	32,355 1,022 (142,674) 751,015	NA NA NA	
Taiwan United Communication Co., Ltd.	Taiwan Telecommunication Network Services Co., Ltd.	Taipei, Taiwan	Telecommunications	1,497,701	99.53	1,493,729	(6,077)	NA	
Taiwan Telecommunication Network Services Co., Ltd.	VoPier Communications (Taiwan) Co., Ltd.	Taipei, Taiwan	International simple resales and prepaid card	120,000	100	12,477	(706)	NA	
TFN Media Ltd.	Globalview Cable TV Co., Ltd. Yeong Jialeh Cable TV Co., Ltd. Shin Ho Cable TV Co., Ltd.	Sijhih Township Snjhuangshih Township Snjhuangshih Township	Cable television system Cable television system Cable television system	841,413 1,616,824 661,781	92.38 100 100	841,413 1,616,824 661,781	1,231,162 2,078,790 36,609	NA NA NA	
	Mangrove Cable TV Corporation	Danshueijhen Township	Cable television system	397,703	(Note 2)	397,703	518,552	NA	
	North Coast Cable TV Co., Ltd. Phoenix Cable TV Co., Ltd. Union Cable TV Co., Ltd.	Danshueijhen Township Kaohsiung County Yilan City	Cable television system Cable television system Cable television system	399,193 1,229,257 1,904,440	100 70 99.99	399,193 1,229,257 1,904,440	518,645 2,069,063 2,014,883	NA NA NA	

Note 1: Taiwan Mobile shares held indirectly by Taiwan Cellular Co., Ltd. (TCC) are classified as treasury shares. Therefore, TWM's carrying cost of TCC was reduced from NT\$56,998,037 thousand by NT\$40,844,007 thousand and another NT\$12,362,632 thousand unrealized gain.

Note 2: Partial shares are held as trusts.

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

INVESTMENT IN MAINLAND CHINA
DECEMBER 31, 2007
(In Thousands of New Taiwan Dollars or U.S. Dollars)

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type	Accumulated Outflow of Investment from Taiwan as of December 31, 2006	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2007	% Ownership of Direct or Indirect Investment	Carrying Value as of December 31, 2007	Accumulated Inward Remittance of Earnings as of December 31, 2007
					Outflow	Inflow				
Xiamen Taifu Teleservices & Technologies Ltd.	Call center service	US\$ 1,300 (NT\$ 42,249)	Indirect investment in the Company in Mainland China through a third place by the Corporation's subsidiary, Taiwan Teleservices & Technologies Co., Ltd.	US\$ 1,300 (NT\$ 42,249)	\$ -	\$ -	US\$ 1,300 (NT\$ 42,249)	100% ownership of indirect investment by the Corporation's subsidiary	US\$ 1,312 (NT\$ 42,650)	\$ -

Accumulated Investment in Mainland China as of December 31, 2007	Investment Amounts Authorized by Investment Commission, MOEA (Note 2)	Upper Limit on Investment Authorized by Investment Commission, MOEA (Note 2)
US\$1,300 (NT\$42,249)	US\$1,300 (NT\$42,249)	\$99,994

Note 1: The above amounts were translated into New Taiwan dollars at the exchange rate of US\$1=NT\$32.499 and RMB1=NT\$4.4491 as of December 31, 2007.

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

Number	Company Name	Counterparty	Transaction Details				Percentage of Consolidated Total Operating Revenues or Total Assets
			Nature of Relationship (Note)	Account	Amount	Transaction Terms	
1	TransAsia Telecommunications Inc.	Tai Yi Digital Broadcasting Co., Ltd.	1	Rental income	\$ 34	Based on regular terms	-
		Taiwan Digital Communications Co., Ltd.	1	Rental income	20	Based on regular terms	-
		Taiwan Teleservices & Technologies Co., Ltd.	1	Rental income	34	Based on regular terms	-
		TT&T Life Insurance Agency Co., Ltd.	1	Rental income	34	Based on regular terms	-
		TT&T Casualty & Property Insurance Agency Co., Ltd.	1	Rental income	10	Based on regular terms	-
		Taipei Fubon Commercial Bank Co., Ltd.	1	Rental income	26	Based on regular terms	-
		Taiwan United Communication Co., Ltd.	1	Rental income	51,331	Based on regular terms	-
		The former Taiwan Fixed Network Co., Ltd.	1	Rental income	10	Based on regular terms	-
		Win TV Broadcasting Co., Ltd.	1	Miscellaneous revenue	32,504	Based on regular terms	-
		Taiwan Fixed Network Co., Ltd.	1	Interest expenses	6	Based on regular terms	-
		The former Taiwan Fixed Network Co., Ltd.	1	Miscellaneous expense	698	Based on regular terms	-
		TransAsia Telecommunications Inc.	1	Miscellaneous expense	698	Based on regular terms	-
		The Corporation	2	Accounts receivable	19,754	Based on regular terms	-
		Taiwan Teleservices & Technologies Co., Ltd.	3	Accounts receivable	1	Based on regular terms	-
		Taiwan Fixed Network Co., Ltd.	3	Accounts receivable	5,150	Based on regular terms	-
		Reach & Range Inc.	3	Accounts receivable	108	Based on regular terms	-
		The Corporation	2	Other receivables	491,482	Based on regular terms	1%
		Taiwan Cellular Co., Ltd.	3	Other receivables	902,871	Based on regular terms	1%
		The Corporation	2	Prepayments	656	Based on regular terms	-
The Corporation	2	Accounts payable	75,158	Based on regular terms	-		
The Corporation	2	Accrued expenses	148,344	Based on regular terms	-		
Taiwan Fixed Network Co., Ltd.	3	Accrued expenses	4,048	Based on regular terms	-		
The Corporation	2	Other payables	67,871	Based on regular terms	-		
Taiwan Fixed Network Co., Ltd.	3	Other payables	1,426	Based on regular terms	-		
The Corporation	2	Advance receipts	71	Based on regular terms	-		
The Corporation	2	Other current liabilities	58	Based on regular terms	-		
Taiwan Fixed Network Co., Ltd.	3	Other current liabilities	3,822	Based on regular terms	-		
The Corporation	2	Operating revenues	295,200	Based on regular terms	-		
Mobitai Communications	3	Operating revenues	6,235	Based on regular terms	-		
Taiwan Fixed Network Co., Ltd.	3	Operating revenues	552	Based on regular terms	-		
The former Taiwan Fixed Network Co., Ltd.	3	Operating revenues	30,599	Based on regular terms	-		
Reach & Range Inc.	3	Operating revenues	1,892	Based on regular terms	-		
The Corporation	2	Operating costs	584,457	Based on regular terms	1%		
Mobitai Communications	3	Operating costs	3,169	Based on regular terms	-		
Taiwan Teleservices & Technologies Co., Ltd.	3	Operating costs	(148)	Based on regular terms	-		
Taiwan Fixed Network Co., Ltd.	3	Operating costs	30,666	Based on regular terms	-		
The Corporation	2	Operating expenses	34	Based on regular terms	-		
Taiwan Fixed Network Co., Ltd.	3	Operating expenses	112	Based on regular terms	-		
Taiwan Cellular Co., Ltd.	3	Interest income	1,038	Based on regular terms	-		
The Corporation	2	Rental income	19	Based on regular terms	-		
The former Taiwan Fixed Network Co., Ltd.	3	Rental income	284	Based on regular terms	-		
The Corporation	2	Miscellaneous revenue	698	Based on regular terms	-		

