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**Taiwan Mobile**



# 2011 Annual Report

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# Taiwan Mobile

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Listing of Foreign Securities	None	

Disclaimer

*Please note that the English annual report is a translation of the original Chinese version for convenience only.*

*In the event of any variance, the Chinese text shall prevail.*

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# Letter to Shareholders

Dear Shareholders,

With digital convergence as our core strategy, Taiwan Mobile (“TWM” or “The Company”) has continued to aggressively roll out new and upgraded communications platforms (mobile internet, cable/digital TV, cable broadband), enriched its content (shopping channels, family channel, online music), and expanded traditional/virtual channels (myfone stores/website, momo cosmetic stores, momo department stores, momo online shopping and momo catalogue services). All these have strengthened and advanced Taiwan Mobile’s thrust into the T.I.M.E. – Telecoms, Internet, Media and Entertainment – fields.

## Steady expansion of core business

Despite the impact of the National Communication Commissions’ regulatory intervention on mobile operators’ voice revenue, the Company still posted stable profits in 2011 due to healthy revenue growth and good margins from all three major business groups, plus earnings contribution from momo.

In 2011, Taiwan Mobile posted a consolidated revenue of NT\$81.37bn, up 16% from a year ago. The Company’s consolidated EBITDA of NT\$27.09bn and net income of NT\$13.47bn reached 105% and 103% of its annual targets respectively. Earnings per share rose 2% YoY to NT\$4.70. The main revenue growth drivers were as follows:

### 1. Wireless value-added services

The popularity of smartphones contributed to an increase in wireless data revenue, offering new opportunities in an already saturated telecommunications market. Taiwan’s mobile carriers, thus, entered into a growth cycle. As of the end of 2011, smartphone penetration in Taiwan was only around 20%, signifying ample room for growth. Taiwan Mobile, differentiating itself by offering quality network efficiency and a wide variety of the latest smartphone models, outperformed its peers by recording a 47% YoY rise in wireless value-added service revenue.

### 2. Cable broadband services

By successfully bundling digital TV services and offering customers higher broadband speed, Taiwan Mobile expanded its market share and saw its number of subscribers and average revenue per user (ARPU) from cable broadband services grow 13% and 4% respectively from a year ago, leading to a steady growth in revenue.

## Maximizing shareholders’ value

### 1. Second round of capital reduction

The Company held a second round of capital reduction in August 2011, returning NT\$1 per share to shareholders. This, plus a cash dividend of NT\$4.1619 per share for 2010 earnings, translates into a cash yield of 6.4%, providing rich and steady returns for shareholders. Given a sound capital structure and relatively stable profits and dividends, Taiwan Mobile’s stock outperformed the market in 2011.

### 2. World-class corporate governance

Taiwan Mobile's commitment over the years to corporate governance has made it a role model in protecting shareholders' interests and promoting financial transparency. The Company's compliance with global standards has earned the trust of investors and has been recognized by various domestic and international ratings institutions. These include: a "CG6006" certification" from the Taiwan Corporate Governance Association; "Best Corporate Governance in Asia" and "Best Investor Relations, Taiwan" from *Corporate Governance Asia* magazine; and an A<sup>+</sup> rating and a top 10 ranking of listed companies for "Transparency and Information Disclosure" by the Securities and Futures Institute. As a further recognition for its efforts, Taiwan Mobile was one of the in "Taiwanese Enterprises: Promoting Trust and Integrity," awarded by the Industrial Development Bureau under the Ministry of Economic Affairs.

3. A role model for corporate social responsibility

TWM has also won recognitions for employing its corporate and financial resources to assist non-profit organizations in promoting social welfare. These include the "Excellence in Corporate Social Responsibility" award from *CommonWealth* magazine for five consecutive years; the top prize for "Corporate Social Responsibility" in the education category by *GlobalViews Monthly* magazine; and the "R.O.C. Enterprises Environmental Protection Award" from the Environmental Protection Administration of the Executive Yuan for three years in a row.

4. Premium services and customer satisfaction

TWM's core value of "truly caring for customers" and continuous product and service innovations were critical to its winning *Reader's Digest's* "Trusted Brand Gold Award" for the eighth consecutive year, ranking 6th on *Business Next* magazine's "Info Tech 100 Taiwan" list and being included in its "Info Tech 100 Asia"; garnering the top prize in the "2011 Digital Service Award," ICT Group, of *Business Next* magazine's digital service power survey; as well as an award for "Outstanding IT Applications/ Products" at the 2011 ICT Exhibition.

For 2012, despite continuing challenges from the regulatory front, Taiwan Mobile is well-prepared for the digital convergence age, ready to enhance its business synergies, provide an all-encompassing digital life for its customers and create maximum returns for its shareholders.



Richard Tsai  
Chairman

# Chapter 1 Company Highlights

## Vision

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

## Core Competency

The Company has established a cross-media platform integrating mobile communications, fixed-line, cable TV and broadband services. Through integration, the Company is able to provide seamless digital convergence services across "multiple screens and a cloud" to meet the demands of the consumer, household and corporate markets for excellent service and information security.

## Excellent Brand Image

The Company has taken a human-centric approach in building up its three major brands – Taiwan Mobile, TWM Broadband and TWM Solution – with an emphasis on "integrity, innovation, passion and simplicity." TWM has transformed advanced technologies into simple, practical, user-friendly mobile communications services that can be accessed anytime, anywhere, and via any device to meet the different needs of individual customers and allow them to enjoy the ease, convenience, joy and comfort of a high-tech, mobile lifestyle.

"Together with you" is TWM's brand vision – a reflection of its commitment to customers.

## Date of Incorporation

The Company was founded on February 25, 1997.

## Milestones

1. The Company's merger and acquisition activities and status of affiliates
  - 1) Merger and acquisition activities: Wealth Media Technology Co., Ltd., a subsidiary of the Company, acquired a 51% stake in Fubon Multimedia Technology Co., Ltd. (also known as momo) in July 2011.
  - 2) Status of affiliates: Please refer to Chapter 2 "Direct and indirect investments in affiliated companies".
2. Status of the Company's reorganization: Not applicable
3. Significant changes in shareholding of directors, supervisors and major shareholders: None
4. Changes in management control: None
5. Changes in operation or business scope: None
6. Other major items sufficient to influence shareholders' rights or the Company: None

August	2011	Company's capital was reduced to NT\$34.2bn after a capital reduction of NT\$3.8bn.
June	2011	Richard Tsai and Daniel Tsai were elected Chairman and Vice Chairman, respectively, at the first meeting of the sixth Board of Directors.
April	2011	Board of Directors approved the acquisition of a 51% stake in Fubon Multimedia Technology (also known as momo) for NT\$8.35bn through TWM's 100%-owned subsidiary, Wealth Media Technology.
October	2010	Cliff Lai and Vivien Hsu were appointed Co-Presidents at the 17 <sup>th</sup> meeting of the fifth Board of Directors, effective January 1, 2011.
May	2010	TFN Media (TFNM) Co., Ltd., a TWM affiliate, acquired a 45% stake in ezPeer of Taiwan Kuro Times Co., Ltd. TFNM raised its stake to 100% in August 2011.
January	2009	Founded Taipei New Horizons Co., Ltd. (49.9% holding) with Fubon Land Development Co., Ltd. to develop a cultural park at the site of the old Songshan tobacco plant under a 50-year BOT contract with the Taipei City Government.
June	2008	Richard Tsai and Daniel Tsai were elected Chairman and Vice Chairman, respectively, at the first meeting of the fifth Board of Directors.
April	2008	Acquired a 100% stake in Hurray! Times Communications (Beijing) Ltd.
February	2008	Introduced three new brands – Taiwan Mobile, TWM Broadband and TWM Solution – to provide consumers, households and enterprises with integrated telecommunications services, including wireless communication, cable TV and fixed-line services.
December	2007	Company's capital dropped to NT\$38bn after a capital reduction of NT\$12bn.
August	2007	Acquired a 45% stake in Taiwan Telecommunication Network Services Co., Ltd. (TTN). TWM raised its stake to 100% in August 2008 and merged it into Taiwan Fixed Network Co., Ltd. (TFN).
April	2007	Acquired an 84% stake in TFN. TWM acquired full ownership of TFN in December 2007.
January	2007	Launched 3.5G (HSDPA) service.
August	2006	Richard Tsai and Daniel Tsai were elected Chairman and Vice Chairman, respectively, at the 10 <sup>th</sup> meeting of the fourth Board of Directors.
May	2005	First in Taiwan to launch 3G services, heralding the start of a new era in mobile communications.
November	2004	Joined Bridge Mobile Alliance, the largest mobile alliance in Asia.
August	2004	Acquired a 67% stake in Mobitai, increasing its subscriber base to 8.2 million. TWM acquired full ownership of Mobitai In January 2006 and merged it into TAT in December 2007.
July	2003	Harvey Chang was appointed President & CEO at the 15 <sup>th</sup> meeting of the third Board of Directors.
July	2003	Daniel Tsai and Richard Tsai were elected Chairman and Vice Chairman, respectively, at the 2 <sup>nd</sup> meeting of the third Board of Managing Directors.
June	2003	Taiwan Telecom Group's operating model was discontinued.

August	2002	Moved from the OTC exchange to the Taiwan Stock Exchange's main board.
May	2002	C. S. Chen was appointed President at the second meeting of the third Board of Directors.
May	2002	Set up Taiwan Telecom Group to centralize administration of Taiwan Cellular Corp., TFN and other affiliates. The group was headed by Chairman Jack T. Sun, Vice Chairman Richard Tsai, CEO Joseph Lee, COO S. T. Chang and CSO Ray-Ying Fan.
April	2002	Jack T. Sun and Joseph Lee were re-elected Chairman and Vice Chairman, respectively, at the first meeting of the third Board of Directors.
February	2002	Granted 3G license.
July	2001	Teamed up with an affiliate to acquire a 95.62% stake of TransAsia Telecommunications (TAT), boosting its subscriber base to 6.42 million. TWM acquired full ownership of TAT in June 2006 and merged it into TWM in September 2008.
November	2000	Ray-Ying Fan was appointed President at the 8 <sup>th</sup> meeting of the second Board of Directors.
September	2000	First private telecom operator to start trading on Taiwan's Over-the-Counter market.
June	1999	Jack T. Sun and Joseph Lee were re-elected Chairman and Vice Chairman, respectively, at the 1 <sup>st</sup> meeting of the second Board of Directors.
January	1998	Started commercial services.
December	1997	First nationwide private operator to obtain a GSM 1800 network operating license.
February	1997	Company was incorporated.
January	1997	Jack T. Sun and Joseph Lee were elected Chairman and Vice Chairman, respectively, while Lai-Ting Zou was appointed President at the 1 <sup>st</sup> meeting of the first Board of Directors.
May	1996	Preparatory work for the Company's incorporation.

### **Awards and recognitions from 2011 up to the publication date in 2012**

November	2011	TWM was one of the nine companies featured in "Taiwanese Enterprises: Promoting Trust and Integrity," published by the Industrial Development Bureau under the Ministry of Economic Affairs.
November	2011	Received "CG6006 Advanced Corporate Governance" certification from the Taiwan Corporate Governance Association.
November	2011	TWM Chairman, Richard Tsai, was honored with the "Asia Innovator of the Year Award" at the 10th Asian Business Leaders Awards by CNBC. He was the sole awardee from Taiwan.
November	2011	Ranked No. 2 in <i>Next</i> magazine's "Eighth Annual Top Service Awards" for mobile and fixed-line communications.
October	2011	Received an "R.O.C. Enterprises Environmental Protection Award" from the Environmental Protection Administration under the Executive Yuan. TWM is the only enterprise in the service



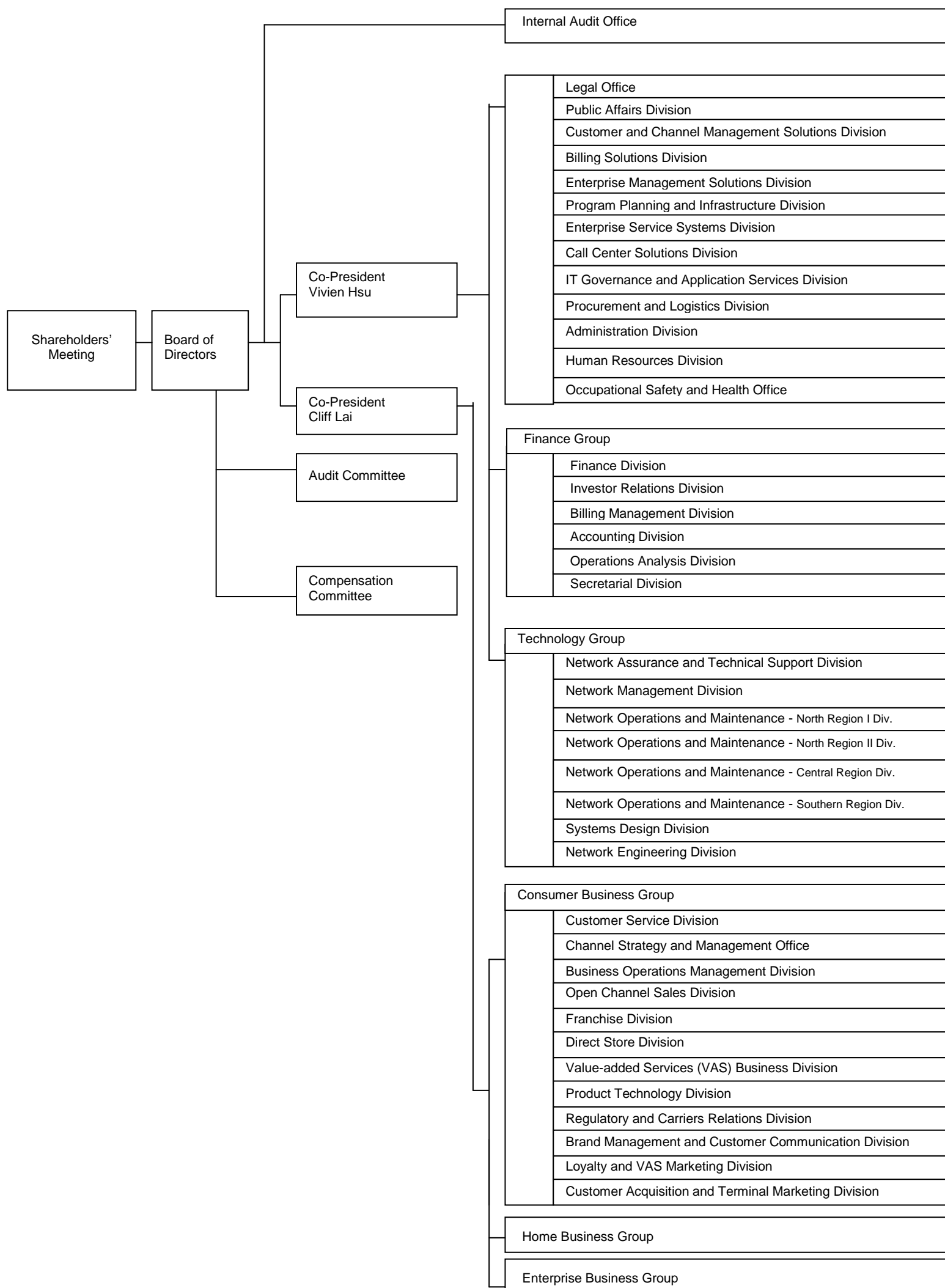
		sector to have received such an award for three years in a row.
September	2011	Received ISO/IEC 27001 information security management system certification and passed additional ISO/IEC 27011 inspections for information security management in the telecommunications sector by the National Communications Commission.
August	2011	Awarded "Excellence in Corporate Social Responsibility" by <i>CommonWealth</i> magazine for the fifth year in a row.
July	2011	Received an "A <sup>+</sup> " ranking and ranked as one of the top 10 listed companies for "Transparency and Information Disclosure" by Taiwan's Securities and Futures Institute for the sixth consecutive year.
June	2011	Received the "Corporate Governance Asia Recognition Award" in the Asia-Pacific region by <i>Corporate Governance Asia</i> for the fifth year in a row.
June	2011	Ranked sixth in <i>Business Next</i> Magazine's list of 100 leading tech companies in Taiwan (Info Tech 100 Taiwan); also included in its "Info Tech 100 Asia" list.
May	2011	Received a "Trusted Brand Gold Award" from <i>Reader's Digest</i> for the eighth consecutive year.
May	2011	Won first prize for "Corporate Social Responsibility," education category, by <i>Global Views Monthly</i> .
May	2011	Won first prize in the "2011 Digital Service Awards," ICT category, based on a digital service power survey by <i>Business Next</i> magazine.
March	2011	Awarded "Best Corporate Investor Relations in Taiwan" in <i>Corporate Governance Asia's</i> first Asian Excellence Recognition Awards.
January	2011	Ranked No.1 in <i>Euromoney's</i> survey of "Best Corporate Governance in Taiwan" – the fourth time the Company received such recognition.

# Chapter 2 Organization and Corporate Governance

## ORGANIZATION

### Organization Chart

As of February 29, 2012



## Divisional Scope of Responsibilities

Division		Scope of responsibilities
Consumer Business Group	Customer Service Division	Customer service and call center management Telemarketing sales and retention
	Channel Strategy and Management Office	Channel strategy planning and performance management Sales planning and store management Training and point-of-sale system administration Customer service quality evaluation and monitoring conducted by the Service Quality Assurance Committee
	Business Operations Management Division	Front-end sales/service operation process planning and implementation Back-end resource management and channel performance award management Sales channel logistics and service fulfillment
	Open Channel Sales Division	Open channel development and business execution
	Franchise Division	Supervision of franchisees' product promotion, distribution and customer service
	Direct Store Division	Product sales and customer service at company stores
	Value-added Services (VAS) Business Division	Overall VAS business management and product quality assurance Business strategy setting, product planning, development and management Platform integration and device customization
	Product Technology Division	Technical consultation and solutions analysis for VAS products and CPE technologies Solutions design, systems development and delivery for VAS products and marketing promotions VAS platform operation, administration and maintenance
	Regulatory and Carrier Relations Division	Regulatory matters, government relations and inter-carrier relations
	Brand Management and Customer Communication Division	Management of brand identity, strategic development, integrated marketing communication, and implementation of ad campaigns Execution of store signage/interior design and cost control Integration and operation of company websites, e-marketing implementation, including online sales and services
	Loyalty and VAS Marketing Division	Planning and implementation of postpaid customer retention and churn prevention strategy and marketing campaigns Development and implementation of customer loyalty strategies and programs Planning and execution of prepaid programs and value-added services marketing campaigns Customer behavior analysis and market surveys
Customer Acquisition and Terminal Marketing Division	Strategy development and execution to attract new customers Strategy implementation to promote handsets, netbooks, data cards and accessories Voice/data rate plan strategy and marketing E-commerce planning and management	
Technology Group	Network Assurance and Technical Support Division	Mobile network technical support Fixed network technical support IP-based network technical support Network quality assurance
	Network Management Division	24-hour supervision of mobile and fixed system network operations and maintenance Technical support for network operations and customer issues Management of network quality and critical events
	Network Operations and Maintenance -- North I, North II, Central and Southern Regions	2G/3G network construction, expansion, operation, maintenance and optimization, including core transmission and radio networks Fixed network construction, expansion, operation, maintenance and optimization
	Systems Design Division	Planning and design for core, radio, IP and transmission network systems for mobile and fixed network Development of new technologies and verification testing of network elements
	Network Engineering Division	Mobile telecom and fixed network business infrastructure budget, control and management Supervision of outsourced engineering and construction projects Management of cables and conduits in government agencies Fixed network service management, project evaluation and coordination
Finance Group	Finance Division	Treasury management Monitoring of investments and subsidiaries' business activities Finance-related project evaluation, planning and execution
	Investor Relations Division	Timely disclosure of the Company's operating and financial status, management strategy, future business plans and developments to investors Communication between the Company and investors
	Billing Management Division	Billing, receivables collection and settlement Credit check and risk management
	Accounting Division	Accounting-related affairs Tax planning and execution
	Operations Analysis Division	Divisional operating performance analysis, financial forecasting and annual budget review
	Secretarial Division	Board meeting facilitation and corporate share registrar management Company seal custodian Receipt/transmission of corporate documents Corporate registration affairs

<b>Division</b>	<b>Scope of responsibilities</b>
Internal Audit Office	Audit of the Company and its subsidiaries Monitoring and examining the effectiveness and efficiency of the Company's internal control system Developing, managing and overseeing information security management system in support of business strategy.
Legal Office	Legal counsel, company litigation and legal document review
Public Affairs Division	Promotion and management of corporate image Media communication, news agenda setting and crisis management Planning and execution of corporate social responsibility strategies Planning and maintenance of Company's official and internal as well as TWM Foundation's websites
Customer and Channel Management Solutions Division	Front-end customer management solutions Channel services, commission and performance solutions Order management system solutions Enterprise management information systems Order and provision solution for fixed-line business
Billing Solutions Division	Billing systems operation and development
Enterprise Management Solutions Division	Data warehouse and customer relations management solutions Technical project management Network management solutions
Program Planning and Infrastructure Division	Systems and network infrastructure construction and operations management
Enterprise Service Systems Division	TWM's customer care application systems Enterprise resource planning (ERP) and human resources solutions
Call Center Solutions Division	Call center infrastructure and operations management solutions Fixed network operations management
IT Governance and Application Services Division	Corporate website and e-commerce systems Service-oriented architecture and enterprise service bus (SOA/ESB) Fixed network application systems IT governance, enterprise architecture, software development process and basic architecture Software/tools development and management
Procurement and Logistics Division	Procurement policy and system planning Handling of procurement-related activities Suppliers evaluation and management Contract negotiations and signing
Administrative Division	Office machinery and equipment management General and administrative affairs coordination Base station administration and related expense payments
Human Resources Division	Staffing, compensation, training and employee relations coordination
Occupational Safety and Health Office	Occupational safety and health management Site area safety management Environmental protection management Workplace health promotion
Home Business Group	CATV/DTV, broadband internet access (cable modem/FTTx), and connect TV services Implementation of integrated technology solutions for the development of new products and VAS to increase video and broadband internet access penetration rate and overall revenue Expansion of two-way optical network to broaden coverage and ensure better internet access quality and stable cable signal
Enterprise Business Group	Strategy development and business analysis Channel development, sales and customer loyalty management Enterprise ICT integration and bundled products, marketing campaign, operation and execution Enterprise customer services and billing matters Inter-carrier relations and international business (including international roaming) plan and implementation

## Board of Directors and Executive Management

### Board of Directors

The board of directors, acting on behalf of the Company's shareholders, is charged with the task of supervising the management team. The board, elected and approved during the AGM on June 15, 2011, includes four independent directors, which more than fulfills current regulations requiring public companies having at least two independent directors. The Audit Committee, composed entirely of independent directors, replaced board supervisors. Information on the Company's Sixth Board of Directors is detailed below:

Title	Name	Date elected	Term expires	Shareholding when elected		Current shareholding		Spouse/minor's shareholdings		Education and experience	Current position(s) in the Company and other companies	Officer or director is a spouse or consanguineous within two degrees		
				Shares	%	Shares	%	Shares	%			Title	Name	Relationship
Chairman	Fu-Chi Venture Corp. Representative: Richard Tsai	2011.06.15	2014.06.14	6,387,515	0.168	5,748,763 *90,127,938	0.168 *2.635	5,986,496	0.175	MBA, Stern School, New York University Chairman, Fubon Securities Co., Ltd.	Vice Chairman, Fubon Financial Holding Co., Ltd. Vice Chairman, Taipei Fubon Commercial Bank Co., Ltd. Chairman, Taiwan Fixed Network Co., Ltd.	Vice Chairman	Daniel Tsai	Brother
Vice Chairman	Fu-Chi Venture Corp. Representative: Daniel Tsai	2011.06.15	2014.06.14	6,387,515	0.168	5,748,763 *86,979,990	0.168 *2.543	4,580,070	0.134	LL.B., National Taiwan University LL.M., Georgetown University Chairman, Fubon Insurance Co., Ltd. Chairman, Fubon Land Development Co., Ltd.	Chairman, Fubon Financial Holding Co., Ltd. Chairman, Taipei Fubon Commercial Bank Co., Ltd.	Chairman	Richard Tsai	Brother
Director	TCC Investment Co., Ltd. Representative: Cliff Lai	2011.06.15	2014.06.14	222,774,179	5.861	200,496,761 *2,349	5.861 *0.000	-	-	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. Senior Vice President, Taiwan Fixed Network Co., Ltd. CEO, Fu Yang Media Technology Co., Ltd. Senior Vice President and Chief Business Officer, Taiwan Mobile Co., Ltd. Senior Vice President and Chief Operating Officer of Consumer Business Group, Taiwan Mobile Co., Ltd.	Co-President, Taiwan Mobile Co., Ltd. Director, Taiwan Cellular Co., Ltd. Director and President, Taiwan Fixed Network Co., Ltd. Director, Wealth Media Technology Co., Ltd. Director and President, TFN Media Co., Ltd. Chairman, Win TV Broadcasting Co., Ltd. Chairman, Globalview Cable TV Co., Ltd. Chairman, Union Cable TV Co., Ltd. Chairman, Yeong Jia Leh Cable TV Co., Ltd. Chairman, Phoenix Cable TV Co., Ltd. Chairman, Taiwan Teleservices & Technologies Co., Ltd. Chairman and President, Taiwan Super Basketball Co., Ltd. Chairman, Taiwan Kuro Times Co., Ltd. Chairman and President, TWM Communications (Beijing) Co., Ltd. Director, Fubon Multimedia Technology Co., Ltd. Director, Taipei New Horizons Co., Ltd. Director-General, Taiwan Internet Association Director, Taiwan Network Information Center	-	-	-
Director	TCC Investment Co., Ltd. Representative: Vivien Hsu	2011.06.15	2014.06.14	222,774,179	5.861	200,496,761 *None	5.861 *None	-	-	MBA, University of New South Wales, Sydney, Australia MBA, National Chengchi University Executive Vice President and Chief Financial Officer, KG Telecom Co., Ltd. President and CEO, Lambda Net Co., Ltd. President and CEO, KGEx.com Co., Ltd. President and CEO, KG Satellite Communication Co., Ltd. Chief Financial Officer, Cathay Financial Holdings Co., Ltd. Senior Vice President and Chief of Staff, Taiwan Mobile Co., Ltd. Chairman, Taiwan Tele-Shop Co., Ltd. Senior Vice President and Chief Financial Officer, Taiwan Mobile Co., Ltd. Senior Consultant and Acting President, Taiwan Fixed Network Co., Ltd.	Co-President, Taiwan Mobile Co., Ltd. Director and President, Taiwan Cellular Co., Ltd. Supervisor, Taiwan Fixed Network Co., Ltd. Director and President, Wealth Media Technology Co., Ltd. Supervisor, TFN Media Co., Ltd. Supervisor, Win TV Broadcasting Co., Ltd. Director, Globalview Cable TV Co., Ltd. Director, Union Cable TV Co., Ltd. Director, Yeong Jia Leh Cable TV Co., Ltd. Director, Phoenix Cable TV Co., Ltd. Director, Taiwan Teleservices & Technologies Co., Ltd. Supervisor, Taiwan Kuro Times Co., Ltd. Director, TWM Communications (Beijing) Co., Ltd. Director and President, TCC Investment Co., Ltd. Director and President, TFN Union Investment Co., Ltd. Supervisor, Fubon Multimedia Technology Co., Ltd. Director and President, Taipei New Horizons Co., Ltd.	-	-	-

Title	Name	Date elected	Term expires	Shareholding when elected		Current shareholding		Spouse/minor's shareholdings		Education and experience	Current position(s) in the Company and other companies	Officer or director is a spouse or consanguineous within two degrees		
				Shares	%	Shares	%	Shares	%			Title	Name	Relationship
Director	Fu-Chi Venture Corp. Representative: Victor Kung	2011.06.15	2014.06.14	6,387,515	0.168	5,748,763 *None	0.168 *None	-	-	MA in Economics and MBA in Finance, New York University Executive Vice President, Walden International Investment Group Executive Director, Citicorp Capital Asia Ltd. Director of Direct Investments, AIG Investment Corp.	Director and President, Fubon Financial Holding Co., Ltd. Director, Fubon Insurance Co., Ltd. Director, Taipei Fubon Commercial Bank Co., Ltd. Director, Fubon Asset Management Co., Ltd. Director, Fubon Bank (HK) Ltd. Vice Chairman, Haixia Capital Management Co., Ltd. Supervisor, Fubon Financial Holding Venture Capital Corp.	-	-	-
Independent Director	Jack J.T. Huang	2011.06.15	2014.06.14	-	-	-	-	-	-	LL.B., National Taiwan University LL.M., Northwestern University S.J.D., Harvard University	Partner-in-charge, Jones Day Taipei Independent Director, World Peace Holding Independent Director, Systex Corp. Director, Yulon Motor Co., Ltd. Director, Yue Yuen Development Co., Ltd. Director, Yu Shin Investment Corp. Director, Jing Yu Investment Corp. Director, Sun Shining Investment Corp. Supervisor, Tai Yuen Venture Capital Investment Corp.	-	-	-
Independent Director	Tsung-Ming Chung	2011.06.15	2014.06.14	-	-	-	-	-	-	BBA, National Taiwan University MBA, National Chengchi University CPA, ROC CPA, Connecticut, USA Partner, T.N. Soong & Co., CPAs Instructor, Department of Accounting, National Chengchi University Practice Lecture, Dept. of Accounting, National Taiwan University	Chairman, Dynapack Technology Corp. Independent Director, Chroma ATE, Inc. Director, Far Eastern International Commercial Bank Director, Unity Opto Technology Co., Ltd.	-	-	-
Independent Director	Wen-Li Yeh	2011.06.15	2014.06.14	-	-	-	-	-	-	Department of Architecture, Chung Yuan Christian University MA and Ph.D. candidate, University of Paris EMBA Studies, University of California, Berkeley Planner, Council for Economic Planning and 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	Chairman, Aegis Media Greater China	-	-	-
Independent Director	J. Carl Hsu	2011.06.15	2014.06.14	-	-	-	-	-	-	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, National Tsing Hua University in Taiwan, Peking University and others	Professor, Peking University and other universities Board member of Rogers Corp., USA	-	-	-

\* Personal shareholding

## 1. Major shareholders of TWM's institutional investors

As of February 29, 2012

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

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

As of February 29, 2012

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

## 3. Independence criteria of directors

As of February 29, 2012

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		0
Daniel Tsai	V						V	V		V		0
Cliff Lai	V			V	V	V		V	V	V		0
Vivien Hsu	V			V	V			V	V	V		0
Victor Kung	V	V		V	V		V	V	V	V		0
Jack J.T. Huang	V	V	V	V	V	V	V	V	V	V	V	2
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	V	0
J. Carl Hsu	V	V	V	V	V	V	V	V	V	V	V	0

"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 relations 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 provides consultation or services of commercial, legal, financial and accounting 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

## Management Team

As of February 29, 2012

Title	Name	Effective date	Shareholding / %	Spouse/ minor's shareholding / %	Education and experience	Current position(s) in other companies	Manager or director is a spouse or consanguineous within two degrees		
							Title	Name	Relationship
Co-President	Cliff Lai	2011.01.01	2,349/0.000	-	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. Senior Vice President, Taiwan Fixed Network Co., Ltd. CEO, Fu Yang Media Technology Co., Ltd. Senior Vice President and Chief Business Officer, Taiwan Mobile Co., Ltd. Senior Vice President and Chief Operating Officer of Consumer Business Group, Taiwan Mobile Co., Ltd.	Director, Taiwan Cellular Co., Ltd. Director and President, Taiwan Fixed Network Co., Ltd. Director, Wealth Media Technology Co., Ltd. Director and President, TFN Media Co., Ltd. Chairman, Win TV Broadcasting Co., Ltd. Chairman, Globalview Cable TV Co., Ltd. Chairman, Union Cable TV Co., Ltd. Chairman, Yeong Jia Leh Cable TV Co., Ltd. Chairman, Phoenix Cable TV Co., Ltd. Chairman, Taiwan Teleservices & Technologies Co., Ltd. Chairman and President, Taiwan Super Basketball Co., Ltd. Chairman, Taiwan Kuro Times Co., Ltd. Chairman and President, TWM Communications (Beijing) Co., Ltd. Director, Fubon Multimedia Technology Co., Ltd. Director, Taipei New Horizons Co., Ltd. Director-General, Taiwan Internet Association Director, Taiwan Network Information Center	-	-	-



Title	Name	Effective date	Shareholding / %	Spouse/ minor's shareholding / %	Education and experience	Current position(s) in other companies	Manager or director is a spouse or consanguineous within two degrees		
							Title	Name	Relationship
Co-President	Vivien Hsu	2011.01.01	-	-	MBA, University of New South Wales, Sydney, Australia MBA, National Chengchi University Executive Vice President and Chief Financial Officer, KG Telecom Co., Ltd. President and CEO, Lambda Net Co., Ltd. President and CEO, KGEx.com Co., Ltd. President and CEO, KG Satellite Communication Co., Ltd. Chief Financial Officer, Cathay Financial Holdings Co., Ltd. Senior Vice President and Chief of Staff, Taiwan Mobile Co., Ltd. Chairman, Taiwan Tele-Shop Co., Ltd. Senior Vice President and Chief Financial Officer, Taiwan Mobile Co., Ltd. Senior Consultant and Acting President, Taiwan Fixed Network Co., Ltd.	Director and President, Taiwan Cellular Co., Ltd. Supervisor, Taiwan Fixed Network Co., Ltd. Director and President, Wealth Media Technology Co., Ltd. Supervisor, TFN Media Co., Ltd. Supervisor, Win TV Broadcasting Co., Ltd. Director, Globalview Cable TV Co., Ltd. Director, Union Cable TV Co., Ltd. Director, Yeong Jia Leh Cable TV Co., Ltd. Director, Phoenix Cable TV Co., Ltd. Director, Taiwan Teleservices & Technologies Co., Ltd. Supervisor, Taiwan Kuro Times Co., Ltd. Director, TWM Communications (Beijing) Co., Ltd. Director and President, TCC Investment Co., Ltd. Director and President, TFN Union Investment Co., Ltd. Supervisor, Fubon Multimedia Technology Co., Ltd. Director and President, Taipei New Horizons Co., Ltd.	-	-	-
Vice President	C.A. Chuang	2003.12.01	-	-	MBA, International Management Institute, Switzerland MS in Industrial Education, National Taiwan Normal University Manager, Human Resources Department, China Steel Corp. Vice President, TransAsia Telecommunications Inc.	None	-	-	-

Title	Name	Effective date	Shareholding / %	Spouse/ minor's shareholding / %	Education and experience	Current position(s) in other companies	Manager or director is a spouse or consanguineous within two degrees		
							Title	Name	Relationship
Vice President	Ariel Hwang	2004.03.01	-	-	EMBA, National Taiwan University LL.M., National Chung Hsing University LL.B., National Taiwan University Judge, Taoyuan District Court, Taiwan Judge, Banciao District Court, Taiwan Judge, Taipei District Court, Taiwan Judge, Taiwan High Court	Supervisor, Wealth Media Technology Co., Ltd. Supervisor, Global View Cable TV Co., Ltd. Supervisor, Union Cable TV Co., Ltd. Supervisor, Yeong Jia Leh Cable TV Co., Ltd. Supervisor, Phoenix Cable TV Co., Ltd. Supervisor, Taipei New Horizons Co., Ltd. Legal Consultant, Fubon Financial Holding Co., Ltd. Legal Consultant, Taiwan Fixed Network Co., Ltd.	-	-	-
Vice President	Jay Hong	2004.05.06	30,000/0.001	-	EMBA, National Sun Yat-Sen University Engineering Supervisor, Engineering Division, Nan Ya Plastics Corp. 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.	None	-	-	-
Vice President	James Chang	2004.09.17	163,084/0.005	-	MS in Computer Science, University of Illinois at Chicago District Manager, AT&T Laboratories Senior Delivery Manager, IBM Global Services Senior Director, TBCommerce Network Corp. Director, AT&T Laboratories	None	-	-	-

Title	Name	Effective date	Shareholding / %	Spouse/ minor's shareholding / %	Education and experience	Current position(s) in other companies	Manager or director is a spouse or consanguineous within two degrees		
							Title	Name	Relationship
Senior Vice President and Chief Financial Officer	Rosie Yu	2011.01.01	-	-	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.	Supervisor, Taiwan Cellular Co., Ltd. Director, Taiwan Fixed Network Co., Ltd. Director, Globalview Cable TV Co., Ltd. Director, Union Cable TV Co., Ltd. Director, Yeong Jia Leh Cable TV Co., Ltd. Director, Phoenix Cable TV Co., Ltd. Director, Taiwan Teleservices & Technologies Co., Ltd. Director, Taiwan Kuro Times Co., Ltd. Supervisor, TWM Communications (Beijing) Co., Ltd. Supervisor, Fubon Multimedia Technology Co., Ltd.	-	-	-
Vice President	Ruth Liaw	2006.05.15	-	-	MBA, National Chengchi University Partner, Arthur Andersen & Co. Chief Financial Officer, Arima Computer Corp.	Director, Taiwan Cellular Co., Ltd. Supervisor, Globalview Cable TV Co., Ltd. Supervisor, Union Cable TV Co., Ltd. Supervisor, Yeong Jia Leh Cable TV Co., Ltd. Supervisor, Phoenix Cable TV Co., Ltd. Supervisor, Taiwan Teleservices & Technologies Co., Ltd. Supervisor, TCC Investment Co., Ltd. Supervisor, TFN Union Investment Co., Ltd.	-	-	-

Title	Name	Effective date	Shareholding / %	Spouse/ minor's shareholding / %	Education and experience	Current position(s) in other companies	Manager or director is a spouse or consanguineous within two degrees		
							Title	Name	Relationship
Vice President and Acting Chief Technology Officer	HS Wang	2011.01.01	216/0.000	631/0.000	Ph.D. in Electrical and Computer Engineering, Rutgers, State University of New Jersey Lecturer/Assistant Professor, Information Engineering Department, Chinese University of Hong Kong Vice President, Mediatec Corp. Vice President, First International Telecom	Director, Wealth Media Technology Co., Ltd. Director, Globalview Cable TV Co., Ltd. Director, Union Cable TV Co., Ltd. Director, Yeong Jia Leh Cable TV Co., Ltd. Director, Phoenix Cable TV Co., Ltd. Director, Taiwan Super Basketball Co., Ltd.	-	-	-
Vice President	Techi Juan	2002.05.21	93,564/0.003	915/0.000	MS in Electronics Engineering, University of Missouri, Columbia Engineer, Lucent Technologies Telecommunications Taiwan Co., Ltd. Technical Manager, Asia Pacific Intellectual Property Association Senior Director, Taiwan Mobile Co., Ltd.	None	-	-	-
Vice President	Egon Chen	2004.02.16	84,158/0.002	-	BS in EE, Tamkang University Director, Suretone Telecom Senior Director, Taiwan Fixed Network Vice President, Howin Technologies	None	-	-	-
Vice President	Chien Chen	2004.02.16	-	-	EMBA, National Taiwan University Manager, Siemens Telecommunication Systems Ltd. Director, Suretone Telecom, Inc. Vice President, Taiwan Fixed Network Co., Ltd. Vice President, Howin Technologies Corp.	None	-	-	-

Title	Name	Effective date	Shareholding / %	Spouse/ minor's shareholding / %	Education and experience	Current position(s) in other companies	Manager or director is a spouse or consanguineous within two degrees		
							Title	Name	Relationship
Vice President	Tom Koh	2011.10.17	-	-	Ph.D. in Electrical & Computer Engineering, Johns Hopkins University Member of Tech. Staff, Bellcore Senior Technologist, Motorola Senior Sales Engineer, Ensemble Communications Senior Technical Marketing Engineer, Cisco-Linksys Senior Director, Qualcomm	None	-	-	-
Vice President and Deputy Chief Operating Officer	Jeff Ku	2005.06.06	12,243/0.000	-	EMBA, National Taiwan University MBA, University of Wollongong, Australia Director, Far EasTone Telecommunications Co., Ltd. Vice President, Taiwan High Speed Rail Corp.	Director, Taiwan Kuro Times Co., Ltd. Director, TWM Communications (Beijing) Co., Ltd.	-	-	-
Vice President	Sean Hsieh	2003.12.08	246,396/0.007	-	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.	President, Taiwan Kuro Times Co., Ltd.	-	-	-

Title	Name	Effective date	Shareholding / %	Spouse/ minor's shareholding / %	Education and experience	Current position(s) in other companies	Manager or director is a spouse or consanguineous within two degrees		
							Title	Name	Relationship
Vice President	Simon Wang	2004.10.11	91,083/0.003	-	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 & Metal Manufacturing Co., Ltd. General Manager, ICAN Manufacturing Co., Ltd. Director, Teco Optical Electronics Co., Ltd. Factory Manager, Yeti Electronics Co., Ltd. Executive Vice President, TransAsia Telecommunications Inc.	None	-	-	-
Vice President	Paul Huang	2008.01.21	199,338/0.006	-	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.	None	-	-	-

Title	Name	Effective date	Shareholding / %	Spouse/ minor's shareholding / %	Education and experience	Current position(s) in other companies	Manager or director is a spouse or consanguineous within two degrees		
							Title	Name	Relationship
Vice President	Steve Chou	2011.04.25	-	-	MBA, Southern Methodist University, USA Assistant Vice President, Credit Card, Citibank, N.A., Taiwan Vice President, Customer Service, TransAsia Telecommunications Vice President, Customer Service, Sparq Telecom General Manager, Secured Lending, Standard Chartered Bank, Taiwan Senior Vice President, Customer Service, HSBC Bank Taiwan	Director and President, Taiwan Teleservices & Technologies Co., Ltd.	-	-	-
Vice President	Joseph Yang	2007.11.09	48,720/0.001	-	BS in Transportation Management, National Chiao Tung University Advisory Systems Engineer, Systems Engineer, IBM Taiwan Technical Manager, Central and South Branch, IBM Taiwan Solutions Director, Finance Industry, IBM Taiwan Sales Director, Finance Industry, IBM Taiwan Vice President for Sales, Eastern Broadband Telecom Chief Operating Officer, Eastern Broadband Telecom Senior Vice President, Asia Pacific Telecom Group Chief Marketing Officer, Asia Pacific Telecom Group Product Director, Asia Region, High Tech Computer	None	-	-	-

## Compensation to directors and management executives

### 1. Compensation to directors

Unit: NT\$

Title		Chairman	Vice Chairman	Director	Director	Director	
Name		Fu-Chi Venture Corp.	Fu-Chi Venture Corp.	TCC Investment Co., Ltd.	TCC Investment Co., Ltd.	Fu-Chi Venture Corp.	
Representative		Richard Tsai	Daniel Tsai	Cliff Lai	Vivien Hsu	Victor Kung	
Director's compensation	Cash compensation (A)	Stand-alone	-	-	-	-	
		Consolidated	-	-	-	-	
	Retirement pay (B)	Stand-alone	-	-	-	-	-
		Consolidated	-	-	-	-	-
	Earnings paid as compensation to directors (C)	Stand-alone	5,805,507	4,354,130	2,902,754	2,902,754	2,902,754
		Consolidated	5,805,507	4,354,130	2,902,754	2,902,754	2,902,754
	Professional fee (D)	Stand-alone	210,000	160,000	140,000	160,000	160,000
		Consolidated	351,000	286,000	441,000	488,000	300,000
A+B+C+D as a % of net profit		Stand-alone	0.04466%	0.03352%	0.02259%	0.02274%	0.02274%
		Consolidated	0.04518%	0.03405%	0.02454%	0.02489%	0.02351%
Employee profit sharing	Performance-based salary (E)	Stand-alone					
		Consolidated					
	Retirement pay of employees (F)	Stand-alone					
		Consolidated					
	Earnings paid as bonus to employees (G)	Stand-alone	Cash bonus				
			Stock bonus				
		Consolidated	Cash bonus				
			Stock bonus				
Employee stock option granted (H)	Stand-alone						
	Consolidated						
A+B+C+D+E+F+G+H as a % of net profit		Stand-alone					
		Consolidated					
Compensation from investees other than subsidiaries		-	-	6,000	6,000	-	
Other allowances							



Unit: NT\$

Title		Independent Director	Independent Director	Independent Director	Independent Director	Total		
Name		Jack J.T. Huang	Tsung-Ming Chung	Wen-Li Yeh	J. Carl Hsu			
Representative								
Director's compensation	Cash compensation (A)	Stand-alone	-	-	-	-		
		Consolidated	-	-	-	-		
	Retirement pay (B)	Stand-alone	-	-	-	-		
		Consolidated	-	-	-	-		
	Earnings paid as compensation to directors (C)	Stand-alone	4,354,130	4,354,130	4,354,130	4,354,130	36,284,419	
		Consolidated	4,354,130	4,354,130	4,354,130	4,354,130	36,284,419	
	Professional fee (D)	Stand-alone	310,000	460,000	380,000	380,000	2,360,000	
		Consolidated	310,000	460,000	380,000	380,000	3,396,000	
A+B+C+D as a % of net profit		Stand-alone	0.03463%	0.03574%	0.03515%	0.03515%	0.28692%	
		Consolidated	0.03423%	0.03533%	0.03474%	0.03474%	0.29121%	
Employee profit sharing	Performance-based salary (E)	Stand-alone					68,038,850	
		Consolidated					68,038,850	
	Retirement pay of employees (F)	Stand-alone					216,000	
		Consolidated					216,000	
	Earnings paid as bonus to employees (G)	Stand-alone	Cash bonus					11,135,959
			Stock bonus					-
		Consolidated	Cash bonus					11,135,959
			Stock bonus					-
Employee stock option granted (H)	Stand-alone						-	
	Consolidated						-	
A+B+C+D+E+F+G+H as a % of net profit		Stand-alone					0.87636%	
		Consolidated					0.87384%	
Compensation from investees other than subsidiaries			-	-	-	-	12,000	
Other allowances							1,395,498	

## 2. Range of compensation to directors

Range of compensation to 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, Cliff Lai, Vivien Hsu, Victor Kung	Richard Tsai, Daniel Tsai, Cliff Lai, Vivien Hsu, Victor Kung	Victor Kung	Victor Kung
NT\$2,000,000~NT\$4,999,999	Jack J.T.Huang, Tsung-Ming Chung, Wen-Li Yeh, J. Carl Hsu	Jack J.T. Huang, Tsung-Ming Chung, Wen-Li Yeh, J. Carl Hsu	Jack J.T. Huang, Tsung-Ming Chung, Wen-Li Yeh, J. Carl Hsu	Jack J.T. Huang, Tsung-Ming Chung, Wen-Li Yeh, J. Carl Hsu
NT\$5,000,000~NT\$9,999,999	TCC Investment Co., Ltd.	TCC Investment Co., Ltd.	TCC Investment Co., Ltd.	TCC Investment 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, Cliff Lai, Vivien Hsu	Richard Tsai, Daniel Tsai, Cliff Lai, Vivien Hsu
NT\$30,000,000~NT\$49,999,999	-	-	-	-
NT\$50,000,000~NT\$99,999,999	-	-	-	-
NT\$100,000,000 and above	-	-	-	-
Total	11	11	11	11

### 3. Compensation to management executives

Unit: NT\$

<b>Title and name</b>	Co-President, Cliff Lai; Co-President, Vivien Hsu; Chief Financial Officer, Rosie Yu; Acting Chief Technology Officer, H.S. Wang; Vice President, C.A. Chuang; Vice President, Ariel Hwang; Vice President, Jay Hong; Vice President, James Chang; Vice President, Ruth Liaw; Vice President, Tech Juan; Vice President, Egon Chen; Vice President, Chien Chen; Vice President, Tom Koh; Deputy Chief Operating Officer of the Consumer Business Group, Jeff Ku; Vice President, Sean Hsieh; Vice President, Paul Huang; Vice President, Simon Wang; Vice President, Steve Chou; Vice President, Joseph Yang <u>Resigned managers:</u> Senior Vice President, George C. Chou; Vice President, Andrew Wong; Vice President, Jerry Chu; Vice President, Daphne Yang		Total
<b>Salary (A)</b>	Stand-alone		95,223,014
	Consolidated		95,223,014
<b>Pension (B) (Note 1)</b>	Stand-alone		2,014,425
	Consolidated		2,014,425
<b>Performance-based salary (C)</b>	Stand-alone		56,943,878
	Consolidated		57,285,478
<b>Employee profit sharing (D)</b>	Stand-alone	Cash	38,250,677
		Stock	-
	Consolidated	Cash	38,250,677
		Stock	-
<b>D as a % of net profit</b>	Stand-alone		0.28%
	Consolidated		0.28%
<b>A+B+C+D as a % of net profit</b>	Stand-alone		1.43%
	Consolidated		1.41%
<b>Employee stock options</b>	Stand-alone		-
	Consolidated		-
<b>Compensation from investees other than subsidiaries</b>			18,000
<b>Transportation allowances</b>	Stand-alone		2,007,792
	Consolidated		2,157,773

Note 1: The Company's contribution to employee's pension account, not actual amount paid.

#### 4. Range of compensation to management executives

Range of compensation to executives	Name of management executives	
	On a stand-alone basis	On a consolidated basis
NT\$0~NT\$1,999,999	Tom Koh, Daphne Yang	Tom Koh, Daphne Yang
NT\$2,000,000~NT\$4,999,999	George C. Chou; Steve Chou; Jerry Chu	George C. Chou, Steve Chou, Jerry Chu
NT\$5,000,000~NT\$9,999,999	H.S. Wang, Jeff Ku, Ariel Hwang, C.A. Chuang, Jay Hong, Ruth Liaw, Tech Juan, Egon Chen, Chien Chen, Paul Huang, Sean Hsieh, Simon Wang, Joseph Yang, Andrew Wong	H.S. Wang, Jeff Ku, Ariel Hwang, C.A. Chuang, Jay Hong, Ruth Liaw, Tech Juan, Egon Chen, Chien Chen, Paul Huang, Sean Hsieh, Simon Wang, Joseph Yang, Andrew Wong
NT\$10,000,000~NT\$14,999,999	Rosie Yu, James Chang	Rosie Yu, James Chang
NT\$15,000,000~NT\$29,999,999	Cliff Lai, Vivien Hsu	Cliff Lai, Vivien Hsu
NT\$30,000,000~NT\$49,999,999	-	-
NT\$50,000,000~NT\$99,999,999	-	-
NT\$100,000,000 and above	-	-
Total	23	23

Note: Compensation paid to managers in the above table was based on tenure. Compensation paid to managers who also served as directors is detailed in the "Compensation to directors" table.

#### 5. The names of managers and their employee bonuses are included in the table above.

### Compensation to directors and management executives as a percentage of net income over the past two years and guiding principles

#### 1. Compensation to directors

Unit: NT\$

Type	Year	Compensation to directors	As a % of net profit	Net profit
On a stand-alone basis	2010	214,984,114	1.5554%	13,822,185,662
	2011	118,035,228	0.8764%	13,468,763,392
On a consolidated basis	2010	215,765,714	1.5615%	13,817,777,608
	2011	119,083,228	0.8739%	13,626,179,950

#### Guiding principles for compensation to directors

Remuneration policies, standards and package

- (1) The board is authorized to decide the remuneration for the chairman and vice chairman, but it should not be higher than the remuneration payable to the CEO of the Company.
- (2) Directors are paid according to the resolution on earnings distribution approved at the annual general shareholders' meeting. Remuneration or other equivalent allowance for directors are based on their involvement in the Company's operations and contribution to the Company, the "Rules for Setting Director's Remuneration" and industry norms.
- (3) Transportation allowances are paid quarterly based on attendance in board meetings and for services rendered as the chairman or a member of the Audit Committee and Compensation Committee.

#### Procedure for setting remuneration

- (1) In accordance with the Company's Articles of Incorporation, compensation to directors 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 determined in accordance with the "Rules for Setting Director's Remuneration."

#### Performance factor

Compensation to each director is assessed based on his/her contribution to the operations of the Company and the board. The Compensation Committee reviews the compensation mechanism periodically, taking future operating risks, environmental conservation and corporate social responsibility into consideration.

## 2. Compensation to management executives

Unit: NT\$

Type	Year	Compensation to management executives	As a % of net profit	Net profit
On a stand-alone basis	2010	306,597,532	2.2182%	13,822,185,662
	2011	192,431,994	1.4287%	13,468,763,392
On a consolidated basis	2010	309,219,007	2.2378%	13,817,777,608
	2011	192,791,594	1.4149%	13,626,179,950

### Guiding principles for compensation to management executives

#### Remuneration policies, standards and package

- (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. The above-mentioned bonuses are proposed by the Compensation Committee for approval at the board meeting.

#### Procedure for setting remuneration

- (1) In accordance with the Company's Articles of Incorporation, employee profit sharing paid to the president and vice presidents is from the pool of 1% to 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) Year-end bonuses are set based on the Company's performance and the annual budget approved by the board and the chairman.

#### Performance factor

- (1) Variable compensations in the form of employee profit sharing and performance-based bonuses account for approximately 50% of the remuneration and are determined based on the president's or vice president's contribution to the Company's operations. The Company shall review the compensation mechanism periodically, taking future operating risks, environmental conservation, and corporate social responsibilities into consideration.
- (2) The Human Resources Department is tasked with preparing the annual compensation for the president and vice presidents and submitting a report to the Compensation Committee.

## CORPORATE GOVERNANCE

### Board of Directors attendance

#### 1. The Board of Directors convened eight times in 2011

Title	Name	Attendance in person	By proxy	Attendance ratio	Remarks
Chairman	Fu-Chi Venture Corp. Representative: Richard Tsai	7	1	88%	None
Vice Chairman	Fu-Chi Venture Corp. Representative: Daniel Tsai	8	0	100%	None
Director	TCC Investment Co., Ltd. Representative: Cliff Lai	7	1	88%	None
Director	TCC Investment Co., Ltd. Representative: Vivien Hsu	8	0	100%	None
Director	Fu-Chi Venture Corp. Representative: Victor Kung	8	0	100%	None
Independent Director	Jack J.T. Huang	5	3	63%	None
Independent Director	Tsung-Ming Chung	8	0	100%	None
Independent Director	Wen-Li Yeh	8	0	100%	None
Independent Director	J. Carl Hsu	8	0	100%	None

#### 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. Any conflict of interests among directors:

- (1) Discussion of a proposal to acquire 58,856,550 shares (translating into a 51% stake) of Fubon Multimedia Technology Co., Ltd. through Wealth Media Technology Co., Ltd., a 100%-owned subsidiary of the Company, from Fubon Financial Holding Venture Capital Corp., during the 19th meeting of the fifth Board of Directors on April 8, 2011: Chairman Richard Tsai, Vice Chairman Daniel Tsai and Director Victor Kung, who also held positions as directors or supervisors of Fubon Financial Holding Venture Capital Corp., abstained from discussion and voting to avoid a conflict of interest in accordance with Articles 178 and 206 of the Company Act.
- (2) During the 20th and 21st meetings of the fifth Board of Directors on April 28, 2011 and April 29, 2011, respectively, independent directors Jack J.T. Huang, Tsung-Ming Chung, Wen-Li Yeh and J. Carl Hsu abstained from discussion and voting on the nomination and review of candidates for independent directors to avoid a conflict of interest in accordance with Articles 178 and 206 of the Company Act.

