

'08

Taiwan Mobile Annual Report

2008 Taiwan Mobile Annual Report





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Northern Taiwan

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

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

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

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

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

Taipei Changchun Service Center
No.374, Changchun Rd., Jhongshan District, Taipei

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

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

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

Taipei Nanjing E. Service Center
No.204, Sec. 2, Nanjing E. Rd., Jhongshan District, Taipei

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

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

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

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

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

Taipei Mujha Service Center
No.80, Sec. 3, Mujha Rd., Wunshan District, Taipei

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

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

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

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

Hualien Jhongjheng Service Center
No. 155, Sanmin St., Hualien City, Hualien County

Sindian Jhongjheng II Service Center
No.516-1, Jhongjheng Rd., Sindian City, Taipei County

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

Banchiao Sinhan Service Center
No.112, Sec. 1, Wunhua Rd., Banchiao City, Taipei County

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

Jhonghe Jhonghe Service Center
1-2F, No. 304, Jhonghe Rd., Jhonghe City, Taipei County

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

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 Sinhuang Service Center
1F, No.299, Jhongjheng Rd., Sinhuang City, Taipei County

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

Sinhuang Singfu II Service Center
No.690, Singfu Rd., Sinhuang City, Taipei County

Sinhuang Fuguo II Service Center
No.41, Fuguo Rd., Sinhuang City, Taipei County

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

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

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

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

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

Taoyuan Damiao Service Center
No.142, Jhongjheng Rd., Taoyuan City, Taoyuan County

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

Taoyuan Airport Terminal II Service Center
No. 9, Hanghan S. Rd., Dayuan Township, Taoyuan County (3F, Departure Hall)

Jhongli Sinsheng Service Center
No.132, Sinsheng Rd., Jhongli City, Taoyuan County

Central Taiwan

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

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

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

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

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

Taichung Liming Service Center
No.436, Sec. 2, Liming Rd., Nantun District, 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

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

Taichung Shalu Service Center
No.124, Shatian Rd., Shalu Township, Taichung County

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

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

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

Changhua Heping Service Center
No.9, Heping Rd., Changhua City, Changhua County

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

Changhua Yuanlin Service Center
No.4, Jhongshan S. Rd., Yuanlin Township, Changhua County

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

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

Yunlin Huwei Service Center
No.488-3, Sec. 1, Linsen Rd., Huwei Township, Yunlin County

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

Taichung Dali Service Center
No.361-1, Sec. 2, Jhongsing Rd., Dali City, Taichung County

Southern Taiwan

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

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

Chiayi Puzih Service Center
No.28-30, Wunhua S. Rd., Puzih City, Chiayi County

Tainan Sinying Service Center
No.261, Minjih 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 Haidian II Service Center
No.163, Sec. 1, Haidian Rd., Annan District, Tainan City

Tainan Kunshan Service Center
No.824, Dawan Rd., Yongkang City, Tainan County

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

Tainan Rendu Service Center
No.497, Jhongshan Rd., Rendu 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, Sinhuangzai Rd., Zuoying Dist., Kaohsiung City

Kaohsiung Wufu Service Center
No.27, Wufu 3rd Rd., Cianjin District, Kaohsiung City

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

Kaohsiung Zihyou Service Center
1-2F., No.123, Zihyou 1st Rd., Sanmin District, Kaohsiung City

Kaohsiung Nanzih Service Center
No.250, Nanzihsin Rd., Nanzih District, Kaohsiung City

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

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

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

Fongshan Wuja Service Center
1F., No.535, Wuja 2nd 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

Pingtung Donggang Service Center
No.73, Jhongshan Rd., Donggang Township, Pingtung County

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

Kaohsiung Rueiiong Service Center
No.564, Rueiiong Rd., Cianjhen District, Kaohsiung City

Fongshan Cingnian II Service Center
No.474, Sec. 2, Cingnian Rd., Fongshan City, Kaohsiung County



04 Letter to Shareholders

07 Company Highlights

- 07 Vision
- 07 Core Competency
- 07 Company Profile
- 08 Milestones
- 10 Awards & Recognitions

12 Organization

- 12 Organization
- 14 Board of Directors
- 18 Employee Bonus and Compensation to Directors and Supervisors
- 26 Management Team
- 37 Human Resources

38 Corporate Governance

- 38 Corporate Governance Principles
- 39 Corporate Governance Implementation
- 43 Achievements and Recognitions
- 43 Certified Public Accountants (CPA) Information
- 44 Internal Control System

46 Financial Information

- 46 Capital and Shares
- 48 Changes in shareholdings of directors, supervisors, managers and major shareholders
- 53 Corporate Bond Issuance
- 54 Other Significant Issues

55 Operating Results

- 55 Macro Environment
- 55 Overall Operating Results
- 56 Consumer Business Group
- 59 Enterprise Business Group
- 62 Home Business Group
- 65 Major Contracts

66 Risk Management Analysis

- 66 Industry Risk
- 68 Financial Risk
- 69 Operating Risk
- 71 Risk Management

72 Our Values

- 72 Best Service Quality
- 72 Excellent Brand Image
- 72 Innovative Research and Development
- 76 Corporate Social Responsibility

79 Financial Report

- 79 Financial Status
- 84 Financial and Operating Results Analysis
- 88 Affiliates
- 92 Audit Committee Report
- 93 2008 Financial Statements
- 133 2008 Consolidated Financial Statements





Letter to Shareholders

Dear Shareholders,

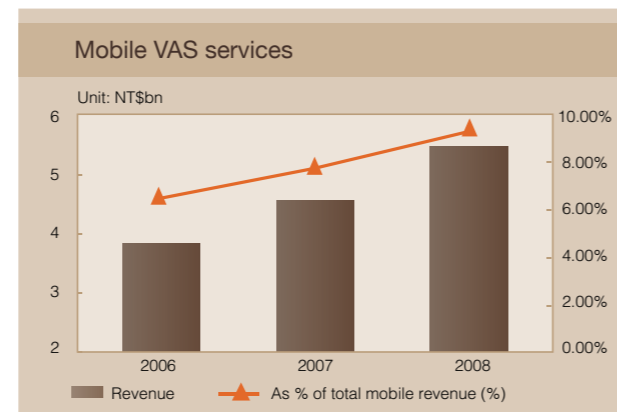
Global economies faced one of their toughest tests in history in 2008, with oil prices scaling new heights and fanning inflationary pressures first, followed by the US subprime mortgage crisis, rapidly triggering an international financial tsunami and stock markets plunge worldwide in the second half. Affected by falling equities and declining private consumption, Taiwan's economy slowed and slipped into a recession in the fourth quarter of 2008. Despite recessionary pressures, Taiwan Mobile ("TWM" or "the Company") was able to weather the financial storm by strengthening its foothold in the marketplace and enhancing its core competencies.

Steady operation growth

Taiwan Mobile's consolidated revenue and operating income reached NT\$69.3 billion and NT\$21.8 billion in 2008, rising 5% and 2% YoY, respectively. Its consolidated net income and earnings per share were NT\$15.4 billion and NT\$5.18, respectively, achieving 98% of its target for 2008. With the combined efforts of the Company's three business units – consumer, enterprise and home – TWM's consolidated financial results were in line with expectations. Growth was mainly driven by the following:

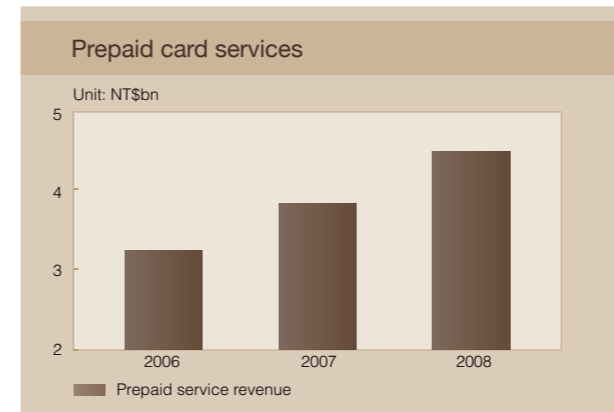
1. Mobile value-added services

By continuously expanding its 3G and 3.5G (HSDPA) coverage and introducing innovative and popular mobile content coupled with flexible data packages, including bundling with data cards, smartphones or netbooks, the Company provided the best mobile internet access services to customers. Non-voice service revenue grew 18% from a year ago.



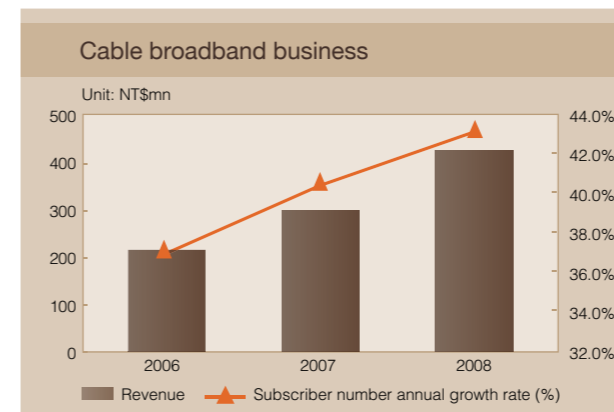
2. Pre-paid card services

With its fixed network providing a cost advantage, the Company was able to offer more price competitive pre-paid cards to foreign workers in Taiwan. Launching co-branded pre-paid cards with overseas telecom operators in Southeast Asia helped further expand the Company's lead in the foreign workers' market, boosting its pre-paid service revenue by 16% YoY.



3. Cable broadband services

Statistics released by the National Communications Commission on wireline broadband internet access showed that ADSL subscription was on the decline, while FTTx and cable broadband were on the rise. The Company aggressively expanded its footprint in the cable broadband market, leading to a 43% growth in subscriber number in 2008 compared with the previous year. Boosting last mile connectivity to households also raised customer loyalty and lowered churn rates.



Commitment to corporate governance and shareholders' interests

The Company has continuously worked to maximize shareholders' interests by strengthening its corporate value. The concrete results of our efforts in 2008 were as follows:

1. Actions

The Company has made relentless efforts in having corporate governance rooted and maintaining shareholders' interests. Independent directors on the Audit Committee replaced board supervisors in overseeing the Company's operations, thus moving the Company a step closer to the global standards in corporate governance. In addition, forfeiture of dividends from the parent company by TFN and TFN Investment has set an unprecedented move for listed companies in Taiwan, evidencing the Company's determination to maximize shareholders' interests. TWM's compliance with the strict rules on corporate governance was duly recognized by the Securities and Futures Institute, which gave the Company an A+ rating for "Information Transparency and Disclosure" for the third year in a row.

2. Awards

The company was also recognized for its dedication and care for customers – including the "IT Best Choice" awards in three separate categories from the Institute for Information Industry; the "Top Service Award 2008" in the mobile/fixed-line operators and the 3C store channels categories from the Next Magazine; and an outstanding award for its "myfone" internet shops from the Ministry of Economic Affairs' "e-21 Golden Website Awards." These achievements were a testament to the quality and reputation of the Company's products and its channels' services.

3. Profit sharing

The Company continues to maintain a high cash dividend policy. Based on its proposed cash dividend distribution for 2008, dividend yield would be around 10% – higher than the Asian and Taiwanese telecom market average – providing steady and rich returns to its shareholders.



Looking ahead, despite the recession, Taiwan Mobile will carry on its mission of "creating the best experience for customers," focusing on upgrading its channels, innovation of products and services, and exploring businesses with high growth potential to maintain stable revenue contribution. The Company has already implemented a number of plans to further control costs and sustain profitability. We are confident that all three business units will be fully strengthened to navigate through this economic storm.

Richard Tsai
Chairman

Harvey Chang
President

Chap. 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 established an expanded platform over mobile, fixed-line, cable TV and broadband services. Through integration, the Company is able to provide "Quadruple Play" services that meet the demands of 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, and awarded a Type I telecom license in the same year. TWM was 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.

TWM'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.

To expand its operational scale, the Company acquired a southern regional operator TransAsia Telecommunications Inc. (TAT) in July 2001 and a cen-



• With a core vision of "creating the best communication experience for customers", TWM aims to provide customers with integrated "Quadruple Play" services.

tral regional operator Mobitai Communications Co., Ltd. (Mobitai) in August 2004, lifting its combined market share to around 30% in terms of telecom service revenue. In September 2008, TAT and Mobitai were merged into the Company, marking the first telecom industry consolidation in Taiwan.

The Company further acquired Taiwan Fixed Network Co. Ltd. and Taiwan Telecommunication Network Services Co., Ltd. in 2007, allowing it to offer "Quadruple Play" services – covering mobile, fixed-line, cable TV and broadband. In 2008, the Company launched three brands – "Taiwan Mobile," "TWM Broadband" and "TWM Solution" – to promote its Quadruple Play services to the consumer, household and enterprise markets in line with its aim to become a leader in the communications and content industry.

The Company has, for the past 10 years, won extensive recognition at home and abroad for its outstanding performance in information security management, customer services, information transparency, corporate governance and corporate social responsibility. It has been recognized as one of the most admired and trusted enterprises in Taiwan.

Looking ahead, the Company will continue its brand equity of providing premium services and enhancing corporate governance, to strengthen its competitiveness in the marketplace based on its solid footing and to achieve its goal of becoming the most reliable telecom operator in Taiwan and create a paradigm for telecom services in the new era.



• Transition to the digital age with services of three brands: "Taiwan Mobile" provides premium mobile communication, mobile data and mobile internet services for individual consumers.

• "TWM Solution" provides tailor-made integrated information and communication solutions for enterprise customers.

• "TWM Broadband" provides a richer and easier digital lifestyle for household customers.

Milestones

2008	2007	2006	2005	2004	2002	1999	1996
<p>2008</p> <p>September Taiwan Mobile Co., Ltd. (TWM) launched a new rate plan – New Line 299 – which offers mobile to fixed-line call rates that are lower than fixed-line to fixed-line calls.</p> <p>September Taiwan Mobile merged TransAsia Telecommunications and became the first mobile operator to complete its consolidation in Taiwan.</p> <p>August Taiwan Fixed Network Co., Ltd., a TWM subsidiary, merged Taiwan Telecommunication Network Services Co., Ltd.</p> <p>June Richard Tsai and Daniel Tsai were elected as Chairman and Vice Chairman, respectively, at the first session of the Fifth Board of Directors.</p> <p>April Acquired Hurray! Times Communications Co. from Hurray! Holdings in China to facilitate development of mobile content.</p> <p>February Introduced three new brands – Taiwan Mobile, TWM Broadband and TWM Solution – to provide consumers, households and enterprises with integrated telecommunication services, including wireless communication, cable TV and fixed-line services.</p>	<p>2007</p> <p>December Acquired full ownership of Taiwan Fixed Network.</p> <p>December To simplify its investment structure, TWM subsidiary TransAsia Telecommunication merged Mobitai Communications Co., Ltd.</p> <p>December Company's capital dropped to NT\$38bn after a capital reduction of NT\$12bn.</p> <p>September Acquired the Videoland Hunters basketball team and renamed it Taiwan Mobile Cloud Leopards.</p> <p>August Acquired a 45% stake in Taiwan Telecommunication Network Services Co., Ltd., one of the top three internet service providers in Taiwan, to expand its footprint in the corporate market.</p> <p>April Acquired an 84% stake in Taiwan Fixed Network (TFN), combining telecommunications and media businesses to enhance its competitiveness.</p> <p>January Launched 3.5G (HSDPA) service, which allows maximum access speeds of up to 3.6Mbps.</p>	<p>2006</p> <p>December Became the first in Taiwan to provide BlackBerry service, the world's No.1 mobile email solution.</p> <p>August Richard Tsai and Daniel Tsai were elected as Chairman and Vice Chairman, respectively, at the tenth session of the Fourth Board of Directors.</p> <p>June Acquired full ownership of TransAsia Telecommunications by purchasing the remaining minority stake.</p> <p>January Launched a revolutionary rate plan – 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.</p> <p>January Acquired full ownership of Mobitai by purchasing the remaining minority stake.</p>	<p>2005</p> <p>May The first in Taiwan to launch of 3G services to herald the start of a new era in mobile communications.</p>	<p>2004</p> <p>November Joined Bridge Mobile Alliance, the largest mobile alliance in Asia.</p> <p>August Acquired 67% of Mobitai, increasing its subscriber base to 8.2 million.</p> <p>2003</p> <p>July Harvey Chang was appointed as President at the 15th session of the Third Board of Directors.</p> <p>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.</p> <p>June Taiwan Telecom Group's operating model was discontinued.</p>	<p>2002</p> <p>August Moved from the OTC exchange to the Taiwan Stock Exchange mainboard.</p> <p>May C. S. Chen was appointed as President at the second session of the Third Board of Directors.</p> <p>May Set up Taiwan Telecom Group to centralize administration of Taiwan Cellular Corp., Taiwan Fixed Network and other affiliates. Named Group Chairman Jack T. Sun, Vice Chairman Richard Tsai, CEO Joseph Lee, COO S. T. Chang and CSO Ray-Ying Fan.</p> <p>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.</p> <p>February Granted 3G license.</p> <p>2001</p> <p>July Teamed up with an affiliate to acquire 95.62% of TransAsia Telecommunications, boosting its subscriber base to 6.42 million.</p> <p>2000</p> <p>November Ray-Ying Fan was appointed as President at the eighth session of the Second Board of Directors.</p> <p>September Became the first private telecoms operator to start trading on Taiwan's Over-the-Counter market.</p>	<p>1999</p> <p>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.</p> <p>1998</p> <p>January Started commercial services. Launched mobile numbers with the "0935" prefix.</p> <p>1997</p> <p>December Became the first nationwide private operator to obtain a GSM 1800 network operating license.</p> <p>February Taiwan Cellular Corp. incorporated.</p> <p>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.</p>	<p>1996</p> <p>May Preparation for the Company's incorporation.</p>



• Awarded for "Excellence in Corporate Social Responsibility" three years in a row



• Received an "A+" ranking in "Transparency and Information Disclosure" among listed companies



• Won seven commendations from NCC for the efforts of bridging the digital gap in remote areas



• Awarded the "Gold Trusted Brand" by Reader's Digest five years in a row



• Awarded two prizes by Next Magazine in its "2008 Top Service Awards"



• TWM and TWM Foundation both won the "WenXin Gold Award."



• President Harvey Chang was recognized for his outstanding contributions in corporate governance by the CFA Association of Taiwan.



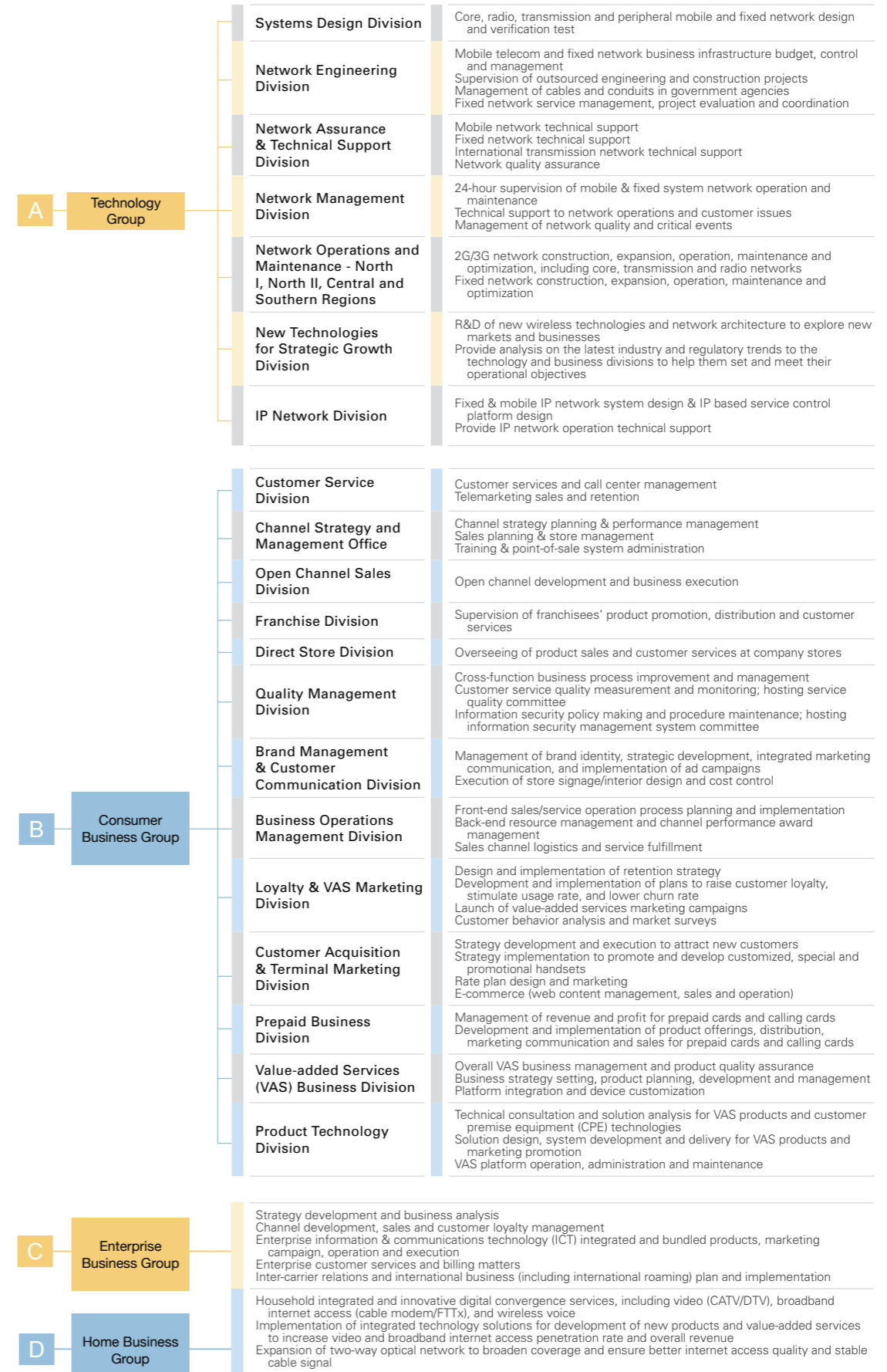
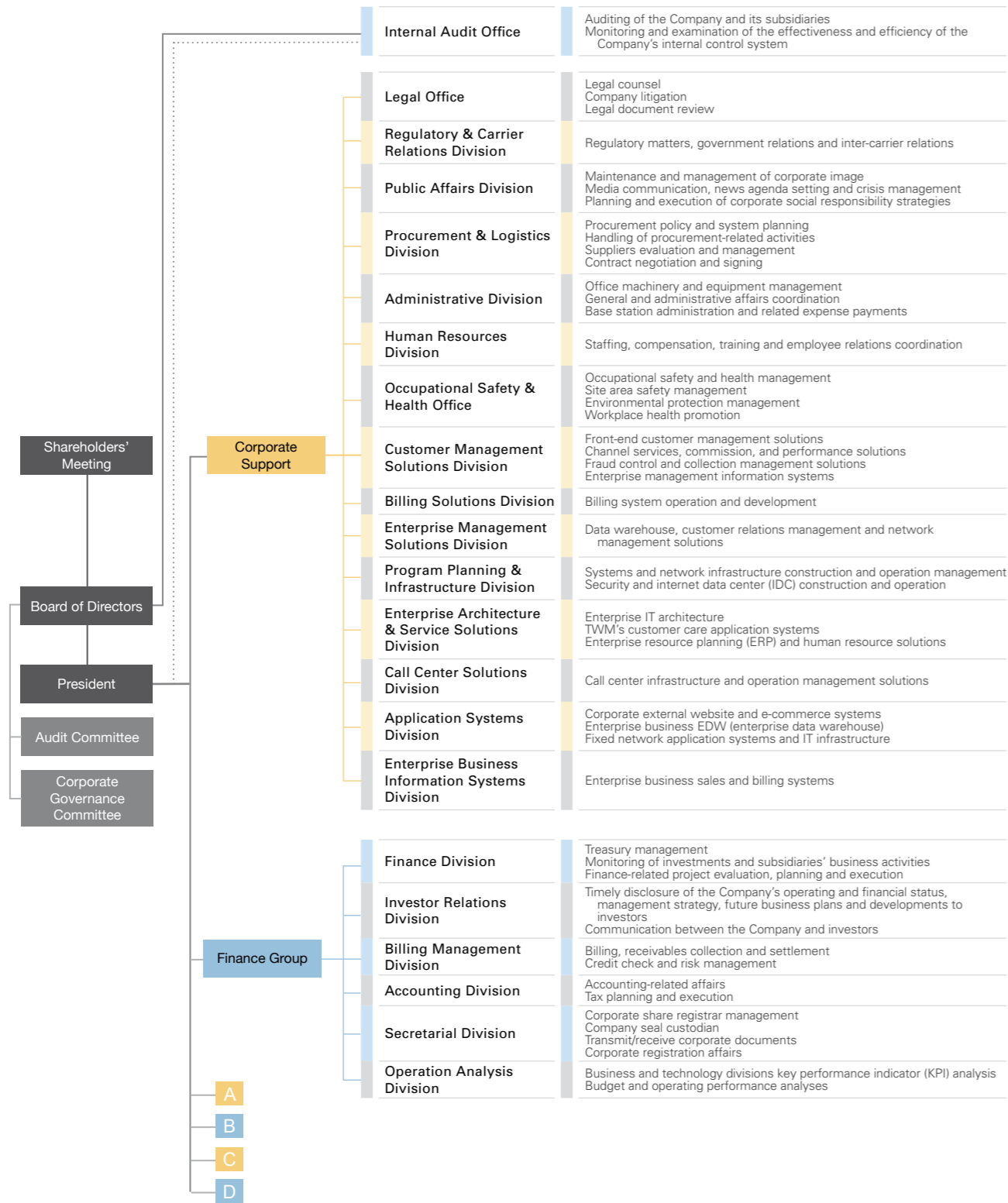
• Vice President James Chang received the "Outstanding Manager Award in Information Technology."

Awards & Recognitions

2009	2008	2007	2006	2005	2004	2003	2002	2001	1999
<p>2009</p> <p>March Awarded for "Excellence in Corporate Social Responsibility" by <i>CommonWealth</i> magazine for the third year in a row.</p> <p>February Won seven commendations from NCC, the most among peers, for the efforts of bridging digital gap in remote areas.</p> <p>2008</p> <p>December TWM Vice President James Chang was a recipient of the "Outstanding Manager Award in Information Technology" from the Chinese Professional Management Association's 26th annual awards. He was the sole awardee in the telecom field.</p> <p>November TWM President Harvey Chang was recognized for his outstanding contributions in corporate governance by the CFA Association of Taiwan.</p> <p>November TWM's myfone e-store won an "e-21 Golden Website Award" in the large enterprise sector from the Ministry of Economic Affairs.</p> <p>November TWM was awarded two prizes by <i>Next</i> magazine in its "2008 Top Service Awards," placing 2nd in mobile/fixed-line communications and 3rd in 3C store channels. TWM was the only double winner and the first telecommunications company to win in the 3C store channels category.</p>	<p>November Taiwan Mobile and TWM Foundation both won the 9th "WenXin Gold Award" by the Council of Cultural Affairs.</p> <p>July For the third year in a row, TWM received an "A+" ranking in "Transparency and Information Disclosure" from Taiwan's Securities and Futures Institute.</p> <p>June TWM won the highest customer satisfaction rating among peers in a survey released by the Consumers' Foundation in 2008.</p> <p>April Awarded the "Gold Trusted Brand" by <i>Reader's Digest</i> for the fifth year in a row.</p> <p>March Ranked among Taiwan's Top 10 in <i>The Wall Street Journal's</i> "Asia's 200 Most Admired Companies." TWM was the sole telecom awardee.</p> <p>March Awarded for "Excellence in Corporate Social Responsibility" by <i>CommonWealth</i> magazine for the second year in a row.</p> <p>2007</p> <p>August Received the "Happy Worker – Best Employer Award" in Taiwan and Asia. TWM was the telecom operator honored with the award in <i>Cheers</i> magazine's 2nd annual survey.</p>	<p>July Received an "A+" rating in "Transparency & Information Disclosure" from Taiwan's Securities and Futures Institute for the second year in a row.</p> <p>May Awarded <i>Global Views Monthly's</i> third annual "Corporate Social Responsibility Award – Service Sector Category."</p> <p>April Awarded the "Gold Trusted Brand" by <i>Reader's Digest</i> for the fourth year in a row.</p> <p>April Received the "2007 Information Security Contribution Award" by <i>iSecuTech</i> magazine and the Executive Yuan's Research, Development and Evaluation Commission for its outstanding contributions in the field of information security. TWM was the sole telecom awardee.</p> <p>March Awarded for "Excellence in Corporate Social Responsibility" and ranked No.1 in corporate governance sector by <i>CommonWealth</i> magazine.</p> <p>March Received "CG6002 certification" from the Corporate Governance Association for the second year in a row.</p> <p>2006</p> <p>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.</p>	<p>September Ranked No. 1 by <i>Euromoney</i> for "Best Corporate Governance in Taiwan" – the second time TWM received such recognition.</p> <p>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.</p> <p>May Won distinctions for Best Managed Company, Best Corporate Governance and Best Commitment to Strong Dividends by <i>Finance Asia's</i> "Taiwan's Best Managed Companies Poll."</p> <p>April Received a "Gold Trusted Brand Award" from <i>Reader's Digest</i> for the third year in a row.</p> <p>February Received the first CG6001 certification from the Corporate Governance Association.</p> <p>January TWM and its subsidiary, Taiwan Teleservices & Technologies, 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.</p> <p>2005</p> <p>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.</p>	<p>October Awarded "2005 Most Admired Company in Taiwan" by <i>CommonWealth</i> magazine and ranked No.1 in Taiwan's telecommunications services sector.</p> <p>October Awarded "2005 Excellent Service Award" by <i>Global Views Monthly</i> and ranked No.1 in Taiwan's telecommunications services sector.</p> <p>May Awarded the "Corporate Social Responsibility Award" by <i>Global Views Monthly</i> and ranked No.1 in Taiwan's service sector.</p> <p>April Awarded the "Gold Trusted Brand Award" by <i>Reader's Digest</i> for the second year in a row.</p> <p>2004</p> <p>October Ranked No.1 by <i>Next</i> magazine for "Best Customer Service – Mobile Telecom Operator in Taiwan."</p> <p>September Ranked No. 1 by <i>Euromoney</i> for "Best Corporate Governance in Taiwan."</p> <p>July Ranked No. 1 by <i>Institutional Investor</i> for "Most Improved Corporate Governance."</p> <p>June Ranked No. 1 by the Directorate General of Telecommunications among telecom companies in managing and protecting personal information and privacy.</p> <p>April Awarded the "Gold Trusted Brand" by <i>Reader's Digest</i>.</p>	<p>2003</p> <p>December Ranked No. 1 and No. 2 by <i>Asiamoney</i> for "Most Improved Corporate Governance" and "Most Improved Investor Relations," respectively.</p> <p>2002</p> <p>January Ranked as the most desirable brand among telecommunications operators in Taiwan by <i>Breakthrough Marketing</i> magazine.</p> <p>2001</p> <p>December Ranked as one of the top 10 companies in Taiwan by <i>Far Eastern Economic Review</i> magazine.</p> <p>October Voted by mobile subscribers as the "Best Mobile Service Provider" in Taiwan in a poll conducted by the Institute for Information Industry.</p> <p>2000</p> <p>March Network engineering management accredited with ISO 9002 certification.</p> <p>1999</p> <p>December Rated "excellent" by the Directorate General of Telecommunications for service quality, based on three criteria – downtime, blocking rate and coverage in tunnel.</p> <p>July Customer service system granted ISO 9002 certification.</p>				

Chap. 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 was elected and approved during the AGM on June 13, 2008, including four independent directors, which more than fulfills current regulations requiring public companies to have at least two independent directors. The Audit Committee comprised of all independent directors, replacing the position of supervisors. Information regarding the Company's Fifth Board of Directors is detailed below:

Chairman Richard Tsai		Vice Chairman Daniel Tsai		Director Harvey Chang	
Representative of Fu-Chi Venture Corp.		Representative of Fu-Chi Venture Corp.		Representative of TFN Investment Co., Ltd.	
Date elected	2008.06.13	Date elected	2008.06.13	Date elected	2008.06.13
Term expires	2011.06.12	Term expires	2011.06.12	Term expires	2011.06.12
Shareholding when elected		Shareholding when elected		Shareholding when elected	
Shares	4,849,515	Shares	4,849,515	Shares	355,622,851
%	0.128	%	0.128	%	9.356
Current shareholding		Current shareholding		Current shareholding	
Shares	6,387,515	Shares	6,387,515	Shares	355,622,851
	*91,466,154		*96,644,434		*1,253,780
%	0.168	%	0.168	%	9.356
	*2.406		*2.543		*0.033
Spouse/minor's shareholdings		Spouse/minor's shareholdings		Spouse/minor's shareholdings	
Shares	5,651,663	Shares	8,646,863	Shares	-
%	0.149	%	0.227	%	-
Education and experience		Education and experience		Education and experience	
MBA, Stern School, New York University Chairman, Fubon Securities Co., Ltd		LL.B., National Taiwan University LL.M., Georgetown University Chairman, Fubon Insurance Chairman, Fubon Land Development Co., Ltd.		MBA, Wharton School, University of Pennsylvania Senior Vice President, Trust and Foreign departments of Chiao Tung Bank Founding President of Grand Cathay Securities Corp. President, China Development Corp. Chairman, China Securities Investment Trust Corp. Vice Chairman, KG Telecommunications Co., Ltd. SVP and CFO, Taiwan Semiconductor Manufacturing Co., Ltd.	
Current position(s) in other companies		Current position(s) in other companies		Current position(s) in other companies	
Vice Chairman, Fubon Financial Holding Co., Ltd. Chairman, Fubon Life Assurance Co., Ltd. Vice Chairman, Taipei Fubon Commercial Bank Co., Ltd. Chairman, Taiwan Fixed Network Co., Ltd. Chairman, ING Life Insurance Co., Ltd.		Chairman, Fubon Financial Holding Co., Ltd. Chairman, Taipei Fubon Commercial Bank Co., Ltd. Vice Chairman, Taiwan Fixed Network Co., Ltd.		President, Taiwan Mobile Co., Ltd. Director and President, Taiwan Fixed Network Co., Ltd. Chairman, Taiwan Teleservices & Technologies Co., Ltd. Director and President, Taiwan Cellular Co., Ltd. Chairman, IC Broadcasting Co., Ltd. Director and President, TFN Investment Co., Ltd. Director, Taiwan Super Basketball Co., Ltd. Director, TFN Media Ltd. Director, Union Cable TV Co., Ltd. Director, Yeong Jia Leh Cable TV Co., Ltd. Director, Phoenix Cable TV Co., Ltd. Director, Globalview Cable TV Co., Ltd. Director, Taipei New Horizons Co., Ltd. Chairman, Taiwan Fund, Inc. Director, CX Technology Corp. Independent Director, Lite-on Technology Corp.	
Officer, director, or supervisor is a spouse or consanguineous within two degrees		Officer, director, or supervisor is a spouse or consanguineous within two degrees		Officer, director, or supervisor is a spouse or consanguineous within two degrees	
Title	Vice Chairman	Title	Chairman		
Name	Daniel Tsai	Name	Richard Tsai		
Relationship	Brother	Relationship	Brother		
Officer, director, or supervisor is a spouse or consanguineous within two degrees		Officer, director, or supervisor is a spouse or consanguineous within two degrees		Officer, director, or supervisor is a spouse or consanguineous within two degrees	
None		None		None	

Director Vivien Hsu		Director Benny Chen		Director Howard Lin		Director Victor Kung	
Representative of TFN Investment Co., Ltd.		Representative of Taiwan Fixed Network Co., Ltd.		Representative of Taiwan Fixed Network Co., Ltd.		Representative of Fu-Chi Venture Corp.	
Date elected	2008.06.13	Date elected	2008.06.13	Date elected	2008.06.13	Date elected	2008.06.13
Term expires	2011.06.12	Term expires	2011.06.12	Term expires	2011.06.12	Term expires	2011.06.12
Shareholding when elected		Shareholding when elected		Shareholding when elected		Shareholding when elected	
Shares	355,622,851	Shares	456,294,760	Shares	456,294,760	Shares	4,849,515
%	9.356	%	12.005	%	12.005	%	0.128
Current shareholding		Current shareholding		Current shareholding		Current shareholding	
Shares	355,622,851	Shares	456,294,760	Shares	456,294,760	Shares	6,387,515
	*175,000		*None		*None		*None
%	9.356	%	12.005	%	12.005	%	0.168
	*0.005		*None		*None		*None
Spouse/minor's shareholdings		Spouse/minor's shareholdings		Spouse/minor's shareholdings		Spouse/minor's shareholdings	
Shares	-	Shares	-	Shares	-	Shares	-
%	-	%	-	%	-	%	-
Education and experience		Education and experience		Education and experience		Education and experience	
MBA, University of New South Wales, Australia MBA, National Chengchi University EVP and CFO, KG Telecom Co. President and CEO, Lambda Net Co. President and CEO, KGEx.com Co. President and CEO, KG Satellite Communication Co., Ltd. CFO, Cathay Financial Holding Co. SVP and Chief of Staff, Taiwan Mobile Co., Ltd. Chairman, Taiwan Tele-Shop Co., Ltd. Senior Consultant and Acting President, Taiwan Fixed Network Co., Ltd.		MBA, Southern Illinois University Country Business Manager, Consumer Banking, Citigroup 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.		BS and MA in Chemical Engineering, National Cheng Kung University. Ph.D. in Chemical Engineering, National Taiwan University		MA in Economics and MBA in Finance, New York University Executive Vice President, Walden International Investment Group (WIIG) Executive Director, Citicorp Capital Asia Ltd. Director of Direct Investments, AIG Investment Corp.	
Current position(s) in other companies		Current position(s) in other companies		Current position(s) in other companies		Current position(s) in other companies	
SVP and CFO, Taiwan Mobile Co., Ltd. Chairman, WinTV Broadcasting Co., Ltd. Director and President, Taipei New Horizons Co., Ltd. Director, Taiwan Fixed Network Co., Ltd. Director, Taiwan Cellular Co., Ltd. Supervisor, TFN Investment Co., Ltd. Supervisor, TFN Media Ltd. Director, Union Cable TV Co., Ltd. Director, Yeong Jia Leh Cable TV Co., Ltd. Director, Phoenix Cable TV Co., Ltd. Director, Globalview Cable TV Co., Ltd.		Consultant, Taiwan High Speed Rail Corp. Director/Member of Executive Committee and Risk Control Committee, Ta Chong Bank Ltd.		Chairman, Fubon Multimedia Technology Co., Ltd. Chairman, Sinostar Capital, Inc. President, Fubon Financial Holding Venture Capital Co., Ltd. Chairman, Fubon Venture Capital Consulting Co., Ltd. Director, WinTV Broadcasting Co., Ltd.		Director and President, Fubon Financial Holding Co., Ltd. Director, Fubon Insurance Co., Ltd. Director, Taipei Fubon Commercial Bank Co., Ltd. Chairman, Fubon Asset Management Co., Ltd. Director, Fubon Bank (HK) Ltd. Supervisor, Fubon Venture Capital Consulting Co., Ltd. Supervisor, Fubon Financial Holding Venture Capital Co., Ltd. Supervisor, Fubon Multimedia Technology Co., Ltd. Supervisor, WinTV Broadcasting Co., Ltd.	
Officer, director, or supervisor is a spouse or consanguineous within two degrees		Officer, director, or supervisor is a spouse or consanguineous within two degrees		Officer, director, or supervisor is a spouse or consanguineous within two degrees		Officer, director, or supervisor is a spouse or consanguineous within two degrees	
None		None		None		None	

* Personal holding

			
Independent Director Jack J.T. Huang	Independent Director Tsung-Ming Chung	Independent Director Wen-Li Yeh	Independent Director J. Carl Hsu
Representative of Fu-Chi Venture Corp.	Representative of Fu-Chi Venture Corp.	Representative of Fu-Chi Venture Corp.	Representative of Fu-Chi Venture Corp.
Date elected 2008.06.13 Term expires 2011.06.12	Date elected 2008.06.13 Term expires 2011.06.12	Date elected 2008.06.13 Term expires 2011.06.12	Date elected 2008.06.13 Term expires 2011.06.12
Shareholding when elected Shares - % -	Shareholding when elected Shares - % -	Shareholding when elected Shares - % -	Shareholding when elected Shares - % -
Current shareholding Shares - % -	Current shareholding Shares - % -	Current shareholding Shares - % -	Current shareholding Shares - % -
Spouse/minor's shareholdings Shares - % -	Spouse/minor's shareholdings Shares - % -	Spouse/minor's shareholdings Shares - % -	Spouse/minor's shareholdings Shares - % -
Education and experience LL.B., National Taiwan University LL.M., Northwestern University S.J.D., Harvard University	Education and experience BBA, National Taiwan University MBA, National Chengchi University CPA, ROC CPA, Connecticut, USA Partner, T.N. Soong & Co. Instructor, Department of Accounting, National Chengchi University	Education and experience Department of Architecture, Chung-Yuan Christian University Master and Ph.D. candidate, University of Paris EMBA Studies, University of California, Berkeley Planner, Council for Economic Planning & Development under the Executive Yuan Managing Director, United Pacific International, Inc. President, United Communications Managing Director and Vice Chairman, United Advertising Co. Chairman, Carat-United Media Services (Taiwan) Ltd. Chairman, Aegis Media Taiwan	Education and experience BSEE, National Taiwan University Ph.D. and MS in Computer Science, UCLA Senior executive, AT&T, Bell Labs and Lucent Technologies Communications Software Group Professor, Taiwan's Tsing-Hua University, Peking University and others
Current position(s) in other companies Partner-in-charge, Jones Day Taipei Director, Yulon Motor Co., Ltd. Independent Director, World Peace Holding Independent Director, Systex Corp. Independent Director, Chinatrust Financial Holding Co., Ltd.	Current position(s) in other companies Chairman and CEO, Dynapack Technology Corp. Independent Director, Chroma Ate, Inc. Director, Far Eastern International Commercial Bank Director, Unity Opto Technology Co., Ltd. Director, Arima Communications Corp.	Current position(s) in other companies Chairman of Greater China, Aegis Media	Current position(s) in other companies Professor, Peking University and other universities Board member of Rogers Corporation, USA
Officer, director, or supervisor is a spouse or consanguineous within two degrees None	Officer, director, or supervisor is a spouse or consanguineous within two degrees None	Officer, director, or supervisor is a spouse or consanguineous within two degrees None	Officer, director, or supervisor is a spouse or consanguineous within two degrees None

* Personal shareholding

Major shareholders of TWM's institutional investors

As of March 5, 2009

Institutional investor	Major shareholders
Fu-Chi Venture Corp.	Richard Tsai (50.20%), Mei-Hui Ueng Tsai (49.75%), Cheng Ru Tsai (0.05%)
TFN Investment Co., Ltd.	Taiwan Fixed Network Co., Ltd. (100%)
Taiwan Fixed Network Co., Ltd.	Taiwan Cellular Co., Ltd. (100%)

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

As of March 5, 2009

Company	Major shareholders
Taiwan Fixed Network Co., Ltd.	Taiwan Cellular Co., Ltd. (100%)
Taiwan Cellular Co., Ltd.	Taiwan Mobile Co., Ltd. (100%)

Independence criteria of directors and supervisors

As of March 5, 2009

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 public companies in which he or she also serves 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		1
Vivien Hsu	V			V	V		V	V	V	V		
Benny Chen	V			V	V	V	V	V	V	V		
Howard Lin	V			V	V	V	V	V	V	V		
Victor Kung	V	V		V	V	V	V	V	V	V		
Jack J.T. Huang	V	V	V	V	V	V	V	V	V	V	V	3
Tsung-Ming Chung	V	V	V	V	V	V	V	V	V	V	V	1
Wen-Li Yeh	V	V	V	V	V	V	V	V	V	V		
J. Carl Hsu	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 its 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 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 their respective involvement in the Company's operations and contribution to the Company.

Compensation to directors and supervisors over the past two years

Unit: NT\$

Type	Year	Compensation to directors	As a % of net profit	Compensation to supervisors	As a % of net profit	Net profit
On a stand-alone basis	2007	125,854,471	1.90%	510,000	0.01%	6,612,996,970
	2008	153,186,899	1.00%	1,471,522*	0.01%	15,371,385,543
On a consolidated basis	2007	132,286,240	1.95%	552,230	0.01%	6,771,368,590
	2008	157,837,315	1.03%	1,471,522*	0.01%	15,382,248,644

* The compensation paid during January to June, 2008 before supervisors were replaced by the Audit Committee.

Earnings distributed as employee bonus and compensation to directors and supervisors in the previous year

An employee bonus of NT\$181,155,474 and compensation to directors and supervisors of NT\$18,115,547, as approved in the 2008 board of directors' and shareholders' meetings, were duly paid in 2008.

2008 employee bonus and compensation to directors and supervisors proposal adopted by the board of directors

1. On March 5, 2009, the board of directors proposed to distribute an employee cash bonus of NT\$414,697,375 and compensation to directors and supervisors of NT\$41,469,738. 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 after employee bonus and compensation to directors and supervisors: NT\$5.18.

Compensation to managers over the past two years

Unit: NT\$

Type	Year	Compensation to managers	As a % of net profit	Net profit
On a stand-alone basis	2007	272,818,313	4.13%	6,612,996,970
	2008	269,733,515	1.75%	15,371,385,543
On a consolidated basis	2007	274,913,271	4.06%	6,771,368,590
	2008	279,305,499	1.82%	15,382,248,644

Compensation to directors, supervisors and managers in 2008

Guiding principles for compensation to directors and supervisors:

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 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 to the operation of the Company and the Board.

Compensation to directors

Unit: NT\$

Title		Chairman	Vice Chairman	Director ¹	Director ²	Director	Director	Director	
Name		Richard Tsai, Representative of Fu-Chi Venture Corp.	Daniel Tsai, Representative of Fu-Chi Venture Corp.	Harvey Chang, Representative of TFN Investment Co., Ltd.	Vivien Hsu, Representative of TFN Investment Co., Ltd.	Benny Chen, Representative of Taiwan Fixed Network Co., Ltd.	Howard Lin, Representative of Taiwan Fixed Network Co., Ltd.	Victor Kung, Representative of Fu-Chi Venture Corp.	
Director's compensation	Cash compensation (A)	Standalone	-	-	-	-	-	-	
		Consolidation	-	-	-	-	-	-	
	Retirement pay (B)	Standalone	-	-	-	-	1,440,000	-	
		Consolidation	-	-	-	-	-	-	
	Earnings paid as compensation to directors (C)	Standalone	5,719,963	4,289,973	1,578,460	1,578,460	2,859,982	2,859,982	1,578,460
		Consolidation	5,719,963	4,289,973	1,578,460	1,578,460	2,859,982	2,859,982	1,578,460
Professional fee (D)	Standalone	240,000	220,000	240,000	240,000	220,000	60,000	60,000	
	Consolidation	345,000	319,000	372,659	381,000	220,000	60,000	60,000	
A+B+C+D as % of net profit	Standalone	0.04%	0.03%	0.01%	0.01%	0.02%	0.02%	0.01%	
	Consolidation	0.04%	0.03%	0.01%	0.01%	0.03%	0.02%	0.01%	
Employee profit sharing	Performance-based salary (E)	Standalone	-	-	-	-	-	-	
		Consolidation	-	-	-	-	-	-	
	Retirement pay of employees (F)	Standalone	-	-	-	-	-	-	
		Consolidation	-	-	-	-	-	-	
	Earnings paid as bonus to employees (G)	Standalone	Cash bonus	-	-	-	-	-	
			Stock bonus	-	-	-	-	-	
		Consolidation	Cash bonus	-	-	-	-	-	
			Stock bonus	-	-	-	-	-	
Employee stock option granted (H)	Standalone	-	-	-	-	-	-		
	Consolidation	-	-	-	-	-	-		
A+B+C+D+E+F+G+H as % of net profit	Standalone	-	-	-	-	-	-		
	Consolidation	-	-	-	-	-	-		
Compensation from investees other than subsidiaries		-	-	-	-	-	-		
Other allowances		-	-	-	-	-	-		

Unit: NT\$

Title		Independent Director	Independent Director	Independent Director	Independent Director	Director ³	Director ³	Total		
Name		Jack J.T. Huang	Tsung-Ming Chung	Wen-Li Yeh	J. Carl Hsu	Harvey Chang, Representative of Kuo-Ki Investment Co., Ltd.	Nita Ing, Representative of Ching Shang Zhen Corp.			
Director's compensation	Cash compensation (A)	Standalone	-	-	-	-	-	-		
		Consolidation	-	-	-	-	-	1,440,000		
	Retirement pay (B)	Standalone	-	-	-	-	-	-		
		Consolidation	-	-	-	-	-	-		
	Earnings paid as compensation to directors (C)	Standalone	4,289,973	4,289,973	4,289,973	4,289,973	1,281,522	1,281,522	40,188,216	
		Consolidation	4,289,973	4,289,973	4,289,973	4,289,973	1,281,522	1,281,522	40,188,216	
Professional fee (D)	Standalone	430,000	410,000	370,000	350,000	-	180,000	3,020,000		
	Consolidation	430,000	410,000	370,000	350,000	-	180,000	3,497,659		
A+B+C+D as % of net profit	Standalone	0.03%	0.03%	0.03%	0.03%	0.01%	0.01%	0.28%		
	Consolidation	0.03%	0.03%	0.03%	0.03%	0.01%	0.01%	0.29%		
Employee profit sharing	Performance-based salary (E)	Standalone	-	-	-	-	-	79,976,669		
		Consolidation	-	-	-	-	-	82,709,426		
	Retirement pay of employees (F)	Standalone	-	-	-	-	-	-	216,000	
		Consolidation	-	-	-	-	-	-	216,000	
	Earnings paid as bonus to employees (G)	Standalone	Cash bonus	-	-	-	-	-	29,786,014	
			Stock bonus	-	-	-	-	-	-	
		Consolidation	Cash bonus	-	-	-	-	-	-	29,786,014
			Stock bonus	-	-	-	-	-	-	-
Employee stock option granted (H)	Standalone	-	-	-	-	-	-	-		
	Consolidation	-	-	-	-	-	-	-		
A+B+C+D+E+F+G+H as % of net profit	Standalone	-	-	-	-	-	-	1.00%		
	Consolidation	-	-	-	-	-	-	1.03%		
Compensation from investees other than subsidiaries		-	-	-	-	-	-	None		
Other allowances		-	-	-	-	-	-	1,811,738		

Note 1: Professional fees paid to Harvey Chang included his service as the representative of Kuo-Ki Investment Co., Ltd. during the Fourth Board of Directors.

2: Professional fees paid to Vivien Hsu included her service as the representative of Taiwan Fixed Network Co., Ltd. during the Fourth Board of Directors.

3: A member of the Fourth Board of Directors, resigned on June 13, 2008.

Class intervals for compensation to directors

Since no net loss was reported for two consecutive years as well as no director's holding less than requirements for three months in a row in the most recent year, the Company is to disclose compensation to directors in summary in the following class intervals.

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	Richard Tsai, Daniel Tsai, Harvey Chang, Vivien Hsu, Benny Chen, Howard Lin, Victor Kung, Nita Ing, Kuo-Ki Investment Co., Ltd., Ching Shang Zhen Corp.	Richard Tsai, Daniel Tsai, Harvey Chang, Vivien Hsu, Benny Chen, Howard Lin, Victor Kung, Nita Ing, Kuo-Ki Investment Co., Ltd., Ching Shang Zhen Corp.	Benny Chen, Howard Lin, Victor Kung, Nita Ing, Kuo-Ki Investment Co., Ltd., Ching Shang Zhen Corp.	Benny Chen, Howard Lin, Victor Kung, Nita Ing, Kuo-Ki Investment Co., Ltd., Ching Shang Zhen Corp.
NT\$2,000,000~NT\$4,999,999	Jack J.T. Huang, Tsung-Ming Chung, Wen-Li Yeh, J. Carl Hsu, TFN Investment Co., Ltd.	Jack J.T. Huang, Tsung-Ming Chung, Wen-Li Yeh, J. Carl Hsu, TFN Investment Co., Ltd.	Jack J.T. Huang, Tsung-Ming Chung, Wen-Li Yeh, J. Carl Hsu, TFN Investment Co., Ltd.	Jack J.T. Huang, Tsung-Ming Chung, Wen-Li Yeh, J. Carl Hsu, TFN Investment Co., Ltd.
NT\$5,000,000~NT\$9,999,999	Taiwan Fixed Network Co., Ltd.	Taiwan Fixed Network Co., Ltd.	Taiwan Fixed Network Co., Ltd.	Taiwan Fixed Network Co., Ltd.
NT\$10,000,000~NT\$14,999,999	Fu-Chi Venture Corp.	Fu-Chi Venture Corp.	Fu-Chi Venture Corp.	Fu-Chi Venture Corp.
NT\$15,000,000~NT\$29,999,999	-	-	Richard Tsai, Daniel Tsai, Vivien Hsu	Richard Tsai, Daniel Tsai, Vivien Hsu
NT\$30,000,000~NT\$49,999,999	-	-	-	-
NT\$50,000,000~NT\$99,999,999	-	-	Harvey Chang	Harvey Chang
NT\$100,000,000 and above	-	-	-	-

Compensation to supervisors

Unit: NT\$

Title	Name	Compensation to supervisor				Compensation to supervisor				A+B+C+D as % of net profit		Compensation from investees outside subsidiaries
		Cash compensation (A)		Retirement pay (B)		Earnings paid as compensation to supervisors (C)		Professional fee (D)		Stand-alone	Consolidated	
		Stand-alone	Consolidated	Stand-alone	Consolidated	Stand-alone	Consolidated	Stand-alone	Consolidated			
Supervisor*	Temporarily vacant, Representative of Taiwan Fixed Network Co., Ltd.	-	-	-	-	-	-	-	-	-	-	-
Supervisor*	Victor Kung, Representative of Fu-Chi Venture Corp.	-	-	-	-	1,281,522	1,281,522	190,000	190,000	0.01%	0.01%	None

* The Fourth Board of Directors resigned on June 13, 2008. The Audit Committee, which is composed of independent directors, replaced the position of the supervisors at the Fifth Board of Directors.

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 a fixed monthly salary and performance bonus.
2. Performance bonuses are determined based on the president's or the vice president's 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.