(Continued)

Number	Company Name	Counterparty	Transaction Details				Percentage of Consolidated Total Operating Revenues or Total Assets
			Nature of Relationship (Note)	Account	Amount	Transaction Terms	
2	Mobitai Communications	The Corporation	2	Operating revenues	\$ 185,009	Based on regular terms	-
		TransAsia Telecommunications Inc.	3	Operating revenues	3,169	Based on regular terms	-
		Taiwan Teleservices & Technologies Co., Ltd.	3	Operating revenues	10	Based on regular terms	-
		The former Taiwan Fixed Network Co., Ltd.	3	Operating revenues	5,663	Based on regular terms	-
		The Corporation	2	Operating costs	242,924	Based on regular terms	-
		TransAsia Telecommunications Inc.	3	Operating costs	6,235	Based on regular terms	-
		The former Taiwan Fixed Network Co., Ltd.	3	Operating costs	2,329	Based on regular terms	-
		Reach & Range Inc.	3	Operating costs	1,723	Based on regular terms	-
		The Corporation	2	Operating expenses	34	Based on regular terms	-
		The former Taiwan Fixed Network Co., Ltd.	3	Operating expenses	679	Based on regular terms	-
		Taiwan Cellular Co., Ltd.	3	Interest income	12,826	Based on regular terms	-
		The Corporation	2	Rental income	382	Based on regular terms	-
		Xiamen Taifu Teleservices & Technologies Ltd.	1	Accounts receivable	101	Based on regular terms	-
		Taiwan Teleservices & Technologies Co., Ltd.	1	Other receivables	215	Based on regular terms	3%
		Taiwan Fixed Network Co., Ltd.	1	Other receivables	2,501,051	Based on regular terms	1%
		TFN Media Ltd.	1	Other receivables	1,252,434	Based on regular terms	-
		The Corporation	2	Prepayments	34	Based on regular terms	1%
		TransAsia Telecommunications Inc.	1	Short-term loans	900,000	Based on regular terms	-
		TransAsia Telecommunications Inc.	3	Accrued interest expenses	2,871	Based on regular terms	-
The Corporation	2	Operating expenses	34	Based on regular terms	-		
Taiwan Fixed Network Co., Ltd.	1	Interest income	1,051	Based on regular terms	-		
TFN Media Ltd.	1	Interest income	2,434	Based on regular terms	-		
TT&T Holdings Co., Ltd.	1	Miscellaneous revenue	95	Based on regular terms	-		
Xiamen Taifu Teleservices & Technologies Ltd.	1	Miscellaneous revenue	95	Based on regular terms	-		
TransAsia Telecommunications Inc.	3	Interest expenses	1,038	Based on regular terms	-		
Mobitai Communications	1	Interest expenses	12,826	Based on regular terms	-		
4	Wealth Media Technology Co., Ltd.	The Corporation	2	Prepayments	34	Based on regular terms	-
		The Corporation	2	Operating expenses	14	Based on regular terms	-
5	Tai Fu Media Technology Co., Ltd.	The Corporation	2	Prepayments	34	Based on regular terms	-
		The Corporation	2	Accrued interest expenses	4,353	Based on regular terms	-
		The Corporation	2	Other payables	2,005,000	Based on regular terms	2%
		The Corporation	2	Operating expenses	9	Based on regular terms	-
		The Corporation	2	Interest expenses	4,353	Based on regular terms	-
6	Global Wealth Media Technology Co., Ltd.	Globalview Cable TV Co., Ltd.	3	Prepayments	34	Based on regular terms	-
		Globalview Cable TV Co., Ltd.	3	Accrued expenses	42	Based on regular terms	-
		Globalview Cable TV Co., Ltd.	3	Operating expenses	6	Based on regular terms	-
7	Tai Yi Digital Broadcasting Co., Ltd.	The Corporation	2	Prepayments	43	Based on regular terms	-
		The Corporation	2	Refundable deposits	15	Based on regular terms	-
		The Corporation	2	Operating expenses	35	Based on regular terms	-
8	Taiwan Digital Communications Co., Ltd.	The Corporation	2	Prepayments	34	Based on regular terms	-
		The Corporation	2	Operating expenses	20	Based on regular terms	-

(Continued)

Number	Company Name	Counterparty	Transaction Details				Percentage of Consolidated Total Operating Revenues or Total Assets
			Nature of Relationship (Note)	Account	Amount	Transaction Terms	
9	Taiwan Teleservices & Technologies Co., Ltd.	The Corporation Taiwan Fixed Network Co., Ltd. The Corporation Taiwan Fixed Network Co., Ltd. The Corporation The Corporation Taiwan Cellular Co., Ltd. TT&T Holdings Co., Ltd. Xiamen Taifu Teleservices & Technologies Ltd. Taiwan Fixed Network Co., Ltd. The Corporation TransAsia Telecommunications Inc. The former Taiwan Fixed Network Co., Ltd. The Corporation TT&T Holdings Co., Ltd. Xiamen Taifu Teleservices & Technologies Ltd. Taiwan Fixed Network Co., Ltd. The Corporation	2	Accounts receivable	\$ 158,849	Based on regular terms	-
			3	Accounts receivable	4,938	Based on regular terms	-
10	TT&T Life Insurance Agency Co., Ltd.	The Corporation The Corporation	2	Prepayments	34	Based on regular terms	-
			2	Operating expenses	34	Based on regular terms	-
11	TT&T Casualty & Property Insurance Agency Co., Ltd.	The Corporation The Corporation	2	Prepayments	34	Based on regular terms	-
			2	Operating expenses	34	Based on regular terms	-
12	Taipei Fubon Commercial Bank Co., Ltd.	The Corporation The Corporation The Corporation	2	Accounts receivable	13,548	Based on regular terms	-
			2	Operating revenues	34	Based on regular terms	-
13	TT&T Holdings Co., Ltd.	The Corporation The Corporation The Corporation	2	Operating revenues	13,500	Based on regular terms	-
			2	Operating expenses	10	Based on regular terms	-
14	Xiamen Taifu Teleservices & Technologies Ltd.	Taiwan Teleservices & Technologies Co., Ltd. Taiwan Teleservices & Technologies Co., Ltd. Taiwan Teleservices & Technologies Co., Ltd. Taiwan Cellular Co., Ltd.	2	Accounts receivable	2,447	Based on regular terms	-
			2	Accounts payable	3,701	Based on regular terms	-
15	Taiwan Fixed Network Co., Ltd.	Taiwan Telecommunication Network Services Co., Ltd. The Corporation TransAsia Telecommunications Inc. Taiwan Teleservices & Technologies Co., Ltd. Taiwan Telecommunication Network Services Co., Ltd.	2	Operating revenues	10,682	Based on regular terms	-
			2	Operating expenses	101	Based on regular terms	-
16	Taiwan Fixed Network Co., Ltd.	Taiwan Teleservices & Technologies Co., Ltd. Taiwan Cellular Co., Ltd.	2	Accounts receivable	8,780	Based on regular terms	-
			2	Accrued expenses	102	Based on regular terms	-
17	Taiwan Fixed Network Co., Ltd.	Taiwan Teleservices & Technologies Co., Ltd. Taiwan Cellular Co., Ltd.	2	Operating revenues	55,176	Based on regular terms	-
			2	Operating expenses	100	Based on regular terms	-
18	Taiwan Fixed Network Co., Ltd.	Taiwan Teleservices & Technologies Co., Ltd. The Corporation	2	Operating expenses	8	Based on regular terms	-
			2	Rental income	1,794	Based on regular terms	-
19	Taiwan Fixed Network Co., Ltd.	Taiwan Teleservices & Technologies Co., Ltd. The Corporation	2	Notes receivable	351,873	Based on regular terms	-
			2	Accounts receivable	6,516	Based on regular terms	-
20	Taiwan Fixed Network Co., Ltd.	Taiwan Teleservices & Technologies Co., Ltd. The Corporation	3	Accounts receivable	148	Based on regular terms	-
			3	Accounts receivable	3,382	Based on regular terms	-