#### 4. Other BOD objectives:

- (1) Performance evaluation and enhancement: The board approved the "Rules and Procedures Governing Board of Directors' Meetings," which was modeled after the "Regulations Governing Procedures for Meetings of Listed Companies' Board of Directors." It also passed the "Rules and Procedures on Evaluating the Board of Directors' Performance" to enhance efficiency, under which the Compensation Committee would evaluate the board's performance and submit a report on proposed improvements to the board. All members participated in a self-evaluation of individual performances for 2011 during the fifth meeting of the board on January 19, 2012.
- (2) Training programs for directors: Since 2008, the Company has conducted regular in-house seminars to facilitate interaction between the lecturer and directors and to meet the required training hours.
- (3) Information transparency: Committed to upholding transparency in operations and protecting shareholders'

interests, the Company regularly discloses resolutions by the Board of Directors in a timely and consistent manner. In addition, the Company holds institutional investors' conference on a quarterly basis.

- (4) Liability insurance: The Company purchases liability insurance annually for its directors and managers to cover risks as they carry out their duties.

## Audit Committee attendance

The Audit Committee has been set up since June 2008 to replace board supervisors, pursuant to provisions in the Securities and Exchange Act. The committee's operation is bound by the "Audit Committee Charter" and 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 controls
- (4) Company's compliance with legal and regulatory requirements
- (5) Company's existing and potential risks

### 1. The Audit Committee convened eight times in 2011

Title	Name	Attendance in person	By proxy	Attendance ratio	Remarks
Independent Director	Tsung-Ming Chung	8	0	100%	Appointed committee chairman
Independent Director	Jack J.T. Huang	6	2	75%	
Independent Director	Wen-Li Yeh	8	0	100%	
Independent Director	J. Carl Hsu	8	0	100%	

**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 the independent directors:** None

**3. Communication between the independent directors and the Internal Audit Chief Officer and CPAs:**

- (1) In addition to presenting monthly reports to the independent directors, the Internal Audit Chief meets with the independent directors directly at the quarterly Audit Committee meetings, bringing communication into full play.
- (2) The CPAs present audit reports and findings to the independent directors during the committee's quarterly meeting.
- (3) The Internal Audit Chief and CPAs also communicate with the independent directors directly as needed.

## Corporate governance practices

	Item	Current practice
Shareholding structure and shareholders' interests	Handling of shareholders' suggestions and disputes	The spokesperson or Secretarial Division handles all non-legal issues; the legal division handles all legal issues.
	Identification of major shareholders and investors with controlling interests	The Secretarial Division reports the shareholding lists of directors, managers and major shareholders (above 10% holdings) to the authority on a monthly basis.
	Risk control mechanisms and firewalls between the Company and its subsidiaries	The Company's internal control system has established "Rules and Procedures on Conducting Transactions between Group Companies and Related Parties" and "Rules and Procedures on Monitoring Subsidiaries" as risk

Item		Current practice
		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 quarterly reviews on CPA's independence.
Communication channels with shareholders		The spokesperson and the mailboxes of spokesperson and the Audit Committee serve as the main communication channels between the Company and 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	In addition to the spokesperson, the Company has set up an English website and designated personnel to gather and disclose Company information in time. A dedicated department, Investor Relations Division, was in place to enhance information disclosure.
Functional committees		<p>The Compensation Committee, composed entirely of independent directors, was set up in July 2011. Bound by the "Compensation Committee Charter," the committee's main responsibilities are as follows:</p> <p>(1) Establish a policy, system, standard and structure for directors and managers' compensation and review them periodically.</p> <p>(2) Decide compensation for directors and managers and hold periodic evaluations.</p>
<p>Has the Company established principles based on "Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies"? If yes, detail implementation progress and any differences:</p> <p>Although the Company has not established said principles, its operations fully comply with the requirements set forth in the "Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies." The Company also has a "CG6006 Advanced Corporate Governance System Evaluation" certification from the Taiwan Corporate Governance Association, issued on November 4, 2011.</p>		

## Additional information

### 1. Employee rights

The Company's human resource policies not only comply with, but offer even better provisions than those prescribed under the law, such as the Labor Standards Act, in safeguarding employee rights.

### 2. Employee care

The Company provides different communication channels to facilitate communication within the Company. These include holding regular employee and managerial meetings to accommodate suggestions for improvement and conducting surveys to collect employees' views and opinions.

### 3. Investor relations

The Company posts financial, operational and material information on the Company website and the market observation post system (MOPS) in a timely manner to keep investors abreast of Company developments and strategies and, thus, maximize shareholders' interests.



#### 4. Supplier relations

The Company holds procurement bids based on the "Procedures Governing Procurement," and suppliers deliver products in accordance with the contract.

#### 5. Stakeholders' rights

To protect the interests of stakeholders, the Company has established various free and open communication channels to promote trust and corporate social responsibility.

#### 6. Corporate governance related training program for management

Training program	Organizer	Date	Hours	Participants
CommonWealth Economic Forum	CommonWealth Magazine	2011/01/10	16	HS Wang, Egon Chen, Sean Hsieh, C.A. Chuang, Joseph Yang, Daphne Yang*, Jay Hong, Jeff Ku
Accountability	TWM HR Div.	2011/03/11	4	Vivien Hsu, Paul Huang, Tech Juan, HS Wang, Egon Chen, Chien Chen, C.A. Chuang, James Chang, Jay Hong, Ruth Liaw, Jeff Ku
Work plan for Compensation Committee	Taiwan Corporate Governance Association	2011/04/26	3	C.A. Chuang
Dynamic market competition strategies and practices	TWM HR Div.	2011/05/06	8	Jay Hong, Joseph Yang
Cross-field integration and innovation	TWM HR Div.	2011/08/12	3	James Chang, Jay Hong
Continuing education for accounting supervisor	Accounting Research and Development Foundation in Taiwan	2011/08/30	12	Ruth Liaw
How to read and analyze financial statements for managers with non-financial background	TWM HR Div.	2011/09/23	6	HS Wang, James Chang, Steve Chou
Case studies for management: Innovative business models	TWM HR Div.	2011/10/18	8	Cliff Lai, Vivien Hsu, Simon Wang, Tech Juan, Egon Chen, Sean Hsieh, C.A. Chuang, Steve Chou
Internal control system for enterprises - for Compensation Committee	Securities and Futures Institute	2011/11/04	8	Jay Hong
Fourth CAE (Chief Audit Executives) Forum	The Institute of Internal Auditors, R.O.C.	2011/11/18	8	Jay Hong
Withholding taxes for offshore companies	KPMG	2011/12/21	4	Ruth Liaw

\* Resigned manager

## 7. Training program for directors

Title	Name	Date of training		Organization	Training program	Hours (Note1)
		From	To			
Representative of Institutional Director	Richard Tsai	2011/07/29	2011/07/29	Corporate Governance Association	Strategy innovation	3
		2011/12/13	2011/12/13	Corporate Governance Association	The global financial crisis and a review of corporate values in the financial industry	3
Representative of Institutional Director	Daniel Tsai	2011/07/29	2011/07/29	Corporate Governance Association	Strategy innovation	3
		2011/12/13	2011/12/13	Corporate Governance Association	The global financial crisis and a review of corporate values in the financial industry	3
Representative of Institutional Director	Cliff Lai	2011/07/29	2011/07/29	Corporate Governance Association	Strategy innovation	3
Representative of Institutional Director	Vivien Hsu	2011/02/22	2011/02/22	Corporate Governance Association	Preparatory work for setting up a compensation committee	1
		2011/07/12	2011/07/12	Securities and Futures Institute	Orientation on adoption of International Financial Reporting Standards (IFRS)	3
		2011/07/29	2011/07/29	Corporate Governance Association	Strategy innovation	3
		2011/09/30	2011/09/30	Corporate Governance Association	Strategies for companies to cope with global inflation and shrinking purchasing power	1
Representative of Institutional Director	Victor Kung	2011/07/29	2011/07/29	Corporate Governance Association	Strategy innovation	3
Independent Director	Jack J.T. Huang	2011/12/16	2011/12/16	Corporate Governance Association	Defending your company against intellectual property rights attacks in the face of global competition	1
		2011/12/23	2011/12/23	Accounting Research and Development Foundation	IFRS adoption – changes and adjustments	3
Independent Director	Tsung-Ming Chung	2011/07/29	2011/07/29	Corporate Governance Association	Strategy innovation	3
		2011/12/27	2011/12/27	Taiwan Academy of Banking and Finance	Board meeting practices and corporate governance	3
Independent Director	Wen-Li Yeh	2011/07/29	2011/07/29	Corporate Governance Association	Strategy innovation	3
Independent Director	J. Carl Hsu	2011/07/29	2011/07/29	Corporate Governance Association	Strategy innovation	3

Note 1: The training requirements listed above have been fulfilled.

## 8. Risk management

### Risk management policies

- (1) Promote a risk management-based business model
- (2) Establish a risk management mechanism that can effectively cite, evaluate, supervise and control risk
- (3) Create a company-wide risk management structure that can limit risk to an acceptable level
- (4) Introduce best risk management practices and continue to seek improvements

## Risk management structure



The Company's risk management structure is made up of three levels of control mechanism:

- (1) Ground: Risk factors are analyzed and assigned to responsible units to monitor and ensure timely and effective detection.
- (2) Middle: Operations and Management Committee, Safety and Health Committee, and Information Security Management Committee assume responsibility. Co-President and committee chair convene a task force composed of unit chief officers and supervising vice president of concerned departments.
- (3) Top: Board of Directors
- (4) Monitoring mechanism: Internal Audit Office

## Risk management operation mechanism

- (1) Ground: Each unit shall ensure, on a daily basis, that risks are kept under acceptable levels. Should there be any changes in condition or other factors, the responsible unit shall report these to the Company for the appropriate course of action.
- (2) Middle: Should any material event or situation arise, the responsible unit shall report it to the Operations and Management Committee or the other two committees to examine the risks and undertake any necessary measures. The function of the three committees are as follows:
  - Operations and Management Committee: Conduct periodic review of each business group's operating target and performance to meet the Company's guidance and budget.
  - Safety and Health Committee: Tasked with supervising and reducing potential risks to workers' safety and health.
  - Information Security Management Committee: Supervise important information assets for confidentiality, integrity, availability, and regulatory compliance in order to control and reduce operational risks to an effective and reasonable level.
- (3) Top: The Board of Directors is the highest supervisory and decision-making body responsible for assessing material risk assessment, designating action to control these risks and keeping track of their execution.
- (4) Monitoring mechanism:
  - The Internal Audit Office regularly monitors and assesses potential and varying levels of risks that the Company may face and using this information as a reference for drafting its annual audit plan.
  - The Internal Audit Office should report any discrepancy to the concerned unit chief and ensure that remediation efforts are completed.

## Risk factors and management structure

	Important risk factors	Responsible unit	Examining committee	Decision-making and supervision	
1	Operating risk	Technology units / IT	Operations and Management Committee	The highest decision-making body: Board of Directors	
2	Changes related to technology and industry	Systems Design Division			
3	Risks related to information security	Internal Audit Office	Information Security Management Committee		
4	Market risk A. Competition B. New products C. Channel management	A. Marketing units B. Marketing units C. Business Operations Management units	Operations and Management Committee		
5	Government policies and regulatory compliance	Regulatory and Carrier Relations Division			
6	Corporate image	Public Affairs Division			
7	M&A and investments	President's Office			
8	Employee safety	Occupational Safety and Health Office and Administrative Division	Safety and Health Committee		
9	Employee behavior, code and ethics	Human Resources Division			Monitoring mechanism: Internal Audit Office
10	Volatility of interest rates, exchange rates and financial risks	Finance Division			
11	Financing and endorsement/guarantee provided to others, derivatives transaction and working capital management	Finance Division	Operations and Management Committee		
12	Financial report disclosure	Accounting Division			
13	Litigious and non-litigious matters	Legal Office			
14	Changes in shareholding of directors and major shareholders	Secretarial Division			
15	Board meeting facilitation	Secretarial Division			

## **9. Implementation of customer policy**

With the mission of “creating the best user experience,” the Company is continuously striving to improve its products, services and operations to win customer trust and raise the quality of customer care.

## **10. The Company has purchased liability insurance for its directors.**

## **11. Employees’ certifications relating to financial transparency**

- (1) Certified Internal Auditor (CIA): One employee in the Operation Analysis Division; seven in the Internal Audit Office.
- (2) First-level examiner of internal controls (Securities and Futures Institute): Five in the Secretarial Division.
- (3) Qualified Internal Auditor (QIA): One employee in the Operation Analysis Division; seven in the Internal Audit Office; one in Accounting Division.
- (4) Certified Public Accountant (CPA): One employee in the CFO Office; four in the Operation Analysis Division; three in the Accounting Division; one in the Finance Division.

## **12. Any internal evaluation or third party assessment reports on corporate governance. If yes, specify results, major flaws or recommendations for improvements:**

Taiwan Mobile received a “CG6006 Advanced Corporate Governance System Evaluation” certification, valid for two years, from the Taiwan Corporate Governance Association in 2011. The results of the evaluation and its major recommendations as well as improvements made by the Company, are listed below:

- (1) Overall strengths
  - A. Expansion of board functions: The Company’s initiative in setting up an audit committee and compensation committee is worthy of recommendation.
  - B. Continued pursuit of international standards in corporate governance: The Company has received numerous awards for corporate governance, financial disclosure and investor relations from domestic and foreign independent ratings institutions and serves as a role model for Taiwan’s listed companies.

- C. Commendable performance by Audit Committee: The Company's four independent directors all possess the professional expertise and knowledge to carry out their duties.
- (2) Recommendations and subsequent improvements made by the Company
- A. Set up a board-approved risk management policy and related regulations to cover all aspects of risks and standard procedures for reporting material events:  
The board passed the Risk Management Policy on October 27, 2011.
- B. Draw up quality assurance and improvement plans verified by independent institutions for internal audit:  
The quality assurance and improvement plans have been incorporated into the internal audit system and approved by the board on January 19, 2012.
- C. Promote participation by Audit Committee members in the appointment and evaluation of the Chief Internal Audit Officer:  
The Audit Committee will participate in the interview of the Chief Internal Audit Officer should there be a reshuffle. Evaluation of the Chief Internal Audit Officer's performance will be conducted by the Compensation Committee.

## Compensation Committee operations

The Compensation Committee, composed entirely of independent board directors, is bound by the "Compensation Committee Charter." The committee is responsible for evaluation of the following matters:

- (1) Establish a policy, system, standard and structure for directors and managers compensation and review them periodically.
- (2) Decide compensation for directors and managers and carry out a periodic evaluation.

### The Compensation Committee convened once in 2011

Title	Name	Attendance in person	By proxy	Attendance ratio	Remarks
Independent Director	Jack J.T. Huang	1	0	100%	Appointed committee chairman
Independent Director	Tsung-Ming Chung	1	0	100%	
Independent Director	Wen-Li Yeh	1	0	100%	
Independent Director	J. Carl Hsu	1	0	100%	

## Corporate social responsibility (CSR)

Item	Current Practices															
<p><b>Corporate governance</b></p> <ol style="list-style-type: none"> <li>1. Establishing a CSR policy or system and review mechanism</li> <li>2. Setting up a unit to carry out this policy or system</li> <li>3. Holding regular training programs on business ethics for directors and employees and establishing a reward-and-punishment system</li> </ol>	<ol style="list-style-type: none"> <li>1. The concept of CSR has been embedded in the strategic decisions and daily operations of all departments of TWM. In accordance with the "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies" issued by the Taiwan Stock Exchange Corp, the board approved the "Taiwan Mobile CSR Policy" to serve as a long-term guideline for promoting CSR in January 2011.</li> <li>2. In 2007, TWM established a Social Responsibility Department under the Public Relations Division to draft and carry out CSR initiatives. With designated personnel and a separate budget, the department provides planning, execution and coordination across different divisions.</li> <li>3. In addition to regular training programs on business ethics, the Company has formulated a Code of Ethics that all directors, managers and employees are expected to follow and support. Employees can access the Code of Ethics via TWM's e-Learning website from August 2010. An intranet hotline has been set up for employees to report any violation of the Code. Violators shall be punished in accordance with Company regulations.</li> </ol>															
<p><b>Environmental sustainability</b></p> <ol style="list-style-type: none"> <li>1. Promoting advanced and efficient use of renewable resources to reduce their impact on the environment</li> <li>2. Establishing an environmental management system in line with the nature of the Company's business operations</li> <li>3. Setting up a framework and allocating staff to promote environmental conservation</li> <li>4. Adopting measures to reduce greenhouse gas emissions and minimize their impact on the environment</li> </ol>	<ol style="list-style-type: none"> <li>1. The Company has continuously worked to improve the efficient use of resources, including paper, water and electricity as well as to promote recycling of cables and battery modules.</li> <li>2. TWM has established an internal Sustainable Development Committee. It is responsible for monitoring environment-related indexes and efforts to reduce carbon emissions as well as planning, promoting and integrating all of the company's environmental protection-related activities.</li> <li>3. The Company has designated personnel in the Administrative Division and Public Affairs Division to promote its environmental protection program.</li> <li>4. TWM has made use of its operating management practices and communications technology to reduce energy consumption and greenhouse gas emissions. These measures include: <ul style="list-style-type: none"> <li>● Internet data center energy-saving program</li> <li>● Base station equipment upgrading</li> <li>● Energy management program for TWM's office buildings and direct stores</li> <li>● Telepresence service</li> <li>● Green applications service</li> </ul> </li> </ol> <table border="1" data-bbox="683 1375 1433 1718"> <thead> <tr> <th></th> <th>2010</th> <th>2011</th> </tr> </thead> <tbody> <tr> <td>Energy consumption (direct)</td> <td>19,425,250.0 million joules</td> <td>17,484,274.3 million joules</td> </tr> <tr> <td></td> <td>2010</td> <td>2011</td> </tr> <tr> <td>Greenhouse gas emissions (direct)</td> <td>2,743.1 tonnes carbon dioxide equivalent</td> <td>2,608.2 tonnes carbon dioxide equivalent</td> </tr> <tr> <td>Greenhouse gas emissions (indirect)</td> <td>233,397.1 tonnes carbon dioxide equivalent</td> <td>196,220.8 tonnes carbon dioxide equivalent</td> </tr> </tbody> </table>		2010	2011	Energy consumption (direct)	19,425,250.0 million joules	17,484,274.3 million joules		2010	2011	Greenhouse gas emissions (direct)	2,743.1 tonnes carbon dioxide equivalent	2,608.2 tonnes carbon dioxide equivalent	Greenhouse gas emissions (indirect)	233,397.1 tonnes carbon dioxide equivalent	196,220.8 tonnes carbon dioxide equivalent
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Item	Current Practices
<p><b>Commitment to corporate social responsibility</b></p> <ol style="list-style-type: none"> <li>1. Building a system to safeguard workers' rights in accordance with labor laws</li> <li>2. Providing employees with a safe and healthy working environment as well as regular training on safety and health education</li> <li>3. Drawing up a policy on protecting consumers' rights and providing a transparent and effective mechanism for filing and processing complaints about products and services</li> <li>4. Working with vendors to promote corporate social responsibility.</li> <li>5. Promoting community development projects and philanthropic work through commercial activities, donations, volunteer work or other services.</li> </ol>	<ol style="list-style-type: none"> <li>1. TWM's Code of Ethics serves as a guideline for employees. The company has also established a performance-based reward system to motivate employees.</li> <li>2. The Company aims to provide a safe and healthy working environment for employees and has implemented related measures to promote employee health and mental well-being. It also conducts periodic evaluations of the working environment and programs on promoting workers' safety and health education. Related information on employee safety and health is posted on the Company's intranet.</li> <li>3. To protect consumers' rights, the company provides various services and information, such as outdoor coverage of wireless broadband, free trial service for mobile internet, customers' prior agreement needed to activate mobile internet and measures to protect minors. All these are written in the customer service contracts and posted on the company website and on posters in the company stores. To raise customer satisfaction in line with TWM's "customer first" policy, the Company introduced a "mobile customer app" in 2011 that provides a variety of ways to access customer services – hotline, company store, website and phone app – with designated agents dealing with customer complaints in line with standard operating procedures. A dedicated unit monitors and conducts periodic reviews of measures to promote customer satisfaction.</li> <li>4. TWM believes that ethics serves as the moral foundation of a well-managed enterprise. To promote a fair and just system, the Company set up an open procurement system to select suppliers and required that all suppliers comply with "TWM's Environmental and Occupational Health and Safety Policy" and "Guidelines on Corporate Social Responsibility for Suppliers." Furthermore, TWM provides first bargaining rights to green-product and conflict-free product suppliers to encourage others to likewise produce environmentally friendly products. <ol style="list-style-type: none"> <li>(1) TWM does not use any product from conflict material/product suppliers.</li> <li>(2) TWM requests its suppliers to investigate their supply chains to ensure that no products are from conflict areas.</li> </ol> </li> <li>5. TWM has made significant progress in fulfilling its corporate social responsibility systematically and strategically. The Company leverages its core competence in telecommunications, network and digital convergence to generate wider benefits for society. <ol style="list-style-type: none"> <li>(1) The potential benefit of carbon emissions reduction throughout the ICT industry is far greater than what TWM can achieve on its own. As such, the Company has actively helped consumers and other organizations meet energy-saving and carbon-reduction goals through handset recycling, e-billing, green cloud IDC and video conferencing among others.</li> <li>(2) A number of digital learning centers have been established in remote areas in Taiwan, with digital teaching materials published. TWM organized the myfone Mobile Awards and Mobile Film Creation Camp to encourage teenagers to create digital content. The Company has also contributed hardware equipment, information literacy and information applications to help expand digital opportunities for remote and underprivileged communities, enrich digital content and applications, and enhance the nation's digital competitiveness.</li> <li>(3) The 5180 Mobile Donation Hotline and Discount Rate for Persons with Disabilities are examples of how the Company cares for disadvantaged groups. TWM also sponsored the Chinese Christian Relief Association's "After-school Tutor Program" for children from underprivileged families, Canlove Social Services Association's "Depression Consultation and Prevention," Champions Education Association's "Teenager EQ Management and Life Education Program".</li> <li>(4) Since 2007, TWM has implemented its "Corporate Volunteer Guidelines" to encourage employees to take an active role in fulfilling their social responsibilities. Volunteers can take two paid days off a year to participate in community service activities. Transportation allowances and insurance, as well as comprehensive training, are provided. To date, 958 participants have joined such activities.</li> </ol> </li> </ol>

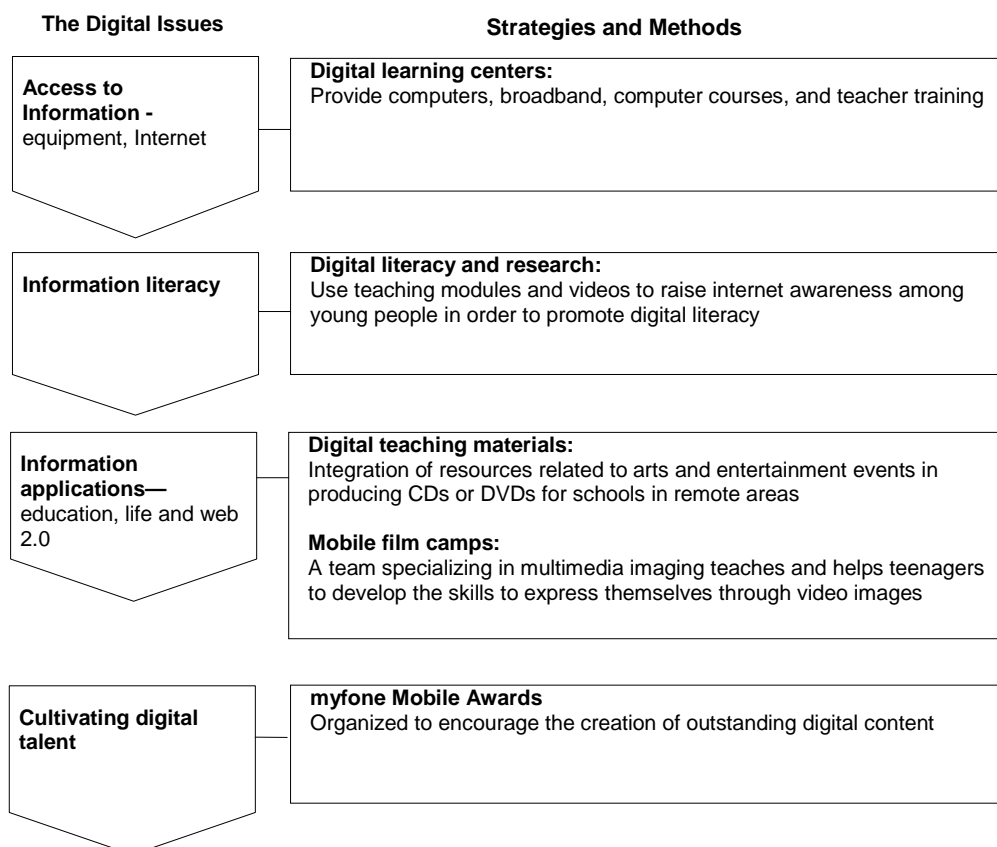
Item	Current Practices
<p><b>Information disclosure</b></p> <p>1. Disclosing relevant and reliable information on corporate social responsibility.</p> <p>2. Process for preparing and disclosing CSR information</p>	<p>1. CSR-related information is updated on the websites of the Company and the Taiwan Mobile Foundation in a timely manner. All information and data contained in the CSR reports are compiled internally and verified by an external party to ensure their reliability and accuracy. All information (subject and content) are deemed to be materially important and designed to meet stakeholders' expectations.</p> <p>2. TWM released its first CSR report in 2007. A second report, released in 2009, complies with the GRI G3 and the AA1000 assurance standards on CSR disclosure practices. In addition, information disclosed in the 2011 CSR report complies with the latest GRI G3.1 application level of B+, as audited by an independent third-party organization.</p>
<p><b>The Company's CSR policy and practices fully comply with the "Corporate Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies."</b></p> <p>The concept of CSR has been embedded in the strategic decisions and daily operations of all departments. TWM went a step further, with the Board of Directors passing the "Taiwan Mobile CSR Policy" to serve as a long-term guideline for promoting CSR and fulfilling the company's commitment to society in January 2011.</p> <p>The policy contains six articles, with the Company's underlying corporate philosophy and core values serving as the foundation, emphasizing corporate governance, stakeholder's interests and full disclosure, and leveraging off the Company's core competence and services to promote environmental conservation and public welfare.</p>	

**Additional information on CSR-related matters:**

TWM leverages its core competence in telecommunications, network and digital convergence to generate wider benefits for society.

**1. Enhancing digital competitiveness**

**Enhancing Digital Competitiveness Strategies**





- TWM continued to set up broadband services in remote areas like Nantou County's Sinyi township and Hsinchu County's Jianshih township in 2011. TWM has also collaborated with local nonprofit organizations (NPOs) to set up 13 digital learning centers.
- TWM has published 14 sets of digital teaching materials on culture, the environment and network safety as well as conducted online researches with NPOs to better understand teenage behavior.
- TWM hosted the "Mobile Film Creation Camp for Teenagers" to promote imaging education and applications, teaching teenagers how to express their ideas through creation of video images and to cultivate future multimedia talent.
- TWM launched the "myfone Mobile Awards" to encourage creation of new types of literature and music. The contest attracted a record nearly 50,000 entries. Awards were handed out for the best "SMS literature" and "original musical ringtones."

## 2. Environmental protection

Aside from compliance and reducing pollution, TWM has also taken the initiative in helping build an intelligent low-carbon society by leveraging its key resources in the ICT service industry. The Company helps other businesses reduce their carbon emissions through its mobile and e-services, and promote environmental protection through its extensive interaction with subscribers and consumers. In 2011, the Company was awarded "The 20th R.O.C. Enterprise Environmental Protection Award" by the Environmental Protection Administration – the only company in the service sector to have won this prize three times in a row.

## 3. Community participation and social care

- TWM introduced the "5180 Mobile Donation Hotline," a micro-donation platform, to provide a fund-raising channel for 56 NPOs.
- TWM sponsors tutorial sessions for some 200 children from underprivileged families every year.
- TWM works with the Canlove Social Services Association to provide professional counseling services to people suffering from depression and to promote suicide prevention awareness. More than 90,000 participants took part in these events in 2011.
- TWM sponsors an NGO that provides classes on "EQ Management" and "Suicide Prevention" to junior high school students. A total of 190,000 students have been involved in this program.

## 4. Consumers' interests:

TWM introduced a global standard information security management system to ensure that customers' personal information is strictly protected every step of the way – from form application to activation, information changes, billing, settlement and customer services.

## 5. Human rights:

TWM has never employed child workers. Pursuant to the Gender Equality in Employment Act and Employment Services Act, the Company has never discriminated against any employee and ethnic group or forced labor on its employees. Employees are free to form associations.

## 6. Safety and health:

To build up a vital, happy and healthy workplace, TWM has designed various activities for its employees with a focus on promoting a safe environment, disease prevention, health and spiritual relaxation. From 2007 to 2011, the Company received the following awards: "LOHAS (Lifestyles of Health and Sustainability)," "Community Health," "Leader in Health" and "Best Weight Loss Office" from the Cabinet-level of the Department of Health. It also received top certifications from Taipei City's Health Department for its breastfeeding rooms.

## 7. Cultural promotions:

- TWM introduced the "909 Mobile Phone Audio Guide," which employs mobile communications technology and cloud database to promote art and culture.
- To promote cultural literacy, TWM has since 2005 held 28 large outdoor concerts throughout the country, with more than 380,000 people attending these events.

## **Has the Company issued CSR reports that have been verified by an independent third-party assurance organization?**

In 2009, TWM's CSR report was verified by an independent third-party organization, the British Standards Institute, in accordance with its AA1000 assurance standards and GRI guidelines. In addition, information disclosed in the 2011 CSR report complies with the latest GRI G3.1 application level of B+, as audited by an independent third-party organization.

## **Honest and ethical conduct**

Integrity lies at the core of TWM's corporate culture, and employees are enjoined to act and perform their duties in an honest and ethical manner to fulfill their social responsibility to investors, consumers and the community. If an employee becomes aware of any conduct or activity that may violate the Company's "Code of Ethics," said employee is duty-bound to promptly report the matter through the Company's intranet. TWM has also invested in liability insurance for all employees, with the insured value rising along with the risks associated with an employee's work.

## **Corporate governance rules and procedures**

The Company has implemented a number of rules and procedures to enhance its corporate governance practices. It has revised the Rules and Procedures Governing Shareholders' Meetings, Rules and Procedures on Conducting Transactions between Group Companies and Related Parties, the Corporate Governance Committee Charter, the Audit Committee Charter, Rules and Procedures Governing Board of Directors' Meetings, Regulations Governing Internal Material Information, the Code of Ethics, Ethical Corporate Management Best Practice Principles and Corporate Social Responsibility Policy. With these changes, not only does the Company's corporate governance mechanism comply with Taiwan's Securities and Exchange Act, but it also adheres to the highest international standards.

## **Additional information on corporate governance operations:**

### **Corporate governance principles**

- Timely disclosure of material information
- Checks and balances between the board and management
- Fair representation of independent board members
- Audit Committee ensures fair and independent financial oversight
- Compensation Committee ensures sound corporate governance practices and compensation systems for directors and managers are in place
- Adoption of a cash dividend policy based on a high earnings payout ratio
- Vote for each proposal at AGM to promote execution of shareholders' rights
- Comply with Code of Ethics and Ethical Corporate Management Best Practice Principles and implement internal audit mechanism

To ensure that employees, managers and directors promote information transparency and timely disclosure, the Company disseminates "Regulations on Dealing with Internal Material Information" (approved by the Board on January 22, 2009) on an annual basis and incorporates it into its internal control system to avoid risks of insider trading.

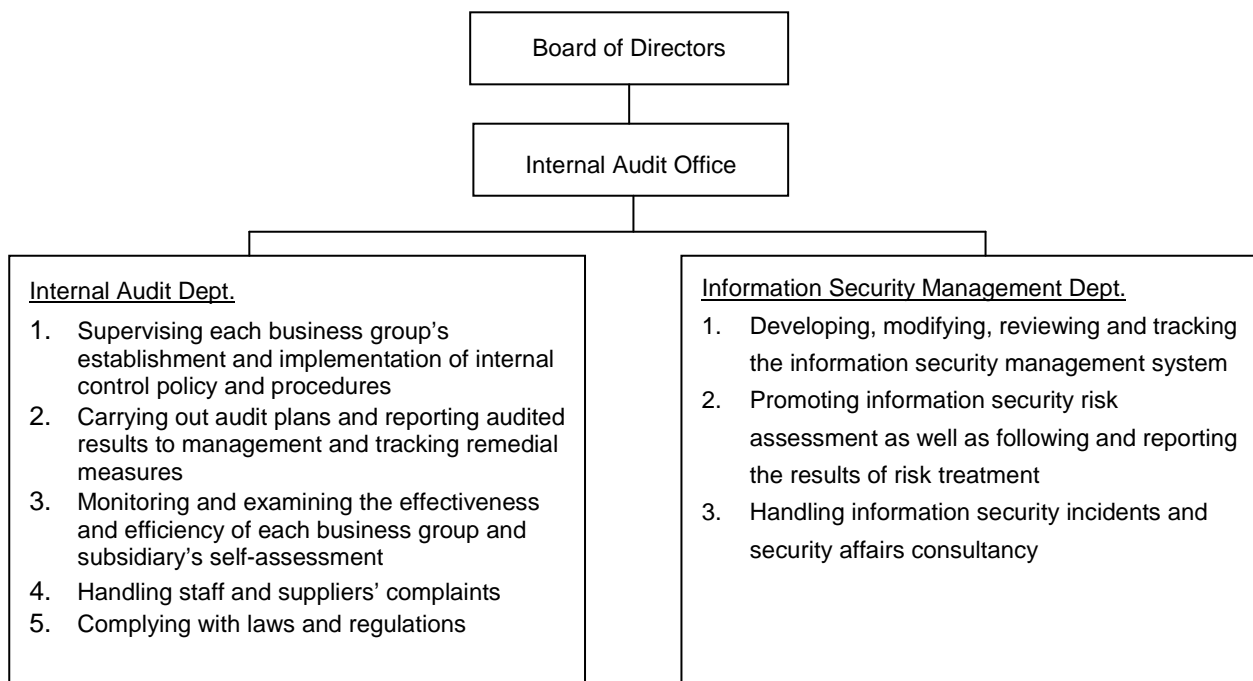
## Internal control system

### 1. Internal control mechanism

The Company's Internal Audit Office is made up of two departments: internal audit and information security management. The internal audit department carries out audits while the information security management department sets information security affairs into action.

The Company's Internal Audit Office is an independent unit that reports directly to the Board of Directors. It is responsible for the examination and assessment of the internal controls of the Company's financial, sales, operations and management departments. All departments, including those of the subsidiaries, are subject to its audit.

Regular internal audits are executed according to the annual audit plan. Special audit projects are implemented as needed. These audits enhance internal control and provide timely recommendations for future improvements. In accordance with corporate governance, audit reports are regularly submitted to and reviewed by the Chairman as well as the Audit Committee. The Internal Audit Office also examines the mechanisms and results of self-evaluations by departments and subsidiaries to ensure strict implementation. In addition, it generates and consolidates related inspection reports for the CEO and the Board of Directors to evaluate the overall efficiency of existing internal control systems before generating an internal control system statement.



## 2. Internal control statement

Taiwan Mobile Co., Ltd.  
Internal Control Statement

Date: January 19, 2012

Taiwan Mobile (TWM) states the following with regard to its internal control system for the year 2011:

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 the 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 and response, 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 as of Dec. 31, 2011, its internal control system (including its supervision of subsidiaries), which encompasses internal controls for the knowledge of the degree of achieving operational effectiveness and efficiency objectives, reliability of financial reporting, and compliance with applicable laws and regulations, was effectively designed and operating and reasonably assured the achievement of the above-stated objectives.
6. This statement will form a major part of the Company's Annual Report and Prospectus and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171 and 174 of the Securities and Exchange Act.
7. This statement has been passed by the TWM Board of Directors' Meeting on January 19, 2012, where all of the nine attending directors did not express any dissenting opinion and affirmed the content of the same.

Taiwan Mobile Co., Ltd.



Richard Tsai  
Chairman



Cliff Lai  
Co-President



Vivien Hsu  
Co-President

**Violation of regulations and internal policies:** None

## **Major resolutions at the shareholders' meeting and board meetings**

### **1. Major resolutions at the 2011 shareholders' meeting**

Issues approved and subsequent execution:

- (1) 2010 business and financial reports
- (2) 2010 earnings distribution proposal

Execution: set record date of ex-dividend on July 8, 2011, cash payment on July 21, 2011.

- (3) Cash capital reduction of NT\$3.8bn

Execution: set record date of capital reduction on August 1, 2011, record date of replacing share certificates for capital reduction on October 3, 2011 and cash payment on October 13, 2011.

- (4) Amendments to the Company's "Articles of Incorporation"
- (5) Election of the sixth Board of Directors (including independent directors)

Directors: Richard Tsai, Daniel Tsai and Victor Kung, representatives of Fu-Chi Venture Corp.

Cliff Lai and Vivien Hsu, representatives of TCC Investment Co., Ltd.

Independent Directors: Jack J.T. Huang, Tsung-Ming Chung, Wen-Li Yeh and J. Carl Hsu.

- (6) Removal of non-competition restrictions for the above-mentioned directors

### **2. Major resolutions by the board (between 2011 and the publication date)**

1. 18<sup>th</sup> meeting of the fifth BOD on January 27, 2011

- (1) Approved 2010 business report and financial statements
- (2) Approved 2011 stand-alone and consolidated financial forecasts
- (3) Approved 2011 capital expenditure plans
- (4) Approved the holding of the 2011 general shareholders' meeting
- (5) Approved the removal of non-competition restrictions on Company management
- (6) Approved plans to carry out 3G network expansion

2. 19<sup>th</sup> meeting of the fifth BOD on April 8, 2011

- (1) Approved the acquisition of common shares (translating into a 51% stake) of Fubon Multimedia Technology Co., Ltd. through Wealth Media Technology Co., Ltd., a 100%- owned subsidiary of the Company
- (2) Approved cash injection in Wealth Media Technology Co., Ltd.

3. 20<sup>th</sup> meeting of the fifth BOD on April 28, 2011

- (1) Approved 2010 profit distribution proposal
- (2) Approved the removal of non-competition restrictions on Company management

4. 1<sup>st</sup> meeting of the sixth BOD on June 15, 2011

- (1) Elected Richard Tsai and Daniel Tsai, representatives of Fu-Chi Venture Corp., as Chairman and Vice Chairman, respectively

5. 2<sup>nd</sup> meeting of the sixth BOD on July 28, 2011

- (1) Approved 1H11 financial statements
- (2) Approved 2011 additional capital expenditure plans
- (3) Approved cash injection in Taiwan Cellular Co., Ltd.

- (4) Approved the record date for capital reduction and a preliminary plan for the replacement of share certificates for capital reduction
- (5) Established the Compensation Committee
- 6. 3<sup>rd</sup> meeting of the sixth BOD on August 26, 2011
  - (1) Approved the recognition of an impairment loss from investment in Taiwan High Speed Rail common stocks for Taiwan Fixed Network Co., Ltd., a 100%-owned subsidiary of the Company
- 7. 4<sup>th</sup> meeting of the sixth BOD on October 27, 2011
  - (1) Approved a loan to TFN Media Co., Ltd.
  - (2) Approved the removal of non-competition restrictions on Company management
- 8. 5<sup>th</sup> meeting of the sixth BOD on January 19, 2012
  - (1) Approved 2011 business report and financial statements
  - (2) Approved 2012 stand-alone and consolidated financial forecasts
  - (3) Approved 2012 capital expenditure plans
  - (4) Approved a loan from Taiwan Fixed Network Co., Ltd.
  - (5) Approved the holding of the 2012 general shareholders' meeting

The above information is posted on <http://mops.twse.com.tw>.

**Major dissenting comments between directors over board meeting resolutions from 2011 up to the publication date in 2012:** None

**Resigned/discharged officers responsible for financial reports:** None

**Certified Public Accountant (CPA) Information**

**1. CPA service fees**

Unit: NT\$'000

Accounting firm	Name of CPA		Audit fee	Non-audit fee			Period covered by CPA's audit	Remarks
				Company registration	Other	Total		
KPMG	Simon Chen	Janice Lai	8,620	150	550	700	Year 2011	Fees for other non-audit services were mainly for tax-related consultation

Range of CPA service fee	Audit fee	Non-audit fee	Total
NT\$0~NT\$1,999,999	-	✓	-
NT\$2,000,000~NT\$3,999,999	-	-	-
NT\$4,000,000~NT\$5,999,999	-	-	-
NT\$6,000,000~NT\$7,999,999	-	-	-
NT\$8,000,000~NT\$9,999,999	✓	-	✓
NT\$10,000,000 and above	-	-	-

## 2. Other information

(1) If non-audit fees paid to CPAs, their accounting firm and its affiliates are more than one-fourth of audit fees, specify the amount of audit and non-audit fees, as well as the scope of non-audit services :

Not applicable.

(2) For CPA changes, if the audit fee in the first year is lower than that of the prior year, specify the audit fee before and after the change and the reasons

Not applicable.

(3) If audit fees dropped by more than 15%, specify the amount and percentage of decline and reasons:

Not applicable.

**3. Information on CPA changes:** None

**4. Company Chairman, President or finance/accounting manager held positions in the Company's audit firm or its affiliates within the past one year:** None

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

### 1. Insignificant changes in shareholder structure

Unit: shares

Title	Name	2011		2012 (as of February 29)	
		Net change in shareholding	Net change in shares pledged	Net change in shareholding <sup>1</sup>	Net change in shares pledged
Chairman	Fu-Chi Venture Corp. Representative: Richard Tsai	(638,752)	0	0	0
Vice Chairman	Fu-Chi Venture Corp. Representative: Daniel Tsai				
Director	Fu-Chi Venture Corp. Representative: Victor Kung				
Director	TCC Investment Co., Ltd. Representative: Cliff Lai	(22,277,418)	0	0	0
Director	TCC Investment Co., Ltd. Representative: Vivien Hsu				

Title	Name	2011		2012 (as of February 29)	
		Net change in shareholding	Net change in shares pledged	Net change in shareholding <sup>1</sup>	Net change in shares pledged
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
Major Shareholder (shareholding of more than 10%)	TFN Union Investment Co., Ltd.	(45,629,476)	0	0	0
Co-President	Cliff Lai	(9,262)	0	0	0
Co-President	Vivien Hsu	0	0	0	0
SVP and Chief Financial Officer	Rosie Yu	0	0	0	0
Vice President and Acting Chief Technology Officer	HS Wang	(25)	0	0	0
Vice President	C.A. Chuang	(5,927)	0	0	0
Vice President	Ariel Hwang	0	0	0	0
Vice President	Jay Hong	(40,000)	0	0	0
Vice President	James Chang	(18,121)	0	0	0
Vice President	Ruth Liaw	0	0	0	0
Vice President	Techi Juan	(10,396)	0	0	0
Vice President	Egon Chen	(9,351)	0	0	0
Vice President	Chien Chen	0	0	0	0
Vice President	Tom Koh (took office on Oct. 17, 2011)	0	0	0	0
Vice President and Deputy COO	Jeff Ku	(1,361)	0	0	0
Vice President	Sean Hsieh	(27,378)	0	0	0
Vice President	Simon Wang	(10,121)	0	0	0
Vice President	Paul Huang	(22,149)	0	0	0
Vice President	Steve Chou (took office on Apr. 25, 2011)	0	0	0	0
Vice President	Joseph Yang	(29,081)	0	(13,000)	0
SVP and Chief Operating Officer of Enterprise Business Group	George C. Chou (resigned on Mar. 14, 2011)	0	0	NA	NA



Title	Name	2011		2012 (as of February 29)	
		Net change in shareholding	Net change in shares pledged	Net change in shareholding <sup>1</sup>	Net change in shares pledged
Vice President	Daphne Yang (resigned on Mar. 25, 2011)	0	0	NA	NA
Vice President	Jerry Chu (resigned on Apr. 30, 2011)	0	0	NA	NA
Vice President	Andrew Wong (resigned on Oct. 7, 2011)	(77)	0	NA	NA

Note: The holding decline in the table above was partially due to the 10% capital reduction on October 3, 2011.

**2. Shareholding transferred with related party:** None

**3. Stock pledged with related party:** None

## Direct and indirect investments in affiliated companies

As of December 31, 2011

Unit: shares, %

Long-term investments	Investment by TWM		Direct and indirect investment by TWM directors and management		Total investment	
	Shares	Holding (%)	Shares	Holding (%)	Shares	Holding (%)
Taiwan Cellular Co., Ltd.	370,895,800	100.00	–	–	370,895,800	100.00
Wealth Media Technology Co., Ltd.	38,550,000	100.00	–	–	38,550,000	100.00
Taipei New Horizons Co., Ltd.	64,870,000	49.90	–	–	64,870,000	49.90
Bridge Mobile Pte. Ltd.	2,200,000	10.00	–	–	2,200,000	10.00
Yes Mobile Holdings Co.	73,530	0.19	–	–	73,530	0.19

## Relationship between TWM's top 10 shareholders

As of October 3, 2011

Name (A)	Current shareholding		Spouse's/minor's shareholding		Name and relationship between TWM's shareholders as defined in the Statement of Financial Accounting Standards No. 6	
	Shares	%	Shares	%	Name (B)	Relationship
TFN Union Investment Co., Ltd.	410,665,284	12.005%	-	-	TCC Investment Co., Ltd. Ming Dong Co., Ltd. Fubon Life Insurance Co., Ltd. TCCI Investment & Development Co., Ltd. Dao Ying Co., Ltd. Wan-Tsai Tsai Daniel Tsai Richard Tsai	A and B have the same chairman B's chairman is a relative within two degrees of A's chairman Related party A and B have the same chairman B's chairman is a relative within two degrees of A's chairman B is a relative within two degrees of A's chairman B is a director at A B is A's chairman
Chairman: Richard Tsai	-	-	-	-	TFN Union Investment Co., Ltd. TCC Investment Co., Ltd. Ming Dong Co., Ltd. Fubon Life Insurance Co., Ltd. TCCI Investment & Development Co., Ltd. Dao Ying Co., Ltd. Wan-Tsai Tsai Daniel Tsai	A is B's chairman A is B's chairman A is a director at B Related party A is B's chairman A is a director at B B is A's relative within two degrees B is A's relative within two degrees
TCC Investment Co., Ltd.	200,496,761	5.861%	-	-	TFN Union Investment Co., Ltd. Ming Dong Co., Ltd. Fubon Life Insurance Co., Ltd. TCCI Investment & Development Co., Ltd. Dao Ying Co., Ltd. Wan-Tsai Tsai Daniel Tsai Richard Tsai	A and B have the same chairman B's chairman is a relative within two degrees of A's chairman Related party A and B have the same chairman B's chairman is a relative within two degrees of A's chairman B is a relative within two degrees of A's chairman B is a director at A B is A's chairman
Chairman: Richard Tsai	-	-	-	-	TFN Union Investment Co., Ltd. TCC Investment Co., Ltd. Ming Dong Co., Ltd. Fubon Life Insurance Co., Ltd. TCCI Investment & Development Co., Ltd. Dao Ying Co., Ltd. Wan-Tsai Tsai Daniel Tsai	A is B's chairman A is B's chairman A is a director at B Related party A is B's chairman A is a director at B B is A's relative within two degrees B is A's relative within two degrees

Name (A)	Current shareholding		Spouse's/minor's shareholding		Name and relationship between TWM's shareholders as defined in the Statement of Financial Accounting Standards No. 6	
	Shares	%	Shares	%	Name (B)	Relationship
Ming Dong Co., Ltd.	184,736,452	5.400%	-	-	TFN Union Investment Co., Ltd. TCC Investment Co., Ltd. Fubon Life Insurance Co., Ltd. TCCI Investment & Development Co., Ltd. Dao Ying Co., Ltd. Wan-Tsai Tsai Daniel Tsai Richard Tsai	B's chairman is a relative within two degrees of A's chairman B's chairman is a relative within two degrees of A's chairman Related party B's chairman is a relative within two degrees of A's chairman A and B have the same chairman B is A's chairman B is a director at A B is a director at A
Chairman: Wan-Tsai Tsai	-	-	-	-	TFN Union Investment Co., Ltd. TCC Investment Co., Ltd. Ming Dong Co., Ltd. Fubon Life Insurance Co., Ltd. TCCI Investment & Development Co., Ltd. Dao Ying Co., Ltd. Daniel Tsai Richard Tsai	B's chairman is A's relative within two degrees B's chairman is A's relative within two degrees A is B's chairman Related party B's chairman is A's relative within two degrees A is B's chairman B is A's relative within two degrees B is A's relative within two degrees
Cathay Life Insurance Co., Ltd.	177,906,600	5.201%	-	-	None	None
Chairman: Hong-Tu Tsai	-	-	-	-	None	None
Fubon Life Insurance Co., Ltd.	123,791,400	3.619%	--	--	TFN Union Investment Co., Ltd. TCC Investment Co., Ltd. Ming Dong Co., Ltd. TCCI Investment & Development Co., Ltd. Dao Ying Co., Ltd. Wan-Tsai Tsai Daniel Tsai Richard Tsai	Related party Related party Related party Related party Related party Related party Related party Related party
Chairman: Oliver Cheng	-	-	-	-	None	None

Name (A)	Current shareholding		Spouse's/minor's shareholding		Name and relationship between TWM's shareholders as defined in the Statement of Financial Accounting Standards No. 6	
	Shares	%	Shares	%	Name (B)	Relationship
TCCI Investment & Development Co., Ltd.	119,563,804	3.495%	-	-	TFN Union Investment Co., Ltd. TCC Investment Co., Ltd. Ming Dong Co., Ltd. Fubon Life Insurance Co., Ltd. Dao Ying Co., Ltd. Wan-Tsai Tsai Daniel Tsai Richard Tsai	A and B have the same chairman A and B have the same chairman B's chairman is a relative within two degrees of A's chairman Related party B's chairman is a relative within two degrees of A's chairman B is a relative within two degrees of A's chairman B is a director at A B is A's chairman
Chairman: Richard Tsai	-	-	-	-	TFN Union Investment Co., Ltd. TCC Investment Co., Ltd. Ming Dong Co., Ltd. Fubon Life Insurance Co., Ltd. TCCI Investment & Development Co., Ltd. Dao Ying Co., Ltd. Wan-Tsai Tsai Daniel Tsai	A is B's chairman A is B's chairman A is a director at B Related Party A is B's chairman A is a director at B B is A's relative within two degrees B is A's relative within two degrees
Dao Ying Co., Ltd.	104,954,742	3.068%	-	-	TFN Union Investment Co., Ltd. TCC Investment Co., Ltd. Ming Dong Co., Ltd. Fubon Life Insurance Co., Ltd. TCCI Investment & Development Co., Ltd. Wan-Tsai Tsai Daniel Tsai Richard Tsai	B's chairman is a relative within two degrees of A's chairman B's chairman is a relative within two degrees of A's chairman A and B have the same chairman Related party B's chairman is a relative within two degrees of A's chairman B is A's chairman B is a director at A B is a director at A
Chairman: Wan-Tsai Tsai	-	-	-	-	TFN Union Investment Co., Ltd. TCC Investment Co., Ltd. Ming Dong Co., Ltd. Fubon Life Insurance Co., Ltd. TCCI Investment & Development Co., Ltd. Dao Ying Co., Ltd. Daniel Tsai Richard Tsai	B's chairman is A's relative within two degrees B's chairman is A's relative within two degrees A is B's chairman Related party B's chairman is A's relative within two degrees A is B's chairman B is A's relative within two degrees B is A's relative within two degrees

Name (A)	Current shareholding		Spouse's/minor's shareholding		Name and relationship between TWM's shareholders as defined in the Statement of Financial Accounting Standards No. 6	
	Shares	%	Shares	%	Name (B)	Relationship
Richard Tsai	90,127,938	2.635%	5,986,496	0.175%	TFN Union Investment Co., Ltd TCC Investment Co., Ltd. Ming Dong Co., Ltd. Fubon Life Insurance Co., Ltd. TCCI Investment & Development Co., Ltd. Dao Ying Co., Ltd. Wan-Tsai Tsai Daniel Tsai	A is B's chairman A is B's chairman A is a director at B Related party A is B's chairman A is a director at B B is A's relative within two degrees B is A's relative within two degrees
Daniel Tsai	86,979,990	2.543%	4,580,070	0.134%	TFN Union Investment Co., Ltd TCC Investment Co., Ltd. Ming Dong Co., Ltd. Fubon Life Insurance Co., Ltd. TCCI Investment & Development Co., Ltd. Dao Ying Co., Ltd. Wan-Tsai Tsai Richard Tsai	A is a director at B A is a director at B A is a director at B Related party A is a director at B A is a director at B B is A's relative within two degrees B is A's relative within two degrees
JP Morgan Chase Bank N.A. Taipei Branch, custodian for Saudi Arabian Monetary Agency	85,363,826	2.495%	-	-	None	None

## Chapter 3 Financial Information

### Capital and shares

#### Source of capital

As of February 29, 2012

Unit: shares / NT\$

Date	Par value (NT\$)	Authorized capital		Paid-in capital		Remarks		
		Shares	Amount (NT\$)	Shares	Amount (NT\$)	Source of capital (NT\$)	In a form other than cash	Cert. No. & effective date
Oct. 2011	10	6,000,000,000	60,000,000,000	3,420,832,827	34,208,328,270	Cash capital reduction: NT\$ 3,800,925,360	--	Authorization No. 1000031760 July 15, 2011

As of February 29, 2012

Unit: shares

	Authorized capital			Remarks
	Listed shares	Unissued shares	Total	
Common stock	3,420,832,827	2,579,167,173	6,000,000,000	None

#### Shareholder structure

As of October 3, 2011

	Government agencies	Financial institutions	Other institutions	Individuals	Foreign institutions & individuals	Total
No. of shareholders	6	22	273	38,659	761	39,721
Total shares owned	109,130,056	449,706,243	1,371,289,887	385,884,616	1,104,822,025	3,420,832,827
Holding percentage (%)	3.19%	13.14%	40.09%	11.28%	32.30%	100.00%

#### Shareholding distribution

As of October 3, 2011

Par value: NT\$10/share

Shareholding range	No. of shareholders	Total shares owned	Holding percentage
1 ~ 999	19,930	9,117,345	0.267%
1,000 ~ 5,000	13,655	32,090,949	0.938%
5,001 ~ 10,000	2,999	21,806,778	0.637%
10,001 ~ 15,000	814	9,939,768	0.291%
15,001 ~ 20,000	552	9,565,134	0.280%
20,001 ~ 30,000	434	10,694,087	0.313%
30,001 ~ 50,000	351	13,557,489	0.396%
50,001 ~ 100,000	273	19,820,678	0.579%
100,001 ~ 200,000	156	22,900,042	0.669%
200,001 ~ 400,000	151	43,910,863	1.284%
400,001 ~ 600,000	84	41,374,079	1.209%
600,001 ~ 800,000	39	27,571,263	0.806%
800,001 ~ 1,000,000	40	35,815,335	1.047%
1,000,001 and above	243	3,122,669,017	91.284%
Total	39,721	3,420,832,827	100.00%

## Major shareholders

As of October 3, 2011

Name	Total shares owned	Holding percentage
TFN Union Investment Co., Ltd.	410,665,284	12.005%
TCC Investment Co., Ltd.	200,496,761	5.861%
Ming Dong Co., Ltd.	184,736,452	5.400%
Cathay Life Insurance Co., Ltd.	177,906,600	5.201%
Fubon Life Insurance Co., Ltd.	123,791,400	3.619%
TCCI Investment & Development Co., Ltd.	119,563,804	3.495%
Dao Ying Co., Ltd.	104,954,742	3.068%
Richard Tsai	90,127,938	2.635%
Daniel Tsai	86,979,990	2.543%
JPMorgan Chase Bank N.A. Taipei Branch, custodian for Saudi Arabian Monetary Agency	85,363,826	2.495%

## Major shareholders of TWM's institutional investors

Institutional investors	Major shareholders
TFN Union Investment Co., Ltd.	Taiwan Fixed Network Co., Ltd. (100%)
TCC Investment Co., Ltd.	Taiwan Cellular Co., Ltd. (100%)
Ming Dong Co., Ltd.	Fubon Land Development Co., Ltd. (16.36%), Fubon Construction Co., Ltd. (13.89%), Fu-Chi Investment Co., Ltd. (12.63%), Ru Chi Investment Co., Ltd. (12.63%), Dao Chi Co., Ltd. (12.63%), Chung Shing Development Co., Ltd. (11.76%), Dao Ying Co., Ltd. (9.6%), Fubon Charity Foundation (3.43%), Fubon Cultural & Education Foundation (2.53%), Daniel Tsai (1.31%)
Cathay Life Insurance Co., Ltd.	Cathay Financial Holdings Co., Ltd. (100%)
Fubon Life Insurance Co., Ltd.	Fubon Financial Holding Co., Ltd. (100%)
TCCI Investment & Development Co., Ltd.	TCC Investment Co., Ltd. (100%)
Dao Ying Co., Ltd.	Fubon Land Development Co., Ltd. (17.67%), Fubon Construction Co., Ltd. (17.67%), Fu-Chi Investment Co., Ltd. (13.13%), Ru Chi Investment Co., Ltd. (13.13%), Dao Chi Co., Ltd. (13.13%), Ming Dong Co., Ltd. (9.60%), Chung Shing Development Co., Ltd. (8.84%), Fubon Charity Foundation (1.01%), Wan-Tsai Tsai (1.01%), Shiang-Shun Yang Tsai (1.01%)

## Share price, net worth, earnings, dividends and related information

Unit: NT\$, '000 shares

		2010	2011	As of Feb. 29, 2012	
Share price (NT\$)	High	70.00	98.30	95.50	
	Low	58.50	65.20	86.30	
	Average	63.22	78.18	90.67	
Net worth per share (NT\$)	Before earnings appropriation	17.02	18.20	—	
	After earnings appropriation	12.86	Note 1	—	
Earnings per share (NT\$)	Adjusted weighted average outstanding shares	2,989,008	2,863,715	2,690,107	
	Earnings per share	4.62	4.70	—	
Dividends per share (NT\$)	Cash dividends	4.1619	Note 1	—	
	Stock dividends	Retained earnings	—	Note 1	—
		Capital surplus	—	—	—
	Accumulated unpaid dividends	—	—	—	
PE and dividend yield (Note 2)	Price earnings ratio (x)	13.68	16.63	—	
	Price to cash dividend (x)	15.19	—	—	
	Cash dividend yield (%)	6.58	—	—	

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 2011 has not yet been announced.