Title and name	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 Dorn; Senior Vice President and Chief Technology Officer, Frank Lin; Senior Vice President and Chief Financial Officer, Vivien Hsu; Vice President and Deputy Chief Operating Officer of the Consumer Business Group, Jeff Ku; Vice President, Ruth Liaw; Vice President, Rosie Yu; Vice President, Ariel Hwang; Vice President, Simon Wang; Vice President, C.A. Chuang; Vice President, Jerry Chu; Vice President, James Chang; 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, Paul Huang; Vice President, Sean Hsieh; Vice President, Joseph Yang		Re-signed managers/Managers transferred to affiliated companies	Total	
	Stand-alone	Consolidated			
Salary (A)	Stand-alone	108,763,419	4,246,167	113,009,586	
	Consolidated	114,763,419	4,246,167	119,009,586	
Pension* (B)	Stand-alone	2,262,000	9,000	2,271,000	
	Consolidated	2,478,000	9,000	2,487,000	
Performance-based salary (C)	Stand-alone	75,723,828	1,435,931	77,159,759	
	Consolidated	79,079,812	1,435,931	80,515,743	
Employee profit sharing (D)	Stand-alone	Cash	77,293,170	-	77,293,170
		Stock	-	-	-
	Consolidated	Cash	77,293,170	-	77,293,170
		Stock	-	-	-
A+B+C+D as a % of net profit	Stand-alone	1.72%	0.04%	1.75%	
	Consolidated	1.78%	0.04%	1.82%	
Employee stock options	Stand-alone	-	-	-	
	Consolidated	-	-	-	
Compensation from investees other than subsidiaries	Stand-alone	-	-	-	
	Consolidated	-	-	-	
Other allowances	Stand-alone	3,886,102	-	3,886,102	
	Consolidated	4,731,689	-	4,731,689	

* the Company's contribution to employees' pension account, not actual amount paid

Class intervals for compensation to managers

Range of compensation to management	Name of senior management	
	2008	
	On a stand-alone basis	On a consolidated basis
NT\$0~NT\$1,999,999		
NT\$2,000,000~NT\$4,999,999	Vice President, D.S. Chiou; Vice President, Joseph Yang	
NT\$5,000,000~NT\$9,999,999	Senior Vice President and Chief Operating Officer of the Enterprise Business Group, George C. Chou; Vice President, Ruth Liaw; 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, Jay Hong; Vice President, Andrew Wong; Vice President, H.S. Wang; Vice President, Paul Huang; Vice President, Sean Hsieh; Vice President, James Yang	Vice President, Ruth Liaw; 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, Jay Hong; Vice President, Andrew Wong; Vice President, H.S. Wang; Vice President, Paul Huang; Vice President, Sean Hsieh; Vice President, James Yang
NT\$10,000,000~NT\$14,999,999	Senior Vice President and Chief Operating Officer of Consumer Business Group, Cliff Lai; Senior Vice President and Chief Technology Officer, Frank Lin; Senior Vice President and Chief Strategy Officer, Dr. JC Dorn; Vice President and Deputy Chief Operating Officer of the Consumer Business Group, Jeff Ku; Vice President, James Chang	Senior Vice President and Chief Operating Officer of the Consumer Business Group, Cliff Lai; Senior Vice President and Chief Technology Officer, Frank Lin; Senior Vice President and Chief Operating Officer of the Enterprise Business Group, George C. Chou; Senior Vice President and Chief Strategy Officer, Dr. JC Dorn; Vice President and Deputy Chief Operating Officer of the Consumer Business Group, Jeff Ku; Vice President, James Chang
NT\$15,000,000~NT\$29,999,999	Senior Vice President and Chief Financial Officer, Vivien Hsu	Senior Vice President and Chief Financial Officer, Vivien Hsu
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	25	25

Note: The compensation paid to managers in the above table was based on tenure. 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 vital support and assistance to management and workers alike, focusing on improving operational work flow and execution, as well as adapting to changes in the market.



Corporate Support

President and Chief Executive Officer Harvey Chang

Effective date	2003.09.08	Education and experience MBA, Wharton School, University of Pennsylvania SVP, Chiao Tung Bank's Trust and Foreign departments Founding President of Grand Cathay Securities Corp. President, China Development Corp. Chairman, China Securities Investment Trust Corp. Vice Chairman, KG Telecommunications Co., Ltd. SVP and CFO, Taiwan Semiconductor Manufacturing Co., Ltd.	Current position(s) in other companies Director, CX Technology Corp. Independent Director, Lite-on Technology Corp. Manager, director, or supervisor is a spouse or consanguineous within two degrees Title Name Relationship
Shareholding / %	1,253,780		
Spouse / minor's shareholding / %	0.033		

Senior Vice President and Chief Strategy Officer Dr. JC Dorng

Effective date	2006.10.11	Education and experience Master and Ph.D. in Computer Science, University of Illinois Researcher, AT&T, Bell Labs 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	Current position(s) in other companies None	Manager, director, or supervisor is a spouse or consanguineous within two degrees Title Name Relationship
Shareholding / %	126,607			
Spouse / minor's shareholding / %	0.003			

Vice President C.A. Chuang

Effective date	2003.12.01	Education and experience MBA, International Institute for Management Development, Switzerland MS in Industrial Education, National Taiwan Normal University Manager, Human Resources Department, China Steel Corp. Vice President, TransAsia Telecommunications Inc.	Current position(s) in other companies None	Manager, director, or supervisor is a spouse or consanguineous within two degrees Title Name Relationship
Shareholding / %	96,927			
Spouse / minor's shareholding / %	0.002			

Vice President Ariel Hwang

Effective date	2004.03.01	Education and experience EMBA, National Taiwan University LL.B., National Taiwan University LL.M., National Taipei University Judge, Taoyuan District Court, Taiwan Judge, Banciao District Court, Taiwan Judge, Taipei District Court, Taiwan Judge, Taiwan High Court	Current position(s) in other companies Supervisor, Union Cable TV Co., Ltd. Supervisor, Yeong Jia Le Cable TV Co., Ltd. Supervisor, Phoenix Cable TV Co., Ltd. Supervisor, Global View Cable TV Co., Ltd. Supervisor, Taipei New Horizons Co., Ltd. Legal consultant, Taiwan Fixed Network Co., Ltd. Legal consultant, Fubon Financial Holding Co., Ltd.	Manager, director, or supervisor is a spouse or consanguineous within two degrees Title Name Relationship
Shareholding / %	12,000			
Spouse / minor's shareholding / %	0.000			

Finance Group

The Finance Group strives to meet 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 local and foreign investors. The group also helps all business divisions to make good use of the Company's financial resources through effective cost control and sound financial and investment planning.



Vice President Jay Hong			
Effective date	2004.05.06	Education and experience EMBA, National Sun Yat-Sen University Engineering Supervisor, Engineering Division, Nan Ya Plastics	Current position(s) in other companies None
Shareholding / %	123,000		Manager, director, or supervisor is a spouse or consanguineous within two degrees
Spouse / minor's shareholding / %	0.003	Director, Procurement Division, TransAsia Telecommunications Inc. Vice President, Customer Service Division, TransAsia Telecommunications Inc. Vice President, Direct Store Division, Taiwan Mobile Co., Ltd. President, Taiwan Teleservices & Technologies Co., Ltd.	Title Name Relationship
Vice President HS Wang			
Effective date	2005.05.01	Education and experience Ph.D. in Electrical and Computer Engineering, Rutgers, The State University of New Jersey Lecturer/Assistant Professor, Information Engineering Department, The Chinese University of Hong Kong Vice President, Mediatec Corp. Vice President, First International Telecom	Current position(s) in other companies None
Shareholding / %	10,241		Manager, director, or supervisor is a spouse or consanguineous within two degrees
Spouse / minor's shareholding / %	0.000		Title Name Relationship
Vice President Andrew Wong			
Effective date	2003.12.01	Education and experience MBA, George Washington University Manager, Johnson, Bassin & Shaw Manager, MCI Communications Vice President, Far EasTone Telecommunications Co., Ltd.	Current position(s) in other companies None
Shareholding / %	74,764		Manager, director, or supervisor is a spouse or consanguineous within two degrees
Spouse / minor's shareholding / %	0.002		Title Name Relationship
Vice President James Chang			
Effective date	2004.09.17	Education and experience MS in Computer Science, University of Illinois, Chicago District Manager, AT&T Laboratories Senior Delivery Manager, IBM Global Services Senior Director, TBCommerce Network Corp. Director, AT&T Laboratories	Current position(s) in other companies None
Shareholding / %	146,205		Manager, director, or supervisor is a spouse or consanguineous within two degrees
Spouse / minor's shareholding / %	0.004		Title Name Relationship

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 on the deployment of network and base stations, together with adjustments to cope with real demand, industry and regulatory trends, and changes to enhance the Company's leading edge.

Under the trend of digital convergence, the Group strives to support an array of new telecom and multi-media services via IP based technologies as well as consolidation of networks.



Technology

Senior Vice President and Chief Financial Officer

Vivien Hsu

Effective date	2007.07.02	Education and experience MBA, University of New South Wales, Australia	Current position(s) in other companies Director, Taiwan Mobile Co., Ltd. Chairman, WinTV Broadcasting Co., Ltd. Director and President, Taipei New Horizons Co., Ltd. Director, Taiwan Fixed Network Co., Ltd. Director, Taiwan Cellular Co., Ltd. Supervisor, TFN Investment Co., Ltd. Supervisor, TFN Media Ltd. Director, Union Cable TV Co., Ltd. Director, Yeong Jia Leh Cable TV Co., Ltd. Director, Phoenix Cable TV Co., Ltd. Director, Globalview Cable TV Co., Ltd.	Manager, director, or supervisor is a spouse or consanguineous within two degrees
Shareholding / %	175,000	MBA, National Chengchi University EVP and CFO, KG Telecom Co. President and CEO, Lambda Net Co. President and CEO, KGEx.com Co. President and CEO, KG Satellite Communication Co., Ltd. CFO, Cathay Financial Holding Co. SVP and Chief of Staff, Taiwan Mobile Co., Ltd. Chairman, Taiwan Tele-Shop Co., Ltd. Senior Consultant and Acting President, Taiwan Fixed Network Co., Ltd.		Title Name Relationship
Spouse / minor's shareholding / %	0.005			- - -

Vice President

Rosie Yu

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

Vice President

Ruth Liaw

Effective date	2006.05.15	Education and experience MBA, National Chengchi University Partner, Arthur Andersen & Co. CFO, Arima Computer Corp.	Current position(s) in other companies Director, Taiwan Fixed Network Co., Ltd. Director, Taiwan Cellular Co., Ltd. Supervisor, Taiwan Teleservices & Technologies Co., Ltd. Supervisor, Union Cable TV Co., Ltd. Supervisor, Yeong Jia Leh Cable TV Co., Ltd. Supervisor, Phoenix Cable TV Co., Ltd. Supervisor, Globalview Cable TV Co., Ltd.	Manager, director, or supervisor is a spouse or consanguineous within two degrees
Shareholding / %	-			Title Name Relationship
Spouse / minor's shareholding / %	-			- - -

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 group develops products and services based on CBG's observation of customer behaviors to better anticipate their needs and demands. The group also provides useful, innovative and interesting value-added services such as mobile Internet and 3.5G data cards that allow users to enjoy mobile broadband anytime and anywhere. The Company has built 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 feel and believe its slogan "Taiwan Mobile, my mobile!"



Consumer Business

Senior Adviser and Acting Chief Technology Officer Frank Lin

Effective date	2006.05.02	Education and experience BS, National Taiwan University of Science and Technology Deputy General Director, Chunghwa Telecom	Current position(s) in other companies None	Manager, director, or supervisor is a spouse or consanguineous within two degrees
Shareholding / %	253,011			Title -
Spouse / minor's shareholding / %	0.007	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 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.	Current position(s) in other companies None	Manager, director, or supervisor is a spouse or consanguineous within two degrees
Shareholding / %	47,960			Title -
Spouse / minor's shareholding / %	0.001			Name -
				Relationship -

Vice President Egon Chen

Effective date	2004.02.16	Education and experience 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	Current position(s) in other companies None	Manager, director, or supervisor is a spouse or consanguineous within two degrees
Shareholding / %	133,509			Title -
Spouse / minor's shareholding / %	0.004			Name -
				Relationship -

Vice President Chien Chen

Effective date	2004.02.16	Education and experience 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	Current position(s) in other companies None	Manager, director, or supervisor is a spouse or consanguineous within two degrees
Shareholding / %	-			Title -
Spouse / minor's shareholding / %	-			Name -
				Relationship -

Senior Vice President and Chief Operating Officer Cliff Lai

Effective date	2007.08.01	Education and experience EMBA, National Chengchi University MS in Electrical Engineering, North Carolina State University, USA Researcher, AT&T Laboratories Vice President, Tecom Co., Ltd. Vice President, Mobitai Communications Co., Ltd. President, Reach and Range, Inc. SVP, Taiwan Fixed Network Co., Ltd. CEO, Fu Yang Media Technology Co., Ltd.	Current position(s) in other companies Director, Taiwan Internet Association (TWIA) Director, Taiwan Teleservices & Technologies Co., Ltd. Director and President, Taiwan Super Basketball Co., Ltd.	Manager, director, or supervisor is a spouse or consanguineous within two degrees
Shareholding / %	203,611			Title -
Spouse / minor's shareholding / %	0.005			Name -
				Relationship -

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 value-added and user-friendly services. TWM aims not only to work with enterprise customers, but to grow and develop long-term win-win partnerships.



Enterprise Business

Vice President and Deputy Chief Operating Officer Jeff Ku

Effective date	2005.06.06	Education and experience EMBA, National Taiwan University MBA, University of Wollongong, Australia Director, Far EasTone Telecommunications Co., Ltd. Vice President, Taiwan High Speed Rail Corp.	Current position(s) in other companies None	Manager, director, or supervisor is a spouse or consanguineous within two degrees
Shareholding / %	84,604			Title -
Spouse / minor's shareholding / %	0.002			Name -
				Relationship -

Vice President Sean Hsieh

Effective date	2003.12.08	Education and experience 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.	Current position(s) in other companies None	Manager, director, or supervisor is a spouse or consanguineous within two degrees
Shareholding / %	247,774			Title -
Spouse / minor's shareholding / %	0.007			Name -
				Relationship -

Vice President Jerry Chu

Effective date	2003.12.01	Education and experience 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	Manager, director, or supervisor is a spouse or consanguineous within two degrees
Shareholding / %	468,784			Title -
Spouse / minor's shareholding / %	0.012			Name -
				Relationship -

Vice President Paul Huang

Effective date	2008.01.21	Education and experience MS in Computer Science, Bradley University, USA Supervisor, Siemens Telecommunication Systems Ltd. Account and Project Manager, Nortel, Taiwan Branch Vice President, Business Development, Hong Kong Telecom, Taiwan Branch Vice President, Sales and Services, Far EasTone Telecommunications Co., Ltd. Vice President, Business and Operations, Far Eastern Electronic Toll Collection Co., Ltd.	Current position(s) in other companies None	Manager, director, or supervisor is a spouse or consanguineous within two degrees
Shareholding / %	164,487			Title -
Spouse / minor's shareholding / %	0.004			Name -
				Relationship -

Vice President Simon Wang

Effective date	2004.10.11	Education and experience 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. 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.	Manager, director, or supervisor is a spouse or consanguineous within two degrees
Shareholding / %	72,204			Title -
Spouse / minor's shareholding / %	0.002			Name -
				Relationship -

Senior Vice President and Chief Operating Officer George C. Chou

Effective date	2007.11.26	Education and experience MS in Mathematics, Colorado State University, USA Business Development Manager, Siemens Telecommunication Systems Ltd. Special Assistant to the President, Siemens Telecommunication Systems Ltd. Managing Director, Siemens Nixdorf Information Systems Ltd., Taiwan Branch General Manager, PCCW (formerly Hong Kong Telecom) Director of Taiwan Operations, PCCW Vice Chairman and CEO, Taiwan Telecommunication Network Services Co., Ltd. CEO, Fu Yang Media Technology Co., Ltd. Senior Consultant, Taiwan Mobile Co., Ltd.	Chairman, North Coast Cable TV Co., Ltd. Chairman, Yeong Jia LeH Cable TV Co., Ltd. Chairman, Union Cable TV Co., Ltd. Chairman, Phoenix CATV Co., Ltd. Chairman, Globalview CATV Co., Ltd.	Manager, director, or supervisor is a spouse or consanguineous within two degrees
Shareholding / %	120,955			Title -
Spouse / minor's shareholding / %	0.003			Name -
				Relationship -

Vice President Joseph Yang

Effective date	2007.11.09	Education and experience BS in Transportation Management, National Chiao Tung University Advisory System Engineer, System Engineer, IBM Taiwan Technical Manager, Central & South Branch, IBM Taiwan Director, Finance Industry, IBM Taiwan Sales VP, Eastern Broadband Telecom Chief Operating Officer, Eastern Broadband Telecom Senior VP, Asia Pacific Telecom Group	Chief Marketing Officer, Asia Pacific Telecom Group Product Director, Asia Region, High Tech Computer	Manager, director, or supervisor is a spouse or consanguineous within two degrees
Shareholding / %	55,801			Title -
Spouse / minor's shareholding / %	0.002			Name -
				Relationship -

Home Business Group

Tasked with promoting “TWM Broadband”, the Home Business Group (HBG) consolidates the group’s mobile, fixed network, cable TV and channel resources to provide households 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.



Home Business

Senior Vice President and Chief Operating Officer James Jeng

Effective date 2008.01.01
Shareholding / % 90,000
Spouse / minor's shareholding / % 0.002

Education and experience
Ph.D. in Electrical and Computer Engineering, New York State University, USA
Member of technical staff, AT&T, Bell Labs, USA
Executive Vice President, United Fiber Optic Communication, Inc.
President, Asia Pacific Oneline
CEO, Asia Pacific Broadband Telecom
CEO, Asia Pacific Broadband Wireless
CEO, Asia Pacific Telecom Group
Senior Adviser, Taiwan Mobile Co., Ltd

Current position(s) in other companies
President, TFN Media Co., Ltd.
Chairman, Yeong Jia Leh Cable TV Co., Ltd.
Chairman, Phoenix Cable TV Co., Ltd.
Chairman, Union Cable TV Co., Ltd.
Chairman, Globalview Cable TV Co., Ltd.
Director, Sin Ho Cable TV Co., Ltd.
Director, Mangrove Cable TV Co., Ltd.

Manager, director, or supervisor is a spouse or consanguineous within two degrees

Title -
Name -
Relationship -

Vice President D.S. Chiou

Effective date 2002.05.21
Shareholding / % 40,665
Spouse / minor's shareholding / % 0.001

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.

Manager, 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 resource.

Employee statistics for the most recent two years until the publication date for 2008

Year		2007	2008	2009 (as of Mar. 5)
Number of employees	Male	1,454	1,471	1,457
	Female	1,074	1,072	1,054
	Total	2,528	2,543	2,511
Average age		35	36	36
Average years of service		5.6	6.3	6.3
Education level	Ph.D.	0.28%	0.35%	0.4%
	Master	16.93%	17.89%	18.32%
	University	49.53%	50.53%	50.66%
	College	30.73%	29.06%	28.51%
	Others	2.57%	2.16%	2.11%

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

Employee statistics by division

As of Mar. 5, 2009

Division	Number	Percentage (%)
Corporate Support	589	23.46%
Finance	206	8.20%
Technology	846	33.69%
Consumer Business Group (Note)	868	34.57%
Enterprise Business Group (Note)	1	0.04%
Home Business Group (Note)	1	0.04%
Total	2,511	100%

Note: The Consumer Business Group does not include 834 employees from TT&T. The Enterprise Business Group does not include 400 employees from TFN.
The Home Business Group does not include 143 employees from TFNM and 457 employees from six CATV subsidiaries.

Chap. 3 Corporate Governance |

Corporate Governance Principles

Execution Principle

The Company acknowledges the importance of good corporate governance and abides by the following practices:

- Timely disclosure of material information
- Maintenance of a check-and-balance system between the board and management
- Set-up of the Audit Committee to ensure the fairness and independence of the CPA
- Allotment of seats for independent board members
- Set-up of the Corporate Governance Committee to ensure 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 bonus in the form of cash

Current Practices

To better the Company's corporate governance practice, the Company has implemented a number of changes in policies and strategies. On June 15, 2006, the Company revised the "Rules and Procedures Governing Shareholders' Meeting," which were set forth 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" (later revised on June 13, 2008) and the "Audit Committee Charter" (later revised on October 26, 2006). On January 31, 2008, the Company revised the "Rules and Procedures Governing Board of Directors' Meeting," which were promulgated on October 28, 2005. And on January 22, 2009, the Company approved the "Regulations Governing Internal Material Information" (For detailed information on the rules and charters, please refer to the Company's official website.) With these changes, the Company's corporate governance mechanism is not only in compliance with Taiwan's Securities and Exchange Act but also adheres to highest international standards.

Current Corporate Governance Practices

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.
Communication channels with shareholders	The spokesperson and spokesperson's mailbox serve as the main communication channels between the Company and its shareholders.	
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 compensation.	

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) Maintaining the soundness of the corporate governance mechanism
- (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' appointment (termination) and integrity/performance
- (3) Internal risk control
- (4) Company's compliance with legal and regulatory requirements
- (5) Company's existing and potential risks

3. Pursuant to the Security and Exchange Act, in the election of annual shareholders' meeting on June 13, 2008, all independent directors elected comprised the Audit Committee to replace the position of supervisors.

Corporate Governance Operation

1. Attendance of board members at board meetings

(1) The Board of Directors convened 9 times in 2008.

Title	Name	Attendance in person	By proxy	Attendance ratio	Remarks
Chairman	Richard Tsai, Representative of Fu-Chi Venture Corp.	8	1	89%	
Vice Chairman	Daniel Tsai, Representative of Fu-Chi Venture Corp.	7	2	78%	
Director	Harvey Chang, Representative of TFN Investment Co., Ltd.	9	0	100%	Chang replaced the representative of Kuo-Ki Investment Co., Ltd. on June 13, 2008
Director	Vivien Hsu, Representative of TFN Investment Co., Ltd.	9	0	100%	Hsu replaced the representative of Taiwan Fixed Network Co., Ltd. on June 13, 2008
Director	Benny Chen, Representative of Taiwan Fixed Network Co., Ltd.	8	1	89%	
Director	Howard Lin, Representative of Taiwan Fixed Network Co., Ltd.	3	1	75%	Elected on June 13, 2008, Lin was required to attend four meetings.
Director	Victor Kung, Representative of Fu-Chi Venture Corp.	4	0	100%	Elected on June 13, 2008, Kung was required to attend four meetings.
Independent Director	Jack J.T. Huang	9	0	100%	
Independent Director	Tsung-Ming Chung	7	2	78%	
Independent Director	Wen-Li Yeh	8	1	89%	
Independent Director	J. Carl Hsu	6	3	67%	
Director	Nita Ing, Representative of Ching Shang Zhen Corp.	2	2	40%	Ing, who resigned on June 13, 2008, was required to attend five meetings.
Supervisor	Victor Kung, Representative of Fu-Chi Venture Corp.	3	0	60%	Kung, who resigned on June 13, 2008, was required to attend five meetings.

- (2) Any objections or issues raised by independent directors against resolutions passed by the Board of Directors pursuant to Article 14-3 of the Securities and Exchange Act: None.
- (3) Directors' adherence to Company rules on avoiding conflict of interests:
During the 27th meeting of the fourth Board of Directors on April 29, 2008, independent directors Jack J.T. Huang, Tsung-Ming Chung, Wen-Li Yeh and J. Carl Hsu abstained from voting on candidates for independent directors to avoid conflict of interests in accordance with Articles 178 and 206 of the Company Act.
- (4) Other BOD objectives:
- a. 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 evaluate the BOD performance and submit reports to the BOD with concrete proposals for improvements.

- (1) The Audit Committee convened 5 times in 2008.

Title	Name	Attendance in person	By proxy	Attendance ratio	Remarks
Independent Director	Tsung-Ming Chung	5	-	100%	Appointed committee chairman
Independent Director	Jack J.T. Huang	5	-	100%	
Independent Director	Wen-Li Yeh	4	1	80%	
Independent Director	J. Carl Hsu	5	-	100%	

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.
- (3) Communication between independent directors and the Chief Officer of Internal Audit and CPAs:
- a. In addition to giving monthly reports to the independent directors, the Chief of Internal Audit presents regular reports on the progress of its audit program at the quarterly Audit Committee meetings.
- b. The CPAs present audit reports and findings to independent directors in quarterly Audit Committee meeting. The Chief Office of Internal Audit and CPAs also communicate with independent directors directly as needed.

- b. Training programs for directors and supervisors: The Company conducts regular seminars in the office to facilitate interaction between the lecturer and directors and meet the required training hours.
- c. 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. In accordance with Interpretation No. 0970032392, promulgated by the Taiwan Stock Exchange on Nov. 19, 2008, the Company approved the "Regulations on Dealing with Internal Material Information" to ensure information transparency and timely disclosure.

2. Attendance of the Audit Committee members and of the supervisor

In the election of annual shareholders' meeting on June 13, 2008, all independent directors elected comprised the Audit Committee to replace the position of supervisors.

- (2) Supervisor's attendance at 9 board meetings in 2008

Title	Name	Attendance in person	By proxy	Attendance ratio	Remarks
Supervisor	Victor Kung , Representative of Fu-Chi Venture Corp.	3	0	60%	Kung, who resigned on June 13, 2008, was required to attend five meetings.

Note :

- (1) Communication between Supervisors, employees and shareholders: Employees and shareholders may send their requests to the Audit Committee's mailbox.
- (2) Communication between Supervisors, the Chief of Internal Audit and CPAs:
- a. In addition to giving monthly reports to the supervisors, the Chief of Internal Audit presents regular reports on the progress of its audit program at the quarterly Audit Committee meetings.
- b. The CPAs present audit reports and findings to supervisors in quarterly Audit Committee meeting. The Chief Office of Internal Audit and CPAs also communicate with supervisors directly as needed.
- (3) Issues raised by supervisors at board meetings: None.

3. Major resolutions at the 2008 shareholders' meeting

Issues discussed and approved:

- 2007 business and financial reports
- 2007 earnings distribution proposal
- Amendments to the Company's "Articles of Incorporation"
- Election of the fifth session of the Board of Directors (including Independent Directors)
Directors:
Richard Tsai, Daniel Tsai and Victor Kung, representatives of Fu-Chi Venture Corp.
Harvey Chang and Vivien Hsu, representatives of TFN Investment Co., Ltd.
Benny Chen and Howard Lin, representatives of Taiwan Fixed Network Co., Ltd.
Independent Directors:
Jack J.T. Huang, Tsung-Ming Chung, Wen-Li Yeh and J. Carl Hsu
- Removal of non-competition restrictions for the above-mentioned directors
Resolutions made in the 2008 general shareholders' meeting were all duly executed.

4. Major resolutions between 2008 & the publication date at board meetings

- Approved change in Chief Internal Audit Officer
- Approved the removal of non-competition restrictions on Company management
- Approved 2007 profit distribution proposal
- Approved 1Q 2008 capital expenditure projects for network optimization and 3G implementation
- Approved 1Q 2008 stand-alone and consolidated financial forecasts
- Approved the holding of the 2008 general shareholders' meeting
- Approved the list of candidates for independent directors for the fifth BOD session

- Approved 2008 capital expenditure projects for network optimization and 3G implementation
 - Approved 2Q 2008 stand-alone and consolidated financial forecasts
 - Elected Richard Tsai and Daniel Tsai, representatives of Fu-Chi Venture Corp., as Chairman and Vice Chairman, respectively
 - Set record date for 2007 cash dividend distribution
 - Approved 3Q 2008 stand-alone and consolidated financial forecasts
 - Approved merger with the Company's subsidiary, TransAsia Telecommunications Inc.
 - Approved a second unsecured corporate bond issue
 - Approved Company's fifth share buyback plan
 - Approved 4Q 2008 stand-alone and consolidated financial forecasts
 - Approved the removal of non-competition restrictions on Company management
 - Approved 2009 stand-alone and consolidated financial forecasts
 - Gave the green light to the Company's participation in future rights issues of Taipei New Horizons Co., Ltd., with the equity investment cap set at NT\$1.92bn
 - Approved 2009 capital expenditure projects for network optimization and 3G implementation
 - Approved 2008 profit distribution proposal
 - Approved the holding of the 2009 general shareholders' meeting
- The above information is posted on <http://newmops.tse.com.tw>.

5. Major disputes between directors as well as supervisors in relation to board meeting resolutions from 2008 up to the publication date for 2009 None

Additional Information

1. Training program for directors:

Title	Name	Date of training		Organization	Training program	Hours
		From	To			
Director, Representative of Fu-Chi Venture Corp.	Richard Tsai	2008/08/01	2008/08/01	Corporate Governance Association	Enhancement of Corporate Governance	3.0
		2008/09/05	2008/09/05	Corporate Governance Association	Corporate Governance and Risk Management	3.0
Director, Representative of Fu-Chi Venture Corp.	Daniel Tsai	2008/09/05	2008/09/05	Corporate Governance Association	Corporate Governance and Risk Management	3.0
Director, Representative of TFN Investment Co., Ltd.	Harvey Chang	2008/05/08	2008/05/08	Corporate Governance Association	Corporate Social Responsibility	1.0
		2008/08/01	2008/08/01	Corporate Governance Association	Enhancing Corporate Governance	3.0
		2008/12/02	2008/12/02	Corporate Governance Association / American State Offices Association - Delaware	Speaker for "Forum on Corporate Governance of Financial Institutions"	1.5
Director, Representative of TFN Investment Co., Ltd.	Vivien Hsu	2008/02/19	2008/02/19	Accounting Research and Development Foundation	Changes in Major Shareholders' Holding and Enterprise Tax Planning	4.0
		2008/08/01	2008/08/01	Corporate Governance Association	Enhancing Corporate Governance	3.0
		2008/11/06	2008/11/06	Financial Supervisory Commission, Executive Yuan	Taipei Corporate Governance Forum	6.0
Director, Representative of Taiwan Fixed Network Co., Ltd.	Benny Chen	2008/08/01	2008/08/01	Corporate Governance Association	Enhancing Corporate Governance	3.0
Director, Representative of Taiwan Fixed Network Co., Ltd.	Howard Lin	2008/08/01	2008/08/01	Corporate Governance Association	Enhancing Corporate Governance	3.0
Director, Representative of Fu-Chi Venture Corp.	Victor Kung	2008/08/01	2008/08/01	Corporate Governance Association	Enhancing Corporate Governance	3.0
		2008/09/05	2008/09/05	Corporate Governance Association	Corporate Governance and Risk Management	3.0
Independent Director	Jack J.T. Huang	2008/08/01	2008/08/01	Corporate Governance Association	Enhancing Corporate Governance	3.0
		2008/11/26	2008/11/26	Securities & Futures Institute	Speaker for "Legal Responsibility of Directors on Enterprise Mergers and Corporate Governance Forum"	3.0
Independent Director	Tsung-Ming Chung	2008/08/01	2008/08/01	Corporate Governance Association	Enhancing Corporate Governance	3.0
Independent Director	Wen-Li Yeh	2008/08/01	2008/08/01	Corporate Governance Association	Enhancing Corporate Governance	3.0
Independent Director	J. Carl Hsu	2008/08/01	2008/08/01	Corporate Governance Association	Enhancing Corporate Governance	3.0

Note: The programs and hours listed above have fulfilled the training requirements of related regulations.

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

3. Resigned/discharged officers responsible for financial reports

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

Achievements and Recognitions

In spite of the global downturn, Taiwan Mobile still managed to post a record-high EPS of NT\$5.18, its highest record since listing on TSE, enhancing shareholder returns, mainly due to the growth from cable as well as a capital reduction of 24%.

TWM's subsidiaries – Taiwan Fixed Network and Taiwan Fixed Network Investment – gave up their share of the dividends distributed by the Company. This decision – an unprecedented move in the history of locally listed companies – increased minority shareholders' dividend per share to NT\$4.70 from NT\$3.69, evidencing the Company's commitment to maximizing shareholders' interests.

The Company's achievements in corporate governance also won significant recognitions. For the third year in a row, TWM received an "A+" ranking for "Information Transparency and Disclosure" from the Securities and Futures Institute in 2008. The Company ranked among Taiwan's top 10 in the Wall Street Journal's "Asia's 200 Most Admired Companies." Taiwan Mobile was the sole telecom awardee. Additionally, it was also recognized for "Excellence in Corporate Social Responsibility" and ranked No.1 in corporate governance by Commonwealth magazine for the third year in a row.

Certified Public Accountant (CPA) Information

CPA and CPA opinions for the past five years

Year	Accounting firm	Name of CPA	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
2008	Deloitte & Touche	Vita Kuo, Roger Tai	Modified unqualified opinion

Reasons for changing CPAs in the past five years

Regular job rotations within Deloitte & Touche resulted in the change of CPAs from 2004 to 2008.

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	Other	Subtotal	Yes	No	
Deloitte & Touche	Vita Kuo	Roger Tai	9,220*	172	4,502	4,674	v		Fees for other non-audit services were mainly for consultation

* Increased NT\$1.3 million from 2007 audit fees.

Chairman, CEO, and chief officer of finance or accounting holding positions in the Company's audit firm or its affiliates

None

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.

Internal Control System

Internal Control Office Organization

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.

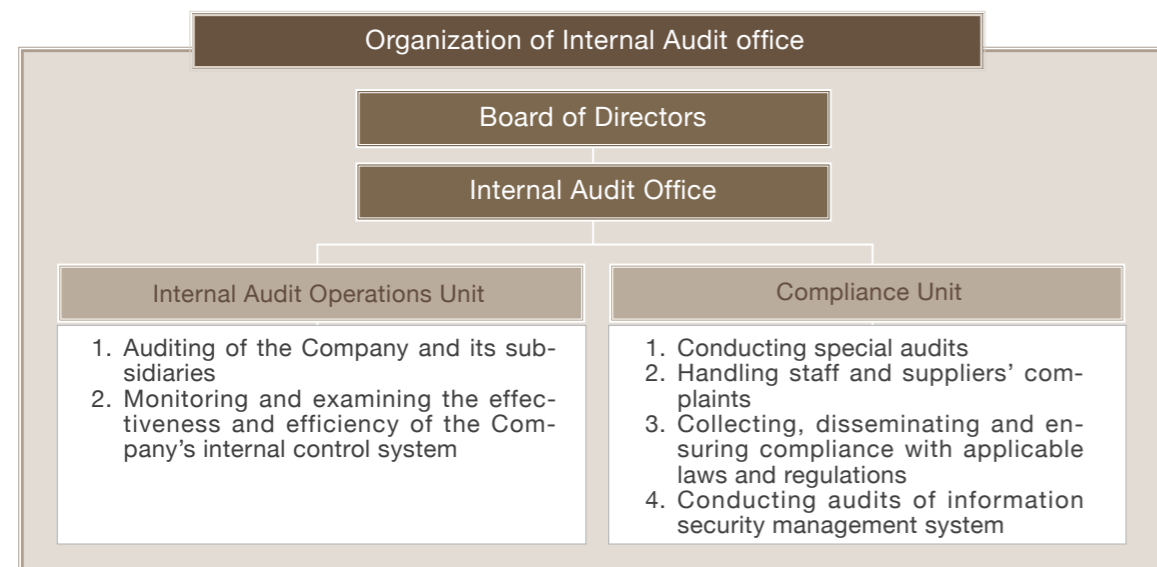
Regular internal audits are executed according to the annual audit plan. Special audit projects are implemented as needed. These audits enhance internal control and provide

Report from CPA after examining the internal control system

None

Violation of regulations and internal policies

None



Taiwan Mobile Co., Ltd.

Internal Control Statement

Date: January 22, 2009

Taiwan Mobile (TWM) states the following with regard to its internal control system for the period January 1, 2008 to December 31, 2008:

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, the Financial Supervisory Commission, and the Executive Yuan (herein referred to as "Regulations"). The internal control system evaluation criteria stated in the Regulations classify 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. Please refer to the Regulations for details on these five key elements.
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 third paragraph, TWM believes that during the stated time period, its internal control system (including its supervision of subsidiaries), which encompasses internal controls for 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 TWM Board of Directors' Meeting on January 22, 2009, where all of the 11 attending directors did not express any dissenting opinion and affirmed the content of the same.

Taiwan Mobile Co., Ltd.

Richard Tsai
Richard Tsai
Chairman

Harvey Chang
Harvey Chang
President

Chap. 4 Financial Information

Capital and shares

1. History of capitalization

As of March 5, 2009
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.
May2007	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	Authority approval No.0960049978 on Oct. 17, 2007

As of March 5, 2009
Unit: shares

	Authorized capital			Remarks
	Listed shares	Unissued shares	Total	
Common stock	3,800,925,363	2,199,074,637	6,000,000,000	*: Including 16,909,000 treasury shares to be transferred to employees

2. Shareholder structure

As of July 7, 2008

	Government agencies	Financial institutions	Other institutions	Individuals	Foreign institutions & individuals	Total
No. of shareholders	0	18	199	36,391	642	37,250
Total shares owned	0	275,212,991	1,448,425,000	378,694,561	1,698,592,811	3,800,925,363
Holding percentage (%)	0.00	7.24	38.11	9.96	44.69	100.00

3. Shareholding distribution

As of July 7, 2008
Par value: NT\$10/share

Shareholding range	Number of shareholders	Total shares owned	Percentage holding
1 ~ 999	18,421	6,551,670	0.172%
1,000 ~ 5,000	13,236	29,353,600	0.772%
5,001 ~ 10,000	2,637	18,861,209	0.496%
10,001 ~ 15,000	794	9,680,537	0.255%
15,001 ~ 20,000	522	8,926,552	0.235%
20,001 ~ 30,000	397	9,669,097	0.254%
30,001 ~ 50,000	282	10,837,706	0.285%
50,001 ~ 100,000	237	16,938,732	0.446%
100,001 ~ 200,000	164	23,370,823	0.615%
200,001 ~ 400,000	117	34,310,434	0.903%
400,001 ~ 600,000	56	27,027,227	0.711%
600,001 ~ 800,000	59	41,327,488	1.087%
800,001 ~ 1,000,000	30	26,655,638	0.701%
1,000,001 and above	298	3,537,414,650	93.068%
Total	37,250	3,800,925,363	100.000%

4. Major shareholders

As of July 7, 2008

Name	Total shares owned	Percentage holding
Taiwan Fixed Network Co., Ltd.	456,294,760	12.005%
TFN Investment Co., Ltd.	355,622,851	9.356%
Ming Dong Co., Ltd.	172,909,725	4.549%
Dao Ying Co., Ltd.	116,616,380	3.068%
DLK Holding Co. LLC	114,006,661	2.999%
Fubon Securities Co., Ltd.	96,525,640	2.540%
Fubon Life Assurance Co., Ltd.	89,773,963	2.362%
Daniel Tsai	85,713,434	2.255%
Richard Tsai	85,688,154	2.254%
Macquarie Bank Ltd.	74,261,346	1.954%

5. 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. Ltd. (100%)
Fubon Life Assurance Co., Ltd.	Fubon Financial Holding Co. Ltd. (100%)

Changes in shareholdings of directors, supervisors, managers and major shareholders

For 2008 and up to the publication date for 2009, the Company's directors, supervisors and major shareholders who 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 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 is focused on maintaining a stable management to reduce shareholder risk. Below is a chart detailing net changes in shareholdings of directors, supervisors, managers and major shareholders.

1. Insignificant changes in shareholder structure

Unit: Shares

Title	Name	2008		2009 (as of March 5)	
		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.	6,946	0	0	0
Director	Victor Kung, Representative of Fu-Chi Venture Corp.				
Director	Harvey Chang, Representative of TFN Investment Co., Ltd.	0	0	0	0
Director	Vivien Hsu, Representative of TFN Investment Co., Ltd.				
Director	Benny Chen, Representative of Taiwan Fixed Network Co., Ltd.	(444,058,002)	0	0	0
Director	Frank Lin, Representative of Taiwan Fixed Network Co., Ltd.				
Director (Note 1)	Harvey Chang, Representative of TFN Investment Co., Ltd.	(54,105)	0	NA	NA
Director (Note 1)	Nita Ing, Representative of Ching Shang Zhen Co., Ltd.	(539,089)	0	NA	NA
Independent Director	Jack J.T. Huang	0	0	0	0
Independent Director	Tsung-Ming Chung	0	0	0	0
Independent Director	Wen-Li Yeh	0	0	0	0
Independent Director	J. Carl Hsu	0	0	0	0
President & Chief Executive Officer	Harvey Chang	(3,774,220)	0	968,000	0
Chief Strategy Officer	JC Dornig	(118,393)	0	60,000	0
Chief Financial Officer	Vivien Hsu	(1,038,000)	0	175,000	0
Chief Technology Officer	Frank Lin	(69,989)	0	73,000	0
Chief Operating Officer of Consumer Business Group	Cliff Lai	(98,389)	0	42,000	0
Chief Operating Officer of Enterprise Business Group	George C. Chou	(19,245)	0	60,000	0
Chief Operating Officer of Enterprise Business Group	James Jeng	NA	NA	90,000	0
Vice President	C.A. Chuang	(40,073)	0	(50,000)	0
Vice President	Ariel Hwang	(33,000)	0	12,000	0
Vice President	Jay Hong	(30,000)	0	33,000	0
Vice President	Simon Wang	(74,918)	0	10,000	0
Vice President	Andrew Wong	(83,236)	0	48,000	0
Vice President	James Chang	(28,795)	0	55,000	0
Vice President	Rosie Yu	(120,000)	0	0	0
Vice President	Ruth Liaw	(114,398)	0	(5,602)	0
Vice President	Techi Juan	(72,931)	0	33,000	0
Vice President	Egon Chen	(80,045)	0	30,000	0
Vice President	Chien Chen	(72,118)	0	(17,882)	0
Vice President	Jeff Ku	(90,396)	0	55,000	0
Vice President	Sean Hsieh	(88,226)	0	0	0
Vice President	Jerry Chu	(150,216)	0	50,000	0
Vice President	Paul Huang	(41,513)	0	33,000	0
Vice President	HS Wang	(56,796)	0	25,000	0
Vice President	Joseph Yang	(7,199)	0	33,000	0
Vice President	D.S. Chiou	(76,841)	0	39,000	0

Note 1: The fourth board of directors and supervisors resigned on June 13, 2008.

Note 2: The holdings of directors, supervisors, managers and major shareholders declined partly due to the 24% capital reduction on February 9, 2008.

2. Stock trade with related party

Title	Name	Reasons for trading	Trading date	Counter party	Relationship	Shares	Trading price (NT\$)
Representative of institutional investor	Vivien Hsu	Disposal	2008.06.10	Han-wen Investment Preparatory Office	Designated party	788,926	55.40

3. Stock pledged with related party

None

4. Direct and indirect investments in affiliated companies

As of December 31, 2008

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 (%)
Taiwan Cellular Co., Ltd.	149,958,330	100.00%	--	--	149,958,330	100.00%
Wealth Media Technology Co., Ltd.	27,200,000	100.00%	--	--	27,200,000	100.00%
Bridge Mobile Pte. Ltd.	2,200,000	10.00%	--	--	2,200,000	10.00%

5. Share price, net worth, earnings, dividends and related information

Unit: NT\$, shares in thousand

		2007	2008	As of Mar. 5, 2009 (Note 3)	
Share price (NT\$)	High	45.80	60.50	49.00	
	Low	31.65	40.05	44.25	
	Average	38.22	52.49	45.70	
Net worth per share (NT\$)	Before earnings appropriation	11.54	17.17	17.17	
	After earnings appropriation	8.71	Note 1	Note 1	
Earnings per share (NT\$)	Adjusted weighted average outstanding shares	3,928,228	2,966,368	2,966,368	
	Earnings per share	Before adjustment	1.68	5.18	5.18
		After adjustment	1.68	Note 1	Note 1
Dividends per share (NT\$)	Cash dividends	2.54	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	22.75	10.13	
		After adjustment	22.75	Note 1	
	Price to cash dividend (x)	15.05	-	-	
	Cash dividend yield (%)	6.65%	-	-	

Note 1: The appropriation amount indicated above is based on resolutions approved at the annual shareholders' meetings in the subsequent year. The appropriation amount for 2008 has not yet been approved.

Note 2: 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

Note 3: Net worth per share and earnings per share are based on the most recent audited financial statements. All others are as of March 5, 2009.

6. Relationship among TWM's top 10 shareholders

As of July 7, 2008

Name (A)	Current shareholding		Spouse's/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)	Relationship
Taiwan Fixed Network Co., Ltd.	456,294,760	12.005%	-	-	TFN Investment Co., Ltd. Ming Dong Co., Ltd. Dao Ying Co., Ltd. Fubon Securities Co., Ltd. Fubon Life Assurance Co., Ltd. Daniel Tsai Richard Tsai	B is A's subsidiary Related party Related party Related party Related party B is A's Vice Chairman B is A's Chairman
Chairman: Richard Tsai					Taiwan Fixed Network Co., Ltd. TFN Investment Co., Ltd. Ming Dong Co., Ltd. Dao Ying Co., Ltd. Fubon Securities Co., Ltd. Fubon Life Assurance Co., Ltd. Daniel Tsai	A is B's Chairman A is B's Chairman Related party Related party Related party A is B's Chairman B is A's relative within two degrees
TFN Investment Co., Ltd.	355,622,851	9.356%	-	-	Taiwan Fixed Network Co., Ltd. Ming Dong Co., Ltd. Dao Ying Co., Ltd. Fubon Securities Co., Ltd. Fubon Life Assurance Co., Ltd. Daniel Tsai Richard Tsai	B is A's parent company Related party Related party Related party Related party B is A's Director B is A's Chairman
Chairman: Richard Tsai					Taiwan Fixed Network Co., Ltd. TFN Investment Co., Ltd. Ming Dong Co., Ltd. Dao Ying Co., Ltd. Fubon Securities Co., Ltd. Fubon Life Assurance Co., Ltd. Daniel Tsai	A is B's Chairman A is B's Chairman Related party Related party Related party A is B's Chairman B is A's relative within two degrees
Ming Dong Co., Ltd.	172,909,725	4.549%	-	-	Taiwan Fixed Network Co., Ltd. TFN Investment Co., Ltd. Dao Ying Co., Ltd. Fubon Securities Co., Ltd. Fubon Life Assurance Co., Ltd. Daniel Tsai Richard Tsai	Related party Related party Related party Related party Related party Related party Related party
Chairman: Chin-Neng Kao					-	-
Dao Ying Co., Ltd.	116,616,380	3.068%	-	-	Taiwan Fixed Network Co., Ltd. TFN Investment Co., Ltd. Ming Dong Co., Ltd. Fubon Securities Co., Ltd. Fubon Life Assurance Co., Ltd. Daniel Tsai Richard Tsai	Related party Related party Related party Related party Related party Related party Related party
Chairman: Chao-Nan Kuo					-	-
DLK Holding Co. LLC	114,006,661	2.999%	-	-	-	-
Fubon Securities Co., Ltd.	96,525,640	2.540%	-	-	Taiwan Fixed Network Co., Ltd. TFN Investment Co., Ltd. Ming Dong Co., Ltd. Dao Ying Co., Ltd. Fubon Life Assurance Co., Ltd. Daniel Tsai Richard Tsai	Related party Related party Related party Related party A and B are subsidiaries of Fubon Financial Holding Co., Ltd. Related party Related party
Chairman: Kung-Liang Yeh					-	-
Fubon Life Assurance Co., Ltd.	89,773,963	2.362%	-	-	Taiwan Fixed Network Co., Ltd. TFN Investment Co., Ltd. Ming Dong Co., Ltd. Dao Ying Co., Ltd. Fubon Securities Co., Ltd. Daniel Tsai Richard Tsai	Related party Related party Related party Related party A and B are subsidiaries of Fubon Financial Holding Co., Ltd. Related party Chairman
Chairman: Richard Tsai					Taiwan Fixed Network Co., Ltd. TFN Investment Co., Ltd. Ming Dong Co., Ltd. Dao Ying Co., Ltd. Fubon Securities Co., Ltd. Fubon Life Assurance Co., Ltd. Daniel Tsai	A is B's Chairman A is B's Chairman Related party Related party Related party A is B's Chairman B is A's relative within two degrees
Daniel Tsai	85,713,434	2.255%	6,745,863	0.177%	Taiwan Fixed Network Co., Ltd. TFN Investment Co., Ltd. Ming Dong Co., Ltd. Dao Ying Co., Ltd. Fubon Securities Co., Ltd. Fubon Life Assurance Co., Ltd. Richard Tsai	A is B's Director A is B's Director Related party Related party Related party B's chairman is A's relative within two degrees B is A's relative within two degrees
Richard Tsai	85,688,154	2.254%	5,651,663	0.149%	Taiwan Fixed Network Co., Ltd. TFN Investment Co., Ltd. Ming Dong Co., Ltd. Dao Ying Co., Ltd. Fubon Securities Co., Ltd. Fubon Life Assurance Co., Ltd. Daniel Tsai	A is B's Chairman A is B's Chairman Related party Related party Related party A is B's Chairman B is A's relative within two degrees
Macquarie Bank Ltd.	74,261,346	1.954%	-	-	-	-

7. 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\$13,968,864,135. The Company received letters of agreement on January 15, 2009, from TFN and TFN Investment on giving up their share of the dividends. After deducting the 811,917,611 shares held by TFN and TFNI and 16,909,000 in treasury shares, the net number of shares that will be entitled to receive dividends is 2,972,098,752, translating into dividend of NT\$4.7 per share.

8. Impact of stock dividend distribution on business performance and EPS

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

9. Share buyback

As of March 5, 2009
Unit: NT\$, shares, %

Share buyback	5th
Purpose	Transfer to employees
Buyback period	2008.10.08 ~ 2008.12.07
Buyback price range	NT\$40.40 ~ NT\$49.90
Total number of shares bought back	24,193,000
Buyback amount (NT\$)	1,059,731,914
Number of shares canceled/transferred	7,284,000
Treasury stock balance (shares)	16,909,000
As a % of the Company's total issued shares	0.44%

Corporate bond issuance

1. Corporate bonds

As of March 5, 2009

Issuance	First unsecured corporate bonds	Second unsecured corporate bonds
Issue date	December 13~31, 2002	November 14, 2008
Denomination	NT\$5,000,000	NT\$10,000,000
Issuance and listing	Not applicable	Not applicable
Issue price	100%	100%
Total amount	NT\$15,000,000,000	NT\$8,000,000,000
Coupon	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	2.88% p.a.
Term	5 years, maturing from Dec. 13-30, 2007 7 years, maturing from Dec. 13-31, 2009	5 years, maturing on Nov. 14, 2013
Guarantor	None	None
Trustee	Bank SinoPac, Trust Division	Hua Nan Bank, Trust Division
Underwriter	None	None
Legal counsel	Cai-Sheng Lin, Attorney	Jim Chen, Attorney
Auditor	Peter Lin, CPA, and Morris Yang, CPA Deloitte & Touche	Vita Kuo, CPA Deloitte & Touche
Repayment	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	Repayment of 50% of the principal in the 4th year and the remaining 50% in the 5th year
Outstanding balance	NT\$7,500,000,000	NT\$8,000,000,000
Early repayment clause	None	None
Covenants	None	None
Credit rating agency, rating date, Company credit rating	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 Taiwan Rating Co., Ltd., 2008.06.05, twAA	Taiwan Rating Co., Ltd., 2008.09.15, twAA
Ancillary rights	Amount converted/exchanged into common shares, ADRs or other securities	Not applicable
	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

2. Convertible bond information None**3. Exchangeable bond** None**4. Shelf registration issuance** None**5. Bond with warrant** None**Other significant issues****1. Mergers and acquisitions by issuing new shares** None**3. TWM shares held / sold by subsidiaries:**

Unit : NT\$ '000 ; share%

Subsidiary	Taiwan Fixed Network Co., Ltd.			TFN Investment Co., Ltd.	
	January 2008	February 2008 (TWM capital reduction)	As of March 5, 2009	February 2008 (TWM capital reduction)	As of March 5, 2009
Paid-in capital		40,000,000		20,619,388	
Source of funding		Equity		Equity	
% owned by the Company		100%		100%	
Acquisition / disposal date	January 2008	February 2008 (TWM capital reduction)	As of March 5, 2009	February 2008 (TWM capital reduction)	As of March 5, 2009
No. of shares acquired and cost payment	-	-	-	-	-
No. of shares sold and proceeds	300,000,000 shares NT\$13,560,000 (or NT\$13,509,828, net of fee charge and transaction tax)	144,058,002 shares NT\$1,440,580	-	112,274,612 shares NT\$1,122,746	-
Investment income	\$3,487,150	-	-	-	-
Ending balance: Total No. of shares and value (Note 1)	600,352,762 shares NT\$20,057,141 (Note 2)	456,294,760 shares NT\$18,616,561	456,294,760 shares NT\$18,616,561	355,622,851 shares NT\$14,862,525	355,622,851 shares NT\$14,862,525
Pledges	None	None	None	None	None
Guarantees / endorsements provided by the Company	\$11,430,000	\$10,980,000	\$24,666,750	-	-
Financing provided by the Company	-	-	-	-	-

Note 1: Ending balance of value is carrying cost, not including evaluation gains / losses.

Note 2: Figures before capital reduction.

4. Other significant events affecting shareholders' equity or stock price None**2. Other Issuance****1. Preferred shares** None**2. Depositary receipt issuance** None**3. Employee stock options** None**4. Private placement of company shares** None**5. Utilization plan and progress of rights issue** None

Chap. 5 Operating Results

Macro Environment

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 contracted to a decline of 0.3% in 2008, compared with a growth of 2.3% in 2007, as the global financial crisis sent stock markets plunging and reduced personal wealth. Despite rising unemployment and shrinking personal income, the DGBAS expects private consumption to remain flat with marginal growth of 0.8% in Taiwan in 2009, supported by various official measures, such as the distribution of consumer vouchers and job assistance programs, to boost consumption. The revenues of the communications and broadcasting industries will face downward pressures inevitably.

Overall Operating Results

On top of providing premium voice service, the Company completed its acquisition of Taiwan Fixed Network (TFN) and Taiwan Telecommunication Network in 2007 to expand its product scope from pure mobile to multiple converged services to strengthen its position in the digital content and telecom services market.

In 2008, the group's total revenue rose 5%, thanks to rising contributions from its fixed-line and cable businesses. Operating income climbed 2% from a year ago, aided by lower depreciation expenses. Stripping out non-operating items, i.e., losses from assets write-offs and disposal gains from stocks, recurring net income was up 2% YoY.

The Company's business is divided into three main groups: Consumer Business Group (CBG), Enterprise Business Group (EBG) and Home Business Group (HBG).