(Continued)

Number	Company Name	Counterparty	Transaction Details				Percentage of Consolidated Total Operating Revenues or Total Assets
			Nature of Relationship (Note)	Account	Amount	Transaction Terms	
21	Taiwan Fixed Network Co., Ltd.	TFN Investment Co., Ltd. Reach & Range Inc.	1	Accounts receivable	\$ 1,260	Based on regular terms	-
			1	Accounts receivable	5,311	Based on regular terms	-
22	Taiwan Fixed Network Co., Ltd.	Win TV Broadcasting Co., Ltd. TFN Media Ltd.	1	Accounts receivable	11,055	Based on regular terms	-
			1	Accounts receivable	16,471	Based on regular terms	-
23	Taiwan Fixed Network Co., Ltd.	Union Cable TV Co., Ltd. Yeong Jialeh Cable TV Co., Ltd.	1	Accounts receivable	6	Based on regular terms	-
			1	Accounts receivable	153	Based on regular terms	-
24	Taiwan Fixed Network Co., Ltd.	Mangrove Cable TV Corporation North Coast Cable TV Co., Ltd.	1	Accounts receivable	65	Based on regular terms	-
			1	Accounts receivable	21	Based on regular terms	-
25	Taiwan Fixed Network Co., Ltd.	Phoenix Cable TV Co., Ltd. Globalview Cable TV Co., Ltd.	1	Accounts receivable	814	Based on regular terms	-
			1	Accounts receivable	82	Based on regular terms	-
26	Taiwan Fixed Network Co., Ltd.	The Corporation TFN Investment Co., Ltd.	2	Other receivables	1,775	Based on regular terms	-
			2	Refundable deposits	234,263	Based on regular terms	-
27	Taiwan Fixed Network Co., Ltd.	Win TV Broadcasting Co., Ltd. TFN Media Ltd.	1	Other receivables	45	Based on regular terms	-
			1	Other receivables	1,702	Based on regular terms	-
28	Taiwan Fixed Network Co., Ltd.	Union Cable TV Co., Ltd. Yeong Jialeh Cable TV Co., Ltd.	1	Other receivables	94	Based on regular terms	-
			1	Other receivables	143	Based on regular terms	-
29	Taiwan Fixed Network Co., Ltd.	Mangrove Cable TV Corporation Phoenix Cable TV Co., Ltd.	1	Other receivables	48	Based on regular terms	-
			1	Other receivables	139	Based on regular terms	-
30	Taiwan Fixed Network Co., Ltd.	Globalview Cable TV Co., Ltd. The Corporation	1	Other receivables	201	Based on regular terms	-
			2	Prepayments	64	Based on regular terms	-
31	Taiwan Fixed Network Co., Ltd.	The Corporation Taiwan Cellular Co., Ltd.	2	Short-term loans	830	Based on regular terms	-
			2	Notes payable	2,500,000	Based on regular terms	3%
32	Taiwan Fixed Network Co., Ltd.	The Corporation TransAsia Telecommunications Inc. Reach & Range Inc.	1	Accounts payable	1	Based on regular terms	-
			2	Accounts payable	1,013	Based on regular terms	-
33	Taiwan Fixed Network Co., Ltd.	TFN Media Ltd. The Corporation	3	Accounts payable	1,931	Based on regular terms	-
			1	Accounts payable	10,879	Based on regular terms	-
34	Taiwan Fixed Network Co., Ltd.	Union Cable TV Co., Ltd. Yeong Jialeh Cable TV Co., Ltd.	1	Accounts payable	3,912	Based on regular terms	-
			1	Accounts payable	17	Based on regular terms	-
35	Taiwan Fixed Network Co., Ltd.	Phoenix Cable TV Co., Ltd. Globalview Cable TV Co., Ltd.	1	Accounts payable	16	Based on regular terms	-
			1	Accounts payable	201	Based on regular terms	-
36	Taiwan Fixed Network Co., Ltd.	The Corporation TFN Media Ltd.	1	Accounts payable	15	Based on regular terms	-
			1	Accounts payable	494	Based on regular terms	-
37	Taiwan Fixed Network Co., Ltd.	The Corporation Taiwan Teleservices & Technologies Co., Ltd.	2	Accrued expenses	64,057	Based on regular terms	-
			2	Accrued expenses	5,245	Based on regular terms	-
38	Taiwan Fixed Network Co., Ltd.	Reach & Range Inc. TFN Investment Co., Ltd.	3	Accrued expenses	3	Based on regular terms	-
			1	Accrued interest expenses	1,036	Based on regular terms	-
39	Taiwan Fixed Network Co., Ltd.	The Corporation TFN Media Ltd.	2	Advance receipts	233	Based on regular terms	-
			1	Other liabilities	8,875	Based on regular terms	-
40	Taiwan Fixed Network Co., Ltd.	The Corporation TransAsia Telecommunications Inc.	2	Operating revenues	2,176	Based on regular terms	-
			3	Operating revenues	42	Based on regular terms	-
41	Taiwan Fixed Network Co., Ltd.	Taiwan Teleservices & Technologies Co., Ltd. Win TV Broadcasting Co., Ltd.	4	Operating revenues	1	Based on regular terms	-
			3	Operating revenues	1	Based on regular terms	-
42	Taiwan Fixed Network Co., Ltd.	TFN Media Ltd. The Corporation	1	Operating revenues	640	Based on regular terms	-
			1	Operating revenues	1	Based on regular terms	-
43	Taiwan Fixed Network Co., Ltd.	Phoenix Cable TV Co., Ltd. Globalview Cable TV Co., Ltd.	1	Operating revenues	2	Based on regular terms	-
			1	Operating revenues	1	Based on regular terms	-

(Continued)