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

## **Dividend policy**

### **1. Dividend policy under Articles of Incorporation**

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

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

The BOD has not yet approved the proposal for dividend allocation of 2011 earnings as of the publication date. The BOD expects to approve the dividend distribution 40 days prior to the AGM, and any resolution resolved will be announced on the Company's website and MOPS.

## **Impact of stock dividend distribution on business performance and EPS**

The BOD has not yet approved the proposal for dividend allocation of 2011 earnings as of the publication date.

## **Employee bonus and compensation to directors**

### **1. Earnings distribution plan according to the Company's Articles of Incorporation**

According to the Company's Articles of Incorporation, annual net income after deducting losses from previous years, 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;
- 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.

### **2. Accounting treatment for the deviation between estimated and actual distribution amount of employee bonuses and compensation to directors**

Should there be a significant adjustment on the distribution amount approved by the BOD from the previous accrual after year-end, the accrued amount should be revised accordingly. However, should there be another change in the amount approved at the annual shareholders' meeting, the adjustment should be treated as a "change in accounting estimation," and the difference from the BOD resolution should be booked in the year the AGM is held.

### **3. 2011 proposal on employee bonuses and compensation to directors adopted by the board of directors**

The BOD has not yet approved the proposal for dividend allocation of 2011 earnings as of the publication date. The BOD expects to approve the dividend distribution 40 days prior to the AGM, and any resolution resolved will be announced on the Company's website and MOPS.



#### 4. Earnings distributed as employee bonus and compensation to directors in the previous year

An employee cash bonus of NT\$373,059,447 and compensation to directors of NT\$37,305,945, as approved in the 2011 board of directors' and shareholders' meetings, were duly paid in 2011.

### Share buyback

None

### Corporate bond issuance

#### Corporate bonds

As of February 29, 2012

Issuance		Second unsecured corporate bonds
Issue date		November 14, 2008
Denomination		NT\$10,000,000
Issuance and listing		Not applicable
Issue price		100%
Total amount		NT\$8,000,000,000
Coupon		2.88% p.a.
Term		5 years, maturing on Nov. 14, 2013
Guarantor		None
Trustee		Hua Nan Bank, Trust Division
Underwriter		None
Legal counsel		Jim Chen, Attorney
Auditor		Vita Kuo, CPA Deloitte & Touche
Repayment		Repayment of 50% of the principal in the 4 <sup>th</sup> year and the remaining 50% in the 5 <sup>th</sup> year
Outstanding balance		NT\$8,000,000,000
Early repayment clause		None
Covenants		None
Credit rating agency, rating date, company credit rating		Taiwan Ratings Corp., 2008.09.15, twAA Taiwan Ratings Corp., 2009.06.10, twAA Taiwan Ratings Corp., 2010.05.31, twAA Taiwan Ratings Corp., 2011.05.31, 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
Custodian		Not applicable

**Convertible bond information:** None

**Exchangeable bond:** None

**Shelf registration issuance:** None

**Bond with warrant:** None

**Preferred shares:** None

**Depository receipt issuance:** None

**Employee stock options:** None

**Shares issued for merger and acquisition:** None

**Use of proceeds from rights issue:** None

## Chapter 4 Operational Highlights

### Macro Environment

Consumer spending on communication and broadcasting related services is largely influenced by the macroeconomic environment. According to the Directorate-General of Budget, Accounting and Statistics (DGBAS), private consumption maintained a healthy growth momentum last year due to falling unemployment and rising wages. However, as the European debt crisis continued to cast a shadow over the global economy in the second half of 2011, corporate earnings and employment took a hit, affecting consumer confidence and buying willingness. As a result, private consumption growth moderated to 3.10% in 2011 from 3.67% in 2010. Although growth in the emerging markets should help prop up the global economy this year, consumer confidence is expected to remain weak due to continuing uncertainty. Private consumption growth is thus forecast to slow further to 2.69% in 2012.

### Overall Operating Results

In 2011, in spite of the impact of the National Communications Commission's (NCC) mandatory tariff cuts on mobile operators' voice service revenue, the Company still saw a 16% YoY rise in consolidated revenue, as it pushed wireless data, cable broadband and other promising businesses. In terms of profitability, despite increased handset subsidies to boost smartphone penetration, the Company managed to post stable earnings due to: 1) rising revenue, 2) contained network cost and administration expenses, which were lower than a year ago, and, 3) earnings contribution from momo (51% owned by the Company and consolidated into TWM since July 13, 2011, contributing 2% to TWM's full-year consolidated EBITDA in 2011). The following is a description of the performance of the Company's three major business groups: Consumer Business Group (CBG), Home Business Group (HBG) and Enterprise Business Group (EBG).

### Performance by division

Unit: NT\$m

	CBG	HBG	EBG
Brand name	Taiwan Mobile	TWM Broadband	TWM Solution
Services	<ul style="list-style-type: none"> <li>● Voice and data mobile services for consumers</li> <li>● Mobile to international direct dialing (IDD) services</li> </ul>	<ul style="list-style-type: none"> <li>● Pay TV services</li> <li>● Cable broadband services</li> <li>● Others</li> </ul>	<ul style="list-style-type: none"> <li>● Voice and data mobile services for enterprises</li> <li>● Fixed-line services</li> <li>● International simple resale (ISR) services</li> </ul>
2011 revenue*	58,109	5,914	9,861
As a % of group revenue	71%	7%	12%
2011 EBITDA*	20,494	3,038	2,688
As a % of group EBITDA	76%	11%	10%

	<b>Mobile business</b>	<b>Cable business</b>	<b>Fixed-line business</b>
Market position	One of the top three mobile operators, with a market share of around 30% in terms of mobile revenue and subscriber numbers	Fourth-largest multisystem operator (MSO), covering about 11% of the households in Taiwan	A market share of around 3% for ADSL/FTTx business. Second-largest internet service provider (ISP), with a market share of 6% (including 155K cable broadband subscribers from its cable business)
Subscriber base	<ul style="list-style-type: none"> <li>● 6,663K mobile subscribers</li> </ul>	<ul style="list-style-type: none"> <li>● 575K CATV subscribers</li> <li>● 155K cable broadband subscribers</li> </ul>	<ul style="list-style-type: none"> <li>● Around 150K ADSL/FTTx internet access users</li> </ul>

\* Source: segment information of financial reports.

## Operating Results Review

### Consumer Business Group

Mandatory tariff cuts imposed by the National Communications Commission (NCC) weighed on mobile voice revenue in 2011. However, with mobile data revenue surging 47% from a year ago – accounting for 27% of overall mobile service revenue – mobile service revenue still grew 1% YoY. This, together with handset sales, lifted CBG's total revenue by 5% from a year ago.

### Home Business Group

HBG's 2011 revenue rose 4% from a year ago due to revenue growth from its pay TV (including analog and digital channels) and cable broadband businesses. Growth is attributed to an expanding subscriber base, additional revenue stream from digital TV services, increasing channel leasing and higher adoption rate for high-speed cable broadband services. EBITDA climbed 9% YoY due to expanding economies of scale.

### Enterprise Business Group

EBG's 2011 revenue grew 4% YoY, largely from a 2% YoY increase in enterprise customers' mobile revenue and rising IP transit and internet data center (IDC) businesses. In addition, EBG's 2011 EBITDA rose 15% from a year ago because of rising revenue and cost/expense control.

## Scope of Business

### Business overview

#### Consumer Business Group

##### 1. Products and services

The Consumer Business Group (CBG) is mainly engaged in providing mobile communication services to individual users. The Company offers a wide range of products, including SIM cards for postpaid subscribers, as well as SIM and reloadable cards for prepaid subscribers that can be used for making/receiving calls and other services, such as voice, data, short messaging service (SMS), multimedia and video messaging.

Target customers	Service category	Description	Highlights
Individual consumers	Mobile	Voice	Basic telecommunication voice services, including calling and receiving calls from fixed-line and mobile phones
		Data	Value-added services, including voice mail, call forwarding, call waiting, conferencing, SMS, roaming, call barring, video calls, multimedia and content services (e.g., ringtones, games, screensavers, MP3, video clips, video streaming), and internet access using GPRS/3G/HSDPA transmission
	IDD	International direct dialing services	

##### 2. Revenue breakdown by service

Unit: NT\$m

Item \ Year	2011	
	Amount	%
Telecom service	52,191	90%
Handset sales and others	5,918	10%
Total	58,109	100%

##### 3. New products and services

- (1) Voice services: Continue to roll out innovative rate plans to better meet customers' different calling patterns, personal demands.
- (2) Value-added services: Focus on mainstream smart devices, develop a diverse range of services and content to enrich the app store and provide customers with a more pleasant user experience.

## 4. Operating status

### (1) Postpaid products and services

To offset the impact of the NCC's mandatory tariff cut on revenues, the Company focused on improving the percentage of mid-to-high rate plan subscribers and sales of smart devices to raise its average revenue per user (ARPU). By the end of 2010, mid-to-high rate plan users as a percentage of total subscribers had increased by 6 ppts.

The Company also has excellent loyalty programs in place to secure its customer base and minimize churn rates. With the aid of business intelligence tools and its direct marketing network, the Company used market segmentation to target and provide customers with services that better match their needs. For instance, for high ARPU customers, the Company has an exclusive program called "my VIP." It also offers a credit card program that allows customers to earn rebates based on their phone bills.

### (2) Prepaid products and services

In addition to the continuous promotion of discounts for on-net calls, outgoing calls to fixed-line and on-net video calls from 2010, the Company launched a campaign offering free text messages to target the youth market, providing more choices for pre-paid card customers. This helped boost the Company's number of prepaid subscribers by nearly 20% in 2011.

The Company also aggressively promoted value-added services (VAS) usage to raise its penetration rate. Selected VAS services were offered for free as a promotion for recharge cards and prepaid cards. Non-SMS VAS revenue for prepaid business rose over 40% in 2011.

### (3) Value-added services

The Company saw a significant increase in VAS revenue in 2011, surging 47% from a year ago. In particular, revenue from mobile internet access rose 93%, thanks to high-quality mobile internet services and flexible data rate plans, as well as the popularity of smartphones, tablets, 3.5G data cards and netbooks. These helped attract a large number of mobile internet users and also encouraged existing subscribers to use value-added services.

In 2011, the Company introduced a large number of innovative and popular VAS products. These include: One, "match Market," an app store for major smartphone platforms such as Android, iPhone, Windows Mobile, Blackberry and Symbian. Two, "MoFun," an application designed to enrich users' lifestyle by allowing them to use their smartphones to access the latest information on MoFun's channels, including leisure, entertainment and shopping. Three, "myBook store," a 24-hour online bookstore where users can easily purchase e-books in two easy clicks. In 2011, myBook was ahead of its peers in offering sales of hard-copies of books, providing an integrated platform where users can easily switch between traditional and digital environment to enhance their reading experience. And four, "TV GO HD" & "Formosan TV Show," a platform offering more than 40 mobile channels, including news, finance, drama and variety shows, as well as a user friendly interface and 3G and WiFi support, to meet smartphone and tablet users' demand for TV on the go.

## Home Business Group

### 1. Products and services

TFN Media (TFNM), a subsidiary of the Company, holds a cable television system operator's license and a Type II telecommunications license. TFNM runs its business under the brand name TWM Broadband. Its main products and services cover analog cable TV services, digital cable TV services and cable broadband services. Its subsidiary, Win TV Broadcasting, a TV production company, operates a family channel – momo. It also holds the Taiwan distribution rights for a large number of outstanding domestic and international TV channels, enabling it to provide subscribers with a comprehensive range of digital audiovisual entertainment services.

Service category	Products / Services	Description
Pay TV	Analog cable TV	Uses high bandwidth coaxial cable to transmit a wide range of TV channels and programs to home TVs.
	Digital cable TV	<ol style="list-style-type: none"> <li>1. TWM Broadband's CATV networks transmit domestic and international digital TV channels to subscribers' homes; subscribers can use the set-top box and smart card provided by TWM Broadband to view high-definition digital video content.</li> <li>2. Broadband Internet access allows subscribers to make use of TWM Broadband's internet TV service. Subscribers can access the internet using their TV and remote control to view a wide range of multimedia entertainment content and enjoy "4 screens and a cloud" digital convergence services.</li> </ol>
Broadband internet access	Cable fiber-optic broadband internet access	Provides high-speed internet access service via a hybrid fiber/coaxial (HFC) network deployed by the CATV system operator in combination with new-generation DOCSIS 3.0 broadband internet access technology.
Content distribution	Analog and digital TV channels	Provides both analog TV and "new TV" digital CATV services, distributes high-quality domestic and international TV channels by licensing the broadcast rights of these channels to other CATV system operators and video service platforms.

## 2. Revenue breakdown by service

Unit: NT\$mn

Item \ Year	2011	
	Amount	%
Pay TV service	4,181	71%
Cable internet service	924	15%
TV content distribution and others	809	14%
Total	5,914	100%

## 3. New products and services

(1) Digital TV recorder:

Subscribers can use the set-top box provided by TWM Broadband to record any program broadcast on TV onto an external hard driver, as well as pause, fast forward and rewind. This device should enhance customer stickiness and boost digital TV service penetration rate.

(2) High-speed fiber-optic internet access service:

TWM Broadband will continue to enhance network quality to provide stable, reasonably priced high-speed fiber-optic broadband internet access to meet customers' demand for high-speed bandwidth to view or use various multimedia services via TV or computer. This is expected to attract a large number of new subscribers and increase customer satisfaction.

(3) Digital TV value-added services:

TWM Broadband will develop and offer more innovative value-added services, such as viewing popular video content (e.g., local dramas and movies) online, playing online games, accessing the latest information on fashion and trends, and e-learning via TV, to increase its digital TV service subscriber numbers and penetration rate.

(4) Innovative digital convergence services:

TWM Broadband is making use of the Company's extensive mobile communications, fixed-line network and cable TV service resources, while continuously monitoring new trends and developments in the global digital convergence services industry, and cooperating with upstream to downstream players – from digital content to terminal device and internet platform providers – to form the "Cloud and Connect TV forum" to explore new business opportunities and enable subscribers to enjoy the benefits of digital convergence services anytime, anywhere.



## Enterprise Business Group

### 1. Products and services

The Enterprise Business Group (EBG) offers enterprise customers integrated information and communications technology (ICT) solutions and mobile/fixed network services under the name "TWM Solution."

Service category	Description
Fixed-line voice	Integrated voice solutions, including Enterprise E phone, PBX E phone (VoIP service), local calls, long-distance calls, international calls, Centrex, 080 domestic toll-free service, audio conference, intelligent network services (e.g., 0209 services) and ISR, enabling users to save on calling costs. TWM Solution continues to develop advanced technologies to enhance reliability and provide instant response to ensure customer satisfaction.
Fixed-line data	Different types of circuits for information transmission, including leased line, Metro Ethernet, IP virtual private network (VPN), IPLC and ADSL VPN. These circuits and bandwidth for data transmission among terminals enable users to build a communications network and expand their business opportunities.
Internet	Internet access via leased line, Metro Ethernet, ADSL, FTTx and dial-up. The Company also provides internet data center (IDC) services, including co-location, web hosting, super mail and domain name registration. EBG's IDC services not only cover carrier-level facilities, but also management/maintenance services for customers.
Mobile	Regular voice services, mobile VPN, intelligent transportation system (ITS), BlackBerry enterprise solution, mobile audio conference and MVPN data services.
Systems integration	Video conference services, information security services (Security Operation Center), network manager and sales, implementation and maintenance services for PBX, VoIP customer premises equipment (CPE), wide area network (WAN) and local area network (LAN) CPE.

### 2. Revenue breakdown by service

Unit: NT\$mn

Item	Year	2011	
		Amount	%
Mobile service		4,046	41%
Fixed-line service		3,675	37%
ISR and others		2,140	22%
Total		9,861	100%

### 3. New products and services

- (1) Information security manager: New functions include scanning for potential flaws in webpage application codex to avoid information leaks and guard against social network engineering attacks.
- (2) Cloud content-delivery service: A cost-efficient digital content platform that enables IDC customers to download large volumes of digital content quickly and deliver them to end users in a fast and stable manner.
- (3) Cloud information-security service: Provides physical and virtual system protection against many types of attacks.
- (4) Cloud learning service : An online platform that can make quick and easy audio-visual presentations of new business ideas and products.

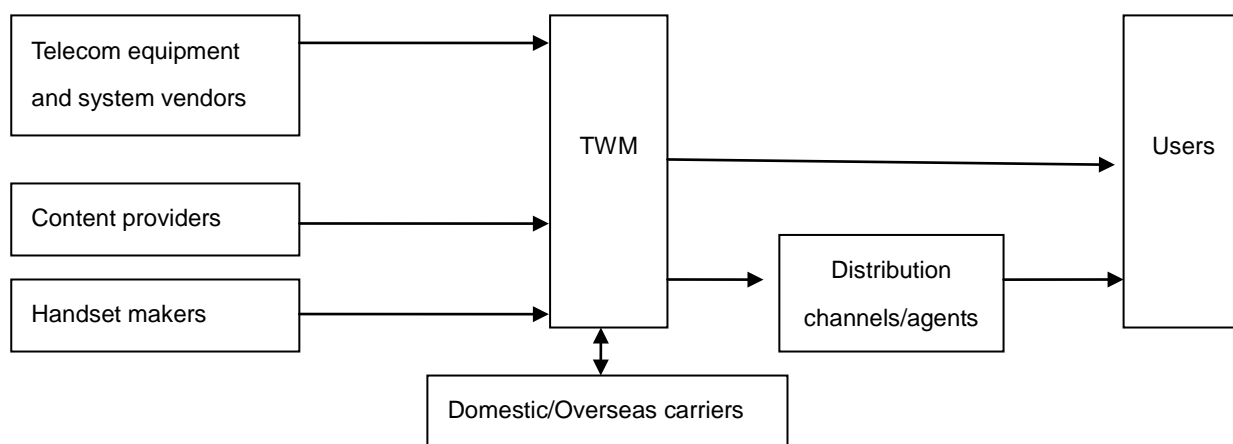
## Industry overview

### Consumer Business Group

#### 1. Industry status and development

The three leading players continue to dominate Taiwan's mobile telecommunications market. However, the smaller operators offering free on-net calls and other promotions increase competitions. The National Communications Commission (NCC) has been introducing mandatory mobile tariff cuts on certain 3G tariffs since 2010, which weighed on the revenue of mobile operators.

#### 2. Industry value chain



#### 3. Product development trends and competitive landscape

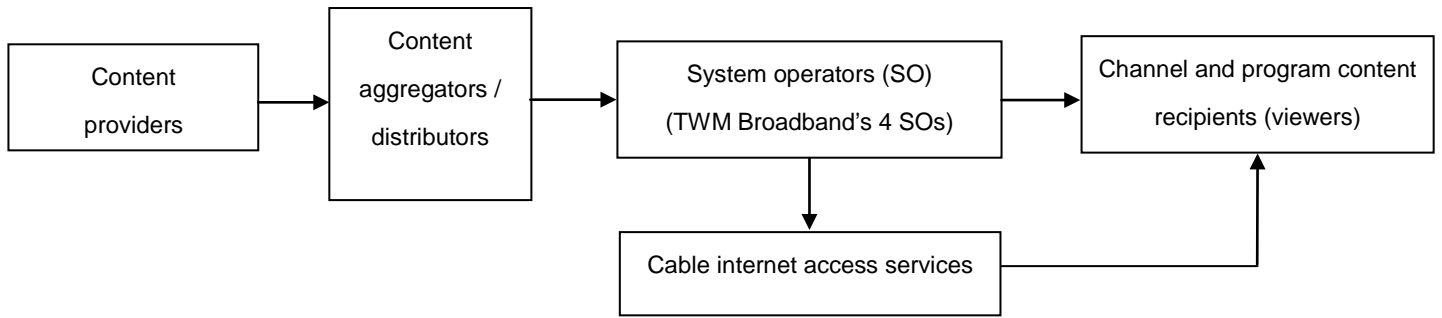
The operators are seeking to expand the mobile broadband market. A variety of new rate plans for data services, combined with new terminal devices and new VAS, have been introduced to stimulate subscriber take-up. This should be an important future revenue growth driver. As for the prepaid segment, competition is intensifying due to pricing competitions.

### Home Business Group

#### 1. Industry status and development

Cable TV has become a mainstream video platform, but it faces challenges from alternative services such as IPTV, internet TV and other emerging media that have successively entered the market. The cable TV industry must digitalize aggressively and continue to provide innovative digital TV value-added services to attract traditional cable TV subscribers to switch to digital TV; form strategic alliances or integrate with upstream, midstream and downstream providers to explore new business opportunities and stay on top of the value chain; and provide super high-speed and stable quality broadband service to secure its position in this highly competitive market.

## 2. Industry value chain



TWM Broadband has the advantage of controlling “last mile” access to customers and has mobile communications, fixed-line network services and cable TV service group resources. TWM Broadband also takes the lead in vertical integration in order to build up its core competitiveness and explore new business opportunities in the age of digitalization.

## 3. Product development trends and competitive landscape

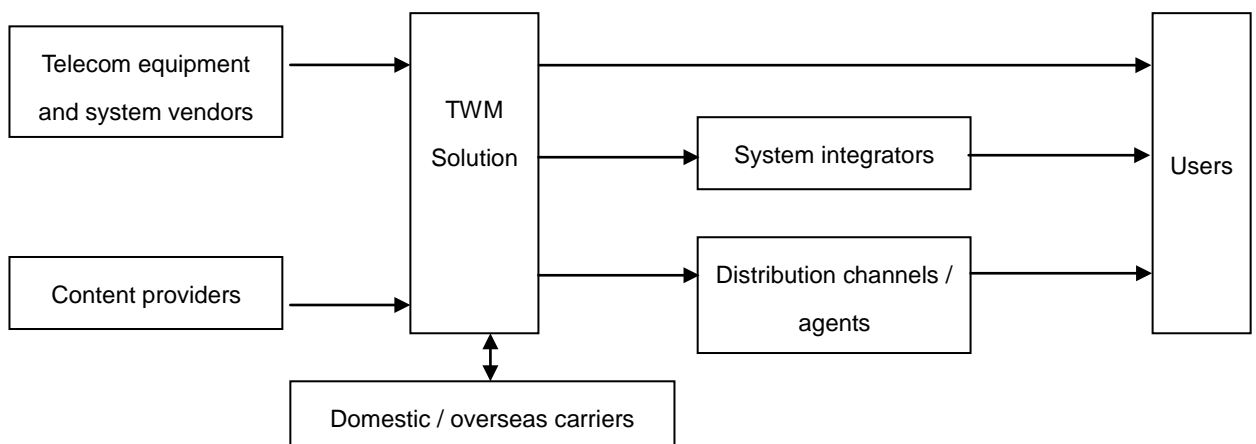
Despite the intense competition in the broadband internet access market, HBG’s cable internet service subscriber number has continued to grow rapidly. To counter the competition, TWM Broadband has provided super broadband internet access service of 60Mbps and above since December 2011 and developed more innovative digital value-added services to let subscribers enjoy a whole new experience in home entertainment.

## Enterprise Business Group

### 1. Industry status and development

According to NCC statistics, there were 83 Type I telecommunication providers, including four fixed-line operators, six mobile operators and 62 circuit leasing operators; and 454 Type II telecommunication providers, including international simple resale (ISR), internet service providers (ISP), VoIP and other value-added service providers. All these have resulted in keen competition. And as the trend toward digital convergence expands, the boundaries among telephone, cable TV, wireless and PC are getting increasingly blurry, intensifying cross-industry competition.

### 2. Industry value chain



### 3. Product development trends and competition landscape

Since CHT has the “last mile” advantage, other ISPs find it hard to effectively compete with the firm. Based on NCC statistics, Chunghwa Telecom (CHT) had a virtual monopoly of the local network, long-distance network and international network service markets, accounting for 97.57%, 70.08% and 59% of the revenue in these three areas, respectively. xDSL is the most popular type of broadband internet access in Taiwan, with an increasing number of users choosing higher bandwidths ( $\geq 10\text{M}$ ).

Revenue from data circuit and internet access/value-added services is expected to rise slightly in the future, while revenue from fixed voice services is forecast to decline.

As the popularity of smart devices rises and network infrastructure matures, the government is planning to invest in upgrading the telecommunications industry into a cloud computing industry. Aside from continuing to promote mobile applications for enterprise customers, all carriers will build cloud centers to provide various cloud application services. Henceforth, cloud, mobile internet and ICT services will be the main future revenue growth driver.

### Research and development expenditure

Investment in research and development and its ratio as a percentage of total revenue are shown in the table below. For 2012, the Company plans to spend NT\$834mn on the research and development of more advanced technologies designed to increase customer satisfaction, which in turn should boost value-added service revenue and overall operations growth.

Year	2010	2011	2012 (As of Feb. 29)
R&D expense (NT\$'000)	641,928	563,461	96,331
As a % of total revenue	1.10%	0.91%	0.87%

## Major research and development achievements

Project name	Description
Mobile VoIP and IP message app technologies	Develop technologies for monitoring the flow of traffic of the major mobile VoIP and IP message apps.
Cooperative multiple-input and multiple-output (MIMO) relay and carrier aggregation for long-term evolution (LTE) technology	The project comprises two parts: (1) carrier aggregation for LTE-advanced mobile communication systems (2) coordinated multipoint transmission/reception techniques for LTE
Investigation of data throughput improvement at base station cell edge	The project comprises of four parts: (1) tracking algorithms based on Kalman filter to determine the location of the mobile device (2) cooperative communication techniques to improve data throughput (3) virtual MIMO to improve data throughput (4) hybrid automatic repeat request (HARQ) mechanism to correct data error and reduce bit error rate (BER)
Customer-facing trouble ticket management system(CF-TTMS)	Build a CF-TTMS to support all business lines. The objective is to provide a customer-centric trouble ticket management system for triple/quad play in order to improve customer service quality and construct a scalable and extendable infrastructure to meet future business needs.
Electronic customer relationship management (eCRM)	Set up embedded product links on TWM's website that best meet a customer's personal preferences and needs. Customers can easily click on the link to complete an order.
Single SIM card with dual numbers for roaming	Develop a more cost-efficient single SIM card with dual numbers for roaming to attract new users. Customers traveling overseas can use the secondary number to make and receive calls and avail of local rates through TWM's roaming partner's network.
IT reusable assets	Develop IT reusable assets – e.g., workflow engine integrated with customer order management (COM) system to facilitate order execution – to avoid system duplication, save on development costs and raise productivity and quality.
Private cloud computing	Integrate infrastructure/platform/software as a service (IaaS/PaaS/SaaS) to provide users with a private cloud computing environment.
Green IT data center and network optimization	Provide a high-efficiency, environmentally friendly data center: (1) Upgrade IT data center's electrical system (high voltage) (2) Utilize variable primary flow chilled water system, T5 tube for light system. (3) Enable both dense wavelength division multiplexing (DWDM) and fiber channel over Ethernet (FCoE) for IT network.
Systems service monitoring system upgrade	Build an end-to-end monitoring system to track customer service system performance and in-store IT status. The upgraded system provides complete maintenance information and detail single failure point to provide reliable, high-quality IT services for businesses.
Build web application firewall (WAF), store information network and computer security management policy	Enhance network security protection to guard against data theft, network hacking and virus attacks: (1) Deploy WAF to all external website services. (2) Install device control system in all retail stores, including MAC (Media Access Control) list and computer authority auto report system.
3C merchandise, e-invoice and shopping	Introduce new functions for myfone's e-commerce system so customers can purchase 3C (computers, communications and consumer electronics) merchandise and receive e-invoice billing. Set up a "Mofun Shopping via Handset" function to let customers purchase merchandise using their mobile phones.
Handset operation guide, search engine optimization and e-payment via TWM brand portal	Provide a "handset operation guide" on the TWM portal as a self-help service for customers; establish search optimization rules to increase the visibility of the TWM website; and introduce a new function that allows customers to pay their bills via e-payment.
TWM new sales channel on momo e-commerce	Create new TWM sales channel to sell 3C merchandise over momo's e-commerce platform. Provide simple and convenient shopping experience for customers.
Electronic payment hub (EPH) and fraud prevention	Customers can use the interactive voice response (IVR) or website to pay their phone bills, e-commerce transactions and value-added-services using their credit/ATM cards. A stringent bank review process has been implemented to prevent

Project name	Description
	card fraud.
Sales management and channel commission system	Set up a sales management system e-platform to replace most manual work in order to increase the accuracy of commission calculation and enhance overall efficiency. By integrating associated resources to strengthen back office management, the system is designed to enhance support for salespeople and boost their performance.
Direct store real-time customer feedback system	Install touch panel screens in stores where customers can provide immediate feedback on service quality. This helps store managers monitor sales agents' work and provide a timely response to promote customer satisfaction. It also provides analysis reports for upper management to further improve overall service quality.
Prepaid card system for independent travelers from China	Visitors from China can order TWM prepaid cards via TWM portal and pick up the cards when they arrive in Taiwan. The commission system applies for purchases made through travel agencies in China.
Revenue assurance project	Cross-check data provided by network equipment and application system to track discrepancies in call detail records and defects in system/workflow design. The objective is to enhance billing accuracy and promote trust among customers so as to boost the Company's revenue.
Bill formatting system	Convert all types of mail sent to customers – including bills, invoices, receipts, call detail reports, registered mail and collections letters –into printable or PDF formats to enhance information security and reduce printing costs.
Subscriber usage reminder system	The system sends an SMS to remind subscribers when their voice or data usage is nearing their monthly threshold. This service helps subscribers keep track of their expenses as well as give them a better idea of which tariff plan to choose in the future. It also minimizes potential disputes over billing, enhances customer satisfaction and boosts TWM's revenue.
myBook	Launched Taiwan's first mobile book store. Customers – both TWM and non-TWM users – can buy e-books or hard copies via their mobile devices anytime, anywhere.
Taiwan Mobile TV	Build a new live streaming system to provide real time video programs with dynamic bit rate adaptation for smartphone and tablet users.
Taiwan customer care mobile app	Launched Taiwan's first mobile customer self-help service app. Subscribers can use this to check their bills, locate nearest TWM store and check international roaming rates among others. It is a convenient tool for subscribers and reduces call-center costs for TWM.
myPhoto service	Based on TWM's new digital convergence platform, it provides a Photo Society cloud service for users to store their photos and view the photos via TV / mobile phones / tablets / PCs. This service is open to TWM and non-TWM users.
Appguru	Provide an online forum for new apps discussion. Users can share their experiences and suggestions as well as receive the latest software information updates..
Taiwan Mobile member center	Build a new TWM member center to manage the Company's mobile, cable internet and digital TV subscribers, as well as open select services to non-TWM users, such as myBook, matchApps and Mofun to expand its market reach.

## Sales development plans

### Consumer Business Group

#### 1. Short-term plan

Besides encouraging existing subscribers to upgrade to 3G services, the Company will also seek to boost mobile broadband and mobile internet access penetration rates through new innovative services. At the same time, network quality will be maintained and further optimized. New, high-quality, affordable smartphones will be introduced for customers to embrace an all mobile lifestyle.

## **2. Long-term plan**

The Company aims to integrate the mobile phone, TV, tablet and computer platforms to provide subscribers with a variety of digital convergence services. The focus will be on the following:

- (1) Establishing a “quadruple-play” platform that integrates mobile communications, fixed-line, broadband internet access and cable TV services to give the Company a lead over its competitors in offering digital convergence services in Taiwan.
- (2) Leveraging machine-to-machine (M2M) technology into our products and services to integrate mobile handsets, high-quality mobile networks and cloud computing technology so as to expand our service range and support the development of innovative, profitable business models.
- (3) Increasing the number of company stores and providing extensive training to the franchise shops to enhance the availability and quality of our services, and aiming to fulfill customers’ mobile needs with a wider variety of services as well as supplying more ways to experience them.

## **Home Business Group**

### **1. Short-term plan**

- (1) TWM Broadband will continue to expand its network infrastructure in those regions where it is already operating cable TV systems, providing residential subscribers with CATV, digital TV, digital TV recorder, high-speed fiber-optic internet access services and innovative digital convergence services.
- (2) TWM Broadband will continue to level up the penetration rate of cable internet to raise the percentage of high-speed service users and increase the number of “new TV” digital TV service subscribers.

### **2. Long-term plan**

TWM Broadband will launch 100Mbps and above super high-speed internet access service and will integrate digital content, internet terminal devices, and cloud technology to provide cloud related value-added services in 2012. Through the implementation of the long-term product and service development plan, TWM Broadband aims to let families and individual subscribers enjoy the benefits of the integration of mobile phones, PCs, handheld devices and TV, or “four screens and a cloud” converged digital services, and establish a new milestone in the evolution of cable TV.

## **Enterprise Business Group**

### **1. Short-term plan**

The popularity of smart devices has gradually changed enterprise communication patterns. To meet the needs of mobile offices, the Company will not only provide mobile applications, but also better cloud computing services after a 26,000sq.m. cloud internet data center (IDC) officially opens in 2013. In addition, the company will promote mobile

virtual private network (MVPN) services through TWM channels to help corporate users reduce expenses and enhance operating efficiency.

Given the increasing demand for cloud computing services, transnational bandwidth traffic is also growing rapidly. The company has invested in the Tam-Fu underwater cable project, which will establish a direct link across the Taiwan Strait, to strengthen its position in Asia.

## 2. Long-term plan

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

- (1) Grow revenue from cloud computing and mobile applications.
- (2) Raise sales productivity and expand the small-and-medium enterprise market segment by integrating channels.
- (3) Improve the international business division's operating efficiency by increasing direct peering coverage, managing quality and reducing international IP cost.

## Customer satisfaction

To create the best experience for customers, TWM conducts annual customer satisfaction surveys by telephone to better understand customer needs and expectations. Customers are asked to evaluate call quality, rates, bills, customer hotline service, store service, value-added services, and website among others. The findings from these polls are used as a reference to set new objectives and improve service quality.

Customer satisfaction key indicators	2009	2010	2011
Overall satisfaction	3.6	3.7	3.7
Call quality	3.7	3.7	3.6
Customer hotline service	4.2	4.3	4.3
Store service	4.0	4.1	4.0
Note: Customer satisfaction is rated based on the following scores: Very satisfied (5), Satisfied (4), Neither satisfied nor dissatisfied (3), Dissatisfied (2) and, Very dissatisfied (1).			



## Market and Sales Overview

### Market analysis

#### Consumer Business Group

##### 1. Main products and service areas

The Company provides mobile services nationwide, covering Taiwan and the outlying islands of Kinmen and Matsu.

##### 2. Market status

By the end of 2011, the penetration rate for mobile subscribers had reached 124%. To attract users, smaller operators offered free on-net calls and other promotional deals, resulting in intense competition in the post-paid voice market. The rapid innovations in mobile devices and the rising demand for mobile internet and value-added services further encouraged newcomers to venture into this market.

##### 3. Competitive advantages

(1) Better customer mix

In 2011, the Company succeeded in improving its subscriber base structure. The percentage of low usage subscribers fell by 6 ppts from a year ago, while the percentage of mid-to-high usage subscribers continued to increase.

(2) Market leader in wireless broadband

In 2005, the Company became the first mobile communications operator in Taiwan to launch 3G services, and in 2007, it rolled out Taiwan's first 3.5G service. Subscribers enjoy flexible rate plans, high-quality mobile handsets, and a wide range of value-added services. By the end of 2011, the Company had a 3G subscriber base of 5 million users, who contributed more significantly to value-added service ARPU than 2G subscribers and have become the main driver of VAS revenue growth.

##### 4. Opportunities and challenges

###### Positive factors

(1) With faster data transmission speeds, lower prices for smart devices and data rate plans and the emergence of new, varied applications, mobile internet access is rapidly spreading from entrepreneurs and professionals to ordinary consumers, contributing to a rapid growth in non-voice revenue.

(2) With information technology, communications and media trends converging, mobile communications operators have an important role to play in the supply chain, providing consumers with multimedia content through wireless transmission.

(3) Many innovative technologies and business models have been extended to the mobile internet.

## Negative factors

- (1) The NCC's mandatory tariff cuts have added a degree of uncertainty to the outlook for future earnings growth.
- (2) The popularity of smart devices has boosted the number of data users and their data usage, but has also increased pressure on the carriers' network capacity and planning.

## Countermeasures

- (1) The Company rolled out its HSPA+ network to provide high-speed internet access, as well as closely monitored the development of LTE technology.
- (2) The Company will draft appropriate strategies in response to government policy changes and new laws and regulations.
- (3) The Company will introduce innovative value-added services for smartphones to stimulate data service revenue growth and offset the impact of falling voice revenue.

## **Home Business Group**

### **1. Main products and service areas**

TWM Broadband provides cable TV, digital cable TV, and fiber-optic broadband internet access services. Its main service areas are New Taipei City's Xinzhuang and Xizhi districts, Yilan County and Greater Kaohsiung's Fongshan District.

### **2. Market status**

#### (1) Cable TV

The cable TV penetration rate has been rising steadily over the years, reaching 62.82% of households as of 4Q 2011, according to NCC data. Watching cable TV shows has become a major leisure activity for Taiwanese – one that is relatively unaffected by fluctuations in the economy, ensuring stable market demand.

#### (2) Digital cable TV

Due to the government's digitization policy, increasing public demand for high-definition video services, development of new TV features and functions, cable TV system operators' aggressive promotion of digital TV services and the termination of analog terrestrial TV broadcasts by end-June 2012, TV digitization has become an inevitable trend. TWM Broadband had a digital TV penetration rate of 8% at the end of 2011, implying ample room for growth in this industry.

#### (3) Broadband internet access

With the broadband internet access market moving toward higher bandwidths, the migration of low- and mid-bandwidth users to higher bandwidth services will be the main growth driver for the market.

### 3. Competitive advantages

- (1) Continued enhancement of TWM Broadband's strength in fiber-optic broadband cable networks

TWM Broadband will continue to deploy a dense, ring-type fiber-optic backbone network and provide back-up systems for its bi-directional network with advanced DOCSIS 3.0 network technology. TWM Broadband is able to provide high-speed (100MB or higher) internet access services. Unlike ADSL with its range constraints, cable internet provides lower cost but premium quality super high-speed broadband services.

- (2) Introduction of "4 screens and a cloud" digital convergence services to stimulate digital TV subscriber growth

TWM Broadband has set up a digital convergence platform to provide subscribers with various interactive and connected value-added services, including entertainment, fashion, information, video and other popular apps and services. This interesting and diverse range of audiovisual entertainment should help the Company raise its penetration rate and subscriber numbers, as well as customer satisfaction and loyalty.

- (3) Taiwan Mobile Group's integrated resources facilitate development of new, innovative digital convergence products and services

TWM Broadband's resources cover mobile communications, fixed network, CATV, ISP and channel content. The integration of these resources, together with the Taiwan Mobile Group's extensive technical support, as well as sales and marketing resources, forms the core of TWM Broadband's competitive advantage in the consumer market.

### 4. Opportunities and challenges

#### Positive factors

- (1) Relaxing restrictions on regional operations

CATV penetration rate has reached over 60%. In line with the government's digitalization policy, restrictions on regional operations will be eased. This should help TWM Broadband further expand its footprint and raise its penetration rate and subscriber numbers.

- (2) Government speeding up digitization policy to promote digital TV

Analog terrestrial TV broadcasting will cease by end-June 2012 under the government's digitalization policy. It should help TWM Broadband promote its CATV services as viewers switch and upgrade to digital TV services, increasing both its digital TV subscriber numbers and penetration rate. At the same time, TWM Broadband will provide more digital TV value-added services to increase its revenue stream.

- (3) High-speed cable internet service has become the mainstream

TWM Broadband has completed upgrading its ring-type fiber-optic backbone network and infrastructure in all operating areas. It can provide super high-speed broadband internet access services of 60 Mbps, 100 Mbps and above to help it expand its market share.

## Negative factors

- (1). There is still a risk that local governments might lower the cap on cable TV fees during their annual review.
- (2) The NCC might support the airing of CATV content on Chunghwa Telecom's MOD and, thus, allowing CHT to produce its own programs and operating channels, posing a threat to other operators.

## Countermeasures

- (1). TWM Broadband has been able to utilize the extensive resources of its parent company (in terms of technology, marketing, sales, distribution, etc.) to develop high-bandwidth internet access services and to market digital convergence services with Taiwan Mobile Group's telecommunications, information and media content services. TWM Broadband's aim is to provide a "one-stop shopping" service that meets all of its customers' needs in order to boost its cable TV, broadband internet access and digital TV subscriber numbers and their contributions to revenue.
- (2) TWM Broadband will be using its digital cable TV platform to cultivate Taiwan's cultural and creative industries, enrich the nation's digital channel and Connected TV content, and stimulate the development of digital content and innovative Connected TV services to boost digital TV's penetration rate.
- (3) TWM Broadband seeks to foster good relations with local governments and communities. With the assistance of Taiwan Mobile Group's extensive resources – such as the Taiwan Mobile Foundation – TWM Broadband sponsors local artistic, cultural and charitable activities, while also subsidizing the cost of network deployment in remote areas, working to bridge the digital divide, and fulfilling its responsibilities as a good corporate citizen, thereby strengthening its corporate image of "Basing our growth on the local community and giving back to the local community."
- (4) TWM Broadband will closely monitor changes in the regulatory authorities' policies on digitization and new developments in the formulation of relevant laws and regulations. TWM Broadband will take the initiative in formulating any response or measure to deal with changes in the market.

## **Enterprise Business Group**

### **1. Main products and service areas**

EBG mainly offers its products and services in Taiwan, but also provides international services in 253 countries. As of the end of 2011, the company's roaming services covered the following: GSM: 150 countries, 299 networks; 3G: 67 countries, 145 networks; GPRS: 122 countries, 244 networks.

### **2. Market status**

EBG offers enterprise customers voice, internet and data services. Given the rising demand for ICT solutions and services, IP-based applications have become more popular, resulting in mild growth for the domestic telecommunications market.

- (1) Voice service: Fixed lines' local and international calls and average revenue per minute (ARPM) are expected to continue to decline because of rising competition from VoIP and mobile services in recent years and the

introduction of new long-distance call rates in 2012.

- (2) Data service: Rising demand for enterprise data access will result in steady growth in IP VPN and Metro Ethernet revenue.
- (3) Internet service: As internet content services boom, enterprise demand for FTTx is fast replacing ADSL service. However, fierce competition will result in moderate revenue growth.
- (4) Mobile service: As demand for mobility increases, data revenue from smartphones, tablets and 3.5G data cards is expected to continue increasing. As enterprise users increasingly access intranet information via their smart devices, mobile voice revenue should benefit from the rise of mobile internet services.
- (5) Cloud computing service: As cloud computing technology gradually matures and benefits from government support, operators are actively venturing into cloud computing services, strengthening the software and hardware supply chain. The diverse range of mobile devices and digital content should also boost demand for cloud services, underpinning growth in cloud app subscriber numbers and revenue.

### **3. Competitive advantages**

- (1) Premium brand equity: The Company provides customer-centric quality services. TWM Solution is well connected with the Enterprise Business Unit of Taiwan Mobile and has gained the recognition of major enterprises.
- (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 to support its frontline operations and provide enterprise customers with exclusive integrated information and communications technology for business expansion.
- (3) Effective sales teams and channels: The Company's direct sales teams and retail chains across the nation are an effective channel for developing and expanding services.
- (4) Expanding resources from international alliances: The Company is the sole Taiwanese member of the Bridge Alliance, the largest mobile alliance in the Asia-Pacific region with a combined customer base of about 340 million.

### **4. Opportunities and challenges**

#### Positive factors

Future convergence products will be 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. It should also benefit from rising demand for integrated telecommunications and network efficiency from Taiwanese businesses in China.

#### Negative factors

The local loop bottleneck is a major obstacle to the fixed-line operators' business expansion, as market leader Chunghwa Telecom continues to dominate with its last mile advantage.

## Countermeasures

EBG aims to raise ARPU by targeting high-usage customers and providing them with services such as “Information and Communications Integrated Solution”; establish long-term partnerships with customers to enhance customer loyalty; develop cloud applications and power-saving solutions that meet customers’ varying needs; focus on IP VPN and Metro Ethernet solutions to provide information security services and CPE maintenance services and “Network Manager” (automatic network management service), as well as trouble shooting and immediate status response; and adjust its international/domestic IP and international undersea cable strategies to reduce costs and enhance network quality.

**Main features and production process of major products:** Not applicable as the Company is not a manufacturer.

**Supply of raw materials:** Not applicable as the Company is not a manufacturer.

## Major suppliers and customers in the last two years

### Major suppliers

Unit: NT\$'000

	2010				2011			
	Company	Amount	% of operating costs	Nature of relationship	Company	Amount	% of operating costs	Nature of relationship
1	Chunghwa Telecom	4,842,460	15	Third party	Chunghwa Telecom	4,003,111	11	Third party
2	Taiwan Fixed Network	2,015,734	6	Subsidiary	Taiwan Fixed Network	3,312,417	9	Subsidiary
3	Fubon Insurance Co., Ltd.	43,889	-	Related party in substance	Fubon Insurance Co., Ltd.	36,344	-	Related party In substance
4	Taiwan Kuro Times Co., Ltd.	11,920	-	Subsidiary	Taiwan Kuro Times Co., Ltd.	105,157	-	Subsidiary
	Others	25,894,709	79		Others	30,336,845	80	
	Total	32,808,712	100		Total	37,793,874	100	

### Major customers

Unit: NT\$'000

	2010				2011			
	Company	Amount	% of operating revenues	Nature of relationship	Company	Amount	% of operating revenues	Nature of relationship
1	Chunghwa Telecom	8,226,198	14	Third party	Chunghwa Telecom	6,095,559	10	Third party
2	Taiwan Fixed Network	2,216,854	4	Subsidiary	Taiwan Fixed Network	2,372,054	4	Subsidiary
3	Taipei Fubon Commercial Bank Co., Ltd.	11,732	-	Related party in substance	Taipei Fubon Commercial Bank Co., Ltd.	12,859	-	Related party in substance
	Others	48,092,501	82		Others	53,438,801	86	
	Total	58,547,285	100		Total	61,919,273	100	

## Reasons for variation

Since 2011, fixed-to-mobile (F2M) call revenue has been collected by fixed-line operators instead of mobile operators. As such, call revenues collected by CHT on behalf of TWM (operating revenue earned from CHT) and F2M interconnecting fees that TWM paid CHT (operating cost paid to CHT) both declined from 2010.

The Company's operating cost for leasing lines from Taiwan Fixed Network increased from 2010 as the group continued to work on integrating its resources.

The Company's operating cost paid to Taiwan Kuro Times increased from a year ago as more TWM's subscribers signed up for Kuro's online music services.

**Production volume in the last two years:** Not applicable as the Company is not a manufacturer.

## Sales volume in the last two years

	2010				2011			
	Domestic		Overseas		Domestic		Overseas	
	Average No. of subscribers	Revenue (NT\$'000)	Average No. of subscribers	Revenue (NT\$'000)	Average No. of subscribers	Revenue (NT\$'000)	Average No. of subscribers	Revenue (NT\$'000)
Telecom service	6,389,361	55,001,883	--	--	6,497,799	55,916,663	--	--

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

## Human Resources

### Employee statistics for the past two years until the publication date

Year		2010	2011	2012 (as of Feb. 29)	
Number of employees	Consolidated	4,498	6,055	5,941	
	Stand-alone	2,496	2,651	2,647	
Stand-alone	Average age	36.8	36.8	36.9	
	Average years of service	7.0	7.22	7.24	
	Education level	Ph.D.	0.36%	0.26%	0.26%
		Master	19.99%	20.67%	20.63%
		University	50.76%	50.92%	50.89%
		College	26.89%	23.84%	23.61%
Others		2.00%	4.30%	4.61%	



## **Environmental Protection Expenditure**

**Loss or penalty due to environmental pollution in the past two years until the publication date:** None

### **Countermeasures:**

The Company has taken into consideration any potential risks or violation of environmental regulations in formulating its environmental management system. TWM also closely monitors developments in the government's environmental policies or regulations to be able to design precautionary measures. The Company does not expect any expenditure relating to environmental pollution in the future.

The Company is committed to protecting the environment and has adopted various measures such as promoting "green" procurement, establishing energy-efficient base stations and IDCs, minimizing the use of paper in offices and stores, recycling waste cable, batteries and handsets, and encouraging users to switch to e-billing and online services. TWM is the only recipient in the service industry of the R.O.C. Enterprise Environmental Protection (EEP) Award for three years in a row – 2009 to 2011 – from the Environmental Protection Administration of the Executive Yuan

## **Employee Relations**

### **Employee behavior/ ethical standards**

The Company has established policies and rules as a guide for employee conduct, rights, responsibilities, and ethical standards.

#### **Delegation of authority**

1. Authorization guidelines and limitations: Aimed at streamlining business processes, strengthening distribution of responsibility, as well as detailing management authority at each job level.
2. Empowerment and delegation rules: Designed to ensure smooth and normal business operations.
3. Job ranking, title and organizational structure policy: Formulated to correspond to employees' career plan.

#### **Work regulations**

The Company's work regulations clearly define the rules and responsibility of management and labor. The Company's modern management approach has promoted cooperation among employees and benefited the Company.

#### **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.

#### **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 Articles 47 to 58 in the Company's "Work Regulations."

### **Employee assessment policy**

Supervisors provide feedback, assistance and map out individual development plans based on employee performance.

### **Attendance and leave policy**

Enforcement of this policy – designed to serve as a guideline for employees – helps enhance work quality.

### **Business confidentiality policy**

To maintain the Company's competitiveness, employees are required to sign a "Confidentiality and Intellectual Property Rights Statement" and "Employment Contract" as a safeguard against potential damage arising from the disclosure of trade secrets. The Company provides employees with the required information and training courses to strengthen their understanding of information security.

### **Sexual harassment prevention and handling procedures**

The Company's "Work Regulations" include rules on preventing sexual harassment in the workplace and promoting 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.

### **Code of Conduct**

The Company has a Code of Conduct that all directors, managers and employees are expected to adhere to and advocate in accordance with the highest ethical standards.

## **Employee benefits program**

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. As a further incentive, the Company has transferred treasury shares representing 4.69% of total outstanding shares to employees at cost.
3. An Employee 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. The Company appropriates around NT\$70mn to the welfare committee annually.

## **Employee training and education program**

1. Training expense in 2011 and up to the publication date totaled NT\$14,732,933, with 59,266 in training hours and 10,524 participants.
2. Orientation for new employees includes introduction into the corporate culture, company organization, telecommunications market, IT and network systems, labor safety, as well as information security training.
3. 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.
4. 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, innovative thinking, team dynamics skills and organizational development skills.
5. The Company sends large numbers of employees to local and international telecommunications 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 new and innovative ideas, and improving managerial skills.
6. To help employees develop their expertise in telecommunication technologies and business administration, the Company has a scholarship program to provide employees with on-the-job training.
7. 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.

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

## **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 the intranet and is 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 improvement solutions through periodic meetings.
3. Full-time professional nursing personnel are employed to perform health checks, track the progress of staff who fails to pass their health examination, and hold talks on how to promote health. Staffers who are able to administer first aid treatment have been placed in each work area.
4. Fire/flood protection exercises are held periodically to reduce risks of employee injury and property loss from natural disasters.
5. Guards and security systems have been placed at all main base stations and work offices to protect staff, property and information security.
6. Energy-saving policies have been established to reduce carbon emissions.