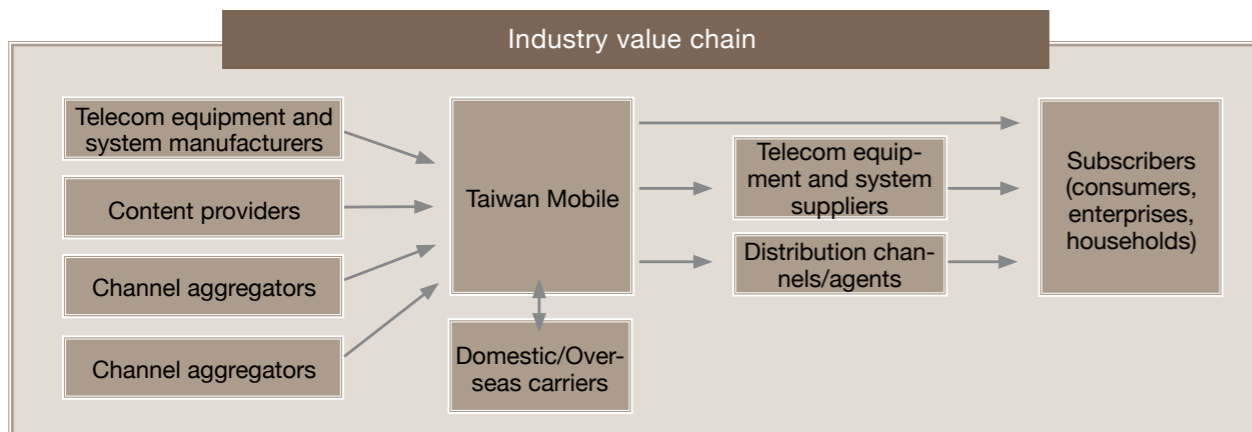
Unit: NT\$m

Numbers as of 2008 year end

	CBG	EBG	HBG
Services	<ul style="list-style-type: none"> Mobile services for consumers: voice & data Mobile to IDD (International direct dialing) services 	<ul style="list-style-type: none"> Mobile services for enterprises: voice & data Fixed-line services ISR (International Simple Resale) services 	<ul style="list-style-type: none"> Pay-TV services Cable broadband services Others
Subscriber base	<ul style="list-style-type: none"> 6,107K consumer mobile subscribers 	<ul style="list-style-type: none"> 164K enterprise mobile subscribers Over 200K ADSL/FTTx internet access users 	<ul style="list-style-type: none"> 538K CATV subscribers 88K cable broadband subscribers
2008 Revenue breakdown by business group	55,149	9,768	4,237
As a % of group revenue	79%	15%	6%
2008 EBITDA margin	47.0%	19.3%	51.2%

The market positions for each of the Company's business are summarized as follows:

	Mobile	Fixed-line	Cable
Market position	One of the big three mobile operators, with around 30% market share in terms of mobile revenue and subscriber numbers	Second-largest ISP (Internet Service Provider) operator with 6% market share (TFN+TTN+cable broadband) in the CHT dominated market	Fourth-largest multi-system operator (MSO), covering 11% households in Taiwan



Consumer Business Group

Products and Services

The Company holds a Type I license to operate mobile phone services nationwide, covering Taiwan, Kinmen, Matsu and other outlying islands.

Target customers	Service category	Description	Highlights
Individual consumers	Mobile services	Voice	Basic telecommunication voice services including calling and receiving calls from local fixed line, domestic long distance, mobile phones.
		Data	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), and mobile internet through GPRS/3G/HSDPA transmission
	IDD services	International direct dialing from mobile phones	

Operating Status

1. Postpaid products and services

The Company continues to lead in offering postpaid rate plans aimed at meeting customers' needs and maximizing shareholder value. Following the launch of "myfone" rate plans in 2004 and "My Zone" rate plans in 2006, the Company introduced its ground-breaking "New Line 299" in October 2008 with its low NT\$1.50 per 3-minute mobile-to-fixed-line call rate. The tariff, which is even lower than fixed-to-fixed-line calls, not only attracted frequent fixed-line users but also encouraged subscribers to shift from fixed line to mobile calls.

Besides product variety and innovation, the company is focused on attracting high-end users. The percentage of mid-to-high rate plan subscribers to the total number of new subscribers held steady at over 60% in 2008 despite the global economic slowdown.

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.



Two employees, one from EBG and the other from CBG, were awarded the "Super Sales Award" in the technology category from Business Weekly for their outstanding achievements in service quality.



Held a concert of famous singers from South-East Asia specifically for foreign laborers in Taiwan

2. Prepaid products and services

As part of its commitment to offering premium services and boosting usage, the Company was the first in 2008 to introduce 3G prepaid services, dubbed "3G Fun Heart Prepaid Card," enabling prepaid users to enjoy 3G high-speed transmission and instantly accessible video calls. This was followed by the launch of its "Tri-Service

Hotline", which extended discount rates for intra-net voice calls to include mobile-to-fixed calls and intra-net video calls. Prepaid users benefit from enjoying discounted rates in various frequently used services. The Company also continued cultivating the youth market to maintain its leadership.

In 2008, the Company introduced an innovative hybrid rate plan called "Zero Monthly Fee," which combines the features of prepaid and postpaid services. Pre-paid users are only charged based on the calls they made, and the unused balance can be carried forward to the following month. By giving users more flexibility in managing their phone bills, this plan attracted a wide range of users.

Year 2008 saw the Company further expand its lead in the Thai and Vietnamese workers' market. At the same time, to better serve Filipino and Indonesian workers, the company 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. Highly competitive new products were introduced — the first transnational co-brands prepaid cards in Taiwan, called "OK Simpati-Kagen Card" and "OK Kababayan Card." The quality and capacity of international calling services were also enhanced, surpassing TWM's peers in offering the best user's experience. Furthermore, the Company was ahead of its rivals in promoting "International Video Call" services and took the lead in market share in the foreign workers' segment.

With the continuous introduction of new products and more flexible promotional plans in the prepaid card market, TWM managed to grow and stand out amid fierce competition in a declining market. The Company achieved strong year-on-year growth in the number of prepaid subscribers and revenue in 2008.



Launch a rate plan - New Line 299- that broke an implicit industry condition by offering a mobile to fixed-line call rate that is lower than fixed-line to fixed-line calls



• Took the industry lead in launching mobile comic book services

3. Value-added services

The Company posted a sharp increase in VAS revenue, with a 69% YoY rise in mobile internet revenue, aided by the bundling of competitive data tariffs with customized handsets and 3.5G data cards with notebooks and netbooks, to cater to the rising demand for internet access and value-added services.

VAS revenue also got a boost from the consolidation of TWM, Mobitai and TAT's value-added service platform, which lifted operating efficiency. The Company launched a number of innovative products and set several milestones in 2008, including: 1) the first Taiwanese operator to introduce mobile comics, 2) personalized music referral system, 3) mobile TV, 4) data rate plans charged on a daily basis, 5) premium netbook/internet access packages, and 6) mobile navigation services in partnership with the leading GPS device provider, Garmin.

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. With the prices of mobile internet devices and data rates falling, demand from enterprise users and general subscribers has risen, driving up revenues for telecom operators.
- (2) The digital era has contributed to the convergence of information, communication and media industries, and companies play an increasingly crucial role in the delivery of multimedia content to customers.
- (3) Along with the rapid development of the internet, many innovative technologies and business models have been extended to mobile internet.

2. Negative factors:

- (1) Regulatory changes as proposed in the draft Communication Administration Act by the National Communications Commission 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. However, the technology has yet to take off, because of delays in infrastructure development and service launch.
- (3) Affected by the economic crisis, consumers have become more cautious in spending on telecom services. Voice revenue posted an annual decline in 2008.

3. Countermeasures:

- (1) The Company takes part in the promulgation of any regulations and closely monitors the direction of changes and developments in regulatory policies to formulate countermeasures in advance.
- (2) In addition to an all-out effort in deploying 3.5G network to provide high-speed broadband access, the Company is closely monitoring developments in long-term evolution (LTE) technology.
- (3) The Company will introduce more advanced technologies, such as Near Field Communication (NFC) and Location-based Services (LBS), to promote value-added services and make up for the decline in voice revenue.

4. Competitive Edge

- (1) Improving client profile
Due to the macroeconomic slowdown, gross adds in new subscribers in 2008 were slightly lower than in 2007.

However, strategies to improve client portfolio helped raised the ratio of mid to high-usage customers as a percentage of gross adds and kept the churn rate of mid to high-end customers low. As a result, the ratio of mid to high-usage customers grew steadily, while that of low-usage customers dropped by 3.5% slightly from 2007.

(2) Leading wireless broadband services

The Company took the lead in launching 3G services in 2005 and 3.5G services at the beginning of 2007. The Company provided customers with flexible rate plans, exclusive handsets, and extensive value-added services. As of the end of 2008, the company had a 3G subscriber base of 2.44 million, with data ARPU significantly surpassing that of 2G subscribers. This could further spur demand for its value-added services.

(3) Outperforming its peers in consumer satisfaction

In line with its core belief in creating the best experience for customers, the Company focused its efforts on maintaining high customer information security, protecting their rights and providing premium service quality. These efforts won the trust of users, who gave the Company top marks among its peers in a survey on customer

satisfaction by the Consumers' Foundation in 2008. The Company remains committed to delivering the best in customer satisfaction by providing quality and efficient services.

Operating Results Review

Affected by the NCC ruling on mandatory price cuts on certain mobile rate plans for the second year in a row and the contraction in private consumption, mobile communication industry revenues dropped 2% YoY in 2008. Faced with a slowing industry, the Company focused on businesses with strong revenue growth momentum, such as prepaid voice services (including mobile to IDD calls) and mobile data services (bundling data cards and netbooks). Aided by double-digit growth in these businesses, the Company's mobile operation results were in line with our expectations.

Short and Long-term Business Development Plan

For 2009, Taiwan Mobile will continue to promote 3G/3.5G businesses through network expansion and the launch of innovative products. The Company plans to fully maximize the potential of new technologies such as LBS and NFC to enhance its mobile navigation services and mobile payment services, respectively.

The Company's marketing thrust will be



• Provided a complete product line with flexible data rate plans and premium services to meet customers' needs of mobile internet

to enhance quality of life by promoting personalized services and multimedia entertainment. To this end, Taiwan Mobile plans to take the following initiatives:

- Establishing its leadership in mobile broadband access with high speed HSPA and advanced optical IP networks
- Developing innovative products, services or business models to grow Web 2.0 and mobile internet business
- Providing segmented service packages that are more varied and cater to different customer needs

Enterprise Business Group

Products and Services

Leveraging off TWM and TFN/TTN's years of experience, market leadership and resources, the Company offers enterprise customers integrated information and communication technologies (ICT) solutions and services under the name "TWM Solution."



• Partnered with Garmin to introduce mobile navigation services

Target customers	Service category	Description	Highlights
Enterprise customers	Fixed-line data	Circuit service	EBG offers different types of circuits for information transmission, including fixed-rate circuits and dedicated bandwidth for data transmission between two terminals. The Company offers the best transmission environment for various applications, including voice, data and multimedia information.
		VPN service	A virtual private network (VPN) is a communications network tunneled through another network and dedicated for a specific network. TWM offers VPN service to enhance communications security for popular applications such as POS systems, credit card transactions and ATMs. The Company also delivers total solutions, including Layer 2 VPN and IP VPN, to expand customers' business opportunities.
		Internet service	EBG offers 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. TWM'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.
	Fixed-line voice	EBG provides integrated voice solutions, including VoIP, ISR and intelligent network service (e.g., 080 domestic toll-free service), enabling users to save on huge calling costs. TWM Solution continues to develop advanced technologies to enhance reliability and provide instant response to ensure customer satisfaction.	
	Mobile service	EBG offers enterprise customers with the following mobile services: regular voice services, MVPN (Mobile virtual private network), ITS (Intelligent transportation system), BlackBerry enterprise solution, Business SMS (Short messaging service) and advertising short messaging service.	
System Integration (SI) service	TWM provides sales, implementation, monitoring and maintenance services for PBX (Private branch exchange), VoIP CPE (Customer premises equipment), WAN and LAN CPE for customers.		

Operating Status

TWM designed a comprehensive enterprise solution package, which comprised of voice, mobile, data, internet and ICT integration services, in 2008 in line with the growing demand for integrated telecom services. The Company launched "Optical Fiber mylife" in early 2008 to meet the rising need for high-speed internet access. It was also the first to introduce the Chinese BlackBerry handset in November 2008 to satisfy and strengthen customer loyalty by providing one-stop shopping services.

Opportunities and Challenges

The Company believes that the overall macro environment remains neutral 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) The demand for integrated information and communication services for enterprise clients is rising. 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.
- (2) Enterprises trading in the Greater China area will boost demand for integrated telecommunications and network efficiency.
- (3) 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) The 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.
- (4) Due to the recession, enterprises are cutting budgets for ICT investment and telecommunication expense.

3. Countermeasures:

- (1) Raising ARPU: Target high-usage customers by providing services such as "Information and Communications Integrated Solution" that meet

customers' varying needs, establish partnership with customers to enhance customer loyalty.

- (2) Targeting high-quality services: Focus on IP VPN and Metro Ethernet solution to provide high-quality integrated platform infrastructure and voice/network CPE and take the lead in technology advancement. Provide device-monitoring service, CPE maintenance and customer network management service, as well as trouble shooting and immediate status response.
- (3) Expanding cost and operation synergy: Strengthen internal controls and segregation of responsibilities, upgrade IT system and support, revise IP policy and submarine cable strategy to ensure short, mid and long-term benefits and improve core competence.
- (4) Providing integrated services: Closely monitor industry developments to combine voice, image, data, mobile and IT services. Through the Next Generation Network (NGN) framework, the Company aims to provide customers with premium service and stable network quality and synergize the resources of the group to the benefit and satisfaction of its customers.



• Similar to doubles partners in tennis, "TWM Solution" works closely with its clients.

4. Competitive Edge

- (1) Premium Brand Equity
Utilizing its extensive experience and expertise in broadband technology, the Company insists on providing customer-centric quality services to its customers. A new service, called "TWM Solution," was launched at the end of 2007.
- (2) Professional management team and efficient support group
The Company leads the competition in achieving synergies 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 and provide enterprise customers with exclusive integrated information and communication technology for business expansion.
- (3) Effective sales teams and channels
Expand services through direct sales teams, channel partners, and retail chains across the nation.
- (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 225 million. With its economies of scale



• Exclusively launched BlackBerry email service, a service particularly popular with global business professionals, and further introduced Chinese BlackBerry handset in 2008

and regional-based service platform, the Company leads the market via its access to ample resources in procurement, content and new technologies. In 2008, the Bridge Traveler Program was launched to reward frequent travelers with a wide array of exclusive privileges and benefits across the Asia-Pacific region. The Company will continue leveraging off these regional resources to develop more innovative services to meet customers' needs.

Operating Results Review

Revenue from enterprise customers outside the group grew 7% YoY in 2008, mainly due to increasing mobile phone usage from enterprise users and from in leased line, IP transit and international simple resale (ISR) businesses. All these services saw double-digit revenue growth last year.

Short and Long-term Business Development Plans

In 2009, the Company will continue developing integrated telecom applications to provide enterprises with a

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 hybrid fiber/coaxial (HFC) networks, the Company will utilize this new cable modem technology of DOCSIS 3.0 to offer broadband internet services to customers.
		Optical fiber	Utilize optical fibers already installed in buildings to provide subscribers with FTTx broadband Internet services.

new customer network management system, fixed-mobile short code service, data-voice integrated service and advanced Metro Ethernet services to help them reduce their expense and enhance operating efficiency.

TWM's vision is to expand its enterprise services from network-centric to ICT-centric solutions and services by taking the following directions:

- Speed up revenue growth of selective products by providing enterprises with end-to-end managed services
- Raise the productivity of key accounts. Develop network-centric enterprise solutions. Expand small-and-medium enterprise segment by improving service quality and network management
- Raise the international business division's operating efficiency by improving local direct peering and end-to-end network services

Home Business Group

Products and Services

TFN Media (TFNM), a subsidiary of the Company, holds a Type II telecommunications business license. TFNM has six subsidiaries that hold CATV licenses and offer a range of products and services, including pay TV and internet access services through cable broadband and fiber optic broadband. Their main

areas of operations are Sinjhuang, Sijhih and Tamshui in Taipei County; Ilan County; and Fengshan in Kaohsiung County.

Operating Status

"TWM Broadband" brand was launched in late 2007, targeting home subscribers. It integrates the resources of Taiwan Fixed Network (TFN), TFN Media (including its CATV subsidiaries) and Taiwan Mobile, to enrich subscribers' lifestyle. Taking customers' real need as a starting point, the Company has introduced a range of user-friendly digital convergence services that include broadband internet access, digital interactive audio and visual entertainment and a wide choice of value-added services. By linking mobile phones, internet and cable TV together, the Company has created a digital lifestyle that the whole family can share.

In 2008, the Company introduced a "TWM Family" membership program that was open to anyone who simultaneously applies for mobile, CATV and broadband Internet access services. Members receive exclusive premium services, including a welcome pack, a birthday present, invitation to special activities, a quarterly newsletter and a dedicated service hotline.

While continuing to crack down on cable TV piracy and working to boost the broadband penetration rate, the Company has also been developing

new DTV services, including sports lottery, high-definition channels and electronic program guide service. The overall goal is to provide home subscribers with a wealth of high-quality digital convergence services, creating a new digital lifestyle that the whole family can share.

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) The adoption of a performance guarantee mechanism and measures to reduce cable operator debt levels will contribute to the healthy development of the CATV industry as a whole: Starting in September 2008, the NCC began examining multisystem operators' (MSO) financial structure when reviewing their applications for license extensions. To qualify for license renewals, operators are required to provide performance guarantees, such as bank guarantees or reserves. This is to protect consumers, improve financial transparency and lower financial leverage. Backed by Taiwan Mobile Group's vast resources, TWM

has healthy, sound and transparent finances. The government's new strategy should therefore have a significant positive impact on the Company's expansion of its digital and multimedia entertainment services.

- (2) Encouraging free competition will help expand the scale of operation: The NCC has begun studying the feasibility of expanding CATV operators' licensing zones to facilitate multi-zone CATV network operation and create a level playing field for CATV and MOD operators. This strategy could break the barriers of current limitation on regional operation, benefiting the Company's expansion of cable footprint and operating scale to provide consumers with more diversified premium services.
- (3) CATV operators still benefit from local monopolies and rich content: CATV operators in Taiwan still enjoy a virtual monopoly. NCC statistics show that CATV penetration rate in Taiwan as of the fourth quarter of 2008 was a high 63.81%, underlining local consumers' heavy reliance on CATV service. Although Chunghwa Telecom secured the rights to broadcast coverage of the 2008 Beijing Olympics and used this to market its MOD service, it still suffered from lack of content in comparison

with CATV operators, which are able to offer a wider range of programs. Adding to the fact that Chunghwa Telecom's MOD service is bundled with its broadband service, the take-up rate for MOD has remained low. MOD's limited bandwidth also restricts its capacity to accommodate multiple devices simultaneously within the same household. Overall, MOD does not yet pose a serious competitive threat to CATV.

- (4) CATV operators enjoy the advantage of "last mile" access, which facilitates the promotion of converged services: Within the media/broadcasting value chain, the CATV industry plays an important role both as a content provider and a transmission platform. In the new era of video-data convergence, CATV operators possess a significant advantage because of their "last mile" access to the subscriber's home. Operators can use their fiber and coaxial cable connection to the subscriber to provide a wide range of converged services.

2. Negative factors:

- (1) The CATV market in Taiwan is saturated. With analog transmission still dominant, it is hard to crack down on piracy. Subscriber growth is thus expected to remain slow in the

short run.

- (2) There's risk that local governments will cut the CATV price cap when they conduct annual reviews of tariffs.

3. Countermeasures:

- (1) The ongoing deployment of two-way fiber-optic networks will help improve connection quality and signal stability, facilitating the adoption of integrated technical solutions and the development of new products and value-added services, thereby boosting ARPU and overall revenue.
- (2) The Company will monitor changes in CATV policy and other relevant laws and regulations through continuous communication and lobbying and will map out appropriate plans and countermeasures.
- (3) Conscious of its corporate responsibility, the Company will continue to strengthen communication with local government authorities and communities as it expands its network. Using Taiwan Mobile Foundation's resources, it has built and provided network access for low-income households and people living in remote areas. The group will also continue sponsoring local activities through collaborations between its CATV operations and cultural and charity events.



• TWM and TWM Foundation sponsored Paper Windmill to perform free-of-charge for locals in Kaohsiung and Ilan.

- (4) The Company is developing DTV encryption technology in line with the government's CATV digitalization timetable by region to stem piracy and boost industry growth.

4. Competitive Edge

- (1) Building brand value through a customer-focused approach
Reflecting on its commitment to the local community and to maintaining a going concern, the Company launched Excel Customer Experience (ECE) for its enterprise customers in 2008. ECE embraces three key aspects: products and services, service flow and process, and personnel. Every important point of contact with the customer is re-examined from a customer-centric perspective. The Company's objective is to ensure enthusiastic and friendly services and provide subscribers with the best customer experience. Through the philosophy that ECE embodies, the Company aims to continue improving customer satisfaction to boost subscriber retention.
- (2) Early mover advantage in terms of internet access speed and quality
To enhance network stability and facilitate the provision of a wide range of digital products and services, the Company has over the last few years gradually replaced its old network with a dual-way HFC fiber-optic network. Two-way fiber-optic network deployment has already been completed in the districts of Sinjhuang, Taishan and Linkou in Taipei County, throughout Ilan County, and Fengshan District in Kaohsiung County, enabling the provision of a wide range of interactive services to subscribers. In June 2008, the Company

embarked on an aggressive program of FTTB network deployment using Ethernet passive optical network and Ethernet over coaxial cable technology. This has been followed around February by the introduction of cutting-edge DOCSIS 3.0 technology for non-FTTB access. TWM's deployment of this new technology – which is already being used in North America as a weapon for CATV system operators to compete effectively against telecommunications operators with its fast 100MB download speed – will be the first in Taiwan. Compared with xDSL technology offered by other telecommunications operators, DOCSIS 3.0 provides not only higher bandwidth, but also better transmission range and quality with significant cost advantages. With a single coaxial cable connection, consumers can gain access to cable TV, high-speed broadband and multimedia entertainment services (including interactive services) in the comfort of their own home.

(3) 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

HBG's revenue largely came from CATV and cable broadband services. Despite a mandatory 5% price cut by the Taipei County Government, CATV revenue still rose 2% YoY due to steady growth in subscriber numbers and rising advertisement and channel leasing revenue from a year ago. Cable broadband also saw continued strong



- "TWM Broadband" provided broadband internet and digital interactive services such as video and audio entertainment to create a user-friendly digital experience specifically for the home.

growth momentum in 2008 with a 43% annual growth rate in revenue and subscriber numbers, boosting total cable revenue by 5% YoY.

Short and Long-term Business Development Plan

For 2009, HBG aims to increase its market share by offering converged services to increase household ARPU and build up its quadruple play (data, voice, video, and mobile) business through the following measures:

- Expand CATV market share by merging or acquiring other MSOs or cable operators
- Promote tailor-made broadband services through campaigns targeting different markets
- Negotiate and aggregate content from popular channels providers
- Enhance new acquisition and customer stickiness via service convergence
- Develop DTV trial and strategy & interactive video entertainment services
- Introduce DOCSIS 3.0 technology and deploy FTTB optical fiber network to provide households with multimedia applications and more IP-based equipment (including portable multimedia displayer, handsets and PDA)

Major Contracts

Nature	Counterpart	Contract period	Description	Restriction clauses
Sales & distribution	Synnex Technology International Corp.	2005.02.01 ~ (under negotiation)(Note 3)	Synnex is authorized to distribute TWM's mobile subscription services	Non-disclosure
	Aurora Telecom Corp.	2008.07.01 ~2009.06.30	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 services	Non-disclosure
Network inter-connection	Chunghwa Telecom Co., Ltd.	2005.01.01 ~2005.12.31 (under negotiation)(Note 1)	Network interconnection 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 (under negotiation)(Note 1)	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
	VIBO Telecom Co., Ltd.	2006.01.16 ~2007.01.15 (under negotiation)(Note 2)	Voice and short messaging service contract	Non-disclosure
	Asia Pacific Broadband Wireless Communications, Inc.	2003.07.23 ~2004.07.22 (under negotiation)(Note 2)	Voice and short messaging 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
	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
Handset sales consignment	Synnex Technology International Corp.	2008.01.01~2008.12.31 (Contract can be extended if neither party has any objections.)	TWM sells Synnex's consignment of handsets and other communication products	Non-disclosure
Syndicated loan	Chinatrust Commercial Bank and 8 other banks	2008.02.21~2011.02.21	Syndicated credit line of NT\$13.5 billion	Certain restrictions on debt ratios, interest coverage ratio, net value of tangible assets
Corporate bonds	Chinatrust Securities and 9 other securities companies	2008.11.14~2013.11.14	Total amount for the second unsecured corporate bond issue is NT\$8 billion.	Non-disclosure
Equipment purchase	Nokia Corp.	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 and TAT customer service and product sales	Non-disclosure

Note 1: When the network interconnection contract expires, should the two parties not be able to conclude their negotiations within three months after their commencement, the process shall be as follows:

(1) If the two parties agree to continue negotiations, the contract terms will be the same as the originally negotiated terms or such other terms agreed by both parties, until a new agreement is reached.

(2) Either party can appeal to the Directorate General of Telecommunications (now to National Communications Commission) for a ruling. Prior to the date of such a ruling, the contract terms shall be the same as those originally negotiated. Following the ruling, the new contract terms will be formed based on the ruling.

Note 2: Negotiations for an agreement for the following year shall commence three months prior to the expiry date of the original agreement. If negotiations are not finalized prior to the said expiry date, the parties agree to perform their obligations based on the original agreement until such time when negotiations are finalized.

Note 3: If the contract expires before both parties have finalized a new one, the old contract shall remain valid.

Chap. 6 Risk Management Analysis |

industry risk, financial risk and operating risk. The Company realizes the damage these risks may cause and therefore has established a risk management committee to set policies in order to minimize the impact on the Company's operations from any incidents.

Industry Risk

Technology Changes and Development

1. Current status

(1) Current status

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 to be a foundation for next-generation mobile broadband communications, WBA poses a reasonable threat to 3G technology.

On July 26, 2007, the National Communications Commission (NCC) released six regional licenses -- three for the north and three for the south. One or two of the WiMAX licensees are expected to launch their services in 2009. However, as interoperability problems between WiMAX base stations and customer premises equipment (CPE) have not been solved, CPE options will be very limited. CPE roaming between WiMAX networks operated by different vendors is still far from achievable in 2009.

(2) Countermeasures

The technology for 3.5G High Speed Downlink Packet Access (HSDPA), in comparison, is mature and has been commercialized. The speed of the connection throughput for

3.5G is 7.2 Mbps and should rise to 14.4 Mbps, and even 28.8 Mbps in the near future, placing it on the same level as WBA. In the short term, HSDPA should be a more commercially competitive technology than WBA.

TWM has therefore aggressively deployed 3.5G technology and promoted mobile broadband access services since late 2007. In 2009, TWM will continue to deploy more 3.5G base stations and provide higher speed mobile internet services. 3G extended long-term evolution (LTE) technology is another promising technology that could provide the same services as WiMAX. The Company is fully involved in this technology's development and evaluation is ongoing.

To cope with long-term challenges, TWM hired a leading foreign telecom firm and a world-renowned consulting agency for the past two years to analyze industry trends and formulate effective strategies to cope with the dynamic changes in the market. The Company has drawn up a long-term plan to strengthen its wireless broadband and multimedia services.

2. Rising popularity of Internet protocol

(1) Current status

The popularity of internet protocol (IP) has revolution-

ized 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 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 started many IMS application trials in the lab to keep abreast of the technology's development and may extend the scope of the trials in 2009 to outside the lab. It has also begun research on advanced optical network transmission technology and has already deployed the optical network backbone in certain areas. It will continue conducting research on optical packet metro Ethernet technologies and introduce the newest cost-effective opti-

cal network backbone at an appropriate time in the future.

3. Digital convergence

(1) Current status

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

The Company 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 integrated the group's resources to facilitate research and development into digital convergence and launch timely services. As mentioned, the Company has hired a renowned global consulting agency, which is also tasked with analyzing trends and issues relating to fixed-mobile convergence (FMC), as well as implementing measures to address the trend toward communications and media convergence.

Regulatory Changes

1. NCC shelve review of Communications Administration Act

(1) Current status

In line with the trend toward digital convergence, the first

NCC board submitted a draft of the "Communications Administration Act" to the Cabinet for review in December 2007. The Cabinet rejected the draft and recommended that the NCC revise and adopt more progressive regulatory changes. After the second NCC board took office in August 2008, the new commission decided to prioritize the revision of the "Cable Radio and Television Act," "Radio and Television Act" and "Satellite Broadcasting Act" -- including issues on foreign ownership limitation and consolidation of CATV operating regions -- followed by a review of the draft "Communications Administration Act." This is to cushion the potential impact from the proposed convergence bill, which would eliminate the boundaries between the broadcasting and communications industries, and regulate these industries by infrastructure, service platform and content instead.

(2) Countermeasures

The NCC has taken a more progressive approach in amending communications and broadcasting regulations to minimize their impact on the industry. The Company will closely monitor this through continued communications with the NCC and make appropriate recommendations from the industry standpoint.

2. Reversal of ruling prohibiting CHT from investing in Global Mobile Corp.

(1) Current status

On October 17, 2008, the NCC Appeals Committee reversed its ruling prohibiting Chunghwa Telecom (CHT) from purchasing a 15% stake

in Global Mobile Corp. Consequently, the new ruling allows CHT to continue providing Global Mobile with working capital and technology support.

(2) Countermeasures

WiMAX's promise of high-speed broadband access is similar to other technologies in the market. However, WiMAX operators have yet to come up with a proven business model and continued delays in their commercial launch has resulted in declining market interest. The Company will closely monitor developments, while evaluating different business models -- 3.5G (HSDPA), 3.9G (LTE) and WiMAX -- to provide customers a variety of convenient, steady and high-speed wireless broadband choices.

3. Small-scale testing of femtocell

(1) Current status

Femtocell is a new communications technology whose specifications and effect are still being developed and defined. Because it is an evolving technology, the NCC favors asking operators interested in introducing femtocell to start by conducting small-scale experiments. Once it is established that femtocell radiation does not affect 3G signals, the NCC would decide whether telecom operators could deploy femtocell on a wider scale. Because femtocell can help transform fixed line bandwidth to facilitate indoor transmission of 3G signals, its commercialization could heat up competition in the FMC market.

(2) Countermeasures

The NCC has set up a special research team to study this

new technology and service and has been hosting conferences for data collection. The Company will adhere to domestic/overseas best practices while keeping the Company's operational goal in mind when issuing opinions to the NCC, and watch these developments closely.

4. Mobile TV policies

- (1) Current status
On February 26, 2008, the NCC announced on its website that it was soliciting public opinion on two proposed policies – “Using existing communications platforms to provide mobile TV services” and “Opening licensing for mobile TV operators.” The NCC tentatively plans to implement the two policies at the same time, i.e., launching mobile TV services using existing WiMAX and 3G platforms and promoting new business models by issuing new licenses. The latter will likely result in keen bidding for licensing to grab a slice of the mobile TV market.
- (2) Countermeasures
As mobile TV is proven to work well on 3G networks, the Company supports the policy on “Using existing communications platforms to provide mobile TV services.” As for new mobile TV licenses, the Company will recommend that the NCC discuss the issue thoroughly with incumbent operators to ensure full spectrum utilization.

5. Pricing right and call revenue of CHT's fixed-line with 070 pre-fix VoIP calls

- (1) Current status
NCC regulations state that starting in 2011, the right to determine pricing and call rev-

enue generated from fixed to mobile traffic will be returned to fixed line operators. However, mobile operators will retain the right to set prices for CHT's fixed line with 070 pre-fix VoIP calls until 2011. This is to ensure fair market competition by preventing CHT from using the right to set prices to dominate the local call market.

- (2) Countermeasures
The Company is in favor of the above regulation as it can reduce unfair competition.

6. Taipei City Government outsourcing FTTx deployment

- (1) Current status
The Taipei City Government plans to utilize its sewer system for optical fiber deployment in order to provide cheaper high-speed broadband services. This could facilitate FTTx construction in Taiwan and reduce CHT's dominance. However, interested parties are sidelined given the enormous investment required (not less than NT\$8bn), numerous restrictions, and short bidding preparation time.
- (2) Countermeasures
According to the Industrial Technology Research Institute, the winning bidder must complete 80% of the household coverage within two years, which would be difficult to achieve. Furthermore, the payback period is conservatively estimated to be up to 15 years. The Company will evaluate the project's final tender requirements before deciding whether to submit a bid.

7. CATV required to reduce endorsements and provide guarantees on advanced receipts

- (1) Current status
On reviewing the license renewal applications of two cable TV system operators (SO), the NCC found that the two SO's guarantees of debts for their foreign-invested parent companies were excessively high. The SOs were required to improve their financial structure and lower their gearing by 20% within two years, as well as provide financial guarantees on advanced receipts from customers to protect subscriber interests, within six months upon approval of their new licenses. These requirements will increase the financial and operational costs of CATV operators.
- (2) Countermeasures
The Company's CATV operators do not have the same financial problem given the Company's sound financial position and corporate governance. The Company will comply with NCC's policy to provide financial guarantees through coordination with banks in the interest of better consumer protection.

Financial Risk

Impact of interest rate fluctuations

The Company has pegged the floating interest rate for its first unsecured corporate bonds 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 23, 2009, the Company has a mark-to-market gain of around NT\$55m from the IRS. This unrealized gain does not affect the income statement and is instead booked under shareholders' equity.

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

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 the impact from foreign exchange rate fluctuations, the Company hedges risks through foreign currency deposits.

The Company's foreign exchange loss totaled NT\$7.868m as of December 31, 2008. In summary, exchange rate fluctuations had a minimal impact on the Company.

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 are all its subsidiaries, there is minimal operating risk.

3. The derivative product positions the Company held in 2008 were for purposes other than trading. The interest rate swap contracts were signed to minimize interest rate risks of floating-rate bank borrowings. The Company's hedging strategies are meant to avoid cash flow risks. No substantial earnings/losses resulted from the derivative transactions.

Mergers and Acquisitions

1 Merger and acquisition update

- (1) Taiwan Fixed Network Co., Ltd. (TFN), a subsidiary of the Company, merged Taiwan United Communications Co., Ltd. on January 1, 2008.
- (2) TFN Investment Co., Ltd. (TFNI), a subsidiary of the Company, completed its acquisition of TFN Media Co., Ltd. (TFNM) by purchasing the remaining 6.94% stake at NT\$33.46377 per share on January 30, 2008.
- (3) TFNM and Fu Sin Media Technology Co., Ltd. (FSMT), subsidiaries of the Company, acquired 26.66% and 3.34% of Phoenix Cable TV Co., Ltd. at NT\$58.7 per share on January 28, 2008 and on April 8, 2008, respectively. Together, TFNM and FSMT owned 100% of Phoenix Cable TV Co., Ltd. after the transaction.
- (4) TWM Holding Co., Ltd., a subsidiary of the Company, acquired 100% of Hurray! Times Communications (Beijing) Ltd. on April 24, 2008.
- (5) TFN merged Taiwan Telecommunication Network Services Co., Ltd. on August 1, 2008.
- (6) VoPier Communications (Taiwan) Co., Ltd., a subsidiary of the Company, merged the former Taiwan Teleservices & Technologies Co., Ltd. (TT&T) and renamed as TT&T on September 1, 2008.
- (7) The Company merged TransAsia Telecommunication, Inc. (TAT) on September 2, 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 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 20.98% of total operating costs in 2008. The Company has been increasing usage of leased lines supplied by other fixed-line operators (e.g. Taiwan Fixed Network) to diversify supplier risk.

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

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

2008			2007			Reason for change
Company	Amount (NT\$'000)	% of operating costs	Company	Amount (NT\$'000)	% of operating costs	
Chunghwa Telecom	5,054,973	20.98%	Chunghwa Telecom	4,968,191	22.21%	Higher interconnecting charge paid to CHT in 2008

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

2008			2007			Reason for change
Company	Amount (NT\$'000)	% of revenue	Company	Amount (NT\$'000)	% of revenue	
Chunghwa Telecom	8,956,659	16.49%	Chunghwa Telecom	9,194,171	17.93%	Lower interconnecting revenue generated from CHT

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 changes in shareholding of directors, supervisors and major shareholders

Changes in the shareholding of directors, supervisors and major shareholders, which are detailed in Chapter 4, had minimal impact on the Company.

Changes in management control Not applicable

Significant Lawsuits and Non-litigious Matters

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

1. The Company

The Fair Trade Commission (FTC) fined the Company NT\$3 million as administrative penalty for the "401/801 rate plan" advertisement.

Parties involved: The Company is the defaulting party.
Date of filing of administrative appeal: February 19, 2008
Grounds for appeal:

The Company's "401/801 rate plan" was regarded as misleading advertising by the FTC, which ordered the Company to cease using the said commercial and meted out a fine of NT\$3 million as penalty. The Company disagreed with the FTC's decision and has filed an administrative appeal.

Status: The Company has filed an administrative appeal to the Executive Yuan.

2. The Company's directors, supervisors, managers and major shareholders (with more than 10% shareholding) None

3. The Company's subsidiaries

Taiwan Fixed Network Co., Ltd. (TFN)

The lawsuit pertaining to land usage fee between TFN and Kaohsiung City Government

Parties involved: TFN is the plaintiff and Kaohsiung City Government is the defendant.

Amount claimed: NT\$13,094,147

Date of filing: December 24, 2007

Grounds for lawsuit: TFN laid pipes under land which is owned by the Kaohsiung City Government. In accordance with regulations pertaining to usage fees related to laying of pipes under land owned by the city government, land usage fees from 2002 to 2004, as calculated by the Kaohsiung City Government, came up to NT\$13,094,147. TFN was ordered to pay this amount in 2007; however, TFN felt that this administrative disposition was illegal and decided to file an administrative appeal with the Ministry of Finance. The ministry dismissed TFN's appeal. This was followed by an unsuccessful appeal before the Kaohsiung High Administrative Court. TFN has filed an appeal with the Supreme Administrative Court.

Status: This case is pending in the Supreme Administrative Court.

Risk Management

Risk Management Policies

- Promote a risk management based business model**
- Establish a risk management mechanism that can effectively cite, evaluate, supervise and control risks**
- Create a company-wide risk management structure that can limit risks to an acceptable level**
- Introduce best risk management practices and continue improving**

Risk Management Structure

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

- 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.
- Safety and Health Committee:** Tasked with supervising and reducing potential risks to workers' health and safety.
- Information Security Management Committee:** Supervise important information assets for confidentiality, integrity, availability, and regulations compliance in order to control and reduce operational risks to an effective and reasonable level.



Chap. 7 Our Values |

Best Service Quality

Committed to creating the best customer experience, Taiwan Mobile is continually expanding its premium communications platform, offering a wide range of products and services, including data cards, smartphones and handset accessories, netbooks, internet broadband and cable TV services, to provide customers with the ease of one-stop shopping. The Company has more than 106 myfone direct stores for customers to test and experience the latest in digital wireless technology and value-added services through free tutorials or small group workshops provided by the Company.

TWM won two prizes in Next Magazine "2008 Top Service Awards" – placing second in the mobile/fixed-line category and the 3C store channels category. TWM was the only double winner and the first telecommunications company to win in the 3C store channels category. The Company's myfone e-store also won an "e-21 Golden Website Award" in the large enterprise sector from the Ministry of Economic Affairs. These awards and recognitions serve as an inspiration for the Company to continue striving to meet customer demands by providing the best experience.

Excellent Brand Image

People lie at the heart of everything we do. TWM works on the principle of "Customer First" to give customers the satisfaction of enjoying worry-free communications based on the following four key values: simplicity, innovation, passion and integrity. By adopting the customers' perspective as its own, Taiwan Mobile strives to create the best communications experience that allows

users to freely pursue their lifestyle and reckon that "Taiwan Mobile" is indeed "My Mobile."

Acknowledging the trend toward digital convergence, the Company teamed up with TWM Group affiliates to launch three brands: "Taiwan Mobile" to serve the individual mobile communication needs of the consumer market, including VAS and wireless broadband; "TWM Broadband" to deliver cyberhome and digital services for the household market; and "TWM Solution" to provide enterprise customers with tailor-made integrated ICT services.

Looking ahead, TWM aims not only to become "My Mobile," but also the benchmark for digital integration for the new generation, enabling customers to embrace their lives with ease and confidence.

Year	2008	As of Mar. 5, 2009
R&D expense (NT\$'000)	488,744	84,589
As a % of total revenue	0.90%	0.90%

Innovative Research and Development

1. 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 2009, the Company plans to spend NT\$795 million on research and development for more advanced technologies designed to increase customer satisfaction, which in turn should boost revenue and overall operations growth.

2. Major Research and Development Achievements

Project name	Details
Parlay X gateway and IMS application service integration	Development of open service access (OSA) parlay X compliant gateway to expand TWM's range of telecom services. This, together with its IP multimedia subsystem (IMS) platform, would facilitate the development of next generation network and digital convergent services. Proof of concept (PoC) application services, including call notification, call handling, third party call, and instant messaging and presence service (IMPS), are being developed.
SOA-based IMS service fulfillment platform	Development of service-oriented architecture (SOA) based order gateway for processing complex service fulfillment/provision flows. With the proposed system architecture, TWM can better manage its operations flow, raise service efficiency and lower opex. In 2008, the Company successfully carried out testing of the system's IMS service, verifying its feasibility.
IPTV service platform prototyping	Development of a Web browser-based IPTV service platform prototype covering different media convergence technologies, such as media multicast streaming, video service control, set-top box and an interactive electronic program guide. The Company also made an IPTV blending service PoC (call notification on TV) that integrated the proposed Parlay X and IMS framework.
Data center performance enhancement	Adopted the latest environment-friendly technology and equipment to build the first "green" data center on energy-saving and reducing carbon emissions. Statistics run by this data center can be used as a benchmark for future base station design and construction.
Supporting system integration for triple play services	Integration of sales management system, customer service system, and data base to support rising demand and expanding needs as the subscriber number of "TWM Family," our triple play service, increases.
Intelligent location platform	Development of intelligent location platform (iLP) to meet users' demand for location-based services (LBS). iLP provides standard application interface (API) for service and content providers to create and deliver various, innovative LBS services.

Future Research and Development Plans

1. Strategic plans:

Project name	Objective	Status	Completion date
Optical packet metro (OPM) network management technology development	Build an OPM test-bed network and develop OPM network management proof of concept (PoC) system.	Working on system planning	Sep. 2009
Customer contact history system (CCHS)	Build an integrated customer contact history platform to support all business lines. The objective is to provide customer centric and integrated customer contact history data for triple/quad play. It will provide a scalable and extendable infrastructure to fulfill future business needs.	Working on solution evaluation and vendor selection.	Dec. 2009
New customer network management (NEW-CNM) alert platform	Build a web-based monitoring and alert platform to provide enterprise customers with instant problem shooting solutions from TWM's data services.	Working on phase I: Including service type IPVPN, International IPVPN & Metro Ethernet, system can provide circuit alarm, traffic diagrams and assign engineers to solve problems.	Feb. 2009
Enterprise performance management (EPM)	Beginning 2009, TWM will disclose information on management performance by business unit rather than by legal entity. More precise performance numbers and better analytical functions can be automatically generated through the EPM system.	Work in progress. Partial functions were ready and official numbers for disclosure have been generated from the EPM system since Jan. 2009.	June 2009

2. Systems development:

Project name	Objective	Status	Completion date
Performance improvement schemes for WiMAX/HSPA	Conduct research on improving WiMAX/HSPA wireless access technology and software platform development for cell planning.	Already completed the WiMAX/HSPA platform development; others still in progress.	June 2009
Study on channel prediction for HSDPA systems	Use non-data aided (NDA) algorithm for channel prediction to enhance spectral efficiency and optimize transmission quality.	Work in progress.	Aug. 2010

2. Systems development:

Project name	Objective	Status	Completion date
Instant messaging and presence service (IMPS)	Based on the IMS core platform, users are able, through various kinds of mobile devices, to transmit unified communication messages, including instant messages, pictures, video and present status of users. This enhances the variety of value-added services and could enhance customer loyalty and stickiness.	Planning and designing system specifications	Jun. 2009
Digital TV (DTV) trial run	Use digital TV technology to provide cable TV viewers with more programs and channels, and develop interactive applications on DTV.	Implementing and testing system	June 2009
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.	Deploying system and interconnecting with the banks. Cooperate with handset makers to mass produce NFC handsets.	Oct. 2009
On-device portal (ODP)	Develop an ODP service for high-end and standardized handset platforms such as Symbian S60, Windows Mobile and Android. Users can receive and cache content pushed by TWM for off-line browsing. This makes for a better customer experience as users don't have to click and wait to pull WAP pages.	Product specification confirmed; working on planning	Nov. 2009

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" from China Times, "Excellence in Corporate Social Responsibility" from CommonWealth magazine, and "Corporate Social Responsibility Award - Service Sector Category" from Global Views Monthly in recent years.

The Company allocates around NT\$60 million annually to its corporate social responsibility division to undertake various social welfare activities. In 2008, the Taiwan Mobile Foundation devoted 56% of its budget to social welfare, 25% to telecom research, and 15% to emergency rescue. The major beneficiaries and targets were minorities and the disadvantaged, environmental protection and education, bridging the digital gap, and arts and culture promotion.

Green Company

In response to global warming, TWM has implemented concrete measures to raise energy efficiency, reduce waste and create a sustainable environment. These include campaigns such as handset and battery recycling, promoting a paperless work environment and electronic billing, tree planting, and teaching environmental protection at schools. The Company hopes to contribute to the reduction of carbon dioxide emissions to comply with international and domestic regulations on environmental protection.

Corporate Volunteers

TWM set up a corporate volunteer program in 2007. The Company offers volunteer staff two-day paid leave each year to serve local communities. Hundreds of corporate volunteers took part in the projects organized by the TWM Foundation, including caring for the elderly who live alone in Hualien, after-school education for underprivileged children, and preserving the wetlands around Guandu Nature Park. This program has successfully served as a platform for employees to contribute to society.

Social Care

TWM introduced the "5180 Mobile Donation Hotline" in 2005 to make it easier for people to donate to charities or public causes by simply dialing 5180 anytime, anywhere, the first such platform in Taiwan. With this convenient service, despite the macroeconomic slowdown in 2008, donations made through the 5180 hotline still increased by 67% over 2007. The Company also offered special discount rate plans for the disabled and non-profit organizations (NPO). Additionally, the Company hired a number of spinal cord injury

sufferers, training them to become professional customer service agents and helping them to embrace a new life.

Bridging the Digital Gap

TWM set up broadband services in remote areas such as Alishan's Shanmei Village, Shizi Village and Chashan Village in 2007 and 2008. In addition, a community library with internet access was built as part of its vision of providing "Broadband for Every Village" in the Alishan area. These efforts won commendations from the National Communications Commission in Feb, 2009.

Art and Culture Promotions

TWM held its first "Myfone Mobile Composition Award" competition in 2007 to encourage participants to create quality SMS and ringtones for the new mobile platform. The Company also set up a "909 Mobile Phone Audio Guide" system for museums in Taiwan in 2004 that allows visitors to use their handsets to listen to the audio guide to several grand exhibitions, such as "Camille Pissarro, Family and Friends" at the National Palace Museum and the "Millet Art Exhibition" at the National Museum of History in 2008. Furthermore, it has sponsored many free concerts in Taitung, Taoyuan, Kaohsiung, Nantou and Tainan as part of its efforts to promote and popularize classical music.

Consumers' Rights and Interests

In accordance with the rules set forth by the NCC to protect consumers' rights and interests, the Company submits all service and rate plans for approval by the Commission, followed by a public announcement seven days prior to their implementation. All contracts with customers are drawn on the basis of fair and equal treatment and fulfill all the requirements stipulated in the Consumer Protection Law. The Company also provides clear and detailed billing information to customers.

Mindful of the importance of customer information security, TWM obtained an ISO 27001 Information Security Management System certification in 2006 and passed the global system's three-year overall review in 2008.

TWM's dedication has won positive responses from customers, with Company surveys over the past two years showing respondents giving high marks to improvements in network quality, SMS rates, retail services, call center services and billing information. A survey conducted by the Consumers' Foundation in 2008 also showed TWM topping the poll on customer satisfaction among Taiwan's major telecommunication operators.

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 at streamlining business processes, strengthening distribution of responsibility, as well as detailing management 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 the required information and training courses to strengthen their understanding 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 disseminates information on laws and procedures for filing complaints on sexual harassment on the intranet to serve as a guideline for employees.

2. Benefits Programs

- (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 programs. 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.

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 large numbers of employees to local and international telecommunication conferences, management forums, consulting

seminars, and vendor training programs every year. These activities have a profound effect on upgrading the Company's technologies, developing new products, introducing innovative new ideas, and improving managerial skills.

- (3) The Company sponsors external training courses for all employees annually. Employees can select courses that combine their personal interests and job needs to reap the maximum benefits from these training sessions.
- (4) Orientation for new employees includes an introduction of 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; seven in Internal Audit Office; one in Accounting Division.
 - d. Certified Public Accountants (CPA): One employee in CFO Office; two in Operation Analysis Division; one in Accounting Division; one in Finance Division.

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 City Government in February 1998. Since May 1988, the Company has been allocating on a monthly basis, a retirement pension equivalent to 2% of the employee's monthly salary.
- (3) The Company has implemented the New Labor Pension System since 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.

The Company's employee safety and sanitary policy is posted on its internal website and summarized as follows:

- (1) A unit dedicated to conducting environmental inspections and carrying out employee sanitary training courses was established in accordance with regulations.
- (2) A Health and Safety Committee was set up to draft a plan to prevent job injuries; ensure compliance and review related rules on employee health and sanitary improving solutions through periodical meetings.
- (3) Full-time professional nursing personnel were employed to conduct health examinations for employees, track the progress of staff who failed to pass their health examination, and hold talks on how to promote health. Staffers who are able to administer first aid treatment were placed at each work area.
- (4) Fire/flood protection exercises were performed periodically to reduce risks of employee injury and property loss from natural disasters.
- (5) Entrance guards and security systems were placed at all main base stations and work offices to secure staff, property and information security.
- (6) Energy-saving policies were set to reduce carbon emissions.

7. 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 any such situation in the future.

Chap. 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 funding needs in acquiring 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. In spite of this, long-term investments remained lower than the previous year due to TransAsia Telecommunications, Inc. (TAT), one of the Company's subsidiaries, having a capital reduction, and Company shares held by its subsidiaries being reclassified as treasury stock.

3. Fixed assets

The disposal of obsolete 2G equipment resulted in a decline in fixed assets from 2004 to 2007.

4. Intangible assets

In 2008, intangible assets increased as the Company merged with TAT International (which acquired TAT at a premium and renamed as TAT) and inherited the goodwill.

5. 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 between financial accounting and tax accounting in the recognition of asset write-off losses.

6. Current liabilities

The Company raising bank loans to meet its funding needs to acquire TFN shares, together with payables arising from capital reduction, resulted in increased current liabilities in 2007. Current liabilities decreased due to bank loan repayment and settlement of capital reduction in 2008.

7. Long-term liabilities

Since 2004, repayment of long-term bank loans as well as settlement and conversion of convertible bonds contributed to the steady decline in long-term liabilities. In 2008, issuance of the second unsecured corporate bonds and increase in syndicated loans resulted in increased long-term liabilities.

8. Other liabilities

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

9. Stockholders' equity

The conversion of convertible bonds increased capital and capital surplus, while a 24% capital reduction approved at the shareholders' meeting in 2007 decreased capital. The Company's shares held by subsidiaries were classified as treasury stock, decreasing shareholders' equity. In 2008, the sale of 300,000 of the Company's shares by its subsidiary decreased treasury shares, while the disposal gain increased capital surplus and shareholders' equity accordingly.

Unit: NT\$'000

		2004	2005	2006	2007	2008
Current assets		21,449,832	25,779,977	26,112,730	11,831,063	11,187,288
Funds and long-term investments		23,737,612	21,091,320	21,620,736	15,276,374	15,743,234
Fixed assets		60,190,612	57,638,728	57,224,824	42,568,638	43,018,691
Intangible assets		10,281,583	9,720,218	9,036,696	8,249,458	14,317,314
Other assets		5,594,292	3,139,195	2,976,458	6,076,924	5,608,974
Total assets		121,253,931	117,369,438	116,971,444	84,002,457	89,875,501
Current liabilities	Before appropriation	12,611,294	15,477,853	16,564,043	42,763,948	23,931,369
	After appropriation	25,185,664	28,766,184	29,919,728	50,565,070	(Note 1)
Long-term liabilities		27,486,226	14,584,125	10,291,046	7,551,665	13,200,000
Other liabilities		183,590	318,704	248,561	1,833,915	1,841,534
Total liabilities	Before appropriation	40,281,110	30,380,682	27,103,650	52,149,528	38,972,903
	After appropriation	52,855,480	43,669,013	40,459,335	59,950,650	(Note 1)
Capital stock		48,883,886	49,492,065	49,993,251	38,009,254	38,009,254
Capital surplus		7,258,873	7,905,337	8,748,571	8,785,159	12,297,839
Retained earnings	Before appropriation	26,393,440	29,881,787	32,706,825	25,959,268	33,529,532
	After appropriation	13,819,070	16,593,456	19,351,140	18,158,146	(Note 1)
Unrealized valuation loss on long-term investments		-	-	(147,423)	(64,043)	(5,897)
Translation adjustments		(1,631)	3,240	3,860	5,764	17,840
Net loss not recognized as pension cost					1,534	2,862
Total shareholders' equity	Before appropriation	80,972,821	86,988,756	89,876,794	31,852,929	50,902,598
	After appropriation	68,398,451	73,700,425	76,512,109	24,051,807	(Note 1)

Note 1: 2008 earnings appropriation proposals are pending approval in the shareholders' meeting.

Note 2: 2004-2008 financial data have been duly audited by independent auditors.

Income statement

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

1. Non-operating income

In 2004, non-operating income grew due to 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 2007.

Unit: NT\$'000

	2004	2005	2006	2007	2008
Revenue	44,786,009	47,408,572	47,891,289	51,284,856	54,311,605
Gross profit	26,514,232	28,056,234	27,464,393	28,914,695	30,221,035
Operating income	16,295,485	17,170,785	14,981,243	16,025,677	16,877,624
Non-operating income	5,680,226	3,839,134	6,355,984	4,538,500	4,791,141
Non-operating expense	2,559,801	2,698,462	3,858,726	12,508,313	1,891,668
Pre-tax income	19,415,910	18,311,457	17,478,501	8,055,864	19,777,097
Net income	16,658,456	16,236,698	16,170,741	6,612,997	15,371,386
EPS (NT\$)	3.55	3.31	3.28	1.68	5.18

Note: 2004-2008 financial data have been duly audited by independent auditors.