Number	Company Name	Counterparty	Transaction Details				Percentage of Consolidated Total Operating Revenues or Total Assets			
			Nature of Relationship (Note)	Account	Amount	Transaction Terms				
21	Win TV Broadcasting Co., Ltd.	The former Taiwan Fixed Network Co., Ltd. The Corporation TransAsia Telecommunications Inc. Taiwan Fixed Network Co., Ltd. Taiwan Fixed Network Co., Ltd. Taiwan Telecommunication Network Services Co., Ltd. The former Taiwan Fixed Network Co., Ltd. The Corporation Taiwan Fixed Network Co., Ltd. The former Taiwan Fixed Network Co., Ltd.	2	Operating revenues	\$ 13,568	Based on regular terms	-			
			2	Operating costs	1,845	Based on regular terms	-			
			3	Operating costs	1,892	Based on regular terms	-			
			2	Operating costs	1,015	Based on regular terms	-			
			3	Operating costs	790	Based on regular terms	-			
			2	Operating costs	(694)	Based on regular terms	-			
			2	Operating expenses	19	Based on regular terms	-			
			2	Operating expenses	7,079	Based on regular terms	-			
			2	Operating expenses	(869)	Based on regular terms	-			
			2	Notes payable	65	Based on regular terms	-			
			2	Accounts payable	3,464	Based on regular terms	-			
			2	Other payables	7,221	Based on regular terms	-			
			2	Long-term accounts payables	3,327	Based on regular terms	-			
			2	Operating costs	399	Based on regular terms	-			
			2	Operating expenses	74	Based on regular terms	-			
			22	TFN Media Ltd.	Taiwan Fixed Network Co., Ltd. Union Cable TV Co., Ltd. Yeong Jialeh Cable TV Co., Ltd. Mangrove Cable TV Corporation North Coast Cable TV Co., Ltd. Phoenix Cable TV Co., Ltd. Globalview Cable TV Co., Ltd. Taiwan Fixed Network Co., Ltd. Taiwan Fixed Network Co., Ltd. Taiwan Fixed Network Co., Ltd. The former Taiwan Fixed Network Co., Ltd. Union Cable TV Co., Ltd. Shin Ho Cable TV Co., Ltd. Yeong Jialeh Cable TV Co., Ltd. Mangrove Cable TV Corporation	2	Accounts receivable	3,913	Payment terms varied depend on the agreements	-
						1	Accounts receivable	27,386	Payment terms varied depend on the agreements	-
						1	Accounts receivable	32,422	Payment terms varied depend on the agreements	-
						1	Accounts receivable	842	Payment terms varied depend on the agreements	-
						1	Accounts receivable	4,432	Payment terms varied depend on the agreements	-
						1	Accounts receivable	47,045	Payment terms varied depend on the agreements	-
1	Accounts receivable	15,638				Payment terms varied depend on the agreements	-			
2	Other current assets	5				Based on regular terms	-			
2	Other intangible assets	8,875				Payment terms varied depend on the agreements	-			
2	Notes payable	4,960				Payment terms varied depend on the agreements	-			
2	Notes payable	(4,960)				Payment terms varied depend on the agreements	-			
1	Accounts payable	1,640				Payment terms varied depend on the agreements	-			
1	Accounts payable	597				Payment terms varied depend on the agreements	-			
1	Accounts payable	2,114				Payment terms varied depend on the agreements	-			
1	Accounts payable	489				Payment terms varied depend on the agreements	-			

(Continued)

Number	Company Name	Counterparty	Transaction Details				Percentage of Consolidated Total Operating Revenues or Total Assets
			Nature of Relationship (Note)	Account	Amount	Transaction Terms	
		North Coast Cable TV Co., Ltd. Phoenix Cable TV Co., Ltd. Globalview Cable TV Co., Ltd. Taiwan Fixed Network Co., Ltd. The former Taiwan Fixed Network Co., Ltd. Union Cable TV Co., Ltd. Shin Ho Cable TV Co., Ltd. Yeong Jialeh Cable TV Co., Ltd. Mangrove Cable TV Corporation North Coast Cable TV Co., Ltd. Phoenix Cable TV Co., Ltd. Globalview Cable TV Co., Ltd. The Corporation Taiwan Cellular Co., Ltd. TFN Investment Co., Ltd. Union Cable TV Co., Ltd. Shin Ho Cable TV Co., Ltd. Mangrove Cable TV Corporation North Coast Cable TV Co., Ltd. Globalview Cable TV Co., Ltd. The Corporation Taiwan Cellular Co., Ltd. Taiwan Fixed Network Co., Ltd.	1	Accounts payable	\$ 442	Payment terms varied depend on the agreements	-
			1	Accounts payable	3,518	Payment terms varied depend on the agreements	-
			1	Accounts payable	1,463	Payment terms varied depend on the agreements	-
			2	Accrued expenses	15,150	Payment terms varied depend on the agreements	-
			2	Accrued expenses	(4,960)	Payment terms varied depend on the agreements	-
			1	Accrued expenses	4,910	Payment terms varied depend on the agreements	-
			1	Accrued expenses	74	Payment terms varied depend on the agreements	-
			1	Accrued expenses	2,863	Payment terms varied depend on the agreements	-
			1	Accrued expenses	295	Payment terms varied depend on the agreements	-
			1	Accrued expenses	43	Payment terms varied depend on the agreements	-
			1	Accrued expenses	3,899	Payment terms varied depend on the agreements	-
			1	Accrued expenses	417	Payment terms varied depend on the agreements	-
			2	Accrued interest expenses	504	Payment terms varied depend on the agreements	-
			2	Accrued interest expenses	2,521	Payment terms varied depend on the agreements	-
			2	Accrued interest expenses	2,016	Payment terms varied depend on the agreements	-
			1	Accrued interest expenses	5,368	Payment terms varied depend on the agreements	-
			1	Accrued interest expenses	2,134	Payment terms varied depend on the agreements	-
			1	Accrued interest expenses	772	Payment terms varied depend on the agreements	-
			1	Accrued interest expenses	2,512	Payment terms varied depend on the agreements	-
			1	Accrued interest expenses	3,768	Payment terms varied depend on the agreements	-
			2	Other payables	250,000	Payment terms varied depend on the agreements	-
			2	Other payables	1,250,000	Payment terms varied depend on the agreements	1%
			2	Other payables	1,305	Payment terms varied depend on the agreements	-

(Continued)

Number	Company Name	Counterparty	Transaction Details				Percentage of Consolidated Total Operating Revenues or Total Assets
			Nature of Relationship (Note)	Account	Amount	Transaction Terms	
	TFN Investment Co., Ltd.		2	Other payables	\$ 4,049,389	Payment terms varied depend on the agreements	4%
	Union Cable TV Co., Ltd.		1	Other payables	461,871	Payment terms varied depend on the agreements	-
	Shin Ho Cable TV Co., Ltd.		1	Other payables	209,571	Payment terms varied depend on the agreements	-
	Yeong Jialeh Cable TV Co., Ltd.		1	Other payables	1,871	Payment terms varied depend on the agreements	-
	Mangrove Cable TV Corporation		1	Other payables	44,871	Payment terms varied depend on the agreements	-
	North Coast Cable TV Co., Ltd.		1	Other payables	141,871	Payment terms varied depend on the agreements	-
	Phoenix Cable TV Co., Ltd.		1	Other payables	1,871	Payment terms varied depend on the agreements	-
	Globalview Cable TV Co., Ltd.		1	Other payables	211,871	Payment terms varied depend on the agreements	-
	Yeong Jialeh Cable TV Co., Ltd.		1	Other liabilities	5,336	Payment terms varied depend on the agreements	-
	Mangrove Cable TV Corporation		1	Other liabilities	4,477	Payment terms varied depend on the agreements	-
	North Coast Cable TV Co., Ltd.		1	Other liabilities	4,477	Payment terms varied depend on the agreements	-
	Globalview Cable TV Co., Ltd.		1	Other liabilities	5,835	Payment terms varied depend on the agreements	-
	The former Taiwan Fixed Network Co., Ltd.		2	Operating revenues	1,037	Payment terms varied depend on the agreements	-
	Union Cable TV Co., Ltd.		1	Operating revenues	136,768	Payment terms varied depend on the agreements	-
	Shin Ho Cable TV Co., Ltd.		1	Operating revenues	573	Payment terms varied depend on the agreements	-
	Yeong Jialeh Cable TV Co., Ltd.		1	Operating revenues	201,987	Payment terms varied depend on the agreements	-
	Mangrove Cable TV Corporation		1	Operating revenues	887	Payment terms varied depend on the agreements	-
	North Coast Cable TV Co., Ltd.		1	Operating revenues	36,409	Payment terms varied depend on the agreements	-
	Phoenix Cable TV Co., Ltd.		1	Operating revenues	305,208	Payment terms varied depend on the agreements	-
	Globalview Cable TV Co., Ltd.		1	Operating revenues	118,664	Payment terms varied depend on the agreements	-
	The Corporation Taiwan Fixed Network Co., Ltd.		2	Operating costs	264	Based on regular terms	-
	The former Taiwan Fixed Network Co., Ltd.		2	Operating costs	640	Payment terms varied depend on the agreements	-
	Union Cable TV Co., Ltd.		2	Operating costs	42,649	Payment terms varied depend on the agreements	-
			1	Operating costs	18,946	Payment terms varied depend on the agreements	-