### **Labor negotiations and protection of employee benefits**

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.

**Losses caused by labor disputes in the recent year:** None, and expects none in the future.

### **Number of disabilities due to on-the-job injuries/fatalities in the recent year up to publication date**

Year	2010	2011
Number of disabilities	1	2
Disabling Frequency Rate (FR, Note 1)	0.19	0.42
Disabling Severity Rate (SR, Note 2)	4	1.5

Note 1: The number of injuries resulting in fatalities and permanent total disabilities cases per million hours worked.

Note 2: The number of workday lost due to fatalities, permanent total disabilities per million hours worked.

## Major Contracts

Nature	Counterpart	Contract period	Description	Restriction clauses
Sales & distribution	Synnex Technology International Corp	2005.02.01~2006.01.31 (Note 1)	Synnex is authorized to distribute TWM's mobile services.	Non-disclosure
	Aurora Telecom Corp	2011.07.01~2012.06.30	Aurora is authorized to distribute TWM's mobile services.	Non-disclosure
	Tsann Kuen Enterprise Co., Ltd.	2011.04.01~2012.03.31	Tsann Kuen is authorized to distribute TWM's mobile services.	Non-disclosure
	First International Computer, Inc. (FIC)	2011.07.01~2012.06.30	FIC is authorized to distribute TWM's mobile services.	Non-disclosure
Network interconnection	Chunghwa Telecom Co., Ltd.	2011.06.01~2012.05.31 (Note 2)	Network interconnection contract	Non-disclosure
	New Century InfoComm Tech Co., Ltd.	2005.05.01~2006.04.30 (Note 3)	Network interconnection contract	Non-disclosure
	Taiwan Fixed Network Co., Ltd.	2011.01.01~2011.12.31 (Note 1)	Network interconnection contract	Non-disclosure
	VIBO Telecom Inc.	2006.01.16~2007.01.15 (Note 3)	Voice and short message service contract	Non-disclosure
	Asia Pacific Telecom Co., Ltd.	2011.08.01~2012.07.31 (Note 2)	Network interconnection contract	Non-disclosure
	Far EasTone Telecommunications Co., Ltd.	2004.02.10~2005.02.09 (Note 1)	Voice and SMS contract	Non-disclosure
	First International Telecom Corp.	2005.05.01~2006.04.30 (Note 1)	Voice and SMS contract	Non-disclosure
	Global Mobile Corp.	2011.05.01~2012.04.30 (Note 1)	Network interconnection contract	Non-disclosure

Nature	Counterpart	Contract period	Description	Restriction clauses
Handset purchase	Synnex Technology International Corp.	2004.05.01~2005.04.30 (Note 1)	TWM accepts Synnex's consignment to sell handsets and related products	Non-disclosure
Syndicated loan	Chinatrust Commercial Bank and 8 other banks	2008.02.21~2011.05.20	Syndicated loan of NT\$13.5 billion	Certain restrictions on debt ratios, interest coverage ratio, equities net of intangible assets
Corporate bond offering	Chinatrust Securities and 9 other securities companies	2008.11.14~2013.11.14	The total amount of the second unsecured ordinary corporate bond issue is NT\$8 billion.	Non-disclosure
Equipment purchase	Nokia Siemens Networks Taiwan Co., Ltd.	2011.02.01~2014.12.31	3G equipment supply contract amounting to NT\$6.65 billion	Non-disclosure
Customer service	Taiwan Teleservices & Technologies Co., Ltd. (TT&T)	2006.01.01~2010.12.31 (Note 1)	TT&T accepts TWM's consignment to handle customer services and product sales	Non-disclosure

Note 1: The current contract will remain valid if both parties do not issue any objection for the continuation of such contract before the current contract expires.

Note 2: When any 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 concur to continue their negotiations, the terms and conditions of the current contract or such other conditions agreed by both parties will apply during the negotiation period.
- (2) Either party can appeal to the NCC for a ruling. Prior to the date of such a ruling, the terms and conditions of the current contract shall apply until the NCC makes a decision. The new contract will be made based on the NCC's ruling.

Note 3: Negotiations for next year's contract shall commence three months prior to the expiry date of the current contract. If negotiations are not finalized prior to the expiry date, the parties shall agree to perform their obligations based on the current contract until such time when negotiations are finalized.

## Chapter 5 Financial Highlights

### Condensed Balance Sheets and Income Statements for the Past Five Years

#### Condensed balance sheet

Unit: NT\$'000

		2007	2008	2009	2010	2011
Current assets		11,831,063	11,055,600	13,530,729	23,819,685	10,307,087
Funds and long-term investments		15,276,374	15,660,750	9,808,833	11,359,143	26,670,657
Fixed assets		42,568,638	43,018,691	39,033,012	35,014,385	31,677,951
Intangible assets		8,249,458	14,317,314	13,567,671	12,818,208	12,356,964
Other assets		6,076,924	5,608,974	4,823,691	4,144,036	3,715,045
Total assets		84,002,457	89,661,329	80,763,936	87,155,457	84,727,704
Current liabilities	Before appropriation	42,763,948	23,717,197	18,833,732	25,621,285	29,904,013
	After appropriation	50,565,070	37,686,061	33,861,967	38,061,252	(Note1)
Long-term liabilities		7,551,665	13,200,000	8,000,000	8,800,000	4,000,000
Other liabilities		1,833,915	1,841,534	1,856,978	1,864,617	1,875,680
Total liabilities	Before appropriation	52,149,528	38,758,731	28,690,710	36,285,902	35,779,693
	After appropriation	59,950,650	52,727,595	43,718,945	48,725,869	(Note1)
Capital stock		38,009,254	38,009,254	38,009,254	38,009,254	34,208,328
Capital surplus		8,785,159	12,297,839	12,431,704	12,432,489	12,432,446
Retained earnings	Before appropriation	25,959,268	33,529,532	33,449,530	32,243,481	33,272,277
	After appropriation	18,158,146	19,560,668	18,421,295	19,803,514	(Note1)
Unrealized valuation loss on financial instruments		(64,043)	(5,897)	63,624	89,842	111,306
Translation adjustments		5,764	17,840	12,011	(5,716)	17,612
Net loss not recognized as pension cost		1,534	2,862	(3,797)	(10,695)	(16,775)
Treasury shares		(40,844,007)	(32,948,832)	(31,889,100)	(31,889,100)	(31,077,183)
Total shareholders' equity	Before appropriation	31,852,929	50,902,598	52,073,226	50,869,555	48,948,011
	After appropriation	24,051,807	36,933,734	37,044,991	38,429,588	(Note1)

Note 1: 2011 earnings appropriation proposal is pending approval at the shareholders' meeting.

Note 2: 2007-2011 financial data have been duly audited by independent auditors.

Explanations of significant changes in the Company's condensed balance sheets for the past five years are as follows:

1. Current assets

In 2009, the Company upstreamed cash from its subsidiary Taiwan Cellular Co., Ltd. (TCC), resulting in an increase in current assets. In 2010, current assets were higher because of an increase in inventory for handset promotional campaigns and a rise in receivables from subsidiaries, who borrowed funds through the parent company due to the parent company having access to lower borrowing rates with the banks. In 2011, the Company had a capital reduction and acquired a 51% stake in Fubon Multimedia Technology (momo), leading to a decrease in current assets.

2. Funds and long-term investments

TCC, the Company's 100%-owned subsidiary, had a capital reduction in 2009, resulting in a decrease in long-term investments. In 2011, the Company acquired a 51% stake in momo, resulting in an increase in long-term investments.

3. Fixed assets

The depreciation and retirement of obsolete 2G equipment resulted in a decline in fixed assets.

4. Intangible assets

In 2008, intangible assets increased as the Company merged with TAT International and inherited the goodwill.

5. Other assets

The 2009 amendment of Article 5 of the Income Tax Act lowered the corporate statutory tax rate from 25% to 20% effective 2010; as such, deferred income tax assets were revised downward accordingly. On June 15, 2010, further amendment of Article 5 of the Income Tax Act reduced the corporate statutory income tax rate from 20% to 17%, leading to a downward revision of deferred tax assets.

6. Current liabilities

Current liabilities decreased due to bank loan repayment and settlement of capital reduction in 2008. The repayment of corporate bond-current portion resulted in a decrease in current liabilities in 2009. In 2010, current liabilities increased due to higher short-term borrowings and advance receipts. As the corporate bond due within one year was reclassified as corporate bond-current portion, current liabilities increased in 2011.

7. Long-term liabilities

In 2008, a second unsecured corporate bond issue and an increase in syndicated loans led to higher long-term liabilities. In 2009, long-term liabilities decreased, as the Company repaid its syndicated loans. As the corporate bond due within one year was reclassified as corporate bond-current portion, long-term liabilities decreased in 2011.

8. Shareholders' equity

In 2008, the sale of 300mn Company shares by its subsidiary led to a decrease in the number of treasury shares, while disposal gains led to an increase in capital surplus and, thus, shareholders' equity. Paid-in capital dropped because of capital reduction in 2011.

## Condensed income statement

Unit: NT\$'000

	2007	2008	2009	2010	2011
Revenue	51,284,856	54,311,605	57,015,452	58,547,285	61,919,273
Gross profit	28,908,257	30,204,806	29,849,527	25,738,573	24,125,399
Operating income	16,025,677	16,861,395	16,632,797	13,700,566	11,169,724
Non-operating income	4,538,500	4,791,141	3,730,713	4,465,716	4,506,462
Non-operating expense	12,508,313	1,875,439	2,231,019	1,768,138	833,190
Pre-tax income	8,055,864	19,777,097	18,132,491	16,398,144	14,842,996
Net income	6,612,997	15,371,386	13,888,862	13,822,186	13,468,763
EPS (NT\$)	1.68	5.18	4.66	4.62	4.70

Note: 2007-2011 financial data have been duly audited by independent auditors.

Explanations of significant changes in the Company's condensed income statements for the past five years are as follows:

1. Operating income

Increased sales of and subsidies for smart devices to promote data services resulted in higher operating costs and lower operating income in 2010 and 2011.

2. Non-operating income

In 2009, non-operating income decreased due to lower investment income from TAT, which was merged into the Company in Sept. 2008. In 2010, non-operating income increased due to higher investment income resulting from growth in TFN Media Co., Ltd's Pay TV and broadband internet access services.

3. Non-operating expense

Significant losses from the asset write-off of obsolete telecom equipment following technology upgrade and network integration were recognized in 2007. The repayment of corporate bonds at the end of 2009 resulted in lower interest expense in 2010. Lower non-operating expenses in 2011 were due to fewer asset write-offs and losses from the disposal of fixed assets.

## Independent auditors' names and their audit opinions for the past five years

Year	Accounting firm	Name of CPA	Opinion
2007	Deloitte & Touche	Peter Fan, Vita Kuo	Modified unqualified opinion
2008	Deloitte & Touche	Vita Kuo, Roger Tai	Modified unqualified opinion
2009	Deloitte & Touche	Peter Fan, S. C. Huang	Unqualified opinion
2010	KPMG	Simon Chen, Janice Lai	Modified unqualified opinion
2011	KPMG	Simon Chen, Janice Lai	Unqualified opinion



## Financial Analysis for the Past Five Years

		2007	2008	2009	2010	2011	
Financial structure	Liability to asset ratio (%)	62.08	43.23	35.52	41.63	42.23	
	Long-term capital to fixed asset ratio (%)	92.57	149.01	153.90	170.41	167.14	
Solvency	Current ratio (%)	27.67	46.61	71.84	92.97	34.47	
	Quick ratio (%)	26.17	42.66	67.00	87.00	28.37	
	Interest coverage ratio (x)	21.58	29.91	33.17	50.99	63.14	
Operations	Accounts receivable turnover (x)	7.75	8.02	8.56	9.17	9.76	
	Average collection days	47.10	45.51	42.64	39.80	37.39	
	Inventory turnover (x)	2.02	5.44	7.85	10.76	10.37	
	Accounts payable turnover (x)	14.76	12.62	12.71	13.68	12.26	
	Average days sales	180.69	67.10	46.50	33.92	35.19	
	Fixed asset turnover (x)	1.20	1.26	1.46	1.67	1.95	
	Total asset turnover (x)	0.61	0.61	0.71	0.67	0.73	
Profitability	Return on assets (%)	6.87	18.29	16.80	16.79	15.90	
	Return on equity (%)	10.87	37.15	26.97	26.85	26.99	
	% of paid-in capital	Operating income	42.16	44.36	43.76	36.05	32.65
		Pre-tax income	21.19	52.03	47.71	43.14	43.39
	Net income margin (%)	12.89	28.30	24.36	23.61	21.75	
	EPS (NT\$)	1.68	5.18	4.66	4.62	4.70	
Cash flow	Cash flow ratio (%)	79.87	106.27	139.10	91.01	74.14	
	Cash flow adequacy ratio (%)	148.13	147.08	143.32	131.99	148.67	
	Cash reinvestment rate (%)	24.93	18.69	14.54	9.89	9.58	
Leverage	Operating leverage	1.70	1.69	1.77	1.94	2.16	
	Financial leverage	1.03	1.04	1.04	1.02	1.02	
Others	EBITDA (NT\$'000)	23,205,291	23,886,242	24,519,524	21,763,237	19,239,530	
	EBITDA margin (%)	45.25	43.98	43.01	37.17	31.07	
	ARPU (NT\$)	821	785	721	718	719	
	MOU (in thousand minutes)	13,554,863	14,674,970	15,797,024	14,399,713	15,305,902	

Explanations of significant changes (>20%) in 2011 compared with the previous year:

- (1) The Company had a capital reduction and acquired a 51% stake in Fubon Multimedia Technology (momo) using money collected from receivables owed by subsidiaries, resulting in a decrease in current assets and lower current ratio and quick ratios. The repayment of a syndicated loan in March 2011 led to lower interest expenses, which in turn raised the interest coverage ratio.
- (2) Benefiting from the capital reduction, average shareholders' equity and paid-in capital dropped, resulting in increases in return on equity, pre-tax income as a percentage of paid-in capital and EPS.
- (3) As the corporate bond due within one year was reclassified as corporate bond-current portion, current liabilities increased in 2011, leading to a decline in the cash flow ratio.

Note: 2007-2011 financial data have been duly audited by independent auditors.

Formulas for the above table:

Financial structure

- (1) Debt to asset ratio = Total liabilities / Total assets
- (2) Long-term capital to fixed asset ratio = (Shareholders' equity + Long-term liabilities) / Net fixed assets

Solvency

- (1) Current ratio = Current assets / Current liabilities
- (2) Quick ratio = (Current assets – Inventory – Prepaid expenses) / Current liabilities
- (3) Interest cover = Income before interest and tax / Interest expense

Operations

- (1) Accounts receivable turnover = Net revenue / Average accounts receivable
- (2) Average collection days = 365 / AR turnover ratio
- (3) Inventory turnover = COGS / Average inventory
- (4) Accounts payable turnover = COGS / Average accounts payable
- (5) Average days sales = 365 / Inventory turnover ratio
- (6) Fixed asset turnover = Net revenue / Net fixed assets
- (7) Total asset turnover = Net revenue / Total assets

Profitability

- (1) Return on assets = [Net income + Interest expense \* (1 – Tax rate)] / Average assets
- (2) Return on equity = Net income / Average equity
- (3) Net income margin = Net income / Net sales
- (4) EPS = (Net income – Preferred stock dividend) / Weighted average outstanding shares

#### Cash flow

- (1) Cash flow ratio = Cash flow from operating activities / Current liabilities
- (2) 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
- (3) Cash reinvestment rate = (Cash flow from operating activities – Cash dividends) / (Gross fixed assets + Long-term investments + Other assets + Working capital) (Note: Use zero if working capital value is negative)

#### Leverage

- (1) Operating leverage = (Net revenue – Variable operating costs and expenses) / Operating income
- (2) Financial leverage = Operating income / (Operating income – Interest expense)

#### Others

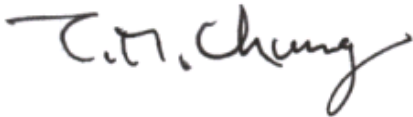
- (1) EBITDA = Operating income + Depreciation + Amortization
- (2) EBITDA margin = EBITDA / Net revenue
- (3) ARPU = Net telecom service revenue / Average number of subscribers
- (4) MOU = Outgoing & incoming minutes

## Audit Committee Report

Date: January 19, 2012

The Board of Directors of Taiwan Mobile Co., Ltd. (TWM) has submitted the Company's 2011 operations report and financial statements. The CPA firm, KPMG, was engaged to examine these financial statements and has issued an auditor's report. The operations report and financial statements 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, on behalf of all members of the committee, I hereby submit this report to the annual shareholders meeting.

Taiwan Mobile Co., Ltd.



Tsung-Ming Chung  
Chairman of the Audit Committee

### **2011 Financial Statements:**

Refer to Chapter 6.

### **2011 Consolidated Financial Statements:**

Refer to Chapter 6.

### **Financial Difficulties for the Company and its Affiliates:**

None

## Chapter 6. Review and Analysis of Financial Conditions, Operating Results and Risk Management

### Balance Sheet Analysis

#### Standalone balance sheet analysis

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. The Company had a capital reduction and acquired a 51% stake in Fubon Multimedia Technology (momo), leading to a decrease in current assets.
2. Investments increased due to the acquisition of a 51% stake in momo.
3. Other assets declined because of lower deferred income tax assets.
4. Current liabilities rose while long-term liabilities declined as a result of reclassification of a portion of long-term corporate bonds due within one year.
5. Paid-in capital dropped because of a capital reduction in 2011.

#### 2010- 2011 Standalone Balance Sheet

Unit: NT\$'000, %

	2010	2011	YoY change	
			Amount	%
Current assets	23,819,685	10,307,087	(13,512,598)	(56.73)
Investments	11,359,143	26,670,657	15,311,514	134.79
Fixed assets	35,014,385	31,677,951	(3,336,434)	(9.53)
Intangible assets	12,818,208	12,356,964	(461,244)	(3.60)
Other assets	4,144,036	3,715,045	(428,991)	(10.35)
Total assets	87,155,457	84,727,704	(2,427,753)	(2.79)
Current liabilities	25,621,285	29,904,013	4,282,728	16.72
Long-term liabilities	8,800,000	4,000,000	(4,800,000)	(54.55)
Other liabilities	1,864,617	1,875,680	11,063	0.59
Total liabilities	36,285,902	35,779,693	(506,209)	(1.40)
Paid-in capital	38,009,254	34,208,328	(3,800,926)	(10.00)
Capital surplus	12,432,489	12,432,446	(43)	-
Retained earnings	32,243,481	33,272,277	1,028,796	3.19
Other equity	(31,815,669)	(30,965,040)	850,629	2.67
Total shareholders' equity	50,869,555	48,948,011	(1,921,544)	(3.78)

#### Consolidated balance sheet analysis

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. Current assets increased due to the consolidation of momo.
2. Investments decreased due to the recognition of an impairment loss from investments in Taiwan High Speed Rail.
3. Intangible assets rose due to the increase in goodwill from the acquisition of momo.
4. Current liabilities rose due to an increase in short-term borrowings, the consolidation of momo and a portion of long-term corporate bonds to be due within one year.
5. Long-term borrowings decreased owing to reclassification of a portion of long-term corporate bonds due within one year and repayment of syndicated loans.
6. Other liabilities increased due to the consolidation of momo.
7. Paid-in capital dropped because of a capital reduction in 2011.

8. Minority interest increased due to the acquisition of a 51% stake in momo.

### 2010 - 2011 Consolidated Balance Sheet

Unit: NT\$'000, %

	2010	2011	YoY change	
			Amount	%
Current assets	15,242,392	18,132,547	2,890,155	18.96
Investments	3,196,711	2,161,551	(1,035,160)	(32.38)
Fixed assets	43,613,993	41,305,336	(2,308,657)	(5.29)
Intangible assets	20,347,050	27,251,800	6,904,750	33.93
Other assets	3,084,054	2,943,134	(140,920)	(4.57)
Total assets	85,484,200	91,794,368	6,310,168	7.38
Current liabilities	23,231,653	36,354,411	13,122,758	56.49
Long-term liabilities	10,300,000	4,000,000	(6,300,000)	(61.17)
Other liabilities	1,053,129	1,376,072	322,943	30.67
Total liabilities	34,584,782	41,730,483	7,145,701	20.66
Paid-in capital	38,009,254	34,208,328	(3,800,926)	(10.00)
Capital surplus	12,432,489	12,432,446	(43)	-
Retained earnings	32,243,481	33,272,277	1,028,796	3.19
Other equity	(31,815,669)	(30,965,040)	850,629	2.67
Minority interest	29,863	1,115,874	1,086,011	3,636.64
Total shareholders' equity	50,899,418	50,063,885	(835,533)	(1.64)

**Impact of changes on financial results:** No significant impact

**Preventive measures:** Not applicable

## Income Statement Analysis

### Standalone income statement analysis

1. Increase in operating costs and the drop in operating income: Cost of handsets sold increased in 2011 due to an increase in smartphone sales volume.
2. Decrease in non-operating expense: Losses from asset write-offs shrank in 2011 compared with a year earlier.

### 2010 – 2011 Standalone Income Statement

Unit: NT\$'000, %

	2010	2011	YoY change	
			Amount	%
Revenue	58,547,285	61,919,273	3,371,988	5.76
Operating costs	32,808,712	37,793,874	4,985,162	15.19
Gross profit	25,738,573	24,125,399	(1,613,174)	(6.27)
Operating expense	12,038,007	12,955,675	917,668	7.62
Operating income	13,700,566	11,169,724	(2,530,842)	(18.47)
Non-operating income	4,465,716	4,506,462	40,746	0.91
Non-operating expense	1,768,138	833,190	(934,948)	(52.88)
Income before tax	16,398,144	14,842,996	(1,555,148)	(9.48)
Net income	13,822,186	13,468,763	(353,423)	(2.56)

## Consolidated income statement analysis

1. Revenue, operating cost and operating expense rose due to the consolidation of momo and increased sales of smartphones.
2. Despite fewer losses from asset write-offs in 2011, non-operating expense grew from a year earlier due to impairment losses from Taiwan High Speed Rail (THSR).

### 2010 – 2011 Consolidated Income Statement

Unit: NT\$'000, %

	2010	2011	YoY change	
			Amount	%
Revenue	70,146,004	81,369,183	11,223,179	16.00
Operating costs	38,162,363	48,655,458	10,493,095	27.50
Gross profit	31,983,641	32,713,725	730,084	2.28
Operating expense	13,675,930	15,123,920	1,447,990	10.59
Operating income	18,307,711	17,589,805	(717,906)	(3.92)
Non-operating income	739,516	672,876	(66,640)	(9.01)
Non-operating expense	1,945,905	2,134,112	188,207	9.67
Income before tax	17,101,322	16,128,569	(972,753)	(5.69)
Net income	13,817,778	13,626,180	(191,598)	(1.39)

## Consolidated financial ratio analysis

		2010	2011	
Financial structure (%)	Liability to asset ratio	40.46	45.46	
	Long-term capital to fixed asset ratio	140.32	130.89	
Solvency (%)	Current ratio	65.61	49.88	
	Quick ratio	57.83	41.77	
	Interest coverage ratio (x)	54.53	67.97	
Operations	Accounts receivable turnover (x)	9.25	10.35	
	Average collection days	39.46	35.27	
	Inventory turnover (x)	10.31	11.39	
	Accounts payable turnover (x)	11.68	9.73	
	Average days sales	35.40	32.05	
	Fixed asset turnover (x)	1.61	1.97	
	Total asset turnover (x)	0.82	0.89	
Profitability (%)	Return on assets	16.44	15.60	
	Return on equity	26.84	26.99	
	% of paid-in capital	Operating income	48.17	51.42
		Pre-tax income	44.99	47.15
	Net profit margin	19.70	16.75	
EPS (NT\$)	4.62	4.70		
Cash flow (%)	Cash flow ratio	111.89	69.48	
	Cash flow adequacy ratio	140.61	154.40	
	Cash reinvestment rate	12.87	14.30	

Leverage	Operating leverage	1.91	1.97
	Financial leverage	1.02	1.01
<p>Explanation for items in 2011 with major changes (&gt;20%) from the previous year:</p> <p>(1) Significant increases in sales and in procurement of smartphones resulted in an increase in advanced receipts from customers and accounts payable to vendors, which, coupled with higher short-term borrowings, led to a rise in the ratio of liabilities to assets.</p> <p>(2) The decrease in shareholders' equity and long-term debts and the increase in current liabilities were due to capital reduction and the reclassification of corporate bonds due within one year to corporate bonds-current portion in 2011. As a result, the long-term capital to fixed-asset ratio, current ratio, quick ratio and cash flow ratio all decreased.</p> <p>(3) As syndicated loans were due and paid in March 2011, interest expense dropped and interest coverage ratio rose.</p>			

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

In 2012, the Company will continue to leverage mobile internet products to expand its wireless market share. As global demand for smart devices expands, telecom operators are expected to aggressively devise new strategies and increase investments in value-added services to tap into this market's full growth potential. The Company will focus on developing the latest top-of-the-line mobile value-added services to satisfy customers' demand, such as mobile shopping, video/audio services and the myBook store (an e-book platform), raising the revenue from mobile value-added services and increasing average revenue per user (ARPU). To meet these targets, the Company will utilize full potential of its competitive edge in handset procurement to raise its marketing and cost-efficiency.

## Cash Flow Analysis

### Standalone cash flow analysis

1. Cash flow from investment activities: Cash outflow decreased in 2011 due to a decline in financing to related parties, despite rising investment in subsidiaries.
2. Cash flow from financing activities: Cash outflow was higher in 2011 due to repayment of bank loans and capital reduction.

### 2010 – 2011 Standalone Cash Flow Statement

Unit: NT\$'000, %

	2010	2011	YoY change	
			Amount	%
Cash inflow (outflow) from operating activities	23,318,054	22,171,276	(1,146,778)	(4.92)
Cash inflow (outflow) from investment activities	(11,109,826)	(7,899,540)	(3,210,286)	(28.90)
Cash inflow (outflow) from financing activities	(9,384,389)	(17,275,099)	7,890,710	84.08
Net cash	2,823,839	(3,003,363)	(5,827,202)	(206.36)

### Consolidated cash flow analysis

The changes in cash flow from operating activities and financing activities and acquisition of cash and cash equivalents for subsidiaries all resulted from the consolidation of momo.

## 2010 – 2011 Consolidated Cash Flow Statement

Unit: NT\$'000, %

	2010	2011	YoY change	
			Amount	%
Cash inflow (outflow) from operating activities	25,993,712	25,260,280	(733,432)	(2.82)
Cash inflow (outflow) from investment activities	(6,319,636)	(15,435,642)	9,116,006	144.25
Cash inflow (outflow) from financing activities	(16,630,430)	(11,501,769)	(5,128,661)	(30.84)
Effect of exchange rate changes	(14,014)	35,963	49,977	(356.62)
Cash and cash equivalents arising from merger	20,662	2,285,830	2,265,168	10,962.97
Net cash	3,050,294	644,662	(2,405,632)	(78.87)

**Plans to improve negative liquidity:** Not applicable

### Standalone projected cash flow for 2012

1. Projected cash inflow from operating activities: Expected to remain stable
2. Projected cash outflow from investment activities: For capital expenditures and to raise subsidiaries' capital
3. Projected cash outflow from financing activities: For cash dividend distribution and repayment of corporate bonds

#### 2012 Standalone Cash Flow Analysis

Unit: NT\$'000

Cash balance, beginning of the year (1)	Forecast net cash inflow from operations (2)	Forecast 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
877,518	20,198,791	17,554,266	3,522,043	-	-

**Source of funding for negative cash flow in 2012:** Not applicable

### Analysis of Major Capex and its Impact on Finance and Operations

Given stable operations and cash flows, the Company was able to maintain the Company's financials stable in 2011.



## Investment Policies, Reasons for Profit/Loss, Plans for Improvement, and Future Investment Plan

Unit: NT\$'000

Item	Explanation	Carrying value as of end of 2011	Investment policy	Source of income/ loss	Improvement plans	Future investment plans
Taiwan Cellular Co., Ltd.		17,195,352	Investment in fixed network and other telecom-related business	Investment income from Taiwan Fixed Network Co., Ltd. and TCC Investment Co., Ltd.	-	-
Wealth Media Technology Co., Ltd. (WMT)		8,862,169	Investment in CATV and retail-related businesses	Investment income from Fubon Multimedia Technology Co., Ltd. and Tai Fu Media Technology Co., Ltd.	-	The Company's BOD approved a rights issue of up to NT\$6.5bn for WMT in July 2009.
Taipei New Horizons Co., Ltd.		562,812	Investment in a property development project located at the old Songshan tobacco factory site for use as headquarters	Investment loss incurred as the project is still at the preparatory stage	-	The Company's BOD approved future rights issue in accordance with construction progress and funding demands in January 2009.
Bridge Mobile Pte Ltd.		50,324	Cooperation with other operators in Asia to enhance the Company's competitiveness	- (Note)	- (Note)	-
Yes Mobile Holdings Company (Yes Mobile)		-	TWM's investment in Yes Mobile resulted from merging Mobitai, and TWM already booked permanent price decline losses for Yes Mobile in 2004.	- (Note)	- (Note)	-

Note: Investment was booked as "Financial assets carried at cost." The Company has no significant influence over it.

## Risk Management

**Impact of inflation, as well as interest and exchange rate fluctuations, and preventive measures:**

### 1. Impact of interest rate fluctuations

As the Company had no floating interest rate borrowing in 2011, interest rate fluctuations had a minimal impact on its earnings.

## 2. Impact of exchange rate fluctuations

The Company's main service area is Taiwan. Except for its international roaming business, all operating revenues are denominated in NT dollars. However, 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 risk through foreign exchange spot market transactions. Overall, exchange rate fluctuations had a minimal impact on the Company.

## 3. Impact of inflation

Inflation had a minimal impact on the Company's operating performance in 2011 and up to the publication date.

## 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 was not involved in any high-risk, high-leverage financial investment.
2. The Company passed the "Rules and Procedures on Lending and Making Endorsements/Guarantees" to supervise its financing and endorsement activities. As the counterparties in its loans and guarantees are all its subsidiaries, there is minimal operating risk.
3. Derivatives transaction: None.

## Research and development plans

Project name	Objective	Status	Completion date
3G CRM platform	Develop customized modules for customer relations management based on existing 3G network traffic analysis platform.	Working on system implementation	Sept. 2012
Customer telecommunication transmission quality analysis	Analyze telecommunication transmission quality to identify customers experiencing poor network quality in order to address and resolve any problems to the network.	Structure design completed	Sept. 2012
E-commerce analysis and campaign promotions	Analyze TWM's new e-commerce business to gain an in-depth understanding of customers' browsing and buying behavior. CRM system will be expanded to support e-commerce campaign promotions.	Working on system planning	Dec. 2012
Fixed-line billing system consolidation	To consolidate the operations flow of the fixed-line business and simplify related services, TWM needs to retire the i1 billing system and port existing i1 data to TFNBS billing system.	Working on data porting and billing testing.	Dec. 2012
myCloud	Provide cloud storage services. Subscribers can upload or synchronize documents, phone books and digital content from their multiple devices to cloud storage.	Working on service plan	Jun. 2012
Cloud IDC and cloud services	To construct a new generation green internet data center (IDC) for various cloud services through cooperation with upstream and downstream companies in the industry chain.	Working on system development	Mar. 2013
Near Field	TWM is talking to other major Taiwanese	Conducting joint-venture	Dec. 2012

Project name	Objective	Status	Completion date
Communication (NFC)	operators about building a common trusted service managers (TSM) platform to enable NFC services.	discussions	

## Regulatory changes

### 1. Revision of digital convergence regulation

#### (1) Status

The "digital convergence development program" approved by the Executive Yuan is divided into two stages. The first stage involves promoting cross-media convergence services and solving urgent problems relating to other laws or regulations that might hinder its implementation as well as cross-industry barriers. The second stage focuses on creating a new environment to facilitate digital convergence, overcome the obstacles left from the first stage and establish a managing structure with layers of networks, platforms and content. The NCC started to amend the Telecommunications Act in 2011 to promote telecommunications and broadcasting convergence and fair/effective competition in the telecom industry. There are five key points in amending the law: 1) encouraging telecom operators to provide convergent services and setting related regulations, 2) strengthening regulations on internet content; 3) promoting effective competition of fixed-line business; 4) classifying interconnection charges as a main item under Type 1 telecom operators' tariffs; and 5) enhancing management over information and communications security.

#### (2) Countermeasures

The Company is closely monitoring the progress of the amendments and continues to communicate with and forward suggestions and recommendations concerning related policy and regulations to the NCC.

### 2. Second round of mobile tariff cuts from April 1, 2010

#### (1) Status

On January 6, 2010, the NCC announced that mobile retail tariffs should be cut per annum for three consecutive years from April 1, 2010 to March 31, 2013. The adjustment coefficient (X value) of 5% was applied to text messages and off-net mobile outgoing calls. Under the formula: tariff reduction =  $\Delta\text{CPI} - X$ , given that the CPI contracted by 0.87% in 2010, tariffs were cut by 5.87% in the first year, followed by a 4.04% cut in 2011 and will be cut by 3.58% in 2012. For bucket rate plans, i.e. a fixed monthly fee with free talk minutes, the Company has also given users additional free minutes equivalent to the 4.04% tariff cut, retroactive to April 1, 2011.

#### (2) Countermeasures

As developed countries no longer regulate mobile retail tariffs, the Company continues to communicate with the NCC on this issue to reduce its impact on revenues. Separately, more than 190,000 customers benefited from the additional free minutes.

### 3. Renewal of GSM licenses

#### (1) Status

On November 12, 2010, the Executive Yuan passed a measure governing the expiration of GSM (2G) licenses, which extended their validity to June 2017. The NCC revised Regulations Governing Mobile Telecommunications Businesses on September 19, 2011 and announced the details and documents required for applying for renewal of 2G licenses on December 5, 2011.

#### (2) Countermeasures

In compliance with the NCC regulation, the Company renewed its GSM licenses and continues to provide subscribers with advanced mobile communications and digital convergence services to enhance customer satisfaction.

### 4. Revision of the National Communications Commission Organization Act

(1) Status

Amendments to the National Communications Commission (NCC) Organization Act were passed on Dec. 14, 2011 with the following revisions: 1) the NCC Chairperson and Vice Chairperson shall be nominated by the Premier of the Executive Yuan, 2) The Premier has the authority to dismiss the NCC Commissioners, and 3) Civil servants can be nominated as NCC Commissioners. With these revisions, the NCC shall coordinate more with the Executive Yuan in carrying out its policies.

(2) Countermeasures

The national communications policy should be more consistent. The Company lauds these revisions and continues to monitor subsequent developments.

## **5. Reducing IP peering and other wholesale charges**

(1) Status

In March 2011, the NCC approved Chunghwa Telecom's new wholesale pricing scheme, lowering IP peering fees by 32%, asynchronous transfer mode (ATM)-based circuit fees by 10%, Giga Ethernet circuit fees by 20%, and data leased circuit fees by 5%, all compared with a year ago, thereby reducing the Company's operating costs.

(2) Countermeasures

The Company is pushing for further reductions in IP peering costs and other leased line wholesale prices as it develops its broadband business.

## **6. NCC approved expansion of CATV service areas**

(1) Status

To promote competition, CATV digitization and consumer rights, the NCC approved a proposal on April 27, 2011, to expand the CATV service areas based on city/county and to open licenses to new entrants, while the details are still under deliberation at the time of publication.

(2) Countermeasures

The Company continues to communicate with and forward suggestions and recommendations concerning related policy and regulations to the NCC.

## **Technology changes and development**

### **1. Wireless Broadband Access (WBA)**

(1) Status

WBA is a communications technology based on orthogonal frequency division multiplexing (OFDM). WiMAX is one of the examples of OFDM technologies and is capable of providing speeds of up to 10 Mbps on 3G's 5MHz equivalent frequency bandwidth. All six local WiMAX operators have launched regional services one after another since 2Q09. To date, WiMAX has had minimal impact on 3G voice and data revenue because of its limited network coverage. However, with WiMAX operators pursuing mergers since 2011, they may be able to reduce their network installation and operating costs, potentially increasing their threat to 3G operators.

(2) Countermeasures

3.5G technology for high-speed packet access plus (HSPA+) is mature and has been commercialized. The speed of the connection throughput for HSDPA already surpasses that of WBA technology and is a more commercially competitive technology.

TWM has aggressively deployed 3.5G technology since late 2007, and has offered 14.4Mbps wireless broadband services in urban areas since 2009. In 2010, TWM added more 7.2Mbps and 14.4Mbps base stations. In 2011, TWM started to introduce HSPA+ high-speed mobile internet services in five major metropolitan areas. For 2012, TWM will continue to expand its HSPA+ coverage. The Company will also continue its evaluation of LTE – a technology that surpasses WiMAX and is already deployed in many countries – and plans to make trial runs in 2012.

## **2. Rising popularity of internet protocol**

### **(1) Status**

The popularity of internet protocol (IP) has revolutionized the telecommunications business and network infrastructure, giving rise to increased IP-based communications traffic. IP-based telecom is able to simplify network infrastructure, translating into big savings on operating costs. This trend accelerated the use of IPv4 addresses, which is near exhaustion worldwide, and made IPv6 migration an urgent need in the future. On the other hand, not only has the increasing availability of cheap or free VoIP services had a great impact on traditional fixed-line operators' long distance and international voice call revenue, free mobile IP messaging services even caused a decline in SMS traffic during the New Year holiday.

### **(2) Countermeasures**

The necessity of building an IP core network infrastructure based on next generation network (NGN) is an urgent task. TWM has been building the latest IP-based optical core network and started to deploy IP core access and transmission technologies. It is also conducting laboratory tests of various IPv6 IOT (interoperability testing), VoIP and IP messaging application services to lead industry development.

The Company is developing and testing new IPv6 technology and new IP application services and conducting research on the latest optical packet carrier ethernet technologies to introduce more services that provide households with the most advanced and innovative broadband services. The Company will also continue to monitor free VoIP and IP messaging traffic trends and reference global operators' actions in dealing with their impact to formulate its own strategy.

## **3. Digital convergence and cloud services**

### **(1) Status**

Because of the digitalization trend, the transmission and exchange of related digital content and services among different carriers, systems and platforms have brought about changes in wired and wireless communications and broadcasting industries. This has not only promoted competition and integration of the two industries, but also facilitated an industry consolidation. The digitalization of terrestrial TV, which will go into force on July 1, 2012, is expected to accelerate the development of digital convergence services. As such, cloud computing technology and service – the base of digital convergence – have progressed from merely a concept to a profitable business, and should be the future trend.

### **(2) Countermeasures**

After merging Taiwan Fixed Network (TFN) and Taiwan Telecommunication Network Services (TTN) in 2007, the Company enhanced its status as a leader in the digital convergence era. TWM had integrated the group's resources to facilitate research and development in digital convergence and launched fixed-mobile convergence (FMC) services for corporate accounts. It is also aggressively planning new digital convergence services that will integrate cable TV, digital TV, cable broadband, and interactive entertainment services. At the end of 2010, the Company launched its four-screen-and-a-cloud digital convergence service, integrating handset, PC, tablet and TV. Not only was TWM the first to introduce such services in Taiwan, it was also an industry pioneer in Asia. In 2011, TWM invested in the construction of an internet data center (IDC) for cloud services to provide infrastructure as a service (IAAS), enabling TWM to launch additional intelligent cloud services in four key areas – mobile life, digital content, intelligent life and intelligent enterprise in the future.

## **4. Popularity of mobile smart devices and femto/WiFi technologies**

### **(1) Status**

The popularity of the iPhone, Android phone and other mobile smart devices has dramatically boosted the growth of 3G data usage. This has forced global mobile operators to expand their 3G access network's backhaul bandwidth and

network capacity, which in turn has increased the pressure on their operating costs. Many mobile operators have started building WiFi networks and femtocells to offload 3G data traffic.

## (2) Countermeasures

In 2011, the Company not only continued expanding the backhaul bandwidth and network capacity of its HSPA network, but also purchased some WiFi and femto network equipment. The Company has started providing WiFi service to selected customers and is waiting for NCC's approval to provide femto service. Should this solution turn out well, the Company will deploy more WiFi and femto networks in 2012.

## **Impact of changes in brand image on the Company's risk management policies:**

None. TWM has long built up a sound image among investors and customers for its continuing efforts to enhance corporate governance, network communication quality and customer service, as well as to fulfill its corporate social responsibility. These efforts won numerous recognitions and awards in 2011 (please refer to Chapter 1) and should aid the Company in preventing, controlling and managing latent risks that it may face and help it maintain its good corporate image.

## **Expected benefits and risks from mergers in recent years until publication date**

The Company, acquired a 51% stake in Fubon Multimedia Technology Co., Ltd. (also known as momo) through Wealth Media Technology Co., Ltd., a 100% owned subsidiary of TWM, in July 2011.

### 1. Expected benefits:

To benefit from the synergy of combining traditional and virtual channels and enhance M-commerce business.

### 2. Potential risks:

Affected by the macro-economy, the subsidiary's operating performance fell behind expectations in 2011.

### 3. Countermeasures:

Periodic review and supervision of subsidiaries' operating performance.

## **Expected benefits and risks related to plant facility expansions:** Not applicable

## **Risks from supplier and buyer concentrations in recent years until publication date**

The Company's main supplier is Chunghwa Telecom (CHT) for network interconnections and leased lines. These costs accounted for 11% of total operating costs in 2011. The Company has been increasing usage of leased lines supplied by Taiwan Fixed Network, the Company's 100% owned subsidiary, to diversify supplier risk.

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

## **Significant changes in shareholdings of directors and major shareholders:** None.

## **Changes in management controls:** Not applicable

## **Significant lawsuits and non-litigious matters**

### 1. The Company: None

### 2. The Company's directors, general manager, any person with actual responsibility with the Company, any major shareholder holding greater than 10 percent of the Company's shares: None

### 3. The Company's subsidiaries

**(1) Globalview Cable TV Co., Ltd., Phoenix Cable TV Co., Ltd., Union Cable TV Co., Ltd., and Yeong Jia Leh Cable TV Co., Ltd. (collectively referred to as “four SOs”)**

The NCC fined the four system operators (SO) NT\$100,000 each and ordered them to divest indirect holdings by the Taipei City Government within one year after the ruling.

**Parties Involved:** The four SOs are the defaulting parties.

**Grounds for Lawsuit:**

The NCC ruled that the four SOs had violated Paragraph 4, Article 19 of the Cable, Radio and Television Act, which states that the government, political parties, as well as foundations established with their endowments, and those commissioned thereof, shall not directly or indirectly invest in cable, radio and/or television system operators. The four SOs disagreed with the NCC’s administrative disposition fining them NT\$100,000 each and ordering them to divest indirect holdings by the Taipei City Government within one year after receiving the ruling (the “First Disposition”), and filed individual administrative appeals in 2010. The Executive Yuan revoked the First Disposition, but in June and July 2010, the NCC issued a new administrative disposition to each of the four SOs (hereinafter referred to as the “Second Disposition”) with the same administrative penalty and conditions mentioned in the First Disposition. The four SOs disagreed with the Second Disposition and filed individual administrative appeals in July 2010. The Executive Yuan revoked the Second Disposition. Thereafter the NCC held a hearing for the said dispute on July 28, 2011, and issued a new administrative disposition to each of the four SOs (“Third Disposition”) with the same administrative penalty and conditions mentioned in the First and Second dispositions to the four SOs in January 2012. The four SOs disagreed with the Third Disposition, and will seek other legal process in accordance with the law.

**(2) Win TV Broadcasting Co., Ltd.**

The NCC fined Win TV broadcasting Co., Ltd. NT\$200,000 as an administrative penalty and instructed it to dispose of indirect holdings by the Taipei City Government within one year after the ruling.

**Parties Involved:** Win TV is the defaulting party.

**Grounds for Lawsuit:**

The NCC ruled that Win TV had violated Paragraph 3, Article 9 of the Satellite Broadcasting Act, which stipulates that political parties, the government and foundations established with their endowments, and those commissioned thereof, shall not invest directly or indirectly in satellite broadcasting businesses. Win TV was fined NT\$200,000 as an administrative penalty and ordered to divest indirect holdings by the Taipei City Government within one year after receiving the administrative disposition (the “First Disposition”). Win TV disagreed with the First Disposition and filed an administrative appeal. The Executive Yuan revoked the First Disposition. The NCC issued a second administrative disposition (“Second Disposition”) in September 2010 with the same penalty and conditions as in the First Disposition. Win TV disagreed with the Second Disposition and filed an appeal. The Executive Yuan revoked the Second Disposition.

**Other major risks**

**Customer fraud management policy**

**1. Verification before activation**

- (1) ID confirmation: An application shall be denied if the applicant’s ID matches one on the blacklist. Approval may be given if the ID has been removed from the blacklist (e.g. after clearing unpaid bills).
- (2) Customer profile confirmation: After passing the aforementioned process, if the applicant’s customer profile falls into the high-risk group, conditional approval may be granted (e.g. requiring advanced payment of bills).

## **2. Monitoring after activation**

- (1) Verification calls: After activation, relatively “high-risk” applicants will receive a follow-up call from the Company to guard against fraud/fake accounts. In incidents where fraud is suspected (e.g. fake accounts), the Company will suspend phone service during the investigation period to protect customers’ interests.
- (2) Credit classification: The system grades and authorizes credit based on customers’ usage and payment history. When a customer’s usage exceeds his credit and a verifying call confirms that usage is unusual and abnormal, the Company will temporarily suspend phone service during the investigation period to protect customers’ interests.
- (3) Wireless data service notification: There is a notification mechanism to alarm customers when they are using mobile internet service domestically or overseas. Through the new feature of NTR (Network Traffic Re-direction), introduced in the middle of 2011, users who signed up for discounted international data roaming packages will be registered on the preferred network automatically. For those who haven’t signed up for this service, they will still be alerted and notified by text messages sent from the Company when they are using international data roaming.

**Other significant items:** None

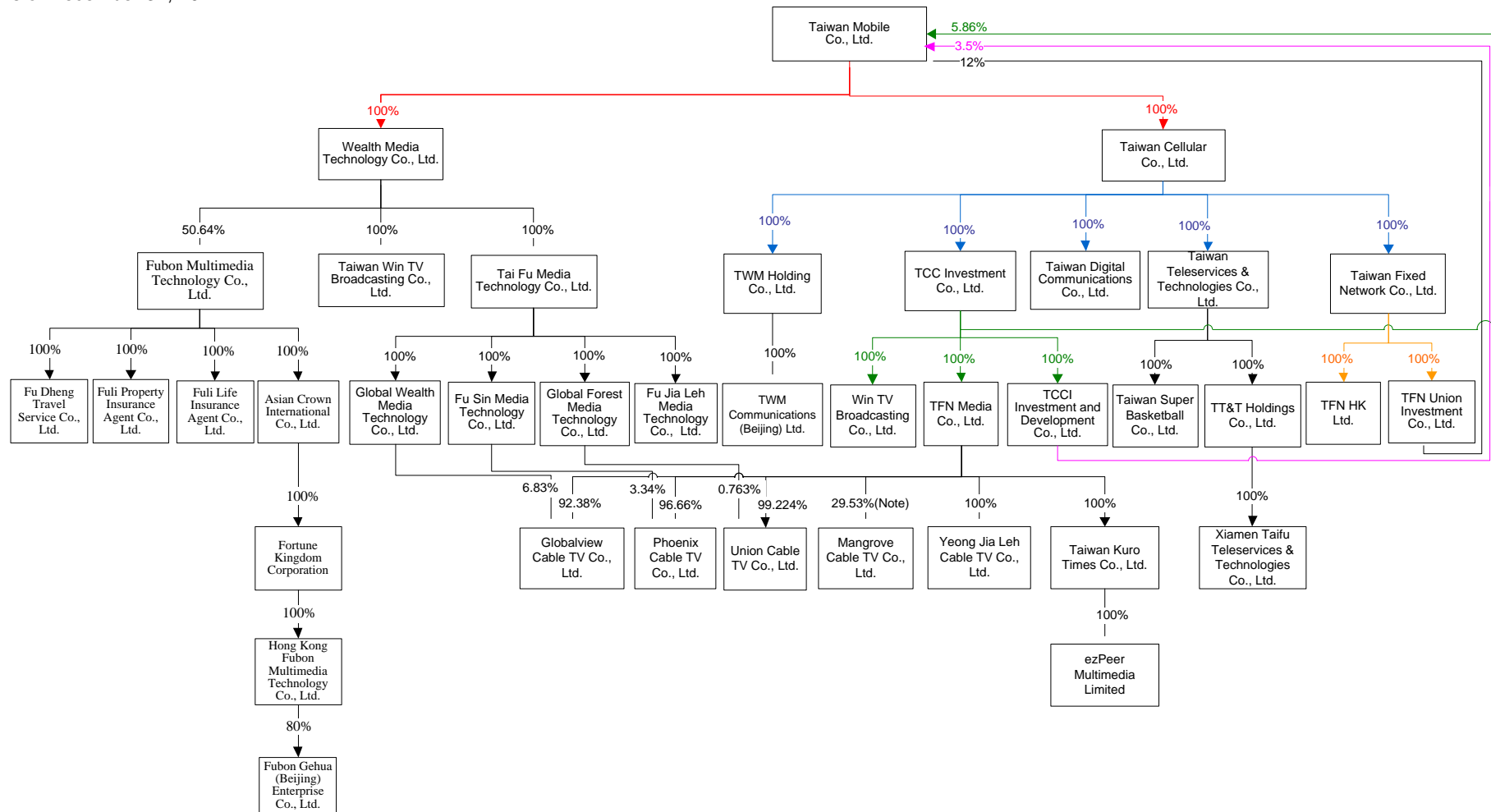


# Chapter 7. Special Notes

## Affiliates

### 1. Investment holding structure

As of December 31, 2011



Note: 70.47% of shares are held under trustee accounts.

## 2. Affiliates' profile

Unit: NT\$ (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, Jilong Rd., Sec. 2, Taipei	3,708,958,000	Equipment installation and IT service provider
Taiwan Fixed Network Co., Ltd.	2007.01.30	13F-1, No. 172-1, Jilong Rd., Sec. 2, Taipei	21,000,000,000	Fixed-line service provider
Wealth Media Technology Co., Ltd.	2007.08.07	13F-1, No. 172-1, Jilong Rd., Sec. 2, Taipei	385,500,000	Investment
TFN Media Co., Ltd.	2005.01.25	6F, No. 206, Dunhua S. Rd., Sec. 2, Daan District, Taipei	2,305,263,040	Cable broadband and value-added services provider
Win TV Broadcasting Co., Ltd.	2005.10.17	9F, No. 206, Dunhua S. Rd., Sec. 2, Daan District, Taipei	181,773,820	TV program provider
Globalview Cable TV Co., Ltd.	1995.11.25	No. 206, Datong Rd., Sec. 2, Xizhi District, New Taipei City	560,000,000	Cable TV service provider
Union Cable TV Co., Ltd.	2005.02.04	Nos. 23-28, Xiaoshe Lane, Donggang Rd., Yilan City, Yilan County	1,704,632,800	Cable TV service provider
Yeong Jia Leh Cable TV Co., Ltd.	1994.09.26	10F, No. 651-5, Zhongzheng Rd., Xinzhuang District, New Taipei City	339,400,000	Cable TV service provider
Phoenix Cable TV Co., Ltd.	1996.08.22	No. 312, Fongping 1st Rd., Daliao Township, Greater Kaohsiung	680,901,980	Cable TV service provider
Mangrove Cable TV Co., Ltd.	1996.01.23	5F, No. 33, Lane 3, Zhongzheng E. Rd., Sec. 1, Danshui District, New Taipei City	211,600,000	Cable TV service provider
Taiwan Teleservices & Technologies Co., Ltd.	2001.06.08	13F-1, No. 172-1, Jilong Rd., Sec. 2, Taipei	24,843,000	Call center service and telephone marketing
Taiwan Super Basketball Co., Ltd.	2007.09.21	15F-1, No. 172-1, Jilong Rd., Sec. 2, Taipei	20,000,000	Basketball team management
Taiwan Kuro Times Co., Ltd.	2009.02.11	15F, No. 172-1, Sec. 2, Jilong Rd., Taipei	12,136,730	Online music platform

Name	Date of incorporation	Address	Paid-in capital	Main business
TWM Communications (Beijing) Ltd.	2002.09.17	Room B05B, B Floor, Tong Heng Building, No. 4 Garden Road, Haidian District, Beijing, China	US\$3,000,000 (Note)	Mobile application development and design
TCC Investment Co., Ltd.	2009.08.10	13F-1, No. 172-1, Jilong Rd., Sec. 2, Taipei	240,755,000	Investment
TFN Union Investment Co., Ltd.	2009.09.22	13F-1, No. 172-1, Jilong Rd., Sec. 2, Taipei	4,000,000	Investment
TCCI Investment and Development Co., Ltd.	2009.09.22	13F-1, No. 172-1, Jilong Rd., Sec. 2, Taipei	4,000,000	Investment
Taiwan Digital Communications Co., Ltd.	2007.06.06	13F-1, No. 172-1, Jilong Rd., Sec. 2, Taipei	112,000,000	Retail seller of mobile devices
Xiamen Taifu Teleservices & Technologies Co., Ltd.	2005.04.05	3F-B, No.2, Xiamen Software Park, Xiamen City, China	US\$1,300,000 (Note)	System integration
TFN HK Ltd.	2003.05.14	Unit 511, 5/F, Tower 1, Silvercord, 30 Canton Road, Tsimshatsui, Kowloon, Hong Kong	HK\$1,300,000 (Note)	Telecommunications service provider
Tai Fu Media Technology Co., Ltd.	2007.10.18	13F-1, No. 172-1, Jilong Rd., Sec. 2, Taipei	200,898,370	Investment
Global Wealth Media Technology Co., Ltd.	2007.10.26	1F, No. 206, Datong Rd., Sec. 2, Xizhi District, New Taipei City	84,000,000	Investment
Fu Jia Leh Media Technology Co., Ltd.	2007.11.23	13F-1, No. 172-1, Jilong Rd., Sec. 2, Taipei	1,000,000	Investment
Fu Sin Media Technology Co., Ltd.	2007.11.23	13F-1, No. 172-1, Sec. 2, Jilong Rd., Taipei	135,000,000	Investment
Global Forest Media Technology Co., Ltd.	2008.12.26	13F-1, No. 172-1, Sec. 2, Jilong Rd., Taipei	15,000,000	Investment
Taiwan Win TV Broadcasting Co., Ltd.	2010.04.14	13F-1, No. 172-1, Sec. 2, Jilong Rd., Taipei	160,000	Entertainment

Name	Date of incorporation	Address	Paid-in capital	Main business
TWM Holding Co., Ltd.	2006.06.09	Arias, Fabrega & Fabrega Trust Co., BVI Ltd., 325 Waterfront Drive, Road Town, Tortola, British Virgin Islands	US\$1 (Note)	Investment
TT&T Holdings Co., Ltd.	2004.10.08	TrustNet Chambers Lotemau Centre, P.O. Box 1225, Apia, Samoa	US\$1,300,000 (Note)	Investment
ezPeer Multimedia Ltd.	2010.01.18	Offshore Chambers P.O. Box 217, Apia Samoa	US\$1 (Note)	Investment
Fubon Multimedia Technology Co., Ltd.	2004.09.27	2F, No 71, Zhouzi Street, Neihu District, Taipei	1,162,350,000	Wholesale and retail sales via traditional and online shopping channels
Fu Sheng Travel Service Co., Ltd.	2004.12.16	5F, No 71, Zhouzi Street, Neihu District, Taipei	6,000,000	Travel agent
Fuli Life Insurance Agent Co., Ltd.	2005.12.27	9F, No 71, Zhouzi Street, Neihu District, Taipei	3,000,000	Life insurance agent
Fuli Property Insurance Agent Co., Ltd.	2006.01.03	9F, No 71, Zhouzi Street, Neihu District, Taipei	3,000,000	Property insurance agent
Asia Crown International Co., Ltd.	2009.01.07	Palm Grove House, P.O. Box 438, Road Town, Tortola, British Virgin Islands	US\$ 14,000,000 (Note)	Investment
Fortune Kingdom Corporation	2009.01.06	Equity Trust Chambers, P.O. Box 3269, Apia, Samoa	US\$ 14,000,000 (Note)	Investment
Hong Kong Fubon Multimedia Technology Co., Ltd.	2010.03.18	Unit 511, Tower 1, Silvercord, 30 Canton Road, Tsimshatsui, Kowloon, Hong Kong.	US\$ 14,000,000 (Note)	Investment
Fubon Gehua (Beijing) Enterprise Ltd.	2010.12.08	Room 701-716, 7F, Building No.1, A12 Jiuxianqiao Road, Chaoyang District, Beijing, China	RMB\$ 100,000,000 (Note)	Wholesale and retail sales

Note : Exchange rate of US\$1=NT\$30.28, HK\$1=NT\$3.896 and RMB\$1=NT\$4.793 on December 31, 2011.