Financial analysis for the past five years

		2004	2005	2006	2007	2008	
Financial structure	Debt to asset ratio	33.22%	25.88%	23.17%	62.08%	43.36%	
	Long-term capital to fixed asset ratio	180.19%	176.22%	175.03%	92.57%	149.01%	
Solvency	Current ratio	170.08%	166.56%	157.65%	27.67%	46.75%	
	Quick ratio	166.55%	163.49%	154.05%	26.17%	42.83%	
	Interest coverage ratio (x)	18.66	31.82	42.94	21.58	29.91	
Operations	Accounts receivable turnover (x)	7.43	7.77	7.37	7.75	7.90	
	Average collection days	49.13	46.98	49.59	47.10	46.20	
	Inventory turnover (x)	-	-	2.53	2.02	5.44	
	Accounts payable turnover (x)	12.81	13.57	14.03	14.75	12.78	
	Average days sales	-	-	144.27	180.69	67.10	
	Fixed asset turnover (x)	0.74	0.82	0.84	1.20	1.26	
	Total asset turnover (x)	0.37	0.40	0.41	0.61	0.60	
Profitability	Return on assets	13.90%	13.98%	14.07%	6.87%	18.27%	
	Return on equity	22.19%	19.33%	18.29%	10.87%	37.15%	
	% of paid-in capital	Operating income	33.15%	34.67%	29.97%	42.16%	44.40%
		Pre-tax income	39.49%	36.98%	34.96%	21.19%	52.03%
	Net income margin	37.20%	34.25%	33.77%	12.89%	28.30%	
	EPS (NT\$)	3.55	3.31	3.28	1.68	5.18	
Cash flow	Cash flow ratio	179.26%	174.16%	69.93%	79.87%	105.31%	
	Cash flow adequacy ratio	132.52%	162.30%	126.44%	148.13%	147.08%	
	Cash reinvestment rate	9.89%	13.02%	-	24.93%	18.67%	

(Continued)

		2004	2005	2006	2007	2008
Leverage	Operating leverage	1.42	1.43	1.64	1.70	1.69
	Financial leverage	1.07	1.04	1.03	1.03	1.04
Others	EBITDA (NT\$'000)	21,192,488	22,576,687	21,385,641	23,205,291	23,902,471
	EBITDA margin	47.32%	47.62%	44.65%	45.25%	44.01%
	ARPU (NT\$)	682	842	827	821	785
	MOU (in thousand minutes)	11,720,178	12,213,446	12,903,920	13,554,863	14,674,970

Explanation for items with deviation exceeding 20% in 2008:

- The issuance of the second unsecured corporate bonds and increase in syndicated loans to repay short-term bank loans and capital reduction payable resulted in increased long-term liabilities and decreased current liabilities with net decrease in total liabilities. As a result, the current ratio and quick ratio increased while debt to asset ratio decreased accordingly.
- The sale of the Company's shares by its subsidiary led to a decrease in treasury shares, and the disposal gain increased capital surplus. The long-term capital to fixed asset ratio increased as a result.
- Marked difference between 2007 and 2008 net income was due to the asset write-off of obsolete 2G telecom equipment, which had been booked in 2007, with resulting increases in 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.
- Inventory turnover improved as a result of increase in sales volume of handsets bundled with rate plans.
- The increase in cash flow ratio was due to lack of bond fund liquidation in 2007 and decreased cash inflows from operating activity as well as drop in current liabilities in 2008.
- Overall, the decrease in cash inflows from operating activity weighed on cash reinvestment rate.

Note: 2004-2008 financial data have been duly audited by independent auditors.

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 days sales = 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) Note: Use 0 if working capital value is negative.

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 liabilities and rise in long-term liabilities were due to issuance of corporate bonds and increase in syndicated loans to repay short-term bank borrowings and capital reduction payables.

(2) Disposal gain from sale of treasury shares held by the Company's subsidiary contributed to the increase in capital surplus.

2. Impact of changes on financial results No significant impact

3. Preventive measures Not applicable

2007 - 2008 Comparative Balance Sheet

Unit: NT\$'000, %

	2008	2007	YoY change	
			Amount	%
Current assets	11,187,288	11,831,063	(643,775)	(5.44)
Fixed assets	43,018,691	42,568,638	450,053	1.06
Other assets	5,608,974	6,076,924	(467,950)	(7.70)
Total assets	89,875,501	84,002,457	5,873,044	6.99
Current liabilities	23,931,369	42,763,948	(18,832,579)	(44.04)
Long-term liabilities	13,200,000	7,551,665	5,648,335	74.80
Total liabilities	38,972,903	52,149,528	(13,176,625)	(25.27)
Paid-in capital	38,009,254	38,009,254	-	-
Capital surplus	12,297,839	8,785,159	3,512,680	39.98
Retained earnings	33,529,532	25,959,268	7,570,264	29.16
Total shareholders' equity	50,902,598	31,852,929	19,049,669	59.81

2007 - 2008 Comparative Income statement

Unit: NT\$'000, %

	2008	2007	YoY change	
			Amount	%
Revenue	54,311,605	51,284,856	3,026,749	5.90
Operating costs	(24,090,570)	(22,370,161)	1,713,971	7.65
Gross profit	30,221,035	28,914,695	1,312,778	4.54
Operating expense	(13,343,411)	(12,889,018)	460,831	3.58
Operating income	16,877,624	16,025,677	851,947	5.32
Non-operating income	4,791,141	4,538,500	252,641	5.57
Non-operating expense	(1,891,668)	(12,508,313)	(10,616,645)	(84.88)
Income before tax	19,777,097	8,055,864	11,721,233	145.50
Net income	15,371,386	6,612,997	8,758,389	132.44

Operating results

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

Decrease in non-operating expense: Unrealized losses from asset write-off of obsolete telecom equipment following technology upgrade and network integration were booked in 2007.

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

Marketing strategies aimed at acquiring new subscribers by telecom operators is expected to become more aggressive as market demand for mobile internet products continues to grow, thereby boosting the industry further in 2009. To realize the full potential of this growth, the Company will focus on developing attractive value-added products and services in order to obtain a bigger market share of the mid-to-high and stable usage customers, as well as work on leading the market in new subscriber gross additions. In order to meet these targets, the Company will utilize the full potential of its brand image as well as edge in handset procurement to help boost cost and marketing efficiency.

Consolidated Financial Analysis (2008 versus 2007)

		2008	2007	
Financial structure (%)	Debt to asset ratio	44.60	66.94	
	Long-term capital to fixed asset ratio	129.66	78.41	
Solvency (%)	Current ratio	48.19	30.68	
	Quick ratio	42.82	28.93	
	Interest coverage ratio (x)	30.80	10.48	
Operations	Accounts receivable turnover (x)	8.69	8.23	
	Average collection days	42.00	44.35	
	Inventory turnover (x)	5.05	2.23	
	Accounts payable turnover (x)	9.69	11.92	
	Average days sales	72.28	163.68	
	Fixed asset turnover (x)	1.40	1.30	
	Total asset turnover (x)	0.75	0.67	
	Return on assets	16.74	6.91	
Profitability (%)	Return on equity	36.91	11.07	
	% of paid-in capital	Operating income	57.31	56.04
		Pre-tax income	54.03	37.82
	Net profit margin	22.20	10.24	
	EPS (NT\$)	5.18	1.68	
Cash flow (%)	Cash flow ratio	102.46	70.80	
	Cash flow adequacy ratio	173.64	173.78	
	Cash reinvestment rate	22.19	36.02	
Leverage	Operating leverage	1.75	1.74	
	Financial leverage	1.03	1.05	

Explanation for items with deviation exceeding 20% in 2008:

- (1) The issuance of the second unsecured corporate bonds and increase in syndicated loans to repay short-term bank loans and capital reduction payable as well as meet the financing need in acquiring TFN resulted in increasing long-term liabilities while decreasing current liabilities with net decrease in total liabilities. As a result, the current ratio and quick ratio increased while debt to asset ratio decreased accordingly.
- (2) The sale of the Company's shares by its subsidiary led to a decrease in treasury shares, and the disposal gain increased capital surplus. The long-term capital to fixed asset ratio increased as a result.
- (3) A capital reduction of NT\$12bn raised the ratio of operating income as a % of paid-in capital.
- (4) The capital reduction accordingly decreased shareholders' equity, while the reclassification of Company shares held by subsidiaries as treasury stock resulted in a drop in the long-term capital to fixed asset ratio.
- (5) The liquidation of bond fund investment raised cash inflows from operating activity and, accordingly, cash flow adequacy ratio.
- (6) In summary, the decrease in total assets increased the total assets turnover and cash reinvestment rates.

2007 – 2008 Comparative Cash Flow Statement

Unit: NT\$'000, %

	2008	2007	YoY change	
			Amount	%
Cash inflow (outflow) from operating activities	25,203,147	34,156,322	(8,953,175)	(26.21)
Cash inflow (outflow) from investment activities	(3,403,331)	(39,784,642)	36,381,311	91.45
Cash inflow (outflow) from financing activities	(22,718,880)	(110,704)	(22,608,176)	(20,422.19)
Net cash	(919,064)	(5,739,024)	4,819,960	83.99

Cash flow analysis

1. 2008 Cash flow analysis

- (1) Cash flow from operating activities: Cash inflow decreased from 2007 due to the liquidation of bond fund investments in 2007.
- (2) Cash flow from investment activities: Cash outflow decreased due to TFN acquisition in 2007.
- (3) Cash flow from financing activities: Cash outflow increased due to payment of bank loans and capital reduction payables.

2. Plans to improve negative liquidity Not applicable

3. Projected cash flow for 2009

- (1) Projected cash inflow from operating activities: Projected operating cash inflow in 2009 will increase from 2008 as cash dividends to be collected from subsidiaries in 2009 will increase. Other than this, the projected cash inflow from operating activities in 2009 shall remain stable.
- (2) Projected cash outflow from investment activities: For capital expenditures.
- (3) Projected cash outflow from financing activities: For distribution of cash dividends and repayment of long-term debts.

2009 Cash Flow 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
1,544,375	27,076,962	26,665,254	1,956,083	-	-

4. Source of funding for negative cash flow in 2009 Not applicable

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.

Investments

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

Unit: NT\$'000

Item	Explanation	Amount	Rationale	Main reasons for gains / losses	Improvement plans	Future investment plans
Wealth Media Technology Co., Ltd. (WMT)	To increase holding stake in Phoenix Cable TV Co., Ltd. to 100% indirectly through WMT's subsidiary, Tai Fu Media Technology Co., Ltd.	185,000		WMT's loss mainly came from its subsidiary – Tai Fu Media Technology Co., Ltd.	-	-
Taipei New Horizons Co., Ltd.	To invest in a property development project mainly for building an office headquarter located in the old Songshan Tobacco Factory site.	249,500			-	-

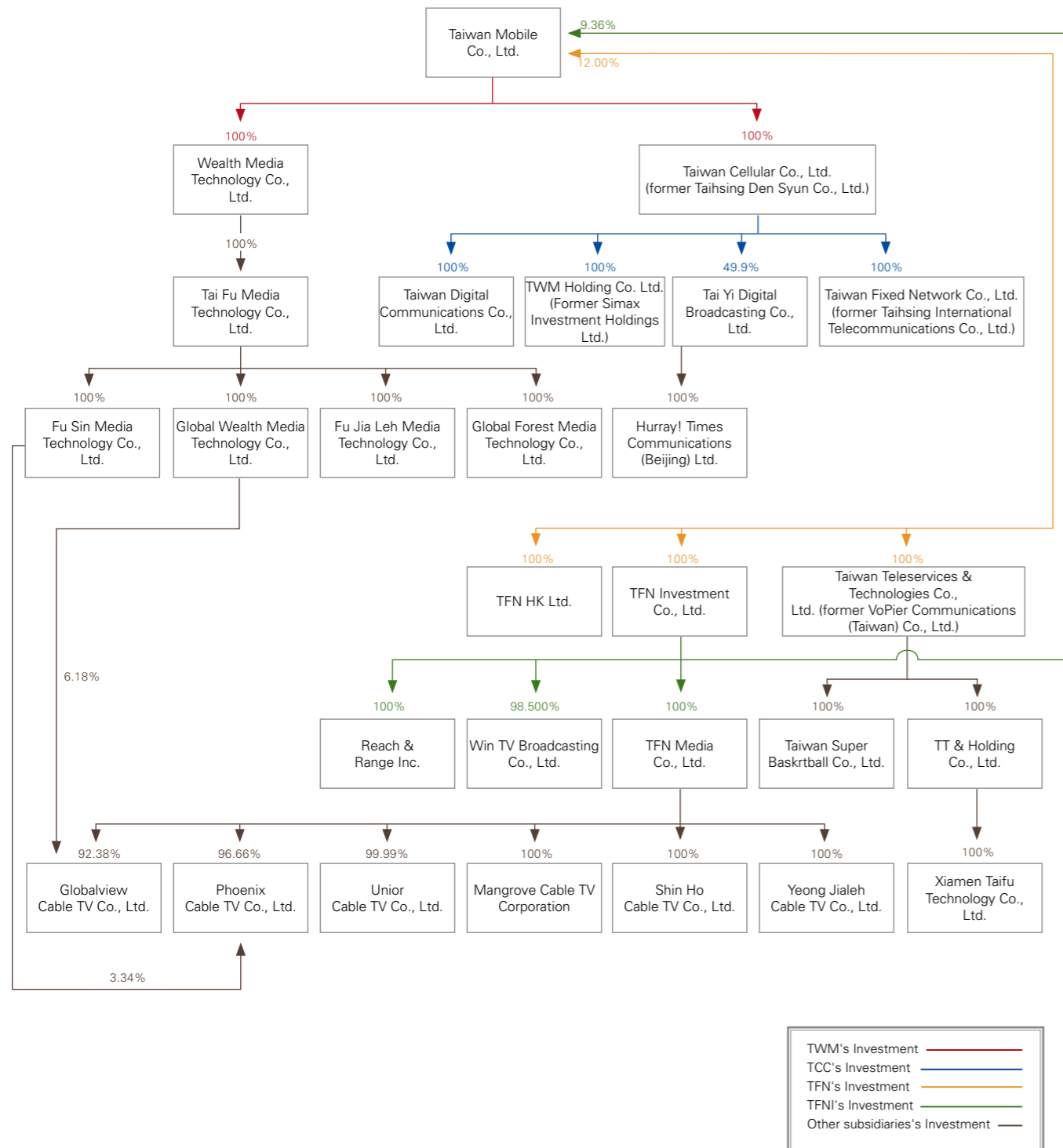
Note: Investments made in 2008 exceeded 5% of the Company's paid-in capital.

Financial turnover difficulties for the Company and its affiliates None

Affiliates

1. Investment Holding Structure

As of December 31, 2008



2. Affiliates' Profile

Unit: NT\$'000 (unless otherwise stated)

Name	Date of incorporation	Address	Paid-in capital	Main business
Taiwan Cellular Co., Ltd.	2005.09.20	13F-1, No. 172-1, Jilung Rd., Sec. 2, Taipei	1,499,583	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 (Note)	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 Super Basketball Co., Ltd.	2007.09.21	15F-1, No. 172-1, Jilung Rd., Sec. 2, Taipei	20,000	Basketball team management
TT&T Holdings Co., Ltd.	2004.10.08	TrustNet Chambers, P.O. Box 1225, Apia, Samoa	US\$1,300,000 (Note)	Investment
Xiamen Taifu Teleservices & Technologies Co., Ltd.	2005.04.05	3F-B, No.2, Xiamen Software Park, Xiamen City, PRC	US\$1,300,000 (Note)	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 Teleservices & Technologies Co., Ltd.	2001.06.08	13F-1, No. 172-1, Jilung Rd., Sec. 2, Taipei	10,000	Call center service
TFN Investment Co., Ltd.	2001.12.20	13F-1, No.172-1, Jilung Rd., Sec. 2, Taipei	20,619,388	Investment
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	3F-1 and 3F-2, No. 71, Zhouzi St., Neihu District, Taipei	255,980	TV program provider
TFN HK Ltd.	2003.05.14	Unit 507, 5/F, Tower 1, Silvercord, 30 Canton Road, Tsimshatsui, Kowloon, Hong Kong	HK\$1,300,000 (Note)	Telecom service provider
Hurray! Times Communications, Beijing	2002.09.17	Room B05B, B floor, Tong Heng Building, No. 4, Garden Road, Haidian District, Beijing China	US\$3,000,000 (Note)	Telecom product innovation and design
TFN Media Co., Ltd.	2005.01.25	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, Zhongjheng Rd., Sinjhuang City, Taipei County	339,400	Cable TV service provider

(Continued)

Name	Date of incorporation	Address	Paid-in capital	Main business
Shin Ho Cable TV Co., Ltd.	1996.09.25	6, No. 651-8, Jhongheng Rd., Sinjhuang City, Taipei County	200,000	Cable TV service provider
Mangrove Cable TV Corp.	1996.01.23	5F, No. 33, Lane 3, Jhongheng E. Rd., Sec. 1, Danshuei 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, Datong Rd., Sec. 2, 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	272,000	Investment
Tai Fu Media Technology Co., Ltd.	2007.10.18	13F-1, No. 172-1, Jilung Rd., Sec. 2, Taipei	270,000	Investment
Global Wealth Media Technology Co., Ltd.	2007.10.26	No. 206, Datong Rd., Sec. 2, Sijhih City, Taipei County	84,000	Investment
Fu Jia Leh Media Technology Co., Ltd.	2007.11.23	13F-1, No. 172-1, Jilung Rd., Sec. 2, Taipei	1,171,000	Investment
Fu Sin Media Technology Co., Ltd.	2007.11.23	13F-1, No. 172-1, Jilung Rd., Sec. 2, Taipei	135,000	Investment
Global Forest Media Technology Co., Ltd.	2008.12.26	13F-1, No. 172-1, Jilung Rd., Sec. 2, Taipei	1,000	Investment

Note : Exchange rate of US\$1=NT\$32.865 and HKD=NT\$4.233 as of December 31, 2008

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\$)
Taiwan Cellular Co., Ltd.	1,499,583	52,959,994	13,090	52,946,904	-	(4,174)	6,139,145	24.56
TWM Holding Co., Ltd.	0.033	213,106	12,981	200,125	-	(335)	(37,287)	(37,286,751)
Hurray! Times Communications, Beijing	98,595	123,326	26,168	97,158	60,273	(36,824)	(31,008)	NA
Taiwan Digital Communications Co., Ltd.	12,000	11,141	60	11,081	-	(103)	(91)	(0.08)
Tai Yi Digital Broadcasting Co., Ltd.	50,000	43,195	52	43,143	-	(921)	(3,966)	(0.79)
Taiwan Super Basketball Co., Ltd.	20,000	28,886	8,842	20,044	38,409	31	39	0.02
TT&T Holdings Co., Ltd.	42,725	50,475	5,695	44,780	13,165	630	(1,360)	(1.05)
Xiamen Taifu Teleservices & Technologies Co., Ltd.	42,725	52,889	8,120	44,769	59,902	2,708	(1,253)	NA
Taiwan Fixed Network Co., Ltd.	40,000,000	55,925,752	3,778,222	52,147,530	9,444,070	1,621,880	6,110,349	1.53
Taiwan Teleservices & Technologies Co., Ltd.	10,000	445,572	347,963	97,609	497,971	52,119	75,151	70.82
TFN Investment Co., Ltd.	20,619,388	25,858,450	132,008	25,726,442	1,394,816	1,374,607	1,349,441	0.65
Reach & Range Inc.	24,000	32,247	5,776	26,471	15,616	1,874	2,107	0.88
Win TV Broadcasting Co., Ltd.	255,980	211,588	29,814	181,774	137,265	(55,368)	(74,207)	(2.90)
TFN HK Ltd.	5,503	6,005	3,048	2,957	6,364	(191)	(160)	(0.12)
TFN Media Co., Ltd.	2,305,263	13,084,862	9,661,080	3,423,782	2,123,313	890,688	927,766	4.02
Yeong Jialeh Cable TV Co., Ltd.	339,400	982,564	393,605	588,959	931,812	240,900	179,955	5.30
Shin Ho Cable TV Co., Ltd.	200,000	251,734	43,174	208,560	104,080	(7,786)	(1,283)	(0.06)
Mangrove Cable TV Corp.	211,600	467,515	173,410	294,105	343,079	85,422	64,730	3.06
Phoenix Cable TV Co., Ltd.	680,902	1,286,510	321,271	965,239	1,117,043	261,209	203,682	2.99
Globalview Cable TV Co., Ltd.	560,000	851,288	201,584	649,704	460,645	83,031	69,715	1.24
Union Cable TV Co., Ltd.	1,704,633	2,090,537	271,819	1,818,718	608,888	140,282	103,502	0.61
Wealth Media Technology Co., Ltd.	272,000	225,847	112	225,735	-	(260)	(41,980)	(1.86)
Tai Fu Media Technology Co., Ltd.	270,000	2,232,256	2,008,207	224,049	-	(256)	(41,827)	(1.87)
Global Wealth Media Technology Co., Ltd.	84,000	88,412	121	88,291	-	(209)	4,194	0.50
Fu Jia Leh Media Technology Co., Ltd.	1,171,000	2,001,310	110	2,001,200	-	(179)	(11)	-
Fu Sin Media Technology Co., Ltd.	135,000	139,838	117	139,721	-	(253)	4,821	0.48
Global Forest Media Technology Co., Ltd.	1,000	1,025	100	925	-	(100)	(75)	(0.75)

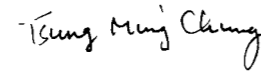
Taiwan Mobile Co., Ltd.

Audit Committee Report

Date: March 5, 2009

The Board of Directors of Taiwan Mobile Co., Ltd. (TWM) has submitted the Company's 2008 business report, financial statements and proposal for profit distribution. The CPA firm, Deloitte & Touche, was retained to audit TWM's financial statements and has issued an audit report relating to the financial statements. The business report, financial statements and proposal for profit distribution have been reviewed and determined to be correct and accurate by the Audit Committee of TWM. According to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, I hereby submit this report.

Taiwan Mobile Co., Ltd.



Tsung-Ming Chung
Chairman of the Audit Committee

2008 Financial Statements

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

As stated in Note 8 to the financial statements, to position as an integrated telecom and media player down the road differentiating from competition and build growth momentum exposure to higher margin lines of business, the Board of Directors of the Corporation's subsidiary, Tshung International Telecommunications Co., Ltd. (TIT), resolved to acquire Taiwan Fixed Network Co., Ltd. (the former TFN) through a public tender offer on March 1, 2007, and approved to buy shares continuously from minority interests on April 26, 2007, both at the price of NT\$8.3 per share. On December 28, 2007, TFN merged into TIT (surviving company) by paying NT\$8.3 per share cash to minorities, and the surviving company is renamed as TFN.

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, 2008 and 2007 and the related consolidated statements of income, changes in shareholders' equity, and cash flows for the years then ended. In our report dated January 20, 2009, we have issued a modified unqualified opinion on these consolidated financial statements.

January 20, 2009

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.

TAIWAN MOBILE CO., LTD.**STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2008 AND 2007**

(In Thousands of New Taiwan Dollars)

	2008	2007
CASH INVESTING AND FINANCING ACTIVITIES		
Acquisition of property and equipment	\$ 5,907,774	\$ 5,389,350
Decrease (increase) in other payables	(215,049)	719,749
Increase in other liabilities - other	(356,271)	-
Cash paid for acquisition of property and equipment	<u>\$ 5,336,454</u>	<u>\$ 6,109,099</u>
The Corporation merged with TransAsia Telecommunications Inc. on September 2, 2008. The book values of the assets and liabilities upon a merger were as follows:		
Cash	\$ 124,754	
Accounts receivable	758,874	
Other accounts receivable	2,102,930	
Prepayments	38,355	
Other current assets	570	
Property and equipment	1,644,531	
Intangible assets	6,843,089	
Other assets	<u>35,415</u>	
Accounts payable	300,846	
Income taxes payable	54,224	
Accrued expenses	142,097	
Other payables	161,391	
Advance receipts	5,107	
Other current liabilities	77,023	
Other liabilities	<u>322</u>	
Net	<u>\$ 10,807,508</u>	

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

(With Deloitte & Touche audit report dated January 20, 2009)

(Concluded)

TAIWAN MOBILE CO., LTD.**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 AND 2007**

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

As of December 31, 2008 and 2007, the Corporation had 2,543 and 2,528 employees, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**Basis of Presentation**

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

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

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

Classification of Current and Non-current Assets and Liabilities

Current assets include cash and cash equivalents, assets held for trading and those expected to be converted to cash, sold or consumed within twelve months from the balance sheet date. Other assets such as property and equipment and intangible assets are classified as non-current. Current liabilities are obligations held for trading and those expected to be due within twelve months from the balance sheet date. All other liabilities are classified as non-current.

- 9 -

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.

- 10 -

Starting January 1, 2006, in accordance with the newly revised Statement of Financial Accounting Standards (SFAS), the cost of acquisition is subjected to an initial analysis, and goodwill represents the excess of the cost of acquisition over the fair value of the identifiable net assets value. Goodwill is no longer amortized. If the fair value of identifiable net assets acquired exceeds the cost of investments, the excess should be assigned to non-current assets (except for financial assets not under equity method, assets for disposal, deferred income tax assets and prepaid pension costs or other retirement benefit costs). If these assets are all reduced to zero, the remaining excess should be recognized as extraordinary gain.

Starting January 1, 2006, the unamortized balance of the excess of the acquisition cost of the long-term investment by the equity method over the equity in the investee's net assets value is also no longer amortized and applies the same accounting treatment as goodwill.

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

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

Financial Assets Carried at Cost

If there is no active market for an equity instrument and a reliable fair value can not be estimated, the equity instrument, including non-publicly traded 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. Leased property and equipment from others 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.

For cost associated with dismantling and relocating fixed assets and restoring the leased premises housing our fixed assets to the previous state should be recognized as an addition to the fixed assets and accrued as a potential liability accordingly, according to the Accounting Research and Development Foundation (ARDF) issued the Interpretation No. 2008-340 in November 2008.

Depreciation is calculated using the straight-line method over the estimated service lives, which range as follows: buildings - 50 to 55 years; telecommunication equipment - 2 to 15 years; office equipment - 3 to 5 years; leased assets - 20 years; and miscellaneous equipment - 3 to 5 years.

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

Accounting for Leases

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

- 11 -

- 12 -

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 provided for as income tax in the year when the shareholders resolve the retention of the earnings.

Treasury Stock

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

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

Foreign-currency Transactions

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

- 14 -

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

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

Intangible Assets

- Franchise
Franchise refers to the payment for the 3G mobile telecommunication service - License C. The 3G franchise is recorded at acquisition cost and is amortized by straight-line method over 13 years and 9 months starting from the launch of 3G services.
- Computer software
Computer software cost is amortized by the straight-line method over 3 years.
- Goodwill
Starting January 1, 2006, in accordance with the newly revised SFAS, goodwill is no longer amortized. Please refer to the accounting policy of investments accounted for by the equity method.

Idle Assets

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 cost, bond issuance costs, and arrangement fees for syndicated bank loans are amortized by the straight-line method over three to seven years.

Asset Impairment

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

Share-based Compensation

For the grant date of the employee stock options which falls on or after January 1, 2008 should apply SFAS No. 39 - "Accounting for Share-based Payment". The value of stock option granted, the product of the number of vested stock options multiplies by the fair value of the option on grant date, shall be expensed over the vesting period, and to increase "capital surplus - employee stock options" by the same amount accordingly.

- 13 -

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 major banks.

Revenue Recognition

Revenues are recognized when the service rendering process is completed or virtually completed, and earnings are realizable and measurable. Related costs of providing services are concurrently recognized as incurred.

Service revenues from wireless services and value-added services, net of any applicable discount, are billed at predetermined rates. Prepaid card services are recognized on the basis of minutes of usage.

Promotion Expenses

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

Hedging Derivative Financial Instruments

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

Hedge Accounting

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

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

Reclassification

Certain accounts in the financial statements as of and for the year ended December 31, 2007 have been reclassified to conform to the presentation of financial statements as of and for the year ended December 31, 2008.

- 15 -

3. REASONS AND EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES

Accounting for Bonuses to Employees, Directors and Supervisors

In March 2007, the ARDF issued an interpretation that requires companies and their subsidiaries to recognize those bonuses and remunerations to directors and supervisors as expenses starting from January 1, 2008. The mentioned bonuses and remunerations were previously recorded as appropriations from earnings. The adoption of this interpretation resulted in a decrease of \$342,125 thousand in net income and a decrease in basic earnings per share of NT\$0.12 for the year ended December 31, 2008.

Accounting for Employee Stock Options

On January 1, 2008, the Corporation adopted the newly released SFAS No. 39 - "Accounting for Share-based Payment" to account for treasury stock transferred to employees. The adoption resulted in decreases of \$16,276 thousand in net income and of NT\$0.005 in basic earnings per share for 2008.

4. CASH AND CASH EQUIVALENTS

	December 31	2007
	2008	2007
Cash in banks	\$ 521,224	\$ 428,407
Government bonds with repurchase rights	485,439	-
Short-term notes and bills with repurchase rights	391,879	1,771,757
Time deposits	115,107	237,820
Cash on hand	25,923	22,347
Revolving funds	4,803	3,108
	<u>\$ 1,544,375</u>	<u>\$ 2,463,439</u>

5. AVAILABLE-FOR-SALE FINANCIAL ASSETS - CURRENT

	December 31	2007
	2008	2007
Domestic listed stocks		
Chunghwa Telecom Co., Ltd.	\$ 174,008	\$ 177,112

6. ACCOUNTS RECEIVABLE - THIRD PARTIES

	December 31	2007
	2008	2007
Accounts receivable	\$ 6,269,541	\$ 5,811,715
Less allowance for doubtful accounts	(452,302)	(441,844)
	<u>\$ 5,817,239</u>	<u>\$ 5,369,871</u>

For the year ended December 31, 2008, the Corporation entered into an accounts receivable factoring contract with HC Second Asset Management Co., Ltd. The Corporation sold \$2,966,244 thousand of the overdue accounts receivable, which had been written off, to HC Second Asset Management Co., Ltd. The aggregate selling price was \$36,967 thousand. Under this contract, the Corporation would no longer assume the risk on this receivable.

- 16 -

7. PREPAYMENTS

	December 31	2007
	2008	
Prepaid commissions	\$ 335,388	\$ 270,228
Prepaid rents	121,152	135,131
Prepaid insurance	38,177	47,872
Others	133,620	103,134
	<u>\$ 628,337</u>	<u>\$ 556,365</u>

8. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	December 31		% of Ownership	% of Ownership
	2008	2007		
	Carrying Value	Carrying Value		
Taiwan Cellular Co., Ltd. (TCC)	\$ 15,125,451	\$ 3,791,398	100.00	100.00
Wealth Media Technology Co., Ltd. (WMT)	225,735	82,715	100.00	100.00
TransAsia Telecommunications Inc. (TAT)	-	11,330,665		100.00
	<u>15,351,186</u>	<u>15,204,778</u>		
Prepayment for long-term investments Taipei New Horizons Co., Ltd. (TNH)	<u>249,500</u>	-		
	<u>\$ 15,600,686</u>	<u>\$ 15,204,778</u>		

a. Taiwan Cellular Co., Ltd.

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

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

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

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

- 17 -

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

Based on the revised SFAS No. 5, "Long-term Investments in Equity Securities," unrealized gains (losses) on downstream transactions should be deferred. Thus, the spread between the original cost and the disposal price of the TFN shares on these transactions had been deferred. As of December 31, 2008, the amount recognized by the Corporation and TCC was deferred credits \$1,238,378 thousand and deferred debits \$1,713 thousand, respectively.

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

As of December 31, 2008, TFN and its subsidiary held 811,918 thousand shares of the Corporation. Based on SFAS No. 30, "Treasury Stock", the Corporation's shares held by subsidiaries are treated as treasury stock. This accounting treatment increased the Corporation's treasury stock account by \$31,889,100 thousand. Please refer to Note 20 for details.

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

The subsidiary of the Corporation, Taiwan United Communication Co., Ltd. (TUC), bought Taiwan Telecommunication Network Services Co., Ltd. (TTN) to help businesses meet their needs for digital convergence. To integrate enterprise resources and enhance the operating efficiency, TUC's Board of Directors decided on November 30, 2007 to acquire 100% of TTN 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. The record date of the merger was January 1, 2008. TFN assumed all the rights and obligations of TUC.

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

- 18 -

b. Wealth Media Technology Co., Ltd.

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

c. TransAsia Telecommunications Inc.

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

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

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

d. Equity in investees' net gains or losses

The 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:

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

	December 31	2007
	2008	
TCC	\$ 3,003,228	\$ 1,784,640
TAT	1,131,233	1,881,453
WMTC	(41,980)	(4,285)
	<u>\$ 4,092,481</u>	<u>\$ 3,661,808</u>

e. Prepayment for long-term investments

Taipei New Horizons Co., Ltd. (TNH) is established to invest in a property development project located in the old Songshan Tobacco Factory site. On January 15, 2009, TNH signed a 50-year BOT contract with Taipei City Government.

The Corporation established TNH on December 31, 2008 with initial investment of \$249,500 thousand, representing 49.9% ownership.

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

- 19 -

9. FINANCIAL ASSETS CARRIED AT COST - NON-CURRENT

	December 31	2007
	2008	
Foreign unlisted stocks Bridge Mobile Pte Ltd.	\$ 60,064	\$ 71,596

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

10. PROPERTY AND EQUIPMENT - ACCUMULATED DEPRECIATION

	December 31	2007
	2008	
Buildings	\$ 343,780	\$ 263,553
Telecommunication equipment	28,153,739	19,948,510
Office equipment	69,825	65,371
Leased assets	420,303	356,270
Miscellaneous equipment	920,166	778,991
	<u>\$ 29,907,813</u>	<u>\$ 21,412,695</u>

Capitalized interest for the years ended December 31, 2008 and 2007 amounted to \$11,296 thousand and \$25,981 thousand, respectively, with capitalized rates ranging from 2.4%-2.76% and from 2.4%-3.0%, respectively.

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

11. GOODWILL

On September 2, 2008, the Corporation merged with TAT resulting in the recognition of goodwill at the book value of \$6,835,370 thousand.

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

a. Assumptions on operating revenues

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

b. Assumptions on operating costs and expenses

The estimates of commissions, customer retention costs, customer service costs and bill processing costs were based on the projected changes in subscriber numbers. The estimates of remaining costs and expenses were based on the proportion of the actual costs and expenses to operating revenues in the 2008 financial statements.

- 20 -

15. SHORT-TERM NOTES AND BILLS PAYABLE

	December 31, 2008	December 31, 2007
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%
Period	-	2007.12.7-2008.2.19

16. ADVANCE RECEIPTS

The Corporation entered into a contract with Mega International Commercial Bank Co., Ltd., which provided performance guarantee for advance receipts from prepaid card customers in accordance with NCC's new policy effective on April 1, 2007. The guaranteed advance receipts from prepaid card customers were \$858,857 thousand as of December 31, 2008.

17. BONDS PAYABLE

	December 31, 2008		December 31, 2007	
	Current	Non-current	Current	Non-current
Domestic unsecured bonds	\$ 7,500,000	\$ 8,000,000	\$ 2,500,000	\$ 7,500,000
a. 1st domestic unsecured bonds				
On December 13, 2002, the Corporation issued \$15,000,000 thousand of domestic unsecured bonds, with each bond having a face value of \$5,000 thousand. The bonds have four different types based on terms and dates. Types I and II both consist of A to L tranches. Types III and IV both consist of A to M tranches. Types I and II are five-year bonds and Types III and IV are seven-year bonds. The interest rates and payment terms are as follows:				
	Principal	Rate	Terms	
Type I	\$ 2,500,000	2.60%	Repayment of \$1,250,000 thousand each in the fourth and fifth years, interest payable annually	
Type II	2,500,000	5.21%-6M LIBOR	Repayment on maturity date, interest payable semiannually	
Type III	5,000,000	2.80%	Repayment of \$2,500,000 thousand each in the sixth and seventh years, interest payable annually	
Type IV	5,000,000	5.75%-6M LIBOR	Repayment on maturity date, interest payable semiannually	
	\$ 15,000,000			

- 22 -

c. Assumptions on discount rate

For the years ended December 31, 2008 and 2007, the Corporation used the discount rate of 7.48% and 6.78%, respectively, in calculating the asset recoverable amounts.

Based on the key assumptions of the cash-generating unit, the Corporation's management believes that the carrying amounts of these assets for operating and goodwill will not exceed their recoverable amounts even if there are changes in the critical assumptions used to estimate recoverable amounts as long as these changes are reasonable for the year ended December 31, 2008.

12. ASSETS LEASED TO OTHERS AND IDLE ASSETS

	December 31, 2008	December 31, 2007
Assets leased to others		
Cost	\$ 2,495,563	\$ 2,504,090
Less accumulated depreciation	(136,721)	(11,224)
Less accumulated impairment	(54,493)	(10,591)
	\$ 2,304,349	\$ 2,382,275
Idle assets		
Cost	\$ 505,217	\$ 643,893
Less allowance for value decline	(187,519)	(187,424)
Less accumulated depreciation	(94,572)	(101,705)
Less accumulated impairment	(84,447)	(128,771)
	\$ 138,679	\$ 225,993

13. DEFERRED CHARGES

	December 31, 2008	December 31, 2007
Interior decoration	\$ 271,396	\$ 236,055
Bond issuing cost	17,664	6,698
Arrangement fee for syndicated bank loans	16,089	-
Other	7,885	4,403
	\$ 313,034	\$ 247,156

14. SHORT-TERM BANK LOANS

	December 31, 2008	December 31, 2007
Unsecured loans - related parties	\$ 1,300,000	\$ 14,000,000
Unsecured loans from financial institutions	-	-
	\$ 1,300,000	\$ 14,000,000
Interest rate	2.124%-2.417%	2.365%-2.6%

- 21 -

b. 2nd domestic unsecured bonds

On November 14, 2008, the Corporation issued \$8,000,000 thousand five-year domestic unsecured bonds, with each bond having a face value of \$10,000 thousand and a coupon rate of 2.88% per annum, simple interest due annually. Repayments will be made in the fourth and fifth year with equal installments, i.e. \$4,000,000 thousand, respectively.

Future repayments of the above-mentioned corporate bonds are as follows:

Year	Amount
2009	\$ 7,500,000
2012	4,000,000
2013	4,000,000
	\$ 15,500,000

c. 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%.

18. LONG-TERM BORROWING

	December 31, 2008	December 31, 2007
Unsecured loans	\$ 5,200,000	\$ -
Interest rate	2.5916%	-

- 23 -

- 24 -

Under the Integrated Income Tax System, ROC resident shareholders are allowed a tax credit for the income tax paid by the Corporation. An imputation credit account (ICA) is maintained by the Corporation for such income tax and the tax credit allocated to each shareholder.

For the years ended December 31, 2008, the bonuses to employees and remuneration to directors and supervisors were accrued based on a respective 3% and 0.3% of net income (net of the bonus to employees and remuneration to directors and supervisors) after setting aside 10% net income as legal reserves. The significant difference between annual accruals and the amount approved by the Board shall be adjusted in the current year. If the board's approval differs from the amount ratified at the annual general shareholders' meeting (AGM), the difference will be treated as changes in accounting estimation and will be adjusted in 2009's P&L. If employee bonuses are paid in the form of company shares, the number of employee bonus shares shall be derived from dividing the approved bonus amount by its closing price one day prior to the AGM, adjusted for cash and/or stock dividends if any.

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

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

Information about the bonus to employees, directors and supervisors proposed by the Board of Directors and resolved by the shareholders can be accessed through the Market Observation Post System website of the Taiwan Stock Exchange.

c. Capital reduction by cash

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

- 26 -

	December 31	2007
	2008	
	\$	\$

c. Vested benefit

d. Actuarial assumptions

	December 31	2007
	2008	
	2.75%	2.75%
	3.00%	3.00%
	2.75%	2.75%

Discount rate used in determining present values
Future salary increase rate
Expected rate of return on plan assets

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

b. Appropriation of earnings and dividend policy

The Corporation's Articles of Incorporation provide that a 10% legal reserve should be set aside from the annual net income after the reduction of accumulated deficit. The remainder, less special reserve based on relevant laws or regulations or business requirements, should be distributed as follows:

- 1) Dividends and bonus to preferred shareholders
- 2) Remuneration to directors and supervisors - up to 0.3%
- 3) Bonus to employees - 1%-3%
- 4) Remainder, to be appropriated as dividends as determined in the shareholders' meeting.

The Corporation's dividend distribution is based on the availability of excess funds. That is, the Corporation first projects future capital needs through a capital budgeting process and then provides for the projected capital needs by using retained earnings. Any remainder is available for dividend distribution. However, the amount of stock dividends should not be more than 80% of the total dividends to be distributed in a single year. The final amount, type and percentage of the dividends are subject to the approval by the Board of Directors and shareholders based on actual earnings and capital requirements of the Corporation in a particular year.

A regulation issued by the Securities and Futures Bureau requires a special reserve be made from the unappropriated earnings, equivalent to the debit balance of any account shown in shareholders' equity. The special reserve appropriated will be reversed to the extent that the net debit balance reverses.

The appropriation of earnings should be resolved by the shareholders in the following year and given effect to in the financial statements of that year.

- 25 -

d. Treasury stock

Purpose of Buyback	(Shares in Thousands)		
	Beginning Shares	Increase	Decrease
Year ended December 31, 2008			
To be transferred to employees	-	24,193	-
Shares held by subsidiaries	1,368,250	-	556,332
	(Note)		
Year ended December 31, 2007			
To be transferred to employees	46,537	-	46,537
Shares held by subsidiaries	-	1,368,250	-
	(Note)		

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.

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, 2008, TFN and TFN Investment Co., Ltd. (TFNI), its subsidiary, held the carrying and market value of the treasury stocks, amounting to \$39,540,388 thousand. The Corporation reclassified \$31,889,100 thousand from investments accounted for using equity method to treasury stock based on SFAS No. 30, "Treasury Stock". Although these shares are treated as treasury stock in the financial statements, the shareholders are entitled to exercise their rights on these shares, except for participation in capital injection by cash. In addition, based on the ROC Company Law, the shareholders of treasury stocks can not exercise the voting right.

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

- 3) In December 2008, the Corporation decided to transfer 12,096 thousand treasury shares to qualified employees of the Corporation and its subsidiaries at NTS\$43.8 per share under a stock option plan. This option was priced at NTS\$2.24 per unit based on the Black-Scholes pricing model. As of December 31, 2008, the Corporation recognized an increase in capital surplus - employee stock options of \$27,095 thousand.

- 27 -

e. Unrealized losses on financial instruments

Unrealized gains or losses on financial instruments for the years ended December 31, 2008 and 2007 were summarized as follows:

	Years Ended December 31	2007
	2008	
Available-for-sale financial assets		
Balance, beginning of year	\$ 57,560	\$ 40,652
Fair value changes recognized directly in equity	(3,105)	16,908
	<u>54,455</u>	<u>57,560</u>
Changes in unrealized gains (losses) of cash flow hedge		
Balance, beginning of year	(38,749)	(218,284)
Fair value changes recognized directly in equity	100,613	179,535
	<u>61,864</u>	<u>(38,749)</u>
Recognition of investees' changes in unrealized gains or losses by the equity method		
Balance, beginning of year	(82,854)	30,209
Fair value changes recognized directly in equity	(39,362)	(113,063)
	<u>(122,216)</u>	<u>(82,854)</u>
Unrealized losses on financial instruments	\$ (5,897)	\$ (64,043)

21. INCOME TAX EXPENSE

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

	Years Ended December 31	2008	2007
Tax on pretax income at statutory tax rate (25%)	\$ 4,944,264	\$ 2,013,956	
Add (deduct) tax effects of			
Permanent differences			
Investment income from domestic investees accounted for using equity method	(1,023,120)	(915,452)	
Other	(9,700)	(32,066)	
Temporary differences	(376,262)	1,485,973	
Income tax (10%) on unappropriated earnings	-	105,442	
Investment tax credits	(112,901)	(281,134)	
Deferred income taxes	331,247	(1,485,805)	
Prior years' adjustment	647,174	535,754	
Tax on short-term bills	5,221	16,199	
Other	(212)	-	
Income tax expense	<u>\$ 4,405,711</u>	<u>\$ 1,442,867</u>	

- 28 -

- f. The purpose of derivative financial instruments held or issued and the strategies to meet the purpose
- The Corporation uses IRS contracts to hedge fluctuation on its liabilities with inverse floating interest rates. The overall purpose of these contracts is to hedge the Corporation's exposure to cash flow risks. The Corporation uses interest rate swaps to hedge interest rate fluctuation risk and periodically evaluates the effectiveness of the hedging instruments.

25. RELATED-PARTY TRANSACTIONS

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

Related Party	Relationship with the Corporation
Taiwan Cellular Co., Ltd. (TCC)	Subsidiary
Wealth Media Technology Co., Ltd. (WMT)	Subsidiary
Tai Fu Media Technology Co., Ltd. (TFMT)	Subsidiary
Global Wealth Media Technology Co., Ltd.	Subsidiary
Fu Sin Media Technology Co., Ltd.	Subsidiary
Fu Jia Leh Media Technology Co., Ltd.	Subsidiary
Global Forest Media Technology Co., Ltd.	Subsidiary
Tai Yi Digital Broadcasting Co., Ltd.	Equity-method investee of TCC
TWM Holding Co., Ltd.	Subsidiary
Taiwan Super Basketball Co., Ltd.	Subsidiary
TT&T Holdings Co., Ltd.	Subsidiary
Xiamen Taifu Teleservices & Technologies Ltd.	Subsidiary
Taiwan Fixed Network Co., Ltd. (TFN)	Subsidiary
Taiwan Digital Communications Co., Ltd.	Subsidiary
Taiwan Teleservices & Technologies Co., Ltd. (TT&T)	Subsidiary (the former VoPier Communications (Taiwan) Co., Ltd., as a subsidiary from September 7, 2007, merged the former TT&T and renamed as TT&T on September 1, 2008.)
TFN Investment Co., Ltd.	Subsidiary (change relationship on April 17, 2007)
Reach & Range Inc.	Subsidiary (change relationship on April 17, 2007)
Win TV Broadcasting Co., Ltd.	Subsidiary (change relationship on April 17, 2007)
TFN Media Co., Ltd. (TFNM)	Subsidiary (change relationship on April 17, 2007)
Yeong Jialeh Cable TV Co., Ltd.	Subsidiary (change relationship on April 17, 2007)
Shin Ho Cable TV Co., Ltd.	Subsidiary (change relationship on April 17, 2007)
Mangrove Cable TV Corporation	Subsidiary (change relationship on April 17, 2007)
Phoenix Cable TV Co., Ltd.	Subsidiary (change relationship on April 17, 2007)
Globalview Cable TV Co., Ltd.	Subsidiary (change relationship on April 17, 2007)
Union Cable TV Co., Ltd.	Subsidiary (change relationship on April 17, 2007)
TFN HK LIMITED	Subsidiary (change relationship on April 17, 2007)
Hurray! Times Communications (Beijing) Ltd.	Subsidiary (change relationship on April 24, 2008)
Taiwan Mobile Foundation (TWM Foundation)	Over one third of the Foundation's issued fund came from the Corporation
Fubon Life Assurance Co., Ltd.	Same chairman
Fubon Securities Investment Trust Co., Ltd.	Related party in substance
Fubon Direct Marketing Consulting Co., Ltd.	Related party in substance
Fubon Financial Venture Capital Co., Ltd.	Related party in substance
Fubon Multimedia Technology Co., Ltd. (FMT)	Related party in substance
Fubon Asset Management Co., Ltd.	Related party in substance
Chung Hsing Constructors Co., Ltd.	Related party in substance
Fubon Land Development Co., Ltd.	Related party in substance

(Continued)

- 2) Operating costs

	Years Ended December 31		% of Total Costs
	2008	2007	
TFN (including the former TFN)	\$ 965,962	\$ 901,022	4
TAT	257,796	295,200	1
Fubon Ins.	58,406	81,044	-
Mobitai	-	185,391	1
	<u>\$ 1,282,164</u>	<u>\$ 1,462,657</u>	

These companies mainly 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

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

- 4) Rental income

	Years Ended December 31	
	2008	2007
Leased Sites/Equipment		
Offices and BTS, etc.	\$ 70,390	\$ 73,769
Office appliance, etc.	29,972	-
Offices	10,640	-
	<u>\$ 111,002</u>	<u>\$ 73,769</u>

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

- 5) Cash in banks

	December 31	
	2008	2007
a) Cash in banks		
TFCB	\$ 275,104	\$ 58,456
b) Pledged time deposits		
TFCB	\$ 10,000	\$ 10,000
	100	100

- 35 -

Relationship with the Corporation

Related Party	Relationship with the Corporation
Fubon Financial Holding Company	Related party in substance
Taipei Fubon Commercial Bank Co., Ltd. (TFCB)	Related party in substance
Fubon Securities Co., Ltd.	Related party in substance
Fubon Future Co., Ltd.	Related party in substance
Fubon Investment Services Co., Ltd.	Related party in substance
Fubon Insurance Co., Ltd. (Fubon Ins.)	Related party in substance
Fubon Property Management Co., Ltd. (FPM)	Related party in substance
Taiwan Sport Lottery Corporation (TSL)	Related party in substance
Fu Yang Multimedia Co., Ltd.	Subsidiary (change relationship on April 17, 2007 and merged into TFN Media Co., Ltd. on December 1, 2007)
Mobitai Communications (Mobitai)	Subsidiary (merged into TAT on December 15, 2007)
The former Taiwan Fixed Network Co., Ltd. (The former TFN)	Subsidiary (change relationship on April 17, 2007 and merged into TFN on December 28, 2007)
Taiwan United Communication Co., Ltd. (TUC)	Subsidiary (merged into TFN on January 1, 2008)
TT&T Casualty & Property Insurance Agency Co., Ltd.	Subsidiary (liquidated on March 15, 2008)
TT&T Life Insurance Agency Co., Ltd.	Subsidiary (liquidated on May 15, 2008)
Taiwan Telecommunication Network Services Co., Ltd. (TTN)	Subsidiary (merged into TFN on August 1, 2008)
Taiwan Teleservices & Technologies Co., Ltd. (the former TT&T)	Subsidiary (merged into TT&T on September 1, 2008)
TransAsia Telecommunications Inc. (TAT)	Subsidiary (merged into the Corporation on September 2, 2008)
North Coast Cable TV Co., Ltd.	Subsidiary (change relationship on April 17, 2007, liquidated on October 1, 2008)

(Concluded)

- b. Significant transactions with related parties were summarized below:

- 1) Operating revenues

	Years Ended December 31		% of Total Revenues
	2008	2007	
TFN (including the former TFN)	\$ 2,087,756	\$ 1,638,666	3
TAT	459,338	584,457	1
TFCB	13,848	15,154	-
Mobitai	-	242,924	-
	<u>\$ 2,560,942</u>	<u>\$ 2,481,201</u>	

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

- 34 -

- 6) Receivables and payables

	December 31		% of Total
	2008	2007	
a) Accounts receivable			
TFN	\$ 214,172	\$ 218,970	4
TAT	-	73,498	1
Other (Note)	5,469	3,872	-
	<u>\$ 219,641</u>	<u>\$ 296,340</u>	

Note: Leasehold receivables from TSL were as follows:

	December 31, 2008		Maturities of Over One Year (Classified Under Other Assets)	Total
	Current Portion	Amount		
Leasehold receivables	\$ 2,995	\$ 10,732	\$ 13,727	
Less unrealized interest income	(520)	(840)	(1,360)	
	<u>\$ 2,475</u>	<u>\$ 9,892</u>	<u>\$ 12,367</u>	

- b) Other receivables (Note)

	December 31		Interest Rate	Interest Income
	2008	2007		
TFMT	\$ 2,008,079	\$ 2,009,353	87	\$ 2,009,353
TFN	46,733	55,636	2	2
TFNM	-	250,487	9	9
TAT	-	217,895	8	8
Other	12,942	3,576	1	-
	<u>\$ 2,067,754</u>	<u>\$ 2,536,947</u>		

Note: Financing to related parties was as follows:

Related Party	Year Ended December 31, 2008		Interest Rate (%)	Interest Income
	Ending Balance	Maximum Balance		
TFMT	\$ 2,000,000	\$ 2,005,000	2.417-2.568	\$ 50,869
TFNM	-	1,250,000	2.538-2.548	10,793
	<u>\$ 2,000,000</u>	<u>\$ 3,255,000</u>		<u>\$ 61,662</u>

- 36 -

Related Party	Year Ended December 31, 2007		
	Ending Balance	Maximum Balance	Interest Rate (%)
TFMT	\$ 2,005,000	\$ 2,005,000	2.554-2.568
TFNM	250,000	250,000	2.538
The former TFN	-	3,500,000	2.94
TFN	-	12,500,000	2.474
	\$ 2,255,000	\$ 18,255,000	
			\$ 223,143
December 31			
	2008	2007	%
Amount	Amount	Amount	%
c) Prepayments			
Fubon Ins.	\$ 43,604	7	\$ 48,864
d) Accounts payable			9
TAT	\$ -	-	\$ 19,609
e) Accrued expenses			1
TFN	\$ 197,416	4	\$ 134,734
TT&T	79,715	2	-
Taiwan Super Basketball Co., Ltd.	20,000	-	13,500
The former TT&T	-	-	159,147
	\$ 297,131	\$ 307,381	
f) Other payables			
TFN	\$ 99,249	2	\$ 94,611
TAT	-	-	251,648
	\$ 99,249	\$ 346,259	
g) Other current liabilities - collections and temporary credits for the following			
TFN	\$ 358,142	56	\$ 334,846
TAT	-	-	239,384
	\$ 358,142	\$ 574,230	
Years Ended December 31			
	2008	2007	
7) Telecommunications service expenses			
TFN (including the former TFN)	\$ 79,002	\$ 85,676	
8) Professional service fees			
TT&T (including the former TT&T)	\$ 911,679	\$ 875,660	

- 37 -

	Years Ended December 31 2008	2007
9) Insurance expenses		
Fubon Ins.	\$ 13,594	\$ 14,856
10) Other expenses		
FPM	\$ 21,537	\$ 18,863
11) Donation		
TWM Foundation	\$ 22,000	\$ 18,000
12) Repairs and Maintenance		
FPM	\$ 22,883	\$ 19,288
13) Advertisement expenses		
Taiwan Super Basketball Co., Ltd.	\$ 32,000	\$ 13,500

14) Financing from related parties was as follows:

Related Party	Year Ended December 31, 2008		
	Ending Balance	Maximum Balance	Interest Rate (%)
TAT	\$ 1,300,000	\$ 1,745,609	2.572-2.604
TFN	1,300,000	1,300,000	2.124-2.417
	\$ 1,300,000	\$ 3,045,609	
			\$ 19,018

15) Endorsement/guarantee provided

	Years Ended December 31 2008	2007
Miscellaneous income - endorsement fee TFN (including the former TFN)	\$ 1,572	\$ 32,504

a) The Corporation provided \$18,000,000 thousand guarantee for TFN's bank loan. As of December 31, 2008, TFN had not made any drawdown on this loan. The Corporation also provide TFN \$11,171,900 thousand in promissory notes outstanding for its borrowings with banks.

b) The Corporation and its subsidiary, TFN, obtained \$13,500,000 thousand of syndicated loan from 9 banks led by Chinatrust Commercial Bank. The Corporation provided a guarantee for TFN's bank loan. As of December 31, 2008, TFN had not made any drawdown on this loan.