(Continued)

Number	Company Name	Counterparty	Transaction Details				Percentage of Consolidated Total Operating Revenues or Total Assets
			Nature of Relationship (Note)	Account	Amount	Transaction Terms	
	Shin Ho Cable TV Co., Ltd.		1	Operating costs	\$ 568	Payment terms varied depend on the agreements	-
	Yeong Jialeh Cable TV Co., Ltd.		1	Operating costs	11,332	Payment terms varied depend on the agreements	-
	Mangrove Cable TV Corporation		1	Operating costs	1,236	Payment terms varied depend on the agreements	-
	North Coast Cable TV Co., Ltd.		1	Operating costs	421	Payment terms varied depend on the agreements	-
	Phoenix Cable TV Co., Ltd.		1	Operating costs	16,784	Payment terms varied depend on the agreements	-
	Globalview Cable TV Co., Ltd.		1	Operating costs	2,457	Payment terms varied depend on the agreements	-
	The Corporation The former Taiwan Fixed Network Co., Ltd.		2	Operating expenses	132	Based on regular terms	-
	Union Cable TV Co., Ltd.		2	Operating expenses	3,411	Based on regular terms	-
	Shin Ho Cable TV Co., Ltd.		1	Operating expenses	2,400	Payment terms varied depend on the agreements	-
	Yeong Jialeh Cable TV Co., Ltd.		1	Operating expenses	471	Payment terms varied depend on the agreements	-
	Mangrove Cable TV Corporation		1	Operating expenses	1,237	Payment terms varied depend on the agreements	-
	North Coast Cable TV Co., Ltd.		1	Operating expenses	254	Payment terms varied depend on the agreements	-
	Phoenix Cable TV Co., Ltd.		1	Operating expenses	90	Payment terms varied depend on the agreements	-
	Globalview Cable TV Co., Ltd.		1	Operating expenses	2,114	Payment terms varied depend on the agreements	-
	The Corporation The Corporation		2	Miscellaneous revenue	409	Payment terms varied depend on the agreements	-
	Taiwan Cellular Co., Ltd.		2	Interest expenses	2	Based on regular terms	-
	TFN Investment Co., Ltd.		2	Interest expenses	504	Payment terms varied depend on the agreements	-
	Union Cable TV Co., Ltd.		2	Interest expenses	2,521	Payment terms varied depend on the agreements	-
	Shin Ho Cable TV Co., Ltd.		1	Interest expenses	2,016	Payment terms varied depend on the agreements	-
	Mangrove Cable TV Corporation		1	Interest expenses	1,002	Payment terms varied depend on the agreements	-
	North Coast Cable TV Co., Ltd.		1	Interest expenses	441	Payment terms varied depend on the agreements	-
	Globalview Cable TV Co., Ltd.		1	Interest expenses	96	Payment terms varied depend on the agreements	-
	Union Cable TV Co., Ltd.		1	Interest expenses	311	Payment terms varied depend on the agreements	-
			1	Interest expenses	467	Payment terms varied depend on the agreements	-
			1	Miscellaneous expense	1,871	Payment terms varied depend on the agreements	-

(Continued)

Number	Company Name	Counterparty	Transaction Details				Percentage of Consolidated Total Operating Revenues or Total Assets
			Nature of Relationship (Note)	Account	Amount	Transaction Terms	
		Shin Ho Cable TV Co., Ltd.	1	Miscellaneous expense	\$ 1,871	Payment terms varied depend on the agreements	-
		Yeong Jialeh Cable TV Co., Ltd.	1	Miscellaneous expense	1,871	Payment terms varied depend on the agreements	-
		Mangrove Cable TV Corporation	1	Miscellaneous expense	1,871	Payment terms varied depend on the agreements	-
		North Coast Cable TV Co., Ltd.	1	Miscellaneous expense	1,871	Payment terms varied depend on the agreements	-
		Phoenix Cable TV Co., Ltd.	1	Miscellaneous expense	1,871	Payment terms varied depend on the agreements	-
		Globalview Cable TV Co., Ltd.	1	Miscellaneous expense	1,871	Payment terms varied depend on the agreements	-
23	Fu Yang Multimedia Co., Ltd.	The former Taiwan Fixed Network Co., Ltd.	2	Operating revenues	14,058	Payment terms varied depend on the agreements	-
		Union Cable TV Co., Ltd.	3	Operating revenues	12,231	Payment terms varied depend on the agreements	-
		Shin Ho Cable TV Co., Ltd.	3	Operating revenues	4,285	Payment terms varied depend on the agreements	-
		Yeong Jialeh Cable TV Co., Ltd.	3	Operating revenues	21,696	Payment terms varied depend on the agreements	-
		Mangrove Cable TV Corporation	3	Operating revenues	6,619	Payment terms varied depend on the agreements	-
		North Coast Cable TV Co., Ltd.	3	Operating revenues	5,001	Payment terms varied depend on the agreements	-
		Phoenix Cable TV Co., Ltd.	3	Operating revenues	27,342	Payment terms varied depend on the agreements	-
		Globalview Cable TV Co., Ltd.	3	Operating revenues	13,331	Payment terms varied depend on the agreements	-
		The Corporation	2	Operating costs	6	Based on regular terms	-
		The former Taiwan Fixed Network Co., Ltd.	2	Operating costs	128	Based on regular terms	-
		Union Cable TV Co., Ltd.	3	Operating costs	11,437	Payment terms varied depend on the agreements	-
		Shin Ho Cable TV Co., Ltd.	3	Operating costs	4,067	Payment terms varied depend on the agreements	-
		Yeong Jialeh Cable TV Co., Ltd.	3	Operating costs	13,536	Payment terms varied depend on the agreements	-
		Mangrove Cable TV Corporation	3	Operating costs	3,287	Payment terms varied depend on the agreements	-
		North Coast Cable TV Co., Ltd.	3	Operating costs	3,265	Payment terms varied depend on the agreements	-
		Phoenix Cable TV Co., Ltd.	3	Operating costs	23,264	Payment terms varied depend on the agreements	-
		Globalview Cable TV Co., Ltd.	3	Operating costs	9,750	Payment terms varied depend on the agreements	-

(Continued)