### 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.	3,708,958	81,148,690	4,691,242	76,457,448	-	(799)	3,586,064	14.20
Taiwan Fixed Network Co., Ltd.	21,000,000	51,512,898	6,747,451	44,765,447	11,743,811	3,421,241	1,650,340	0.79
Wealth Media Technology Co., Ltd.	385,500	8,862,258	90	8,862,168	-	(291)	193,303	5.43
TFN Media Co., Ltd.	2,305,263	12,941,344	8,126,229	4,815,115	2,912,901	1,525,641	1,970,548	8.55
Win TV Broadcasting Co., Ltd.	181,774	903,782	647,035	256,747	888,152	61,978	59,765	3.29
Globalview Cable TV Co., Ltd.	560,000	878,354	187,267	691,087	498,838	105,321	92,483	1.65
Union Cable TV Co., Ltd.	1,704,633	2,137,509	264,308	1,873,201	623,904	147,805	126,786	0.74
Yeong Jia Leh Cable TV Co., Ltd.	339,400	1,088,088	395,944	692,144	1,126,808	271,832	234,389	6.91
Phoenix Cable TV Co., Ltd.	680,902	1,314,410	272,319	1,042,091	1,181,142	268,586	231,568	3.40
Mangrove Cable TV Co., Ltd.	211,600	525,076	175,373	349,703	456,970	128,205	103,065	4.87
Taiwan Teleservices & Technologies Co., Ltd.	24,843	437,029	335,070	101,959	1,040,346	65,071	55,615	22.39
Taiwan Super Basketball Co., Ltd.	20,000	28,647	5,783	22,864	39,261	4,002	2,847	1.42
Taiwan Kuro Times Co., Ltd.	12,137	142,046	111,821	30,225	221,929	(16,960)	(23,107)	(19.04)
TWM Communications (Beijing) Ltd.	90,840	111,705	11,556	100,149	65,352	2,549	541	NA
TCC Investment Co., Ltd.	240,755	33,329,648	1,881,582	31,448,066	1,894,503	1,892,698	1,898,069	35.65
TFN Union Investment Co., Ltd.	4,000	38,768,340	1,645,455	37,122,885	1	(241)	(241)	(0.01)
TCCI Investment and Development Co., Ltd.	4,000	11,288,495	479,108	10,809,387	1	(160)	(160)	(0.02)
Taiwan Digital Communications Co., Ltd.	112,000	177,939	58,778	119,161	316,935	9,135	7,556	1.43
Xiamen Taifu Teleservices & Technologies Co., Ltd.	39,364	55,562	7,487	48,075	62,227	4,335	4,825	NA
TFN HK Ltd.	5,065	56,419	48,554	7,865	71,262	3,125	2,474	1.90
Tai Fu Media Technology Co., Ltd.	200,898	258,817	43,217	215,600	-	(216)	12,958	0.65
Global Wealth Media Technology Co., Ltd.	84,000	95,368	4,077	91,291	-	(184)	6,054	0.72

Fu Jia Leh Media Technology Co., Ltd.	1,000	478	55	423	-	(154)	(344)	(3.44)
Fu Sin Media Technology Co., Ltd.	135,000	144,051	80	143,971	-	(139)	7,585	0.56
Global Forest Media Technology Co., Ltd.	15,000	16,924	56	16,868	-	(209)	275	0.30
Taiwan Win TV Broadcasting Co., Ltd.	160	9,858	-	9,858	-	(89)	(54)	(3.37)
TWM Holding Co., Ltd.	0.030	264,858	60	264,798	-	(209)	530	529,943
TT&T Holdings Co., Ltd.	39,364	56,930	8,195	48,735	70,575	215	4,688	3.61
ezPeer Multimedia Ltd.	0.030	25,561	-	25,561	-	(19,186)	(19,186)	(19,186,130)
Fubon Multimedia Technology Co., Ltd.	1,162,350	4,331,132	2,222,293	2,108,839	15,637,622	922,044	695,940	6.03
Fu Sheng Travel Service Co., Ltd.	6,000	321,627	314,514	7,113	74,601	1,928	3,850	6.42
Fuli Life Insurance Agent Co., Ltd.	3,000	14,163	1,238	12,925	11,853	6,321	5,420	18.07
Fuli Property Insurance Agent Co., Ltd.	3,000	19,002	1,131	17,871	14,413	13,055	10,932	36.44
Asia Crown International Co., Ltd.	423,920	324,989	-	324,989	-	-	(102,455)	(2,195.45)
Fortune Kingdom Corporation	423,920	324,989	-	324,989	-	-	(102,455)	(7.32)
Hong Kong Fubon Multimedia Technology Co., Ltd.	423,920	324,989	-	324,989	-	159	(102,455)	(7.32)
Fubon Gehua (Beijing) Enterprise Ltd.	479,304	395,673	49,800	345,873	36,030	(128,546)	(128,595)	NA

Note : Exchange rate of US\$1=NT\$30.28, HK\$1=NT\$3.896 and RMB\$1=NT\$4.793 on December 31, 2011

Average exchange rate of US\$1=NT\$29.4466, HK\$1=NT\$3.7752 and RMB\$1=NT\$4.603 for 2011

**Private placement of company shares:** None

**TWM shares held / sold by subsidiaries**

Unit : NT\$ '000

Subsidiary	TCC Investment Co., Ltd.		TFN Union Investment Co., Ltd. (TUI)		TCCI Investment and Development Co., Ltd. (TID)	
Paid-in capital	240,755		4,000		4,000	
Source of funding	Equity		TFN established TUI with the shares of the Company		TFNI established TID with the shares of the Company	
% owned by the Company	100%		100%		100%	
Acquisition / disposal date	October, 2011 (TWM's capital reduction)	As of Feb 29, 2012	October, 2011 (TWM's capital reduction)	As of Feb 29, 2012	October, 2011 (TWM's capital reduction)	As of Feb 29, 2012
No. of shares acquired and payment costs	–	–	–	–	–	–
No. of shares sold / proceeds	22,277,418 shares / NT\$222,774	–	45,629,476 shares / NT\$456,295	–	13,284,868 shares / NT\$132,849	–
Investment income	–	–	–	–	–	–
Ending balance: Total No. of shares / value ( Note 1 )	200,496,761 shares / NT\$12,163,470	200,496,761 shares / NT\$12,163,470	410,665,284 shares / NT\$22,312,814	410,665,284 shares / NT\$22,312,814	119,563,804 shares / NT\$6,496,300	119,563,804 shares / NT\$6,496,300
Pledges	None	None	None	None	None	None
Guarantees / endorsements provided by the Company	–	–	–	–	–	–
Financing provided by the Company	–	–	–	–	–	–

Note 1: Ending balance is carrying cost and does not include evaluation gains/losses.

**Other supplementary information:** None

**Other significant events affecting shareholders' equity or stock price:** None

**Taiwan Mobile Co., Ltd.**  
**Financial Statements**  
**December 31, 2011 and 2010**  
**(With Independent Auditors' Report Thereon)**



## 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, 2011 and 2010, 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 above present fairly, in all material respects, the financial position of Taiwan Mobile Co., Ltd. as of December 31, 2011 and 2010, 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 and accounting principles generally accepted in the Republic of China.

We have also audited the consolidated balance sheets of the Corporation and its subsidiaries as of December 31, 2011 and 2010 and the related consolidated statements of income, changes in shareholders' equity, and cash flows for the years then ended, on which we have issued unqualified audit report and modified audit report dated January 19, 2012 and January 15, 2011, respectively.

We have also audited the accompanying schedules of significant accounts, provided as 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.

KPMG

Taipei, Taiwan (the Republic of China)

January 19, 2012

### Note 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.

**TAIWAN MOBLIE CO., LTD.**  
**BALANCE SHEETS**  
**DECEMBER 31, 2011 AND 2010**  
**(In Thousands of New Taiwan Dollars, Except Par Value)**

	2011		2010			2011		2010	
	Amount	%	Amount	%		Amount	%	Amount	%
<b>ASSETS</b>					<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>				
<b>CURRENT ASSETS :</b>					<b>CURRENT LIABILITIES :</b>				
Cash and cash equivalents (Notes 2, 4(a), 4(s) and 5)	\$ 877,518	1	3,880,881	4	Short-term borrowings (Notes 4(j), 4(s) and 5)	\$ 9,000,000	10	9,645,000	11
Available-for-sale financial assets-current (Notes 2, 4(b) and 4(s))	217,351	-	201,322	-	Short-term notes and bills payable (Notes 4(k) and 4(s))	899,273	1	499,732	1
Notes receivable, net (Note 4(s))	791	-	378	-	Accounts payable (Note 4(s))	3,384,431	4	2,739,933	3
Accounts receivable, net (Notes 2, 4(c) and 4(s))	5,865,783	7	5,493,572	6	Accounts payable-related parties (Note 4(s) and 5)	38,861	-	-	-
Accounts receivable-related parties (Notes 2, 4(s) and 5)	43,675	-	85,823	-	Income taxes payable (Notes 2, 4(q) and 4(s))	668,216	1	917,585	1
Other receivables (Note 4(s))	95,996	-	370,390	1	Accrued expenses (Notes 4(s) and 5)	5,092,903	6	4,471,500	5
Other receivables-related parties (Notes 4(s) and 5)	1,378,824	2	12,251,892	14	Other payables (Notes 2, 4(s) and 5)	3,125,316	4	4,348,846	5
Inventories (Note 2)	1,430,322	2	1,065,263	1	Advance receipts (Note 4(l))	3,105,012	4	2,500,500	3
Prepayments (Note 4(d))	393,694	-	463,123	1	Current portion of long-term liabilities (Notes 4(m) and 4(s))	4,000,000	5	-	-
Deferred income tax assets-current (Notes 2 and 4(q))	-	-	5,184	-	Guarantee deposits-current (Note 4(s))	103,813	-	65,194	-
Other current assets	3,133	-	1,857	-	Deferred income tax liability - current (Notes 2 and 4(q))	193	-	-	-
<b>Total current assets</b>	<b>10,307,087</b>	<b>12</b>	<b>23,819,685</b>	<b>27</b>	Other current liabilities (Note 5)	485,995	-	432,995	1
<b>INVESTMENTS :</b>					<b>Total current liabilities</b>	<b>29,904,013</b>	<b>35</b>	<b>25,621,285</b>	<b>30</b>
Investments accounted for using the equity method (Notes 2 and 4(e))	26,620,333	32	11,308,819	13	<b>LONG-TERM LIABILITIES :</b>				
Financial assets carried at cost-non-current (Notes 2, 4(f) and 4(s))	50,324	-	50,324	-	Bonds payable (Notes 4(m) and 4(s))	4,000,000	5	8,000,000	9
<b>Total investments</b>	<b>26,670,657</b>	<b>32</b>	<b>11,359,143</b>	<b>13</b>	Long-term borrowings (Notes 4(n) and 4(s))	-	-	800,000	1
<b>PROPERTY AND EQUIPMENT (Notes 2, 4(g) and 5) :</b>					<b>Total long-term liabilities</b>	<b>4,000,000</b>	<b>5</b>	<b>8,800,000</b>	<b>10</b>
Land	4,149,141	5	3,979,837	4	<b>OTHER LIABILITIES :</b>				
Buildings	2,177,293	3	2,448,616	3	Guarantee deposits (Note 4(s))	231,552	-	259,587	-
Telecommunication equipment	58,748,354	69	56,323,134	65	Deferred credits-gains on intercompany accounts (Notes 2 and 4(e))	1,238,378	2	1,238,378	2
Office equipment	11,308	-	9,377	-	Other (Note 2)	405,750	-	366,652	-
Leased assets	1,285,920	2	1,285,920	1	<b>Total other liabilities</b>	<b>1,875,680</b>	<b>2</b>	<b>1,864,617</b>	<b>2</b>
Miscellaneous equipment	2,788,789	3	2,448,210	3	<b>Total liabilities</b>	<b>35,779,693</b>	<b>42</b>	<b>36,285,902</b>	<b>42</b>
Less accumulated depreciation	(39,441,325)	(47)	(33,240,498)	(38)	<b>SHAREHOLDERS' EQUITY (Notes 2 and 4(p)) :</b>				
Less accumulated impairment property	(110,481)	-	(74,229)	-	Capital stock -NT\$10.00 par value				
Construction in progress and prepayments for equipment	2,068,952	2	1,834,018	2	Authorized: 6,000,000 thousand shares				
<b>Net property and equipment</b>	<b>31,677,951</b>	<b>37</b>	<b>35,014,385</b>	<b>40</b>	Issued: 3,420,833 thousand shares in 2011	34,208,328	40	38,009,254	44
<b>INTANGIBLE ASSETS (Note 2)</b>					3,800,925 thousand shares in 2010				
3G concession license	5,233,964	6	5,981,673	7	Capital surplus :				
Computer software cost	1,129	-	1,165	-	From convertible bonds	8,775,819	11	8,775,819	10
Goodwill (Note 4(h))	7,121,871	9	6,835,370	8	From treasury stock transactions	3,639,302	4	3,639,302	4
<b>Total intangible assets</b>	<b>12,356,964</b>	<b>15</b>	<b>12,818,208</b>	<b>15</b>	From long-term investments	4,485	-	4,528	-
<b>OTHER ASSETS :</b>					Other	12,840	-	12,840	-
Assets leased to others (Notes 2, 4(i) and 5)	2,016,031	2	2,202,746	3	Retained earnings :				
Idle assets (Notes 2 and 4(i))	10,864	-	64,822	-	Legal reserve	16,715,018	20	15,332,799	18
Refundable deposits (Note 4(s))	333,644	-	316,243	-	Special reserve	821,741	1	821,741	1
Deferred charges (Note 2)	584,533	1	396,430	1	Unappropriated earnings	15,735,518	18	16,088,941	18
Deferred income tax asset-non-current (Notes 2 and 4(q))	737,989	1	1,130,136	1	Other equity :				
Other (Notes 2 and 4(o))	31,984	-	33,659	-	Cumulative translation adjustments	17,612	-	(5,716)	-
<b>Total other assets</b>	<b>3,715,045</b>	<b>4</b>	<b>4,144,036</b>	<b>5</b>	Net loss not recognized as pension cost	(16,775)	-	(10,695)	-
<b>TOTAL</b>	<b>\$ 84,727,704</b>	<b>100</b>	<b>87,155,457</b>	<b>100</b>	Unrealized gains on financial instruments	111,306	-	89,842	-
					Treasury stock	(31,077,183)	(36)	(31,889,100)	(37)
					<b>Total shareholders' equity</b>	<b>48,948,011</b>	<b>58</b>	<b>50,869,555</b>	<b>58</b>
					<b>Commitments and Contingencies (Note 7)</b>				
					<b>TOTAL</b>	<b>\$ 84,727,704</b>	<b>100</b>	<b>87,155,457</b>	<b>100</b>

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

**TAIWAN MOBLIE CO., LTD.**

**STATEMENTS OF INCOME**

**YEARS ENDED DECEMBER 31, 2011 AND 2010**

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

	2011		2010	
	Amount	%	Amount	%
<b>OPERATING REVENUES (Notes 2 and 5)</b>				
Telecommunication service revenue	\$ 55,916,663	90	55,001,883	94
Other revenue	6,002,610	10	3,545,402	6
<b>Total operating revenues</b>	61,919,273	100	58,547,285	100
<b>OPERATING COSTS (Notes 2, 5 and 10)</b>	37,793,874	61	32,808,712	56
<b>GROSS PROFIT</b>	24,125,399	39	25,738,573	44
<b>OPERATING EXPENSES (Notes 2, 5 and 10)</b>				
Marketing	9,672,619	16	8,330,905	14
Administrative	3,283,056	5	3,707,102	6
<b>Total operating expenses</b>	12,955,675	21	12,038,007	20
<b>OPERATING INCOME</b>	11,169,724	18	13,700,566	24
<b>NON-OPERATING INCOME AND GAINS</b>				
Investment income recognized under the equity method, net (Notes 2 and 4(e))	3,743,703	6	3,658,491	6
Income from penalty charge	373,503	1	272,040	1
Rental income (Notes 2 and 5)	178,848	-	189,974	-
Interest income (Notes 5)	120,393	-	88,456	-
Dividend income (Note 2)	12,007	-	11,031	-
Gain on disposal of property and equipment	-	-	47,576	-
Other (Notes 2 and 4(c))	78,008	-	198,148	-
<b>Total non-operating income and gains</b>	4,506,462	7	4,465,716	7
<b>NON-OPERATING EXPENSES AND LOSSES</b>				
Loss on disposal and retirement of property and equipment (Note 2)	411,837	1	1,289,178	2
Interest expenses (Notes 2,4 (g) and 5)	238,856	-	327,998	1
financial charges	11,465	-	21,907	-
Other (Note 2)	171,032	-	129,055	-
<b>Total non-operating expenses and losses</b>	833,190	1	1,768,138	3
<b>INCOME BEFORE INCOME TAX</b>	14,842,996	24	16,398,144	28
<b>INCOME TAX EXPENSE (Notes 2 and 4(q))</b>	1,374,233	2	2,575,958	5
<b>NET INCOME</b>	\$ 13,468,763	22	13,822,186	23
	<b>Before</b>	<b>After</b>	<b>Before</b>	<b>After</b>
	<b>Income</b>	<b>Income</b>	<b>Income</b>	<b>Income</b>
	<b>Tax</b>	<b>Tax</b>	<b>Tax</b>	<b>Tax</b>
<b>EARNINGS PER SHARE (Note 4(r))</b>				
Basic	\$ 5.18	4.70	5.48	4.62
Diluted	\$ 5.17	4.69	5.47	4.61
Pro forma information if the Corporation's stocks held by its subsidiaries were treated as an investment instead of treasury stock (after income tax):				
<b>NET INCOME</b>	\$ 13,468,763		13,822,186	
<b>EARNINGS PER SHARE AFTER INCOME TAX</b>				
Basic		\$ 3.70		3.64
Diluted		\$ 3.69		3.63

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

**TAIWAN MOBILIE CO., LTD.**  
**STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**  
**YEARS ENDED DECEMBER 31, 2011 AND 2010**  
**(In Thousands of New Taiwan Dollars, Except Per Share Amounts)**

	<u>Retained Earnings</u>					<u>Cumulative Translation Adjustments</u>	<u>Net Loss Not Recognized as Pension Cost</u>	<u>Unrealized Gains on Financial Instruments</u>	<u>Treasury Stock</u>	<u>Total Shareholders' Equity</u>	
	<u>Capital Stock</u>	<u>Capital Surplus</u>	<u>Legal Reserve</u>	<u>Special Reserve</u>	<u>Unappropriated</u>						<u>Total</u>
<b>BALANCE, JANUARY 1, 2010</b>	\$ 38,009,254	12,431,704	13,943,913	3,350,000	16,155,617	33,449,530	12,011	(3,797)	63,624	(31,889,100)	52,073,226
Appropriation of the 2009 earnings :											
Legal reserve	-	-	1,388,886	-	(1,388,886)	-	-	-	-	-	-
Reversal of special reserve	-	-	-	(2,528,259)	2,528,259	-	-	-	-	-	-
Cash dividends-NT\$5.02783 per share	-	-	-	-	(15,028,235)	(15,028,235)	-	-	-	-	(15,028,235)
<b>Balance after appropriation</b>	38,009,254	12,431,704	15,332,799	821,741	2,266,755	18,421,295	12,011	(3,797)	63,624	(31,889,100)	37,044,991
Net income in 2010	-	-	-	-	13,822,186	13,822,186	-	-	-	-	13,822,186
Unrealized gain on financial instruments, net	-	-	-	-	-	-	-	-	26,218	-	26,218
Adjustment on change of equity-method investments	-	785	-	-	-	-	(17,727)	(6,898)	-	-	(23,840)
<b>BALANCE, DECEMBER 31, 2010</b>	38,009,254	12,432,489	15,332,799	821,741	16,088,941	32,243,481	(5,716)	(10,695)	89,842	(31,889,100)	50,869,555
Appropriation of the 2010 earnings :											
Legal reserve	-	-	1,382,219	-	(1,382,219)	-	-	-	-	-	-
Cash dividends-NT\$4.1619 per share	-	-	-	-	(12,439,967)	(12,439,967)	-	-	-	-	(12,439,967)
<b>Balance after appropriation</b>	38,009,254	12,432,489	16,715,018	821,741	2,266,755	19,803,514	(5,716)	(10,695)	89,842	(31,889,100)	38,429,588
Net income in 2011	-	-	-	-	13,468,763	13,468,763	-	-	-	-	13,468,763
Capital reduction (Note 4(p))	(3,800,926)	-	-	-	-	-	-	-	-	-	(3,800,926)
Adjustment of stock held by subsidiaries (Note 4(p))	-	-	-	-	-	-	-	-	-	811,917	811,917
Unrealized gain on financial instruments, net	-	-	-	-	-	-	-	-	21,464	-	21,464
Adjustment on change of equity-method investments	-	(43)	-	-	-	-	23,328	(6,080)	-	-	17,205
<b>BALANCE, DECEMBER 31, 2011</b>	<u>\$ 34,208,328</u>	<u>12,432,446</u>	<u>16,715,018</u>	<u>821,741</u>	<u>15,735,518</u>	<u>33,272,277</u>	<u>17,612</u>	<u>(16,775)</u>	<u>111,306</u>	<u>(31,077,183)</u>	<u>48,948,011</u>

Note 1 : The remuneration to directors and supervisors of \$37,483 thousand and the bonus to employees of \$374,826 thousand have been expensed and deducted from 2009 earnings.

Note 2 : The remuneration to directors and supervisors of \$37,306 thousand and the bonus to employees of \$373,059 thousand have been expensed and deducted from 2010 earnings.

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

**TAIWAN MOBLIE CO., LTD.**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2011 AND 2010**  
**(In Thousands of New Taiwan Dollars)**

	<u>2011</u>	<u>2010</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ 13,468,763	13,822,186
<b>Adjustments to reconcile net income to net cash provided by operating activities</b>		
Depreciation	7,010,357	7,184,516
Investment income recognized under the equity method	(3,743,703)	(3,658,491)
Cash dividends received from equity-method investees	3,310,805	2,383,941
Amortization	1,059,449	878,155
Loss on disposal and retirement of property and equipment, net	411,837	1,241,602
Deferred income taxes	397,523	518,387
Bad debts	139,185	436,428
Provision of allowance for loss on inventories	9,888	22,704
Pension cost	3,036	3,125
<b>Changes in operating assets and liabilities</b>		
Notes receivable	(414)	16,394
Accounts receivable	(526,602)	(392,042)
Accounts receivable - related parties	42,148	(63,155)
Other receivables	274,423	(290,621)
Other receivables - related parties	50,068	(45,577)
Inventories	(374,946)	(658,838)
Prepayments	69,429	19,475
Other current assets	(1,276)	677
Accounts payable	644,498	684,175
Accounts payable-related parties	38,861	-
Income taxes payable	(249,368)	(560,768)
Accrued expenses	621,403	(77,706)
Other payables	(1,138,316)	494,630
Advance receipts	604,512	1,304,668
Other current liabilities	53,000	54,189
Other liabilities	(3,284)	-
<b>Net cash provided by operating activities</b>	<u>22,171,276</u>	<u>23,318,054</u>

**TAIWAN MOBLIE CO., LTD.**  
**STATEMENTS OF CASH FLOWS (CONT'D)**  
**YEARS ENDED DECEMBER 31, 2011 AND 2010**  
**(In Thousands of New Taiwan Dollars)**

	<b>2011</b>	<b>2010</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Increase in long-term investments accounted for using the equity method	(14,049,600)	(299,600)
Decrease (increase) in financing provided to investees, net	10,823,000	(10,098,000)
Acquisition of property and equipment	(4,308,374)	(4,193,402)
Increase in deferred charges	(351,765)	(121,722)
Increase in refundable deposits	(17,402)	(3,328)
Proceeds from investees' capital reduction	5,540	3,502,717
Increase in computer software cost	(1,049)	-
Proceeds from disposal of property and equipment	110	93,367
Decrease in pledged time deposits	-	10,000
Decrease in other assets	-	142
<b>Net cash used in investing activities</b>	<b>(7,899,540)</b>	<b>(11,109,826)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Cash dividends paid	(12,439,928)	(15,028,201)
Capital reduction	(3,800,295)	-
Decrease in long-term borrowings	(3,466,667)	-
Increase in long-term borrowings	2,666,667	800,000
(Decrease) increase in short-term borrowings	(645,000)	4,645,000
Increase in short-term notes and bills payable	399,541	199,860
Increase (decrease) in guarantee deposits	10,583	(1,048)
<b>Net cash used in financing activities</b>	<b>(17,275,099)</b>	<b>(9,384,389)</b>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(3,003,363)</b>	<b>2,823,839</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>3,880,881</b>	<b>1,057,042</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 877,518</b>	<b>\$ 3,880,881</b>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Interest paid	\$ 395,861	261,635
Less interest capitalized	10,244	7,753
Interest paid - excluding interest capitalized	<b>\$ 385,617</b>	<b>253,882</b>
Income tax paid	<b>\$ 2,347,903</b>	<b>2,110,960</b>
<b>NON-CASH INVESTING AND FINANCING ACTIVITIES</b>		
Current portion of long-term liabilities	<b>\$ 4,000,000</b>	<b>-</b>
Reclassification of the corporation's shares held by its subsidiaries to treasury stock	<b>\$ 31,077,183</b>	<b>31,889,100</b>
<b>CASH AND NON-CASH INVESTING AND FINANCING ACTIVITIES</b>		
Acquisition of property and equipment	\$ 3,992,189	4,344,632
Decrease (increase) in other payables	358,567	(137,972)
Increase in other liabilities-other	(42,382)	(13,258)
<b>Cash paid for acquisition of property and equipment</b>	<b>\$ 4,308,374</b>	<b>4,193,402</b>

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

**TAIWAN MOBILE CO., LTD.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2011 AND 2010**  
**(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

**1. ORGANIZATION AND OPERATIONS**

Taiwan Mobile Co., Ltd. (the Corporation) 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 the GreTai Securities Market) on September 19, 2000. On August 26, 2002, the Corporation's shares were listed on the Taiwan Stock Exchange. The Corporation mainly renders wireless communication services.

The Corporation's services are under the type I license issued by the Directorate General of Telecommunications (DGT) of the ROC. The license allows the Corporation to provide services for 15 years from 1997 onwards. The license had been extended to June 2017 by the notice issued by the Ministry of Transportation and Communications on November 25, 2010. 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, 2011 and 2010, the Corporation had 2,651 and 2,548 employees, respectively.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Corporation's financial statements were compiled in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and Republic of China generally accepted accounting principles. In conformity with the above, 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.

The financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of, the English and Chinese language financial statements, the Chinese version shall prevail.

The significant accounting policies and measurement basis are as follows:

**TAIWAN MOBILE CO., LTD.**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D)**

**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, whose carrying value approximates fair value, acquired with repurchase rights and having maturities of up to three months from the date of purchase, are classified as cash equivalents.

**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.



**TAIWAN MOBILE CO., LTD.**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D)**

An impairment loss is recognized if there is any 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.

**Receivables**

The Corporation accesses evidence for impairment of receivables on an individual and collective basis. Accordingly, all individually significant receivables are assessed for specific impairment. The Corporation groups receivables that are not individually significant in accordance with credit risks and considers the historical trends of the probability of default, the timing of recoveries, and the amount of loss incurred to make the estimate of impairment.

**Inventories**

Inventories are recorded at the lower of weighted-average cost or net realizable value. When comparing cost and net realizable value, inventories are evaluated by individual item.

**Investments Accounted for Using the 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.

In accordance with the newly revised Statement of Financial Accounting Standards (SFAS), the cost of acquisition is subjected to an initial analysis, and goodwill represents the excess of the cost of acquisition over the fair value of the identifiable net asset value. Goodwill is no longer amortized. 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 under the equity method over the equity in the investee's net asset value is no longer amortized, and this accounting treatment also applies to goodwill.

**TAIWAN MOBILE CO., LTD.**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D)**

Gains or losses from downstream transactions with its subsidiaries are deferred and included in deferred income (loss) and recorded as other liabilities (assets). Gains or losses on upstream transactions with 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 on an investment sold are determined by the weighted-average-cost method.

**Financial Assets Carried at Cost**

If there is no active market for an equity instrument, and a reliable fair value cannot 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 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 loss is not allowed.

**Property and Equipment, and Assets Leased to Others**

Property and equipment, and assets leased to others are stated at cost less accumulated depreciation 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 the 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 fixed assets to the previous state should be recognized as an addition to the fixed assets and accrued as a potential liability accordingly.

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.

**TAIWAN MOBILE CO., LTD.**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D)**

**Accounting for Leases**

In accordance with SFAS No. 2 "Leases," a lease is identified as either an operating lease or a capital lease based on the lease contract terms, the collectability of the rent, 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 a 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 rental 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, rental receivables should be recognized as the sum of present values derived from all future rental receivables based on an implicit interest rate of the lease. The excess of total rental receivables over the present value of rental receivables should be deferred as unrealized interest income and amortized as interest income by the effective interest method upon each collection.

**Intangible Assets**

a. Franchise

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

b. Computer software

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

c. Goodwill

In accordance with the newly revised SFAS, goodwill is no longer amortized. Please refer to the accounting policy for 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, mainly interior decoration costs for offices and directly-managed stores, are amortized by the straight-line method over two to five years.

**TAIWAN MOBILE CO., LTD.**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D)**

**Asset Impairment**

If the carrying value of an asset (including property and equipment, intangible assets, idle assets, assets leased to others, investments accounted for using the 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.

**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.

**Income Taxes**

The inter-period and intra-period allocation methods are 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. A valuation allowance is provided for deferred income tax assets to the extent that it is 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 being realized.

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

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

Income tax of 10% on unappropriated earnings generated is provided for as income tax in the year when the shareholders resolve to retain 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 the equity method to treasury stock.

**TAIWAN MOBILE CO., LTD.**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D)**

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 involving non-derivative financial instruments are recorded in New Taiwan dollars at the exchange rates prevailing at the dates of transactions.

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

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

**TAIWAN MOBILE CO., LTD.**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D)**

**3. EFFECTS OF CHANGES IN ACCOUNTING PRINCIPLES**

Effective from January 1, 2011, the Corporation adopted SFAS No. 41 “Operating Segments.” In accordance with SFAS No. 41, an entity should disclose information to enable users of its financial statements to evaluate the nature and the financial effects of the business activities in which it engages and the economic environments in which it operates. The Corporation determines and presents operating segments based on the information that is internally provided to the chief operating decision maker. In addition, the segment information should be disclosed in the consolidated financial reports issued by the Corporation, but it does not need to be disclosed in individual financial reports. The Standard also supersedes SFAS No. 20 “Segment Reporting”. The information for the period ended December 31, 2011, has been recast to reflect the new segment reporting requirement.

Effective from January 1, 2011, the Corporation adopted the third amended SFAS No. 34 “Financial Instruments: Recognition and Measurement”. In accordance with the revised SFAS No. 34, initial receivables are used in the recognition, valuation, and impairment of receivables. There was no impact on the profit or loss for the year ended December 31, 2011.

**4. SUMMARY OF MAJOR ACCOUNTS**

a. Cash and cash equivalents

	<b>December 31</b>	
	<b>2011</b>	<b>2010</b>
Cash in banks	\$ 503,044	300,484
Government bonds with repurchase rights	222,000	1,885,059
Cash on hand	86,870	50,514
Time deposits	59,054	1,437,775
Revolving funds	6,550	7,025
Short-term notes and bills with repurchase rights	-	200,024
	<b>\$ 877,518</b>	<b>3,880,881</b>

b. Available-for-sale financial assets – current

	<b>December 31</b>	
	<b>2011</b>	<b>2010</b>
Domestic listed stocks		
Chunghwa Telecom Co., Ltd.	<b>\$ 217,351</b>	<b>201,322</b>

**TAIWAN MOBILE CO., LTD.**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D)**

c. Accounts receivable

	December 31	
	2011	2010
Accounts receivable	\$ 6,059,947	5,860,597
Less allowance for doubtful accounts	(194,164)	(367,025)
	<b>\$ 5,865,783</b>	<b>5,493,572</b>

In the first quarter of 2010, the Corporation entered into an accounts receivable factoring contract with HC First Asset Management Co., Ltd. The Corporation sold \$1,867,628 thousand of the overdue accounts receivable, which had been written off, to HC First Asset Management Co., Ltd. The aggregate selling price was \$27,268 thousand. Under this contract, the Corporation would no longer assume the risk on this receivable.

d. Prepayments

	December 31	
	2011	2010
Prepaid commissions	\$ 263,048	290,648
Prepaid rents	77,963	73,425
Other	52,683	99,050
	<b>\$ 393,694</b>	<b>463,123</b>

e. Investments accounted for using the equity method

	December 31			
	2011		2010	
	Carrying Value	% of Owner- ship	Carrying Value	% of Owner- ship
Taiwan Cellular Co., Ltd. (TCC)	\$ 17,195,352	100	10,618,840	100
Wealth Media Technology Co., Ltd. (WMT)	8,862,169	100	301,977	100
Taipei New Horizons Co., Ltd. (TNH)	562,812	49.90	388,002	49.90
	<b>\$ 26,620,333</b>		<b>11,308,819</b>	

**TAIWAN MOBILE CO., LTD.**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D)**

(1) Taiwan Cellular Co., Ltd.

On December 24, 2009, TCC's board of directors resolved to return \$3,500,000 thousand of capital to shareholders through the cancellation of 350,000 thousand shares. Based on its 100% ownership in TCC at the record date of capital reduction, the Corporation received \$3,500,000 thousand in July 2010.

On July 28, 2011, TCC's board of directors resolved to :

- (a) Issuance of 140,896 thousand shares for \$1,408,958 thousand from legal reserve with the record date of August 2, 2011.
- (b) Increase capital by \$5,500,000 thousand, divided into 200,000 thousand shares with par value of \$10 and issuing price of \$27.5 per share at the record date of August 5, 2011. The Corporation subscribed for all the shares.

In 2007, the Corporation invested in Taiwan Fixed Network Co., Ltd. (TFN) indirectly through TCC with shares of the former TFN as investment. Based on the revised SFAS No. 5 "Long-term Investments under Equity Method," unrealized gains and losses on downstream transactions should be deferred. Thus, the difference between the original carrying cost and the investment price of the former TFN shares in this transaction should be treated as deferred gains. As of December 31, 2011, the amount of deferred credits recognized by the Corporation was \$1,238,378 thousand.

As of December 31, 2011, TCC Investment Co., Ltd. (TCCI, 100% owned by TCC), TCCI Investment & Development Co., Ltd. (TID, 100% owned by TCCI), and TFN Union Investment Co., Ltd. (TUI, 100% owned by TFN) collectively held 730,726 thousand shares of the Corporation. Based on SFAS No. 30 "Accounting for Treasury Stock", the Corporation's shares held by subsidiaries are treated as the treasury stock. This accounting treatment reduced the Corporation's long-term investment value by the same amount as the treasury stock account value of \$31,077,183 thousand. Please refer to Note 4(p) for details.

(2) Wealth Media Technology Co., Ltd.

WMT's board of directors approved the issuance of 10,000 thousand shares at par value of \$10 for \$100,000 thousand on July 27, 2010. At the record date (August 1, 2010), the Corporation subscribed for all the shares.



**TAIWAN MOBILE CO., LTD.**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D)**

In order to enhance cross-platform synergy and mobile commerce service, the Corporation's board of directors resolved on April 8, 2011, to acquire 51% of shares of Fubon Multimedia Technology Co., Ltd. (FMT) held by Fubon Financial Venture Capital Co., Ltd. at the price of \$8,347,949 thousand through its subsidiary WMH. The authority approved the transaction on June 30, 2011, and the Corporation paid the purchase price to complete the settlement on July 13, 2011.

On July 12, 2011, WMT's board of directors resolved to:

- (a) Reduce \$70,000 thousand of the capital through the cancellation of 7,000 thousand shares at the record date of July 15, 2011. The amount is compensated for deficits and the cash return to investors of \$69,894 thousand and \$106 thousand, respectively.
- (b) Increase capital by \$8,350,000 thousand, divided into 8,350 thousand shares with par value of \$10 and issuing price of \$1,000 per share at the record date of July 16, 2011. The Corporation subscribed for all the shares.

(3) Taipei New Horizons Co., Ltd.

TNH was established to invest in a property development project located on the old Songshan Tobacco Factory site. On January 15, 2009, TNH signed a 50-year BOT contract with the Taipei City Government.

On January 25, 2010, TNH's board of directors resolved to increase TNH's capital by \$500,000 thousand, divided into 50,000 thousand shares with par value of \$10 per share, with a record date of December 1, 2010. On November 19, 2010, TNH's board of directors resolved to adjust the above-mentioned capital increase by \$400,000 thousand, divided into 40,000 thousand shares with par value of \$10 per share. The Corporation subscribed for the shares based on its proportion of the shareholding.

On June 2, 2011, TNH's board of directors resolved to increase TNH's capital by \$400,000 thousand, divided into 40,000 thousand shares with par value of \$10 per share, with a record date of August 1, 2011. The Corporation subscribed for the shares based on its proportion of the shareholding, which remains at 49.9%.

**TAIWAN MOBILE CO., LTD.**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D)**

(4) Equity in investees' net gains or losses

The carrying value of the investments under the 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:

	<b>For the year ended</b>	
	<b>December 31</b>	
	<b>2011</b>	<b>2010</b>
TCC	\$ 3,575,190	3,672,572
WMT	193,303	9,491
TNH	(24,790)	(23,572)
	<b>\$ 3,743,703</b>	<b>3,658,491</b>

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

f. Financial assets carried at cost — non-current

	<b>December 31</b>	
	<b>2011</b>	<b>2010</b>
Foreign unlisted stocks		
Bridge Mobile Pte Ltd.	<b>\$ 50,324</b>	<b>50,324</b>

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

g. Property and equipment — accumulated depreciation

	<b>December 31</b>	
	<b>2011</b>	<b>2010</b>
Buildings	\$ 465,049	454,417
Telecommunication equipment	36,394,541	30,865,040
Office equipment	6,910	5,253
Leased assets	615,702	550,606
Miscellaneous equipment	1,959,123	1,365,182
	<b>\$ 39,441,325</b>	<b>33,240,498</b>

Capitalized interest for the years ended December 31, 2011 and 2010 was \$ 10,244 thousand and \$7,753 thousand, respectively, with capitalization rates ranging from 1.68% to 2.88% and 1.56% to 2.88%, respectively.

**TAIWAN MOBILE CO., LTD.**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D)**

h. Goodwill

The goodwill resulted from the merger of the Corporation with TAT on September 2, 2008.

In conformity with SFAS No. 35 "Impairment of Assets," the Corporation engaged in mobile service, which was viewed as one cash-generating unit in 2011 and 2010. The critical assumptions to evaluate the recoverable amounts of operating assets and goodwill were as follows:

(1) 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.

(2) Assumptions on operating costs and expenses

The estimates of activation commissions and customer retention costs were based on the new customer obtained and the existing customer maintained. The estimates of remaining costs and expenses were based on the Cost drivers of each item..

(3) Assumptions on discount rate

For the years ended December 31, 2011 and 2010, the Corporation used the discount rate of 6.98% and 7.47%, 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 operating assets 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, 2011 and 2010.

**TAIWAN MOBILE CO., LTD.**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D)**

i. Assets leased to others and idle assets

	<b>December 31</b>	
	<b>2011</b>	<b>2010</b>
Assets leased to others		
Cost	\$ 2,159,213	2,360,147
Less accumulated depreciation	(143,182)	(146,810)
Less accumulated impairment	-	(10,591)
	<b>\$ 2,016,031</b>	<b>2,202,746</b>
Idle assets		
Cost	\$ 68,840	155,771
Less allowance for decline in value	(35,928)	(35,928)
Less accumulated depreciation	(17,434)	(24,745)
Less accumulated impairment	(4,614)	(30,276)
	<b>\$ 10,864</b>	<b>64,822</b>

j. Short-term borrowings

	<b>December 31</b>	
	<b>2011</b>	<b>2010</b>
Unsecured loans provided from financial institutions	\$ 9,000,000	3,000,000
Unsecured loans provided by related party	-	6,645,000
	<b>\$ 9,000,000</b>	<b>9,645,000</b>
Interest rate	0.89%~0.98%	0.69%~0.893%

k. Short-term notes and bills payable

	<b>December 31</b>	
	<b>2011</b>	<b>2010</b>
Commercial paper payable		
China Bills Financial Corporation	\$ 600,000	500,000
Mega Bills Financial Corporation	300,000	-
Less discount on short-term notes and bills payable	(727)	(268)
Net carrying value	<b>\$ 899,273</b>	<b>499,732</b>
Interest rate	0.948%~0.958%	0.46%
Period	2011.12.30~ 2012.01.31	2010.12.31~ 2011.01.28

**TAIWAN MOBILE CO., LTD.**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D)**

l. Advance receipts

In accordance with NCC's policy, the Corporation entered into a contract with First Commercial Bank Co., Ltd. which provided a performance guarantee for advance receipts from prepaid card customers. The guaranteed advance receipts from prepaid card customers were \$938,905 thousand as of December 31, 2011.

m. Bonds payable

	December 31			
	2011		2010	
	Current	Non-current	Current	Non-current
2nd Domestic unsecured bonds	\$ 4,000,000	4,000,000	-	8,000,000

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

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

Year	Amount
2012	\$ 4,000,000
2013	4,000,000
	\$ 8,000,000

n. Long-term borrowings

	December 31	
	2011	2010
Unsecured loans	\$ -	800,000
Interest rate	-	0.8832%

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. This joint credit facility covers a period of three years commencing from May 20, 2008. Based on the terms of this agreement, the credit line will be decreased by 50% after two years from the commencing date. As of May 20, 2010, the credit line has been reduced to \$6,750,000 thousand. Also, interests are payable monthly. Upon maturity, the loan is allowed to revolve within its credit limits. The contract requires the Corporation to maintain certain financial ratios including debt ratios, interest coverage, and tangible net asset ratio based on semi-annual financials.

**TAIWAN MOBILE CO., LTD.**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D)**

o. Pension plan

The Labor Pension Act (LPA) provides for a defined contribution pension plan. Starting from July 1, 2005, the Corporation should contribute monthly an amount equal to 6% of the employees' monthly salaries to the employees' individual pension accounts. The contributed amount was \$ 108,584 thousand and \$106,195 thousand for the years ended December 31, 2011 and 2010, respectively.

The Labor Standards Act (LSA) provides for a defined benefit pension plan. Benefits are based on the length of service and average basic pay of the six months before retirement. The Corporation contributes monthly an amount equal to 2% of the employees' monthly salaries to a pension fund. The pension fund is managed by an independently administered pension fund committee and deposited in the committee's name in Bank of Taiwan (formerly the Central Trust of China, which was merged into Bank of Taiwan in July 2007.) As approved by the Department of Labor of the Taipei City Government, the Corporation suspended contributing from February 2007 to January 2012.

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

(1) Pension cost

	<b>Years Ended December 31</b>	
	<b>2011</b>	<b>2010</b>
Service cost	\$ 2,390	3,004
Interest cost	8,373	8,215
Projected return of pension assets	(8,636)	(8,631)
Amortization	909	537
Pension cost	<b>\$ 3,036</b>	<b>3,125</b>

(2) Changes in the prepaid pension cost

	<b>December 31</b>	
	<b>2011</b>	<b>2010</b>
Benefit obligation		
Vested	\$ (13,919)	(1,085)
Non-vested	(247,489)	(259,291)
Accumulated	(261,408)	(260,376)
Additional benefits based on future salaries	(164,660)	(158,286)
Projected benefit obligation	(426,068)	(418,662)
Fair value of plan assets	429,245	431,815
Funded status	3,177	13,153
Unrecognized net transition obligation	5,324	6,211
Unrecognized prior service cost	355	377
Unrecognized net gain or loss	(5,324)	(13,173)
Prepaid pension cost	<b>\$ 3,532</b>	<b>6,568</b>

**TAIWAN MOBILE CO., LTD.**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D)**

	<b>December 31</b>	
	<b>2011</b>	<b>2010</b>
(3) Vested benefit	\$ (18,521)	(1,342)

(4) Actuarial assumptions

	<b>Years Ended December 31</b>	
	<b>2011</b>	<b>2010</b>
Discount rate used in determining present values	2.00%	2.00%
Future salary increase rate	2.75%	2.50%
Expected rate of return on plan assets	2.00%	2.00%

p. Shareholders' equity

(1) 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 stock, may be transferred to capital as stock dividends or distributed as cash dividends, and this transfer is restricted to a certain percentage of the paid-in capital and may be made only within prescribed limits each time. Also, the capital surplus from long-term investments may not be used for any other purposes.

(2) Legal reserve

According to the Company Act, a company shall first set aside ten percent of its income (after taxes) as legal reserve until it equals to the paid-in capital. After offsetting any deficit, the legal reserve may be transferred to capital as stock dividends or distributed as cash dividends within the amount in excess of 25% of the paid-in capital in pursuant to the resolution to be adopted by the shareholders' meeting.

(3) 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:

(a) Dividends and bonus to preferred shareholders

(b) Remuneration to directors and supervisors - up to 0.3%

**TAIWAN MOBILE CO., LTD.**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D)**

(c) Bonus to employees - 1%-3%

(d) 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. The 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 working 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 in the financial statements of that year.

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

For the year ended December 31, 2011, the bonuses to employees and remuneration to directors and supervisors were accrued based on 3% and 0.3%, respectively, of net income (not including the bonuses to employees and remuneration to directors and supervisors) after setting aside 10% of net income as legal reserve. Any significant difference between annual accruals and the amount approved by the board of directors shall be adjusted in the current year. If the board of directors' approval differs from the amount ratified at the annual general shareholders' meeting (AGM), the difference will be treated as changes in accounting estimate and will be adjusted in 2012'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 the closing price one day prior to the AGM, adjusted for cash and/or stock dividends if any.



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**NOTES TO FINANCIAL STATEMENTS (CONT'D)**

The 2010 and 2009 earnings appropriations resolved by the AGMs on June 15, 2011, and June 18, 2010, were as follows:

	<b>Appropriation of Earnings</b>		<b>Dividend per Share (NT\$)</b>	
	<b>For Fiscal Year 2010</b>	<b>For Fiscal Year 2009</b>	<b>For Fiscal Year 2010</b>	<b>For Fiscal Year 2009</b>
Appropriation of legal reserve	\$ 1,382,219	1,388,886		
Cash dividends	12,439,967	15,028,235	4.1619	5.02783
Reversal of special reserve	-	(2,528,259)		
	<b><u>\$ 13,822,186</u></b>	<b><u>13,888,862</u></b>		

The shareholders, on June 15, 2011, resolved to distribute a 2010 bonus of \$373,059 thousand to employees and remuneration of \$37,306 thousand to directors and supervisors.

The shareholders, on June 18, 2010, resolved to distribute a 2009 bonus of \$374,826 thousand to employees and remuneration of \$37,483 thousand to directors and supervisors.

Information on the appropriation of the earnings, bonus to employees, and remuneration to directors and supervisors proposed by the board of directors and approved at the AGM is available on the Market Observation Post System website of the Taiwan Stock Exchange.

(4) 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, 2011 a capital reduction of \$3,800,926 thousand, representing 10% of outstanding shares. On July 15, 2011, the authority already approved the application and the Corporation's board of directors resolved the record date of August 1, 2011. Trading suspension started on October 3, 2011 and the new shares resumed trading on October 13, 2011.

**TAIWAN MOBILE CO., LTD.**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D)**

(5) Treasury stock

<b>Purpose of Buyback</b>	<b>(Shares in Thousands)</b>			
	<b>Beginning Shares</b>	<b>Increase</b>	<b>Decrease</b>	<b>Ending Shares</b>
<u>Year ended December 31, 2011</u>				
Shares held by subsidiaries	811,918	-	81,192	730,726
<u>Year ended December 31, 2010</u>				
Shares held by subsidiaries	811,918	-	-	811,918

As of December 31, 2011, the Corporation's stock held by TCCI, TID, and TUI (all are subsidiaries 100% owned by the Corporation) was 730,726 thousand shares, and the carrying and market values were \$68,980,520 thousand. The Corporation reclassified \$31,077,183 thousand from investments accounted for using the equity method to treasury stock based on SFAS No. 30 "Accounting for Treasury Stock." Although these shares are treated as treasury stock in the financial statements, the shareholders are entitled to exercise their rights over these shares, except for the participation in capital injection by cash. In addition, based on the ROC Company Act, the holders of treasury stock cannot exercise the voting rights.

(5) Unrealized gain or loss on financial instruments

Unrealized gain or loss on financial instruments for the years ended December 31, 2011 and 2010, is summarized as follows:

	<b>Years ended December 31</b>	
	<b>2011</b>	<b>2010</b>
Available-for-sale financial assets		
Balance, beginning of period	\$ 89,842	63,624
Fair value changes recognized directly in equity	21,464	26,218
Unrealized gains on financial instruments	<b>\$ 111,306</b>	<b>89,842</b>

**TAIWAN MOBILE CO., LTD.**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D)**

q. Income tax expense

(1) The reconciliation of imputed income taxes on pretax income at the statutory tax rate to income tax expense was as follows:

	<b>Years ended</b>	
	<b>December 31</b>	
	<b>2011</b>	<b>2010</b>
Tax on pretax income at statutory tax rate	\$ 2,523,309	2,787,684
Add (deduct) tax effects of:		
Permanent differences		
Investment income from domestic investees accounted for using the equity method	(636,430)	(621,943)
Other	(13,899)	(1,015)
Temporary differences	(399,185)	(174,571)
Prior years' adjustment	(491,616)	69,335
Deferred income taxes	397,524	518,387
Investment tax credits	(5,470)	(1,919)
<b>Income tax expense</b>	<b>\$ 1,374,233</b>	<b>2,575,958</b>

On May 27, 2009, the Legislative Yuan passed an amendment of Article 5 of the Income Tax Act which reduced a profit-seeking enterprise's income tax rate from 25% to 20%, effective January 1, 2010. On June 15, 2010, the Legislative Yuan passed an amendment of Article 5 of the Income Tax Act to reduce the corporate statutory income tax rate from 20% to 17%, effective January 1, 2010. The Corporation recalculated its deferred tax assets and liabilities in accordance with the amended Article and recorded the resulting difference as an income tax expense.

**TAIWAN MOBILE CO., LTD.**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D)**

(2) Deferred income tax assets (liabilities) were as follows:

	<b>December 31</b>	
	<b>2011</b>	<b>2010</b>
Unrealized loss on retirement of property and equipment	\$ 846,775	1,093,815
Amortization of goodwill	(258,225)	(180,758)
Provision for doubtful accounts	129,691	250,056
Depreciation resulting from the differences in estimated service lives of properties	126,264	117,618
Provision for impairment losses on idle assets	20,979	21,650
Other	33,516	28,295
	899,000	1,330,676
Less valuation allowance	(161,204)	(195,356)
	<b>\$ 737,796</b>	<b>1,135,320</b>
Deferred income tax assets		
Current	\$ -	5,184
Non-current	737,989	1,130,136
	<b>\$ 737,989</b>	<b>1,135,320</b>
Deferred income tax liabilities		
Current	\$ 193	-
	<b>\$ 193</b>	<b>-</b>

(3) Integrated income tax information was as follows:

	<b>December 31</b>	
	<b>2011</b>	<b>2010</b>
Balance of imputation credit account (ICA)	<b>\$ 2,394,350</b>	<b>1,438,180</b>

As of December 31, 2011, there were no unappropriated earnings generated before January 1, 1998. The estimated and actual creditable ratios for the 2011 and 2010 earnings appropriation were 22.28% and 17.68%, respectively.

The imputation credits allocated to the shareholders are based on the ICA balance as of the date of dividend distribution. The estimated creditable ratio for the 2011 earnings appropriation may be adjusted when the imputation credits are distributed.

**TAIWAN MOBILE CO., LTD.**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D)**

- (4) The latest years through which income tax returns had been examined and approved by the tax authorities were as follows:

	Year
The Corporation	2009, except 2006 and 2008
TAT	2007
Trans Asian Telecommunications Inc. (the former TAT)	All applicable
Mobitai Communications	2006

The Corporation's income tax returns for the years up to 2009 had been examined by the tax authorities, except for 2006 and 2008. The Corporation disagreed with the examination results of the income tax returns for 2009 and requested a reexamination.

TAT's income tax returns up to 2007 had been examined by the tax authorities. TAT disagreed with the examination results of the income tax returns for 2006 and 2007 and had filed an appeal.

The former TAT's income tax returns up to 2006 had been examined by the tax authorities. The Corporation filed for corrections of its 2002 through 2004 income tax returns.