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

- 38 -

16) Compensation to directors, supervisors and managers:

	Years Ended December 31 2008	2007
Salaries, incentives and special compensation	\$ 190,169	\$ 239,353
Earnings paid as compensation to directors	41,470	18,116
Earnings paid as bonus to employees	77,293	33,465
Professional fee	3,210	3,520
	\$ 312,142	\$ 294,454

The compensation to directors, supervisors and managers for the year ended December 31, 2007 included the bonus appropriation from 2006 earnings approved in 2007 AGM. While that for the year ended December 31, 2008 included the broad's proposed bonus appropriation from 2007 earnings subject to approval in 2008 AGM. More detailed information may be referred in the Corporation's annual reports.

17) Other

For the years ended December 31, 2008 and 2007, the Corporation provided services to companies below and fees received by the Corporation, which were recorded as deductions from related costs and expenses. The Corporation's service charges were as follows:

	Years Ended December 31 2008	2007
TAT	\$ 488,422	\$ 578,125
TFN	377,035	63,686
Mobitai	-	296,343
	\$ 865,457	\$ 938,154

26. ASSETS PLEDGED

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

	December 31 2008	2007
Time deposits	\$ 10,000	\$ 10,000

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, 2008, the purchase amount was \$3,229,863 thousand.

b. Future minimum rental payments as of December 31, 2008 for significant operating lease agreements were summarized as follows:

	Amount
2009	\$ 32,514
2010	27,976
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:

- Financing provided: Table 1 (attached).
- Endorsement/guarantee provided: Table 2 (attached).
- Marketable securities held: Table 3 (attached).
- 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).
- Acquisition of individual real estate at costs of at least \$100 million or 20% of the paid-in capital: None.
- Disposal of individual real estate at prices of at least \$100 million or 20% of the paid-in capital: None.
- Total purchase from or sale to related parties amounting to at least \$100 million or 20% of the paid-in capital: Table 5 (attached).
- Receivables from related parties amounting to at least \$100 million or 20% of the paid-in capital: Table 6 (attached).
- Names, locations, and related information of investees on which the Corporation exercised significant influence: Table 7 (attached).
- Derivative transactions

1) The Corporation entered into interest rate swap (IRS) contracts in December 2002 to hedge fluctuation on inverse floating interest rates of bonds, which are settled semiannually. Please refer to Note 24 for the related information.

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

- 39 -

- 40 -

The Corporation entered into IRS contracts to hedge inverse floating interest rate fluctuation. For the years ended December 31, 2008 and 2007, the Corporation recognized losses of \$30,531 thousand and \$157,945 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. 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.

29. 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	Years Ended December 31		Percentage of Operating Revenue
	2008	2007	
Chunghwa Telecom Co., Ltd.	\$ 8,956,659	\$ 9,194,171	18

- 41 -

TABLE 1

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

FINANCING PROVIDED
YEAR ENDED DECEMBER 31, 2008
(In Thousands of New Taiwan Dollars)

No.	Lending Company	Borrowing Company	Financial Statement Account	Maximum Balance for the Period	Ending Balance	Interest Rate	Financing Purpose	Transaction Amounts	Reasons for Short-term Financing	Allowance for Doubtful Accounts	Collateral		Lending Limit for Each Borrowing Company (Note)	Lending Company's Lending Amount Limits (Notes)
											Item	Value		
0	Taiwan Mobile Co., Ltd. (the "Corporation")	Tai Fu Media Technology Co., Ltd. TFN Media Co., Ltd.	Other receivables Other receivables	\$ 2,005,000 1,250,000	\$ 2,000,000	2.417%-2.568% 2.538%-2.548%	Short-term financing Short-term financing	\$ - -	To meet its financing needs in acquiring minorities To meet its financing needs in acquiring minorities	- -	- -	\$ 20,361,039 (Note 1) 20,361,039 (Note 1)	20,361,039 (Note 1) 20,361,039 (Note 1)	
1	TransAsia Telecommunications Inc.	The Corporation Taiwan Cellular Co., Ltd.	Other receivables Other receivables	1,745,609 900,000	- -	2.572%-2.604% 2.477%	Short-term financing Short-term financing	- -	Transactions To meet its financing needs in setting up subsidiaries	- -	- -	(Note 2) (Note 3)	(Note 2) (Note 3)	
2	Taiwan Cellular Co., Ltd.	Taiwan Fixed Network Co., Ltd. TFN Media Co., Ltd.	Other receivables Other receivables	2,500,000 1,250,000	- 250,000	2.558% 2.417%-2.538%	Short-term financing Short-term financing	- -	To pay off bank loan To meet its financing needs in acquiring minorities	- -	- -	21,178,762 (Note 1) 21,178,762 (Note 1)	21,178,762 (Note 1) 21,178,762 (Note 1)	
3	Taiwan Fixed Network Co., Ltd.	TFN Investment Co., Ltd. TFN Media Co., Ltd. The Corporation	Other receivables Other receivables Other receivables	1,150,000 1,500,000 1,300,000	- 1,050,000 1,300,000	2.560% 2.574%-2.604% 2.124%-2.417%	Short-term financing Short-term financing Short-term financing	- - -	Transactions Transactions Transactions	- - -	- - -	20,859,012 (Note 1) 20,859,012 (Note 1) 20,859,012 (Note 1)	20,859,012 (Note 1) 20,859,012 (Note 1) 20,859,012 (Note 1)	
4	TFN Investment Co., Ltd.	TFN Media Co., Ltd. TFN Media Co., Ltd.	Other receivables Other receivables	1,000,000 3,000,000	1,000,000 2,900,000	2.417%-2.538% 2.602%	Short-term financing Short-term financing	- -	To meet its financing needs in acquiring minorities Business requirements	- -	- -	10,290,577 (Note 1) 10,290,577 (Note 1)	10,290,577 (Note 1) 10,290,577 (Note 1)	
5	Union Cable TV Co., Ltd.	TFN Media Co., Ltd.	Other receivables - related parties	560,000	540,000	2.168%-2.604%	Transactions	266,206	Business requirements	-	-	13,500,000 (Note 4)	13,500,000 (Note 4)	
6	North Coast Cable TV Co., Ltd.	TFN Media Co., Ltd.	Other receivables - related parties	205,000	-	2.538%-2.597%	Transactions	7,239	Business requirements	-	-	(Note 5)	(Note 5)	
7	Mangrove Cable TV Corporation	TFN Media Co., Ltd.	Other receivables - related parties	138,000	138,000	2.463%-2.594%	Transactions	23,145	Business requirements	-	-	12,000,000 (Note 4)	12,000,000 (Note 4)	
8	Globalview Cable TV Co., Ltd.	TFN Media Co., Ltd.	Other receivables - related parties	400,000	350,000	2.199%-2.604%	Transactions	207,494	Business requirements	-	-	12,000,000 (Note 4)	12,000,000 (Note 4)	
9	Phoenix Cable TV Co., Ltd.	TFN Media Co., Ltd.	Other receivables - related parties	500,000	500,000	2.199%-2.594%	Transactions	545,446	Business requirements	-	-	12,000,000 (Note 4)	12,000,000 (Note 4)	
10	Shin Ho Cable TV Co., Ltd.	TFN Media Co., Ltd.	Other receivables - related parties	247,700	207,700	2.168%-2.604%	Transactions	8,934	Business requirements	-	-	12,000,000 (Note 4)	12,000,000 (Note 4)	
11	Yeong Jiaeh Cable TV Co., Ltd.	TFN Media Co., Ltd.	Other receivables - related parties	180,000	130,000	2.591%-2.594%	Transactions	403,871	Business requirements	-	-	24,000,000 (Note 4)	24,000,000 (Note 4)	

(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: TransAsia Telecommunications Inc. merged into the Corporation on September 2, 2008. The limitation is zero.

Note 3: Assumed all MBT's financing provided to others due to merger.

Note 4: 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 5: North Coast Cable TV Co., Ltd. liquidated on October 1, 2008. (Concluded)

- 43 -

TABLE 2

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

**ENDORSEMENT/GUARANTEE PROVIDED
YEAR ENDED DECEMBER 31, 2008
(In Thousands of New Taiwan Dollars)**

No.	Endorser/Guarantor (A)	Receiving Party		Maximum Guarantee/ Endorsement Amount Can Be Provided to Each Receiving Party	Maximum Balance for the Period (Note 1)	Ending Balance (Note 1)	Value of Collaterals	Ratio of Accumulated Endorsement/ Guarantee to Net Worth of the Guarantor (Note 1)	Maximum Guarantee/ Endorsement Can Be Provided by the Guarantor/Endorser
		Name (B)	Nature of Relationship (B is A's)						
0	Taiwan Mobile Co., Ltd. (the "Corporation")	Taiwan Fixed Network Co., Ltd. (TFN)	(Note 2)	\$ 80,000,000 (Note 3)	\$ 24,748,120	\$ 24,721,900	\$ -	48.57%	\$ 50,902,598
1	TransAsia Telecommunications Inc. (TAT)	The Corporation	(Note 4)	18,000,000 (Note 3)	1,000,000	-	-	-	(Note 5)
2	TFN Investment Co., Ltd. (TFNI)	WinTV Broadcasting Co., Ltd.	(Note 6)	252,141 (Note 7)	50,000	-	-	-	25,726,442 (Note 7)
3	Taiwan Teleservices & Technologies Co., Ltd. (TT&T)	Taiwan Fixed Network Co., Ltd. (TFN)	(Note 4)	20,000 (Note 8)	223	146	-	0.15%	97,609 (Note 8)

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

Note 2: Direct/Indirect subsidiary

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

Note 4: Direct/Indirect subsidiary.

Note 5: TransAsia Telecommunications Inc. merged into the Corporation on September 2, 2008. The maximum endorsement/guarantee amount provided by TAT is zero.

Note 6: Direct subsidiary.

Note 7: For over 50% direct/indirect owned subsidiaries, the aggregate endorsement/guarantee amount provided shall not exceed the net worth of TFNI, and the upper-limit to each subsidiary shall be the amount of investment in TFNI.

Note 8: TT&T is directly and indirectly 100% owned by TFN. The endorsement/guarantee amount provided by TT&T, shall be limited within the net worth of TT&T, and not over double of the investment amount in TT&T.

- 44 -

TABLE 3

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
DECEMBER 31, 2008
(In Thousands of New Taiwan Dollars or U.S. Dollars)

Investing Company (A)	Marketable Securities Invested (B)	Relationship with the Investing Company (B is A's)	Financial Statement Account	December 31, 2008			Note
				Shares/Units (Thousands)	Carrying Value	Percentage of Ownership	
Taiwan Mobile Co., Ltd. (the "Corporation")	Stock Chunghwa Telecom Co., Ltd.	-	Available-for-sale financial assets - current	3,252	\$ 174,008	0.028	\$ 174,008 (Note 5)
	Bridge Mobile Pte Ltd.	-	Financial assets carried at cost - non-current	2,200	60,064	10.00	56,119 (Note 3)
	Yes Mobile Holdings Company	-	Financial assets carried at cost - non-current	74	-	0.19	-
	Wealth Media Technology Co., Ltd.	Subsidiary	Long-term investments - equity method	27,200	(Note 2) 225,735	100.00	225,735 (Note 3)
	Taiwan Cellular Co., Ltd.	Subsidiary	Long-term investments - equity method	149,958	15,125,451 (Note 4)	100.00	52,946,904 (Note 3)
	Taipei New Horizons Co., Ltd.	-	Prepayment for long-term investments	-	249,500	-	-
Wealth Media Technology Co., Ltd.	Stock Tai Fu Media Technology Co., Ltd.	Subsidiary	Long-term investments - equity method	27,000	224,049	100.00	224,049
Tai Fu Media Technology Co., Ltd.	Stock Global Wealth Media Technology Co., Ltd.	Subsidiary	Long-term investments - equity method	8,400	88,291	100.00	88,291
	Fu Jia Leh Media Technology Co., Ltd.	Subsidiary	Long-term investments - equity method	117,100	2,001,200	100.00	2,001,200
	Fu Sin Media Technology Co., Ltd.	Subsidiary	Long-term investments - equity method	13,500	139,721	100.00	139,721
	Global Forest Media Technology Co., Ltd.	Subsidiary	Long-term investments - equity method	100	925	100.00	925
Global Wealth Media Technology Co., Ltd.	Stock Globalview Cable TV Co., Ltd.	Subsidiary	Long-term investments - equity method	3,460	83,469	6.179	40,142
Fu Sin Media Technology Co., Ltd.	Stock Phoenix Cable TV Co., Ltd.	Subsidiary	Long-term investments - equity method	2,272	132,485	3.34	32,206
Taiwan Cellular Co., Ltd.	Stock Arcea Communication Co., Ltd.	-	Financial assets carried at cost - non-current	6,998	67,731	5.21	- (Note 3)
	Parawin Venture Capital Corp.	-	Financial assets carried at cost - non-current	3,000	22,202	3.00	- (Note 3)
	Transportation High Tech Inc.	-	Financial assets carried at cost - non-current	1,200	-	12.00	- (Note 3)
	WEB Point Co., Ltd.	-	Financial assets carried at cost - non-current	803	(Note 2) 6,773	3.17	- (Note 3)
Tai Yi Digital Broadcasting Co., Ltd. TWM Holding Co. Ltd.	Subsidiary Subsidiary	Subsidiary Subsidiary	Long-term investments - equity method Long-term investments - equity method	2,495 1 share	21,528 6,089	49.90 100.00	21,528 6,089 US\$

(Continued)

- 45 -

Investing Company (A)	Marketable Securities Invested (B)	Relationship with the Investing Company (B is A's)	Financial Statement Account	December 31, 2008			Note
				Shares/Units (Thousands)	Carrying Value	Percentage of Ownership	
TWM Holding Co., Ltd.	Taiwan Fixed Network Co., Ltd. Taiwan Digital Communication Co., Ltd.	Subsidiary Subsidiary	Long-term investments - equity method Long-term investments - equity method	4,000,000 1,200	\$ 52,147,530 11,081	100.00 100.00	\$ 52,147,530 11,081
	ADS Hurray! Holding Co., Ltd.	-	Available-for-sale financial assets - current	1,080	US\$ 2,052	4.94	US\$ 2,052 (Note 5)
Taiwan Fixed Network Co., Ltd.	Stock Hurray! Times Communications, Beijing The Corporation	Subsidiary	Long-term investments - equity method	-	US\$ 3,916	100.00	US\$ 2,956
	TFN Investment Co., Ltd.	Ultimate parent	Available-for-sale financial assets - non-current	456,295	\$ 22,221,555	12.00	\$ 22,221,555 (Note 5)
	TFN HK LIMITED	Subsidiary	Long-term investments - equity method	2,061,939	23,227,228	100.00	25,726,442
	Taiwan Teleservices & Technologies Co., Ltd.	Subsidiary	Long-term investments - equity method	1,300	2,957	100.00	2,957
	Taiwan High Speed Rail Corporation	Subsidiary	Long-term investments - equity method	1,000	97,609	100.00	97,609
	Preferred stock New Century InfoComm Technology Co., Ltd.	-	Financial assets carried at cost - non-current	225,531	2,120,829	3.82	- (Note 3)
Taiwan Teleservices & Technologies 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	33,684	187,042	0.84	- (Note 3)
TT&T Holdings Co., Ltd.	Stock Xiamen Taifu Teleservices & Technologies Ltd.	Subsidiary	Long-term investments - equity method	-	US\$ 1,363	100.00	US\$ 1,363
TFN Investment Co., Ltd.	Stock The Corporation	Ultimate parent	Available-for-sale financial assets - non-current	355,623	17,318,833	9.36	17,318,833 (Note 5)
	Reach & Range Inc.	Subsidiary	Long-term investments - equity method	2,400	33,542	100.00	26,471
	WinTV Broadcasting Co., Ltd.	Subsidiary	Long-term investments - equity method	25,214	181,865	98.50	179,047
	TFN Media Co., Ltd.	Subsidiary	Long-term investments - equity method	230,526	3,732,745	100.00	3,423,783
	Great Taipei Broadband Co., Ltd.	-	Financial assets carried at cost - non-current	10,000	50,528	6.67	- (Note 3)
Preferred stock Taiwan High Speed Rail Corporation Unlisted Convertible Preferred Stock - Series A	-	-	Bonds measured at amortized cost - non - current	50,000	500,000	1.08	- (Note 3)

(Continued)

- 46 -

Investing Company (A)	Marketable Securities Invested (B)	Relationship with the Investing Company (B is A's)	Financial Statement Account	December 31, 2008			Note	
				Shares/Units (Thousands)	Carrying Value	Percentage of Ownership		
TFN Media Co., Ltd.	Stock							
	Yeong Jialeh Cable TV Co., Ltd.	Subsidiary	Long-term investments - equity method	33,940	\$ 2,113,439	100.00	\$ 588,959	Note 6
	Shin Ho Cable TV Co., Ltd.	Subsidiary	Long-term investments - equity method	20,000	695,449	100.00	208,560	Note 6
	Mangrove Cable TV Corporation	Subsidiary	Long-term investments - equity method	21,160	557,279	100.00	294,104	
	Phoenix Cable TV Co., Ltd.	Subsidiary	Long-term investments - equity method	65,818	3,157,539	96.66	933,034	
	Union Cable TV Co., Ltd.	Subsidiary	Long-term investments - equity method	170,441	2,023,231	99.99	1,818,483	
	Globalview Cable TV Co., Ltd.	Subsidiary	Long-term investments - equity method	51,733	1,222,722	92.38	600,202	

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

Note 2: Impairment loss recognized in 2004 reduced the value to zero.

Note 3: As of January 20, 2009, the independent auditors' report date, the investee's net worth was not available.

Note 4: Taiwan Mobile shares held indirectly by TFN and TFNI (both are subsidiaries of TCC) are classified as treasury shares. Therefore, TWM's carrying cost of \$52,946,904 on TCC shall be reduced by downward adjusting the latter's net worth by \$31,889,100 thousand, excluding \$5,934,549 thousand unrealized gain from financial assets investment, and adding back recognition of upstream transactions gains of \$2,196 thousand.

Note 5: Based on the closing price on December 31, 2008.

Note 6: Some shares are held under trustee accounts.

(Concluded)

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED OR DISPOSED AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL
YEAR ENDED DECEMBER 31, 2008
(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	Shares/Units (Thousands)	Amount
Taiwan Mobile Co., Ltd.	Beneficiary certificate Fubon Chi-Hsiang Fund	Financial assets at fair value through profit or loss - current	-	-	-	\$ -	13,497	\$ 200,000	13,497	\$ 200,036	\$ -	-
	Stock Wealth Media Technology Co., Ltd.	Long-term investments - equity method	-	-	8,700	82,715	18,500	185,000	-	-	-	27,200
	Taipei New Horizons Co., Ltd.	Prepayment for long-term investments	-	-	-	-	249,500	-	-	-	-	249,500
TransAsia Telecommunications Inc.	Beneficiary certificate Fubon Chi-Hsiang Fund	Financial assets at fair value through profit or loss - current	-	-	-	-	13,497	200,000	13,497	200,036	-	-
Wealth Media Technology Co., Ltd.	Stock Tai Fu Media Technology Co., Ltd.	Long-term investments - equity method	-	-	8,500	80,876	18,500	185,000	-	-	-	27,000
Tai Fu Media Technology Co., Ltd.	Stock Fu Sin Media Technology Co., Ltd.	Long-term investments - equity method	-	-	100	900	13,400	134,000	-	-	-	13,500
Fu Sin Media Technology Co., Ltd.	Stock Phoenix Cable TV Co., Ltd.	Long-term investments - equity method	-	-	-	-	2,272	133,358	-	-	-	2,272
TWM Holding Co., Ltd.	Hurry! Times Communications, Beijing	Long-term investments - equity method	-	-	-	-	-	US\$ 5,005	-	-	-	US\$ 3,916
Taiwan Fixed Network Co., Ltd.	Stock Taiwan Mobile Co., Ltd.	Available-for-sale financial assets - non-current	-	-	900,353	37,004,498	-	-	300,000	13,509,828	3,487,150	22,221,555
TFN Investment Co., Ltd.	Stock Fubon Financial Holding Company	Available-for-sale financial assets - current	-	-	62,023	1,786,256	-	-	62,023	1,628,197	461,314	-
	TFN Media Co., Ltd.	Long-term investments - equity method	-	-	214,518	2,951,824	16,008	555,714	-	-	-	3,732,745
TFN Media Co., Ltd.	Stock Phoenix Cable TV Co., Ltd.	Long-term investments - equity method	-	-	47,663	2,069,063	18,155	1,065,710	-	-	-	65,818

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

Note 2: The amount included the investment loss adjustment of \$41,980 thousand.

Note 3: Taipei New Horizons Co., Ltd. has obtained registration approval on January 7, 2009.

Note 4: The amount included the investment loss adjustment of \$41,827 thousand.

Note 5: The amount included the investment income adjustment of \$4,821 thousand.

Note 6: The amount included the cash dividends adjustment of \$5,854 thousand and the investment income adjustment of \$4,981 thousand.

Note 7: The amount included the investment loss adjustment of US\$1,168 thousand and the recognition of cumulative translation adjustments of US\$79 thousand.

Note 8: The shares included the capital reduction adjustment of 144,008 thousand shares. The amount included the capital reduction adjustment of \$5,480,532 thousand and unrealized loss of \$5,480,532 thousand.

Note 9: The amount included the cash dividends adjustment of \$675,846 thousand, the investment income adjustment of \$918,617 thousand, paid in capital \$1,107 and net loss not recognized as pension cost adjustment of \$1,328 thousand.

Note 10: The amount included the cash dividends adjustment of \$169,589 thousand and the investment income adjustment of \$192,355 thousand.

TABLE 5

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

TOTAL PURCHASE FROM OR SALE TO RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL YEAR ENDED DECEMBER 31, 2008
(In Thousands of New Taiwan Dollars)

Company Name (A)	Related Party (B)	Nature of Relationship (B is A's)	Transaction Details			Transactions with Terms Different from Others Payment Terms	Notes/Accounts Payable or Receivable		Note								
			Purchase/ Sale	Amount	% to Total		Unit Price	Ending Balance		% to Total							
Taiwan Mobile Co., Ltd. (the "Corporation")	TransAsia Telecommunications Inc.	Subsidiary	Sale	\$ (459,338)	(1)	-	\$ -	-									
	Taiwan Fixed Network Co., Ltd.	Subsidiary	Purchase	257,796	1	-	-	-									
	Taiwan Telecommunications & Technologies Co., Ltd. (including the former TT&T)	Subsidiary	Sale	(2,087,756)	(4)	-	214,172	4									
	The Corporation	Parent	Purchase	965,962	4	-	(4,094)	-									
TransAsia Telecommunications Inc.	The Corporation	Parent	Sale	(257,796)	(6)	-	-	-									
										Ultimate parent	Purchase	459,338	20	-	-	-	
																	Sale
Taiwan Telecommunications & Technologies Co., Ltd. (including the former TT&T)	The Corporation	Ultimate parent	Sale	(1,040,440)	(11)	-	-	227,065	22								
										Subsidiary	Purchase	2,077,719	31	-	-	(3,125)	
																	Channel leasing fee
Yeong Jialeh Cable TV Co., Ltd.	Yeong Jialeh Cable TV Co., Ltd.	Subsidiary	Channel leasing fee	(325,323)	(15)	-	-	81,331	25								
										Subsidiary	Channel leasing fee	(197,640)	(9)	-	-	49,410	15
Yeong Jialeh Cable TV Co., Ltd.	TFN Media Co., Ltd.	Parent	Royalty of copyright	325,323	60	-	-	(81,331)	(86)								
										TFN Media Co., Ltd.	Parent	Royalty of copyright	433,687	63	-	-	(108,422)
Globalview Cable TV Co., Ltd.	TFN Media Co., Ltd.	Parent	Royalty of copyright	168,545	57	-	-	(42,136)	(87)								

(Continued)

- 49 -

Company Name (A)	Related Party (B)	Nature of Relationship (B is A's)	Transaction Details			Transactions with Terms Different from Others Payment Terms	Notes/Accounts Payable or Receivable		Note
			Purchase/ Sale	Amount	% to Total		Unit Price	Ending Balance	
Union Cable TV Co., Ltd.	TFN Media Co., Ltd.	Parent	Royalty of copyright	\$ 197,640	54	-	\$ (49,410)	(68)	
Shin Ho Cable TV Co., Ltd.	Dai-Ka Ltd.	Related party in substance	Royalty of copyright	48,510	59	-	(12,128)	(94)	
Mangrove Cable TV Corporation	Dai-Ka Ltd.	Related party in substance	Royalty of copyright	106,689	56	-	(26,672)	(86)	

Note 1: Recognized as operating expenses.

Note 2: Recognized as accrued expenses.

Note 3: No comparables on such kind of transactions.

(Concluded)

- 50 -

TABLE 6

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2008

(In Thousands of New Taiwan Dollars)

Company Name (A)	Related Party (B)	Nature of Relationship (B is A's)	Ending Balance	Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
Taiwan Mobile Co., Ltd. (the "Corporation")	Taiwan Fixed Network Co., Ltd.	Subsidiary	Accounts receivable \$ 214,172	8.65	-	-	\$	-
	Tai Fu Media Technology Co., Ltd.	Subsidiary	Other receivables 46,733	-	-	-	-	-
			Other receivables 2,008,079	-	-	-	-	-
Taiwan Cellular Co., Ltd.	TFN Media Co., Ltd.	Subsidiary	Other receivables 251,010	-	-	-	-	-
Taiwan Teleservices & Technologies Co., Ltd.	The Corporation	Ultimate parent	Accounts receivable 79,733	7.64	-	19	-	-
Taiwan Fixed Network Co., Ltd.	The Corporation	Ultimate parent	Accounts receivable 227,065	3.59	-	156,058	-	-
	TFN Media Co., Ltd.	Subsidiary	Other receivables 1,518,862	-	-	6,163	-	-
			Accounts receivable 10,136	4.02	-	-	-	-
			Other receivables 1,052,674	-	-	-	-	-
TFN Investment Co., Ltd.	TFN Media Co., Ltd.	Subsidiary	Other receivables 3,923,679	-	-	-	-	-
TFN Media Co., Ltd.	Phoenix Cable TV Co., Ltd.	Subsidiary	Accounts receivable 120,232	6.71	-	-	-	-
Shin Ho Cable TV Co., Ltd.	TFN Media Co., Ltd.	Parent	Accounts receivable 390	7.89	-	-	-	-
			Other receivables 207,700	-	-	-	-	-
Phoenix Cable TV Co., Ltd.	TFN Media Co., Ltd.	Parent	Accounts receivable 6,272	10.05	-	-	-	-
			Other receivables 500,118	-	-	-	-	-
Union Cable TV Co., Ltd.	TFN Media Co., Ltd.	Parent	Accounts receivable 6,830	7.31	-	-	-	-
			Other receivables 540,042	-	-	-	-	-
Globalview Cable TV Co., Ltd.	TFN Media Co., Ltd.	Parent	Accounts receivable 2,151	11.14	-	-	-	-
			Other receivables 350,040	-	-	-	-	-
Mangrove Cable TV Corporation	TFN Media Co., Ltd.	Parent	Accounts receivable 1,304	12.01	-	-	-	-
			Other receivables 138,096	-	-	-	-	-
Yeong Jialeh Cable TV Co., Ltd.	TFN Media Co., Ltd.	Parent	Accounts receivable 4,429	9.82	-	-	-	-
			Other receivables 130,000	-	-	-	-	-

- 51 -

TABLE 7

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE

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

Investor	Investee	Location	Main Businesses and Products	Investment Amount December 31, 2008	December 31, 2007	Balance as of December 31, 2008		Net Income (Loss) of the Investee	Note
						Shares (Thousands)	Percentage of Ownership		
Taiwan Mobile Co., Ltd.	Taiwan Cellular Co., Ltd.	Taipei, Taiwan	Telecom engineering and IT service	41,058,330	\$ 43,208,330	149,958	\$ 15,125,451	\$ 6,139,145	3,003,228
	Wealth Media Technology Co., Ltd.	Taipei, Taiwan	Investment	272,000	87,000	27,300	225,735	(41,980)	(41,980)
	Tai Fu Media Technology Co., Ltd.	Taipei, Taiwan	Investment	270,000	85,000	27,000	224,049	(41,827)	NA
	Global Wealth Media Technology Co., Ltd.	Taipei Country, Taiwan	Investment	84,000	84,000	8,400	88,291	4,193	NA
	Fu Jia Leh Media Technology Co., Ltd.	Taipei, Taiwan	Investment	2,001,700	2,001,700	117,100	2,001,200	(11)	NA
	Fu Sin Media Technology Co., Ltd.	Taipei, Taiwan	Investment	135,000	1,000	13,500	1,39,721	4,821	NA
	Global Forest Media Technology Co., Ltd.	Taipei, Taiwan	Investment	1,000	-	100	925	(75)	NA
	Globalview Cable TV Co., Ltd.	Taipei County, Taiwan	Cable TV service provider	82,882	82,882	3,460	83,469	69,715	NA
	Phoenix Cable TV Co., Ltd.	Kaohsiung County, Taiwan	Cable TV service provider	133,358	-	2,272	132,485	203,682	NA
	Tai Yi Digital Broadcasting Co., Ltd.	Taipei, Taiwan	Broadcasting business and agency of telecom service subscription	24,950	24,950	2,495	21,528	(3,966)	NA
	TWM Holding Co., Ltd.	British Virgin Islands	Investment	US\$ 10,800	US\$ 9,000	1 share	US\$ 6,089	US\$ (1,182)	NA
	Taiwan Fixed Network Co., Ltd.	Taipei, Taiwan	Fixed line service provider	40,000,000	40,000,000	4,000,000	52,147,530	6,110,349	NA
	Taiwan Digital Communication Co., Ltd.	Taipei, Taiwan	Telecom engineering and IT service	12,000	12,000	1,200	11,081	(91)	NA
	Hurray Times Communications, Beijing	Beijing, China	Telecom product innovation and design	US\$ 5,005	-	-	US\$ 3,916	US\$ (983)	NA
	TFN Investment Co., Ltd.	Taipei, Taiwan	Investment	19,669,138	19,669,138	2,061,939	23,227,228	1,349,441	NA
	TFN HK LIMITED	Hong Kong	Telecommunications service provider	58,16	58,16	1,300	2,957	(160)	NA
	Taiwan Teleservices & Technologies Co., Ltd.	Taipei, Taiwan	Call center service and BSR (international simple resales)	10,000	120,000	1,000	97,669	75,151	NA
	IT&T Holdings Co., Ltd.	Sarona	Investment	US\$ 1,300	US\$ 1,300	1,300	US\$ 1,363	US\$ (43)	NA
	Taiwan Super Basketball Co., Ltd.	Taipei, Taiwan	Basketball team management	20,000	20,000	2,000	20,044	39	NA
IT&T Holdings Co., Ltd.	Xiamen Taifu Teleservices & Technologies Ltd.	Xiamen, China	Call center service	US\$ 1,300	US\$ 1,300	-	US\$ 1,362	US\$ (40)	NA
TFN Investment Co., Ltd.	Rench & Range Inc.	Taipei, Taiwan	Telecommunications equipment installment and IT service provider	31,764	31,764	2,400	33,542	2,107	NA
	Winy TV Broadcasting Co., Ltd.	Taipei, Taiwan	TV program provider	252,141	591,000	25,214	181,865	(74,207)	NA
	TFN Media Co., Ltd.	Taipei, Taiwan	Cable broadband and value added service provider	2,035,714	1,500,000	230,526	3,732,745	927,766	NA
	Yeong Jialeh Cable TV Co., Ltd.	Taipei County, Taiwan	Cable TV service provider	1,616,824	1,616,824	33,940	2,113,439	179,955	NA
	Shin Ho Cable TV Co., Ltd.	Taipei County, Taiwan	Cable TV service provider	661,781	661,781	20,000	695,449	(1,283)	NA
	Mangrove Cable TV Corporation	Taipei County, Taiwan	Cable TV service provider	397,703	397,703	(Note 2)	557,279	64,730	NA
	Phoenix Cable TV Co., Ltd.	Kaohsiung County, Taiwan	Cable TV service provider	2,294,967	1,229,257	(Note 2)	3,157,519	203,682	NA
	Union Cable TV Co., Ltd.	Yilan County, Taiwan	Cable TV service provider	1,904,440	1,904,440	170,441	2,023,231	103,902	NA
	Globalview Cable TV Co., Ltd.	Taipei County, Taiwan	Cable TV service provider	841,413	841,413	51,733	1,222,722	69,715	NA

Note 1: Taiwan Mobile shares held indirectly by TFN and TFNI (both are subsidiaries of TCC) are classified as treasury shares. Therefore, TWM's carrying cost of \$52,946,904 thousand on TCC shall be reduced by downward adjusting the latter's net worth by \$31,889,100 thousand, excluding \$5,934,549 thousand unrealized gain from financial assets investment, and adding back recognition of upstream transactions gains of \$2,196 thousand.

Note 2: Some shares are held under trustee accounts.

- 52 -

TABLE 8

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

INVESTMENT IN MAINLAND CHINA
YEAR ENDED DECEMBER 31, 2008

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

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type	Accumulated Outflow of Investment from Taiwan as of December 31, 2007	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2008	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 3)	Carrying Value as of December 31, 2008	Accumulated Inward Remittance of Earnings as of December 31, 2008
					Outflow	Inflow					
Xiamen Taifu Teleservices & Technologies Ltd.	Call center service	US\$ 1,300 (NT\$ 42,725)	Indirect investment in the Companies in Mainland China through a third place by the Corporation's subsidiary, Taiwan Teleservices & Technologies Co., Ltd.	US\$ 1,300 (NT\$ 42,725)	\$ -	\$ -	US\$ 1,300 (NT\$ 42,725)	100% ownership of indirect investment by the Corporation's subsidiary	US\$ (40) (NT\$ (1,315))	US\$ 1,362 (NT\$ 44,762)	\$ -
Hurray Times Communications, Beijing	Telecom product innovation and design	US\$ 3,000 (NT\$ 98,595)	Indirect investment in the Companies in Mainland China through a third place by the Corporation's subsidiary, Taiwan Cellular Co., Ltd.	-	US\$ 4,617 (NT\$ 151,738)	US\$ 4,617 (NT\$ 151,738)	US\$ 4,617 (NT\$ 151,738)	100% ownership of indirect investment by the Corporation's subsidiary	US\$ (1,168) (NT\$ (38,386))	US\$ 3,916 (NT\$ 128,699)	\$ -

Accumulated Investment in Mainland China as of December 31, 2008	Investment Amounts Authorized by Investment Commission, MOEA (Note 2)	Upper Limit on Investment Authorized by Investment Commission, MOEA (Note 2)
US\$ 1,300 (NT\$ 42,725)	US\$ 1,300 (NT\$ 42,725)	\$97,609
US\$ 4,617 (NT\$ 151,738)	US\$ 5,300 (NT\$ 174,185)	\$52,946,904

Note 1: The above amounts were translated into New Taiwan dollars at the exchange rate of US\$1=NT\$32.865 and RMB1=NT\$4.8086 as of December 31, 2008.

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

Note 3: Calculation was based on audited financial statements.

- 53 -

SCHEDULE 1

TAIWAN MOBILE CO., LTD.

CASH AND CASH EQUIVALENTS

DECEMBER 31, 2008

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

Item	Due Date	Amount
Short-term bills with repurchase rights	January 8, 2009	\$ 391,879
Government bonds with repurchase rights	January 8, 2009	485,439
Cash in banks		
Foreign-currency deposits		
(EUR)32,016.63, exchange rate at EUR1=NT\$46.543)		1,490
(US\$)1,456,975.73, exchange rate at US\$1=NT\$32.865)		47,884
Checking deposits		8,072
Demand deposits		463,778
		521,224
Time deposits		
Foreign-currency deposit		115,107
(US\$)3,502,429.24, exchange rate at US\$1=NT\$32.865)		25,923
Cash on hand		4,803
Revolving funds		\$ 1,544,375

SCHEDULE 2

TAIWAN MOBILE CO., LTD.

ACCOUNTS RECEIVABLE

DECEMBER 31, 2008

(In Thousands of New Taiwan Dollars)

Client	Amount
Related parties	\$ 214,172
Taiwan Fixed Network Co., Ltd.	5,469
Other	219,641
Third parties	799,759
Chungghwa Telecom Co., Ltd.	5,469,782
Other (Note)	6,269,541
Less allowance for doubtful accounts	(452,302)
	5,817,239
	\$ 6,036,880

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

- 54 -

- 55 -

SCHEDULE 3

TAIWAN MOBILE CO., LTD.

CHANGES IN INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

YEAR ENDED DECEMBER 31, 2008
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

	Par Value	Beginning Balance		Increase	Decrease		Adjustments on Equity Method (Note 3)	Ending Balance		Market Price or Net Asset Value (Notes 4 and 5)		
		Thousand Shares	Amount		Thousand Shares	Amount (Note 2)		Thousand Shares	Ownership % of		Amount	
Taiwan Cellular Co., Ltd.	NT\$10	364,958	\$ 3,791,398	-	\$ 12,092,861	215,000	\$ 3,741,325	\$ 2,982,517	149,958	100	\$ 15,125,451	\$ 52,946,904
Wealth Media Technology Co., Ltd.	NT\$10	8,700	82,715	18,500	185,000	-	(41,980)	27,200	100	100	225,735	255,735
TransAsia Telecommunications Inc.	NT\$10	900,000	11,330,665	33,000	185,000	933,000	12,461,898	1,131,233	-	-	-	-
Total			\$ 15,204,778		\$ 12,277,861		\$ 16,203,223				\$ 15,351,186	

Note 1: The increase in equity-method investments included the following:

- Reclassification of gain on disposal of the Corporation's shares held by a subsidiary to capital surplus.
- Adjustment on disposal of the Corporation's shares held by a subsidiary
- Rights issue of Wealth Media Technology Co., Ltd.

\$ 3,137,954
8,954,907
185,000

\$ 12,277,861

Note 2: The decrease in equity-method investments included the following:

- Distributing cash dividends by TransAsia Telecommunications Inc.
- Merged TransAsia Telecommunications Inc.
- Capital reduction of Taiwan Cellular Co., Ltd.
- Distributing cash dividends by Taiwan Cellular Co., Ltd.

\$ 1,654,390
10,807,508
2,150,000
1,591,325

\$ 16,203,223

Note 3: Other adjustment from evaluation included the following:

- Recognized investment income from investees.
- Recognized changes in cumulative translation adjustment of investees.
- Recognized changes in revaluation gain (loss) on financial assets of investees.
- Recognized changes in paid in capital of investees.
- Recognized changes in net loss not recognized as pension cost of investees.

\$ 4,092,481
12,076
(39,362)
5,247
1,328

\$ 4,071,770

Note 4: The net asset value of Taiwan Cellular Corporation and Wealth Medlth Technology Co., Ltd. were calculated based on audited financial statements as of December 31, 2008.

Note 5: Note of the above investments were provided as collateral.

- 56 -

SCHEDULE 4

TAIWAN MOBILE CO., LTD.

CHANGES IN PROPERTY AND EQUIPMENT

YEAR ENDED DECEMBER 31, 2008

(In Thousands of New Taiwan Dollars)

	Beginning Balance	Changes for the Period			From Merged with TAT	Ending Balance
		Increase	Decrease	Reclassification		
Cost	\$ 3,655,983	\$ -	\$ 102,528	\$ 107,778	\$ 3,866,289	
Land	2,181,890	-	74,858	128,859	2,385,587	
Buildings	52,622,256	390,966	2,425,620	4,758,460	54,378,220	
Telecommunication equipment	113,782	2,684	45,857	29,724	160,333	
Office equipment	1,000,000	-	-	-	1,000,000	
Leased assets	1,965,778	388,847	438,873	73,440	2,866,938	
Miscellaneous equipment	61,815,879	788,497	2,900,050	(5,019,016)	69,585,310	
Accumulated depreciation	263,553	48,421	1,332,401	11,530	2,027,704	
Buildings	19,948,510	5,505,605	1,332,401	(8,150)	28,153,739	
Telecommunication equipment	65,371	24,757	41,037	20,734	69,825	
Office equipment	356,270	64,033	-	-	420,303	
Leased assets	778,991	503,974	407,148	-	1,689,113	
Miscellaneous equipment	21,412,695	6,146,790	1,780,886	(3,380)	29,967,813	
Construction in progress and advance payments	2,165,454	5,125,277	(174)	(4,851,460)	2,439,097	
Net property and equipment	\$ 49,568,638				\$ 43,018,691	

Note 1: The total insurance for property and equipment and assets leased to others amounted to \$30,378,276 thousand.

Note 2: The increase of the construction in progress and advance payments included capitalized interests amounting to \$11,296 thousand.

Note 3: TransAsia Telecommunication Inc. (TAT) merged into the Corporation on September 2, 2008.

SCHEDULE 5

TAIWAN MOBILE CO., LTD.

NON-OPERATING ASSETS

DECEMBER 31, 2008

(In Thousands of New Taiwan Dollars)

	Accumulated		Net Carrying Value
	Cost	Depreciation	
Assets leased to others	\$ 1,661,570	\$ -	\$ 1,661,570
Land	814,132	123,224	690,908
Buildings	17,713	13,497	4,216
Other	\$ 2,493,415	\$ 136,721	2,356,694
Deferred charges, net			2,148
Truck roll			2,358,842
Less accumulated impairment			(54,493)
			\$ 2,304,349
Idle assets			
Land	\$ 149,749	\$ -	\$ 149,749
Buildings	87,931	16,473	71,458
Telecommunication equipment	265,618	78,099	187,519
Deferred charges, net	\$ 503,298	\$ 94,572	408,726
			1,919
Less allowance for losses			410,645
Less accumulated impairment			(187,519)
			\$ 138,679

- 57 -

- 58 -

SCHEDULE 6**TAIWAN MOBILE CO., LTD.**

ACCOUNTS PAYABLE
DECEMBER 31, 2008
(In Thousands of New Taiwan Dollars)

Suppliers	Amount
National Communication Commission	\$ 1,692,332
Other (Note)	<u>474,346</u>
	<u>\$ 2,166,678</u>

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

- 59 -

SCHEDULE 7**TAIWAN MOBILE CO., LTD.**

ACCURED EXPENSES
DECEMBER 31, 2008
(In Thousands of New Taiwan Dollars)

Nature	Amount
Salaries and bonuses	\$ 1,266,519
Commissions	<u>1,021,574</u>
Bonus to directors supervisors and employees	456,167
Repair and maintenance expenses	454,218
Professional service fees	332,260
BTS expenses	168,162
Advertising	142,975
Other (Note)	<u>844,326</u>
	<u>\$ 4,686,201</u>

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

- 60 -

SCHEDULE 8**TAIWAN MOBILE CO., LTD.**

OTHER PAYABLE
DECEMBER 31, 2008
(In Thousands of New Taiwan Dollars)

Item	Amount
Payables for equipment and constructions	\$ 1,662,116
Value-added tax payables	121,823
Other	<u>2,287,808</u>
	<u>\$ 4,071,747</u>

SCHEDULE 9**TAIWAN MOBILE CO., LTD.**

OPERATING REVENUES
YEAR ENDED DECEMBER 31, 2008
(In Thousands of New Taiwan Dollars)

Item	Amount
Telecom service revenues	\$ 15,533,763
Interconnecting revenue (Note 1)	18,527,570
Airtime usage	19,548,039
Monthly access fee and activation fee	53,609,372
Other operating revenues (Note 2)	<u>702,233</u>
	<u>\$ 54,311,605</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.

- 61 -

- 62 -

SCHEDULE 10

TAIWAN MOBILE CO., LTD.

OPERATING COSTS
YEAR ENDED DECEMBER 31, 2008
(In Thousands of New Taiwan Dollars)

Item	Amount
Telecom service costs	
Interconnection cost (Note 1)	\$ 9,128,887
Depreciation	5,626,974
2G concession fee and 3G license amortization	1,771,932
Rents	1,544,457
Leased-line charges	1,363,184
Cost of goods sold	1,110,095
Maintenance materials and constructions	857,493
Administrative and utilities expense of radio base stations	840,521
Frequency usage fee	429,280
Other (Note 2)	1,417,747
	<u>\$ 24,090,570</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 11

TAIWAN MOBILE CO., LTD.

OPERATING EXPENSES
YEAR ENDED DECEMBER 31, 2008
(In Thousands of New Taiwan Dollars)

Item	Marketing	Administrative	Total
Commissions	\$ 6,567,805	\$ -	\$ 6,567,805
Salaries and pension	840,008	976,091	1,816,099
Professional service fees	906,264	262,951	1,169,215
Bad debts	-	626,110	626,110
Service charges	38,324	519,481	557,805
Depreciation	60,939	458,877	519,816
Telecommunication and postage expenses	100,931	218,990	319,921
Advertising	270,743	44,089	314,832
Other (Note)	807,318	644,490	1,451,808
	<u>\$ 9,592,332</u>	<u>\$ 3,751,079</u>	<u>\$ 13,343,411</u>

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

SCHEDULE 10

TAIWAN MOBILE CO., LTD.

OPERATING COSTS
YEAR ENDED DECEMBER 31, 2008
(In Thousands of New Taiwan Dollars)

Item	Amount
Telecom service costs	
Interconnection cost (Note 1)	\$ 9,128,887
Depreciation	5,626,974
2G concession fee and 3G license amortization	1,771,932
Rents	1,544,457
Leased-line charges	1,363,184
Cost of goods sold	1,110,095
Maintenance materials and constructions	857,493
Administrative and utilities expense of radio base stations	840,521
Frequency usage fee	429,280
Other (Note 2)	1,417,747
	<u>\$ 24,090,570</u>

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

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

2008 Consolidated Financial Statements

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, 2008 and 2007, 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 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 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, 2008 and 2007, and the consolidated results of its operations and its consolidated cash flows for the years then ended, in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and accounting principles generally accepted in the Republic of China.

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

As stated in Note 2 to the financial statements, to position as an integrated telecom and media player down the road differentiating from competition and build growth momentum exposure to higher margin lines of business, the Corporation, acquired up to 84.03% of Taiwan Fixed Network, Ltd. (the former TFN)'s shares through Taisheng International Telecommunications Co., Ltd. (TIT), the subsidiary of the Corporation, since April 17, 2007. Because TFN is controlled by the Corporation, TFN and its subsidiaries have been included in the consolidated entities.