Number	Company Name	Counterparty	Transaction Details				Percentage of Consolidated Total Operating Revenues or Total Assets
			Nature of Relationship (Note)	Account	Amount	Transaction Terms	
		The Corporation	2	Operating expenses	\$ 59	Based on regular terms	-
		Taiwan Telecommunication Network Services Co., Ltd.	3	Operating expenses	194	Based on regular terms	-
		The former Taiwan Fixed Network Co., Ltd.	2	Operating expenses	2,833	Payment terms varied depend on the agreements and based on regular terms	-
		Yeong Jialeh Cable TV Co., Ltd.	3	Miscellaneous revenue	1,100	Payment terms varied depend on the agreements	-
		North Coast Cable TV Co., Ltd.	3	Miscellaneous revenue	1,100	Payment terms varied depend on the agreements	-
		Union Cable TV Co., Ltd.	3	Interest expenses	5,335	Payment terms varied depend on the agreements	-
		Shin Ho Cable TV Co., Ltd.	3	Interest expenses	2,346	Payment terms varied depend on the agreements	-
		Mangrove Cable TV Corporation	3	Interest expenses	937	Payment terms varied depend on the agreements	-
		North Coast Cable TV Co., Ltd.	3	Interest expenses	3,049	Payment terms varied depend on the agreements	-
		Globalview Cable TV Co., Ltd.	3	Interest expenses	4,574	Payment terms varied depend on the agreements	-
24	Union Cable TV Co., Ltd.	Taiwan Fixed Network Co., Ltd.	2	Accounts receivable	18	Payment terms varied depend on the agreements	-
		TFN Media Ltd.	2	Accounts receivable	6,549	Payment terms varied depend on the agreements or based on regular terms	-
		Mangrove Cable TV Corporation	3	Accounts receivable	16	Based on regular terms	-
		TFN Media Ltd.	2	Other receivables	467,239	Payment terms varied depend on the agreements or based on regular terms	-
		Taiwan Fixed Network Co., Ltd.	2	Prepayments	1	Based on regular terms	-
		TFN Media Ltd.	2	Accounts payable	16,758	Payment terms varied depend on the agreements	-
		Globalview Cable TV Co., Ltd.	3	Accounts payable	2	Based on regular terms	-
		Taiwan Fixed Network Co., Ltd.	2	Other payables	94	Based on regular terms	-
		TFN Media Ltd.	2	Other payables	10,628	Payment terms varied depend on the agreements	-
		The Corporation	2	Operating revenues	206	Payment terms varied depend on the agreements	-
		The former Taiwan Fixed Network Co., Ltd.	2	Operating revenues	146	Payment terms varied depend on the agreements	-
		TFN Media Ltd.	2	Operating revenues	20,757	Payment terms varied depend on the agreements or based on regular terms	-
		Fu Yang Multimedia Co., Ltd.	3	Operating revenues	11,437	Payment terms varied depend on the agreements	-
		Mangrove Cable TV Corporation	3	Operating revenues	75	Based on regular terms	-
		Globalview Cable TV Co., Ltd.	3	Operating revenues	32	Based on regular terms	-

(Continued)

Number	Company Name	Counterparty	Transaction Details				Percentage of Consolidated Total Operating Revenues or Total Assets
			Nature of Relationship (Note)	Account	Amount	Transaction Terms	
		The Corporation TFN Media Ltd.	2	Operating costs	\$ 191	Based on regular terms	-
		The Corporation The former Taiwan Fixed Network Co., Ltd. TFN Media Ltd.	2	Operating costs	135,130	Payment terms varied depend on the agreements	-
			2	Operating expenses	129	Based on regular terms	-
			2	Operating expenses	977	Based on regular terms	-
			2	Operating expenses	1,638	Payment terms varied depend on the agreements	-
		Fu Yang Multimedia Co., Ltd.	3	Operating expenses	12,231	Payment terms varied depend on the agreements	-
		TFN Media Ltd.	2	Interest income	1,002	Payment terms varied depend on the agreements	-
		Fu Yang Multimedia Co., Ltd.	3	Interest income	5,335	Payment terms varied depend on the agreements	-
		TFN Media Ltd.	2	Miscellaneous revenue	2,409	Based on regular terms	-
25	Shin Ho Cable TV Co., Ltd.	TFN Media Ltd.	2	Accounts receivable	671	Based on regular terms	-
		TFN Media Ltd.	2	Other receivables	211,705	Payment terms varied depend on the agreements	-
		The Corporation	2	Operating revenues	40	Payment terms varied depend on the agreements	-
		TFN Media Ltd.	2	Operating revenues	568	Payment terms varied depend on the agreements	-
		Fu Yang Multimedia Co., Ltd.	3	Operating revenues	4,067	Payment terms varied depend on the agreements	-
		The Corporation	2	Operating costs	48	Payment terms varied depend on the agreements	-
		The Corporation	2	Operating expenses	16	Payment terms varied depend on the agreements	-
		TFN Media Ltd.	2	Operating expenses	574	Payment terms varied depend on the agreements	-
		Fu Yang Multimedia Co., Ltd.	3	Operating expenses	4,284	Payment terms varied depend on the agreements	-
		TFN Media Ltd.	2	Interest income	441	Payment terms varied depend on the agreements	-
		Fu Yang Multimedia Co., Ltd.	3	Interest income	2,346	Payment terms varied depend on the agreements	-
		TFN Media Ltd.	2	Miscellaneous revenue	2,341	Based on regular terms	-
26	Yeong Jialeh Cable TV Co., Ltd.	The Corporation	2	Accounts receivable	30	Payment terms varied depend on the agreements	-
		Taiwan Fixed Network Co., Ltd.	2	Accounts receivable	49	Payment terms varied depend on the agreements	-
		TFN Media Ltd.	2	Accounts receivable	4,977	Payment terms varied depend on the agreements	-
		TFN Media Ltd.	2	Other receivables	1,871	Based on regular terms	-
		TFN Media Ltd.	2	Other current assets	22	Based on regular terms	-

(Continued)

Number	Company Name	Counterparty	Transaction Details				Percentage of Consolidated Total Operating Revenues or Total Assets
			Nature of Relationship (Note)	Account	Amount	Transaction Terms	
		TFN Media Ltd.	2	Other intangible assets	\$ 4,851	Payment terms varied depend on the agreements	-
		Fu Yang Multimedia Co., Ltd.	3	Other intangible assets	485	Payment terms varied depend on the agreements	-
		Taiwan Fixed Network Co., Ltd.	2	Accounts payable	67	Payment terms varied depend on the agreements	-
		TFN Media Ltd.	2	Accounts payable	24,689	Payment terms varied depend on the agreements	-
		Taiwan Fixed Network Co., Ltd.	2	Accrued expenses	59	Based on regular terms	-
		Taiwan Fixed Network Co., Ltd.	2	Other payables	143	Based on regular terms	-
		TFN Media Ltd.	2	Other payables	7,733	Payment terms varied depend on the agreements	-
		The Corporation	2	Operating revenues	247	Payment terms varied depend on the agreements	-
		The former Taiwan Fixed Network Co., Ltd.	2	Operating revenues	153	Payment terms varied depend on the agreements	-
		TFN Media Ltd.	2	Operating revenues	12,190	Payment terms varied depend on the agreements	-
		Fu Yang Multimedia Co., Ltd.	3	Operating revenues	13,536	Payment terms varied depend on the agreements	-
		The Corporation	2	Operating costs	193	Payment terms varied depend on the agreements	-
		The former Taiwan Fixed Network Co., Ltd.	2	Operating costs	191	Payment terms varied depend on the agreements	-
		TFN Media Ltd.	2	Operating costs	199,082	Payment terms varied depend on the agreements	-
		The Corporation	2	Operating expenses	21	Payment terms varied depend on the agreements	-
		The former Taiwan Fixed Network Co., Ltd.	2	Operating expenses	629	Based on regular terms	-
		TFN Media Ltd.	2	Operating expenses	2,906	Payment terms varied depend on the agreements	-
		Fu Yang Multimedia Co., Ltd.	3	Operating expenses	22,796	Payment terms varied depend on the agreements	-
		TFN Media Ltd.	2	Miscellaneous revenue	2,250	Payment terms varied depend on the agreements	-
27	Mangrove Cable TV Corporation	TFN Media Ltd.	2	Accounts receivable	774	Payment terms varied depend on the agreements	-
		North Coast Cable TV Co., Ltd.	3	Accounts receivable	27	Based on regular terms	-
		Taiwan Fixed Network Co., Ltd.	2	Other receivables	4	Based on regular terms	-
		TFN Media Ltd.	2	Other receivables	45,652	Payment terms varied depend on the agreements	-
		TFN Media Ltd.	2	Other intangible assets	4,477	Payment terms varied depend on the agreements	-
		Union Cable TV Co., Ltd.	3	Accounts payable	16	Based on regular terms	-
		Taiwan Fixed Network Co., Ltd.	2	Accrued expenses	67	Based on regular terms	-