Mobitai's income tax returns up to 2006 had been examined by the tax authorities. Mobitai disagreed with the examination results on the income tax return for 2006 and requested a reexamination.

r. Earnings per share

	Amounts (Numerator)			EPS (NT\$)	
	Before Income Tax	After Income Tax	Shares (Denominator) (Thousands)	Before Income Tax	After Income Tax
<u>Year ended December 31, 2011</u>					
Basic EPS					
Income of common shareholders	\$ 14,842,996	13,468,763	2,863,715	\$ 5.18	\$ 4.70
Add effect of dilutive potential common stock—bonus to employees	-	-	6,030		
Diluted EPS					
Income of common shareholders with dilutive effect of potential common shares	\$ 14,842,996	13,468,763	2,869,745	\$ 5.17	\$ 4.69

**TAIWAN MOBILE CO., LTD.**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D)**

	Amounts (Numerator)			EPS (NT\$)	
	Before	After	Shares	Before	After
	Income Tax	Income Tax	(Denominator)	Income	Income
			(Thousands)	Tax	Tax
<u>Year ended December 31, 2010</u>					
Basic EPS					
Income of common shareholders	\$ 16,398,144	13,822,186	2,989,008	<u>\$ 5.48</u>	<u>\$ 4.62</u>
Add effect of dilutive potential common stock – bonus to employees	-	-	8,234		
Diluted EPS					
Income of common shareholders with dilutive effect of potential common shares	<u>\$ 16,398,144</u>	<u>13,822,186</u>	<u>2,997,242</u>	<u>\$ 5.47</u>	<u>\$ 4.61</u>

The Accounting Research Development Foundation (ARDF) issued Interpretation No. 2007-052, which requires companies to recognize bonuses paid to employees and remuneration to directors and supervisors as compensation expenses beginning January 1, 2008. These bonuses and remuneration were previously recorded as appropriations from earnings. If the Corporation may settle the bonus to employees by cash or shares, the Corporation should presume that the entire amount of the bonus will be settled in shares, and the potential share dilution should be included in the weighted-average number of shares outstanding used in the calculation of diluted EPS if the shares have a dilutive effect. In the calculation of diluted EPS, the number of outstanding shares is derived from dividing the entire amount of the bonus by the closing price of the shares at the balance sheet date. Such potential dilutive effect should be taken into consideration in the calculation of diluted EPS until the shareholders resolve the actual number of shares to be distributed to employees at the AGM of the following year.

**TAIWAN MOBILE CO., LTD.**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D)**

s. Financial instrument transactions

(1) Fair value information

	December 31			
	2011		2010	
	Carrying Value	Fair Value	Carrying Value	Fair Value
<u>Financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$ 877,518	877,518	3,880,881	3,880,881
Available-for-sale financial assets – current	217,351	217,351	201,322	201,322
Notes receivable	791	791	378	378
Accounts receivable (including related parties )	5,909,458	5,909,458	5,579,395	5,579,395
Other receivables (including related parties )	1,474,820	1,474,820	12,622,282	12,622,282
Financial assets carried at cost – non-current	50,324	-	50,324	-
Refundable deposits	333,644	333,644	316,243	316,243
<u>Liabilities</u>				
Short-term borrowings	9,000,000	9,000,000	9,645,000	9,645,000
Short-term notes and bills payable	899,273	899,273	499,732	499,732
Accounts payable (including related parties)	3,423,292	3,423,292	2,739,933	2,739,933
Income taxes payable	668,216	668,216	917,585	917,585
Accrued expenses	5,092,903	5,092,903	4,471,500	4,471,500
Other payables	3,125,316	3,125,316	4,348,846	4,348,846
Guarantee deposits (including current portion )	335,365	335,365	324,781	324,781
Bonds payable	8,000,000	8,192,952	8,000,000	8,264,392
Long-term borrowings	-	-	800,000	800,000

(2) The methods and significant assumptions applied for determining fair values of financial instruments were as follows:

- (a) Available-for-sale financial assets—based on quoted prices in an active market at the balance sheet date.
- (b) Financial assets carried at cost—non-current—based on the net worth of the investee or estimated book value; this is because there is no active market for unlisted stocks, and a reliable fair value could only be verified at a more than reasonable cost.
- (c) Bonds payable—based on the over-the-counter quotations in December.
- (d) Long-term borrowings—based on the present value of future cash flows discounted by the interest rates the Corporation may obtain for similar loans.

**TAIWAN MOBILE CO., LTD.**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D)**

- (e) The book values of short-term financial instruments approximate their fair value due to their short maturities; short-term financial instruments include cash and cash equivalents, receivables, refundable deposits, short-term borrowings, short-term notes, payables, and guarantee deposits.
- (3) The fair values of financial assets and liabilities were not simultaneously determined by quoted prices in active markets and by estimations using a valuation technique.
- (4) The financial assets exposed to fair value interest rate risk amounted to \$1,601,054 thousand and \$15,665,858 thousand as of December 31, 2011 and 2010, respectively, and the financial liabilities exposed to fair value interest rate risk amounted to \$17,899,273 thousand and \$18,944,732 thousand as of December 31, 2011 and 2010, respectively. The financial assets exposed to cash flow interest rate risk amounted to \$501,011 thousand and \$297,728 thousand as of December 31, 2011 and 2010, respectively, and the financial liabilities exposed to cash flow interest rate risk amounted to zero.
- (5) Information on financial risks

(a) Market risk

The Corporation did not enter into any financial derivative transactions which would cause significant exposure to exchange rate and interest rate risks.

(b) Credit risk

Credit risk represents the potential impacts on financial assets that the Corporation might encounter if counter-parties or third parties breach the contracts. Factors that affect the impacts include credit risk concentration, components of financial instruments, contract amount, and other receivables. The Corporation's evaluation of credit risk exposure as of December 31, 2011 and 2010, was zero because all counter-parties were reputable financial institutions with good credit ratings.

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



**TAIWAN MOBILE CO., LTD.**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D)**

The credit risk amount listed above is an evaluation of the contracts with positive fair value at the balance sheet date and the contracts with off-balance-sheet commitments and guarantees. Significant concentration of credit risk exists when financial instrument transactions significantly concentrate on one counter-party, 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 by similar economic changes or other situations. The characteristics of credit risk concentration include the nature of the debtors' operating activities. The Corporation does not rely significantly on a single client or counter-party or clients in the same region.

(c) Liquidity risk

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

**5. RELATED-PARTY TRANSACTIONS**

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

<u>Related Party</u>	<u>Relationship with the Corporation</u>
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
TWM Holding Co., Ltd.	Subsidiary
Taiwan Super Basketball Co., Ltd. (TSB)	Subsidiary
TT&T Holdings Co., Ltd.	Subsidiary
Xiamen Taifu Teleservices & Technologies Co., Ltd.	Subsidiary
Taiwan Fixed Network Co., Ltd. (TFN)	Subsidiary
Taiwan Digital Communications Co., Ltd.(TDC)	Subsidiary
Taiwan Teleservices & Technologies Co., Ltd. (TT&T)	Subsidiary
TCC Investment Co., Ltd. (TCCI)	Subsidiary
TFN Union Investment Co., Ltd. (TUI)	Subsidiary
TCCI Investment and Development Co., Ltd. (TID)	Subsidiary

**TAIWAN MOBILE CO., LTD.**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D)**

<b>Related Party</b>	<b>Relationship with the Corporation</b>
Win TV Broadcasting Co., Ltd. (WTB)	Subsidiary
TFN Media Co., Ltd. (TFNM)	Subsidiary
Yeong Jia Leh Cable TV Co., Ltd.	Subsidiary
Mangrove Cable TV Co., Ltd.	Related party in substance
Phoenix Cable TV Co., Ltd.	Subsidiary
Globalview Cable TV Co., Ltd.	Subsidiary
Union Cable TV Co., Ltd.	Subsidiary
TFN HK LIMITED	Subsidiary
TWM Communications (Beijing) Co., Ltd. (TWMC)	Subsidiary
Taiwan Win TV Broadcasting Co., Ltd.	Subsidiary
Taiwan Kuro Times Co., Ltd. (TKT)	Subsidiary (changed relationship with the Corporation on September 1, 2010)
ezPeer Multimedia Limited	Subsidiary (changed relationship with the Corporation on September 1, 2010)
Fubon Multimedia Technology Co., Ltd. (FMT)	Subsidiary (changed relationship with the Corporation on July 13, 2011)
Fu Dheng Travel Service Co.,Ltd.	Subsidiary (changed relationship with the Corporation on July 13, 2011)
Fuli Property Insurance Agent Co.,Ltd.	Subsidiary (changed relationship with the Corporation on July 13, 2011)
Fuli Life Insurance Agent Co.,Ltd.	Subsidiary (changed relationship with the Corporation on July 13, 2011)
Asian Crown International Co.,Ltd.	Subsidiary (changed relationship with the Corporation on July 13, 2011)
Fortune Kingdom Corporation	Subsidiary (changed relationship with the Corporation on July 13, 2011)
Hong Kong Fubon Multimedia Technology Co.,Ltd.	Subsidiary (changed relationship with the Corporation on July 13, 2011)
Fubon Gehua (Beijing) Enterprise Co., Ltd.	Subsidiary (changed relationship with the Corporation on July 13, 2011)
Taiwan Mobile Foundation (TWM Foundation)	Over one-third of the Foundation's funds came from the Corporation
Taipei New Horizons Co., Ltd. (TNH)	Equity-method investee
Fubon Life Assurance Co., Ltd.	Related party in substance

**TAIWAN MOBILE CO., LTD.**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D)**

<b>Related Party</b>	<b>Relationship with the Corporation</b>
Fubon Securities Investment Trust Co., Ltd.	Related party in substance
Fubon Marketing Co., Ltd.	Related party in substance
Fubon Financial Venture Capital Co., Ltd.	Related party in substance
Fubon Asset Management Co., Ltd.	Related party in substance
Chung Hsing Constructions Co., Ltd.	Related party in substance
Fubon Land Development Co., Ltd.	Related party in substance
Fubon Financial Holding Company	Related party in substance
Taipei Fubon Commercial Bank Co., Ltd. (TFCB)	Related party in substance
Fubon Securities Co., Ltd.	Related party in substance
Fubon Future Co., Ltd.	Related party in substance
Fubon Investment Services Co., Ltd.	Related party in substance
Fubon Insurance Co., Ltd. (Fubon Ins.)	Related party in substance
Fubon Property Management Co., Ltd. (FPM)	Related party in substance
Fubon Real Estate Management Co., Ltd.	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

	<b>Years Ended December 31</b>			
	<b>2011</b>		<b>2010</b>	
	<b>Amount</b>	<b>% of Total Revenues</b>	<b>Amount</b>	<b>% of Total Revenues</b>
TFN	\$ 2,372,054	4	2,216,854	4
TFCB	12,859	-	11,732	-
	<b>\$ 2,384,913</b>		<b>2,228,586</b>	

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

**TAIWAN MOBILE CO., LTD.**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D)**

(2) Operating costs

	Years Ended December 31			
	2011		2010	
	Amount	% of Total Costs	Amount	% of Total Costs
	Amount	%	Amount	%
TFN	\$ 3,312,417	9	2,015,734	6
TKT	105,157	-	11,920	-
Fubon Ins.	36,344	-	43,889	-
	<b>\$ 3,453,918</b>		<b>2,071,543</b>	

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

(3) Property transaction

	Year Ended December 31, 2011	
	Description of Property	Amount
TWMC	Telecommunication equipment	\$ 42,274

	Year Ended December 31, 2010	
	Description of Property	Amount
TWMC	Telecommunication equipment	\$ 42,102

(4) Rental income

	Leased Property	Years Ended December 31, 2011	
		2011	2010
		2011	2010
TFN	Offices and BTS, etc.	\$ 106,280	119,094
FMT	Office appliance, etc.	35,048	35,317
TFNM	Offices	10,784	10,784
		<b>\$ 152,112</b>	<b>165,195</b>

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

**TAIWAN MOBILE CO., LTD.**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D)**

(5) Cash in banks

	December 31			
	2011		2010	
	Amount	%	Amount	%
TFCB	\$ 188,741	22	94,136	2

(6) Receivables and payables

	December 31			
	2011		2010	
	Amount	%	Amount	%
<b>(a) Accounts receivable</b>				
TFN	\$ 37,125	1	75,990	1
Other	6,550	-	9,833	-
	\$ 43,675		85,823	
<b>(b) Other receivables</b>				
TFNM (Note 1)	\$ 852,867	58	3,725,325	30
WTB (Note 1)	471,421	32	-	-
TFN	48,058	3	59,310	-
TCC (Notes 1)	-	-	8,397,799	67
TFMT (Note 1)	-	-	33,055	-
TDC	-	-	30,040	-
Other	6,478	-	6,363	-
	\$ 1,378,824		12,251,892	

Note 1: Financing to related parties was as follows:

	Year Ended December 31, 2011				
	Drawdown Amount	Ending Balance (Note 1)	Maximum Balance (Notes 1 and 2)	Interest Rate %	Interest Income
TFNM	\$ 850,000	4,500,000	5,000,000	0.893~1.186	16,760
WTB	470,000	550,000	550,000	1.092~1.190	1,712
TCC	-	-	9,000,000	0.893~0.950	29,220
TDC	-	-	300,000	0.948~1.002	279
TFMT	-	-	50,000	0.950~1.095	312
	\$ 1,320,000	5,050,000			48,283

**TAIWAN MOBILE CO., LTD.**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D)**

Related Party	Year Ended December 31, 2010				
	Drawdown Amount	Ending Balance (Note 1)	Maximum Balance (Notes 1 and 2)	Interest Rate %	Interest Income
TCC	\$ 8,370,000	9,000,000	9,000,000	0.893	28,252
TFNM	3,710,000	5,000,000	7,000,000	0.893	28,651
TFMT	33,000	50,000	50,000	0.950	55
TDC	30,000	300,000	300,000	0.948	40
	<b>\$ 12,143,000</b>	<b>14,350,000</b>			<b>56,998</b>

Note 1: The ending balance and the maximum balance represent quotas.

Note 2: Maximum balance: the maximum accumulated amount of the year.

	December 31			
	2011		2010	
	Amount	%	Amount	%
(c) Accounts payable				
TKT	\$ 36,470	1	-	-
Other	2,391	-	-	-
	<b>\$ 38,861</b>		<b>-</b>	
(d) Accrued expenses				
TFN	\$ 399,783	8	248,681	6
TT&T	88,870	2	67,278	2
TDC	78,505	2	42	-
TWMC	20,646	-	38,250	1
	<b>\$ 587,804</b>		<b>354,251</b>	
(e) Other payables				
TFN	\$ 130,082	4	147,841	3
TDC	20,835	1	11	-
TWMC	15,559	-	-	-
	<b>\$ 166,476</b>		<b>147,852</b>	
(f) Other current liabilities - collections and temporary credits for the following				
TFN	<b>\$ 24,326</b>	5	<b>88,814</b>	21

**TAIWAN MOBILE CO., LTD.**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D)**

(7) Other

	Years Ended December 31	
	2011	2010
(a) Telecommunication service expenses		
TFN	\$ 84,226	79,373
(b) Professional service fees		
TT&T	\$ 907,559	841,116
TWMC	20,573	38,250
	\$ 928,132	879,366
(c) Advertisement expenses		
TSB	\$ 33,500	32,850
(d) Insurance expenses		
Fubon Ins.	\$ 9,733	10,658
(e) Repairs and maintenance		
FPM	\$ 24,513	23,000
(f) Other expense		
TFCB	\$ 62,518	22,679
FPM	25,640	25,244
	\$ 88,158	47,923
(g) Commission expense		
TDC	\$ 237,728	40
(h) Donation expense		
TWM Foundation	\$ 11,713	13,007
(i) Rental expenses		
TFN	\$ 8,824	11,437

(8) Financing from related parties was as follows:

Related Party	Drawdown Amount	Year Ended December 31, 2011			
		Ending Balance (Note 1)	Maximum Balance (Notes 1 and 2)	Interest Rate %	Interest Expense
TFN	\$ -	-	9,000,000	0.893	18,987

**TAIWAN MOBILE CO., LTD.**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D)**

Year Ended December 31, 2010					
Related Party	Drawdown Amount	Ending Balance (Note 1)	Maximum Balance (Notes 1 and 2)	Interest Rate %	Interest Expense
TFN	<u>\$ 6,645,000</u>	<u>9,000,000</u>	<u>9,000,000</u>	0.893	<u>25,603</u>

Note 1: The ending balance and the maximum balance represent quotas.

Note 2: Maximum balance: the maximum accumulated amount of the year.

(9) Endorsement/guarantee provided

The Corporation provided a \$21,500,000 thousand guarantee for TFN's bank loans. The Corporation also provided \$19,759,800 thousand in promissory notes outstanding for TFN's borrowings from banks.

(10) Other

(a) For the years ended December 31, 2011 and 2010, the Corporation provided services to companies below and received fees, which were recorded as deductions from related costs and expenses. The Corporation's service charges received were as follows:

	Years Ended December 31	
	2011	2010
TFN	<u>\$ 462,334</u>	<u>449,133</u>

(b) For the year ended December 31, 2011 and 2010, the company below provided services to the Corporation and received fees. The Corporation's service charges paid were as follows:

	Years Ended December 31	
	2011	2010
TFN	<u>\$ 60,760</u>	<u>87,085</u>



**TAIWAN MOBILE CO., LTD.**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D)**

c. Compensation to directors, supervisors, and managers:

	<b>Years Ended December 31</b>	
	<b>2011</b>	<b>2010</b>
Salaries, incentives, and special compensation	\$ 154,181	242,394
Earnings paid as remunerations to directors	36,284	37,306
Earnings paid as bonus to employees	38,251	64,203
Professional fee	2,360	2,120
	<b>\$ 231,076</b>	<b>346,023</b>

The compensation to directors, supervisors and managers for the year ended December 31, 2010 included the bonus appropriation from 2010 earnings approved in 2011 AGM. While that for the year ended December 31, 2011 included the bonus appropriation from 2011 earnings subject to approval in 2012 AGM. More detailed information may be referred in the Corporation's annual reports.

**6. ASSETS PLEDGED: NONE**

**7. COMMITMENTS AND CONTINGENT EVENTS**

- a. To enhance 3G mobile communications, expand network coverage, and increase the service functions, the Corporation entered into 3G expansion contracts with Nokia Siemens Networks Taiwan Co., Ltd. for \$3,840,861 thousand in May 2009 and \$6,650,000 thousand in February 2011. As of December 31, 2011, the purchase amount was \$3,779,485 thousand and \$1,980,972 thousand, respectively.
- b. Future minimum rental payments as of December 31, 2011, for significant operating lease agreements, are summarized as follows:

	<b>Amount</b>
2012	\$ 90,314
2013	72,335
2014	66,306
2015	47,957
2016	22,468

**8. SIGNIFICANT CASUALTY LOSS: NONE**

**9. SIGNIFICANT SUBSEQUENT EVENTS: NONE**

**TAIWAN MOBILE CO., LTD.**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D)**

**10. OTHER**

Labor cost, depreciation, and amortization

	Years ended December 31					
	2011			2010		
	Classified as Operating Costs	Classified as Operating Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Total
Labor cost						
Salary	\$ 924,423	1,769,392	2,693,815	929,563	1,839,472	2,769,035
Labor and health insurance	56,209	103,176	159,385	53,886	95,467	149,353
Pension	37,470	62,699	100,169	37,041	63,038	100,079
Other	43,635	83,392	127,027	44,363	82,823	127,186
Depreciation	6,395,906	599,477	6,995,383	6,591,479	573,741	7,165,220
Amortization	913,907	145,332	1,059,239	756,797	120,754	877,551

**11. ADDITIONAL DISCLOSURES**

The additional disclosures required by the Securities and Futures Bureau for the Corporation and its investees were as follows:

- a. Financing provided: Table 1 (attached)
- b. Endorsement/guarantee provided: Table 2 (attached)
- c. Marketable securities held: Table 3 (attached)
- d. Marketable securities acquired and disposed of at costs or prices of at least \$100 million or 20% of the paid-in capital: Table 4 (attached)
- e. Acquisition of individual real estate at costs of at least \$100 million or 20% of the paid-in capital: Table 5 (attached)
- f. Disposal of individual real estate at prices of at least \$100 million or 20% of the paid-in capital: None
- g. Total purchases from or sales to related parties amounting to at least \$100 million or 20% of the paid-in capital: Table 6 (attached)
- h. Receivables from related parties amounting to at least \$100 million or 20% of the paid-in capital: Table 7 (attached)
- i. Names and locations of, and related information on investees on which the Corporation exercised significant influence: Table 8 (attached)
- j. Derivative transactions: None

**TAIWAN MOBILE CO., LTD.**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D)**

k. Investment in Mainland China:

- (1) The name of the investee company in Mainland China, the main businesses and products, issued capital, method of investment, information on inflow or outflow of capital, ownership, investment gain or loss, ending balance, amount received as earnings distributions from the investment, and the limitation on investment: Table 9 (attached)
- (2) Significant direct or indirect transactions with the investee company, 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

**12. SEGMENT INFORMATION**

In accordance with the fifth paragraph of SFAS No. 41, the segment information should be disclosed in the consolidated financial report by the Corporation, but it does not need to be disclosed in the individual financial report.

**TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES**  
**FINANCING PROVIDED**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

TABLE 1

(In Thousands of New Taiwan Dollars)

No.	Lending Company	Borrowing Company	Financial Statement Account	Maximum Balance for the Period (Note 1)	Ending Balance (Note 1)	Drawdown Amounts	Interest Rate	Financing Purpose	Transaction Amounts	Reasons for Short-term Financing	Allowance for Doubtful Accounts	Collateral		Lending Limit for Each Borrowing Company	Lending Company's Lending Amount Limits
												Item	Value		
0	Taiwan Mobile Co., Ltd. (the "Corporation")	TFN Media Co., Ltd.	Other receivables	\$ 5,000,000	\$ 4,500,000	\$ 850,000	0.893%~1.186%	Short-term financing	-	Operation requirements	-	-	-	\$ 19,579,204 (Note 2)	19,579,204 (Note 2)
		Taiwan Cellular Co., Ltd.	Other receivables	9,000,000	-	-	0.893%~0.95%	Short-term financing	-	Operation requirements	-	-	-	19,579,204 (Note 2)	19,579,204 (Note 2)
		Taiwan Digital Communication Co., Ltd.	Other receivables	300,000	-	-	0.948%~1.002%	Short-term financing	-	Operation requirements	-	-	-	19,579,204 (Note 2)	19,579,204 (Note 2)
		Tai Fu Media Technology Co., Ltd.	Other receivables	50,000	-	-	0.95%~1.095%	Short-term financing	-	Operation requirements	-	-	-	19,579,204 (Note 2)	19,579,204 (Note 2)
		Win TV Broadcasting Co., Ltd.	Other receivables	550,000	550,000	470,000	1.092%~1.190%	Short-term financing	-	Operation requirements	-	-	-	19,579,204 (Note 2)	19,579,204 (Note 2)
1	Taiwan Cellular Co., Ltd.	Win TV Broadcasting Co., Ltd.	Other receivables	360,000	-	-	0.847%~1.009%	Short-term financing	-	Operation requirements	-	-	-	30,582,980 (Note 2)	30,582,980 (Note 2)
		Taiwan Digital Communications Co., Ltd.	Other receivables	150,000	150,000	40,000	1.590%	Short-term financing	-	Operation requirements	-	-	-	30,582,980 (Note 2)	30,582,980 (Note 2)
		TFN Media Co., Ltd.	Other receivables	7,000,000	5,000,000	4,100,000	1.35%~1.564%	Short-term financing	-	Operation requirements	-	-	-	30,582,980 (Note 2)	30,582,980 (Note 2)
2	Taiwan Fixed Network Co., Ltd.	The Corporation	Other receivables	9,000,000	-	-	0.893%	Short-term financing	-	Operation requirements	-	-	-	17,906,179 (Note 2)	17,906,179 (Note 2)
		TFN Union Investment Co., Ltd.	Other receivables	500	500	-	1.087%	Short-term financing	-	Operation requirements	-	-	-	17,906,179 (Note 2)	17,906,179 (Note 2)
		Taiwan Cellular Co., Ltd.	Other receivables	11,000,000	8,170,000	4,670,000	1.093%~1.164%	Short-term financing	-	Operation requirements	-	-	-	17,906,179 (Note 2)	17,906,179 (Note 2)
3	TCC Investment Co., Ltd.	TCCI Investment and Development Co., Ltd.	Other receivables	500	500	-	1.087%	Short-term financing	-	Operation requirements	-	-	-	12,579,226 (Note 2)	12,579,226 (Note 2)
4	Union Cable TV Co., Ltd.	TFN Media Co., Ltd.	Other receivables	739,000	715,000	645,000	0.851%~1.190%	Short-term financing	-	Repayment of financing	-	-	-	749,281 (Note 3)	13,500,000 (Note 3)
5	Globalview Cable TV Co., Ltd.	TFN Media Co., Ltd.	Other receivables	233,000	-	-	0.851%~1.000%	Transactions	242,276	Business requirements	-	-	-	242,276 (Note 4)	518,711 (Note 4)
		TFN Media Co., Ltd.	Other receivables	250,000	250,000	250,000	1.087%	Short-term financing	-	Repayment of financing	-	-	-	276,435 (Note 4)	518,711 (Note 4)

(Continued)

**TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES**  
**FINANCING PROVIDED**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

No.	Lending Company	Borrowing Company	Financial Statement Account	Maximum Balance for the Period (Note 1)	Ending Balance (Note 1)	Drawdown Amounts	Interest Rate	Financing Purpose	Transaction Amounts	Reasons for Short-term Financing	Allowance for Doubtful Accounts	Collateral	Lending Limit for Each Borrowing Company	Lending Company's Lending Amount Limits
6	Phoenix Cable TV Co., Ltd.	TFN Media Co., Ltd.	Other receivables	\$ 584,000	\$ 580,000	\$ 580,000	0.854%~1.092%	Transactions	\$ 596,517	Business requirements	\$ -	-	\$ 12,000,000 (Note 5)	\$ 12,000,000 (Note 5)
7	Yeong Jia Leh Cable TV Co., Ltd.	TFN Media Co., Ltd.	Other receivables	409,000	351,000	351,000	0.854%~1.186%	Transactions	544,349	Business requirements	-	-	24,000,000 (Note 5)	24,000,000 (Note 5)
8	Wealth Media Technology Co., Ltd.	Global Wealth Media Technology Co., Ltd.	Other receivables	15,000	-	-	0.851%	Short-term financing	-	Repayment of financing	-	-	3,544,867 (Note 2)	3,544,867 (Note 2)
		Tai Fu Media Technology Co., Ltd.	Other receivables	50,000	50,000	43,000	1.186%	Short-term financing	-	Operation requirements	-	-	3,544,867 (Note 2)	3,544,867 (Note 2)
9	Tai Fu Media Technology Co., Ltd.	Global Wealth Media Technology Co., Ltd.	Other receivables	10,000	10,000	4,000	1.087%	Short-term financing	-	Repayment of financing	-	-	86,240 (Note 2)	86,240 (Note 2)
10	TFN Media Co., Ltd	Taiwan Kuro Times Co., Ltd.	Other receivables	100,000	100,000	30,000	1.578%~1.590%	Short-term financing	-	Operation requirements	-	-	1,926,046 (Note 3)	15,000,000 (Note 3)

Note 1: Maximum amount for the period and the ending balance represent quotas, not actual appropriation.

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

Note 3: Where funds are loaned for reasons of business dealings and short-term financing needs, the amount of loaning funds shall be both limited to the higher amount of the following items: 1) a multiple of the lending company's capital, or 2) the amount of business dealings. A) 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 lending company's capital, or 2) the amount of business dealing. B) For short-term financing needs: the individual lending amount and the aggregate amount of loaning funds shall not exceed 40% of the lending company's net worth.

Note 4: Where funds are loaned for reasons of business dealings and short-term financing needs, the amount of loaning funds shall be limited to the total amount of business dealing and 40% of the lending company's net worth. A) For reasons of business dealings: the individual lending amount and the aggregate amount of loaning funds shall not exceed the amount of business dealing. B) For short-term financing needs: the individual lending amount and the aggregate amount of loaning funds shall not exceed 40% of the lending company's net worth.

Note 5: Where funds are loaned for reasons of business dealings, the individual lending amount and the aggregate amount of loaning funds shall both be limited to the higher amount of the following items: 1) a multiple of the lending company's capital, or 2) the amount of business dealings.

**TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES**  
**ENDORSEMENT/GUARANTEE PROVIDED**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

TABLE 2

(In Thousands of New Taiwan Dollars)

No.	Endorsement/Guarantor (A)	Receiving Party		Maximum Guarantee/ Endorsement Amount That Can Be Provided to Each Receiving Party	Maximum Balance for the Period (Note 1)	Ending Balance (Note 1)	Value of Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Worth of the Guarantor (Note 1)	Maximum Guarantee/ Endorsement That 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.	(Note 2)	\$ 42,000,000 (Note 3)	\$ 26,557,595	\$ 19,759,800	\$ -	40.37%	\$ 48,948,011
1	Taiwan Teleservices & Technologies Co., Ltd.	Taiwan Fixed Network Co., Ltd.	(Note 4)  (Note 6)	20,000 (Note 5)/ (Note 6)	146	-	-	0.00%	101,959 (Note 5)

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

Note 2: Direct/indirect subsidiary

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

Note 4: Parent company

Note 5: TT&T is directly and indirectly 100% owned by TFN. The endorsement/guarantee amount provided by TT&T shall be limited to the net worth of TT&T, and not over double the investment amount in TT&T.

Note 6: Following the sale by TFN of its 100% shareholding in TT&T on May 14, 2010, the endorsement/guarantee provided by TT&T is for transactions. The aggregate endorsement/guarantee amount shall not exceed the net worth of TT&T, and the individual endorsement/guarantee amount shall not exceed the amount of business dealings. The amount of business dealings is \$132,614 thousand.

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

DECEMBER 31, 2011

TABLE 3

(In Thousands of New Taiwan Dollars unless stated otherwise)

Investing Company (A)	Marketable Securities Invested (B)	Relationship with the Investing Company (B is A's)	Financial Statement Account	DECEMBER 31, 2011				Note
				Shares/Units (Thousands)	Carrying Value	Percentage of Ownership	Market Value (Note 1)	
Taiwan Mobile Co., Ltd. (the "Corporation")	<u>Stock</u> Chunghwa Telecom Co., Ltd.	-	Available-for-sale financial assets - current	2,174	\$ 217,351	0.028	\$ 217,351 (Note 5)	
	Bridge Mobile Pte Ltd.	-	Financial assets carried at cost - non-current	2,200	50,324	10	- (Note 3)	
	Yes Mobile Holdings Company	-	Financial assets carried at cost - non-current	74	-	0.19	- (Note 3)	
	Wealth Media Technology Co., Ltd.	Subsidiary	Long-term investments - equity method	38,550	8,862,169	100	8,862,169	
	Taiwan Cellular Co., Ltd.	Subsidiary	Long-term investments - equity method	370,896	17,195,352	100	76,457,449 (Note 4)	
	Taipei New Horizons Co., Ltd.	Equity-method investee	Long-term investments - equity method	64,870	562,812	49.9	562,812	
Wealth Media Technology Co., Ltd.	<u>Stock</u> Tai Fu Media Technology Co., Ltd.	Subsidiary	Long-term investments - equity method	20,090	215,600	100	215,600	
	Taiwan Win TV Broadcasting Co., Ltd.	Subsidiary	Long-term investments - equity method	16	9,858	100	9,858	
	Fubon Multimedia Technology Co., Ltd.	Subsidiary	Long-term investments - equity method	58,857	8,543,487	50.64	1,067,828	
Tai Fu Media Technology Co., Ltd.	<u>Stock</u> Global Wealth Media Technology Co., Ltd.	Subsidiary	Long-term investments - equity method	8,400	91,291	100	91,291	
	Fu Jia Leh Media Technology Co., Ltd.	Subsidiary	Long-term investments - equity method	100	423	100	423	
	Fu Sin Media Technology Co., Ltd.	Subsidiary	Long-term investments - equity method	13,500	143,971	100	143,971	
	Global Forest Media Technology Co., Ltd.	Subsidiary	Long-term investments - equity method	1,500	16,868	100	16,868	
Global Wealth Media Technology Co., Ltd.	<u>Stock</u> Globalview Cable TV Co., Ltd.	Subsidiary	Long-term investments - equity method	3,825	95,216	6.83	47,208	
Fu Sin Media Technology Co., Ltd.	<u>Stock</u> Phoenix Cable TV Co., Ltd.	Subsidiary	Long-term investments - equity method	2,272	135,050	3.34	34,770	
Global Forest Media Technology Co., Ltd.	<u>Stock</u> Union Cable TV Co., Ltd.	Subsidiary	Long-term investments - equity method	1,300	15,851	0.76	14,289	

(Continued)

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

DECEMBER 31, 2011

Investing Company (A)	Marketable Securities Invested (B)	Relationship with the Investing Company (B is A's)	Financial Statement Account	DECEMBER 31, 2011				Note
				Shares/Units (Thousands)	Carrying Value	Percentage of Ownership	Market Value (Note 1)	
Fubon Multimedia Technology Co., Ltd.	<u>Beneficiary certificates</u>							
	Fuh Hwa Money Market Funds	-	Financial assets at fair value through profit or loss-current	4,314	\$ 60,186	-	\$ 60,186 (Note 5)	
	<u>Stock</u>							
	Fu Sheng Travel Service Co.,Ltd.	Subsidiary	Long-term investments - equity method	600	7,112	100	7,112	
	Fuli Life Insurance Agent Co.,Ltd.	Subsidiary	Long-term investments - equity method	300	12,925	100	12,925	
Asian Crown International Co., Ltd.	Fuli Property Insurance Agent Co.,Ltd.	Subsidiary	Long-term investments - equity method	300	17,872	100	17,872	
	<u>Stock</u>							
	Asian Crown International Co., Ltd.	Subsidiary	Long-term investments - equity method	47	US\$ 10,733	100	US\$ 10,733	
	<u>Stock</u>							
	Fortune Kingdom Corporation	Subsidiary	Long-term investments - equity method	14,000	US\$ 10,733	100	US\$ 10,733	
Fortune Kingdom Corporation	<u>Stock</u>							
	Hong Kong Fubon Multimedia Technology Co., Ltd.	Subsidiary	Long-term investments - equity method	14,000	US\$ 10,733	100	US\$ 10,733	
Hong Kong Fubon Multimedia Technology Co., Ltd.	<u>Stock</u>							
	Fubon Gehua (Beijing) Enterprise Ltd.	Subsidiary	Long-term investments - equity method	-	US\$ 9,138	80	US\$ 9,138	
Taiwan Cellular Co., Ltd.	<u>Stock</u>							
	Arcoa 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	20,207	3	- (Note 3)	
	Transportation High Tech Inc.	-	Financial assets carried at cost - non-current	1,200	- (Note 2)	12	- (Note 3)	

(Continued)



TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

DECEMBER 31, 2011

Investing Company (A)	Marketable Securities Invested (B)	Relationship with the Investing Company (B is A's)	Financial Statement Account	DECEMBER 31, 2011				Note
				Shares/Units (Thousands)	Carrying Value	Percentage of Ownership	Market Value (Note 1)	
Taiwan Cellular Co., Ltd.	WEB Point Co., Ltd.	-	Financial assets carried at cost - non-current	803	\$ 6,773	3.17	\$ - (Note 3)	
	TWM Holding Co. Ltd.	Subsidiary	Long-term investments - equity method	1 share	US\$ 8,745	100	US\$ 8,745	
	Taiwan Fixed Network Co., Ltd.	Subsidiary	Long-term investments - equity method	2,100,000	44,765,447	100	44,765,447	
	Taiwan Digital Communication Co., Ltd.	Subsidiary	Long-term investments - equity method	11,200	119,161	100	119,161	
	TCC Investment Co., Ltd.	Subsidiary	Long-term investments - equity method	24,076	31,575,249	100	31,448,066	
	Taiwan Teleservices & Technologies Co., Ltd.	Subsidiary	Long-term investments - equity method	2,484	101,959	100	101,959	
TWM Holding Co., Ltd.	<u>Stock</u> TWM Communications (Beijing) Co., Ltd.	Subsidiary	Long-term investments - equity method	-	US\$ 4,198	100	US\$ 3,307	
Taiwan Teleservices & Technologies Co., Ltd.	<u>Stock</u> TT & T Holdings Co., Ltd.	Subsidiary	Long-term investments - equity method	1,300	US\$ 1,609	100	US\$ 1,609	
	Taiwan Super Basketball Co., Ltd.	Subsidiary	Long-term investments - equity method	2,000	22,864	100	22,864	
TT&T Holdings Co., Ltd.	<u>Stock</u> Xiamen Taifu Teleservices & Technologies Co., Ltd.	Subsidiary	Long-term investments - equity method	-	US\$ 1,588	100	US\$ 1,588	
TCC Investment Co., Ltd.	<u>Stock</u> Taiwan Mobile Co., Ltd. (the "Corporation")	The Corporation	Available-for-sale financial assets - non-current	200,497	18,926,894	5.86	18,926,894 (Note 5)	
	Win TV Broadcasting Co., Ltd.	Subsidiary	Long-term investments - equity method	18,177	264,364	100	256,747	
	TFN Media Co., Ltd.	Subsidiary	Long-term investments - equity method	230,526	2,702,551	100	4,815,115	
	TCCI Investment and Development Co., Ltd.	Subsidiary	Long-term investments - equity method	400	10,809,387	100	10,809,387	
	Great Taipei Broadband Co., Ltd.	-	Financial assets carried at cost - non-current	10,000	41,241	6.67	- (Note 3)	
	<u>Preferred stock</u> Taiwan High Speed Rail Corporation Unlisted Convertible Preferred Stock - Series A	-	Bonds measured at amortized cost - non-current	50,000	500,000	1.24	- (Note 3)	
TCCI Investment and Development Co., Ltd.	<u>Stock</u> Taiwan Mobile Co., Ltd. (the "Corporation")	The Corporation	Available-for-sale financial assets - non-current	119,564	11,286,823	3.50	11,286,823 (Note 5)	
TFN Media Co., Ltd.	<u>Stock</u> Yeong Jia Leh Cable TV Co., Ltd.	Subsidiary	Long-term investments - equity method	33,940	2,216,624	100	692,144	

(Continued)

**TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES**

**MARKETABLE SECURITIES HELD**

**DECEMBER 31, 2011**

Investing Company (A)	Marketable Securities Invested (B)	Relationship with the Investing Company (B is A's)	Financial Statement Account	DECEMBER 31, 2011				Note
				Shares/Units (Thousands)	Carrying Value	Percentage of Ownership	Market Value (Note 1)	
TFN Media Co., Ltd.	Mangrove Cable TV Co., Ltd.	Related party in substance	Long-term investments - equity method	6,248	\$ 612,879	29.53	\$ 349,704 (Note 6)	
	Phoenix Cable TV Co., Ltd.	Subsidiary	Long-term investments - equity method	65,818	3,231,826	96.66	1,007,321	
	Union Cable TV Co., Ltd.	Subsidiary	Long-term investments - equity method	169,141	2,061,857	99.22	1,858,671	
	Globalview Cable TV Co., Ltd.	Subsidiary	Long-term investments - equity method	51,733	1,260,952	92.38	638,432	
	Taiwan Kuro Times Co., Ltd.	Subsidiary	Long-term investments - equity method	1,214	114,755	100	30,225	
Taiwan Kuro Times Co., Ltd.	<u>Stock</u> ezPeer Multimedia Limited	Subsidiary	Long-term investments - equity method	1 share	US\$ 844	100	US\$ 844	
Taiwan Fixed Network Co., Ltd.	<u>Stock</u> TFN Union Investment Co., Ltd.	Subsidiary	Long-term investments - equity method	400	37,122,885	100	37,122,885	
	TFN HK LIMITED	Subsidiary	Long-term investments - equity method	1,300	HK\$ 2,019	100	HK\$ 2,019	
	Taiwan High Speed Rail Corporation	-	Financial assets carried at cost - non-current	225,531	912,463	3.46	- (Note 3)	
TFN Union Investment Co., Ltd.	<u>Stock</u> Taiwan Mobile Co., Ltd. (the "Corporation")	The Corporation	Available-for-sale financial assets - non-current	410,665	38,766,803	12.00	38,766,803 (Note 5)	

Note 1: Based on the investee's net worth as shown in its audited 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 19, 2012, the independent auditors' report date, the investee's net worth was not available.

Note 4: The Corporation's shares held by TCCI, TID and TUI (all are subsidiaries 100% owned by TCC) are classified as treasury shares. Therefore, the Corporation's carrying cost of \$76,457,449 thousand for TCC shall be reduced by 1) downward adjusting \$(31,077,183) thousand, the carrying value of total treasury shares on the Corporation's books, 2) excluding \$(28,636,318) thousand of unrealized gain from financial asset investment, 3) adding back \$475,907 thousand of income tax expenses resulting from TFN's and TFNI's disposal gain from the Corporation's shares, and 4) excluding recognition of upstream transactions gain of \$(24,503) thousand.

Note 5: Based on the closing price or net asset value of funds on December 31, 2011.

Note 6: 70.47% of shares are held under trustee accounts.

Note 7: The above amounts were translated into New Taiwan dollars at the exchange rate of US\$1 = NT\$30.28 and HK\$1 = NT\$3.896 as of December 31, 2011.

**TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES**

**MARKETABLE SECURITIES ACQUIRED OR DISPOSED AMOUNTING TO AT LEAST \$100 MILLION**

**FOR THE YEAR ENDED DECEMBER 31, 2011**

TABLE 4

(In Thousands of New Taiwan Dollars unless stated otherwise)

Company Name	Marketable Securities Type and Issuer	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal			Ending Balance		
					Shares/Units (Thousands)	Amount	Shares/Units (Thousands)	Amount	Shares/Units (Thousands)	Amount	Carrying Value	Gain (Loss) on Disposal	Shares/Units (Thousands)	Amount
Taiwan Mobile Co., Ltd. (the "Corporation")	Stock Taiwan Cellular Co., Ltd.	Long-term investment-equity method	Taiwan Cellular Co., Ltd.	Subsidiary	30,000	\$ 10,618,840	340,896 (Note 1,2)	\$ 5,500,000	-	\$ -	\$ -	\$ -	370,896	\$ 17,195,352 (Note 7)
	Wealth Media Technology Co., Ltd.	Long-term investment-equity method	Wealth Media Technology Co., Ltd.	Subsidiary	37,200	301,977	1,350 (Note 1,3)	8,349,894 (Note 4)	-	-	-	-	38,550	8,862,169 (Note 7)
	Taipei New Horizons Co., Ltd.	Long-term investment-equity method	Taipei New Horizons Co., Ltd.	Equity-method investee	44,910	388,002	19,960 (Note 1)	199,600	-	-	-	-	64,870	562,812 (Note 7)
Wealth Media Technology Co., Ltd.	Stock Fubon Multimedia Technology Co., Ltd.	Long-term investment-equity method	Fubon Financial Venture Capital Co., Ltd.	Related party in substance	-	-	58,857 (Note 1)	8,347,949	-	-	-	-	58,857	8,543,487 (Note 7)
Taiwan Cellular Co., Ltd.	Stock Taiwan Digital Communication Co., Ltd.	Long-term investment-equity method	Taiwan Digital Communication Co., Ltd.	Subsidiary	1,200	11,604	10,000 (Note 1)	100,000	-	-	-	-	11,200	119,161 (Note 7)
	TCC Investment Co., Ltd.	Long-term investment-equity method	TCC Investment Co., Ltd.	Subsidiary	3,950	26,428,349	20,126 (Note 1,4)	(500,000) (Note 4)	-	-	-	-	24,076	31,575,249 (Note 7)
Taiwan Fixed Network Co., Ltd.	Stock TFN Union Investment Co., Ltd.	Long-term investment-equity method	TFN Union Investment Co., Ltd.	Subsidiary	400	30,900,208	- (Note 5)	(454,573) (Note 6)	-	-	-	-	400	37,122,885 (Note 7)
TCC Investment Co., Ltd.	Stock TCCI Investment and Development Co., Ltd.	Long-term investment-equity method	TCCI Investment and Development Co., Ltd.	Subsidiary	400	8,996,439	- (Note 5)	(131,073) (Note 6)	-	-	-	-	400	10,809,387 (Note 7)
Fubon Multimedia Technology Co., Ltd.	Beneficiary certificates Fuh Hwa Money Market Funds	Financial assets at fair value through profit or loss-current	-	-	-	-	164,804	2,280,000	160,490	2,221,267	2,220,000	1,267	4,314	60,186 (Note 7)
	Fuh Hwa You Li Money Market Funds	Financial assets at fair value through profit or loss-current	-	-	7,739	100,113	-	-	7,739	100,277	100,000	277	-	-
	Fubon Chi-Hsiang Money Market Funds	Financial assets at fair value through profit or loss-current	Fubon Securities Investment Trust Co., Ltd.	Related party in substance	7,641	115,013	138,359	2,015,000	146,000	2,130,781	2,130,000	781	-	-
Fuli Life Insurance Agent Co., Ltd.	Beneficiary certificates Fubon Chi-Hsiang Money Market Funds	Financial assets at fair value through profit or loss-current	Fubon Securities Investment Trust Co., Ltd.	Related party in substance	7,676	115,541	398	6,000	8,074	121,654	121,500	154	-	-
Hong Kong Fubon Multimedia Technology Co., Ltd.	Stock Fubon Gehua (Beijing) Enterprise Ltd.	Long-term investment-equity method	Fubon Gehua (Beijing) Enterprise Ltd.	Subsidiary	-	-	-	US \$12,319	-	-	-	-	-	US\$ 9,138 (Note 7)

Note 1: The shares/units and amount of marketable securities acquired do not include stock dividends from investees.

Note 2: The shares/units and amount of marketable securities acquired include transferred to capital by legal reserve and issued to stock by cash.

Note 3: The shares/units and amount of marketable securities acquired include capital reduction to make up for losses and issued to stock by cash.

Note 4: The shares/units and amount of marketable securities acquired include issued to stock by cash and returned to investors by cash.

Note 5: The shares/units and amount of marketable securities acquired include transferred to capital by capital surplus and capital reduction.

Note 6: The amount of marketable securities acquired include capital surplus used to cover accumulated deficits and returned to investors by cash.

Note 7: The ending balance includes the unrealized gain or loss on financial instruments, cumulative translation adjustments, investment income or loss recognized under the equity method, and other adjustments in long-term investment using equity method.

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL

FOR THE YEAR ENDED DECEMBER 31, 2011

TABLE 5

(In Thousands of New Taiwan Dollars)

Company Name	Type of Properties	Transaction Date	Transaction Amount	Payment Status	Counter-Party	Relationship	Where Counter-party is a Related, Details of Prior Transaction				Price Reference	Date of Acquisition and Status of Utilization	Other Commitments
							Owner	Relationships	Date of Transaction	Amount			
Taiwan Fixed Network Co., Ltd.	Land and Building	100/7/18	2,868,000	Outstanding amount is 2,543 as of December 31, 2011	HAN YA Co., Ltd.	Third party	-	-	-	-	Based on valuation report of the DTZ Real Estate Appraisers Firm and REPro Real Estate Appraisers Firm	Operating requirement	None

**TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES**  
**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

TABLE 6

(In Thousands of New Taiwan Dollars)

Company Name (A)	Related Party (B)	Nature of Relationship (B is A's)	Transaction Details				Transactions with Terms Different from Others		Notes/Accounts Payable or Receivable		Note
			Purchase/ Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
Taiwan Mobile Co., Ltd. (the "Corporation")	Taiwan Fixed Network Co., Ltd.	Subsidiary	Sale	\$ (2,372,054)	(4)	Based on contract terms	-	-	\$ 433,991	7	(Note 1)
			Purchase	3,396,643	(Note 2)	Based on contract terms	-	-	(418,791)	(Note 3)	
	Taiwan Digital Communications Co., Ltd.	Subsidiary	Purchase	237,728	(Note 4)	Based on contract terms	-	-	(99,340)	(Note 5)	
	Taiwan Kuro Times Co., Ltd.	Subsidiary	Purchase	105,157	-	Based on contract terms	-	-	(36,470)	1	
	Taiwan Teleservices & Technologies Co., Ltd.	Subsidiary	Purchase	907,559	(Note 4)	Based on contract terms	-	-	(88,870)	(Note 6)	
Taiwan Teleservices & Technologies Co., Ltd.	The Corporation	Ultimate parent	Sale	(907,732)	(87)	Based on contract terms	-	-	88,894	90	
	Taiwan Fixed Network Co., Ltd.	Related party in substance	Sale	(132,614)	(13)	Based on contract terms	-	-	9,954	10	
Taiwan Fixed Network Co., Ltd.	The Corporation	Ultimate parent	Sale	(3,388,316)	(29)	Based on contract terms	-	-	418,791	38	(Note 7)
			Purchase	2,375,441	32	Based on contract terms	-	-	(433,148)	(52)	
	TFN Media Co., Ltd.	Related party in substance	Sale	(103,425)	(1)	Based on contract terms	-	-	19,362	2	
	Taiwan Teleservices & Technologies Co., Ltd.	Related party in substance	Purchase	132,614	(Note 4)	Based on contract terms	-	-	(9,954)	(Note 6)	
Taiwan Digital Communications Co., Ltd.	The Corporation	Ultimate parent	Sale	(237,956)	(75)	Based on contract terms	-	-	99,352	97	
Taiwan Kuro Times Co., Ltd.	The Corporation	Ultimate parent	Sale	(104,763)	(47)	Based on contract terms	-	-	39,104	70	
TFN Media Co., Ltd.	Phoenix Cable TV Co., Ltd.	Subsidiary	Channel leasing fee	(496,561)	(17)	Based on contract terms	(Note 8)	(Note 8)	1,423	1	
	Yeong Jia Leh Cable TV Co., Ltd.	Subsidiary	Channel leasing fee	(449,909)	(15)	Based on contract terms	(Note 8)	(Note 8)	2,174	1	
	Globalview Cable TV Co., Ltd.	Subsidiary	Channel leasing fee	(201,408)	(7)	Based on contract terms	(Note 8)	(Note 8)	910	-	
	Union Cable TV Co., Ltd.	Subsidiary	Channel leasing fee	(232,630)	(8)	Based on contract terms	(Note 8)	(Note 8)	795	-	
	Taiwan Fixed Network Co., Ltd.	Related party in substance	Operating cost-rent	100,393	8	Based on contract terms	-	-	(18,946)	(3)	

(Continued)

**TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES**  
**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

Company Name (A)	Related Party (B)	Nature of Relationship (B is A's)	Transaction Details				Transactions with Terms Different from Others		Notes/Accounts Payable or Receivable		Note
			Purchase/ Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
Yeong Jia Leh Cable TV Co., Ltd.	TFN Media Co., Ltd.	Parent	Royalty for copyright	\$ 449,909	65	Based on contract terms	(Note 8)	(Note 8)	(2,174)	(16)	
Phoenix Cable TV Co., Ltd.	TFN Media Co., Ltd.	Parent	Royalty for copyright	496,561	67	Based on contract terms	(Note 8)	(Note 8)	(1,423)	(16)	
Union Cable TV Co., Ltd.	TFN Media Co., Ltd.	Parent	Royalty for copyright	232,630	62	Based on contract terms	(Note 8)	(Note 8)	(795)	(14)	
Globalview Cable TV Co., Ltd.	TFN Media Co., Ltd.	Parent	Royalty for copyright	201,408	63	Based on contract terms	(Note 8)	(Note 8)	(910)	(14)	
Mangrove Cable TV Co., Ltd	Dai-Ka Ltd.	Related party in substance	Royalty for copyright	162,898	60	Based on contract terms	(Note 8)	(Note 8)	-	-	

Note 1: The \$37,125 thousand accounts receivable amount was expressed on a gross basis in accordance with the sales amount. The net accounts receivable should be \$396,866 thousand after deducting accounts payable and accrued custodial receipts/payments totaling \$433,991 thousand.

Note 2: Included operating costs and operating expenses.

Note 3: Included accounts payable and accrued expenses.

Note 4: Recognized as operating expenses.

Note 5: Included accrued expenses and other payable.

Note 6: Recognized as accrued expenses.

Note 7: The \$398,558 thousand accounts receivable amount was expressed on a gross basis in accordance with the sales amount. The net accounts receivable should be \$20,233 thousand after deducting accounts payable and accrued custodial receipts/payments totaling \$418,791 thousand.

Note 8: The company authorized related party to deal with the copyright fees from cable television. As said account item is the only one, there are no comparables.