January 20, 2009

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, 2008 AND 2007
(In Thousands of New Taiwan Dollars, Except Par Value)

ASSETS	2008		2007	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 2, 4 and 27)	\$ 3,868,062	4	\$ 7,028,091	7
Financial assets at fair value through profit or loss - current (Notes 2 and 5)	-	-	131,973	2
Available-for-sale financial assets - current (Notes 2 and 6)	241,442	-	2,103,403	2
Notes receivable	66,589	-	83,103	1
Accounts receivable - third parties (Notes 2 and 7)	6,411,711	7	6,735,589	7
Accounts receivable - related parties (Notes 2 and 27)	320,018	-	246,604	1
Other receivables (Notes 2)	350,119	1	159,843	1
Prepayments (Note 27)	1,077,167	1	850,600	1
Deferred income tax assets - current (Notes 2 and 23)	149,534	-	134,055	-
Pledged time deposits (Notes 27 and 28)	38,015	-	47,706	-
Other current assets	12,653	-	22,603	-
Total current assets	12,883,739	14	17,690,295	18
INVESTMENTS				
Prepayment for long-term investments (Note 8)	249,500	-	-	-
Hedging derivative financial assets - non-current (Notes 2, 26 and 30)	82,485	-	-	-
Financial assets carried at cost - non-current (Notes 2 and 9)	2,513,169	3	2,526,701	3
Bonds measured at amortized cost - non-current (Notes 2 and 10)	500,000	-	500,000	-
Total investments	3,347,154	4	3,026,701	3
PROPERTY AND EQUIPMENT (Notes 2, 11, 27 and 28)				
Cost				
Land	6,087,548	7	6,102,661	6
Buildings	3,918,908	4	4,032,291	4
Telecommunication equipment	65,278,287	71	63,490,049	65
Office equipment	188,848	-	284,219	-
Leased assets	1,285,921	1	1,276,190	1
Miscellaneous equipment	2,240,123	3	2,354,353	3
Total cost	78,999,635	86	77,539,763	79
Less: Accumulated depreciation	(32,261,532)	(35)	(28,877,155)	(29)
Accumulated impairment	(46,738,103)	(51)	(48,661,610)	(50)
Construction in progress and advance payments	2,728,658	3	2,296,995	2
Net property and equipment	49,466,761	54	50,958,205	52
INTANGIBLE ASSETS (Note 2)				
3G concession	7,477,091	8	8,224,800	8
Computer software cost	61,577	-	130,520	-
Goodwill (Note 12)	10,485,048	11	9,231,478	10
Other intangible assets	2,686,541	3	2,861,323	3
Customer relationship (Note 12)	1,382,000	2	1,382,000	1
Operating rights (Note 12)	30,112	-	15,934	-
Other intangible assets	4,098,653	5	4,259,257	4
Total intangible assets	22,122,369	24	21,846,055	22
OTHER ASSETS				
Assets leased to others (Notes 2 and 13)	513,924	1	547,295	1
Refundable deposits (Notes 2 and 13)	232,260	-	315,593	-
Receivables from related parties (Notes 2 and 14)	393,438	-	405,585	-
Deferred income tax assets - non-current (Notes 2 and 23)	338,150	-	282,488	-
Other (Notes 2, 21 and 27)	136,821	-	59,451	-
Total other assets	4,119,086	4	4,509,000	5
TOTAL	\$ 91,939,109	100	\$ 98,030,256	100

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

(With Deloitte & Touche audit report dated January 20, 2009)

- 3 -

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2008 AND 2007
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2008		2007	
	Amount	%	Amount	%
OPERATING REVENUES (Notes 2 and 27)	\$ 69,296,096	100	\$ 66,095,161	100
OPERATING COSTS (Notes 2, 25 and 27)	31,687,024	46	29,245,642	44
GROSS PROFIT	37,609,072	54	36,849,519	56
OPERATING EXPENSES (Notes 2, 25 and 27)				
Marketing	10,956,669	16	10,355,431	16
Administrative	4,869,912	7	5,193,886	8
Total operating expenses	15,826,581	23	15,549,317	24
OPERATING INCOME	21,782,491	31	21,300,202	32
NON-OPERATING INCOME AND GAINS				
Gain on disposal of investments, net (Note 2)	262,759	1	75,336	-
Penalty income	212,756	-	206,873	-
Interest income (Notes 2 and 30)	103,583	-	258,123	1
Rental income (Notes 2 and 27)	74,935	-	65,293	-
Gain on disposal of property and equipment (Note 2)	49,859	-	6,109	-
Dividend income (Note 2)	11,451	-	89,468	-
Valuation gain on financial assets (Note 2)	519	-	48,231	-
Investment income recognized under the equity method, net (Notes 2 and 8)	-	-	172,777	-
Exchange gain, net (Note 2)	-	-	21,461	-
Other (Notes 2 and 7)	317,164	1	300,818	1
Total non-operating income and gain	1,033,026	2	1,244,489	2
NON-OPERATING EXPENSES AND LOSSES				
Loss on disposal and retirement of property and equipment (Notes 2 and 27)	1,461,851	2	12,446,046	19
Interest expenses (Notes 2, 11, 27 and 30)	689,043	1	943,585	2
Impairment loss (Notes 2, 9 and 13)	23,656	-	10,139	-
Financial expenses	18,837	-	88,425	-
Other (Note 2)	85,420	-	106,769	-
Total non-operating expenses and losses	2,278,807	3	13,594,964	21

(Continued)

- 4 -

LIABILITIES AND SHAREHOLDERS' EQUITY

	2008		2007	
	Amount	%	Amount	%
CURRENT LIABILITIES				
Short-term borrowing (Notes 15, 27 and 28)	\$ -	-	\$ 19,340,000	20
Short-term notes and bills payable (Note 16)	-	-	1,594,753	2
Notes payable	186,506	-	230,032	3
Accounts payable (Note 27)	3,253,406	4	2,868,000	3
Income taxes payable (Notes 2 and 23)	2,798,352	3	1,346,836	5
Accrued expenses	2,194,756	6	1,172,546	3
Other payables (Notes 17)	2,452,548	3	1,912,526	2
Other payables - related parties (Note 2)	2,284,294	3	1,977,063	2
Current portion of long-term liabilities (Notes 2, 18, 20 and 28)	7,800,000	8	4,940,340	5
Guarantee deposits - current	68,096	-	84,017	-
Deferred income tax liability - current (Notes 2 and 23)	431,101	-	15,806	-
Other current liabilities	-	-	503,568	1
Total current liabilities	26,735,149	29	57,653,936	59
LONG-TERM LIABILITIES				
Bonds payable (Notes 2, 18 and 26)	8,000,000	9	7,500,000	8
Long-term borrowing (Notes 19, 27 and 28)	5,200,000	6	-	-
Hedging derivative financial liabilities - non-current (Notes 2, 26 and 30)	-	-	51,665	-
Total long-term liabilities	13,200,000	15	7,551,665	8
OTHER LIABILITIES				
Accrued pension cost (Notes 2 and 21)	346,316	-	2,948	-
Guarantee deposits	90,388	-	361,813	-
Deferred income tax liability - non-current (Notes 2 and 23)	630,723	-	34,989	-
Other (Note 2)	1,067,427	-	19,744	-
Total other liabilities	4,044,834	4	419,494	-
Total liabilities	41,002,576	45	65,625,095	67
SHAREHOLDERS' EQUITY (Notes 2, 3 and 22)				
Parent's shareholders' equity				
Capital stock, \$10 par value	38,009,254	41	38,009,254	39
Authorized: 6,000,000 thousand shares				
Issued: 3,500,925 thousand shares				
Capital surplus	8,775,819	9	8,775,819	9
Reserve for treasury stock transactions	3,493,759	4	8,027	-
From long-term investments	1,166	-	1,313	-
From employee stock options	27,095	-	-	-
Retained earnings	12,406,775	14	11,745,475	12
Legal reserve	3,406,744	4	3,493,563	3
Special reserve	17,716,013	19	10,720,230	11
Unappropriated earnings	17,840	-	5,764	-
Other equity	2,862	-	1,534	-
Cumulative translation adjustments	(5,897)	-	(64,043)	-
Net loss not recognized as pension cost	30,902,598	(36)	(40,844,007)	(42)
Unrealized losses on financial instruments	-	-	31,832,929	32
Treasury stock	33,933	-	53,232	-
Minority interests	50,926,533	55	32,405,161	33
Total shareholders' equity	50,926,533	55	32,405,161	33
TOTAL	\$ 91,039,109	100	\$ 98,030,256	100

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2008 AND 2007
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2008		2007	
	Amount	%	Amount	%
INCOME BEFORE INCOME TAX	\$ 20,536,710	30	\$ 8,949,727	13
INCOME TAX EXPENSE (Notes 2 and 23)	5,154,461	8	2,178,358	3
CONSOLIDATED NET INCOME	\$ 15,382,249	22	\$ 6,771,369	10
ATTRIBUTED TO				
Shareholders of the parent	\$ 15,371,386	22	\$ 6,612,997	10
Minority interests	10,863	-	158,372	-
Total	\$ 15,382,249	22	\$ 6,771,369	10
EARNINGS PER SHARE (Note 24)				
Basic	\$ 6.67	\$ 5.18	\$ 2.05	\$ 1.68
Diluted	\$ 6.65	\$ 5.17	\$ 2.05	\$ 1.68

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

(With Deloitte & Touche audit report dated January 20, 2009)

(Concluded)

- 5 -

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2008 AND 2007
(In Thousands of New Taiwan Dollars)

	Authorized and Outstanding Capital Stock	Capital Surplus	Legal Reserve	Special Reserve	Retained Earnings Unappropriated	Total	Cumulative Transition Adjustments	Net Loss Not Recognized As Pension Cost	Unrealized Gains on Financial Instruments	Treasury Stock	Minority Interests	Total Shareholders' Equity
BALANCE, JANUARY 1, 2007	\$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)	(1,617,074)	-	-	-	-	-	-	-
Legal reserve	-	-	1,617,074	-	(1,617,074)	-	-	-	-	-	-	-
Special reserve	-	-	-	143,563	(143,563)	-	-	-	-	-	-	-
Remuneration to directors and supervisors	-	-	-	(432,303)	(432,303)	(432,303)	-	-	-	-	-	(432,303)
Remuneration to directors and supervisors - cash	-	-	-	(432,303)	(432,303)	(432,303)	-	-	-	-	-	(432,303)
Cash dividends - NT\$2,587,557 per share	-	-	-	(12,880,151)	(12,880,151)	(12,880,151)	-	-	-	-	-	(12,880,151)
Cash dividends - NT\$2,587,557 per share	-	-	-	(12,880,151)	(12,880,151)	(12,880,151)	-	-	-	-	-	(12,880,151)
Balance after appropriation	49,993,251	8,748,571	11,745,475	3,493,563	4,112,102	19,351,140	3,860	-	(147,423)	(1,437,290)	24,508	76,536,617
Consolidated net income in 2007	-	-	-	-	6,612,997	6,612,997	-	-	-	-	158,372	6,771,369
Adjustments on change of equity in equity-method investments	-	1,313	-	-	-	-	1,904	1,534	(113,063)	-	-	(108,312)
Transfer of treasury stock to employees	-	8,027	-	(4,869)	-	(4,869)	-	-	-	1,437,290	-	1,440,448
Conversion of convertible bonds to capital stock	16,003	27,248	-	-	-	-	-	-	-	-	-	43,251
Adjustments of treasury stock held by subsidiaries	-	-	-	-	-	-	-	-	-	(40,844,007)	-	(40,844,007)
Adjustments of treasury stock held by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-
Capital reduction by cash (Note 22)	(12,000,000)	-	-	-	-	-	-	-	-	-	-	(12,000,000)
Unrealized gains on financial instruments, net	-	-	-	-	-	-	-	-	196,443	-	-	196,443
Effect of acquisition the subsidiaries	-	-	-	-	-	-	-	-	-	-	472,417	472,417
Cash dividends paid to minority interests by subsidiaries	-	-	-	-	-	-	-	-	-	-	(13,819)	(13,819)
Decrease 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)	552,232	32,405,161
Appropriation of the 2007 earnings	-	-	-	(661,300)	(661,300)	-	-	-	-	-	-	-
Legal reserve	-	-	661,300	-	(661,300)	-	-	-	-	-	-	-
Reversal of special reserve	-	-	-	(86,819)	(86,819)	-	-	-	-	-	-	-
Remuneration to directors and supervisors	-	-	-	(18,116)	(18,116)	(18,116)	-	-	-	-	-	(18,116)
Remuneration to directors and supervisors - cash	-	-	-	(18,116)	(18,116)	(18,116)	-	-	-	-	-	(18,116)
Bonus to employees - cash	-	-	-	(181,155)	(181,155)	(181,155)	-	-	-	-	-	(181,155)
Cash dividends - NT\$2,543,226 per share	-	-	-	(7,601,851)	(7,601,851)	(7,601,851)	-	-	-	-	-	(7,601,851)
Cash dividends - NT\$2,543,226 per share	-	-	-	(7,601,851)	(7,601,851)	(7,601,851)	-	-	-	-	-	(7,601,851)
Balance after appropriation	38,009,254	8,785,159	12,406,775	3,406,744	2,344,627	18,158,146	5,764	1,534	(64,043)	(40,844,007)	552,232	24,604,039
Consolidated net income in 2008	-	-	-	-	15,371,386	15,371,386	-	-	-	-	10,863	15,382,249
Buyback of issued shares	-	-	-	-	-	-	-	-	-	(1,059,732)	-	(1,059,732)
Compensation cost recognized from employee stock options	-	27,095	-	-	-	-	-	-	-	-	-	27,095
Adjustments on change of equity in equity-method investments	-	(147)	-	-	-	-	12,076	1,328	(39,362)	-	-	(26,105)
Disposal of the Corporation's shares held by subsidiaries	-	3,485,732	-	-	-	-	-	-	-	8,954,907	-	12,440,639
Unrealized gains on financial instruments, net	-	-	-	-	-	-	-	-	97,508	-	(1,148)	97,508
Cash dividends paid to minority interests by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-
Decrease in minority interests	-	-	-	-	-	-	-	-	-	-	(1,148)	(1,148)
BALANCE, DECEMBER 31, 2008	38,009,254	\$12,292,839	\$12,406,775	\$ 3,406,744	\$17,716,013	\$33,529,532	\$17,840	\$2,862	\$ (5,892)	\$ (32,948,832)	\$ 33,935	\$50,956,533

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

(With Deloitte & Touche audit report dated January 20, 2009)

- 6 -

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2008 AND 2007
(In Thousands of New Taiwan Dollars)

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Consolidated net income	\$ 15,382,249	\$ 6,771,369
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	7,188,030	7,763,722
Loss on disposal and retirement of property and equipment, net	1,411,992	12,439,937
Amortization	1,095,670	1,062,602
Bad debts	675,057	907,566
Deferred income taxes	426,497	(1,281,621)
Gain on disposal of available-for-sale financial assets	(262,759)	(75,336)
Compensation cost recognized from employee stock options	27,095	-
Impairment loss	23,656	10,139
Pension cost	(23,543)	(132,459)
Provision for loss on inventories	19,126	10,056
Amortization of long-term notes payable	9,660	80,269
Investment income recognized under the equity method, net	-	(172,777)
Accrued interest compensation	-	(2,297)
Gain on disposal of idle assets, net	-	(2,151)
Other	10,863	15,338
Net changes in operating assets and liabilities		
Financial asset held for trading	131,973	14,086,306
Notes receivable	18,514	(50,060)
Accounts receivable - third parties	(325,236)	(473,142)
Accounts receivable - related parties	(112,395)	129,304
Other receivables	(184,026)	105,377
Long-term capital lease receivables	(58,497)	-
Inventories	(218,254)	33,399
Prepayments	(224,978)	110,008
Other current assets	10,270	124,642
Notes payable	(36,714)	47,279
Accounts payable	379,565	(204,073)
Income taxes payable	1,081,841	(1,885,015)
Accrued expenses	135,677	702,703
Other payables	588,409	885,048
Advance receipts	290,635	127,453
Other current liabilities	(68,105)	(311,906)
Net cash provided by operating activities	27,392,272	40,821,680
		(Continued)

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2008 AND 2007
(In Thousands of New Taiwan Dollars)

	2008	2007
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	\$ (6,538,106)	\$ (7,057,863)
Proceeds from disposal of available-for-sale financial assets	2,089,511	11,936,213
Increase in goodwill	(1,222,018)	-
Proceeds from disposal of property and equipment	362,894	14,583
Increase in long-term investments accounted for using equity method	(249,500)	-
Increase in deferred charges	(149,644)	(21,793)
Increase in acquiring subsidiaries	(140,919)	(42,913,002)
Decrease (increase) in computer software cost and other intangible assets	(15,376)	38,260
Decrease (increase) in refundable deposits	12,292	(1,603)
Decrease (increase) in pledged time deposits	9,691	(5,249)
Decrease (increase) in other assets	(9,617)	2,129
Proceeds from investees' capital return	2,688	63,158
Acquisition of available-for-sale financial assets	-	(334,000)
Increase in financial assets carried at cost - non-current	-	(39,436)
Proceeds from disposal of financial assets carried at cost - non-current	-	13,249
Proceeds from disposal of idle assets	-	2,151
Net cash used in investing activities	(5,848,104)	(38,303,203)
		(Continued)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in short-term bank loans	(19,340,000)	19,340,000
Proceeds from the disposal of treasury stock	13,509,828	-
Capital reduction	(9,434,461)	-
Issuance of bonds payable	8,000,000	-
Cash dividends paid	(7,601,804)	(9,339,685)
Decrease in minority interests	(7,313,488)	(89,246)
Increase in long-term borrowing	6,100,000	-
Decrease in bonds payable	(2,500,000)	(3,768,900)
Repayment of long-term notes payable	(2,450,000)	-
Increase (decrease) in short-term notes and bills payable	(1,594,753)	1,594,753
Buyback of treasury stock	(1,059,732)	-
Decrease in long-term loans	(900,000)	(20,704,000)
Bonus to employees	(181,155)	(432,303)
Decrease in guarantee deposits	(31,418)	(62,466)
Remuneration to directors and supervisors	(18,116)	(34,863)
Cash dividends paid to minority interests	(13,819)	(13,819)
Transfer of treasury stock to employees	1,440,448	1,440,448
Decrease in other liabilities	-	19,744
Net cash used in financing activities	(24,816,247)	(12,050,337)

(Continued)

- 7 -

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES**CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2008 AND 2007****(In Thousands of New Taiwan Dollars)**

	2008	2007
EFFECT OF EXCHANGE RATE CHANGES	\$ 8,440	\$ 1,587
ACQUISITION OF CASH AND CASH EQUIVALENT FOR SUBSIDIARIES	<u>103,610</u>	<u>4,142,639</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(3,160,029)	(5,387,634)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>7,028,091</u>	<u>12,415,725</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 3,868,062</u>	<u>\$ 7,028,091</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid	\$ 849,930	\$ 1,014,951
Less interest capitalized	<u>11,296</u>	<u>25,981</u>
Interest paid - excluding interest capitalized	<u>\$ 838,634</u>	<u>\$ 988,970</u>
Income tax paid	<u>\$ 3,259,187</u>	<u>\$ 4,708,894</u>
NON-CASH INVESTING AND FINANCING ACTIVITIES		
Current portion of long-term liabilities	\$ 7,500,000	\$ 4,940,340
Conversion of convertible bonds to capital stock	<u>—</u>	<u>\$ 43,251</u>
Refundable capital reduction	<u>—</u>	<u>\$ 12,000,000</u>
CASH INVESTING AND FINANCING ACTIVITIES	\$ 7,394,665	\$ 6,284,450
Decrease (increase) in notes payable	6,812	(1,073)
Decrease (increase) in other payables	<u>(252,392)</u>	<u>774,486</u>
Increase in other liabilities-other	<u>(610,979)</u>	<u>—</u>
Cash paid for acquisition of property and equipment	<u>\$ 6,538,106</u>	<u>\$ 7,057,863</u>

The Corporation acquired 100% of Hurray! Times Communications (Beijing) Ltd.'s shares on April 24, 2008. The fair values of the assets and liabilities upon acquisition were as follows:

Cash	\$ 103,610
Accounts receivable	46,443
Prepayments	1,590
Other current assets	320
Property and equipment	2,727
Intangible assets	50
Other assets	<u>146</u>
	<u>\$ 154,886</u>

(Continued)

- 9 -

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES**CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2008 AND 2007****(In Thousands of New Taiwan Dollars)**

Accounts payable	\$ 7,841
Accrued expenses	844
Other payables	6,326
Advance receipts	16,595
Other current liabilities	270
Net	<u>31,876</u>
Percentage of equity interest	<u>123,010</u>
	<u>100%</u>
Add goodwill	123,010
Less investment payable	<u>29,193</u>
	<u>(21,955)</u>
Cash paid for acquisition of Hurray! Times Communications (Beijing) Ltd.	<u>\$ 130,248</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 receivables	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 payable	7,315,099
Accrued pension cost	121,265
Other liabilities	<u>148,086</u>
Net	<u>26,610,235</u>
Percentage of equity interest	<u>54,883,217</u>
	<u>84.6%</u>
	<u>46,431,202</u>

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.)

(6,444,914)

Cash paid for acquisition of the former TFN

\$ 39,986,288

(Continued)

- 10 -

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES**CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2008 AND 2007****(In Thousands of New Taiwan Dollars)**

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 cost	31,080
Other liabilities	<u>3,968</u>
Net	<u>267,169</u>
Percentage of equity interest	<u>1,504,718</u>
	<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 20, 2009)

(Concluded)

- 11 -

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****YEARS ENDED DECEMBER 31, 2008 AND 2007****(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 1 license issued by the Directorate General of Telecommunications (DGT) of the ROC. The license allows the Corporation to provide services for 15 years from 1997 onwards. It also entails the payment of an annual license fee consisting of 2% of total wireless communication service revenues. On March 24, 2005, the Corporation received the third generation (3G) concession operation license issued by the DGT. The 3G license allows the Corporation to provide services from the issuance date of the license to December 31, 2018.

As of December 31, 2008 and 2007, the Corporation and subsidiaries had 4,552 and 4,586 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 and accounting principles generally accepted in the ROC. In conformity with these guidelines 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, bonus to employees, remuneration to directors and supervisors, impairment loss on assets, etc. Actual results may differ from these estimates.

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

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.

- 12 -

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 December 31, 2008	Percentage of Ownership as of December 31, 2007	Note
Corporation	TransAsia Telecommunications Inc. (TAT)	Wireless service provider	-	100.00	Merged into the Corporation on September 2, 2008
Corporation	Weath Media Technology Co., Ltd. (WMT)	Investment	100.00	100.00	Established on August 7, 2007
WMT	Tai Fu Media Technology Co., Ltd. (TFMT)	Investment	100.00	100.00	Established on October 18, 2007
TFMT	Global Wealth Media Technology Co., Ltd. (GWMT)	Investment	100.00	100.00	Established on October 26, 2007
TFMT	Fu Jia Lei Media Technology Co., Ltd. (FJLMT)	Investment	100.00	100.00	Established on November 23, 2007
TFMT	Fu Sin Media Technology Co., Ltd. (FSMT)	Investment	100.00	100.00	Established on November 23, 2007
TFMT	Global Forest Media Technology Co., Ltd. (GFMT)	Investment	100.00	-	Established on December 26, 2008
GWMT	Globeview Cable TV Co., Ltd. (GC TV)	Cable TV SO (System Operator)	6.179	6.179	-
FSMT	Phoenix Cable TV Co., Ltd. (PCTV)	Cable TV SO (system Operator)	3.34	-	-
Corporation	Taiwan Cellular Co., Ltd. (TCC)	Equipment installation and repair service provider	100.00	100.00	-
TCC	Mobilita Communications (Mobilita) Ltd. (TYDB)	Wireless service provider	-	-	Merged into TAT on December 15, 2007
TCC	Tai Yi Digital Broadcasting Co., Ltd. (TYDB)	Broadcasts business and cell phone number agency	49.90	49.90	-
TCC	Taiwan Fixed Network Co., Ltd. (TFN)	Fixed network service	100.00	100.00	a. Established on January 30, 2007. Formerly Taining International Telecommunications Co., Ltd., merged with the former TFN on December 28, 2007 and renamed as Taiwan Fixed Network Co., Ltd. as of December 31, 2008. b. TFN and TFN own the Corporation's 811,918 thousand shares, representing 21.36% shareholding. c. Established on June 6, 2007
TCC	Taiwan Digital Communications Co., Ltd. (TDC)	Communication service	100.00	100.00	-
TCC	TWM Holding Co., Ltd. (TWM)	Investment	100.00	100.00	-
TWM Holding	Hurry! Times Communications (Beijing) Ltd.	Mobile application development and design	100.00	-	100% acquired by TWM Holding and consolidated into financial statements on April 24, 2008
TCC	Taiwan Telecommunications & Technologies Co., Ltd. (the former TT&T)	Call center service	-	100.00	Merged into TT&T on September 1, 2008
The former TT&T	TT&T Casualty & Property Insurance Agency Co., Ltd. (TCPA)	Insurance agency	-	100.00	Liquidated on March 15, 2008
The former TT&T	TT&T Life Insurance Agency Co., Ltd. (TLIA)	Insurance agency	-	100.00	Liquidated on May 15, 2008
TT&T	Taiwan Super Basketball Co., Ltd. (TSB)	Basketball team management and related business	100.00	100.00	Established on September 21, 2007 (Note 3)

(Continued)

With the purpose of positioning and differentiating itself from the competition as an integrated telecom and media player down the road, and building growth momentum exposure to higher margin lines of business, the Board of Directors of TIT resolved to acquire 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 statements of the former TFN and its subsidiaries have been included in the consolidated entities.

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.

Investor	Subsidiary	Nature of Business	Percentage of Ownership as of December 31, 2008	Percentage of Ownership as of December 31, 2007	Note
TT&T	TT&T Holdings Co., Ltd. (TT&T Holding)	Investment	100.00	100.00	(Note 3)
TT&T	Xinmen TaiFu Teleservices & Technologies Ltd.	Call center service	100.00	100.00	Established on April 14, 2007, and acquired minority interests of TTN through share swap on December 31, 2007 and merged into TFN on January 1, 2008
TFN	Taiwan United Communication Co., Ltd. (TUC)	Communication service	-	-	a. TUC acquired more than 50% equity and consolidated TTN into TFN on January 1, 2008. b. TUC merged with TTT on September 2, 2007. c. TUC acquired minority interest of TTN through share swap on December 31, 2007. d. Merged into TFN on August 1, 2008. e. Formerly VoPer Communications (Taiwan) Co., Ltd. (VoPer) merged the former TT&T on September 1, 2008 with VoPer as the remaining company and renamed as Taiwan Teleservices & Technologies Co., Ltd. (Note 4)
TUC	Taiwan Telecommunication Network Services Co., Ltd. (TTN)	Telecommunications	-	99.53	Merged into TFN on June 5, 2007
TFN	Taiwan Teleservices & Technologies Co., Ltd. (TT&T)	Call center service and international simple resale (ISR)	100.00	100.00	Liquidated on June 8, 2007
TFN	TFN Investment Co., Ltd. (TFNI)	Investment	100.00	100.00	Merged into TFN on June 30, 2007
The former TFN	TFN HK Ltd.	Telecommunications	100.00	99.99	-
TFNI	Hong Yuan Investment Co., Ltd. (HYI)	Investment	-	-	-
TFNI	TFN US Ltd.	Telecommunications	-	-	-
TFNI	Rench & Range Inc. (R&R)	Telecom equipment sales and maintenance	-	-	-
TFNI	TFN Digital Co., Ltd. (TFND)	Telecom equipment sales and maintenance	-	-	-
TFNI	Wu TV Broadcasting Co., Ltd. (WTVB)	TV program producing	98.50	98.50	-
TFNI	Fu Yuan Media Co., Ltd. (FYM)	Cable TV MSO (Multi System Operator)	-	-	Merged into TFNM on December 1, 2007
TFNI	TFN Media Co., Ltd. (TFNM)	Cable broadband service	100.00	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	99.99	(Note 2)
TFNM	Shan Ho Cable TV Co., Ltd. (SHCTV)	Cable TV SO (System Operator)	100.00	100.00	Some shares held under trustee accounts (Note 2)
TFNM	Young Jui-tai Cable TV Co., Ltd. (YJCTV)	Cable TV SO (System Operator)	100.00	100.00	(Note 2)
TFNM	Ming-Wei Cable TV Corporation (MWC TV)	Cable TV SO (System Operator)	100.00	100.00	Some shares held under trustee accounts (Note 2)
TFNM	North Coast Cable TV Co., Ltd. (NCC TV)	Cable TV SO (System Operator)	-	100.00	Liquidated on October 1, 2008
TFNM	PCTV	Cable TV SO (System Operator)	96.66	70.00	(Note 2)
TFNM	GCTV	Cable TV SO (System Operator)	92.38	92.38	(Note 2)

(Concluded)

Note 1: Became a subsidiary of TFN, which merged the former TFN on December 28, 2007.
 Note 2: Became a subsidiary of TFNM, which merged FYM on December 1, 2007.
 Note 3: Became a subsidiary of TT&T, which merged the former TT&T on September 1, 2008.
 Note 4: Became a subsidiary of TFN, which merged TTN on August 1, 2008.

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. 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 is evaluated on the basis of replacement cost or net realizable value.

Investments Accounted for Using Equity Method

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

Starting January 1, 2006, in accordance with the newly revised Statement of Financial Accounting Standards (SFAS), the cost of acquisition is subjected to an initial analysis, and goodwill represents the excess of the cost of acquisition over the fair value of the identifiable net assets value. Goodwill is no longer amortized. If the fair value of identifiable net assets acquired exceeds the cost of investments, the excess should be assigned to non-current assets (except for financial assets not under equity method, assets for disposal, deferred income tax assets and prepaid pension costs or other retirement benefit costs). If these assets are all reduced to zero, the remaining excess should be recognized as extraordinary gain. Starting January 1, 2006, the unamortized balance of the excess of the acquisition cost of the long-term investment by the equity method over the equity in the investee's net assets value is also no longer amortized and applies the same accounting treatment as goodwill.

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

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

Financial Assets Carried at Cost

If there is no active market for an equity instrument and a reliable fair value can not be estimated, the equity instrument, including 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 an available-for-sale financial assets. Impairment losses are recognized if a decrease in fair value of the instruments can be objectively related to an event. 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. Leased property and equipment from others 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.

For cost associated with dismantling and relocating fixed assets and restoring the leased premises housing our fixed assets to the previous state should be recognized as an addition to the fixed assets and accrued as a potential liability accordingly, according to the Accounting Research and Development Foundation (ARDF) issued the Interpretation No. 2008-340 in November 2008.

Depreciation is calculated using the straight-line method over the estimated service lives, which range as follows: buildings - 20 to 55 years; telecommunication equipment - 2 to 15 years; office equipment - 3 to 8 years; leased assets - 20 years; and miscellaneous equipment - 2 to 10 years.

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

Accounting for Leases

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

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

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

- 17 -

Intangible Assets

a. Franchise

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

b. Computer software

Computer software cost is amortized by the straight-line method over 2 to 5 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 the subsidiaries' cable TV and data network businesses. Customer relationship is amortized by the 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. 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.

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 include interior decoration costs, bond issuance costs, and arrangement fees for syndicated bank loans are amortized by the straight-line method over three to seven years.

Asset Impairment

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

- 18 -

Share-based Compensation

For the grant date of the employee stock options which falls on or after January 1, 2008 should apply SFAS No. 39 - "Accounting for Share-based Payment". The value of stock option granted, the product of the number of vested stock options multiplies by the fair value of the option on grant date, shall be expensed over the vesting period, and to increase "capital surplus - employee stock options" by the same amount accordingly.

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 provided for as income tax in the year when the shareholders resolve the retention of the earnings.

Treasury Stock

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

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

- 19 -

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 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, 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 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 year.

Hedging Derivative Financial Instruments

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

Hedge Accounting

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

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

- 20 -

Reclassification

Certain accounts in the consolidated financial statements as of and for the year ended December 31, 2007 have been reclassified to conform to the presentation of consolidated financial statements as of and for the year ended December 31, 2008.

3. REASONS AND EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES**Accounting for Bonuses to Employees, Directors and Supervisors**

In March 2007, the ARDF issued an interpretation that requires companies and their subsidiaries to recognize those bonuses to employees and remunerations to directors and supervisors as expenses starting from January 1, 2008. The mentioned bonuses and remunerations were previously recorded as appropriations from earnings. The adoption of this interpretation resulted in a decrease of \$343,629 thousand in net income and a decrease in basic earnings per share of NT\$0.12 for the year ended December 31, 2008.

Accounting for Employee Stock Options

On January 1, 2008, the Corporation adopted the newly released SFAS No. 39 - "Accounting for Share-based Payment" to account for treasury stock transferred to employees. The adoption resulted in decreases of \$20,799 thousand in net income and of NT\$0.007 in basic earnings per share for 2008.

4. CASH AND CASH EQUIVALENTS

	<u>December 31</u>	<u>2007</u>
	<u>2008</u>	
Government bonds with repurchase rights	\$ 2,176,133	\$ 1,239,543
Cash in banks	996,349	1,067,351
Short-term notes and bills with repurchase rights	391,879	4,060,621
Time deposits	270,108	632,506
Cash on hand	26,124	22,348
Revolving funds	<u>7,469</u>	<u>5,722</u>
	<u>\$ 3,868,062</u>	<u>\$ 7,028,091</u>

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

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

	<u>December 31</u>	<u>2007</u>
	<u>2008</u>	
<u>Financial assets held for trading</u>		
Beneficiary certificates		
Open-end mutual funds	<u>\$ -</u>	<u>\$ 131,973</u>

- 21 -

6. AVAILABLE-FOR-SALE FINANCIAL ASSETS - CURRENT

	<u>December 31</u>	<u>2007</u>
	<u>2008</u>	
Domestic listed stocks		
Chungghwa Telecom Co., Ltd.	\$ 174,008	\$ 177,112
Fubon Financial Holding Company	-	1,786,256
Overseas listed stocks		
Hurray! Holding Co., Ltd. (NASDAQ listed company)	<u>67,434</u>	<u>140,035</u>
	<u>\$ 241,442</u>	<u>\$ 2,103,403</u>

7. ACCOUNTS RECEIVABLE - THIRD PARTIES

	<u>December 31</u>	<u>2007</u>
	<u>2008</u>	
Accounts receivable	\$ 6,876,210	\$ 7,313,340
Less allowance for doubtful accounts	<u>(464,499)</u>	<u>(553,751)</u>
	<u>\$ 6,411,711</u>	<u>\$ 6,759,589</u>

For the year ended December 31, 2008, the Corporation and its subsidiaries entered into an accounts receivable factoring contract with HC Second Asset Management Co., Ltd. The Corporation and its subsidiaries sold \$5,188,398 thousand of the overdue accounts receivable, which had been written off, to HC Second Asset Management Co., Ltd. The aggregate selling price was \$60,525 thousand. Under this contract, the Corporation and its subsidiaries would no longer assume the risk on this receivable.

8. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

a. 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, 2007 on its investment in TTN, retroactively.

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 of \$172,290 thousand from the former TFN for the period from January 1, 2007 to April 16, 2007 should be therefore accrued retroactively.

b. Prepayment for long-term investments

Taipei New Horizons Co., Ltd. (TNH) is established to invest in a property development project located in the old Songshan Tobacco Factory site. On January 15, 2009, TNH signed a 50-year BOT contract with Taipei City Government.

The Corporation established TNH on December 31, 2008 with initial investment of \$249,500 thousand, representing 49.9% ownership.

- 22 -

Reclassification

Certain accounts in the consolidated financial statements as of and for the year ended December 31, 2007 have been reclassified to conform to the presentation of consolidated financial statements as of and for the year ended December 31, 2008.

3. REASONS AND EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES**Accounting for Bonuses to Employees, Directors and Supervisors**

In March 2007, the ARDF issued an interpretation that requires companies and their subsidiaries to recognize those bonuses to employees and remunerations to directors and supervisors as expenses starting from January 1, 2008. The mentioned bonuses and remunerations were previously recorded as appropriations from earnings. The adoption of this interpretation resulted in a decrease of \$343,629 thousand in net income and a decrease in basic earnings per share of NT\$0.12 for the year ended December 31, 2008.

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4. CASH AND CASH EQUIVALENTS

	<u>December 31</u>	<u>2007</u>
	<u>2008</u>	
Government bonds with repurchase rights	\$ 2,176,133	\$ 1,239,543
Cash in banks	996,349	1,067,351
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5. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS - CURRENT

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

	<u>December 31</u>	<u>2007</u>
	<u>2008</u>	
<u>Financial assets held for trading</u>		
Beneficiary certificates		
Open-end mutual funds	<u>\$ -</u>	<u>\$ 131,973</u>

- 21 -

9. FINANCIAL ASSETS CARRIED AT COST - NON-CURRENT

	<u>December 31</u>	<u>2007</u>
	<u>2008</u>	
Domestic emerging stocks		
Taiwan High Speed Rail Corporation	\$ 2,120,829	\$ 2,120,829
Domestic unlisted stocks		
Arcoa Communication Co., Ltd.	67,731	67,731
Great Taipei Broadband Co., Ltd.	50,528	50,528
Parawin Venture Capital Corp.	22,202	22,202
WEB Point Co., Ltd.	6,773	6,773
Foreign unlisted stocks		
Bridge Mobile Pte Ltd.	60,064	71,596
Domestic unlisted preferred stock	<u>187,042</u>	<u>187,042</u>
New Century Information Tech. Co., Ltd.	<u>\$ 2,515,169</u>	<u>\$ 2,526,701</u>

Because there is no active market quotation and a reliable fair value can not be estimated, the above investments are measured at cost. For the years ended December 31, 2008 and 2007, the Group recognized an impairment loss of \$11,532 thousand and \$10,139 thousand, respectively.

10. BONDS MEASURED AT AMORTIZED COST - NON-CURRENT

	<u>December 31</u>	<u>2007</u>
	<u>2008</u>	
Taiwan High Speed Rail Corporation - unlisted convertible preferred stock - series A	<u>\$ 500,000</u>	<u>\$ 500,000</u>

11. PROPERTY AND EQUIPMENT - ACCUMULATED DEPRECIATION

	<u>December 31</u>	<u>2007</u>
	<u>2008</u>	
Accumulated depreciation		
Buildings	\$ 515,681	\$ 459,774
Telecommunication equipment	30,199,884	26,866,772
Office equipment	108,525	162,377
Leased assets	420,303	356,270
Miscellaneous equipment	<u>1,017,139</u>	<u>1,031,962</u>
	<u>\$ 32,261,532</u>	<u>\$ 28,877,155</u>
Accumulated impairment		
Telecommunication equipment	<u>\$ -</u>	<u>\$ 998</u>

Capitalized interest for the years ended December 31, 2008 and 2007 amounted to \$11,296 thousand and \$25,981 thousand, respectively, with capitalization rates ranging from 2.4% to 2.76% and from 2.4% to 3.0%, respectively.

- 23 -

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

12. INTANGIBLE ASSETS

	<u>Year Ended December 31, 2008</u>	
	<u>Customer Relationship</u>	<u>Operating Rights</u>
<u>Cost</u>		
Beginning balance	\$ 9,231,478	\$ 2,861,323
Add		
Acquired from merger	1,251,211	-
Effect of exchange rate changes	2,359	-
Amortization	-	<u>(174,782)</u>
Ending balance	<u>\$ 10,485,048</u>	<u>\$ 2,686,541</u>
	<u>\$ 9,231,478</u>	<u>\$ 2,861,323</u>
	<u>\$ 2,396,108</u>	<u>\$ 1,382,000</u>
	<u>\$ 6,835,370</u>	<u>\$ -</u>
	<u>\$ 9,231,478</u>	<u>\$ 2,861,323</u>
	<u>\$ 2,396,108</u>	<u>\$ 1,382,000</u>
	<u>\$ 6,835,370</u>	<u>\$ -</u>
	<u>\$ 9,231,478</u>	<u>\$ 2,861,323</u>

a. Customer relationship and operating rights

Under SFAS No. 25 - "Business Combinations" and No. 37 - "Accounting for Intangible Assets", the Group should measure the fair value of the acquired assets and identify major intangible assets as well as the amortization periods.

1) 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.

2) 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.

- 24 -

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 separated 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 combined 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 2008 and 2007 financial statements.
 - c) Assumptions on discount rate

In 2008, the Corporation used the discount rate of 7.48% in calculating the asset recoverable amounts. 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.
- 2) Fixed network 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, the types of data transmission, bandwidth on demand, minutes of incoming and outgoing calls and average revenue per minute.
 - b) Assumptions on operating costs and expenses.

The costs and expenses were based on the proportion of the actual costs and expenses to operating revenues in the 2008 financial statements.
 - c) Assumptions on discount rate

In 2008, the discount rate is 7.60% in calculating the asset recoverable amounts of TFN.

- 25 -

3) 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 copyright costs, network maintenance 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 2008 and 2007 financial statements.
- c) Assumptions on discount rate

The discount rate used to calculate the asset recoverable amounts was ranging 3.21% to 5.92% and 3.86% to 4.64% in 2008 and 2007, respectively.

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, 2008 and 2007.

13. ASSETS LEASED TO OTHERS AND IDLE ASSETS

	December 31 2008	2007
Assets leased to others		
Cost	\$ 639,696	\$ 580,268
Less accumulated depreciation	(41,279)	(22,382)
Less accumulated impairment	(54,493)	(10,591)
	<u>\$ 543,924</u>	<u>\$ 547,295</u>
Idle assets		
Cost	\$ 612,975	\$ 733,483
Less allowance for value decline	(187,519)	(187,424)
Less accumulated depreciation	(100,616)	(101,705)
Less accumulated impairment	(96,571)	(128,771)
	<u>\$ 228,269</u>	<u>\$ 315,583</u>

The impairment losses of idle equipment were determined based on their net realizable value. The Group recognized impairment losses of \$12,124 thousand for the year ended December 31, 2008.

- 26 -

14. DEFERRED CHARGES

	December 31 2008	2007
Interior decoration	\$ 289,524	\$ 271,312
Bonds issuing cost	17,664	6,698
Arrangement fee for syndicated bank loans	16,089	-
Other	14,873	4,478
	<u>\$ 338,150</u>	<u>\$ 282,488</u>

15. SHORT-TERM BANK LOANS

	December 31 2008	2007
Unsecured loans	\$ -	\$ 19,340,000
Interest rate	-	2.365%-2.6%

16. SHORT-TERM NOTES AND BILLS PAYABLE

	December 31 2008	2007
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>\$ -</u>	<u>\$ 1,594,753</u>
Interest rate	-	2.0%-2.121%
Period	-	2007.12.7- 2008.2.19

17. ADVANCE RECEIPTS

The Corporation entered into a contract with Mega International Commercial Bank Co., Ltd., which provided performance guarantee for advance receipts from prepaid card customers in accordance with NCC's new policy effective on April 1, 2007. The Corporation also bears the repayment liability with respect to TFN's drawdown from its credit line with Mega Bank. The guaranteed advance receipts from above-mentioned IDD calling card customers were \$65,046 thousand as of December 31, 2008.

TFN, the Corporation's subsidiary, entered into a contract with Mega International Commercial Bank Co., Ltd., which provided performance guarantee for advance receipts from IDD calling card customers in accordance with NCC's new policy effective on April 1, 2007. The Corporation also bears the repayment liability with respect to TFN's drawdown from its credit line with Mega Bank. The guaranteed advance receipts from above-mentioned IDD calling card customers were \$65,046 thousand as of December 31, 2008.

- 27 -

18. BONDS PAYABLE

	December 31		2007	
	Current	Non-current	Current	Non-current
Domestic unsecured bonds	\$ 7,500,000	\$ 8,000,000	\$ 2,500,000	\$ 7,500,000

a. 1st domestic unsecured bonds

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

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

\$ 15,000,000

b. 2nd domestic unsecured bonds

On November 14, 2008, the Corporation issued \$8,000,000 thousand five-year domestic unsecured bonds, with each bond having a face value of \$10,000 thousand and a coupon rate of 2.88% per annum, simple interest due annually. Repayment will be made in the fourth and fifth year with equal installments, i.e. \$4,000,000 thousand, respectively.

Future repayments of the above-mentioned corporate bonds are as follows:

Year	Amount
2009	\$ 7,500,000
2012	4,000,000
2013	<u>4,000,000</u>
	<u>\$ 15,500,000</u>

c. 2nd domestic convertible bonds

On August 16, 2002, the Corporation issued \$6,000,000 thousand of five-year domestic unsecured convertible bonds, with each bond having a face value of \$100 thousand and 0% interest. Within the conversion period from 3 months after issuance date to the 10th day before maturity, the bondholders may have the bonds converted into common stocks of the Corporation. Cash is paid for bonds that cannot be converted into one share. The conversion price is subject to adjustment based on the prescribed formula. The conversion price has been NT\$22.1 per share since July 24, 2007. As of August 15, 2007 (due date), bonds amounting to \$5,436,400 thousand had been converted to 210,871

- 28 -

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%.

19. LONG-TERM BORROWING

	December 31	2007
Unsecured loans	\$ 5,200,000	\$ -
Interest rate	2.5916%	-

To provide medium-term working capital, the Corporation and its subsidiary, TFN, entered into a syndicated loan with a joint credit line of \$13,500,000 thousand with 9 banks led by Chinatrust Commercial Bank on February 21, 2008. The tenor is three years starting from May 20, 2008. Based on contract term, interests are payable monthly and the principal is due upon maturity. Upon maturity, the loan is allowed to revolve within its credit limits. The contract requires the Corporation to maintain certain financial ratio including debt ratios, interest coverage, and tangible net asset ratio based on semi-annual financials. The Corporation also bears the repayment liability with respect to TFN's borrowing. Please refer to Note 29 for further information.

20. LONG-TERM NOTES PAYABLE

	December 31	2007
Long-term notes payable	\$ -	\$ 2,450,000
Less: Discount on long-term notes payable	-	(9,660)
Current portion of long-term liabilities	-	(2,440,340)
	\$ -	\$ -

TFNI had \$2,450,000 thousand notes payable with net present value of \$2,263,875 thousand, based on 4.75% discount rate to Pacific Construction Co., Ltd. for the purchase of FYM in May 2006 with repayment date of 20 months from the transaction date. The note payable was fully repaid on January 31, 2008, the settlement date of this purchase transaction.

- 29 -

21. PENSION PLAN

The Labor Pension Act (LPA) provides for a defined contribution pension plan. Starting from July 1, 2005, the Group should contribute monthly an amount equal to 6% of the employees' monthly wages to the employees' individual pension accounts. The contributed amount was \$174,989 thousand and \$158,543 thousand for the years ended December 31, 2008 and 2007, respectively.

The Labor Standards Act (LSA) provides for a defined benefit pension plan. Benefits are based on the length of service and average basic pay of the six months before retirement. The Group 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 and January 22, 2008, the Corporation suspended contributing from February 2007 to January 2009.

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

a. Pension cost

	Years Ended December 31	2008	2007
Service cost	\$ 4,386	\$ 5,967	16,771
Interest cost	13,920	(14,851)	(15,992)
Projected return of pension assets	-	213	(1,313)
Amortization	-	(1,087)	(106,056)
Gain on settlement	-	-	-
Pension cost	\$ 2,581	\$ (100,623)	-

b. Changes in the prepaid pension cost

	December 31	2008	2007
Benefit obligation	\$ (3,878)	\$ (5,002)	(330,434)
Vested	(358,040)	-	(335,436)
Non-vested	(361,918)	-	(227,841)
Accumulated	(295,360)	-	(563,277)
Additional benefits based on future salaries	(657,278)	-	631,830
Projected benefit obligation	657,784	68,553	-
Fair value of plan assets	(506)	20,900	24,386
Funded status	16,518	88,453	20,934
Unrecognized net transition obligation	20,900	28,056	20,934
Unrecognized prior service cost	28,056	50,984	20,839
Unamortized net gain or loss	50,984	(64,247)	(120,728)
Unrecognized net gain	(64,247)	(29,694)	(16,932)
Additional liability	(29,694)	-	-
Prepaid pension cost (accrued pension liability)	\$ 6,505	\$ (2,948)	-
Vested benefit	\$ (4,523)	\$ (5,604)	-

c. Vested benefit

- 30 -

b. Actuarial assumptions

	Years Ended December 31	2008	2007
Discount rate used in determining present values	2.50%-2.75%	2.75%-3.5%	-
Future salary increase rate	3.00%	2.5%-3.5%	-
Expected rate of return on plan assets	2.50%-2.75%	2.5%-2.75%	-

22. SHAREHOLDERS' EQUITY

a. Capital surplus

Under the Company Act, capital surplus may only be used to offset a deficit. However, capital surplus generated from the excess of the issue price over the par value of capital stock, including the stock issued for new capital and the buyback of treasury stock, may be transferred to capital as stock dividends, and this transfer is restricted to a certain percentage of the capital surplus and may be made only within prescribed limits each time. Also, the capital surplus from long-term investments may not be used for any purpose.

b. Appropriation of earnings and dividend policy

The Corporation's Articles of Incorporation provide that a 10% legal reserve should be set aside from the annual net income after the reduction of accumulated deficit. The remainder, less special reserve based on relevant laws or regulations or business requirements, should be distributed as follows:

- 1) Dividends and bonus to preferred shareholders.
- 2) Remuneration to directors and supervisors - up to 0.3%.
- 3) Bonus to employees - 1%-3%.
- 4) Remainder, to be appropriated as dividends as determined in the shareholders' meeting.

The Corporation's dividend distribution is based on the availability of excess funds. That is, the Corporation first projects future capital needs through a capital budgeting process and then provides for the projected capital needs by using retained earnings. Any remainder is available for dividend distribution. However, the amount of stock dividends should not be more than 80% of the total dividends to be distributed in a single year. The final amount, type and percentage of the dividends are subject to the approval by the Board of Directors and shareholders based on actual earnings and capital requirements of the Corporation in a particular year.

A regulation issued by the Securities and Futures Bureau requires a special reserve be made from the unappropriated earnings, equivalent to the debit balance of any account shown in shareholders' equity. The special reserve appropriated will be reversed to the extent that the net debit balance reverses.

The appropriation of earnings should be resolved by the shareholders in the following year and given effect to in the financial statements of that year.

Under the Integrated Income Tax System, ROC resident shareholders are allowed a tax credit for the income tax paid by the Corporation. An imputation credit account (ICA) is maintained by the Corporation for such income tax and the tax credit allocated to each shareholder.

- 31 -

For the year ended December 31, 2008, the bonuses to employees and remuneration to directors and supervisors were accrued based on a respective 3% and 0.3% of net income (net of the bonus to employees and remuneration to directors and supervisors) after setting aside 10% net income as legal reserves. The significant difference between annual accruals and the amount approved by the Board shall be adjusted in the current year. If the board's approval differs from the amount ratified at the annual general shareholders' meeting (AGM), the difference will be treated as changes in accounting estimation and will be adjusted in 2009's P&L. If employee bonuses are paid in the form of company shares, the number of employee bonus shares shall be derived from dividing the approved bonus amount by its closing price one day prior to the AGM, adjusted for cash and/or stock dividends if any.

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

		Dividend Per Share			
		Appropriation of Earnings		Dividend Per Share	
		For Fiscal Year 2007	For Fiscal Year 2006	For Fiscal Year 2007	For Fiscal Year 2006
Appropriation of legal reserve	\$ 661,300	\$ 1,617,074	-	-	-
Appropriation of special reserve	-	143,563	-	-	-
Reversal of special reserve	(86,819)	-	-	-	-
Remuneration to directors and supervisors	181,116	43,231	-	-	-
Cash bonus to employees	181,155	432,303	-	-	-
Cash dividends	7,601,851	12,880,151	\$2,543.26	\$2,587.57	-
	\$ 8,375,603	\$ 15,116,322	-	-	-

Information about the bonus to employees, directors and supervisors proposed by the Board of Directors and resolved by the shareholders can be accessed through the Market Observation Post System website of the Taiwan Stock Exchange.

c. Capital reduction by cash

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

d. Treasury stock

	Beginning Shares	Increase	Decrease	Ending Shares
Purpose of Buyback	-	24,193	-	24,193
Year ended December 31, 2008	1,368,250	-	556,332	811,918
To be transferred to employees	-	-	-	-
Shares held by subsidiaries	1,368,250	-	-	811,918
	(Note)	-	-	-

(Continued)

- 32 -

Purpose of Buyback

Year ended December 31, 2007

	Beginning Shares	Increase	Decrease	Ending Shares
To be transferred to employees	46,537	-	46,537	-
Shares held by subsidiaries	-	1,368,250	-	1,368,250 (Note) (Concluded)

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.

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, 2008, TFN and TFN Investment Co., Ltd. (TFNI), its subsidiary, held the carrying and market value of the treasury stocks, amounting to \$39,540,388 thousand. The Corporation reclassified \$31,889,100 thousand from investments accounted for using equity method to treasury stock based on SFAS No. 30, "Treasury Stock". Although these shares are treated as treasury stock in the financial statements, the shareholders are entitled to exercise their rights on these shares, except for participation in capital injection by cash. In addition, based on the ROC Company Law, the shareholders of treasury stocks can not exercise the voting right.

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

- 3) In December 2008, the Corporation decided to transfer 12,096 thousand treasury shares to qualified employees of the Corporation and its subsidiaries at NT\$43.8 per share under a stock option plan. This option was priced at NT\$2.24 per unit based on the Black-Scholes pricing model. As of December 31, 2008, the Corporation recognized an increase in capital surplus - employee stock options of \$27,095 thousand.

- 33 -

- e. Unrealized losses on financial instruments

Unrealized gains or losses on financial instruments for the years ended December 31, 2008 and 2007 were summarized as follows:

	Years Ended December 31	2008	2007
Available-for-sale financial assets			
Balance, beginning of year	\$	57,560	\$ 40,652
Fair value changes recognized directly in equity		(3,105)	16,908
		54,455	57,560
Changes in unrealized gains (losses) of cash flow hedge			
Balance, beginning of year	(38,749)	(218,284)	
Fair value changes recognized directly in equity		100,613	179,535
		61,864	(38,749)
Recognition of investees' changes in unrealized gains or losses by the equity method			
Balance, beginning of year	(82,854)	30,209	
Fair value changes recognized directly in equity		(39,362)	(113,063)
		(122,216)	(82,854)
Unrealized losses of financial instruments	\$	(5,897)	\$ (64,043)

23. INCOME TAX EXPENSE

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

	Years Ended December 31	2008	2007
Tax on pretax income at statutory tax rate (25%)	\$	7,351,511	\$ 4,214,392
Add (deduct) tax effects of			
Permanent differences			
Investment income from domestic investees accounted for using equity method	(2,705,374)	(2,339,132)	
Tax-exempt dividend income	(2,863)	(2,406)	
Gain on disposal of marketable securities	(3,067)	(24,771)	
Other	97,168	424,182	
Temporary differences	(507,231)	1,159,015	
Tax-exempt income	(26,001)	-	
Income tax (10%) on unappropriated earnings	195,172	106,553	
Investment tax credits	(316,878)	(283,705)	
Prior years' loss carryforward	(39,901)	(52,856)	
Deferred income taxes	426,497	(1,281,621)	
Prior years' adjustment	509,901	200,264	
Tax on short-term bills	11,601	32,711	
Income basic tax	163,926	25,732	
Income tax expense	\$	5,154,461	\$ 2,178,358

- 34 -

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

	December 31	2008	2007
Unrealized loss on retirement of property and equipment	\$	2,155,031	\$ 2,616,640
Provision for doubtful accounts		690,256	843,509
Investment tax credits		484,494	660,937
Amortization of goodwill		(136,519)	(207,336)
Loss carryforwards		101,901	122,689
Provision for impairment losses on idle assets		66,416	65,016
Unrealized loss on financial liabilities		(20,622)	(2,890)
Accrued pension cost		(2,526)	11,485
Other		41,599	27,764
Less valuation allowance		3,380,030	4,137,814
		(842,400)	(1,155,956)
		\$ 2,537,630	\$ 2,981,858
Deferred income tax assets			
Current	\$	149,534	\$ 134,055
Non-current		2,478,484	2,898,598
		\$ 2,628,018	\$ 3,032,653
Deferred income tax liabilities			
Current	\$	-	\$ (15,806)
Non-current		(90,388)	(34,989)
		\$ (90,388)	\$ (50,795)

- c. As of December 31, 2008, the Corporation, TFN, WTVB and TFNM's investment tax credits consisted of the following:

Regulatory Basis of Tax Credits	Total Creditable Amount	Remaining Creditable Amount	Expiry Year
Statute for Upgrading Industries	\$ 790,172	\$ 480,592	2012
Purchase of machinery and equipment	3,902	3,902	2010
Personnel training	794,074	484,494	

- d. Following were the net operating loss carryforwards of TCC, TYDB, TDC, WTVB, R&R, TT&T, WMT, TFMT, GWMT, FILMT, FSMT and GFMT as of December 31, 2008:

Year	Total Creditable Amount	Remaining Creditable Amount	Expiry Year
2004	\$ 9,168	\$ 8,405	2014
2005	24,333	23,197	2015
2006	191,121	185,499	2016
2007	144,389	131,269	2017
2008	62,869	62,869	2018
	\$ 431,880	\$ 411,239	

- 35 -

- e. Integrated income tax information was as follows:

	December 31	2008	2007
Balance of imputation credit account (ICA)			
The Corporation			
TAT	\$ 2,797,882	\$ 2,300,728	
TCC	623,830	623,830	
TCC	2,668	191,526	
WMT	-	-	
TFMT	-	-	
FILMT	-	-	
GWMT	1,624	-	
FSMT	1,950	-	
GFMT	-	Not applicable	
TYDB	97	97	
TDC	-	-	
The former TT&T			
TCPIA	Not applicable	28,081	
TLIA	Not applicable	-	
TSB	Not applicable	8	
TFN	10	1	
TUC	1,615,934	1,550,577	
TTN	Not applicable	-	
TT&T	Not applicable	680	
R&R	29	-	
WTVB	123,168	288,434	
TFNM	-	-	
UCTV	198,248	165,315	
SHCTV	44,364	51,693	
YJCTV	9,641	2,170	
MCTV	52,969	33,638	
NCCTV	7,914	8,403	
PCTV	Not applicable	1,968	
GCTV	31,588	34,467	
	33,738	37,817	

As of December 31, 2008, there were no unappropriated earnings generated before January 1, 1998. The estimated or actual creditable ratio for the 2008 and 2007 earnings appropriation were as follows:

	2008	2007
The Corporation		
TAT	27.82%	38.96%
TCC	Not applicable	28.76%
WMT	0.04%	24.59%
TFMT	-	-
FILMT	-	-
GWMT	33.33%	-
FSMT	33.33%	-
GFMT	-	Not applicable
TYDB	-	-
TDC	-	-
The former TT&T	Not applicable	-
TCPIA	Not applicable	-

(Continued)

- 36 -

	2008	2007	Year
TLIA	Not applicable	33.33%	2006
TSB	1.85%	1.85%	2006
TFN	26.45%	33.33%	2007
TUC	Not applicable	-	2005
TTN	Not applicable	-	2006
TT&T	0.04%	-	2005
TFNI	9.13%	33.35%	2006
R&R	-	0.01%	2006
WTVB	-	-	2006
TFNM	25.67%	25.51%	2006
UCTV	33.33%	33.33%	2006
SHCTV	-	6.25%	2006
YJCTV	33.33%	21.06%	2006
MCTV	33.37%	28.37%	2006
NCCTV	Not applicable	34.52%	2006
PCTV	32.61%	33.32%	2006
GCTV	33.34%	33.34%	2006

(Concluded)

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

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

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

	2008	2007	Year
The Corporation	Not applicable	33.33%	2005
The former TAT	1.85%	1.85%	2006
TAT	26.45%	33.33%	Not applicable
Mobitai	Not applicable	-	2005
TCC	Not applicable	-	2006
WMT	Not applicable	0.01%	Not applicable
TFMT	Not applicable	-	Not applicable
FILMT	Not applicable	-	Not applicable
GWMT	Not applicable	-	Not applicable
FSMT	Not applicable	-	Not applicable
TYDB	Not applicable	-	2006
TDC	Not applicable	-	Not applicable
The former TT&T	Not applicable	-	2005
TCPIA	Only 2007 not applicable	-	Only 2007 not applicable
TLIA	Only 2007 not applicable	-	Only 2007 not applicable
TSB	Not applicable	-	Not applicable
TFN	Not applicable	-	Not applicable
The former TFN	2006, only 2005 not applicable	-	2006, only 2005 not applicable
TUC	2008, only 2007 not applicable	-	2008, only 2007 not applicable
TTN	2006	2006	2006
TT&T	2006	2006	2006
TFNI	2006	2006	2006
HYI	2006	2006	2006

(Continued)

- 37 -

25. LABOR COST, DEPRECIATION AND AMORTIZATION EXPENSE

	Years Ended December 31	
	2008	2007
	Classified as Operating Cost	Classified as Operating Expenses
	Cost	Expenses
	Total	Total
Labor cost	\$ 1,353,882	\$ 3,371,866
Salary	\$ 3,371,866	\$ 4,725,748
Labor and health insurance	\$ 978,871	\$ 3,151,704
Pension	\$ 978,871	\$ 4,130,575
Other	\$ 1,133,550	\$ 3,477,215
Depreciation	\$ 6,597,869	\$ 581,732
Amortization	\$ 973,598	\$ 1,133,550
	\$ 1,133,550	\$ 3,477,215

26. FINANCIAL INSTRUMENT TRANSACTIONS

- a. Fair value information
- | | December 31 | |
|-------------------------------------------|----------------|----------------|
| | 2008 | 2007 |
| | Carrying Value | Carrying Value |
| | Fair Value | Fair Value |
| Non-derivative financial instruments | | |
| Liabilities | | |
| Bonds payable (including current portion) | \$ 15,500,000 | \$ 15,621,815 |
| | \$ 10,000,000 | \$ 9,942,440 |
- b. The methods and significant assumptions applied in determining fair values of financial instruments were as follows:
- 1) Available-for-sale financial assets - based on quoted prices in an active market on the balance sheet date.
 - 2) Because there is no active market and a reliable fair value could only be verified at a more than reasonable cost, the fair value of investments in unlisted stocks carried at cost, prepayments for long-term investments or bonds investment with no active market can be measured by the net worth of the investees' or the estimated book value.
 - 3) Bonds payable - based on the over-the-counter quotations in December.
 - 4) Fair value of long-term loans - based on the present value of future cash flows discounted by the interest rates the Company may obtain for similar loans (e.g., similar maturities).
 - 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 assets, evaluated by the bid price of counter party.