(Continued)

Number	Company Name	Counterparty	Transaction Details				Percentage of Consolidated Total Operating Revenues or Total Assets
			Nature of Relationship (Note)	Account	Amount	Transaction Terms	
		Taiwan Fixed Network Co., Ltd. TFN Media Ltd.	2	Other payables	\$ 48	Based on regular terms	-
		The Corporation	2	Other payables	842	Payment terms varied depend on the agreements	-
		TFN Media Ltd.	2	Operating revenues	50	Payment terms varied depend on the agreements	-
		Fu Yang Multimedia Co., Ltd.	2	Operating revenues	1,294	Payment terms varied depend on the agreements	-
		The Corporation	3	Operating revenues	3,287	Payment terms varied depend on the agreements	-
		The Corporation	2	Operating costs	84	Payment terms varied depend on the agreements	-
		The Corporation	2	Operating expenses	48	Payment terms varied depend on the agreements	-
		Taiwan Telecommunication Network Services Co., Ltd. The former Taiwan Fixed Network Co., Ltd. TFN Media Ltd.	3	Operating expenses	9	Based on regular terms	-
			2	Operating expenses	562	Based on regular terms	-
			2	Operating expenses	887	Payment terms varied depend on the agreements	-
		Fu Yang Multimedia Co., Ltd.	3	Operating expenses	6,618	Payment terms varied depend on the agreements	-
		TFN Media Ltd.	2	Interest income	96	Payment terms varied depend on the agreements	-
		Fu Yang Multimedia Co., Ltd.	3	Interest income	937	Payment terms varied depend on the agreements	-
		TFN Media Ltd.	2	Miscellaneous revenue	2,067	Payment terms varied depend on the agreements	-
28	North Coast Cable TV Co., Ltd.	TFN Media Ltd.	2	Accounts receivable	442	Payment terms varied depend on the agreements	-
		TFN Media Ltd.	2	Other receivables	144,387	Payment terms varied depend on the agreements	-
		TFN Media Ltd.	2	Other current assets	38	Payment terms varied depend on the agreements	-
		TFN Media Ltd.	2	Other intangible assets	4,477	Payment terms varied depend on the agreements	-
		TFN Media Ltd.	2	Accounts payable	4,432	Payment terms varied depend on the agreements	-
		Mangrove Cable TV Corporation	3	Accounts payable	27	Based on regular terms	-
		Taiwan Fixed Network Co., Ltd. The Corporation	2	Accrued expenses	19	Based on regular terms	-
			2	Operating revenues	30	Payment terms varied depend on the agreements	-
		TFN Media Ltd.	2	Operating revenues	421	Payment terms varied depend on the agreements	-
		Fu Yang Multimedia Co., Ltd.	3	Operating revenues	3,265	Payment terms varied depend on the agreements	-
		The Corporation	2	Operating costs	42	Payment terms varied depend on the agreements	-

(Continued)

Number	Company Name	Counterparty	Transaction Details				Percentage of Consolidated Total Operating Revenues or Total Assets
			Nature of Relationship (Note)	Account	Amount	Transaction Terms	
		TFN Media Ltd.	2	Operating costs	\$ 35,738	Payment terms varied depend on the agreements	-
		The Corporation	2	Operating expenses	19	Payment terms varied depend on the agreements	-
		The former Taiwan Fixed Network Co., Ltd. TFN Media Ltd.	2	Operating expenses	85	Based on regular terms	-
			2	Operating expenses	670	Payment terms varied depend on the agreements	-
		Fu Yang Multimedia Co., Ltd.	3	Operating expenses	6,100	Payment terms varied depend on the agreements	-
		TFN Media Ltd.	2	Interest income	311	Payment terms varied depend on the agreements	-
		Fu Yang Multimedia Co., Ltd.	3	Interest income	3,049	Payment terms varied depend on the agreements	-
		TFN Media Ltd.	2	Miscellaneous revenue	1,960	Payment terms varied depend on the agreements	-
29	Phoenix Cable TV Co., Ltd.	Taiwan Fixed Network Co., Ltd.	2	Accounts receivable	201	Payment terms varied depend on the agreements	-
		TFN Media Ltd.	2	Accounts receivable	7,384	Payment terms varied depend on the agreements	-
		The Corporation	2	Other receivables	29	Payment terms varied depend on the agreements	-
		TFN Media Ltd. TFN Media Ltd.	2	Other receivables	1,904	Based on regular terms	-
			2	Accounts payable	37,396	Payment terms varied depend on the agreements	-
		Taiwan Fixed Network Co., Ltd.	2	Accrued expenses	466	Based on regular terms and payment terms varied depend on the agreements	-
		Taiwan Fixed Network Co., Ltd. TFN Media Ltd.	2	Other payables	139	Based on regular terms	-
			2	Other payables	9,649	Payment terms varied depend on the agreements	-
		The Corporation	2	Operating revenues	576	Payment terms varied depend on the agreements	-
		The former Taiwan Fixed Network Co., Ltd. TFN Media Ltd.	2	Operating revenues	1,336	Payment terms varied depend on the agreements	-
			2	Operating revenues	18,099	Payment terms varied depend on the agreements	-
		Fu Yang Multimedia Co., Ltd.	3	Operating revenues	23,264	Payment terms varied depend on the agreements	-
		The Corporation	2	Operating costs	215	Payment terms varied depend on the agreements	-
		The former Taiwan Fixed Network Co., Ltd. TFN Media Ltd.	2	Operating costs	2,558	Payment terms varied depend on the agreements	-
			2	Operating costs	301,546	Payment terms varied depend on the agreements	-

(Continued)

Number	Company Name	Counterparty	Transaction Details				Percentage of Consolidated Total Operating Revenues or Total Assets
			Nature of Relationship (Note)	Account	Amount	Transaction Terms	
30	Globalview Cable TV Co., Ltd.	The Corporation	2	Operating expenses	\$ 274	Payment terms varied depend on the agreements	-
		The former Taiwan Fixed Network Co., Ltd. TFN Media Ltd.	2	Operating expenses	1,028	Based on regular terms	-
		Fu Yang Multimedia Co., Ltd.	2	Operating expenses	3,662	Payment terms varied depend on the agreements	-
		The Corporation	3	Operating expenses	27,342	Payment terms varied depend on the agreements	-
		TFN Media Ltd.	2	Rental income	29	Payment terms varied depend on the agreements	-
		Taiwan Fixed Network Co., Ltd.	2	Miscellaneous revenue	2,670	Based on regular terms	-
		TFN Media Ltd.	2	Accounts receivable	15	Payment terms varied depend on the agreements	-
		Union Cable TV Co., Ltd. Global Wealth Media Technology Co., Ltd.	2	Accounts receivable	1,831	Payment terms varied depend on the agreements	-
		TFN Media Ltd.	3	Accounts receivable	2	Based on regular terms	-
		TFN Media Ltd.	3	Other receivables	42	Payment terms varied depend on the agreements	-
		TFN Media Ltd.	2	Other receivables	215,688	Payment terms varied depend on the agreements	-
		TFN Media Ltd.	2	Other current assets	1	Based on regular terms	-
		TFN Media Ltd.	2	Other intangible assets	5,835	Payment terms varied depend on the agreements	-
		Taiwan Fixed Network Co., Ltd. TFN Media Ltd.	2	Accounts payable	72	Based on regular terms	-
		Taiwan Fixed Network Co., Ltd. TFN Media Ltd.	2	Accounts payable	14,495	Payment terms varied depend on the agreements	-
		Taiwan Fixed Network Co., Ltd. TFN Media Ltd.	2	Accrued expenses	77	Based on regular terms	-
		Global Wealth Media Technology Co., Ltd.	2	Other payables	129	Based on regular terms	-
		The Corporation	2	Other payables	1,143	Payment terms varied depend on the agreements	-
		The former Taiwan Fixed Network Co., Ltd.	3	Advance receipts	34	Payment terms varied depend on the agreements	-
		TFN Media Ltd.	2	Operating revenues	175	Payment terms varied depend on the agreements	-
Fu Yang Multimedia Co., Ltd.	2	Operating revenues	120	Payment terms varied depend on the agreements	-		
Union Cable TV Co., Ltd. The Corporation	2	Operating revenues	2,530	Payment terms varied depend on the agreements	-		
TFN Media Ltd.	3	Operating revenues	9,750	Payment terms varied depend on the agreements	-		
TFN Media Ltd.	3	Operating revenues	3	Based on regular terms	-		
TFN Media Ltd.	2	Operating costs	104	Payment terms varied depend on the agreements	-		
TFN Media Ltd.	2	Operating costs	116,880	Payment terms varied depend on the agreements	-		

(Continued)

Number	Company Name	Counterparty	Transaction Details				Percentage of Consolidated Total Operating Revenues or Total Assets
			Nature of Relationship (Note)	Account	Amount	Transaction Terms	
31	TFNUS	The Corporation	2	Operating expenses	\$ 96	Payment terms varied depend on the agreements	-
		Taiwan Telecommunication Network Services Co., Ltd. The former Taiwan Fixed Network Co., Ltd. TFN Media Ltd.	3	Operating expenses	15	Based on regular terms	-
		Fu Yang Multimedia Co., Ltd.	2	Operating expenses	615	Based on regular terms	-
		TFN Media Ltd.	2	Operating expenses	1,786	Payment terms varied depend on the agreements	-
		TFN Media Ltd.	3	Operating expenses	14,618	Payment terms varied depend on the agreements	-
		Fu Yang Multimedia Co., Ltd.	2	Interest income	467	Payment terms varied depend on the agreements	-
		Global Wealth Media Technology Co., Ltd. TFN Media Ltd.	3	Interest income	4,574	Payment terms varied depend on the agreements	-
		TFN Media Ltd.	3	Rental income	6	Payment terms varied depend on the agreements	-
		TFN Media Ltd.	2	Miscellaneous revenue	2,199	Payment terms varied depend on the agreements	-
		The former Taiwan Fixed Network Co., Ltd.	2	Operating expenses	197	Based on regular terms	-
		Taiwan Fixed Network Co., Ltd.	2	Accounts receivable	474	Based on regular terms	-
		The former Taiwan Fixed Network Co., Ltd. Taiwan Fixed Network Co., Ltd. Taiwan Fixed Network Co., Ltd. The former Taiwan Fixed Network Co., Ltd. Taiwan Fixed Network Co., Ltd.	2	Accounts receivable	1	Based on regular terms	-
		TFN Media Ltd.	2	Accrued expenses	39	Based on regular terms	-
TFN Media Ltd.	2	Operating revenues	2,407	Based on regular terms	-		
TFN Media Ltd.	2	Operating revenues	(240)	Based on regular terms	-		
TFN Media Ltd.	2	Operating expenses	398	Based on regular terms	-		
TFN Media Ltd.	2	Operating expenses	(191)	Based on regular terms	-		

Note 1: Parent to subsidiary.

Note 2: Subsidiary to parent.

Note 3: Between subsidiaries.

(Concluded)

Number	Company Name	Counterparty	Transaction Details					Percentage of Consolidated Total Operating Revenues or Total Assets
			Nature of Relationship (Note)	Account	Amount	Transaction Terms		
		The Corporation The Corporation TT&T Holdings Co., Ltd. The Corporation The Corporation TT&T Life Insurance Agency Co., Ltd. TT&T Casualty & Property Insurance Agency Co., Ltd. The Corporation	2 2 1 2 2 1 1 2	Operating costs Marketing expenses Marketing expenses Administrative expenses Administrative expenses Rental income Rental income Miscellaneous revenue	\$ 6,920 10,441 58,244 1 34 4 4 24,109	Based on regular terms Based on regular terms Based on regular terms Based on regular terms Based on regular terms Based on regular terms Based on regular terms Based on regular terms	- - - - - - - -	
5	TT&T Life Insurance Agency Co., Ltd.	Taiwan Teleservices & Technologies Co., Ltd. Taiwan Teleservices & Technologies Co., Ltd.	2 2	Marketing expenses Rental expense	298 4	Based on regular terms Based on regular terms	- -	
6	TT&T Casualty & Property Insurance Agency Co., Ltd.	Taiwan Teleservices & Technologies Co., Ltd.	2	Rental expense	4	Based on regular terms	-	
7	TT&T Holdings Co., Ltd.	Taiwan Teleservices & Technologies Co., Ltd. Taiwan Teleservices & Technologies Co., Ltd. Taiwan Cellular Co., Ltd. (formerly T'aihsing Den Syun Co., Ltd.) Taiwan Teleservices & Technologies Co., Ltd. Xiamen Taifu Teleservices & Technologies Ltd.	2 2 2 2 1	Accounts receivable Accounts payable Accrued expenses Operating revenues Marketing expenses	908 3,708 100 58,244 14,542	Based on regular terms Based on regular terms Based on regular terms Based on regular terms Based on regular terms	- - - - -	
8	Xiamen Taifu Teleservices & Technologies Ltd.	Taiwan Teleservices & Technologies Co., Ltd. Taiwan Teleservices & Technologies Co., Ltd. Taiwan Teleservices & Technologies Co., Ltd. Taiwan Cellular Co., Ltd. (formerly T'aihsing Den Syun Co., Ltd.) TT&T Holdings Co., Ltd.	2 2 2 2 2	Accounts receivable Other receivables Accrued expenses Accrued expenses Operating revenues	10,391 2 10 100 14,542	Based on regular terms Based on regular terms Based on regular terms Based on regular terms Based on regular terms	- - - - -	

Note 1: Parent to subsidiary.

Note 2: Subsidiary to parent.

Note 3: Between subsidiaries.

(Concluded)