- 39 -

24. EARNINGS PER SHARE

	Amounts (Numerator)		Shares (Denominator) (Thousands)	EPS (NT\$)	
	Before Income Tax	After Income Tax		Before Income Tax	After Income Tax
For the year ended December 31, 2008					
Basic EPS					
Income of common shareholders	\$ 19,777,097	\$ 15,371,386	2,966,368	\$ 6.67	\$ 5.18
Add effect of potentially dilutive common stocks			8,515		
Diluted EPS					
Income of common shareholders with dilutive effect of potential common shares	\$ 19,777,097	\$ 15,371,386	2,974,883	\$ 6.65	\$ 5.17
For the year ended December 31, 2007					
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	\$ 8,056,898	\$ 6,613,773	3,929,411	\$ 2.05	\$ 1.68

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

- 38 -

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 \$2,764,594 thousand and \$5,731,890 thousand as of December 31, 2008 and 2007, respectively, and the financial liabilities exposed to fair value interest rate risk amounted to \$15,700,000 thousand and \$28,375,093 thousand as of December 31, 2008 and 2007, respectively. The financial assets exposed to cash flow interest rate risk amounted to \$1,173,229 thousand and \$1,295,434 thousand as of December 31, 2008 and 2007, respectively, and the financial liabilities exposed to cash flow interest rate risk amounted to \$5,000,000 thousand and \$5,051,665 thousand as of December 31, 2008 and 2007, respectively.

e. Information on financial risks:

1) Market risk

The interest rate swap (IRS) contracts are used to hedge interest rate fluctuation on inverse floating interest rate liabilities. 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 Group 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 Group's evaluation of credit risk exposure as of December 31, 2008 and 2007 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's operating funds are deemed sufficient to meet the cash flow demand, therefore, liquidity risk is not considered to be significant.

- 40 -

- 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 inverse 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.

27. RELATED-PARTY TRANSACTIONS

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

Related Party	Relationship with the Group
Taiwan Mobile Foundation (TWM Foundation)	Over one third of the Foundation's issued fund came from the Corporation
Fubon Life Assurance Co., Ltd. (FLA)	Same chairman
Fubon Securities Investment Trust Co., Ltd.	Related party in substance
Chung Hsing Construction 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. (FPM)	Related party in substance
Fubon Direct Marketing Consulting Co., Ltd. (FDMC)	Related party in substance
Fubon Financial Holding Company	Related party in substance
Fubon Asset Management Co., Ltd.	Related party in substance
Fubon Financial Venture Capital Co., Ltd.	Related party in substance
Fubon Future Co., Ltd.	Related party in substance
Fubon Investment Services Co., Ltd.	Related party in substance
Fubon Venture Capital Consulting Co., Ltd. (DKL)	Related party in substance
Taiwan Sport Lottery Corporation (TSL)	Related party in substance

- b. Significant transactions with related parties are summarized below:

1) Operating revenues

	Years Ended December 31	
	2008	2007
	Amount	% of Total Revenues
TFCB	\$ 149,783	\$ 53,981
TSL	102,147	-
FMT	73,494	41,038
FSC	47,429	6,909
Fubon Ins.	15,765	9,115
FLA	14,510	4,483
FDMC	8,849	12,246
Fubon Financial Holding Company	5,634	11,937
The former TFN	-	454,789
	\$ 417,611	\$ 594,498

The Group mainly rendered telecommunications service to the above companies. The average collection period for notes and accounts receivable was based on regular terms.

2) Operating costs

	Years Ended December 31	
	2008	2007
	Amount	% of Total Costs
DKL	\$ 155,199	\$ 94,457
Fubon Ins.	76,375	102,579
The former TFN	-	256,212
	\$ 231,574	\$ 453,248

The above companies mainly rendered telecommunication, maintenance, insurance and TV programs licensing services to the Group. The average payment term for notes and accounts payable was based on regular terms.

3) Property transactions

Disposal of property and equipment

	Year Ended December 31, 2008		
Description	Amount	Loss	
FMT	Telecommunication equipment and miscellaneous equipment	\$ 62,807	\$ 7,038

The transaction amount of WTVB's sale of equipment to FMT was negotiated based on the value appraised by an independent third party.

- 41 -

4) Rental income

	Years Ended	
	December 31, 2008	2007
	Amount	%
FMT	\$ 29,972	\$ 22,523
The former TFN	-	-
	\$ 29,972	\$ 22,523

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

5) Cash in banks and bank loans

	December 31	
	2008	2007
	Amount	%
a) Cash in banks		
TFCB	\$ 556,278	14
b) Pledged time deposits		
TFCB	\$ 36,965	97
	\$ 22,815	48
c) Secured loans		
TFCB		
Short-term secured loans		
Maximum balance for the period	\$ 2,180,000	
Ending balance	2,113,128	2,594,108
Rate (%)	25,015	
Interest expenses		
Long-term secured loans		
Maximum balance for the period	\$ 2,500,000	
Ending balance	2,356,824	2,451,166
Rate (%)	19,293	
Interest expenses		

Maximum balance for the period
Ending balance
Rate (%)
Interest expenses
Maximum balance for the period
Ending balance
Rate (%)
Interest expenses

6) Receivables and payables

- a) Accounts receivable

	December 31	
	2008	2007
	Amount	%
TFCB	\$ 114,822	2
TSL (Note)	42,716	1
FSC (Note)	29,715	1
Fubon Ins.	14,436	-
FLA	13,455	-
Other	17,885	-
	\$ 233,029	\$ 120,634

Note: Leasehold receivables from TSL was as follows:

	December 31, 2008		Total
	Current Portion	Under Other Assets	
Leasehold receivable	\$ 30,851	\$ 70,841	\$ 101,692
Less unrealized interest income	(4,578)	(7,134)	(11,712)
	\$ 26,273	\$ 63,707	\$ 89,980

Note: Leasehold receivables from FSC was as follows:

	December 31, 2008		Total
	Current Portion	Under Other Assets	
Leasehold receivable	\$ 5,443	\$ 12,700	\$ 18,143
Less unrealized interest income	(868)	(1,425)	(2,293)
	\$ 4,575	\$ 11,275	\$ 15,850

- b) Prepayments

	December 31	
	2008	2007
	Amount	%
Fubon Ins.	\$ 46,502	4
	\$ 56,278	7

- c) Accounts payable

	December 31	
	2008	2007
	Amount	%
DKL	\$ 38,800	1
	\$ 11,869	-

- 43 -

28. 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	
	2008	2007
Current assets - time deposits	\$ 38,015	\$ 47,706
Fixed assets, net carrying value	\$ —	\$ 945,693
	\$ 38,015	\$ 993,399

The fixed 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.

29. 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, 2008, the purchase amount was \$3,229,863 thousand.
- b. The Corporation provided an \$18,000,000 thousand guarantee for TFN's bank loan. As of December 31, 2008, TFN had not made any drawdown on this loan. The Corporation also provide TFN \$11,171,900 thousand in promissory notes outstanding for its borrowings with banks.
- c. The Corporation and its subsidiary, TFN, obtained \$13,500,000 thousand of syndicated loan from 9 banks led by Chinatrust Commercial Bank. The Corporation provided a guarantee for TFN's bank loan. As of December 31, 2008, TFN had not made any drawdown on this loan.
- d. As of December 31, 2008, the Corporation had provided TFN \$50,000 thousand as performance guarantee for IDD calling card issued by July 31, 2008, in accordance with NCC's new policy effective on April 1, 2007.
- e. As of December 31, 2008, TT&T provided an \$146 thousand guarantee for TFN's obligation of construction and equipment sales.
- f. Future minimum rental payments as of December 31, 2008 for significant operating lease agreements were summarized as follows:

	Amount
2009	\$ 34,007
2010	29,478
2011	13,215
2012	5,432

30. 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).

Years Ended December 31

	2008	2007
7) Telecommunications service expenses	\$ —	\$ 21,660
The former TFN		
8) Insurance expenses	\$ 15,887	\$ 21,069
Fubon Ins.		
9) Donation	\$ 22,000	\$ 18,000
TWM Foundation		
10) Repairs and maintenance	\$ 23,347	\$ 19,288
FPM		
11) Other expenses	\$ 28,085	\$ 18,863
FPM		

- 12) Endorsement/guarantee provided

The Corporation and its subsidiaries provide guarantee contracts for related party. Please see Note 29.

- 13) Compensation to directors, supervisors and managers:

	2008	2007
Salaries, incentives and special compensation	\$ 199,525	\$ 241,448
Earnings paid as compensation to directors	41,470	18,116
Earnings paid as bonus to employees	77,293	33,465
Professional fee	3,688	4,523
	\$ 321,976	\$ 297,552

The compensation to directors, supervisors and managers for the year ended December 31, 2007 included the bonus appropriation from 2006 earnings approved in 2007 AGM. While that for the year ended December 31, 2008 included the broad's proposed bonus appropriation from 2007 earnings subject to approval in 2008 AGM. More detailed information may be referred in the Corporation's annual reports.

- b. Endorsement/guarantee provided: Table 2 (attached).
- c. Marketable securities held: Table 3 (attached).
- d. Marketable securities acquired and disposed of at costs or prices of at least \$100 million or 20% of the paid-in capital: Table 4 (attached).
- e. Acquisition of individual real estate at costs of at least \$100 million or 20% of the paid-in capital: None.
- f. Disposal of individual real estate at prices of at least \$100 million or 20% of the paid-in capital: None.
- g. Total purchase from or sale to related parties amounting to at least \$100 million or 20% of the paid-in capital: Table 5 (attached).
- h. Receivables from related parties amounting to at least \$100 million or 20% of the paid-in capital: Table 6 (attached).
- i. Names, locations, and related information of investees on which the Corporation exercised significant influence: Table 7 (attached).
- j. Derivative transactions

- 1) The Corporation entered into interest rate swap (IRS) contracts in December 2002 to hedge fluctuation on inverse floating interest rates of bonds, which are settled semiannually. Please refer to Note 26 for the related information.

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

The Corporation entered into IRS contracts to hedge Inverse floating interest rate fluctuation. For the years ended December 31, 2008 and 2007, the Corporation recognized losses of \$30,531 thousand and \$157,945 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. 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.

- 1. Business relationships and significant intercompany transactions: Table 9 and Table 10 (attached).

31. SEGMENT INFORMATION

- a. Industry

	Year Ended December 31, 2008				Adjustments and Elimination	Consolidated
	Mobile	Fixed-line	Cable TV	Others		
Revenues from outside of the Group	\$ 56,104,767	\$ 8,862,675	\$ 4,186,480	\$ 142,174	\$ —	\$ 69,296,096
Revenues from other segments in the Group (Note 2)	2,151,979	1,127,584	50,900	33,900	(3,463,963)	—
Total revenues	\$ 58,256,746	\$ 9,990,259	\$ 4,237,380	\$ 176,074	\$ (3,463,963)	\$ 69,296,096
Gross profit (loss) (Note 3)	\$ 18,471,439	\$ 1,730,609	\$ 1,686,003	\$ (55,338)	\$ (50,222)	\$ 21,782,491
Interest income	—	—	—	—	—	103,583
Other income	—	—	—	—	—	929,443
Interest expenses	—	—	—	—	—	(689,043)
Operating expenses	—	—	—	—	—	(1,897,764)
Other expenses	—	—	—	—	—	—
Income before income tax	\$ 18,471,439	\$ 1,730,609	\$ 1,686,003	\$ (55,338)	\$ (50,222)	\$ 21,782,491
Identifiable assets (Note 4)	\$ 72,745,896	\$ 5,866,349	\$ 12,511,028	\$ 240,474	\$ (3,033,344)	\$ 88,330,513
Financial assets	—	—	—	—	—	241,442
Long-term investment	—	—	—	—	—	3,347,154
General assets	—	—	—	—	—	—
Total assets	\$ 72,745,896	\$ 5,866,349	\$ 12,511,028	\$ 240,474	\$ (3,033,344)	\$ 88,330,513
Depreciation expenses	\$ 6,598,035	\$ 87,509	\$ 483,282	\$ 19,204	\$ —	\$ 7,188,030
Amortization expenses	\$ 888,390	\$ 62,990	\$ 142,913	\$ 1,377	\$ —	\$ 1,095,670
Capital expenditure	\$ 5,911,441	\$ 1,038,523	\$ 444,375	\$ 371	\$ —	\$ 7,404,710
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)	1,269,486	798,252	18,174	13,500	(2,099,412)	—
Total revenues	\$ 59,252,042	\$ 5,967,620	\$ 2,865,509	\$ 109,402	\$ (2,099,412)	\$ 66,095,161

(Continued)

	Year Ended December 31, 2007			
	Mobile	Fixed-line	Cable TV	Others and Elimination Consolidated
Gross profit (loss) (Note 3)	\$ 19,390,294	\$ 122,401	\$ 1,163,485	\$ 701,895
Interest income				258,123
Investment income, net				172,777
Other income				813,589
Operating expenses				(943,585)
Other expenses				(12,651,329)
Income before income tax				\$ 8,949,722
Identifiable assets (Note 4)	\$ 78,023,888	\$ 11,797,459	\$ 12,486,697	\$ 6,890,692
Income tax expense				2,235,376
Long term investment				3,026,701
General assets				
Total assets				\$ 98,030,256
Depreciation expenses	\$ 7,145,513	\$ 267,401	\$ 332,551	\$ 18,254
Amortization expenses	\$ 951,232	\$ 18,424	\$ 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 service revenue 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) Long-term investments accounted for using equity method.

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	Years Ended December 31		Percentage of Operating Revenues (%)
	2008	2007	
Chunghwa Telecom Co., Ltd.	\$ 13,582,263	\$ 11,151,044	20

- 49 -

TABLE 1

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

FINANCING PROVIDED
YEAR ENDED DECEMBER 31, 2008
(In Thousands of New Taiwan Dollars)

No.	Lending Company	Borrowing Company	Financial Statement Account	Maximum Balance for the Period	Ending Balance	Interest Rate	Financing Purpose	Transaction Amounts	Reasons for Short-term Financing	Allowance for Doubtful Accounts	Collateral		Lending Limit for Each Borrowing Company (Note)	Lending Company's Lending Amount Limits (Note)
											Item	Value		
0	Taiwan Mobile Co., Ltd. (the "Corporation")	Tai Fu Media Technology Co., Ltd. TFN Media Co., Ltd.	Other receivables Other receivables	\$ 2,005,000 1,250,000	\$ 2,000,000	2.417%-2.568% 2.538%-2.548%	Short-term financing Short-term financing	\$ - -	To meet its financing needs in acquiring minorities To meet its financing needs in acquiring minorities	- -	- -	\$ 20,361,039 (Note 1) 20,361,039 (Note 1)	\$ 20,361,039 (Note 1) 20,361,039 (Note 1)	
1	TransAsia Telecommunications Inc.	The Corporation Taiwan Cellular Co., Ltd.	Other receivables Other receivables	1,745,609 900,000	- -	2.572%-2.604% 2.477%	Short-term financing Short-term financing	- -	Transactions To meet its financing needs in setting up subsidiaries	- -	- -	(Note 2) (Note 3)	(Note 2) (Note 3)	
2	Taiwan Cellular Co., Ltd.	Taiwan Fixed Network Co., Ltd. TFN Media Co., Ltd.	Other receivables Other receivables	2,500,000 1,250,000	- 250,000	2.558% 2.417%-2.538%	Short-term financing Short-term financing	- -	To pay off bank loan To meet its financing needs in acquiring minorities	- -	- -	21,178,762 (Note 1) 21,178,762 (Note 1)	21,178,762 (Note 1) 21,178,762 (Note 1)	
3	Taiwan Fixed Network Co., Ltd.	TFN Investment Co., Ltd. TFN Media Co., Ltd. The Corporation	Other receivables Other receivables Other receivables	1,150,000 1,500,000 1,300,000	- 1,050,000 1,300,000	2.560% 2.574%-2.604% 2.124%-2.417%	Short-term financing Short-term financing Short-term financing	- - -	Transactions Transactions Transactions	- - -	- - -	20,859,012 (Note 1) 20,859,012 (Note 1) 20,859,012 (Note 1)	20,859,012 (Note 1) 20,859,012 (Note 1) 20,859,012 (Note 1)	
4	TFN Investment Co., Ltd.	TFN Media Co., Ltd. TFN Media Co., Ltd.	Other receivables Other receivables	1,000,000 3,000,000	1,000,000 2,900,000	2.417%-2.538% 2.602%	Short-term financing Short-term financing	- -	To meet its financing needs in acquiring minorities Business requirements	- -	- -	10,290,577 (Note 1) 10,290,577 (Note 1)	10,290,577 (Note 1) 10,290,577 (Note 1)	
5	Union Cable TV Co., Ltd.	TFN Media Co., Ltd.	Other receivables - related parties	560,000	540,000	2.168%-2.604%	Transactions	266,206	Business requirements	-	-	13,500,000 (Note 4)	13,500,000 (Note 4)	
6	North Coast Cable TV Co., Ltd.	TFN Media Co., Ltd.	Other receivables - related parties	205,000	-	2.538%-2.597%	Transactions	7,239	Business requirements	-	-	(Note 5)	(Note 5)	
7	Mangrove Cable TV Corporation	TFN Media Co., Ltd.	Other receivables - related parties	138,000	138,000	2.463%-2.594%	Transactions	23,145	Business requirements	-	-	12,000,000 (Note 4)	12,000,000 (Note 4)	
8	Globalview Cable TV Co., Ltd.	TFN Media Co., Ltd.	Other receivables - related parties	400,000	350,000	2.199%-2.604%	Transactions	207,494	Business requirements	-	-	12,000,000 (Note 4)	12,000,000 (Note 4)	
9	Phoenix Cable TV Co., Ltd.	TFN Media Co., Ltd.	Other receivables - related parties	500,000	500,000	2.199%-2.594%	Transactions	545,446	Business requirements	-	-	12,000,000 (Note 4)	12,000,000 (Note 4)	
10	Shin Ho Cable TV Co., Ltd.	TFN Media Co., Ltd.	Other receivables - related parties	247,700	207,700	2.168%-2.604%	Transactions	8,934	Business requirements	-	-	12,000,000 (Note 4)	12,000,000 (Note 4)	
11	Yeong Jiakeh Cable TV Co., Ltd.	TFN Media Co., Ltd.	Other receivables - related parties	180,000	130,000	2.591%-2.594%	Transactions	403,871	Business requirements	-	-	24,000,000 (Note 4)	24,000,000 (Note 4)	

(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: TransAsia Telecommunications Inc. merged into the Corporation on September 2, 2008. The limitation is zero.

Note 3: Assumed all MBT's financing provided to others due to merger.

Note 4: 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 5: North Coast Cable TV Co., Ltd. liquidated on October 1, 2008. (Concluded)

- 51 -

TABLE 2

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

**ENDORSEMENT/GUARANTEE PROVIDED
YEAR ENDED DECEMBER 31, 2008
(In Thousands of New Taiwan Dollars)**

No.	Endorser/Guarantor (A)	Receiving Party		Maximum Guarantee/ Endorsement Amount Can Be Provided to Each Receiving Party	Maximum Balance for the Period (Note 1)	Ending Balance (Note 1)	Value of Collaterals	Ratio of Accumulated Endorsement/ Guarantee to Net Worth of the Guarantor (Note 1)	Maximum Guarantee/ Endorsement Can Be Provided by the Guarantor/Endorser
		Name (B)	Nature of Relationship (B is A's)						
0	Taiwan Mobile Co., Ltd. (the "Corporation")	Taiwan Fixed Network Co., Ltd. (TFN)	(Note 2)	\$ 80,000,000 (Note 3)	\$ 24,748,120	\$ 24,721,900	\$ -	48.57%	\$ 50,902,598
1	TransAsia Telecommunications Inc. (TAT)	The Corporation	(Note 4)	18,000,000 (Note 3)	1,000,000	-	-	-	(Note 5)
2	TFN Investment Co., Ltd. (TFNI)	WinTV Broadcasting Co., Ltd.	(Note 6)	252,141 (Note 7)	50,000	-	-	-	25,726,442 (Note 7)
3	Taiwan Teleservices & Technologies Co., Ltd. (TT&T)	Taiwan Fixed Network Co., Ltd. (TFN)	(Note 4)	20,000 (Note 8)	223	146	-	0.15%	97,609 (Note 8)

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

Note 2: Direct/Indirect subsidiary

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

Note 4: Direct/Indirect subsidiary.

Note 5: TransAsia Telecommunications Inc. merged into the Corporation on September 2, 2008. The maximum endorsement/guarantee amount provided by TAT is zero.

Note 6: Direct subsidiary.

Note 7: For over 50% direct/indirect owned subsidiaries, the aggregate endorsement/guarantee amount provided shall not exceed the net worth of TFNI, and the upper-limit to each subsidiary shall be the amount of investment in TFNI.

Note 8: TT&T is directly and indirectly 100% owned by TFN. The endorsement/guarantee amount provided by TT&T, shall be limited within the net worth of TT&T, and not over double of the investment amount in TT&T.

- 52 -

TABLE 3

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

DECEMBER 31, 2008

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

Investing Company (A)	Marketable Securities Invested (B)	Relationship with the Investing Company (B is A's)	Financial Statement Account	December 31, 2008			Note
				Shares/Units (Thousands)	Carrying Value	Percentage of Ownership	
Taiwan Mobile Co., Ltd. (the "Corporation")	Stock Chunghwa Telecom Co., Ltd.	-	Available-for-sale financial assets - current	3,252	\$ 174,008	0.028	\$ 174,008 (Note 5)
	Bridge Mobile Pte Ltd.	-	Financial assets carried at cost - non-current	2,200	60,064	10.00	56,119 (Note 3)
	Yes Mobile Holdings Company	-	Financial assets carried at cost - non-current	74	-	0.19	-
	Wealth Media Technology Co., Ltd.	Subsidiary	Long-term investments - equity method	27,200	(Note 2) 225,735	100.00	225,735 (Note 3)
	Taiwan Cellular Co., Ltd.	Subsidiary	Long-term investments - equity method	149,958	15,125,451	100.00	52,946,904 (Note 4)
	Taipei New Horizons Co., Ltd.	-	Prepayment for long-term investments	-	249,500	-	-
Wealth Media Technology Co., Ltd.	Stock Tai Fu Media Technology Co., Ltd.	Subsidiary	Long-term investments - equity method	27,000	224,049	100.00	224,049
Tai Fu Media Technology Co., Ltd.	Stock Global Wealth Media Technology Co., Ltd.	Subsidiary	Long-term investments - equity method	8,400	88,291	100.00	88,291
	Fu Jia Leh Media Technology Co., Ltd.	Subsidiary	Long-term investments - equity method	117,100	2,001,200	100.00	2,001,200
	Fu Sin Media Technology Co., Ltd.	Subsidiary	Long-term investments - equity method	13,500	139,721	100.00	139,721
	Global Forest Media Technology Co., Ltd.	Subsidiary	Long-term investments - equity method	100	925	100.00	925
Global Wealth Media Technology Co., Ltd.	Stock Globalview Cable TV Co., Ltd.	Subsidiary	Long-term investments - equity method	3,460	83,469	6.179	40,142
Fu Sin Media Technology Co., Ltd.	Stock Phoenix Cable TV Co., Ltd.	Subsidiary	Long-term investments - equity method	2,272	132,485	3.34	32,206
Taiwan Cellular Co., Ltd.	Stock Arcosa Communication Co., Ltd.	-	Financial assets carried at cost - non-current	6,998	67,731	5.21	- (Note 3)
	Parawin Venture Capital Corp.	-	Financial assets carried at cost - non-current	3,000	22,202	3.00	- (Note 3)
	Transportation High Tech Inc.	-	Financial assets carried at cost - non-current	1,200	-	12.00	- (Note 3)
	WEB Point Co., Ltd.	-	Financial assets carried at cost - non-current	803	(Note 2) 6,773	3.17	- (Note 3)
Tai Yi Digital Broadcasting Co., Ltd.	Stock TWM Holding Co. Ltd.	Subsidiary	Long-term investments - equity method	2,495	21,528	49.90	21,528 (Note 3)
		Subsidiary	Long-term investments - equity method	1 share	US\$ 6,089	100.00	US\$ 6,089 (Note 3)

(Continued)

- 53 -

Investing Company (A)	Marketable Securities Invested (B)	Relationship with the Investing Company (B is A's)	Financial Statement Account	December 31, 2008			Note
				Shares/Units (Thousands)	Carrying Value	Percentage of Ownership	
TWM Holding Co., Ltd.	Taiwan Fixed Network Co., Ltd.	Subsidiary	Long-term investments - equity method	4,000,000	\$ 52,147,530	100.00	\$ 52,147,530
	Taiwan Digital Communication Co., Ltd.	Subsidiary	Long-term investments - equity method	1,200	11,081	100.00	11,081
	ADS Hurray! Holding Co., Ltd.	-	Available-for-sale financial assets - current	1,080	US\$ 2,052	4.94	US\$ 2,052 (Note 5)
Taiwan Fixed Network Co., Ltd.	Stock Hurray! Times Communications, Beijing	Subsidiary	Long-term investments - equity method	-	US\$ 3,916	100.00	US\$ 2,956
	The Corporation	Ultimate parent	Available-for-sale financial assets - non-current	456,295	\$ 22,221,555	12.00	\$ 22,221,555 (Note 5)
	TFN Investment Co., Ltd.	Subsidiary	Long-term investments - equity method	2,061,939	23,227,228	100.00	25,726,442 (Note 5)
	TFN HK Limited	Subsidiary	Long-term investments - equity method	1,300	2,957	100.00	2,957
	Taiwan Teleservices & Technologies Co., Ltd.	Subsidiary	Long-term investments - equity method	1,000	97,609	100.00	97,609
	Taiwan High Speed Rail Corporation	-	Financial assets carried at cost - non-current	225,531	2,120,829	3.82	- (Note 3)
Taiwan Teleservices & Technologies Co., Ltd.	Preferred stock New Century InfoComm Technology Co., Ltd.	-	Financial assets carried at cost - non-current	33,684	187,042	0.84	- (Note 3)
	TT & T Holdings Co., Ltd.	Subsidiary	Long-term investments - equity method	1,300	US\$ 1,363	100.00	US\$ 1,363
	Taiwan Super Basketball Co., Ltd.	Subsidiary	Long-term investments - equity method	2,000	20,044	100.00	20,044
TT&T Holdings Co., Ltd.	Stock Xiamen Taifu Teleservices & Technologies Ltd.	Subsidiary	Long-term investments - equity method	-	US\$ 1,362	100.00	US\$ 1,362
TFN Investment Co., Ltd.	Stock The Corporation	Ultimate parent	Available-for-sale financial assets - non-current	355,623	17,318,833	9.36	17,318,833 (Note 5)
	Reach & Range Inc.	Subsidiary	Long-term investments - equity method	2,400	33,542	100.00	26,471 (Note 5)
	WinTV Broadcasting Co., Ltd.	Subsidiary	Long-term investments - equity method	25,214	181,865	98.50	179,047
	TFN Media Co., Ltd.	Subsidiary	Long-term investments - equity method	230,526	3,732,745	100.00	3,423,783
	Great Taipei Broadband Co., Ltd.	-	Financial assets carried at cost - non-current	10,000	50,528	6.67	- (Note 3)
	Preferred stock Taiwan High Speed Rail Corporation Unlisted Convertible Preferred Stock - Series A	-	Bonds measured at amortized cost - non-current	50,000	500,000	1.08	- (Note 3)

(Continued)

- 54 -

Investing Company (A)	Marketable Securities Invested (B)	Relationship with the Investing Company (B is A's)	Financial Statement Account	December 31, 2008			Note	
				Shares/Units (Thousands)	Carrying Value	Percentage of Ownership		Market Value (Note 1)
TFN Media Co., Ltd.	Stock Yeong Jialeh Cable TV Co., Ltd. Shin Ho Cable TV Co., Ltd. Mangrove Cable TV Corporation Phoenix Cable TV Co., Ltd. Union Cable TV Co., Ltd. Globalview Cable TV Co., Ltd.	Subsidiary 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 Long-term investments - equity method	33,940 20,000 21,160 65,818 170,441 51,733	\$ 2,113,439 695,449 557,279 3,157,539 2,023,231 1,222,722	100.00 100.00 100.00 96.66 99.99 92.38	\$ 588,959 208,560 294,104 933,034 1,818,483 600,202	Note 6 Note 6

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

Note 2: Impairment loss recognized in 2004 reduced the value to zero.

Note 3: As of January 20, 2009, the independent auditors' report date, the investee's net worth was not available.

Note 4: Taiwan Mobile shares held indirectly by TFN and TFNI (both are subsidiaries of TCC) are classified as treasury shares. Therefore, TWM's carrying cost of \$52,946,904 on TCC shall be reduced by downward adjusting the latter's net worth by \$31,889,100 thousand, excluding \$5,934,549 thousand unrealized gain from financial assets investment, and adding back recognition of upstream transactions gains of \$2,196 thousand.

Note 5: Based on the closing price on December 31, 2008.

Note 6: Some shares are held under trustee accounts.

(Concluded)

- 55 -

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, 2008
(In Thousands of New Taiwan Dollars)

Company Name	Marketable Securities Type and Issuer	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal		Ending Balance (Note 1)	
					Shares/Units (Thousands)	Amount	Shares/Units (Thousands)	Amount	Shares/Units (Thousands)	Amount	Gain (Loss) on Disposal	Shares/Units (Thousands)
Taiwan Mobile Co., Ltd.	Beneficiary certificate Fubon Chi-Hsiang Fund	Financial assets at fair value through profit or loss - current	-	-	-	\$ -	13,497	\$ 200,000	13,497	\$ 200,036	\$ -	-
	Stock Wealth Media Technology Co., Ltd. Taipei New Horizons Co., Ltd.	Long-term investments - equity method Prepayment for long-term investments	-	-	8,700	82,715	18,500	185,000	-	-	-	27,200
							(Note 3)	249,500	-	-	-	(Note 3)
TransAsia Telecommunications Inc.	Beneficiary certificate Fubon Chi-Hsiang Fund	Financial assets at fair value through profit or loss - current	-	-	-	-	13,497	200,000	13,497	200,036	-	-
Wealth Media Technology Co., Ltd.	Stock Tai Fu Media Technology Co., Ltd.	Long-term investments - equity method	-	-	8,500	80,876	18,500	185,000	-	-	-	27,000
Tai Fu Media Technology Co., Ltd.	Stock Fu Sin Media Technology Co., Ltd.	Long-term investments - equity method	-	-	100	900	13,400	134,000	-	-	-	13,500
Fu Sin Media Technology Co., Ltd.	Stock Phoenix Cable TV Co., Ltd.	Long-term investments - equity method	-	-	-	-	2,272	133,358	-	-	-	2,272
TWM Holding Co., Ltd.	Stock Hurray/ Times Communications, Beijing	Long-term investments - equity method	-	-	-	-	-	5,005	-	-	-	5,005
Taiwan Fixed Network Co., Ltd.	Stock Taiwan Mobile Co., Ltd.	Available-for-sale financial assets - non-current	-	-	900,353	37,004,498	-	-	300,000	13,509,828	3,487,150	22,221,555
TFN Investment Co., Ltd.	Stock Fubon Financial Holding Company TFN Media Co., Ltd.	Available-for-sale financial assets - current Long-term investments - equity method	-	-	62,023	1,786,256	-	-	62,023	2,089,511	461,314	3,732,745
TFN Media Co., Ltd.	Stock Phoenix Cable TV Co., Ltd.	Long-term investments - equity method	-	-	47,663	2,069,063	18,155	1,065,710	-	-	-	65,818

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

Note 2: The amount included the investment loss adjustment of \$41,980 thousand.

Note 3: Taipei New Horizons Co., Ltd. has obtained registration approval on January 7, 2009.

Note 4: The amount included the investment loss adjustment of \$41,827 thousand.

Note 5: The amount included the investment income adjustment of \$4,981 thousand.

Note 6: The amount included the cash dividends adjustment of \$5,854 thousand and the investment income adjustment of \$4,981 thousand.

Note 7: The shares included the investment loss adjustment of US\$1,168 thousand and the recognition of cumulative translation adjustments of US\$79 thousand.

Note 8: The amount included the capital reduction adjustment of 144,008 thousand shares. The amount included the capital reduction adjustment of \$91,867 thousand, paid in capital \$11,107 and net loss not recognized as pension cost adjustment of \$1,328 thousand.

Note 9: The amount included the cash dividends adjustment of \$675,848 thousand, the investment income adjustment of \$91,867 thousand, paid in capital \$11,107 and net loss not recognized as pension cost adjustment of \$1,328 thousand.

Note 10: The amount included the cash dividends adjustment of \$192,353 thousand and the investment income adjustment of \$192,353 thousand.

- 56 -

TABLE 5

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

TOTAL PURCHASE FROM OR SALE TO RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL YEAR ENDED DECEMBER 31, 2008
(In Thousands of New Taiwan Dollars)

Company Name (A)	Related Party (B)	Nature of Relationship (B is A's)	Transaction Details			Transactions with Terms Different from Others Payment Terms	Notes/Accounts Payable or Receivable		Note
			Purchase/ Sale	Amount	% to Total		Unit Price	Ending Balance	
Taiwan Mobile Co., Ltd. (the "Corporation")	TransAsia Telecommunications Inc.	Subsidiary	Sale	\$ (459,338)	(1)	-	\$ -	-	
	Taiwan Fixed Network Co., Ltd.	Subsidiary	Purchase	257,796	1	-	-	-	
	Taiwan Telecommunications & Technologies Co., Ltd. (including the former TT&T)	Subsidiary	Sale	(2,087,756)	(4)	-	214,172	4	
	The Corporation	Parent	Purchase	965,962	4	-	(4,094)	-	
TransAsia Telecommunications Inc.	The Corporation	Parent	Sale	(257,796)	(6)	-	-	-	
	The Corporation	Ultimate parent	Purchase	459,338	20	-	-	-	
	The Corporation	Ultimate parent	Sale	(911,827)	(81)	-	79,733	82	
Taiwan Fixed Network Co., Ltd.	The Corporation	Ultimate parent	Sale	(1,040,440)	(11)	-	227,065	22	
	Phoenix Cable TV Co., Ltd.	Subsidiary	Purchase	2,077,719	31	-	(3,125)	-	
TFN Media Co., Ltd.	Yeong Jialeh Cable TV Co., Ltd.	Subsidiary	Channel leasing fee	(433,687)	(20)	(Note 3)	108,422	33	
	Union Cable TV Co., Ltd.	Subsidiary	Channel leasing fee	(325,323)	(15)	(Note 3)	81,331	25	
Yeong Jialeh Cable TV Co., Ltd.	Globalview Cable TV Co., Ltd.	Subsidiary	Channel leasing fee	(197,640)	(9)	(Note 3)	49,410	15	
	TFN Media Co., Ltd.	Parent	Channel leasing fee	(168,545)	(8)	(Note 3)	42,136	13	
Phoenix Cable TV Co., Ltd.	TFN Media Co., Ltd.	Parent	Royalty of copyright	325,323	60	(Note 3)	(81,331)	(86)	
	Globalview Cable TV Co., Ltd.	Parent	Royalty of copyright	433,687	63	(Note 3)	(108,422)	(87)	
Globalview Cable TV Co., Ltd.	TFN Media Co., Ltd.	Parent	Royalty of copyright	168,545	57	(Note 3)	(42,136)	(87)	

(Continued)

- 57 -

Company Name (A)	Related Party (B)	Nature of Relationship (B is A's)	Transaction Details			Transactions with Terms Different from Others Payment Terms	Notes/Accounts Payable or Receivable		Note
			Purchase/ Sale	Amount	% to Total		Unit Price	Ending Balance	
Union Cable TV Co., Ltd.	TFN Media Co., Ltd.	Parent	Royalty of copyright	\$ 197,640	54	(Note 3)	\$ (49,410)	(68)	
Shin Ho Cable TV Co., Ltd.	Dai-Ka Ltd.	Related party in substance	Royalty of copyright	48,510	59	(Note 3)	(12,128)	(94)	
Mangrove Cable TV Corporation	Dai-Ka Ltd.	Related party in substance	Royalty of copyright	106,689	56	(Note 3)	(26,672)	(86)	

Note 1: Recognized as operating expenses.

Note 2: Recognized as accrued expenses.

Note 3: No comparables on such kind of transactions.

(Concluded)

- 58 -

TABLE 6

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2008
(In Thousands of New Taiwan Dollars)

Company Name (A)	Related Party (B)	Nature of Relationship (B is A's)	Ending Balance	Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
Taiwan Mobile Co., Ltd. (the "Corporation")	Taiwan Fixed Network Co., Ltd.	Subsidiary	Accounts receivable \$ 214,172	8.65	-	-	\$	-
	Tai Fu Media Technology Co., Ltd.	Subsidiary	Other receivables 46,733	-	-	-	-	-
	Tai Fu Media Technology Co., Ltd.	Subsidiary	Other receivables 2,008,079	-	-	-	-	-
Taiwan Cellular Co., Ltd.	TFN Media Co., Ltd.	Subsidiary	Other receivables 251,010	-	-	-	-	-
Taiwan Teleservices & Technologies Co., Ltd.	The Corporation	Ultimate parent	Accounts receivable 79,733	7.64	-	19	-	-
Taiwan Fixed Network Co., Ltd.	The Corporation	Ultimate parent	Accounts receivable 227,065	3.59	-	156,058	-	-
	TFN Media Co., Ltd.	Subsidiary	Other receivables 1,518,862	-	-	6,163	-	-
	TFN Media Co., Ltd.	Subsidiary	Accounts receivable 10,136	4.02	-	-	-	-
	TFN Media Co., Ltd.	Subsidiary	Other receivables 1,052,674	-	-	-	-	-
TFN Investment Co., Ltd.	TFN Media Co., Ltd.	Subsidiary	Other receivables 3,923,679	-	-	-	-	-
TFN Media Co., Ltd.	Phoenix Cable TV Co., Ltd.	Subsidiary	Accounts receivable 120,232	6.71	-	-	-	-
Shin Ho Cable TV Co., Ltd.	TFN Media Co., Ltd.	Parent	Accounts receivable 390	7.89	-	-	-	-
	TFN Media Co., Ltd.	Parent	Other receivables 207,700	-	-	-	-	-
Phoenix Cable TV Co., Ltd.	TFN Media Co., Ltd.	Parent	Accounts receivable 6,272	10.05	-	-	-	-
	TFN Media Co., Ltd.	Parent	Other receivables 500,118	-	-	-	-	-
Union Cable TV Co., Ltd.	TFN Media Co., Ltd.	Parent	Accounts receivable 6,830	7.31	-	-	-	-
	TFN Media Co., Ltd.	Parent	Other receivables 540,042	-	-	-	-	-
Globalview Cable TV Co., Ltd.	TFN Media Co., Ltd.	Parent	Accounts receivable 2,151	11.14	-	-	-	-
	TFN Media Co., Ltd.	Parent	Other receivables 350,040	-	-	-	-	-
Mangrove Cable TV Corporation	TFN Media Co., Ltd.	Parent	Accounts receivable 1,304	12.01	-	-	-	-
	TFN Media Co., Ltd.	Parent	Other receivables 138,096	-	-	-	-	-
Yeong Jiatah Cable TV Co., Ltd.	TFN Media Co., Ltd.	Parent	Accounts receivable 4,429	9.82	-	-	-	-
	TFN Media Co., Ltd.	Parent	Other receivables 130,000	-	-	-	-	-

- 59 -

TABLE 7

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTORS ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
YEAR ENDED DECEMBER 31, 2008
(In Thousands of New Taiwan Dollars or U.S. Dollars)

Investor	Investee	Location	Main Businesses and Products	Investment Amount December 31, 2008	December 31, 2007	Balance as of December 31, 2008		Net Income (Loss) of the Investee	Note
						Shares (Thousands)	Percentage of Ownership		
Taiwan Mobile Co., Ltd.	Taiwan Cellular Co., Ltd.	Taipei, Taiwan	Telecom engineering and IT service	41,058,330	\$ 43,208,330	149,958	100.00	\$ 15,125,451	3,003,228
	Wealth Media Technology Co., Ltd.	Taipei, Taiwan	Investment	272,000	87,000	27,300	100.00	225,735	(41,980)
	Tai Fu Media Technology Co., Ltd.	Taipei, Taiwan	Investment	270,000	85,000	27,000	100.00	223,049	(41,827)
	Global Wealth Media Technology Co., Ltd.	Taipei Country, Taiwan	Investment	84,000	84,000	8,400	100.00	88,291	4,193
	Fu Jia Leh Media Technology Co., Ltd.	Taipei, Taiwan	Investment	2,001,700	2,001,700	117,100	100.00	2,000,200	(11)
	Fu Sin Media Technology Co., Ltd.	Taipei, Taiwan	Investment	135,000	1,000	13,500	100.00	139,721	4,821
	Global Forest Media Technology Co., Ltd.	Taipei, Taiwan	Investment	1,000	-	100	100.00	925	(75)
	Globalview Cable TV Co., Ltd.	Taipei County, Taiwan	Cable TV service provider	82,882	82,882	3,460	6.179	83,469	69,715
	Phoenix Cable TV Co., Ltd.	Kaohsiung County, Taiwan	Cable TV service provider	133,338	-	2,272	3.34	132,485	203,682
	Tai Yi Digital Broadcasting Co., Ltd.	Taipei, Taiwan	Broadcasting business and agency of telecom service subscription	24,950	24,950	2,495	49.90	21,528	(3,966)
	TWM Holding Co., Ltd.	British Virgin Islands	Investment	10,800	9,000	1 share	100.00	US\$ 6,089	(1,182)
	Taiwan Fixed Network Co., Ltd.	Taipei, Taiwan	Fixed line service provider	40,000,000	US\$ 40,000,000	4,000,000	100.00	US\$ 52,147,530	6,110,349
	Taiwan Digital Communication Co., Ltd.	Taipei, Taiwan	Telecom engineering and IT service	12,000	12,000	1,200	100.00	11,081	(91)
	Hurray Times Communications, Beijing	Beijing, China	Telecom product innovation and design	US\$ 5,005	-	-	100.00	US\$ 3,916	(983)
	TFN Investment Co., Ltd.	Taipei, Taiwan	Investment	19,669,138	19,669,138	2,061,939	100.00	23,227,228	1,349,441
	TFN HK Limited	Hong Kong	Telecommunications service provider	58,16	58,16	1,300	100.00	2,957	(160)
	Taiwan Teleservices & Technologies Co., Ltd.	Taipei, Taiwan	Call center service and BSR (international simple routes)	10,000	120,000	1,000	100.00	97,669	75,151
	IT&T Holdings Co., Ltd.	Sarona	Investment	US\$ 1,300	US\$ 1,300	1,300	100.00	US\$ 1,363	(43)
	Taiwan Super Basketball Co., Ltd.	Taipei, Taiwan	Basketball team management	20,000	20,000	2,000	100.00	20,044	39
	Xiamen Taifu Teleservices & Technologies Ltd.	Xiamen, China	Call center service	US\$ 1,300	US\$ 1,300	-	100.00	US\$ 1,362	(40)
	Rench & Range Inc.	Taipei, Taiwan	Telecommunications equipment installment and IT service provider	31,764	31,764	2,400	100.00	33,542	2,107
	Winy TV Broadcasting Co., Ltd.	Taipei, Taiwan	TV program provider	252,141	591,000	25,214	98.50	181,865	(74,207)
	TFN Media Co., Ltd.	Taipei, Taiwan	Cable broadband and value added service provider	2,035,714	1,500,000	230,526	100.00	3,732,745	927,766
	Yeong Jiatah Cable TV Co., Ltd.	Taipei County, Taiwan	Cable TV service provider	1,616,824	1,616,824	33,940	100.00	2,113,439	179,955
	Shin Ho Cable TV Co., Ltd.	Taipei County, Taiwan	Cable TV service provider	661,781	661,781	20,000	100.00	695,449	(1,283)
	Mangrove Cable TV Corporation	Taipei County, Taiwan	Cable TV service provider	397,703	397,703	(Note 2)	100.00	557,279	64,730
	Phoenix Cable TV Co., Ltd.	Kaohsiung County, Taiwan	Cable TV service provider	2,294,967	1,229,257	(Note 2)	96.66	3,157,539	203,682
	Union Cable TV Co., Ltd.	Yilan County, Taiwan	Cable TV service provider	1,904,440	1,904,440	170,441	99.99	2,023,231	103,902
	Globalview Cable TV Co., Ltd.	Taipei County, Taiwan	Cable TV service provider	841,413	841,413	51,733	92.38	1,222,722	69,715

Note 1: Taiwan Mobile shares held indirectly by TFN and TFNI (both are subsidiaries of TCC) are classified as treasury shares. Therefore, TWM's carrying cost of \$52,946,904 thousand on TCC shall be reduced by downward adjusting the latter's net worth by \$31,889,100 thousand, excluding \$5,934,549 thousand unrealized gain from financial assets investment, and adding back recognition of upstream transactions gains of \$2,196 thousand.

Note 2: Some shares are held under trustee accounts.

- 60 -

Number	Company Name	Counterparty	Transaction Details				
			Nature of Relationship (Note)	Account	Amount	Transaction Terms	Percentage of Consolidated Total Operating Revenues or Total Assets
		Mangrove Cable TV Corporation	1	Other current liabilities	\$ 51	Based on regular terms	-
		Phoenix Cable TV Co., Ltd.	1	Other current liabilities	257	Based on regular terms	-
		Globalview Cable TV Co., Ltd.	1	Other current liabilities	120	Based on regular terms	-
		Taiwan Fixed Network Co., Ltd.	1	Guarantee deposits	830	Based on regular terms	-
		TransAsia Telecommunications Inc.	1	Operating revenues	459,338	Based on regular terms	1%
		Taiwan Super Basketball Co., Ltd.	1	Operating revenues	1	Based on regular terms	-
		Taiwan Fixed Network Co., Ltd.	1	Operating revenues	2,087,756	Based on regular terms	2%
		Taiwan Telecommunication Network Services Co., Ltd.	1	Operating revenues	171	Based on regular terms	-
		Taiwan Teleservices & Technologies Co., Ltd.	1	Operating revenues	92	Based on regular terms	-
		TFN Media Co., Ltd.	1	Operating revenues	778	Based on regular terms	-
		Union Cable TV Co., Ltd.	1	Operating revenues	517	Based on regular terms	-
		Shin Ho Cable TV Co., Ltd.	1	Operating revenues	172	Based on regular terms	-
		Yeong Jialeh Cable TV Co., Ltd.	1	Operating revenues	443	Based on regular terms	-
		Mangrove Cable TV Corporation	1	Operating revenues	368	Based on regular terms	-
		North Coast Cable TV Co., Ltd.	1	Operating revenues	34	Based on regular terms	-
		Phoenix Cable TV Co., Ltd.	1	Operating revenues	1,115	Based on regular terms	-
		Globalview Cable TV Co., Ltd.	1	Operating revenues	447	Based on regular terms	-
		TransAsia Telecommunications Inc.	1	Operating costs	257,989	Based on regular terms	-
		The former Taiwan Teleservices & Technologies Co., Ltd.	1	Operating costs	345	Based on regular terms	-
		Taiwan Fixed Network Co., Ltd.	1	Operating costs	982,644	Based on regular terms	1%
		Taiwan Teleservices & Technologies Co., Ltd.	1	Operating costs	259	Based on regular terms	-
		Phoenix Cable TV Co., Ltd.	1	Operating costs	200	Based on regular terms	-
		The former Taiwan Teleservices & Technologies Co., Ltd.	1	Operating expenses	601,107	Based on regular terms	-
		Taiwan Teleservices & Technologies Co., Ltd.	1	Operating expenses	310,881	Based on regular terms	1%
		Taiwan Super Basketball Co., Ltd.	1	Operating expenses	32,000	Based on regular terms	-
		Taiwan Fixed Network Co., Ltd.	1	Operating expenses	82,037	Based on regular terms	-
		WinTV Broadcasting Co., Ltd.	1	Operating expenses	9	Based on regular terms	-
		TFN Media Co., Ltd.	1	Operating expenses	(1,028)	Based on regular terms	-
		Union Cable TV Co., Ltd.	1	Operating expenses	(30)	Based on regular terms	-
		Shin Ho Cable TV Co., Ltd.	1	Operating expenses	(3)	Based on regular terms	-
		Yeong Jialeh Cable TV Co., Ltd.	1	Operating expenses	(86)	Based on regular terms	-
		Mangrove Cable TV Corporation	1	Operating expenses	(10)	Based on regular terms	-
		Phoenix Cable TV Co., Ltd.	1	Operating expenses	(66)	Based on regular terms	-
		Globalview Cable TV Co., Ltd.	1	Operating expenses	(23)	Based on regular terms	-
		Tai Fu Media Technology Co., Ltd.	1	Interest income	50,869	Based on regular terms	-
		TFN Media Co., Ltd.	1	Interest income	10,793	Based on regular terms	-
		TransAsia Telecommunications Inc.	1	Rental income	23	Based on regular terms	-
		Wealth Media Technology Co., Ltd.	1	Rental income	34	Based on regular terms	-
		Tai Fu Media Technology Co., Ltd.	1	Rental income	34	Based on regular terms	-
		Fu Jia Leh Media Technology Co., Ltd.	1	Rental income	40	Based on regular terms	-
		Fu Sin Media Technology Co., Ltd.	1	Rental income	40	Based on regular terms	-
		Taiwan Cellular Co., Ltd.	1	Rental income	34	Based on regular terms	-
		Tai Yi Digital Broadcasting Co., Ltd.	1	Rental income	34	Based on regular terms	-
		Taiwan Digital Communications Co., Ltd.	1	Rental income	34	Based on regular terms	-
		The former Taiwan Teleservices & Technologies Co., Ltd.	1	Rental income	34	Based on regular terms	-

(Continued)

- 63 -

Number	Company Name	Counterparty	Transaction Details				
			Nature of Relationship (Note)	Account	Amount	Transaction Terms	Percentage of Consolidated Total Operating Revenues or Total Assets
		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	34	Based on regular terms	-
		Taiwan Super Basketball Co., Ltd.	1	Rental income	34	Based on regular terms	-
		Taiwan Fixed Network Co., Ltd.	1	Rental income	70,390	Based on regular terms	-
		Taiwan Telecommunication Network Services Co., Ltd.	1	Rental income	31	Based on regular terms	-
		Taiwan Teleservices & Technologies Co., Ltd.	1	Rental income	2,075	Based on regular terms	-
		TFN Investment Co., Ltd.	1	Rental income	31	Based on regular terms	-
		Reach & Range Inc.	1	Rental income	31	Based on regular terms	-
		TFN Media Co., Ltd.	1	Rental income	10,640	Based on regular terms	-
		Taiwan Fixed Network Co., Ltd.	1	Miscellaneous revenue	1,572	Based on regular terms	-
		TFN Media Co., Ltd.	1	Miscellaneous revenue	5	Based on regular terms	-
		TransAsia Telecommunications Inc.	1	Interest expenses	15,205	Based on regular terms	-
		Taiwan Fixed Network Co., Ltd.	1	Interest expenses	3,813	Based on regular terms	-
		TransAsia Telecommunications Inc.	1	Miscellaneous expense	1,244	Based on regular terms	-
1	TransAsia Telecommunications Inc.	Taiwan Mobile Co., Ltd.	2	Operating revenues	257,796	Based on regular terms	-
		Taiwan Fixed Network Co., Ltd.	3	Operating revenues	29,632	Based on regular terms	-
		Taiwan Mobile Co., Ltd.	2	Operating costs	459,338	Based on regular terms	1%
		The former Taiwan Teleservices & Technologies Co., Ltd.	3	Operating costs	2	Based on regular terms	-
		Taiwan Fixed Network Co., Ltd.	3	Operating costs	21,543	Based on regular terms	-
		Taiwan Mobile Co., Ltd.	2	Operating expenses	23	Based on regular terms	-
		Taiwan Fixed Network Co., Ltd.	3	Operating expenses	329	Based on regular terms	-
		Taiwan Mobile Co., Ltd.	2	Interest income	15,205	Based on regular terms	-
		Taiwan Cellular Co., Ltd.	3	Interest income	2,199	Based on regular terms	-
		Taiwan Mobile Co., Ltd.	2	Rental income	192	Based on regular terms	-
		Taiwan Fixed Network Co., Ltd.	3	Rental income	268	Based on regular terms	-
		Taiwan Mobile Co., Ltd.	2	Miscellaneous revenue	1,244	Based on regular terms	-
2	Wealth Media Technology Co., Ltd.	Taiwan Mobile Co., Ltd.	2	Operating expenses	34	Based on regular terms	-
3	Tai Fu Media Technology Co., Ltd.	Taiwan Mobile Co., Ltd.	2	Accrued expenses	8,079	Based on regular terms	-
		Taiwan Mobile Co., Ltd.	2	Other payables	2,000,000	Based on regular terms	2%
		Taiwan Mobile Co., Ltd.	2	Operating expenses	34	Based on regular terms	-
		Taiwan Mobile Co., Ltd.	2	Interest expenses	50,869	Based on regular terms	-
4	Fu Jia Leh Media Technology Co., Ltd.	Taiwan Mobile Co., Ltd.	2	Operating expenses	40	Based on regular terms	-
5	Fu Sin Media Technology Co., Ltd.	Taiwan Mobile Co., Ltd.	2	Operating expenses	40	Based on regular terms	-
6	Global Wealth Media Technology Co., Ltd.	Globalview Cable TV Co., Ltd.	1	Operating expenses	34	Based on regular terms	-

(Continued)

- 64 -

Number	Company Name	Counterparty	Nature of Relationship (Note)	Transaction Details			Percentage of Consolidated Total Operating Revenues or Total Assets
				Account	Amount	Transaction Terms	
7	Taiwan Cellular Co., Ltd.	Taiwan Mobile Co., Ltd.	2	Other receivables	\$ 460	Based on regular terms	-
		Hurray! Times Communications (Beijing) Ltd.	1	Other receivables	100	Based on regular terms	-
		Taiwan Teleservices & Technologies Co., Ltd.	3	Other receivables	296	Based on regular terms	-
		TFN Media Co., Ltd.	1	Other receivables	251,010	Based on regular terms	-
		Taiwan Mobile Co., Ltd.	2	Operating expenses	34	Based on regular terms	-
		Taiwan Fixed Network Co., Ltd.	1	Interest income	7,947	Based on regular terms	-
		TFN Media Co., Ltd.	1	Interest income	21,178	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	-
		Hurray! Times Communications (Beijing) Ltd.	3	Miscellaneous revenue	2,199	Based on regular terms	-
8	Tai Yi Digital Broadcasting Co., Ltd.	Taiwan Mobile Co., Ltd.	2	Operating expenses	34	Based on regular terms	-
		Taiwan Mobile Co., Ltd.	2	Operating expenses	34	Based on regular terms	-
10	The former Taiwan Teleservices & Technologies Co., Ltd.	Taiwan Mobile Co., Ltd.	2	Operating revenues	600,942	Based on regular terms	1%
		TransAsia Telecommunications Inc.	3	Operating revenues	2	Based on regular terms	-
		Taiwan Fixed Network Co., Ltd.	3	Operating revenues	20,648	Based on regular terms	-
		Taiwan Mobile Co., Ltd.	2	Operating expenses	863	Based on regular terms	-
		TT&T Holdings Co., Ltd.	1	Operating expenses	8,338	Based on regular terms	-
		Xiamen Taifu Teleservices & Technologies Ltd.	1	Operating expenses	37,686	Based on regular terms	-
11	TT&T Life Insurance Agency Co., Ltd.	Taiwan Fixed Network Co., Ltd.	3	Operating expenses	243	Based on regular terms	-
		Taiwan Mobile Co., Ltd.	2	Rental income	1,338	Based on regular terms	-
		Taiwan Mobile Co., Ltd.	2	Operating expenses	34	Based on regular terms	-
12	TT&T Casualty & Property Insurance Agency Co., Ltd.	Taiwan Mobile Co., Ltd.	2	Operating expenses	34	Based on regular terms	-
		Taiwan Mobile Co., Ltd.	2	Operating expenses	34	Based on regular terms	-
13	Taiwan Super Basketball Co., Ltd.	Taiwan Mobile Co., Ltd.	2	Other receivables	20,000	Based on regular terms	-
		Taiwan Mobile Co., Ltd.	2	Operating revenues	32,000	Based on regular terms	-
		Taiwan Mobile Co., Ltd.	2	Operating expenses	34	Based on regular terms	-
14	TT&T Holdings Co., Ltd.	Taiwan Teleservices & Technologies Co., Ltd.	2	Accounts receivable	1,268	Based on regular terms	-
		Taiwan Teleservices & Technologies Co., Ltd.	2	Accounts payable	3,742	Based on regular terms	-
		The former Taiwan Teleservices & Technologies Co., Ltd.	2	Operating revenues	8,559	Based on regular terms	-
		Taiwan Teleservices & Technologies Co., Ltd.	2	Operating revenues	4,606	Based on regular terms	-
		Taiwan Cellular Co., Ltd.	2	Operating expenses	94	Based on regular terms	-
		Taiwan Teleservices & Technologies Co., Ltd.	2	Operating expenses	94	Based on regular terms	-
15	Xiamen Taifu Teleservices & Technologies Ltd.	Taiwan Teleservices & Technologies Co., Ltd.	2	Accounts receivable	10,723	Based on regular terms	-
		The former Taiwan Teleservices & Technologies Co., Ltd.	2	Operating revenues	38,645	Based on regular terms	-
		Taiwan Teleservices & Technologies Co., Ltd.	2	Operating revenues	21,257	Based on regular terms	-
		Taiwan Cellular Co., Ltd.	2	Operating expenses	93	Based on regular terms	-

(Continued)

- 65 -

Number	Company Name	Counterparty	Nature of Relationship (Note)	Transaction Details			Percentage of Consolidated Total Operating Revenues or Total Assets
				Account	Amount	Transaction Terms	
16	Hurray! Times Communications (Beijing) Ltd.	Taiwan Mobile Co., Ltd.	2	Accounts receivable	\$ 9,035	Based on regular terms	-
		Taiwan Cellular Co., Ltd.	2	Accrued expenses	109	Based on regular terms	-
		Taiwan Cellular Co., Ltd.	2	Operating expenses	103	Based on regular terms	-
17	Taiwan Fixed Network Co., Ltd.	Taiwan Mobile Co., Ltd.	2	Accounts receivable	227,065	Based on regular terms	-
		TFN HK	1	Accounts receivable	2	Based on regular terms	-
		WinTV Broadcasting Co., Ltd.	1	Accounts receivable	14	Based on regular terms	-
		TFN Media Co., Ltd.	1	Accounts receivable	10,136	Based on regular terms	-
		Union Cable TV Co., Ltd.	1	Accounts receivable	61	Based on regular terms	-
		Yeong Jialeh Cable TV Co., Ltd.	1	Accounts receivable	96	Based on regular terms	-
		Mangrove Cable TV Corporation	1	Accounts receivable	193	Based on regular terms	-
		Phoenix Cable TV Co., Ltd.	1	Accounts receivable	466	Based on regular terms	-
		Globalview Cable TV Co., Ltd.	1	Accounts receivable	97	Based on regular terms	2%
		Taiwan Mobile Co., Ltd.	2	Other receivables	1,518,862	Based on regular terms	-
		Taiwan Teleservices & Technologies Co., Ltd.	1	Other receivables	1,148	Based on regular terms	-
		TFN Media Co., Ltd.	1	Other receivables	1,052,674	Based on regular terms	1%
		Globalview Cable TV Co., Ltd.	1	Other receivables	8	Based on regular terms	-
		Union Cable TV Co., Ltd.	1	Prepayments	3	Based on regular terms	-
		Taiwan Mobile Co., Ltd.	2	Prepayments	183	Based on regular terms	-
		Taiwan Mobile Co., Ltd.	2	Other current assets	18	Based on regular terms	-
		Taiwan Mobile Co., Ltd.	2	Refundable deposits	830	Based on regular terms	-
		Taiwan Mobile Co., Ltd.	2	Accounts payable	3,125	Based on regular terms	-
		TFN HK	1	Accounts payable	3,095	Based on regular terms	-
		Reach & Range Inc.	1	Accounts payable	5,314	Based on regular terms	-
		TFN Media Co., Ltd.	1	Accounts payable	4,215	Based on regular terms	-
		Phoenix Cable TV Co., Ltd.	1	Accounts payable	226	Based on regular terms	-
		Globalview Cable TV Co., Ltd.	1	Accounts payable	62	Based on regular terms	-
		Taiwan Mobile Co., Ltd.	2	Accrued expenses	44,921	Based on regular terms	-
		Reach & Range Inc.	1	Accrued expenses	16,986	Based on regular terms	-
		TFN Media Co., Ltd.	1	Accrued expenses	36	Based on regular terms	-
		Taiwan Mobile Co., Ltd.	2	Advance receipts	1	Based on regular terms	-
		TFN Media Co., Ltd.	1	Other liabilities	237	Based on regular terms	-
		Taiwan Mobile Co., Ltd.	1	Other liabilities	1,268	Based on regular terms	-
		TransAsia Telecommunications Inc.	2	Operating revenues	1,040,440	Based on regular terms	1%
		The former Taiwan Teleservices & Technologies Co., Ltd.	3	Operating revenues	21,901	Based on regular terms	-
		Taiwan Telecommunication Network Services Co., Ltd.	3	Operating revenues	243	Based on regular terms	-
		Taiwan Teleservices & Technologies Co., Ltd.	1	Operating revenues	24,925	Based on regular terms	-
Reach & Range Inc.	1	Operating revenues	(13)	Based on regular terms	-		
WinTV Broadcasting Co., Ltd.	1	Operating revenues	600	Based on regular terms	-		
TFN Media Co., Ltd.	1	Operating revenues	356	Based on regular terms	-		
Union Cable TV Co., Ltd.	1	Operating revenues	53,498	Based on regular terms	-		
Yeong Jialeh Cable TV Co., Ltd.	1	Operating revenues	1,615	Based on regular terms	-		
Mangrove Cable TV Corporation	1	Operating revenues	730	Based on regular terms	-		
North Coast Cable TV Co., Ltd.	1	Operating revenues	2,647	Based on regular terms	-		
Phoenix Cable TV Co., Ltd.	1	Operating revenues	22	Based on regular terms	-		
				5,201	Based on regular terms	-	

(Continued)

- 66 -

Number	Company Name	Counterparty	Transaction Details				Percentage of Consolidated Total Operating Revenues or Total Assets
			Nature of Relationship (Note)	Account	Amount	Transaction Terms	
	Mangrove Cable TV Corporation		1	Accounts receivable	\$ 2,604	Payment terms varied depend on the agreements	-
	Phoenix Cable TV Co., Ltd.		1	Accounts receivable	120,232	Payment terms varied depend on the agreements	-
	Globalview Cable TV Co., Ltd.		1	Accounts receivable	45,363	Payment terms varied depend on the agreements	-
	Taiwan Mobile Co., Ltd.		2	Other receivables	35	Based on regular terms	-
	Taiwan Fixed Network Co., Ltd.		2	Other receivables	1	Based on regular terms	-
	Union Cable TV Co., Ltd.		1	Other receivables	1	Based on regular terms	-
	Taiwan Fixed Network Co., Ltd.		2	Prepayments	3	Based on regular terms	-
	Taiwan Fixed Network Co., Ltd.		2	Other intangible assets	1,268	Payment terms varied depend on the agreements	-
	Union Cable TV Co., Ltd.		1	Accounts payable	1,745	Payment terms varied depend on the agreements	-
	Shin Ho Cable TV Co., Ltd.		1	Accounts payable	365	Payment terms varied depend on the agreements	-
	Yeong Jialeh Cable TV Co., Ltd.		1	Accounts payable	2,172	Payment terms varied depend on the agreements	-
	Mangrove Cable TV Corporation		1	Accounts payable	744	Payment terms varied depend on the agreements	-
	Phoenix Cable TV Co., Ltd.		1	Accounts payable	3,635	Payment terms varied depend on the agreements	-
	Globalview Cable TV Co., Ltd.		1	Accounts payable	1,475	Payment terms varied depend on the agreements	-
	Taiwan Mobile Co., Ltd.		2	Accrued expenses	2,299	Payment terms varied depend on the agreements and based on regular terms	-
	Taiwan Fixed Network Co., Ltd.		2	Accrued expenses	10,122	Payment terms varied depend on the agreements and based on regular terms	-
	Union Cable TV Co., Ltd.		1	Accrued expenses	5,138	Payment terms varied depend on the agreements and based on regular terms	-
	Shin Ho Cable TV Co., Ltd.		1	Accrued expenses	25	Based on regular terms	-
	Yeong Jialeh Cable TV Co., Ltd.		1	Accrued expenses	2,280	Payment terms varied depend on the agreements and based on regular terms	-
	Mangrove Cable TV Corporation		1	Accrued expenses	657	Payment terms varied depend on the agreements and based on regular terms	-
	Phoenix Cable TV Co., Ltd.		1	Accrued expenses	2,755	Payment terms varied depend on the agreements and based on regular terms	-
	Globalview Cable TV Co., Ltd.		1	Accrued expenses	724	Payment terms varied depend on the agreements and based on regular terms	-

(Continued)

- 69 -

Number	Company Name	Counterparty	Transaction Details				Percentage of Consolidated Total Operating Revenues or Total Assets
			Nature of Relationship (Note)	Account	Amount	Transaction Terms	
	Taiwan Cellular Co., Ltd.		2	Accrued expenses	\$ 1,010	Payment terms varied depend on the agreements	-
	Taiwan Fixed Network Co., Ltd.		2	Accrued expenses	2,559	Payment terms varied depend on the agreements	-
	TFN Investment Co., Ltd.		2	Accrued expenses	23,679	Payment terms varied depend on the agreements	-
	Taiwan Cellular Co., Ltd.		2	Other payables	250,000	Payment terms varied depend on the agreements	-
	Taiwan Fixed Network Co., Ltd.		2	Other payables	1,050,000	Payment terms varied depend on the agreements	1%
	TFN Investment Co., Ltd.		2	Other payables	3,900,000	Payment terms varied depend on the agreements	4%
	Union Cable TV Co., Ltd.		1	Other payables	540,001	Payment terms varied depend on the agreements and based on regular terms	1%
	Shin Ho Cable TV Co., Ltd.		1	Other payables	207,700	Payment terms varied depend on the agreements	-
	Yeong Jialeh Cable TV Co., Ltd.		1	Other payables	130,001	Payment terms varied depend on the agreements and based on regular terms	-
	Mangrove Cable TV Corporation		1	Other payables	138,000	Payment terms varied depend on the agreements	-
	Phoenix Cable TV Co., Ltd.		1	Other payables	500,000	Payment terms varied depend on the agreements	1%
	Globalview Cable TV Co., Ltd.		1	Other payables	350,000	Payment terms varied depend on the agreements	-
	Fu Jia Leh Media Technology Co., Ltd.		3	Advance receipts	2,000,000	Payment terms varied depend on the agreements	2%
	Mangrove Cable TV Corporation		1	Other liabilities	3,299	Payment terms varied depend on the agreements	-
	Globalview Cable TV Co., Ltd.		1	Other liabilities	1,459	Payment terms varied depend on the agreements	-
	Taiwan Fixed Network Co., Ltd.		2	Operating revenues	40,088	Payment terms varied depend on the agreements	-
	Union Cable TV Co., Ltd.		1	Operating revenues	217,336	Payment terms varied depend on the agreements	-
	Shin Ho Cable TV Co., Ltd.		1	Operating revenues	4,762	Payment terms varied depend on the agreements	-
	Yeong Jialeh Cable TV Co., Ltd.		1	Operating revenues	363,041	Payment terms varied depend on the agreements	-
	Mangrove Cable TV Corporation		1	Operating revenues	15,380	Payment terms varied depend on the agreements	-
	North Coast Cable TV Co., Ltd.		1	Operating revenues	7,630	Payment terms varied depend on the agreements	-
	Phoenix Cable TV Co., Ltd.		1	Operating revenues	476,829	Payment terms varied depend on the agreements	1%

(Continued)

- 70 -

Number	Company Name	Counterparty	Transaction Details				Percentage of Consolidated Total Operating Revenues or Total Assets
			Nature of Relationship (Note)	Account	Amount	Transaction Terms	
	Globalview Cable TV Co., Ltd.		1	Operating revenues	\$ 189,683	Payment terms varied depend on the agreements	-
	Taiwan Mobile Co., Ltd.		2	Operating costs	292	Based on regular terms	-
	Taiwan Fixed Network Co., Ltd.		2	Operating costs	58,432	Payment terms varied depend on the agreements and based on regular terms	-
	Union Cable TV Co., Ltd.		1	Operating costs	46,026	Payment terms varied depend on the agreements	-
	Shin Ho Cable TV Co., Ltd.		1	Operating costs	4,172	Payment terms varied depend on the agreements	-
	Yeong Jialeh Cable TV Co., Ltd.		1	Operating costs	44,320	Payment terms varied depend on the agreements	-
	Mangrove Cable TV Corporation		1	Operating costs	12,162	Payment terms varied depend on the agreements	-
	North Coast Cable TV Co., Ltd.		1	Operating costs	551	Payment terms varied depend on the agreements	-
	Phoenix Cable TV Co., Ltd.		1	Operating costs	66,119	Payment terms varied depend on the agreements	-
	Globalview Cable TV Co., Ltd.		1	Operating costs	21,793	Payment terms varied depend on the agreements	-
	Taiwan Mobile Co., Ltd.		2	Operating expenses	12,454	Payment terms varied depend on the agreements and based on regular terms	-
	Taiwan Fixed Network Co., Ltd.		2	Operating expenses	2,819	Based on regular terms	-
	Union Cable TV Co., Ltd.		1	Operating expenses	3,342	Payment terms varied depend on the agreements	-
	Shin Ho Cable TV Co., Ltd.		1	Operating expenses	478	Payment terms varied depend on the agreements	-
	Yeong Jialeh Cable TV Co., Ltd.		1	Operating expenses	2,353	Payment terms varied depend on the agreements	-
	Mangrove Cable TV Corporation		1	Operating expenses	1,098	Payment terms varied depend on the agreements	-
	North Coast Cable TV Co., Ltd.		1	Operating expenses	68	Payment terms varied depend on the agreements	-
	Phoenix Cable TV Co., Ltd.		1	Operating expenses	3,699	Payment terms varied depend on the agreements	-
	Globalview Cable TV Co., Ltd.		1	Operating expenses	838	Payment terms varied depend on the agreements	-
	Taiwan Mobile Co., Ltd.		2	Miscellaneous revenue	164	Based on regular terms	-
	Taiwan Fixed Network Co., Ltd.		2	Miscellaneous revenue	1	Based on regular terms	-
	Taiwan Mobile Co., Ltd.		2	Interest expenses	10,775	Payment terms varied depend on the agreements	-
	Taiwan Cellular Co., Ltd.		2	Interest expenses	21,091	Payment terms varied depend on the agreements	-
	Taiwan Fixed Network Co., Ltd.		2	Interest expenses	17,745	Payment terms varied depend on the agreements	-

(Continued)

- 71 -

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	Interest expenses	\$ 82,636	Payment terms varied depend on the agreements	-
	Union Cable TV Co., Ltd.		1	Interest expenses	12,296	Payment terms varied depend on the agreements	-
	Shin Ho Cable TV Co., Ltd.		1	Interest expenses	5,318	Payment terms varied depend on the agreements	-
	Yeong Jialeh Cable TV Co., Ltd.		1	Interest expenses	1,722	Payment terms varied depend on the agreements	-
	Mangrove Cable TV Corporation		1	Interest expenses	1,825	Payment terms varied depend on the agreements	-
	North Coast Cable TV Co., Ltd.		1	Interest expenses	3,258	Payment terms varied depend on the agreements	-
	Phoenix Cable TV Co., Ltd.		1	Interest expenses	6,589	Payment terms varied depend on the agreements	-
	Globalview Cable TV Co., Ltd.		1	Interest expenses	7,948	Payment terms varied depend on the agreements	-
	Union Cable TV Co., Ltd.		1	Miscellaneous expense	37	Based on regular terms	-
	Shin Ho Cable TV Co., Ltd.		1	Miscellaneous expense	7	Based on regular terms	-
	Yeong Jialeh Cable TV Co., Ltd.		1	Miscellaneous expense	19	Based on regular terms	-
	Mangrove Cable TV Corporation		1	Miscellaneous expense	10	Based on regular terms	-
	North Coast Cable TV Co., Ltd.		1	Miscellaneous expense	4	Based on regular terms	-
	Phoenix Cable TV Co., Ltd.		1	Miscellaneous expense	30	Based on regular terms	-
	Globalview Cable TV Co., Ltd.		1	Miscellaneous expense	17	Based on regular terms	-
25	Union Cable TV Co., Ltd.	Taiwan Mobile Co., Ltd.	2	Accounts receivable	392	Payment terms varied depend on the agreements	-
	TFN Media Co., Ltd.	TFN Media Co., Ltd.	2	Accounts receivable	6,830	Payment terms varied depend on the agreements	-
	TFN Media Co., Ltd.	TFN Media Co., Ltd.	2	Other receivables	540,042	Payment terms varied depend on the agreements and based on regular terms	1%
	TFN Media Co., Ltd.	TFN Media Co., Ltd.	2	Accounts payable	49,410	Payment terms varied depend on the agreements	-
	Mangrove Cable TV Corporation	Taiwan Mobile Co., Ltd.	3	Accounts payable	72	Based on regular terms	-
	Taiwan Mobile Co., Ltd.	Taiwan Mobile Co., Ltd.	2	Accrued expenses	30	Payment terms varied depend on the agreements	-
	Taiwan Fixed Network Co., Ltd.	TFN Media Co., Ltd.	2	Accrued expenses	29	Based on regular terms	-
	TFN Media Co., Ltd.	TFN Media Co., Ltd.	2	Accrued expenses	1	Based on regular terms	-
	TFN Media Co., Ltd.	TFN Media Co., Ltd.	2	Other payables	10,640	Payment terms varied depend on the agreements	-
	Taiwan Fixed Network Co., Ltd.	Taiwan Fixed Network Co., Ltd.	2	Operating revenues	703	Payment terms varied depend on the agreements	-
	TFN Media Co., Ltd.	TFN Media Co., Ltd.	2	Operating revenues	48,870	Payment terms varied depend on the agreements	-
	Mangrove Cable TV Corporation	Mangrove Cable TV Corporation	3	Operating revenues	6	Based on regular terms	-

(Continued)

- 72 -

Number	Company Name	Counterparty	Transaction Details				Percentage of Consolidated Total Operating Revenues or Total Assets
			Nature of Relationship (Note)	Account	Amount	Transaction Terms	
28	Mangrove Cable TV Corporation	Taiwan Mobile Co., Ltd. TFN Media Co., Ltd. Union Cable TV Co., Ltd. TFN Media Co., Ltd. TFN Media Co., Ltd. Taiwan Fixed Network Co., Ltd. Taiwan Mobile Co., Ltd. Taiwan Fixed Network Co., Ltd. TFN Media Co., Ltd. Union Cable TV Co., Ltd. Globalview Cable TV Co., Ltd. Taiwan Mobile Co., Ltd. Taiwan Fixed Network Co., Ltd. Taiwan Telecommunication Network Services Co., Ltd. TFN Media Co., Ltd. TFN Media Co., Ltd. TFN Media Co., Ltd. Union Cable TV Co., Ltd.	2	Accounts receivable	\$ 186	Payment terms varied depend on the agreements	-
			2	Accounts receivable	1,304	Payment terms varied depend on the agreements	-
			3	Accounts receivable	71	Based on regular terms	-
			2	Other receivables	138,097	Payment terms varied depend on the agreements and based on regular terms	-
			2	Other intangible assets	3,299	Payment terms varied depend on the agreements	-
			2	Accounts payable	120	Payment terms varied depend on the agreements	-
			2	Accrued expenses	10	Payment terms varied depend on the agreements	-
			2	Accrued expenses	60	Based on regular terms	-
			2	Other payables	2,604	Payment terms varied depend on the agreements	-
			2	Operating revenues	12,478	Payment terms varied depend on the agreements	-
			3	Operating revenues	60	Based on regular terms	-
			3	Operating revenues	11	Based on regular terms	-
			2	Operating costs	175	Based on regular terms	-
			2	Operating costs	2,167	Payment terms varied depend on the agreements and based on regular terms	-
			3	Operating costs	300	Payment terms varied depend on the agreements	-
			3	Operating costs	59	Based on regular terms	-
			3	Operating costs	146	Based on regular terms	-
			2	Operating expenses	667	Based on regular terms	-
			3	Operating expenses	22	Based on regular terms	-
			2	Operating expenses	15,380	Payment terms varied depend on the agreements	-
29	North Coast Cable TV Co., Ltd.	TFN Media Co., Ltd. Taiwan Mobile Co., Ltd. TFN Media Co., Ltd. Taiwan Mobile Co., Ltd. Taiwan Fixed Network Co., Ltd.	2	Interest income	1,825	Payment terms varied depend on the agreements	-
			2	Miscellaneous revenue	793	Based on regular terms	-
			3	Miscellaneous revenue	68	Based on regular terms	-
			2	Operating revenues	551	Payment terms varied depend on the agreements	-
			2	Operating costs	20	Based on regular terms	-
			2	Operating costs	5,775	Payment terms varied depend on the agreements	-
			2	Operating expenses	13	Based on regular terms	-
			2	Operating expenses	63	Based on regular terms	-

(Continued)

- 75 -

Number	Company Name	Counterparty	Transaction Details				Percentage of Consolidated Total Operating Revenues or Total Assets
			Nature of Relationship (Note)	Account	Amount	Transaction Terms	
30	Phoenix Cable TV Co., Ltd.	TFN Media Co., Ltd. TFN Media Co., Ltd. TFN Media Co., Ltd. Taiwan Mobile Co., Ltd. Taiwan Fixed Network Co., Ltd. TFN Media Co., Ltd. Taiwan Mobile Co., Ltd. Taiwan Fixed Network Co., Ltd. TFN Media Co., Ltd. Taiwan Fixed Network Co., Ltd. TFN Media Co., Ltd. Union Cable TV Co., Ltd. Taiwan Mobile Co., Ltd. Taiwan Fixed Network Co., Ltd. WinTV Broadcasting Co., Ltd. TFN Media Co., Ltd. Union Cable TV Co., Ltd. Taiwan Mobile Co., Ltd. Taiwan Fixed Network Co., Ltd. TFN Media Co., Ltd.	2	Operating expenses	\$ 1,855	Payment terms varied depend on the agreements	-
			2	Interest income	3,258	Payment terms varied depend on the agreements	-
			2	Miscellaneous revenue	71	Based on regular terms	-
			2	Accounts receivable	1,134	Payment terms varied depend on the agreements	-
			2	Accounts receivable	113	Payment terms varied depend on the agreements	-
			2	Accounts receivable	6,272	Payment terms varied depend on the agreements	-
			2	Other receivables	500,118	Payment terms varied depend on the agreements and based on regular terms	1%
			2	Accounts payable	108,422	Payment terms varied depend on the agreements	-
			2	Accrued expenses	87	Payment terms varied depend on the agreements	-
			2	Accrued expenses	453	Payment terms varied depend on the agreements and based on regular terms	-
			2	Other payables	11,810	Payment terms varied depend on the agreements and based on regular terms	-
			2	Operating revenues	5,491	Payment terms varied depend on the agreements	-
			2	Operating revenues	68,616	Payment terms varied depend on the agreements	-
			3	Operating revenues	506	Based on regular terms	-
			2	Operating costs	379	Based on regular terms	-
			2	Operating costs	3,588	Payment terms varied depend on the agreements	-
			3	Operating costs	300	Payment terms varied depend on the agreements	-
			2	Operating costs	433,687	Payment terms varied depend on the agreements	-
			3	Operating costs	506	Based on regular terms	-
			2	Operating expenses	555	Payment terms varied depend on the agreements and based on regular terms	-
2	Taiwan Fixed Network Co., Ltd. TFN Media Co., Ltd.	Operating expenses	2	Operating expenses	1,865	Based on regular terms	-
			2	Operating expenses	43,143	Payment terms varied depend on the agreements	-
			2	Interest income	6,589	Payment terms varied depend on the agreements	-

(Continued)

- 76 -

Number	Company Name	Counterparty	Nature of Relationship (Note)	Transaction Details			Percentage of Consolidated Total Operating Revenues or Total Assets
				Account	Amount	Transaction Terms	
		Taiwan Mobile Co., Ltd.	2	Rental income	\$ 171	Payment terms varied depend on the agreements	-
		TFN Media Co., Ltd.	2	Miscellaneous revenue	1,232	Based on regular terms	-
31	Globalview Cable TV Co., Ltd.	Taiwan Mobile Co., Ltd.	2	Accounts receivable	409	Payment terms varied depend on the agreements	-
		Taiwan Fixed Network Co., Ltd.	2	Accounts receivable	31	Payment terms varied depend on the agreements	-
		TFN Media Co., Ltd.	2	Accounts receivable	2,151	Payment terms varied depend on the agreements	-
		TFN Media Co., Ltd.	2	Other receivables	350,040	Payment terms varied depend on the agreements and based on regular terms	-
		TFN Media Co., Ltd.	2	Other current assets	8	Based on regular terms	-
		TFN Media Co., Ltd.	2	Other intangible assets	1,459	Payment terms varied depend on the agreements	-
		Taiwan Fixed Network Co., Ltd.	2	Accounts payable	30	Payment terms varied depend on the agreements and based on regular terms	-
		TFN Media Co., Ltd.	2	Accounts payable	42,136	Payment terms varied depend on the agreements	-
		Taiwan Mobile Co., Ltd.	2	Accrued expenses	24	Payment terms varied depend on the agreements	-
		Taiwan Fixed Network Co., Ltd.	2	Accrued expenses	65	Based on regular terms	-
		TFN Media Co., Ltd.	2	Other payables	3,227	Payment terms varied depend on the agreements	-
		Taiwan Fixed Network Co., Ltd.	2	Operating revenues	657	Payment terms varied depend on the agreements	-
		TFN Media Co., Ltd.	2	Operating revenues	22,187	Payment terms varied depend on the agreements	-
		Union Cable TV Co., Ltd.	3	Operating revenues	273	Based on regular terms	-
		Taiwan Mobile Co., Ltd.	2	Operating costs	212	Based on regular terms	-
		Taiwan Fixed Network Co., Ltd.	2	Operating costs	383	Payment terms varied depend on the agreements	-
		WinTV Broadcasting Co., Ltd.	3	Operating costs	300	Payment terms varied depend on the agreements	-
		TFN Media Co., Ltd.	2	Operating costs	168,545	Payment terms varied depend on the agreements	-
		Union Cable TV Co., Ltd.	3	Operating costs	273	Based on regular terms	-
		Taiwan Mobile Co., Ltd.	2	Operating expenses	173	Payment terms varied depend on the agreements and based on regular terms	-
		Taiwan Fixed Network Co., Ltd.	2	Operating expenses	842	Based on regular terms	-
		Taiwan Telecommunication Network Services Co., Ltd.	3	Operating expenses	22	Based on regular terms	-
		TFN Media Co., Ltd.	2	Operating expenses	21,138	Payment terms varied depend on the agreements	-

(Continued)

- 77 -

Number	Company Name	Counterparty	Nature of Relationship (Note)	Transaction Details			Percentage of Consolidated Total Operating Revenues or Total Assets
				Account	Amount	Transaction Terms	
		TFN Media Co., Ltd.	2	Interest income	\$ 7,947	Payment terms varied depend on the agreements	-
		Global Wealth Media Technology Co., Ltd.	2	Rental income	34	Payment terms varied depend on the agreements	-
		TFN Media Co., Ltd.	2	Miscellaneous revenue	461	Based on regular terms	-

Note 1: Parent to subsidiary.

Note 2: Subsidiary to parent.

Note 3: Between subsidiaries.

(Concluded)

- 78 -

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. Taiwan Digital Communications Co., Ltd. Taiwan Teleservices & Technologies Co., Ltd. TT&T Life Insurance Agency Co., Ltd. TT&T Casualty & Property Insurance Agency Co., Ltd. Taipei Fubon Commercial Bank Co., Ltd. Taiwan United Communication Co., Ltd. The former Taiwan Fixed Network Co., Ltd. Win TV Broadcasting Co., Ltd. Taiwan Fixed Network Co., Ltd. The former Taiwan Fixed Network Co., Ltd. TransAsia Telecommunications Inc.	1	Rental income	\$ 34	Based on regular terms	-
			1	Rental income	20	Based on regular terms	-
			1	Rental income	34	Based on regular terms	-
			1	Rental income	34	Based on regular terms	-
			1	Rental income	10	Based on regular terms	-
			1	Rental income	34	Based on regular terms	-
			1	Rental income	26	Based on regular terms	-
			1	Rental income	51,331	Based on regular terms	-
			1	Rental income	10	Based on regular terms	-
			1	Miscellaneous revenue	32,504	Based on regular terms	-
			1	Interest expenses	6	Based on regular terms	-
			1	Miscellaneous expense	698	Based on regular terms	-
			2	Accounts receivable	19,754	Based on regular terms	-
			3	Accounts receivable	1	Based on regular terms	-
			3	Accounts receivable	5,150	Based on regular terms	-
			3	Accounts receivable	108	Based on regular terms	-
			2	Other receivables	491,482	Based on regular terms	1%
			3	Other receivables	902,871	Based on regular terms	1%
			2	Prepayments	656	Based on regular terms	-
			2	Accounts payable	75,158	Based on regular terms	-
			2	Accrued expenses	148,344	Based on regular terms	-
3	Accrued expenses	4,048	Based on regular terms	-			
2	Other payables	67,871	Based on regular terms	-			
3	Advance receipts	1,426	Based on regular terms	-			
2	Other current liabilities	71	Based on regular terms	-			
2	Other current liabilities	58	Based on regular terms	-			
3	Operating revenues	3,822	Based on regular terms	-			
3	Operating revenues	295,200	Based on regular terms	-			
3	Operating revenues	6,235	Based on regular terms	-			
3	Operating revenues	552	Based on regular terms	-			
3	Operating revenues	30,599	Based on regular terms	-			
3	Operating revenues	1,892	Based on regular terms	-			
2	Operating costs	584,457	Based on regular terms	1%			
3	Operating costs	3,169	Based on regular terms	-			
3	Operating costs	(148)	Based on regular terms	-			
3	Operating costs	30,666	Based on regular terms	-			
2	Operating expenses	34	Based on regular terms	-			
3	Operating expenses	112	Based on regular terms	-			
3	Interest income	1,038	Based on regular terms	-			
2	Rental income	19	Based on regular terms	-			
3	Rental income	284	Based on regular terms	-			
2	Miscellaneous revenue	698	Based on regular terms	-			

(Continued)

- 81 -

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 TransAsia Telecommunications Inc. Taiwan Teleservices & Technologies Co., Ltd. The former Taiwan Fixed Network Co., Ltd. The Corporation TransAsia Telecommunications Inc. The former Taiwan Fixed Network Co., Ltd. Reach & Range Inc. The Corporation Mobitai Communications Taiwan Teleservices & Technologies Co., Ltd. Taiwan Fixed Network Co., Ltd. The Corporation Taiwan Cellular Co., Ltd. The Corporation The former Taiwan Fixed Network Co., Ltd. The Corporation	2	Operating revenues	\$ 185,009	Based on regular terms	-
			3	Operating revenues	3,169	Based on regular terms	-
			3	Operating revenues	10	Based on regular terms	-
			3	Operating revenues	5,663	Based on regular terms	-
			2	Operating costs	242,924	Based on regular terms	-
			3	Operating costs	6,235	Based on regular terms	-
			3	Operating costs	2,329	Based on regular terms	-
			3	Operating costs	1,723	Based on regular terms	-
			2	Operating expenses	34	Based on regular terms	-
			3	Operating expenses	679	Based on regular terms	-
			3	Interest income	12,826	Based on regular terms	-
			2	Rental income	382	Based on regular terms	-
			1	Accounts receivable	101	Based on regular terms	-
			1	Other receivables	215	Based on regular terms	-
1	Other receivables	2,501,051	Based on regular terms	3%			
1	Other receivables	1,252,434	Based on regular terms	1%			
2	Prepayments	34	Based on regular terms	-			
1	Short-term loans	900,000	Based on regular terms	1%			
3	Accrued interest expenses	2,871	Based on regular terms	-			
2	Operating expenses	34	Based on regular terms	-			
1	Interest income	1,051	Based on regular terms	-			
1	Interest income	2,434	Based on regular terms	-			
1	Miscellaneous revenue	95	Based on regular terms	-			
1	Miscellaneous revenue	95	Based on regular terms	-			
3	Interest expenses	1,038	Based on regular terms	-			
1	Interest expenses	12,826	Based on regular terms	-			
2	Prepayments	34	Based on regular terms	-			
2	Operating expenses	14	Based on regular terms	-			
2	Prepayments	34	Based on regular terms	-			
2	Accrued interest expenses	4,353	Based on regular terms	-			
2	Other payables	2,005,000	Based on regular terms	2%			
2	Operating expenses	9	Based on regular terms	-			
2	Interest expenses	4,353	Based on regular terms	-			
3	Prepayments	34	Based on regular terms	-			
3	Accrued expenses	42	Based on regular terms	-			
3	Operating expenses	6	Based on regular terms	-			
2	Prepayments	43	Based on regular terms	-			
2	Refundable deposits	15	Based on regular terms	-			
2	Operating expenses	35	Based on regular terms	-			
2	Prepayments	34	Based on regular terms	-			
2	Operating expenses	20	Based on regular terms	-			

(Continued)

- 82 -

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 TransAsia Telecommunications Inc. TFN Media Ltd. The Corporation TFN Media Ltd. The Corporation Taiwan Cellular Co., Ltd. TFN Investment Co., Ltd. The Corporation	2 3 1 2 1 2 1 2	Operating costs Operating costs Operating costs Operating expenses Interest expenses Interest expenses Miscellaneous expense	\$ 24,775 552 472 51 (8) 213,510 1,051 329 32,425	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	- - - - - - - -
16	Taiwan United Communication Co., Ltd. The Corporation	The Corporation The Corporation	2 2	Prepayments Operating expenses	34 26	Based on regular terms Based on regular terms	- -
17	Taiwan Telecommunication Network Services Co., Ltd.	Taiwan Fixed Network Co., Ltd. Reach & Range Inc. Taiwan Fixed Network Co., Ltd. The Corporation Taiwan Fixed Network Co., Ltd. The Corporation Reach & Range Inc. The former Taiwan Fixed Network Co., Ltd. Reach & Range Inc. Mangrove Cable TV Corporation Globalview Cable TV Co., Ltd. The Corporation The former Taiwan Fixed Network Co., Ltd. The Corporation	2 3 2 2 2 3 3 3 2 2 2	Accounts receivable Accounts receivable Notes payable Accounts payable Accounts payable Accrued expenses Accrued expenses Operating revenues Operating revenues Operating revenues Operating revenues Operating costs Operating costs Operating expenses	24 208 1,794 8 3,717 104 126 122 791 9 12 115 8,304 243	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 Based on regular terms Based on regular terms Based on regular terms Based on regular terms Based on regular terms Based on regular terms	- - - - - - - - - - - - -
18	The former Taiwan Fixed Network Co., Ltd.	The Corporation TransAsia Telecommunications Inc. Mobitai Communications Taiwan Telecommunications & Technologies Co., Ltd. Taiwan Telecommunication Network Services Co., Ltd. TFN Investment Co., Ltd. Hong Yuan Investment Co., Ltd. Reach & Range Inc. Win TV Broadcasting Co., Ltd. TFN Media Ltd. Fu Yang Multimedia 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. TFNHHK	2 3 3 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	Operating revenues Operating revenues Operating revenues Operating revenues Operating revenues Operating revenues Operating revenues Operating revenues Operating revenues Operating revenues Operating revenues Operating revenues Operating revenues Operating revenues Operating revenues Operating revenues Operating revenues Operating revenues	713,317 30,667 2,746 365 4,548 1,585 417 5,316 (56) 38,413 (2,917) 663 6,691 435 40 3,484 401 533	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 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 Based on regular terms Based on regular terms	1% - - - - - - - - - - - - - - - - -

(Continued)

- 85 -

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 TransAsia Telecommunications Inc. Mobitai Communications Taiwan Telecommunication Network Services Co., Ltd. Reach & Range Inc. TFN Media Ltd. Fu Yang Multimedia Co., Ltd. Union Cable TV Co., Ltd. Yeong Jialeh Cable TV Co., Ltd. Phoenix Cable TV Co., Ltd. Globalview Cable TV Co., Ltd. TFNHHK The Corporation Taiwan Teleservices & Technologies Co., Ltd. TFN Investment Co., Ltd. Hong Yuan Investment Co., Ltd. Reach & Range Inc. Win TV Broadcasting Co., Ltd. TFN Media Ltd. Fu Yang Multimedia Co., Ltd. The Corporation Yeong Jialeh Cable TV Co., Ltd. The Corporation TFN Media Ltd. The Corporation TFN Investment Co., Ltd. The Corporation	2 3 3 1 1 1 1 1 1 1 1 1 2 3 1 1 1 1 1 2 2 2 2 2 2	Operating costs Operating costs Operating costs Operating costs Operating costs Operating costs Operating costs Operating costs Operating costs Operating costs Operating costs Operating costs Operating expenses Operating expenses Operating expenses Operating expenses Operating expenses Operating expenses Interest income Penalty income Penalty income Rental income Miscellaneous revenue Interest expenses Interest expenses Miscellaneous expense	\$ 1,174,546 30,760 5,676 99 14,661 564 14,359 155 186 1,386 127 2,096 60,417 11,427 (43) (22) 232 (151) (1,196) (1,290) 6 (1) 1 7,035 5,368 4,793 10,854 77	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 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 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 Based on regular terms	2% - - - - - - - - - - - - - - - - - - - - - - - -
19	TFN Investment Co., Ltd.	TFN Media Ltd. 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. The former Taiwan Fixed Network Co., Ltd. TFN Media Ltd.	1 2 2 2 2 2 2	Other receivables Accrued expenses Other payables Operating expenses Interest income Interest income Miscellaneous expense	4,051,336 4 234,259 8 1,748 329 10,854 1,947	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	4% - - - - - -
20	Reach & Range Inc.	Taiwan Telecommunication Network Services Co., Ltd. The former Taiwan Fixed Network Co., Ltd. Taiwan Fixed Network Co., Ltd. Taiwan Telecommunication Network Services Co., Ltd. Taiwan Fixed Network Co., Ltd. The former Taiwan Fixed Network Co., Ltd. Mobitai Communications Taiwan Telecommunication Network Services Co., Ltd.	3 2 2 3 2 2 3	Accounts receivable Accounts receivable Accounts payable Accounts payable Accrued expenses Other current liabilities Operating revenues	246 12,149 (4) 208 5,312 1,216 1,114 358	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	- - - - - - -

(Continued)

- 86 -

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	-
	The former Taiwan Fixed Network Co., Ltd.		2	Operating costs	42,649	Payment terms varied depend on the agreements	-
	Union Cable TV Co., Ltd.		1	Operating costs	18,946	Payment terms varied depend on the agreements	-

(Continued)

- 89 -

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		2	Operating expenses	132	Based on regular terms	-
	The former Taiwan Fixed Network Co., Ltd.		2	Operating expenses	3,411	Based on regular terms	-
	Union Cable TV Co., Ltd.		1	Operating expenses	2,400	Payment terms varied depend on the agreements	-
	Shin Ho Cable TV Co., Ltd.		1	Operating expenses	471	Payment terms varied depend on the agreements	-
	Yeong Jialeh Cable TV Co., Ltd.		1	Operating expenses	1,237	Payment terms varied depend on the agreements	-
	Mangrove Cable TV Corporation		1	Operating expenses	254	Payment terms varied depend on the agreements	-
	North Coast Cable TV Co., Ltd.		1	Operating expenses	90	Payment terms varied depend on the agreements	-
	Phoenix Cable TV Co., Ltd.		1	Operating expenses	2,114	Payment terms varied depend on the agreements	-
	Globalview Cable TV Co., Ltd.		1	Operating expenses	409	Payment terms varied depend on the agreements	-
	The Corporation		2	Miscellaneous revenue	2	Based on regular terms	-
	The Corporation		2	Interest expenses	504	Payment terms varied depend on the agreements	-
	Taiwan Cellular Co., Ltd.		2	Interest expenses	2,521	Payment terms varied depend on the agreements	-
	TFN Investment Co., Ltd.		2	Interest expenses	2,016	Payment terms varied depend on the agreements	-
	Union Cable TV Co., Ltd.		1	Interest expenses	1,002	Payment terms varied depend on the agreements	-
	Shin Ho Cable TV Co., Ltd.		1	Interest expenses	441	Payment terms varied depend on the agreements	-
	Mangrove Cable TV Corporation		1	Interest expenses	96	Payment terms varied depend on the agreements	-
	North Coast Cable TV Co., Ltd.		1	Interest expenses	311	Payment terms varied depend on the agreements	-
	Globalview Cable TV Co., Ltd.		1	Interest expenses	467	Payment terms varied depend on the agreements	-
	Union Cable TV Co., Ltd.		1	Miscellaneous expense	1,871	Payment terms varied depend on the agreements	-

(Continued)

- 90 -

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)

- 91 -

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)

- 92 -

Number	Company Name	Counterparty	Transaction Details				Percentage of Consolidated Total Operating Revenues or Total Assets
			Nature of Relationship (Note)	Account	Amount	Transaction Terms	
25	Shin Ho Cable TV Co., Ltd.	The Corporation TFN Media Ltd. The Corporation The former Taiwan Fixed Network Co., Ltd. TFN Media Ltd. Fu Yang Multimedia Co., Ltd. TFN Media Ltd. Fu Yang Multimedia Co., Ltd. TFN Media Ltd. TFN Media Ltd. TFN Media Ltd. The Corporation TFN Media Ltd. Fu Yang Multimedia Co., Ltd. The Corporation TFN Media Ltd. Fu Yang Multimedia Co., Ltd. TFN Media Ltd. Fu Yang Multimedia Co., Ltd. TFN Media Ltd.	2	Operating costs	191	Based on regular terms	-
			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	-
			3	Operating expenses	12,231	Payment terms varied depend on the agreements	-
			2	Interest income	1,002	Payment terms varied depend on the agreements	-
			3	Interest income	5,335	Payment terms varied depend on the agreements	-
			2	Miscellaneous revenue	2,409	Based on regular terms	-
			2	Accounts receivable	671	Based on regular terms	-
			2	Other receivables	211,705	Payment terms varied depend on the agreements	-
			2	Operating revenues	40	Payment terms varied depend on the agreements	-
			2	Operating revenues	568	Payment terms varied depend on the agreements	-
			3	Operating revenues	4,067	Payment terms varied depend on the agreements	-
			2	Operating costs	48	Payment terms varied depend on the agreements	-
			2	Operating expenses	16	Payment terms varied depend on the agreements	-
			2	Operating expenses	574	Payment terms varied depend on the agreements	-
3	Operating expenses	4,284	Payment terms varied depend on the agreements	-			
2	Interest income	441	Payment terms varied depend on the agreements	-			
3	Interest income	2,346	Payment terms varied depend on the agreements	-			
2	Miscellaneous revenue	2,341	Based on regular terms	-			
26	Yeong Jialeh Cable TV Co., Ltd.	The Corporation Taiwan Fixed Network Co., Ltd. TFN Media Ltd. TFN Media Ltd. TFN Media Ltd.	2	Accounts receivable	30	Payment terms varied depend on the agreements	-
			2	Accounts receivable	49	Payment terms varied depend on the agreements	-
			2	Accounts receivable	4,977	Payment terms varied depend on the agreements	-
			2	Other receivables	1,871	Based on regular terms	-
			2	Other current assets	22	Based on regular terms	-

- 93 -

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. Fu Yang Multimedia Co., Ltd. Taiwan Fixed Network Co., Ltd. TFN Media Ltd. Taiwan Fixed Network Co., Ltd. Taiwan Fixed Network Co., Ltd. TFN Media Ltd. The Corporation The former Taiwan Fixed Network Co., Ltd. TFN Media Ltd. Fu Yang Multimedia Co., Ltd. The Corporation The former Taiwan Fixed Network Co., Ltd. TFN Media Ltd. The Corporation TFN Media Ltd. The former Taiwan Fixed Network Co., Ltd. TFN Media Ltd. Fu Yang Multimedia Co., Ltd. TFN Media Ltd.	2	Other intangible assets	4,851	Payment terms varied depend on the agreements	-
			3	Other intangible assets	485	Payment terms varied depend on the agreements	-
			2	Accounts payable	67	Payment terms varied depend on the agreements	-
			2	Accounts payable	24,689	Payment terms varied depend on the agreements	-
			2	Accrued expenses	59	Based on regular terms	-
			2	Other payables	143	Based on regular terms	-
			2	Other payables	7,733	Payment terms varied depend on the agreements	-
			2	Operating revenues	247	Payment terms varied depend on the agreements	-
			2	Operating revenues	153	Payment terms varied depend on the agreements	-
			2	Operating revenues	12,190	Payment terms varied depend on the agreements	-
			3	Operating revenues	13,536	Payment terms varied depend on the agreements	-
			2	Operating costs	193	Payment terms varied depend on the agreements	-
			2	Operating costs	191	Payment terms varied depend on the agreements	-
			2	Operating costs	199,082	Payment terms varied depend on the agreements	-
			2	Operating expenses	21	Payment terms varied depend on the agreements	-
			2	Operating expenses	629	Based on regular terms	-
			2	Operating expenses	2,906	Payment terms varied depend on the agreements	-
			3	Operating expenses	22,796	Payment terms varied depend on the agreements	-
			2	Miscellaneous revenue	2,250	Payment terms varied depend on the agreements	-
			27	Mangrove Cable TV Corporation	TFN Media Ltd. North Coast Cable TV Co., Ltd. Taiwan Fixed Network Co., Ltd. TFN Media Ltd. TFN Media Ltd. Union Cable TV Co., Ltd. Taiwan Fixed Network Co., Ltd.	2	Accounts receivable
3	Accounts receivable	27				Based on regular terms	-
2	Other receivables	4				Based on regular terms	-
2	Other receivables	45,652				Payment terms varied depend on the agreements	-
2	Other intangible assets	4,477				Payment terms varied depend on the agreements	-
3	Accounts payable	16				Based on regular terms	-
2	Accrued expenses	67	Based on regular terms	-			

- 94 -

Number	Company Name	Counterparty	Transaction Details				Percentage of Consolidated Total Operating Revenues or Total Assets
			Nature of Relationship (Note)	Account	Amount	Transaction Terms	
28	North Coast Cable TV Co., Ltd.	Taiwan Fixed Network Co., Ltd. TFN Media Ltd.	2	Other payables	\$ 48	Based on regular terms on the agreements	-
		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	-
		Fu Yang Multimedia Co., Ltd.	2	Operating expenses	562	Based on regular terms	-
		TFN Media Ltd.	2	Operating expenses	887	Payment terms varied depend on the agreements	-
		TFN Media 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	-
		TFN Media 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	-
		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 Taiwan Fixed Network Co., Ltd. The Corporation	3	Accounts payable	27	Based on regular terms	-		
TFN Media Ltd.	2	Accrued expenses	19	Based on regular terms	-		
TFN Media Ltd.	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. The Corporation	3	Operating revenues	3,265	Payment terms varied depend on the agreements	-		
			2	Operating costs	42	Payment terms varied depend on the agreements	-

(Continued)

- 95 -

Number	Company Name	Counterparty	Transaction Details				Percentage of Consolidated Total Operating Revenues or Total Assets
			Nature of Relationship (Note)	Account	Amount	Transaction Terms	
29	Phoenix Cable TV Co., Ltd.	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	-
		Fu Yang Multimedia Co., Ltd.	2	Operating expenses	670	Payment terms varied depend on the agreements	-
		TFN Media Ltd.	3	Operating expenses	6,100	Payment terms varied depend on the agreements	-
		Fu Yang Multimedia Co., Ltd.	2	Interest income	311	Payment terms varied depend on the agreements	-
		TFN Media 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	-
		Taiwan Fixed Network Co., Ltd. TFN Media Ltd.	2	Accounts receivable	201	Payment terms varied depend on the agreements	-
		The Corporation	2	Accounts receivable	7,384	Payment terms varied depend on the agreements	-
		TFN Media Ltd.	2	Other receivables	29	Payment terms varied depend on the agreements	-
		TFN Media Ltd.	2	Other receivables	1,904	Based on regular terms	-
		Taiwan Fixed Network Co., Ltd.	2	Accounts payable	37,396	Payment terms varied depend on the agreements	-
		TFN Media Ltd.	2	Accrued expenses	466	Based on regular terms and payment terms varied	-
		Taiwan Fixed Network Co., Ltd. TFN Media Ltd.	2	Other payables	139	Based on regular terms	-
		The Corporation	2	Other payables	9,649	Payment terms varied depend on the agreements	-
TFN Media Ltd.	2	Operating revenues	576	Payment terms varied depend on the agreements	-		
Fu Yang Multimedia Co., Ltd.	2	Operating revenues	1,336	Payment terms varied depend on the agreements	-		
The Corporation	2	Operating revenues	18,099	Payment terms varied depend on the agreements	-		
TFN Media Ltd.	3	Operating revenues	23,264	Payment terms varied depend on the agreements	-		
Fu Yang Multimedia Co., Ltd.	2	Operating costs	215	Payment terms varied depend on the agreements	-		
The Corporation	2	Operating costs	2,558	Payment terms varied depend on the agreements	-		
TFN Media Ltd.	2	Operating costs	301,546	Payment terms varied depend on the agreements	-		

(Continued)

- 96 -

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 former Taiwan Fixed Network Co., Ltd. TFN Media Ltd. Fu Yang Multimedia Co., Ltd. The Corporation TFN Media Ltd.	2 2 2 3 2 2	Operating expenses Operating expenses Operating expenses Operating expenses Rental income Miscellaneous revenue	\$ 274 1,028 3,662 27,342 29 2,670	- - - - - -	
30	Globalview Cable TV Co., Ltd.	Taiwan Fixed Network Co., Ltd. TFN Media Ltd. Union Cable TV Co., Ltd. Global Wealth Media Technology Co., Ltd. TFN Media Ltd. TFN Media Ltd. TFN Media Ltd. Taiwan Fixed Network Co., Ltd. TFN Media Ltd. Taiwan Fixed Network Co., Ltd. Taiwan Fixed Network Co., Ltd. TFN Media Ltd. Global Wealth Media Technology Co., Ltd. The Corporation The former Taiwan Fixed Network Co., Ltd. TFN Media Ltd. Fu Yang Multimedia Co., Ltd. Union Cable TV Co., Ltd. The Corporation TFN Media Ltd.	2 2 3 3 2 2 2 2 2 2 2 2 3 2 2 2 3 3 2 2	Accounts receivable Accounts receivable Accounts receivable Other receivables Other receivables Other current assets Other intangible assets Accounts payable Accounts payable Accrued expenses Other payables Other payables Advance receipts Operating revenues Operating revenues Operating revenues Operating revenues Operating revenues Operating costs Operating costs	15 1,831 2 42 215,688 1 5,835 72 14,495 77 129 1,143 34 175 120 2,530 9,750 3 104 116,880	- - - - - - - - - - - - - - - - - - - -	

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- 97 -

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 Taiwan Telecommunication Network Services Co., Ltd. The former Taiwan Fixed Network Co., Ltd. TFN Media Ltd. Fu Yang Multimedia Co., Ltd. TFN Media Ltd. Fu Yang Multimedia Co., Ltd. Global Wealth Media Technology Co., Ltd. TFN Media Ltd.	2 3 2 2 3 2 3 3 2	Operating expenses Operating expenses Operating expenses Operating expenses Operating expenses Interest income Interest income Rental income Miscellaneous revenue	\$ 96 15 615 1,786 14,618 467 4,574 6 2,199	- - - - - - - - -	
31	TFNUS	The former Taiwan Fixed Network Co., Ltd.	2	Operating expenses	197	-	
32	TFNHK	Taiwan Fixed Network Co., Ltd. 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. The former Taiwan Fixed Network Co., Ltd.	2 2 2 2 2 2 2	Accounts receivable Accounts receivable Accrued expenses Operating revenues Operating revenues Operating revenues Operating expenses	474 1 39 2,407 (240) 398 (191)	- - - - - - -	

Note 1: Parent to subsidiary.

Note 2: Subsidiary to parent.

Note 3: Between subsidiaries.

(Concluded)

- 98 -

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Listing of Foreign Securities None



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