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, 2011

TABLE 7

(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	5.89	\$ -	-	\$ 732	\$ -
			Other receivables					
	TFN Media Co., Ltd. Win TV Broadcasting Co., Ltd.	Subsidiary Subsidiary	Other receivables Other receivables	852,867 471,421	- -	- -	- -	- -
Taiwan Cellular Co., Ltd.	TFN Media Co., Ltd.	Subsidiary	Other receivables		-	-	-	-
Taiwan Teleservices & Technologies Co., Ltd.	The Corporation	Ultimate parent	Accounts receivable	11.62	-	-	-	-
	Taiwan Fixed Network Co., Ltd.	Related party in substance	Accounts receivable	13.61	-	-	-	-
Taiwan Kuro Times Co., Ltd.	The Corporation	Ultimate parent	Accounts receivable	4.08	-	-	13,552	-
Taiwan Fixed Network Co., Ltd.	The Corporation	Ultimate parent	Accounts receivable	10.20	-	-	10,898	-
			Other receivables					
	Taiwan Cellular Co., Ltd.	Parent	Other receivables	4,679,230	-	-	-	-
Phoenix Cable TV Co., Ltd.	TFN Media Co., Ltd.	Parent	Accounts receivable	6.21	-	-	-	-
			Other receivables					
Union Cable TV Co., Ltd.	TFN Media Co., Ltd.	Parent	Accounts receivable	4.37	-	-	-	-
			Other receivables					
Globalview Cable TV Co., Ltd.	TFN Media Co., Ltd.	Parent	Accounts receivable	5.69	-	-	-	-
			Other receivables					
Yeong Jia Leh Cable TV Co., Ltd.	TFN Media Co., Ltd.	Parent	Accounts receivable	5.92	-	-	-	-
			Other receivables					

**TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES**  
**NAMES AND LOCATIONS OF, AND OTHER INFORMATION ON INVESTEEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

TABLE 8

(In Thousands of New Taiwan Dollars unless stated otherwise)

Investor	Investee	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2011			Net Income (Loss) of the Investee	Investment Income (Loss)	Note
				December 31, 2011	December 31, 2010	Shares (Thousands)	Percentage of Ownership	Carrying Value			
Taiwan Mobile Co., Ltd. (the "Corporation")	Taiwan Cellular Co., Ltd.	Taipei, Taiwan	Telecom engineering and IT service	\$ 44,467,288	\$ 37,558,330	370,896	100	\$ 17,195,352	\$ 3,586,064	\$ 3,575,190	
	Taipei New Horizons Co., Ltd.	Taipei, Taiwan	Real estate rental and sale	648,700	449,100	64,870	49.9	(Note 1) 562,812	(49,679)	(24,790)	
	Wealth Media Technology Co., Ltd.	Taipei, Taiwan	Investment	8,652,000	372,000	38,550	100	8,862,169	193,303	193,303	
Wealth Media Technology Co., Ltd.	Tai Fu Media Technology Co., Ltd.	Taipei, Taiwan	Investment	200,898	270,000	20,090	100	215,600	12,958	NA	
	Taiwan Win TV Broadcasting Co., Ltd.	Taipei, Taiwan	TV program producing	10,000	10,000	16	100	9,858	(54)	NA	
	Fubon Multimedia Technology Co., Ltd.	Taipei, Taiwan	Wholesale and retailing on virtual channel and physical channel	8,347,949	-	58,857	50.64	8,543,487	695,940	NA	
Tai Fu Media Technology Co., Ltd.	Global Wealth Media Technology Co., Ltd.	New Taipei City, Taiwan	Investment	84,000	84,000	8,400	100	91,291	6,054	NA	
	Fu Jia Leh Media Technology Co., Ltd.	Taipei, Taiwan	Investment	1,700	1,700	100	100	423	(344)	NA	
	Fu Sin Media Technology Co., Ltd.	Taipei, Taiwan	Investment	135,000	135,000	13,500	100	143,971	7,585	NA	
	Global Forest Media Technology Co., Ltd.	Taipei, Taiwan	Investment	15,000	1,000	1,500	100	16,868	275	NA	
Global Wealth Media Technology Co., Ltd.	Globalview Cable TV Co., Ltd.	New Taipei City, Taiwan	Cable TV service provider	91,910	91,691	3,825	6.83	95,216	92,483	NA	
Fu Sin Media Technology Co., Ltd.	Phoenix Cable TV Co., Ltd.	Kaohsiung County, Taiwan	Cable TV service provider	133,358	133,358	2,272	3.34	135,050	231,568	NA	
Global Forest Media Technology Co., Ltd.	Union Cable TV Co., Ltd.	Yilan County, Taiwan	Cable TV service provider	16,218	4	1,300	0.76	15,851	126,786	NA	
Fubon Multimedia Technology Co., Ltd.	Fu Sheng Travel Service Co., Ltd.	Taipei, Taiwan	Travel	10,000	6,000	600	100	7,112	3,850	NA	
	Fuli Life Insurance Agent Co., Ltd.	Taipei, Taiwan	Life Insurance Agent	3,000	3,000	300	100	12,925	5,420	NA	
	Fuli Property Insurance Agent Co., Ltd.	Taipei, Taiwan	Property Insurance Agent	3,000	3,000	300	100	17,872	10,932	NA	
	Asian Crown International Co., Ltd.	British Virgin Islands	Investment	US\$ 14,000	US\$ 14,000	47	100	US\$ 10,733	US\$ (3,479)	NA	
Asian Crown International Co., Ltd.	Fortune Kingdom Corporation	Samoa	Investment	US\$ 14,000	US\$ 14,000	14,000	100	US\$ 10,733	US\$ (3,479)	NA	
Fortune Kingdom Corporation	Hong Kong Fubon Multimedia Technology Co., Ltd.	Hong Kong	Investment	US\$ 14,000	US\$ 14,000	14,000	100	US\$ 10,733	US\$ (3,479)	NA	
Hong Kong Fubon Multimedia Technology Co., Ltd.	Fubon Gehua (Beijing) Enterprise Ltd.	Beijing, China	Wholesale	US\$ 12,319	-	-	80	US\$ 9,138	US\$ (4,367)	NA	
Taiwan Cellular Co., Ltd.	TWM Holding Co. Ltd.	British Virgin Islands	Investment	US\$ 10,800	US\$ 10,800	1 share	100	US\$ 8,475	US\$ 18	NA	
	Taiwan Fixed Network Co., Ltd.	Taipei, Taiwan	Fixed line service provider	21,000,000	21,000,000	2,100,000	100	44,765,447	1,650,340	NA	
	Taiwan Digital Communication Co., Ltd.	Taipei, Taiwan	Telecom engineering and IT service	112,000	12,000	11,200	100	119,161	7,556	NA	
	TCC Investment Co., Ltd.	Taipei, Taiwan	Investment	22,002,255	22,301,000	24,076	100	31,575,249	1,898,069	NA	
	Taiwan Teleservices & Technologies Co., Ltd.	Taipei, Taiwan	Call center service and ISR (international simple resales)	24,843	10,000	2,484	100	101,959	55,615	NA	
TWM Holding Co. Ltd.	TWM Communications (Beijing) Co., Ltd.	Beijing, China	Mobile application development and design	US\$ 4,936	US\$ 4,936	-	100	US\$ 4,198	US\$ 18	NA	
Taiwan Teleservices & Technologies Co., Ltd.	TT&T Holdings Co., Ltd.	Samoa	Investment	US\$ 1,300	US\$ 1,300	1,300	100	US\$ 1,609	US\$ 159	NA	
	Taiwan Super Basketball Co., Ltd.	Taipei, Taiwan	Basketball team management	20,000	20,000	2,000	100	22,864	2,847	NA	
TT&T Holdings Co., Ltd.	Xiamen Taifu Teleservices & Technologies Co., Ltd.	Xiamen, China	Call center service	US\$ 1,300	US\$ 1,300	-	100	US\$ 1,588	US\$ 164	NA	
TCC Investment Co., Ltd.	Win TV Broadcasting Co., Ltd.	Taipei, Taiwan	TV program provider	188,047	188,047	18,177	100	264,364	59,765	NA	
	TFN Media Co., Ltd.	Taipei, Taiwan	Cable broadband and value added service provider	2,035,714	2,035,714	230,526	100	2,702,551	1,970,548	NA	
	TCCI Investment and Development Co., Ltd.	Taipei, Taiwan	Investment	6,498,149	6,629,149	400	100	10,809,387	(160)	NA	
TFN Media Co., Ltd.	Yeong Jia Leh Cable TV Co., Ltd.	New Taipei City, Taiwan	Cable TV service provider	1,616,824	1,616,824	33,940	100	2,216,624	234,389	NA	
	Mangrove Cable TV Co., Ltd.	New Taipei City, Taiwan	Cable TV service provider	397,703	397,703	6,248	29.53	612,879	103,066	NA	
	Phoenix Cable TV Co., Ltd.	Kaohsiung County, Taiwan	Cable TV service provider	2,294,967	2,294,967	65,818	96.66	3,231,826	231,568	NA	
	Union Cable TV Co., Ltd.	Yilan County, Taiwan	Cable TV service provider	1,889,910	1,904,436	169,141	99.22	2,061,857	126,786	NA	
	Globalview Cable TV Co., Ltd.	New Taipei City, Taiwan	Cable TV service provider	841,413	841,413	51,733	92.38	1,260,952	92,483	NA	
	Taiwan Kuro Times Co., Ltd.	Taipei, Taiwan	The platform of music supplied	129,900	63,900	1,214	100	114,755	(23,107)	NA	
	ezPeer Multimedia Limited	Samoa	Investment	US\$ 1,522	US\$ 1,522	1 share	100	US\$ 844	US\$ (652)	NA	
Taiwan Kuro Times Co., Ltd.	TFN Union Investment Co., Ltd.	Taipei, Taiwan	Investment	22,314,536	22,769,109	400	100	37,122,885	(241)	NA	
Taiwan Fixed Network Co., Ltd.	TFN HK LIMITED	Hong Kong	Telecommunications service provider	HK\$ 1,300	HK\$ 1,300	1,300	100	HK\$ 2,019	HK\$ 655	NA	

Note 1: The Corporation's shares held by TCCI, TID and TUI (all are subsidiaries 100% owned by TCC) are classified as treasury shares. Therefore, the Corporation's carrying cost of \$76,457,449 thousand for TCC shall be reduced by 1) downward adjusting \$(31,077,183) thousand, the carrying value of total treasury shares on the Corporation's books, 2) excluding \$(28,636,318) thousand of unrealized gain from financial asset investment, 3) adding back \$475,907 thousand of income tax expenses resulting from TFN's and TFNI's disposal gain from the Corporation's shares, and 4) excluding recognition of upstream transactions gain of \$(24,503) thousand.

Note 2: 70.47% of shares are held under trustee accounts.

Note 3: The above amounts were translated into New Taiwan dollars at the exchange rate of US\$1 = NT\$30.28 and HK\$1 = NT\$3.896 as of December 31, 2011.



**TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES**  
**INVESTMENT IN MAINLAND CHINA**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

TABLE 9  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2011	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2011	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 3)	Carrying Value as of December 31, 2011	Accumulated Inward Remittance of Earnings as of December 31, 2011
					Outflow	Inflow					
Xiamen Taifu Teleservices & Technologies Co., Ltd.	Call center service	US\$ 1,300 (NT\$ 39,364)	Indirect investment in Mainland China through a third place by the Corporation's subsidiary Taiwan Teleservices & Technologies Co., Ltd.	US\$ 1,300 (NT\$ 39,364)	\$ -	\$ -	US\$ 1,300 (NT\$ 39,364)	100% ownership of indirect investment by the Corporation's subsidiary	US\$ 164 (NT\$ 4,966)	US\$ 1,588 (NT\$ 48,085)	\$ -
TWM Communications (Beijing) Co. Ltd.	Mobile application development and design	US\$ 3,000 (NT\$ 90,840)	Indirect investment in Mainland China through a third place by the Corporation's subsidiary Taiwan Cellular Co., Ltd.	US\$ 4,872 (NT\$ 147,524)	-	-	US\$ 4,872 (NT\$ 147,524)	100% ownership of indirect investment by the Corporation's subsidiary	US\$ 18 (NT\$ 545)	US\$ 4,198 (NT\$ 127,115)	-
Fubon Gehua (Beijing) Enterprise Ltd.	Wholesale	RMB100,000 (NT\$479,304)	Indirect investment in Mainland China through a third place by the Corporation's subsidiary Fubon Multimedia Technology Co., Ltd.	-	US\$ 12,319 (NT\$ 373,019)	-	US\$ 12,319 (NT\$ 373,019)	80% ownership of indirect investment by the Corporation's subsidiary	US\$ (3,494) (NT\$(105,798))	US\$ 9,138 (NT\$ 276,699)	-

Accumulated Investment in Mainland China as of June 30, 2011	Investment Amounts Authorized by Investment Commission, MOEA (Note 2)	Upper Limit on Investment Authorized by Investment Commission, MOEA (Note 2)
US\$1,300 (NT\$39,364)	US\$1,300 (NT\$39,364)	\$30,038,331
US\$4,872 (NT\$147,524)	US\$4,872 (NT\$147,524)	\$45,874,469
US\$12,319 (NT\$373,019)	US\$15,000 (NT\$454,200)	\$30,038,331

Note 1: The above amounts were translated into New Taiwan dollars at the exchange rate of US\$1=NT\$30.28 and US\$1=RMB\$6.3175 as of December 31, 2011.

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

Note 3: Calculation was based on audited financial statements.

**TAIWAN MOBILE CO., LTD.**  
**CASH AND CASH EQUIVALENTS**  
**DECEMBER 31, 2011**  
(In Thousands of New Taiwan Dollars)

<u>Item</u>	<u>Due Date</u>	<u>Amount</u>
Cash in banks		
Foreign-currency deposits		
EUR19,545.76 (exchange rate at 39.17)		\$ 766
US\$998,059.70 (exchange rate at 30.28)		30,221
Checking deposits		2,033
Demand deposits		470,024
		<u>503,044</u>
Government bonds with repurchase rights	101.01.04	222,000
Cash on hand		<u>86,870</u>
Time deposits		
US\$1,950,278.86 (exchange rate at 30.28)		59,054
Revolving funds		6,550
		<u>\$ 877,518</u>

**TAIWAN MOBILE CO., LTD.**  
**ACCOUNTS RECEIVABLE**  
**DECEMBER 31, 2011**  
**(In Thousands of New Taiwan Dollars)**

<b>Client</b>	<b>Amount</b>
Related parties	
Taiwan Fixed Network Co., Ltd.	\$ 37,125
Other (Note)	6,550
	43,675
Third parties	
Chunghwa Telecom Co., Ltd.	423,010
Other (Note)	5,636,937
	6,059,947
Less allowance for doubtful accounts	(194,164)
	5,865,783
	<b>\$ 5,909,458</b>

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

**TAIWAN MOBILE CO., LTD.**  
**CHANGES IN INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD**  
**YEAR ENDED DECEMBER 31, 2011**  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

	Par Value	Beginning Balance		Increase		Decrease		Adjustments on Equity Method (Note 2)	Ending Balance			Market Price or Net Asset Value (Notes 3 and 4)
		Thousand Shares	Amount	Thousand Shares	Amount	Thousand Shares	Amount (Note 1)		Thousand Shares	% of Ownership	Amount	
Taiwan Cellular Co., Ltd.	NT\$ 10	30,000	\$ 10,618,840	340,896	5,500,000	-	3,310,805	4,387,317	370,896	100	17,195,352	76,457,449
Wealth Media Technology Co., Ltd.	10	37,200	301,977	8,350	8,350,000	7,000	106	210,298	38,550	100	8,862,169	8,862,168
Taipei New Horizons Co., Ltd.	10	44,910	388,002	19,960	199,600	-	-	(24,790)	64,870	49.9	562,812	562,812
<b>Total</b>			<b>\$ 11,308,819</b>		<b>14,049,600</b>		<b>3,310,911</b>	<b>4,572,825</b>			<b>26,620,333</b>	

Note 1: The decrease in equity-method investment included the following:

Distributing of cash dividends by Taiwan Cellular Co., Ltd.	\$ 3,310,805
Receivables from capital reduction of Wealth Media Technology Co., Ltd.	106
	<u>\$ 3,310,911</u>

Note 2: Other adjustment from evaluation included the following:

a. Recognized investment income from investees	\$ 3,743,703
b. Recognized changes in cumulative translation adjustment of investees	23,328
c. Recognized changes in net loss not recognized as pension cost of investees	(6,080)
d. Recognized changes in paid-in capital of investees	(43)
f. Decrease in treasury stock held by subsidiaries	811,917
	<u>\$ 4,572,825</u>

Note 3: The net asset value of Taiwan Cellular Co., Ltd., Taipei New Horizons Co., Ltd. and Wealth Media Technology Co., Ltd. were calculated based on audited financial statements as of December 31, 2011.

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

**TAIWAN MOBILE CO., LTD.**  
**CHANGES IN PROPERTY AND EQUIPMENT**  
**YEAR ENDED DECEMBER 31, 2011**  
**(In Thousands of New Taiwan Dollars)**

Item	Beginning Balance	Changes for the Period			Ending Balance
		Increase	Decrease	Reclassification	
Cost					
Land	\$ 3,979,837	-	-	169,304	4,149,141
Buildings	2,448,616	-	-	(271,323 )	2,177,293
Telecommunication equipment	56,323,134	22,133	1,191,798	3,594,885	58,748,354
Office equipment	9,377	-	137	2,068	11,308
Leased assets	1,285,920	-	-	-	1,285,920
Miscellaneous equipment	2,448,210	-	745	341,324	2,788,789
	<u>66,495,094</u>	<u>22,133</u>	<u>1,192,680</u>	<u>3,836,258</u>	<u>69,160,805</u>
Accumulated depreciation					
Buildings	454,417	50,855	-	(40,223 )	465,049
Telecommunication equipment	30,865,040	6,283,277	786,005	32,229	36,394,541
Office equipment	5,253	1,765	108	-	6,910
Leased assets	550,606	65,096	-	-	615,702
Miscellaneous equipment	1,365,182	594,390	449	-	1,959,123
	<u>33,240,498</u>	<u>6,995,383</u>	<u>786,562</u>	<u>(7,994 )</u>	<u>39,441,325</u>
Construction in progress and advance payments	<u>1,834,018</u>	<u>3,970,056</u>	<u>1,242</u>	<u>(3,733,880 )</u>	<u>2,068,952</u>
Accumulated impairment					
Land	52,902	-	-	27,331	80,233
Building	21,327	-	-	8,921	30,248
	<u>74,229</u>	<u>-</u>	<u>-</u>	<u>36,252</u>	<u>110,481</u>
Net property and equipment	<u><b>\$35,014,385</b></u>				<u><b>31,677,951</b></u>

Note 1: The total insurance for property, equipment, and assets leased to others amounted to \$21,339,335 thousand.

Note 2: The increase of the construction in progress and advance payments included capitalized interests amounting to \$10,244 thousand.

**TAIWAN MOBILE CO., LTD.**  
**NON-OPERATING ASSETS**  
**DECEMBER 31, 2011**  
(In Thousands of New Taiwan Dollars)

<u>Item</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Carrying Value</u>
Assets leased to others			
Land	\$ 1,471,811	-	1,471,811
Buildings	687,402	143,182	544,220
	<u>\$ 2,159,213</u>	<u>143,182</u>	<u>2,016,031</u>
Idle assets			
Land	\$ 9,772	-	9,772
Buildings	7,490	1,784	5,706
Telecommunication equipment	51,578	15,650	35,928
	<u>\$ 68,840</u>	<u>17,434</u>	51,406
Less allowance for losses			(35,928)
Less accumulated impairment			(4,614)
			<u>\$ 10,864</u>

**TAIWAN MOBILE CO., LTD.**  
**SHORT-TERM BORROWINGS**  
**DECEMBER 31, 2011**  
(In Thousands of New Taiwan Dollars)

<u>Loan Type and Creditor</u>	<u>Financing Period</u>	<u>Interest Rate</u>	<u>Amount</u>	<u>Credit Line</u>	<u>Mortgage Guarantee</u>
Unsecured loans					
First Commercial Bank	December 30, 2011 ~March 30, 2012	0.96	\$ 2,000,000	3,000,000	None
Mizuho Corporate Bank	November 30, 2011 ~January 31, 2012	0.90	1,900,000	3,000,000	None
Sumitomo Mitsui Bank	December 30, 2011 ~January 31, 2012	0.93	1,600,000	1,600,000	None
Bank of Tokyo-Mitsubishi UFJ, Ltd.	November 30, 2011 ~February 29, 2012	0.89	1,500,000	1,500,000	None
The Hongkong and Shanghai Banking Corporation Limited	December 30, 2011 ~January 31, 2012	0.92	1,000,000	1,210,000	None
Taiwan Cooperation Bank	December 30, 2011 ~February 29, 2012	0.98	1,000,000	2,200,000	None
			<u><b>\$ 9,000,000</b></u>	<u><b>12,510,000</b></u>	

**TAIWAN MOBILE CO., LTD.**  
**ACCOUNTS PAYABLE**  
**DECEMBER 31, 2011**  
**(In Thousands of New Taiwan Dollars)**

<b>Suppliers</b>	<b>Amount</b>
Related parties	
Taiwan Kuro Times Co., Ltd.	\$ 36,470
Other (Note)	2,391
	38,861
Third parties	
National Communication Commission	1,567,273
Apple Asia, LLC. Taiwan Branch(U.S.A)	813,674
Synnex Technology International Corporation	327,806
Other (Note)	675,678
	3,384,431
	<b>\$ 3,423,292</b>

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



**TAIWAN MOBILE CO., LTD.**  
**ACCRUED EXPENSES**  
**DECEMBER 31, 2011**  
**(In Thousands of New Taiwan Dollars)**

<u>Item</u>	<u>Amount</u>
Commissions	\$ 1,195,735
Salaries and bonuses	1,166,220
Radio base stations related expenses	523,425
Professional service fees	427,037
Bonus to directors, supervisors, and employees	393,369
Repair and maintenance expense	256,511
Other (Note)	1,130,606
	<u>\$ 5,092,903</u>

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

**TAIWAN MOBILE CO., LTD.**  
**OTHER PAYABLES**  
**DECEMBER 31, 2011**  
**(In Thousands of New Taiwan Dollars)**

<u>Item</u>	<u>Amount</u>
Payable for equipment and constructions	\$ 1,208,801
Other(Note)	1,916,515
	<u>\$ 3,125,316</u>

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

**TAIWAN MOBILE CO., LTD.**  
**OPERATING REVENUES**  
**YEAR ENDED DECEMBER 31, 2011**  
**(In Thousands of New Taiwan Dollars)**

<u>Item</u>	<u>Amount</u>
Telecom service revenues	
Monthly access fee and activation fee	\$ 20,465,432
Airtime usage	22,551,909
Interconnection revenue (Note 1)	12,899,322
	<u>55,916,663</u>
Other operating revenues (Note 2)	6,002,610
	<u><u>\$ 61,919,273</u></u>

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

Note 2: This includes the commissions from receipts under custody and payments on behalf of others and revenues from handsets sales.

**TAIWAN MOBILE CO., LTD.**  
**OPERATING COSTS**  
**YEAR ENDED DECEMBER 31, 2011**  
**(In Thousands of New Taiwan Dollars)**

<u>Item</u>	<u>Amount</u>
Telecom service costs	
Cost of goods sold	\$ 12,944,255
Interconnection cost (Note 1)	8,054,431
Depreciation	6,395,906
Leased-line charges	3,518,684
Rents	1,650,082
2G concession fee and 3G license amortization	1,361,934
Administrative and utilities expense of radio base stations	869,124
Maintenance materials and constructions	824,839
Frequency usage fee	515,668
Other (Note 2)	1,658,951
	<u><u>\$ 37,793,874</u></u>

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

Note 2: This includes expenses for maintaining telecommunication network and equipment.

**TAIWAN MOBILE CO., LTD.**  
**OPERATING EXPENSES**  
**YEAR ENDED DECEMBER 31, 2011**  
**(In Thousands of New Taiwan Dollars)**

<u>Item</u>	<u>Marketing</u>	<u>Administrative</u>	<u>Total</u>
Commissions	\$ 5,701,522	-	5,701,522
Salaries and pension	893,892	938,199	1,832,091
Professional service fees	1,345,639	234,892	1,580,531
Service charges	211,504	451,255	662,759
Depreciation	12,813	586,664	599,477
Advertising	358,309	45,073	403,382
Telecommunication service fees	104,713	205,667	310,380
Maintenance	52,604	197,139	249,743
Bad debts	-	139,214	139,214
Other (Note)	991,623	484,953	1,476,576
	<u>\$ 9,672,619</u>	<u>3,283,056</u>	<u>12,955,675</u>

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

**Taiwan Mobile Co., Ltd. and Subsidiaries**  
**Consolidated Financial Statements for the**  
**Years Ended December 31, 2011 and 2010, and**  
**Independent Auditors' Report**

## 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, 2011 and 2010, 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, 2011 and 2010, 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.

KPMG  
Taipei, Taiwan (the Republic of China)  
January 19, 2012

### 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 consolidated financial statements are those generally accepted and applied in the Republic of China.

**TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**DECEMBER 31, 2011 AND 2010**  
(In Thousands of New Taiwan Dollars, Except Par Value)

ASSETS	2011		2010		LIABILITIES AND SHAREHOLDERS' EQUITY	2011		2010	
	Amount	%	Amount	%		Amount	%	Amount	%
<b>CURRENT ASSETS</b>					<b>CURRENT LIABILITIES</b>				
Cash and cash equivalents (Notes 2, 4(a), 4(u) and 5)	\$ 6,693,992	8	6,049,330	7	Short-term borrowings (Notes 4(l) and 4(u))	\$ 9,000,000	10	3,203,000	4
Financial assets at fair value through profit or loss - current (Notes 2, 4(b) and 4(u))	60,186	-	-	-	Short-term notes and bills payable (Notes 4(m) and 4(u))	899,273	1	499,732	-
Available-for-sale financial assets - current (Notes 2, 4(c) and 4(u))	217,351	-	201,322	-	Notes payable (Note 4(u))	641,166	1	232,299	-
Notes receivable (Note 4(u))	23,423	-	45,277	-	Accounts payable (Note 4(u))	5,703,352	6	3,423,611	4
Accounts receivable, net (Notes 2, 4(d) and 4(u))	7,675,936	9	6,455,465	8	Income taxes payable (Notes 4(s) and 4(u))	1,331,623	2	1,387,348	2
Accounts receivable - related parties (Notes 2, 4(u) and 5)	124,601	-	132,642	-	Accrued expenses (Note 4(u))	6,132,359	7	5,564,242	6
Other receivables (Note 4(u))	241,558	-	524,087	1	Other payables (Notes 2 and 4(u))	3,594,997	4	5,001,640	6
Inventories (Notes 2 and 4(e))	2,070,536	2	1,131,628	1	Current portion of long-term liabilities (Note 4(o) and 4(u))	4,000,000	4	-	-
Prepayments (Note 5)	877,470	1	676,375	1	Advance receipts (Note 4(n))	4,028,165	4	3,370,888	4
Deferred income tax assets - current (Notes 2 and 4(s))	28,391	-	10,060	-	Guarantee deposits - current (Note 4(u))	103,813	-	65,194	-
Pledged time deposits (Notes 4(u), 5 and 6)	73,062	-	1,100	-	Deferred income tax liability - current (Note 2 and 4(s))	193	-	-	-
Other current assets	46,041	-	15,106	-	Other current liabilities	919,470	1	483,699	1
<b>Total current assets</b>	<b>18,132,547</b>	<b>20</b>	<b>15,242,392</b>	<b>18</b>	<b>Total current liabilities</b>	<b>36,354,411</b>	<b>40</b>	<b>23,231,653</b>	<b>27</b>
<b>INVESTMENTS</b>					<b>LONG-TERM LIABILITIES</b>				
Investments accounted for using the equity method (Notes 2 and 4(f))	562,812	1	388,002	-	Bonds payable (Notes 4(o) and 4(u))	4,000,000	4	8,000,000	9
Financial assets carried at cost - non-current (Notes 2, 4(g) and 4(u))	1,098,739	1	2,308,709	3	Long-term borrowings (Notes 4(p) and 4(u))	-	-	2,300,000	3
Bonds measured at amortized cost - non-current (Notes 2,4(h) and 4(u))	500,000	-	500,000	1	<b>Total long-term liabilities</b>	<b>4,000,000</b>	<b>4</b>	<b>10,300,000</b>	<b>12</b>
<b>Total investments</b>	<b>2,161,551</b>	<b>2</b>	<b>3,196,711</b>	<b>4</b>	<b>OTHER LIABILITIES</b>				
<b>PROPERTY AND EQUIPMENT (Notes 2 and 4(i))</b>					Guarantee deposits (Note 4(u))	490,480	-	314,672	-
Cost					Deferred income tax liability - non-current (Notes 2 and 4(s))	195,847	-	153,486	-
Land	6,358,920	7	6,302,821	7	Other (Note 2)	689,745	1	584,971	1
Buildings	3,705,635	4	4,061,567	5	<b>Total other liabilities</b>	<b>1,376,072</b>	<b>1</b>	<b>1,053,129</b>	<b>1</b>
Telecommunication equipment	66,376,747	72	61,822,603	72	<b>Total liabilities</b>	<b>41,730,483</b>	<b>45</b>	<b>34,584,782</b>	<b>40</b>
Office equipment	142,497	-	95,342	-	<b>SHAREHOLDERS' EQUITY (Notes 2 and 4(r))</b>				
Leased assets	1,285,920	2	1,285,920	2	Parent's shareholders' equity				
Miscellaneous equipment	3,739,801	4	2,776,007	3	Capital stock-NT\$10 par value	34,208,328	38	38,009,254	44
	81,609,520	89	76,344,260	89	Authorized:6,000,000 thousand shares ;				
Less accumulated depreciation	(43,102,742)	(47)	(35,235,653)	(41)	Issued:2011-3,420,833 thousand shares				
Less accumulated impairment-property	(110,482)	-	(74,229)	-	2010-3,800,925 thousand shares				
Construction in progress and prepayments for equipment	2,909,040	3	2,579,615	3	Capital surplus				
<b>Net property and equipment</b>	<b>41,305,336</b>	<b>45</b>	<b>43,613,993</b>	<b>51</b>	From convertible bonds	8,775,819	10	8,775,819	10
<b>INTANGIBLE ASSETS (Note 2)</b>					From treasury stock transactions	3,639,302	4	3,639,302	5
Trademarks (Note 4(j))	2,516,674	3	19,087	-	From long-term investments	4,485	-	4,528	-
3G concession license	5,233,964	6	5,981,673	7	Other	12,840	-	12,840	-
Computer software cost	78,940	-	49,895	-	Retained earnings				
Goodwill (Note 4(j))	15,846,068	17	10,529,148	12	Legal reserve	16,715,018	18	15,332,799	18
Customer relationship (Note 4(j))	2,168,107	2	2,341,808	3	Special reserve	821,741	1	821,741	1
Operating rights (Note 4(j))	1,382,000	2	1,382,000	2	Unappropriated earnings	15,735,518	17	16,088,941	19
Other intangible assets	26,047	-	43,439	-	Other equity				
<b>Total intangible assets</b>	<b>27,251,800</b>	<b>30</b>	<b>20,347,050</b>	<b>24</b>	Cumulative translation adjustments	17,612	-	(5,716)	-
<b>OTHER ASSETS</b>					Net loss not recognized as pension cost	(16,775)	-	(10,695)	-
Assets leased to others (Notes 2 and 4(k))	307,784	-	298,891	-	Unrealized gains on financial instruments	111,306	-	89,842	-
Idle assets (Notes 2 and 4(k))	99,813	-	154,412	-	Treasury stock	(31,077,183)	(34)	(31,889,100)	(37)
Refundable deposits (Notes 4(u) and 5)	510,464	-	400,186	-		48,948,011	54	50,869,555	60
Deferred charges (Note 2)	596,245	1	408,579	-	Minority interest	1,115,874	1	29,863	-
Deferred income tax assets - non-current (Notes 2 and 4(s))	743,916	1	1,135,264	2	<b>Total shareholders' equity</b>	<b>50,063,885</b>	<b>55</b>	<b>50,899,418</b>	<b>60</b>
Other (Notes 2, 4(n),4(q), 5, and 6)	684,912	1	686,722	1	<b>Commitments and Contingencies(Note 7)</b>				
<b>Total other assets</b>	<b>2,943,134</b>	<b>3</b>	<b>3,084,054</b>	<b>3</b>	<b>TOTAL</b>	<b>\$ 91,794,368</b>	<b>100</b>	<b>85,484,200</b>	<b>100</b>
<b>TOTAL</b>	<b>\$ 91,794,368</b>	<b>100</b>	<b>85,484,200</b>	<b>100</b>					

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



**TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF INCOME**  
**YEARS ENDED DECEMBER 31, 2011 AND 2010**  
**(In Thousands of New Taiwan Dollars, Except Earnings Per Share)**

	<u>2011</u>		<u>2010</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
<b>OPERATING REVENUES (Notes 2 and 5)</b>	\$ 81,369,183	100	70,146,004	100
<b>OPERATING COSTS (Notes 2, 5, and 10)</b>	48,655,458	60	38,162,363	54
<b>GROSS PROFIT</b>	<u>32,713,725</u>	40	<u>31,983,641</u>	46
<b>OPERATING EXPENSES (Notes 2, 5, and 10)</b>				
Marketing	10,788,437	13	9,160,136	13
Administrative	4,335,483	5	4,515,794	7
<b>Total operating expenses</b>	<u>15,123,920</u>	18	<u>13,675,930</u>	20
<b>OPERATING INCOME</b>	<u>17,589,805</u>	22	<u>18,307,711</u>	26
<b>NON-OPERATING INCOME AND GAINS</b>				
Income from penalty charge	387,128	1	285,470	1
Interest income	99,460	-	42,471	-
Rental income (Notes 2 and 5)	45,210	-	61,849	-
Dividend income (Note 2)	19,114	-	13,318	-
Gain on disposal of property and equipment (Note 2)	1,435	-	47,731	-
Gain on disposal of investments (Notes 2 and 4(g))	512	-	51,499	-
Other	120,017	-	237,178	-
<b>Total non-operating income and gains</b>	<u>672,876</u>	1	<u>739,516</u>	1
<b>NON-OPERATING EXPENSES AND LOSSES</b>				
Impairment loss (Notes 2 and 4(g))	1,209,970	2	3,229	-
Loss on disposal and retirement of property and equipment (Note 2)	441,413	1	1,465,392	2
Interest expenses(Notes 2 and 4(i))	240,835	-	319,501	1
Investment loss recognized under the equity method (Notes 2 and 4(f))	24,790	-	25,768	-
Financial charges	12,268	-	22,877	-
Other	204,836	-	109,138	-
<b>Total non-operating expenses and losses</b>	<u>2,134,112</u>	3	<u>1,945,905</u>	3
<b>INCOME BEFORE INCOME TAX</b>	16,128,569	20	17,101,322	24
<b>INCOME TAX EXPENSES (Notes 2 and 4(s))</b>	2,502,389	3	3,283,544	4
<b>CONSOLIDATED NET INCOME</b>	<u>\$ 13,626,180</u>	<u>17</u>	<u>13,817,778</u>	<u>20</u>
<b>ATTRIBUTED TO</b>				
Shareholders of the parent	\$ 13,468,763	17	13,822,186	20
Minority interest	157,417	-	(4,408)	-
	<u>\$ 13,626,180</u>	<u>17</u>	<u>13,817,778</u>	<u>20</u>
			<u>Before</u>	<u>After</u>
			<u>Income Tax</u>	<u>Income Tax</u>
<b>EARNINGS PER SHARE (Note 4(t))</b>				
Basic	<u>\$ 5.18</u>	<u>4.70</u>	<u>5.48</u>	<u>4.62</u>
Diluted	<u>\$ 5.17</u>	<u>4.69</u>	<u>5.47</u>	<u>4.61</u>

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

**TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**  
**YEARS ENDED DECEMBER 31, 2011 AND 2010**  
**(In Thousands of New Taiwan Dollars)**

	Retained earnings					Other equity						Total Shareholders' Equity
	Capital Stock	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated	Total	Cumulative Translation Adjustments	Net Loss Not Recognized as Pension Cost	Unrealized Gains on Financial Instruments	Treasury Stock	Minority Interest	
<b>BALANCE, JANUARY 1, 2010</b>	\$ 38,009,254	12,431,704	13,943,913	3,350,000	16,155,617	33,449,530	12,011	(3,797)	63,624	(31,889,100)	9,883	52,083,109
Appropriation of the 2009 earnings												
Legal reserve	-	-	1,388,886	-	(1,388,886)	-	-	-	-	-	-	-
Reversal of special reserve	-	-	-	(2,528,259)	2,528,259	-	-	-	-	-	-	-
Cash dividends - NT\$5.02783 per share	-	-	-	-	(15,028,235)	(15,028,235)	-	-	-	-	-	(15,028,235)
<b>Balance after appropriation</b>	38,009,254	12,431,704	15,332,799	821,741	2,266,755	18,421,295	12,011	(3,797)	63,624	(31,889,100)	9,883	37,054,874
Consolidated net income in 2010	-	-	-	-	13,822,186	13,822,186	-	-	-	-	(4,408)	13,817,778
Unrealized gain on financial instruments, net	-	-	-	-	-	-	-	-	26,218	-	-	26,218
Adjustments on change of equity in equity-method investments	-	785	-	-	-	-	(17,727)	(6,898)	-	-	-	(23,840)
Cash dividends paid to minority interests by subsidiaries	-	-	-	-	-	-	-	-	-	-	(323)	(323)
Control effect of the acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	30,865	30,865
Decrease in minority interest	-	-	-	-	-	-	-	-	-	-	(6,154)	(6,154)
<b>BALANCE, DECEMBER 31, 2010</b>	38,009,254	12,432,489	15,332,799	821,741	16,088,941	32,243,481	(5,716)	(10,695)	89,842	(31,889,100)	29,863	50,899,418
Appropriation of the 2010 earnings												
Legal reserve	-	-	1,382,219	-	(1,382,219)	-	-	-	-	-	-	-
Cash dividends - NT\$4.1619 per share	-	-	-	-	(12,439,967)	(12,439,967)	-	-	-	-	-	(12,439,967)
<b>Balance after appropriation</b>	38,009,254	12,432,489	16,715,018	821,741	2,266,755	19,803,514	(5,716)	(10,695)	89,842	(31,889,100)	29,863	38,459,451
Consolidated net income in 2011	-	-	-	-	13,468,763	13,468,763	-	-	-	-	157,417	13,626,180
Capital reduction	(3,800,926)	-	-	-	-	-	-	-	-	-	-	(3,800,926)
Adjustment of stock held by subsidiaries	-	-	-	-	-	-	-	-	-	811,917	-	811,917
Unrealized gain on financial instruments, net	-	-	-	-	-	-	-	-	21,464	-	-	21,464
Adjustments on change of equity in equity-method investments	-	(43)	-	-	-	-	23,328	(6,080)	-	-	-	17,205
Cash dividends paid to minority interests by subsidiaries	-	-	-	-	-	-	-	-	-	-	(599)	(599)
Control effect of the acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	926,756	926,756
Increase in minority interest	-	-	-	-	-	-	-	-	-	-	2,437	2,437
<b>BALANCE, DECEMBER 31, 2011</b>	<u>\$ 34,208,328</u>	<u>12,432,446</u>	<u>16,715,018</u>	<u>821,741</u>	<u>15,735,518</u>	<u>33,272,277</u>	<u>17,612</u>	<u>(16,775)</u>	<u>111,306</u>	<u>(31,077,183)</u>	<u>1,115,874</u>	<u>50,063,885</u>

Note 1: The remuneration to directors and supervisors of \$37,483 thousand and the bonus to employees of \$374,826 thousand have been expensed and deducted from 2009 earnings.

Note 2: The remuneration to directors and supervisors of \$37,306 thousand and the bonus to employees of \$373,059 thousand have been expensed and deducted from 2010 earnings.

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

**TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2011 AND 2010**  
**(In Thousands of New Taiwan Dollars)**

	<u>2011</u>	<u>2010</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Consolidated net income</b>	\$ 13,626,180	13,817,778
<b>Adjustments to reconcile net income to net cash provided by operating activities:</b>		
Depreciation	8,209,121	8,062,576
Impairment loss	1,209,970	3,229
Amortization	1,287,706	1,094,436
Loss on disposal and retirement of property and equipment, net	439,978	1,417,661
Deferred income taxes	436,627	542,908
Bad debts	141,254	456,476
Provision of allowance for loss on inventories	44,292	24,857
Investment loss recognized under equity method	24,790	25,768
Pension cost	(6,616)	4,696
Gain on disposal of investments	(512)	(51,499)
Other	6,754	4,833
<b>Changes in operating assets and liabilities</b>		
Financial assets at fair value through profit or loss	399,931	-
Notes receivable	22,075	23,228
Accounts receivable, net	(1,102,338)	(258,638)
Accounts receivable – related parties	8,041	31,356
Other receivables	286,045	(206,970)
Long-term capital lease receivables	27,866	(27,593)
Inventories	(602,199)	(684,742)
Prepayments	463,364	39,619
Other current assets	51,892	(10,857)
Notes payable	326,327	(48,486)
Accounts payable	305,703	806,885
Income taxes payable	(135,592)	(753,804)
Accrued expenses	413,738	(102,682)
Other payables	(1,305,821)	514,943
Advance receipts	570,814	1,309,370
Other current liabilities	101,374	(41,636)
Other liabilities	9,516	-
<b>Net cash provided by operating activities</b>	<u>25,260,280</u>	<u>25,993,712</u>

(Continued)

**TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS(Continued)**  
**YEARS ENDED DECEMBER 31, 2011 AND 2010**  
**(In Thousands of New Taiwan Dollars)**

	<b>2011</b>	<b>2010</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of subsidiaries	(8,414,168)	(74,492)
Acquisition of property and equipment	(6,417,225)	(6,196,382)
Increase in deferred charges	(352,819)	(121,892)
Increase in long-term investments accounted for using the equity method	(199,600)	(199,600)
Increase in computer software costs and other intangible assets	(34,992)	(12,101)
Increase in refundable deposits	(13,003)	(11,795)
Increase in other assets	(8,529)	(51,685)
Proceeds from investees' capital reduction	5,435	2,717
(Increase) decrease in pledged time deposits	(3,363)	13,379
Proceeds from disposal of property and equipment	2,622	887
Proceeds from disposal of idle assets	-	92,787
Proceeds from disposal of financial assets carried at cost	-	238,541
<b>Net cash used in investing activities</b>	<b>(15,435,642)</b>	<b>(6,319,636)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Cash dividends paid	(12,439,928)	(15,028,201)
Increase (decrease) in short-term borrowings	5,797,000	(3,597,000)
Decrease in long-term borrowings	(4,966,667)	-
Capital reduction	(2,988,378)	-
Increase in long-term borrowings	2,666,667	2,300,000
Increase (decrease) in short-term notes and bills payable	399,541	(299,906)
Increase (decrease) in guarantee deposits	22,295	(5,000)
Employee stock option issued by subsidiaries	8,300	-
Cash dividends paid to minority interest	(599)	(323)
<b>Net cash used in financing activities</b>	<b>(11,501,769)</b>	<b>(16,630,430)</b>
<b>EFFECT OF EXCHANGE RATE CHANGES</b>	<b>35,963</b>	<b>(14,014)</b>
<b>ACQUISITION OF CASH AND CASH EQUIVALENT FOR SUBSIDIARIES</b>	<b>2,285,830</b>	<b>20,662</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>644,662</b>	<b>3,050,294</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>6,049,330</b>	<b>2,999,036</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 6,693,992</b>	<b>6,049,330</b>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Interest paid	\$ 369,262	273,193
Less interest capitalized	10,244	7,753
Interest paid - excluding interest capitalized	<b>\$ 359,018</b>	<b>265,440</b>
Income tax paid	<b>\$ 3,370,526</b>	<b>2,980,613</b>
<b>CASH AND NON-CASH INVESTING AND FINANCING ACTIVITIES</b>		
Acquisition of property and equipment	\$ 5,980,697	6,345,918
Increase in accrued expenses	-	(137)
Decrease (increase) in other payables	524,401	(169,834)
(Increase) decrease in other liabilities – other	(87,873)	20,435
Cash paid for acquisition of property and equipment	<b>\$ 6,417,225</b>	<b>6,196,382</b>

(Continued)

**TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS(Continued)**  
**YEARS ENDED DECEMBER 31, 2011 AND 2010**  
**(In Thousands of New Taiwan Dollars)**

The Corporation acquired 51% of Fubon Multimedia Technology Co., Ltd.'s shares on July 13, 2011. The fair values of the assets and liabilities upon acquisition were as follows:

Cash	\$ 2,285,830
Financial assets at fair value through profit or loss-current	460,117
Receivables	275,190
Inventories	380,956
Prepayments	666,379
Other current assets	183,684
Property and equipment	464,111
Intangible assets	4,923,979
Other assets	<u>114,421</u>
	<u>9,754,667</u>
Payables	2,446,781
Advance receipts	86,463
Other current liabilities	334,397
Long-Term liabilities	7,384
Other liabilities	<u>192,132</u>
	<u>3,067,157</u>
Net	6,687,510
Minority interest	<u>(82,837)</u>
Net	6,604,673
Percentage of equity interest	<u>51%</u>
	3,368,383
Add: Goodwill	<u>4,979,566</u>
Cash paid for acquisition of Fubon Multimedia Technology Co., Ltd.	<u><u>\$ 8,347,949</u></u>

(Continued)

**TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS(Continued)**  
**YEARS ENDED DECEMBER 31, 2011 AND 2010**  
**(In Thousands of New Taiwan Dollars)**

The Corporation acquired 45.012% of Taiwan Kuro Times Co., Ltd.'s shares on August 12, 2011. The fair values of the assets and liabilities upon acquisition were as follows:

Cash	\$	18,584
Receivables		45,597
Prepayments		5,894
Other current assets		1,217
Property and equipment		2,823
Intangible assets		39,922
Other assets		<u>1,528</u>
		<u>115,565</u>
Short-term borrowings		8,000
Payables		66,828
Advance receipts		3,450
Other current liabilities		<u>3,281</u>
		<u>81,559</u>
Net		34,006
Percentage of equity interest		<u>45.012%</u>
		15,307
Add: Goodwill		<u>50,693</u>
Cash paid for acquisition of Taiwan Kuro Times Co., Ltd.	<b>\$</b>	<b><u>66,000</u></b>

(Continued)

**TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS(Continued)**  
**YEARS ENDED DECEMBER 31, 2011 AND 2010**  
**(In Thousands of New Taiwan Dollars)**

The Corporation acquired 54.988% of Taiwan Kuro Times Co., Ltd.'s shares on September 1, 2010. The fair values of the assets and liabilities upon acquisition were as follows:

Cash	\$	20,662
Receivables		18,200
Prepayments		18,619
Other current assets		2,280
Property and equipment		952
Intangible assets		36,629
Other assets		<u>1,133</u>
		<u>98,475</u>
Payables		52,024
Advance receipts		3,875
Other current liabilities		<u>442</u>
		<u>56,341</u>
Net		42,134
Percentage of equity interest		<u>54.988%</u>
		23,169
Add: Goodwill		39,444
Less: Fair value of 45% stake owned before tender offer (including investment loss recognized under the equity method from May 2, 2010, to August 31, 2010, and the difference between preceding and following fair market value of purchase price allocation)		<u>(51,813)</u>
Cash paid for acquisition of Taiwan Kuro Times Co., Ltd.	\$	<u><u>10,800</u></u>

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

(Concluded)

**TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2011 AND 2010**  
**(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

**1. ORGANIZATION AND OPERATIONS**

Taiwan Mobile Co., Ltd. (the Corporation) 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 the GreTai Securities Market) on September 19, 2000. On August 26, 2002, the Corporation's shares were listed on the Taiwan Stock Exchange. The Corporation mainly renders wireless communication services.

The Corporation's services are under the type I license issued by the Directorate General of Telecommunications (DGT) of the ROC. The license allows the Corporation to provide services for 15 years from 1997 onwards. The license had been extended to June 2017 by the notice issued by the Ministry of Transportation and Communications on November 25, 2010. 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, 2011 and 2010, the Corporation and subsidiaries (hereinafter referred to as the "Group") had 6,055 and 4,498 employees, respectively.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation**

The consolidated financial statements were compiled in accordance with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and Republic of China generally accepted accounting principles. In conformity with the above, the Group 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.

The consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of, the English and Chinese language financial statements, the Chinese version shall prevail.



**TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

**Consolidation**

a. Basis of consolidation

The consolidated financial statements have been prepared in accordance with Statement of Financial Accounting Standards (SFAS) No. 7 “ Consolidated Financial Statements” and include the financial statements of the Corporation, its direct and indirect subsidiaries with at least 50% shareholding, and other investees controlled by the Corporation. If the Corporation obtains the majority of the shareholders’ equity of a subsidiary during the year, the Corporation starts to consolidate the related revenues and expenses of the subsidiary from the date of obtaining the controlling interest.

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

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

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

<u>Investor</u>	<u>Subsidiary</u>	<u>Main Business and Products</u>	<u>Percentage of Direct Ownership as of December 31</u>		<u>Note</u>
			<u>2011</u>	<u>2010</u>	
Corporation	Wealth Media Technology Co., Ltd. (WMT)	Investment	100.00	100.00	-
WMT	Taiwan Win TV Broadcasting Co., Ltd. (TWTV)	Entertainment	100.00	100.00	Established on April 14, 2010
WMT	Fubon Multimedia Technology Co., Ltd. (FMT)	Wholesale and retailing on virtual channel and physical channel	50.6358	-	WMT acquired more than 50% equity and consolidated FMT into financial statements since July 13, 2011.
FMT	Fu Sheng Travel Service Co.,Ltd. (FST)	Travel	100.00	-	"
FMT	Fuli Life Insurance Agent Co.,Ltd. (FLI)	Life insurance Agent	100.00	-	"
FMT	Fuli Property Insurance Agent Co.,Ltd. (FPI)	Property insurance agent	100.00	-	"
FMT	Asia Crown International Co., Ltd (Asia Crown (BVI)	Investment	100.00	-	"
Asia Crown (BVI)	Fortune Kingdom Corporation (Fortune Kingdom)	Investment	100.00	-	"
Fortune Kingdom	HongKong Fubon Multimedia Technology Co., Ltd. (HK Fubon Multimedia)	Investment	100.00	-	"
HK Fubon Multimedia	Fubon Gehua (Beijing) Enterprise Ltd. (FGE)	Wholesale	80.00	-	"

(Continued)

**TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

Investor	Subsidiary	Main Business and Products	Percentage of Direct Ownership as of December 31		Note
			2011	2010	
WMT	Tai Fu Media Technology Co., Ltd. (TFMT)	Investment	100.00	100.00	-
TFMT	Global Wealth Media Technology Co., Ltd. (GWMT)	Investment	100.00	100.00	-
TFMT	Fu Jia Leh Media Technology Co., Ltd. (FJLMT)	Investment	100.00	100.00	-
TFMT	Fu Sin Media Technology Co., Ltd. (FSMT)	Investment	100.00	100.00	-
TFMT	Global Forest Media Technology Co., Ltd. (GFMT)	Investment	100.00	100.00	-
GWMT	Globalview Cable TV Co., Ltd. (GCTV)	Cable TV SO (system operator)	6.831	6.813	-
FSMT	Phoenix Cable TV Co., Ltd. (PCTV)	Cable TV SO (system operator)	3.34	3.34	-
GFMT	Union Cable TV Co., Ltd. (UCTV)	Cable TV SO (system operator)	0.7628	0.0002	-
Corporation	Taiwan Cellular Co., Ltd. (TCC)	Equipment installation and IT service	100.00	100.00	-
TCC	Taiwan Fixed Network Co., Ltd. (TFN)	Fixed network service	100.00	100.00	-
TCC	Taiwan Digital Communications Co., Ltd. (TDC)	Equipment installation and IT service	100.00	100.00	-
TCC	TCC Investment Co., Ltd. (TCCI)	Investment	100.00	100.00	TCCI, TID and TUI collectively owned 730,726 thousand shares of the Corporation representing 21.36% of total outstanding shares.
TCCI	TCCI Investment & Development Co., Ltd. (TID)	Investment	100.00	100.00	-
TCCI	Win TV Broadcasting Co., Ltd. (WTVB)	TV program producing	100.00	100.00	-
TCCI	TFN Media Co., Ltd. (TFNM)	Cable broadband service	100.00	100.00	-
TFNM	UCTV	Cable TV SO (system operator)	99.2243	99.9869	-
TFNM	Yeong Jia Leh Cable TV Co., Ltd. (YJCTV)	Cable TV SO (system operator)	100.00	100.00	-
TFNM	Mangrove Cable TV Co., Ltd. (MCTV)	Cable TV SO (system operator)	29.53	29.53	Another 70.47% shares were held under trustee accounts
TFNM	PCTV	Cable TV SO (system operator)	96.66	96.66	-
TFNM	GCTV	Cable TV SO (system operator)	92.38	92.38	-

(Continued)

**TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

<u>Investor</u>	<u>Subsidiary</u>	<u>Main Business and Products</u>	<u>Percentage of Direct Ownership as of December 31</u>		<u>Note</u>
			<u>2011</u>	<u>2010</u>	
TFNM	Taiwan Kuro Times Co., Ltd. (TKT)	Digital music platform	100.00	54.988	TFNM acquired more than 50% equity and consolidated TKT into financial statements since September 1, 2010.
TKT	ezPeer Multimedia Limited (ezPeer Samoa)	Investment	100.00	100.00	-
TCC	TWM Holding Co., Ltd. (TWM Holding)	Investment	100.00	100.00	-
TWM Holding	TWM Communications (Beijing) Co., Ltd. (TWMC)	Mobile application development and design	100.00	100.00	-
TCC	Taiwan Teleservices & Technologies Co., Ltd. (TT&T)	Call center service and international simple resale (ISR)	100.00	100.00	(Note)
TT&T	Taiwan Super Basketball Co., Ltd. (TSB)	Basketball team management and related business	100.00	100.00	-
TT&T	TT&T Holdings Co., Ltd. (TT&T Holdings)	Investment	100.00	100.00	-
TT&T Holdings	Xiamen Taifu Teleservices & Technologies Co., Ltd.	System integration, management, analysis, and development of CRM application and information consulting services	100.00	100.00	-
TFN	TFN HK LIMITED	Telecommunications	100.00	100.00	-
TFN	TFN Union Investment Co., Ltd. (TUI)	Investment	100.00	100.00	-

Note: Became a subsidiary of TCC, which purchased 100% of the shares of TT&T from TFN on May 14, 2010.

The Group'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.

**TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

**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 Assets at Fair Value through Profit or Loss**

Financial assets 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 assets 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 assets 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 of 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 any 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.

**TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

**Receivables**

The Group accesses evidence for impairment of receivables on an individual and collective basis. Accordingly, all individually significant receivables are assessed for specific impairment. The Group receivables that are not individually significant in accordance with credit risks and considers the historical trends of the probability of default, the timing of recoveries, and the amount of loss incurred to make the estimate of impairment.

**Inventories**

Inventories are recorded at the lower of weighted-average cost or net realizable value. When comparing cost and net realizable value, inventories are evaluated by individual item.

**Investments Accounted for Using the Equity Method**

Long-term investments in which the Group 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.

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

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

**Financial Assets Carried at Cost**

If there is no active market for an equity instrument and a reliable fair value cannot 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 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.

**TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

**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 derecognition, impairment or amortization. A regular purchase or sale of financial assets is recognized and de-recognized using trade-date accounting.

If there is any 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. However, the increased carrying value of an asset due to impairment loss reversal should not exceed the carrying value that would have been determined (net of amortization) had no impairment loss been recognized for the asset in prior years.

**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 fixed assets to the previous state should be recognized as an addition to the fixed assets and accrued as a potential liability accordingly.

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 - 3 to 9 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.

**TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

**Accounting for Leases**

In accordance with SFAS No. 2 "Leases," a lease is identified as either an operating lease or a capital lease, based on the lease contract terms, the collectability of the rent, 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 a 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 rental 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 values derived from all future rental receivables based on an implicit interest rate of the lease. The excess of total rental 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, rental receivables should be recognized as the sum of present values derived from all future rental receivables based on an implicit interest rate of the lease. The excess of total rental receivables over the present value of rental receivables should be deferred as unrealized interest income and amortized as interest income by the effective interest method upon each collection.

**Intangible Assets**

a. Franchise

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

b. Computer software

Computer software cost is amortized by the straight-line method over 3 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. In accordance with the newly revised SFAS, goodwill is no longer amortized. Please refer to the accounting policy for investments accounted for by the equity method.

**TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

d. Customer relationship, trademarks and operating rights

The customer relationship, trademarks and operating rights shall be identified when analyzing the excess of acquisition cost over the ownership in net asset value of an investee, and be booked at fair value provided by the purchase price allocation report.

Customer relationship, trademarks and operating rights are measured on the basis of the future economic value and the useful life of the subsidiaries' retailing channel, cable TV and data network businesses. Customer relationship is amortized by straight-line method over 6 to 20 years. Trademarks and operating rights are based on a license about trademark registration and cable TV. Although the license has a statutory period, the subsidiary can apply for license renewal. Therefore, it does not have a definite useful life in the light of future operation. Thus, this intangible asset should be tested annually for impairment instead of being amortized in accordance with SFAS No. 37 "Intangible Assets". An impairment test is also required if there is evidence of trademarks and operating rights 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, mainly interior decoration costs for offices and directly-managed stores and capitalization for significant repairs, are amortized by the straight-line method over 1 to 6 years.

**Asset Impairment**

If the carrying value of an asset (including property and equipment, intangible assets, idle assets, assets leased to others, investments accounted for using the 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, nevertheless, the carrying value after the reversal shall not exceed the carrying value that would have been determined (net of depreciation) had no impairment loss been recognized for the asset in prior years. The reversal of impairment loss on goodwill is not allowed.



**TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

**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.

**Income Taxes**

The inter-period and intra-period allocation methods are 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. A valuation allowance is provided for deferred income tax assets to the extent that it is 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 being realized.

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

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

Income tax of 10% on unappropriated earnings generated is provided for as income tax in the year when the shareholders resolve to retain 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 the 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.

**TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

**Foreign-currency Transactions**

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

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

Non-monetary assets or liabilities carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at 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 from 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 at 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 the 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 period.

**TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

**3. EFFECTS OF CHANGES IN ACCOUNTING PRINCIPLES**

Effective from January 1, 2011, the Group adopted SFAS No. 41 “Operating Segments.” In accordance with SFAS No. 41, an entity should disclose information to enable users of its financial statements to evaluate the nature and the financial effects of the business activities in which it engages and the economic environments in which it operates. The Group determines and presents operating segments based on the information that is internally provided to the chief operating decision maker. In addition, the segment information should be disclosed in the consolidated financial reports issued by the Corporation, but it does not need to be disclosed in individual financial reports. The Standard also supersedes SFAS No. 20 “Segment Reporting”. The information for the period ended December 31, 2010 has been recast to reflect the new segment reporting requirement. There was no impact on the profit or loss for the year ended December 31, 2011.

Effective from January 1, 2011, the Group adopted the third amended SFAS No. 34 “Financial Instruments: Recognition and Measurement”. In accordance with the revised SFAS No. 34, initial receivables are used in the recognition, valuation, and impairment of receivables. There was no impact on the profit or loss for the year ended December 31, 2011.

**4. SUMMARY OF MAJOR ACCOUNTS**

a. Cash and cash equivalents

	<b>December 31</b>	
	<b>2011</b>	<b>2010</b>
Time deposits	\$ 2,831,445	1,641,870
Government bonds with repurchase rights	2,607,596	3,531,684
Cash in banks	1,135,422	615,175
Cash on hand	86,982	50,634
Short-term notes and bills with repurchase rights	19,989	200,024
Revolving funds	12,558	9,943
	<b>\$ 6,693,992</b>	<b>6,049,330</b>

**TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

b. Financial assets at fair value through profit or loss – current

Information of financial instrument held for trading is as follow :

	<b>December 31</b>	
	<b>2011</b>	<b>2010</b>
<u>Trading financial assets</u>		
Beneficiary certificates		
Open-end mutual fund	<b>\$ 60,186</b>	-

c. Available-for-sale financial assets – current

	<b>December 31</b>	
	<b>2011</b>	<b>2010</b>
Domestic listed stocks		
Chunghwa Telecom Co., Ltd.	<b>\$ 217,351</b>	<b>201,322</b>

d. Accounts receivable, net

	<b>December 31</b>	
	<b>2011</b>	<b>2010</b>
Accounts receivable	\$ 7,882,460	6,841,321
Less allowance for doubtful accounts	(206,524)	(385,856)
	<b>\$ 7,675,936</b>	<b>6,455,465</b>

For the first quarter of 2010, the Corporation entered into an accounts receivable factoring contract with HC First Asset Management Co., Ltd. The Corporation sold \$1,867,628 thousand of the overdue accounts receivable, which had been written off, to HC First Asset Management Co., Ltd. The aggregate selling price was \$27,268 thousand. Under this contract, the Corporation would no longer assume the risk on this receivable.

e. Inventories

	<b>December 31</b>	
	<b>2011</b>	<b>2010</b>
Inventories	\$ 2,273,104	1,183,105
Less allowance to reduce inventory to market	(202,568)	(51,477)
	<b>\$ 2,070,536</b>	<b>1,131,628</b>

Allowances for losses were \$44,292 thousand and \$24,857 thousand for the year ended December 31, 2011 and 2010, respectively.

**TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

f. Investments accounted for using the equity method

	<b>December 31</b>			
	<b>2011</b>		<b>2010</b>	
	<b>Carrying</b>	<b>% of</b>	<b>Carrying</b>	<b>% of</b>
	<b>Value</b>	<b>Owner-</b>	<b>Value</b>	<b>Owner-</b>
	<b>ship</b>	<b>ship</b>	<b>ship</b>	<b>ship</b>
	<b>Value</b>	<b>ship</b>	<b>Value</b>	<b>ship</b>
Taipei New Horizons Co., Ltd. (TNH)	<b>\$ 562,812</b>	49.90	<b>388,002</b>	49.90

(1) Taipei New Horizons Co., Ltd. (TNH)

TNH was established to invest in a property development project located on the old Songshan Tobacco Factory site. On January 15, 2009, TNH signed a 50-year BOT contract with the Taipei City Government.

On January 25, 2010, TNH's board of directors resolved to increase TNH's capital by \$500,000 thousand, divided into 50,000 thousand shares with par value of \$10 per share, with a record date of December 1, 2010. On November 19, 2010, TNH's board of directors resolved to adjust the above-mentioned TNH's capital by \$400,000 thousand, divided into 40,000 thousand shares with par value of \$10 per share. The Corporation subscribed for the shares based on its proportion of the shareholding.

On June 2, 2011, TNH's board of directors resolved to increase TNH's capital by \$400,000 thousand, divided into 40,000 thousand shares with par value of \$10 per share, with a record date of August 1, 2011. The Corporation subscribed for the shares based on its proportion of the shareholding, which remains at 49.9%.

(2) Taiwan Kuro Times Co., Ltd. (TKT)

A subsidiary of the Corporation, TFNM, acquired 45% of TKT's shares in May, 2010. On September 1, 2010, it acquired additional shares of TKT giving it more than 50% ownership, and thus it had control over TKT. The Corporation recognized investment loss on its investment in TKT and TKT's subsidiaries of \$2,196 thousand from May 2 to August 31, 2010.

**TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

(3) Equity in investees' losses

The carrying value of the investment under the equity method and the related investment losses were determined on the basis of audited financial statements.

The Corporation's investment losses were as follows:

	<b>Years ended December 31</b>	
	<b>2011</b>	<b>2010</b>
TNH	\$ 24,790	23,572
TKT	-	2,196
	<b>\$ 24,790</b>	<b>25,768</b>

g. Financial assets carried at cost – non-current

	<b>December 31</b>	
	<b>2011</b>	<b>2010</b>
Domestic emerging stocks		
Taiwan High Speed Rail Corporation	\$ 912,463	2,120,829
Domestic unlisted stocks		
Arcoa Communication Co., Ltd.	67,731	67,731
Great Taipei Broadband Co., Ltd.	41,241	42,845
Parawin Venture Capital Corp.	20,207	20,207
WEB Point Co., Ltd.	6,773	6,773
Foreign unlisted stocks		
Bridge Mobile Pte Ltd.	50,324	50,324
	<b>\$ 1,098,739</b>	<b>2,308,709</b>

Because there is no active market quotation and a reliable fair value cannot be estimated, the above investments are measured at cost. An impairment loss of \$1,209,970 thousand and \$3,229 thousand was recognized for the year ended December 31, 2011 and 2010, respectively.

In August, 2010, TFN, a subsidiary of the Corporation, sold its stock of New Century Information Tech. Co., Ltd. for \$238,541 thousand. The book value of the stock was \$187,042 thousand, and the gain on disposal of investments was \$51,499 thousand.

**TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

h. Bonds measured at amortized cost – non-current

	December 31	
	2011	2010
Taiwan High Speed Rail Corporation – unlisted convertible preferred stock – series A	\$500,000	500,000

i. Property and equipment – accumulated depreciation

	December 31	
	2011	2010
Buildings	\$ 727,697	700,021
Telecommunication equipment	39,250,788	32,439,642
Office equipment	102,026	48,756
Leased assets	615,701	550,606
Miscellaneous equipment	2,406,530	1,496,628
	<b>\$ 43,102,742</b>	<b>35,235,653</b>

Capitalized interest for the year ended December 31, 2011 and 2010 was \$10,244 thousand and \$7,753 thousand, respectively, with capitalization rates ranging from 1.68% to 2.88% and 1.56% to 2.88%, respectively.

j. Intangible assets

	Year ended December 31, 2011			
	Trademarks	Goodwill	Customer Relationship	Operating Rights
<u>Cost</u>				
Beginning balance	\$ 19,087	10,529,148	2,341,808	1,382,000
Add:				
Acquired in this period	282	-	5,433	-
Acquisition from merger	2,497,202	5,316,864	-	-
Effect of exchange rate changes	180	56	-	-
Amortization	(77)	-	(179,134)	-
Ending balance	<b>\$ 2,516,674</b>	<b>15,846,068</b>	<b>2,168,107</b>	<b>1,382,000</b>

**TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

	Year ended December 31, 2010			
	Trademarks	Goodwill	Customer Relationship	Operating Rights
<u>Cost</u>				
Beginning balance	\$ 368	10,485,941	2,511,760	1,382,000
Add:				
Acquired in this period	383	-	-	-
Acquisition from merger	19,453	45,006	4,830	
Effect of exchange rate changes	(951)	(1,799)	-	-
Amortization	(166)	-	(174,782)	
Ending balance	\$ 19,087	10,529,148	2,341,808	1,382,000

(1) Customer relationship, trademarks and operating rights

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

- (a) On April 17, 2007, TFN, the Corporation’s 100%-owned subsidiary, acquired more than 50% of the former TFN through a public tender offer. The Corporation divided the former TFN and its subsidiaries into two cash-generating units: fixed network service and cable television business. Accordingly, customer relationship and operating rights are identified as major intangible assets.
- (b) Taiwan United Communication Co., Ltd. (TUC) was established on April 14, 2007, and was merged into TFN on January 1, 2008. In September 2007, TUC, the Corporation’s 100%-owned subsidiary, acquired more than 50% of Taiwan Telecommunication Network Services Co., Ltd. (TTN) shares. TTN was merged into TFN on August 1, 2008. 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 a major intangible asset.
- (c) On September 1, 2010, TFNM, the Corporation’s 100%-owned subsidiary, acquired 55% of TKT. On August 12, 2011, TFNM acquired 45% of TKT. The Corporation measured the fair value of the acquired assets and viewed TKT’s wireless services as one cash-generating unit. Accordingly, trademarks and customer relationship are identified as major intangible assets.



**TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

(d) On July 13, 2011, WMT, the Corporation's 100%-owned subsidiary, acquired more than 50% of the FMT. The Corporation measured the fair value of the acquired assets and viewed FMT's retailing as one cash-generating unit. Accordingly, trademarks are identified as major intangible assets.

(2) Goodwill

In conformity with SFAS No. 35 "Impairment of Assets," the Group identified the smallest identifiable group of cash-generating units by year and entity as follows:

The Group's members, which were engaged in mobile or wireless phone services, fixed network services, cable television business and the retail business, were viewed as separate, independent cash-generating units. Thus, the recoverable amounts of the operating assets and goodwill were evaluated by business type, and the critical assumptions used for this evaluation were as follows:

(a) Wireless service

(i) 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.

(ii) Assumptions on operating costs and expenses

The estimates of activation commissions and customer retention costs were based on the new customer obtained and existing customer maintained. The estimates of remaining costs and expenses were base on the cost drivers of each item.

(iii) Assumptions on discount rate

In 2011 and 2010, the discount rate used to calculate the asset recoverable amounts of the Corporation was 6.98% and 7.47%, respectively.

(b) Fixed network service

(i) Assumptions on operating revenues

After taking into consideration the changes in the telecom industry and the company's growth of operation, the operating revenues were estimated basing on the demand of the types of data transmission and broadband volume.

**TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

(ii) Assumptions on operating costs and expenses

The costs and expenses were based on the cost drivers of each item.

(iii) Assumptions on discount rate

In 2011 and 2010, the discount rates were 7.22% and 7.54%, respectively, in calculating the asset recoverable amounts of TFN.

(c) Cable television business

(i) 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.

(ii) Assumptions on operating costs and expenses

The estimates of commissions, 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.

(iii) Assumptions on discount rate

The discount rates used to calculate the asset recoverable amounts for each system operator ranged from 8.2% to 8.5% and from 3.70% to 8.00% in 2011 and 2010, respectively.

(d) Retail business

(i) Assumptions on operating revenues

After taking into consideration the changes in the retail business industry and competitiveness of the market, the operating revenues were estimated basing on the classification and the average price of commodities, and the degree of the contribution of the customers.

(ii) Assumptions on operating costs and expenses

The costs and expenses were based on the proportion of the actual costs and expenses of the operating revenues.

(iii) Assumptions on discount rate

In 2011, the discount rate used to calculate the asset recoverable amounts of the Corporation was 10.72%.

**TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

Based on the key assumptions of each cash-generating unit, the Group's management believes that the carrying amounts of these operating assets 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, 2011 and 2010.

k. Assets leased to others and idle assets

	<b>December 31</b>	
	<b>2011</b>	<b>2010</b>
Assets leased to others		
Cost	\$ 329,633	328,992
Less accumulated depreciation	(21,849)	(19,510)
Less accumulated impairment	-	(10,591)
	<b>\$ 307,784</b>	<b>298,891</b>

	<b>December 31</b>	
	<b>2011</b>	<b>2010</b>
Idle assets		
Cost	\$ 157,789	245,361
Less allowance for decline in value	(35,928)	(35,928)
Less accumulated depreciation	(17,434)	(24,745)
Less accumulated impairment	(4,614)	(30,276)
	<b>\$ 99,813</b>	<b>154,412</b>

l. Short-term borrowings

	<b>December 31</b>	
	<b>2011</b>	<b>2010</b>
Unsecured loans	<b>\$ 9,000,000</b>	<b>3,203,000</b>
Interest rate	0.89%~0.98%	0.69%~1.56%

m. Short-term notes and bills payable

	<b>December 31</b>	
	<b>2011</b>	<b>2010</b>
Commercial paper payable		
China Bills Finance Corporation	\$ 600,000	500,000
Mega Bills Finance Corporation	300,000	-
Less discount on short-term notes and bills payable	(727)	(268)
Net carrying value	<b>\$ 899,273</b>	<b>499,732</b>
Interest rate	0.948%~0.958%	0.46%
Period	2011.12.30- 2012.01.31	2010.12.31- 2011.01.28

**TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

n. Advance receipts

In accordance with NCC's policy, the Corporation entered into a contract with First Commercial Bank Co., Ltd., which provided a performance guarantee for advance receipts from prepaid card customers. The guaranteed advance receipts from prepaid card customers were \$938,905 thousand as of December 31, 2011.

In accordance with NCC's policy, cable television companies should provide a performance deposit based on a certain proportion of the advance receipts for a prepaid period. As of December 31, 2011, the cable television companies had received an advance fee of NT\$455,005 thousand and provided \$56,152 thousand as performance deposit, which is classified as restricted asset.

o. Bonds payable

	December 31			
	2011		2010	
	Current	Non-current	Current	Non-current
2nd Domestic unsecured bonds	<b>\$ 4,000,000</b>	<b>4,000,000</b>	-	<b>8,000,000</b>

On November 14, 2008, the Corporation issued \$8,000,000 thousand of five-year 2nd domestic unsecured bonds, each having a face value of \$10,000 thousand and a coupon rate of 2.88% per annum, with simple interest due annually. Repayment will be made in the fourth and fifth year with equal installments, i.e., \$4,000,000 thousand.

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

Year	Amount
2012	\$ 4,000,000
2013	4,000,000
	<b>\$ 8,000,000</b>

p. Long-term borrowings

	December 31	
	2011	2010
Unsecured loans	\$ -	<b>2,300,000</b>
Interest rate	-	0.8832%

**TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

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. This joint credit facility covers a period of three years commencing from May 20, 2008. Based on the terms of this agreement, the credit line will be decreased by 50% after two years from the commencing date. As of May 20, 2010, the credit line has been reduced to \$6,750,000 thousand. Also, interests are payable monthly. Upon maturity, the loan is allowed to revolve within its credit limits. The contract requires the Corporation to maintain certain financial ratios including debt ratios, interest coverage, and tangible net asset ratio based on semi-annual financials.

q. 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 salaries to the employees' individual pension accounts. The contributed amount was \$217,419 thousand and \$169,458 thousand for the year ended December 31, 2011 and 2010, 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 salaries to a pension fund. The pension fund is managed by an independently administered pension fund committee and deposited in the committee's name in Bank of Taiwan (formerly the Central Trust of China, which was merged into Bank of Taiwan in July 2007). As approved by the Department of Labor of the Taipei City Government, the Group suspended contributing from February 2007 to January 2012.

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

(1) Pension cost

	<b>Years ended December 31</b>	
	<b>2011</b>	<b>2010</b>
Service cost	\$ 3,346	4,128
Interest cost	15,478	14,844
Projected return of pension assets	(13,508 )	(13,357 )
Amortization	8,028	6,341
(Gain) loss on settlement	(14,627 )	611
Pension cost	<b>\$ (1,283 )</b>	<b>12,567</b>

**TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

(2) Changes in the prepaid pension cost

	<b>December 31</b>	
	<b>2011</b>	<b>2010</b>
Benefit obligation		
Vested	\$ (21,262 )	(6,488 )
Non-vested	(443,928 )	(450,526 )
Accumulated	(465,190 )	(457,014 )
Additional benefits based on future salaries	(298,404 )	(288,272 )
Projected benefit obligation	(763,594 )	(745,286 )
Fair value of plan assets	677,262	673,005
Funded status	(86,332 )	(72,281 )
Unrecognized net transition obligation	11,932	15,776
Unrecognized prior service cost	20,782	24,659
Unamortized net gain or loss	122,395	108,755
Unrecognized net gain	(18,082 )	(32,637 )
Additional liability	(42,191 )	(41,459 )
Prepaid pension cost	<b>\$ 8,504</b>	<b>2,813</b>
(3) Vested benefit	<b>\$ (26,701 )</b>	<b>(7,424 )</b>

(4) Actuarial assumptions

	<b>Years ended December 31</b>	
	<b>2011</b>	<b>2010</b>
Discount rate used in determining present values	2.00%	2.00%~2.25%
Future salary increase rate	2.75%~3.00%	2.50%~3.00%
Expected rate of return on plan assets	2.00%	2.00%

r. Shareholders' equity

(1) 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 stock and cash, may be transferred to capital as stock dividends or distributed as cash dividends, and this transfer is restricted to a certain percentage of the paid-in capital and may be made only within prescribed limits each time. Also, the capital surplus from long-term investments may not be used for any other purposes.

**TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

(2) Legal reserve

According to the Company Act, a company shall first set aside ten percent of its income (after taxes) as legal reserve until it equals to the paid-in capital. After offsetting any deficit, the legal reserve may be transferred to capital as stock dividends or distributed as cash dividends within the amount in excess of 25% of the paid-in capital in pursuant to the resolution to be adopted by the shareholders' meeting.

(3) 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:

- (a) Dividends and bonus to preferred shareholders
- (b) Remuneration to directors and supervisors - up to 0.3%
- (c) Bonus to employees - 1% to 3%
- (d) 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. The 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 of the board of directors and shareholders based on actual earnings and working 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 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.

**TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

For the year ended December 31, 2011, the bonuses to employees and remuneration to directors and supervisors were accrued based on 3% and 0.3%, respectively, of net income (not including the bonus to employees and remuneration to directors and supervisors) after setting aside 10% of net income as legal reserve. The significant difference between annual accruals and the amount approved by the board of directors shall be adjusted in the current year. If the board of directors' 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 2012'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 the closing price one day prior to the AGM, adjusted for cash and/or stock dividends if any.

The 2010 and 2009 earnings appropriations resolved by the AGMs on June 15, 2011, and June 18, 2010, were as follows:

	Appropriation of Earnings		Dividend per Share (NT\$)	
	For Fiscal	For Fiscal	For Fiscal	For Fiscal
	Year 2010	Year 2009	Year 2010	Year 2009
Appropriation of legal reserve	\$ 1,382,219	1,388,886		
Cash dividends	12,439,967	15,028,235	4.16190	5.02783
Reversal of special reserve	-	(2,528,259)		
	<b><u>\$ 13,822,186</u></b>	<b><u>13,888,862</u></b>		

The shareholders, on June 15, 2011, resolved to distribute a 2010 bonus of \$373,059 thousand to employees and remuneration of \$37,306 thousand to directors and supervisors.

The shareholders, on June 18, 2010, resolved to distribute a 2009 bonus of \$374,826 thousand to employees and remuneration of \$37,483 thousand to directors and supervisors.

Information on the appropriation of the earnings, bonus to employees, and remuneration to directors and supervisors proposed by the board of directors and approved at the AGM is available on the Market Observation Post System website of the Taiwan Stock Exchange.

(4) 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, 2011 a capital reduction of \$3,800,926 thousand, representing 10% of outstanding shares. On July 15, 2011, the authority already approved the application and the Corporation's board of directors resolved the record date of August 1, 2011. Trading suspension started on October 3, 2011 and the new shares resumed trading on October 13, 2011.



**TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

(5) Treasury stock

<b>Purpose of Buyback</b>	<b>(Shares in Thousands)</b>			<b>Ending Shares</b>
	<b>Beginning Shares</b>	<b>Increase</b>	<b>Decrease</b>	
<u>Year ended December 31, 2011</u>				
Shares held by subsidiaries	811,918	-	81,192	730,726
<u>Year ended December 31, 2010</u>				
Shares held by subsidiaries	811,918	-	-	811,918

As of December 31, 2011, the Corporation's stock held by TCCI, TID, and TUI (all are subsidiaries 100% owned by the Corporation) was 730,726 thousand shares and the carrying and market values were \$68,980,520 thousand. The Corporation reclassified \$31,077,183 thousand from investments accounted for using the equity method to treasury stock based on SFAS No. 30 "Accounting for Treasury Stock." Although these shares are treated as treasury stock in the financial statements, the shareholders are entitled to excise their rights over these shares, except for the participation in capital injection by cash. In addition, based on the ROC Company Act, the holders of treasury stock cannot exercise the voting rights.

(6) Unrealized gain or loss on financial instruments

Unrealized gain or loss on financial instruments for the years ended December 31, 2011 and 2010, is summarized as follows:

	<b>Years ended December 31</b>	
	<b>2011</b>	<b>2010</b>
Available-for-sale financial assets		
Balance, beginning of period	\$ 89,842	63,624
Fair value changes recognized directly in equity	21,464	26,218
Unrealized gains on financial instruments	<b>\$ 111,306</b>	<b>89,842</b>

s. Income tax expense

- (1) The reconciliation of imputed income taxes on pretax income at the statutory tax rate to income tax expense was as follows:

**TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

	<b>Years ended December 31</b>	
	<b>2011</b>	<b>2010</b>
Tax on pretax income at statutory tax rate	\$ 4,526,503	4,572,139
Add (deduct) tax effects of:		
Permanent differences		
Investment income from domestic investees accounted for using the equity method	(1,747,968)	(1,634,184)
Other	200,974	1,211
Temporary differences	(421,760)	(211,872)
Prior years' adjustment	(470,963)	69,702
Deferred income taxes	436,627	542,908
Prior years' loss carryforward	(13,771)	(13,427)
Investment tax credits	(7,253)	(42,933)
Income tax expense	<b>\$ 2,502,389</b>	<b>3,283,544</b>

On May 27, 2009, the Legislative Yuan passed an amendment of Article 5 of the Income Tax Act, which reduced a profit-seeking enterprise's income tax rate from 25% to 20%, effective January 1, 2010. On June 15, 2010, the Legislative Yuan passed an amendment of Article 5 of the Income Tax Act to reduce the corporate statutory income tax rate from 20% to 17%, effective January 1, 2010. The Group recalculated its deferred tax assets and liabilities in accordance with the amended Article and recorded the resulting difference as an income tax expense.

(2) Deferred income tax assets (liabilities) were as follows:

	<b>December 31</b>	
	<b>2011</b>	<b>2010</b>
Unrealized loss on retirement of property and equipment	\$ 846,775	1,093,815
Amortization of goodwill	(468,873)	(343,517)
Difference in the estimated lives of property and equipment	134,993	122,009
Provision for doubtful accounts	134,067	254,274
Prior years' loss carryforward	47,056	45,314
Provision for impairment losses on idle assets	20,979	21,650
Investment tax credits	-	157
Other	95,075	42,034
	810,072	1,235,736
Less valuation allowance	(233,805)	(243,898)
	<b>\$ 576,267</b>	<b>991,838</b>
Deferred income tax assets		
Current	\$ 28,391	10,060
Non-current	743,916	1,135,264
	<b>\$ 772,307</b>	<b>1,145,324</b>
Deferred income tax liabilities		
Current	\$ (193)	-
Non-current	(195,847)	(153,486)
	<b>\$ (196,040)</b>	<b>(153,486)</b>

**TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

(3) The net operating loss carryforwards of the Group as of December 31, 2011, were as follows:

<u>Year</u>	<u>Total Creditable Amount</u>	<u>Remaining Creditable Amount</u>	<u>Expiry Year</u>
2006	\$ 62,136	2,602	2016
2007	125,042	125,042	2017
2008	62,150	62,074	2018
2009	1,458	1,124	2019
2010	13,050	13,050	2020
2011	93,971	72,907	2021
	<u>\$ 357,807</u>	<u>276,799</u>	

(4) Integrated income tax information was as follows:

	<u>December 31</u>	
	<u>2011</u>	<u>2010</u>
Balance of imputation credit account (ICA)		
The Corporation	\$ 2,394,350	1,438,180
TCC	277	232
WMT	-	-
TFMT	6,978	5,029
TWTV	-	-
FJLMT	-	-
GWMT	1,624	1,672
FSMT	2,181	2,247
GFMT	89	-
TDC	18	-
TCCI	80,289	115,848
TID	-	-
TSB	5	-
TFN	665,825	632,424
TT&T	5,629	9,729
TUI	-	-
WTVB	-	-
TFNM	93,389	80,455
UCTV	7,167	7,928
YJCTV	39,570	41,921
MCTV	12,027	7,759
PCTV	18,470	19,976
GCTV	23,371	18,682
TKT	-	-
FMT	140,878	Not applicable
FST	757	"
FLI	3,410	"
FPI	3,823	"

**TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

As of December 31, 2011, there were no unappropriated earnings generated before January 1, 1998. The estimated and actual creditable ratios for the 2011 and 2010 earnings appropriation, respectively, were as follows:

	<u>2011</u>	<u>2010</u>
The Corporation	22.28%	17.68%
TCC	12.61%	18.72%
WMT	20.48%	-
TFMT	20.48%	-
TWTV	-	-
FJLMT	-	-
GWMT	20.48%	20.48%
FSMT	20.48%	20.48%
GFMT	-	-
TDC	20.44%	-
TCCI	8.66%	20.48%
TID	-	-
TSB	20.48%	-
TFN	20.48%	20.48%
TT&T	20.48%	20.48%
TUI	-	-
WTVB	-	-
TFNM	4.74%	19.93%
UCTV	10.85%	9.83%
YJCTV	20.48%	20.48%
MCTV	20.53%	20.54%
PCTV	20.54%	20.56%
GCTV	20.49%	20.49%
TKT	-	-
FMT	20.49%	Not applicable
FST	20.48%	"
FLI	20.48%	"
FPI	20.48%	"

The imputation credits allocated to the shareholders are based on the ICA balance as of the date of dividend distribution. The estimated creditable ratio for the 2011 earnings appropriation may be adjusted when the imputation credits are distributed.

**TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

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

	<u>Year</u>
The Corporation	2009, only 2006 and 2008 not applicable
The former TransAsian Telecommunications Inc.	All applicable
TransAsian Telecommunications Inc.	2007
Mobitai Communications	2006
TCC	2009
WMT	2009
TWTV	Not applicable
TFMT	2009
FJLMT	2009
GWMT	2009
FSMT	2009
GFMT	2009
TDC	2009
TCCI	2009
TID	2009
TSB	2009
Former TFN	2007
TFN	2009
TTN	2007
TT&T	2009
TUI	2009
TFNI	2008
WTVB	2009
TFNM	2009, only 2008 not applicable
UCTV	2008
YJCTV	2009
MCTV	2009
PCTV	2009
GCTV	2009
TKT	2009
FMT	2009
FST	2009
FLI	2009
FPI	2009

**TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

The Corporation's income tax returns for the years up to 2009 had been examined by the tax authorities, except for 2006 and 2008. The Corporation disagreed with the examination results of the income tax returns for 2009 and requested a reexamination.

TAT's income tax returns up to 2007 had been examined by the tax authorities. TAT disagreed with the examination results of the income tax returns for 2006 and 2007 and had filed an appeal.

The former TAT's income tax returns up to 2006 had been examined by the tax authorities. The former TAT had filed for corrections of its 2002 through 2004 income tax returns.

Mobitai's income tax returns up to 2006 had been examined by the tax authorities. Mobitai disagreed with the examination results of the income tax return for 2006 and requested a reexamination.

The former TFN's income tax returns up to 2007 had been examined by the tax authorities. The former TFN disagreed with the examination results of the income tax returns and had requested a correction of the 2007 income tax return.

TFN's income tax returns up to 2009 had been examined by the tax authorities. TFN disagreed with the examination results of the income tax return for 2008 and 2009 and requested a reexamination.

TFNM's income tax returns up to 2009 had been examined by the tax authorities, except for 2008. TFNM disagreed with the examination results of the income tax returns and requested an appeal for 2006 and requested a reexamination for 2007 and 2009.

YJCTV's income tax returns up to 2009 had been examined by the tax authorities. YJCTV disagreed with the examination results of the income tax return for 2009 and requested a reexamination.

GCTV's 2009 income tax returns had been examined by the tax authorities but it disagreed with the examination results, and plans to apply for a reexamination.

**TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

t. Earnings per share

	Amounts (Numerator)			EPS (NT\$)	
	Before Income Tax	After Income Tax	Shares (Denominator) (Thousands)	Before Income Tax	After Income Tax
<u>Year ended December 31, 2011</u>					
Basic EPS					
Income of common shareholders	\$ 14,842,996	13,468,763	2,863,715	<u>\$ 5.18</u>	<u>\$ 4.70</u>
Add effect of dilutive potential common stock - bonus to employees	-	-	6,030		
Diluted EPS					
Income of common shareholders with dilutive effect of potential common shares	<u>\$ 14,842,996</u>	<u>13,468,763</u>	<u>2,869,745</u>	<u>\$ 5.17</u>	<u>\$ 4.69</u>
<u>Year ended December 31, 2010</u>					
Basic EPS					
Income of common shareholders	\$ 16,398,144	13,822,186	2,989,008	<u>\$ 5.48</u>	<u>\$ 4.62</u>
Add effect of dilutive potential common stock - bonus to employees	-	-	8,234		
Diluted EPS					
Income of common shareholders with dilutive effect of potential common shares	<u>\$ 16,398,144</u>	<u>13,822,186</u>	<u>2,997,242</u>	<u>\$ 5.47</u>	<u>\$ 4.61</u>

The Accounting Research and Development Foundation (ARDF) issued Interpretation No. 2007-052, which requires companies to recognize bonuses paid to employees, and remuneration to directors and supervisors as compensation expenses beginning January 1, 2008. These bonuses and remuneration were previously recorded as appropriations from earnings. If the Corporation may settle the bonus to employees by cash or shares, the Corporation should presume that the entire amount of the bonus will be settled in shares, and the potential share dilution should be included in the weighted-average number of shares outstanding used in the calculation of diluted EPS, if the shares have a dilutive effect. In the calculation of diluted EPS, the number of outstanding shares is derived from dividing the entire amount of the bonus by the closing price of the shares at the balance sheet date. Such potential dilutive effect should be taken into consideration in the calculation of diluted EPS until the shareholders resolve the actual number of shares to be distributed to employees at the AGM of the following year.

**TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

u. Financial instrument transactions

(1) Fair value information

	<b>December 31</b>			
	<b>2011</b>		<b>2010</b>	
	<b>Carrying Value</b>	<b>Fair Value</b>	<b>Carrying Value</b>	<b>Fair Value</b>
<u>Financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$ 6,693,992	6,693,992	6,049,330	6,049,330
Financial assets at fair value through profit or loss— current	60,186	60,186	-	-
Available-for-sale financial assets – current	217,351	217,351	201,322	201,322
Notes receivable	23,423	23,423	45,277	45,277
Accounts receivable (including related parties)	7,800,537	7,800,537	6,588,107	6,588,107
Other receivables	241,558	241,558	524,087	524,087
Pledged time deposits	73,062	73,062	1,100	1,100
Financial assets carried at cost – non-current	1,098,739	-	2,308,709	-
Bonds measured at amortized cost – non-current	500,000	-	500,000	-
Refundable deposits	510,464	510,464	400,186	400,186
<u>Liabilities</u>				
Short-term borrowings	9,000,000	9,000,000	3,203,000	3,203,000
Short-term notes and bills payable	899,273	899,273	499,732	499,732
Notes payable	641,166	641,166	232,299	232,299
Accounts payable (including related parties)	5,703,352	5,703,352	3,423,611	3,423,611
Income taxes payable	1,331,623	1,331,623	1,387,348	1,387,348
Accrued expenses	6,132,359	6,132,359	5,564,242	5,564,242
Other payables	3,594,997	3,594,997	5,001,640	5,001,640
Guarantee deposits (including current portion)	594,293	594,293	379,866	379,866
Bonds payable	8,000,000	8,192,952	8,000,000	8,264,392
Long-term borrowings	-	-	2,300,000	2,300,000

(2) The methods and significant assumptions applied for determining fair values of financial instruments were as follows:

- (a) Financial assets at fair value through profit or loss-current and available-for-sale financial assets-current – based on quoted prices in an active market at the balance sheet date
- (b) Financial assets carried at cost—non-current and bonds measured at amortized cost—non-current—based on the net worth of the investee or estimated book value; this is because there is no active market for unlisted stocks, and a reliable fair value could only be verified at a more than reasonable cost
- (c) Bonds payable – based on the over-the-counter quotations in December



**TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

- (d) Long-term borrowings based on the present value of expected future cash flows discounted by the interest rates that the Corporation may obtain for similar loans
  - (e) The book values of short-term financial instruments approximate their fair value due to their short maturities; short-term financial instruments include cash and cash equivalents, receivables, pledged time deposits, refundable deposits, short-term borrowings, short-term notes and bills payable, notes payable, payables, and guarantee deposits
- (3) The fair values of financial assets and liabilities were not simultaneously determined by quoted prices in active markets and by estimations using a valuation technique.
- (4) The financial assets exposed to fair value interest rate risk amounted to \$2,861,092 thousand and \$5,320,362 thousand as of December 31, 2011 and 2010, respectively, and the financial liabilities exposed to fair value interest rate risk amounted to \$17,899,273 thousand and \$13,999,732 thousand as of December 31, 2011 and 2010, respectively. The financial assets exposed to cash flow interest rate risk amounted to \$3,812,744 thousand and \$733,290 thousand as of December 31, 2011 and 2010, respectively, and the financial liabilities exposed to cash flow interest rate risk amounted to zero and 3,000 thousand as of December 31, 2011 and 2010, respectively.
- (5) Information on financial risks

(a) Market risk

The Group did not enter into any financial derivative transactions which would cause significant exposure to exchange rate and interest rate risks.

(b) Credit risk

Credit risk represents the potential impacts on 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, 2011 and 2010, was zero because all counter-parties were reputable financial institutions with good credit ratings.

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

**TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

The credit risk amount listed above is an evaluation of the contracts with positive fair value at the balance sheet date and the contracts with off-balance-sheet commitments and guarantees. Significant concentration of credit risk exists when financial instrument transactions significantly concentrate on one counter-party, 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 by 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 a single client or counter-party or clients in the same region.

(c) 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.

**5. RELATED-PARTY TRANSACTIONS**

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

<b>Related Party</b>	<b>Relationship with the Group</b>
Taiwan Mobile Foundation (TWM Foundation)	Over one-third of the Foundation's funds came from the Corporation
Taipei New Horizons Co., Ltd. (TNH)	Equity-method investee
Fubon Life Assurance Co., Ltd. (FLA)	Related party in substance
Fubon Securities Investment Trust Co., Ltd.	Related party in substance
Fubon Marketing Co., Ltd. (FMC)	Related party in substance
Fubon Financial Venture Capital Co., Ltd.	Related party in substance
Fubon Multimedia Technology Co., Ltd. (FMT)	Related party in substance (changed relationship with the Corporation on July 13, 2011)
Fubon Asset Management Co., Ltd.	Related party in substance
Chung Hsing Constructions Co., Ltd.	Related party in substance
Fubon Land Development Co., Ltd.	Related party in substance
Fubon Financial Holding Company (FFH)	Related party in substance
Taipei Fubon Commercial Bank Co., Ltd. (TFCB)	Related party in substance
Fubon Securities Co., Ltd. (FSC)	Related party in substance
Fubon Future Co., Ltd.	Related party in substance

**TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

<b>Related Party</b>	<b>Relationship with the Group</b>
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
Fubon Real Estate Management Co., Ltd.	Related party in substance
Taiwan Sport Lottery Corporation (TSL)	Related party in substance
Fubon Venture Capital Consulting Co., Ltd.	Related party in substance
Dai-Ka Ltd. (DKL)	Related party in substance
Fu Sheng Life Insurance Agency Co., Ltd.	Related party in substance
Fu Sheng General Insurance Agency Co., Ltd.	Related party in substance

b. Significant transactions with related parties are summarized below:

(1) Operating revenues

	<b>Years ended December 31</b>			
	<b>2011</b>		<b>2010</b>	
	<b>Amount</b>	<b>% of Total Revenues</b>	<b>Amount</b>	<b>% of Total Revenues</b>
TFCB	\$ 82,364	-	80,515	-
FMT	64,503	-	124,281	-
FLA	59,406	-	56,558	-
TSL	28,366	-	28,819	-
Fubon Ins.	23,369	-	11,791	-
FSC	19,576	-	18,677	-
FFH	14,109	-	9,717	-
FMC	10,121	-	10,004	-
	<b>\$ 301,814</b>		<b>340,362</b>	

The Group mainly rendered telecommunication services to the above companies. The average collection period for notes and accounts receivable was based on regular terms.

**TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

(2) Operating costs

	<b>Years ended December 31</b>			
	<b>2011</b>		<b>2010</b>	
		<b>% of</b>		<b>% of</b>
	<b>Amount</b>	<b>Total</b>	<b>Amount</b>	<b>Total</b>
	<b>Costs</b>	<b>Costs</b>	<b>Costs</b>	
DKL	\$ 148,181	-	144,617	-
Fubon Ins.	44,062	-	53,154	-
	<b>\$ 192,243</b>		<b>197,771</b>	

The above companies mainly rendered telecommunication, maintenance, insurance, and TV program licensing services to the Group. The average payment term for notes and accounts payable was based on regular terms.

(3) Rental income

	<b>Leased Sites/Equipment</b>	<b>Years ended December 31</b>	
		<b>2011</b>	<b>2010</b>
FMT	Office appliance, etc.	<b>\$ 17,524</b>	<b>35,317</b>

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

(4) Cash in banks

	<b>December 31</b>			
	<b>2011</b>		<b>2010</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
(a) Cash in banks				
TFCB	<b>\$ 836,606</b>	<b>12</b>	<b>384,739</b>	<b>6</b>
(b) Pledged time deposits				
TFCB	<b>\$ 27,252</b>	<b>37</b>	<b>1,100</b>	<b>100</b>

**TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

(5) Receivables and payables

	<b>December 31</b>			
	<b>2011</b>		<b>2010</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
(a) Accounts receivable				
TFCB (Note)	\$ 54,050	1	55,428	1
FSC (Note)	17,857	-	17,271	-
FLA (Note)	17,561	-	13,274	-
TSL (Note)	15,038	-	15,118	-
Fubon Ins.	8,214	-	10,809	-
Other	11,881	-	20,742	-
	<b>\$ 124,601</b>		<b>132,642</b>	

Note: Leasehold receivables from TFCB were as follows:

<b>December 31, 2011</b>	<b>Current Portion</b>	<b>Maturities of over One Year (Classified under Other Assets)</b>		<b>Total</b>
Leasehold receivable	\$ 3,027	7,825		10,852
Less unrealized interest income	(190)	(489)		(679)
	<b>\$ 2,837</b>	<b>7,336</b>		<b>10,173</b>
<b>December 31, 2010</b>				
Leasehold receivable	\$ 1,873	6,096		7,969
Less unrealized interest income	(140)	(380)		(520)
	<b>\$ 1,733</b>	<b>5,716</b>		<b>7,449</b>

**TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

Note: Leasehold receivables from FSC were as follows:

<b>December 31, 2011</b>	<b>Current Portion</b>	<b>Maturities of over One Year (Classified under Other Assets)</b>	<b>Total</b>
Leasehold receivable	\$ 6,823	3,432	10,255
Less unrealized interest income	(281)	(143)	(424)
	<b>\$ 6,542</b>	<b>3,289</b>	<b>9,831</b>
<hr/>			
<b>December 31, 2010</b>			
Leasehold receivable	\$ 5,408	5,715	11,123
Less unrealized interest income	(474)	(299)	(773)
	<b>\$ 4,934</b>	<b>5,416</b>	<b>10,350</b>

Note: Leasehold receivables from FLA were as follows:

<b>December 31, 2011</b>	<b>Current Portion</b>	<b>Maturities of over One Year (Classified under Other Assets)</b>	<b>Total</b>
Leasehold receivable	\$ 10,843	27,299	38,142
Less unrealized interest income	(654)	(1,746)	(2,400)
	<b>\$ 10,189</b>	<b>25,553</b>	<b>35,742</b>
<hr/>			
<b>December 31, 2010</b>			
Leasehold receivable	\$ 7,624	24,302	31,926
Less unrealized interest income	(543)	(1,760)	(2,303)
	<b>\$ 7,081</b>	<b>22,542</b>	<b>29,623</b>

**TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

Note: Leasehold receivables from TSL were as follows:

<b>December 31, 2011</b>	<b>Current Portion</b>	<b>Maturities of over One Year (Classified under Other Assets)</b>	<b>Total</b>
Leasehold receivable	\$ 15,722	4,492	20,214
Less unrealized interest income	(773)	(63)	(836)
	<b>\$ 14,949</b>	<b>4,429</b>	<b>19,378</b>
<hr/>			
<b>December 31, 2010</b>			
Leasehold receivable	\$ 14,599	19,091	33,690
Less unrealized interest income	(1,604)	(836)	(2,440)
	<b>\$ 12,995</b>	<b>18,255</b>	<b>31,250</b>

	<b>December 31</b>			
	<b>2011</b>		<b>2010</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
(b) Prepayments				
Fubon Ins.	<b>\$ 11,244</b>	<b>1</b>	<b>9,443</b>	<b>1</b>
(c) Refundable deposits				
FLA	<b>\$ 56,201</b>	<b>11</b>	<b>391</b>	<b>-</b>
(d) Accrued expenses				
Fubon Ins.	<b>\$ 8,767</b>	<b>-</b>	<b>11,516</b>	<b>-</b>

**TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

(6) Other

	<b>Years ended December 31</b>	
	<b>2011</b>	<b>2010</b>
(a) Insurance expense		
Fubon Ins.	\$ 10,396	11,941
(b) Donation		
TWM Foundation	\$ 11,713	13,007
(c) Repairs and maintenance		
FPM	\$ 24,468	23,342
(d) Rental expense		
FLA	\$ 47,912	414
(e) Other expense		
TFCB	\$ 65,901	23,130
FPM	32,700	26,054
	<b>\$ 98,601</b>	<b>49,184</b>

(7) Stock transactions

In order to enhance cross-platform synergy and mobile commerce service, the Corporation's board of directors resolved on April 8, 2011, to acquire 51% of the shares of Fubon Multimedia Technology Co., Ltd. held by Fubon Financial Venture Capital Co., Ltd. and priced at \$8,347,949 thousand through its subsidiary, WMT. The authority approved the transaction on June 30, 2011, and the Corporation paid the purchase price to complete the settlement on July 13, 2011.

(8) Endorsement/guarantee provided

The Group provides guarantees for related parties. Please see Note 7.

c. Compensation to directors, supervisors, and managers:

	<b>Years ended December 31</b>	
	<b>2011</b>	<b>2010</b>
Salaries, incentives, and special compensation	\$ 154,523	245,016
Earnings paid as remunerations to directors	36,284	37,306
Earnings paid as bonus to employees	38,251	64,203
Professional fee	3,396	2,873
	<b>\$ 232,454</b>	<b>349,398</b>



**TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

The compensation to directors, supervisors and managers for the year ended December 31, 2010 included the bonus appropriation from 2010 earnings approved in 2011 AGM. While that for the year ended December 31, 2011 included the bonus appropriation from 2011 earnings subject to approval in 2012 AGM. More detailed information may be referred in the Corporation's annual reports.

**6. ASSETS PLEDGED**

The assets pledged as collateral for bank loans, credit line of deposit overdraft, guarantees, and refundable deposits for construction contracts were as follows:

	<b>December 31</b>	
	<b>2011</b>	<b>2010</b>
Current assets - time deposits	\$ 73,062	1,100
Other assets - time deposits	28,369	18,178
	<b>\$ 101,431</b>	<b>19,278</b>

**7. COMMITMENTS AND CONTINGENT EVENTS**

- a. To enhance 3G mobile communications, expand network coverage, and increase the service functions, the Corporation entered into 3G expansion contracts with Nokia Siemens Networks Taiwan Co., Ltd. for \$3,840,861 thousand in May 2009, and \$6,650,000 thousand in February 2011. As of December 31, 2011, the purchase amount was \$3,779,485 thousand and \$1,980,972 thousand, respectively.
- b. The Corporation provided a \$21,500,000 thousand guarantee for TFN's bank loans. The Corporation also provided \$19,759,800 thousand in promissory notes outstanding for TFN's borrowings from banks. TFN has drawdown zero from the banks within the guarantee amount.
- c. As of December 31, 2011, its subsidiary, FGE, had guaranteed to make office and sound stage construction for RMB\$12,410 thousand and the outstanding amount is RMB\$1,412 thousand; FGE also provided RMB\$47,608 thousand commitment for knowledge and intangible assets and the outstanding amount is RMB\$6,852 thousand.
- d. Respond to the rapid development of the clouds application services and the engine room demand promoted by enterprise engine room outsourcing services, its subsidiary, TFN, entered into a purchase contract of real estate with HAN YA Co., Ltd. on July 18, 2011. The total amount was \$2,868,000 thousand and the purchase amount was \$325,000 thousand as of December 31, 2011.

**TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

- e. To improve the network quality and bandwidth, its subsidiary, TFN, entered into a purchase contract of transmission facility and IP equipment with Nokia Siemens Networks Taiwan Co., Ltd. in July, 2011. The total amount will be no higher than \$769,576 thousand the purchase amount was \$46,123 as of December 31, 2011.
- f. Future minimum rental payments as of December 31, 2011, for significant operating lease agreements, are summarized as follows:

	<u>Amount</u>
2012	\$ 978,597
2013	596,715
2014	116,311
2015	365,617
2016	270,401

**8. SIGNIFICANT CASUALTY LOSS: NONE**

**9. SIGNIFICANT SUBSEQUENT EVENTS: NONE**

**TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

**10. OTHER**

a. Labor cost, depreciation, and amortization

	Years ended December 31					
	2011			2010		
	Classified as Operating Costs	Classified as Operating Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Total
Labor cost						
Salary	\$ 1,563,787	3,248,799	4,812,586	1,367,698	3,098,271	4,465,969
Labor and health insurance	116,013	221,220	337,233	92,899	187,097	279,996
Pension	72,612	120,439	193,051	60,442	122,004	182,446
Other	68,666	146,018	214,684	61,132	135,360	196,492
Depreciation	7,484,543	721,649	8,206,192	7,414,272	643,225	8,057,497
Amortization	1,099,433	188,273	1,287,706	946,407	148,029	1,094,436

b. Under the order No. 0990004943 issued by Financial Supervisory Commission Executive Yuan on February 2, 2010, starting 2013, the Corporation is required to prepare the financial report in conformity with the International Financial Reporting Standards (IFRSs), Standing Interpretations Committee (which is the predecessor of IFRIC), and the International Financial Reporting Interpretations Committee accepted by the Financial Supervisory Commission. To assist the adjustment, the Corporation had established an ad hoc group which is in charged with developing the plan for adopting IFRSs that is being led by the supervisor of Finance Group. The content of the plan, expected completion date, and implementation situation are listed in the table below.

Content of the plan	Implementation Units	Implementation Situation
<b>(a) Assessment Stage</b>		
-Educated employee about financial accounting standards	Accounting Division	Completed
-Established the plan on adopting IFRSs and ad hoc group	Accounting Division	Completed
-Compared and analyzed differences between IFRSs and current financial accounting standards	Accounting Division	Completed
-Adjustment for current financial accounting standards	Accounting Division	Completed
-Evaluated applicability of First-time Adoption of IFRSs	Accounting Division	Completed
-Evaluated adjustment for information system and internal control	Finance Group, Business Groups, Information Group, Internal Audit Office	Completed
<b>(b) Preparation Stage</b>		
-Decided how to adjust current accounting policy in conformity with IFRSs	Accounting Division	Completed
-Decided how to adopt" First-time Adoption of IFRSs"	Accounting Division	Completed
-Adjusted for related information system and internal control	Finance Group, Business Groups, Information Group, Internal Audit Office	Completed

**TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

(c) Implementation Stage		
-Test operation of related information system	Finance Group, Business Groups, Information Group, Internal Audit Office	Completed
-Gather data to prepare balance sheets and compare the financial statements in conformity with IFRSs at the beginning of the year	Accounting Division	In progress according to the plan
- Prepare comparative information under IFRSs for 2012	Accounting Division	In progress according to the plan

c. As of December 31,2011, the potential significant differences of preparing financial statements between current accounting policies and IFRSs as evaluated by the Group are listed below :

Accounting issues	Difference explanation
Employee Benefits-compensated absences	Under R.O.C. GAAP, there is no regulations regarding the accumulated compensated absences. After the adoption of IFRSs, if vacations are form of short-term compensated absences. The expected cost of short-term accumulated compensated absences should be recognized when the employees render service in accordance with IAS No.19," Employee Benefits."
Employee Benefits-post-employment defined benefits plan	<ol style="list-style-type: none"> <li>1. Under R.O.C. GAAP, the pension cost and pension liability under the defined benefit pension plan are recognized on the basis of actuarial calculations. After the adoption of IFRSs, the actuarial calculation for the defined benefit obligation is determined in accordance with IAS No.19," Employee Benefits."</li> <li>2. Under R.O.C. GAAP, unrecognized net transition assets or obligations is amortised on a straight-line basis over the employee's remaining service period. In accordance with IAS No.19," Employee Benefits", it has to be recognized immediately, with the expense included in employee benefit cost for the period.</li> <li>3. Under R.O.C. GAAP, pension actuarial gain and loss is recognized as current pension cost by corridor approach. After the adoption of IFRSs, it has to be recognized immediately under the other comprehensive income in accordance with IAS No.19," Employee Benefits."</li> </ol>
Prepaid Card Commission	Under R.O.C. GAAP, following the matching principle of accounting, the revenue and commission from selling the prepaid card are recognized as revenues received in advance and prepaid expense. The revenue and marketing expense are recognized on basis of the minutes of usage. After the adoption of IFRSs, the commissions paid to the distributor which is considered to be the acquisition cost of the customers are recognized as commission expenses when it is incurred in accordance with IAS No.38, " Intangible Assets" since the payment of the prepaid card are all collected and the expenditures cannot provide any extra benefits.
Functional Currency	Under R.O.C. GAAP, the investment holding companies which are the consolidated entities used US dollars as their functional currency. After the adoption of IFRSs, they have to determine the functional currency based on the requirement under IAS No. 21 "The Effects of Changes in Foreign Exchange Rates."
Customer Loyalty Programmes	Under R.O.C. GAAP, customer loyalty is estimated as expense when bonus points plan has incurred. After the adoption of IFRSs, bonus points, which is allocated based on the relative fair value method, should be included in deferred revenue and recognized as revenue when the third party fulfills the redemption obligations in accordance with IFRICs No.13," Customer Loyalty Programmes."
Leases	Under R.O.C. GAAP, leasing of the base station or building is recognized as expense by each phase of the payment of rent. After the adoption of IFRSs, it has to be recognized as expense using the straight-line basis in accordance with the amount of contract or the amount of actual hike over the lease term in accordance with IAS No.17," Leases."

**TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

Bundle Sales	Under R.O.C. GAAP, the revenue of cell phone together with phone number is recognized by the selling price. However, such transaction is considered as bundle sales after the adoption of IFRSs. In reference with IAS No. 18" Revenue" and practical treatment in other countries, the Corporation will be required to identify the separate factors of transaction and recognized the revenue in accordance with the total fair value of each item stated in the contract.
Revenue Recognition	There are some differences between the judgment of clients and agents under R.O.C. GAAP and the requirement of IFRSs. After the adoption of IFRSs, a rejudgement is required in accordance with IAS No.18,"Revenue." If the transaction is agent relationship, commission will be recognized as revenue instead of the amounts received from clients.
Classification of Leased Assets	Under R.O.C. GAAP, leased offices are classified as leased assets under other assets. After the adoption of IFRSs, they are classified as investment properties in accordance with IAS No.40," Investment Property."
Classification of Idle Assets	Under R.O.C. GAAP, idle assets are classified as other assets. After the adoption of IFRSs, they are reclassified as fixed assets depending on their nature in accordance with IAS No.16," Property, Plant and Equipment."
Classifications of Deferred Income Tax Assets/Liabilities and Valuation Allowance	<ol style="list-style-type: none"> <li>1. Under R.O.C. GAAP, deferred income tax assets or liabilities are classified as current or non-current according to the classification of related assets or liabilities. However, if deferred income tax assets or liabilities do not relate to assets or liabilities in the financial statements, they are classified as either current or non-current based on the expected length of time before realized. After the adoption of IFRSs, deferred tax assets or liabilities are all classified as non-current assets or liabilities.</li> <li>2. Currently, valuation allowance is provided for deferred income tax assets to the extent that more likely than not such assets will not be realized. Under IFRSs, deferred tax assets are only recognized to the extent that it is probable that there will be sufficient tax benefits and the valuation allowance account is no longer used.</li> </ol>
Financial Assets : Equity Instruments	Based on SFAS No.34 and its relevant regulations, if the fair value of the financial instruments can not be measured reliably (including the emerging and non-publicly traded stocks), it is measured at cost. Impairment loss is recognized if a decrease in fair value of the instruments can be objectively related to an event. After the adoption of IFRSs, if the fair value of financial instrument can be measured reliably, they are reclassified as available-for-sale financial assets and the measurement and evaluation are based on the fair value.
Affiliated Companies	Under R.O.C. GAAP, the proportion of share equity arising from additional share issuance by affiliated companies in which the original shareholders acquire new shares un-proportionately will be adjusted as additional paid-in capital or retained earnings. After the adoption of IFRSs, the resulting difference between the net fair value of the identifiable assets in excess of liabilities and the investment cost is included in profit and loss for the current year.

d. The Group conducted the evaluation above is in accordance with the 2010 version of IFRSs, the Standing Interpretations Committee, and the International Financial Reporting Interpretations Committee accepted in the Financial Supervisory Commission.

The preliminary decisions of the aforementioned assessment results are all based on the current environment and circumstances of the Group. The principles may be impacted by the addition or the amendment of IFRSs issued or proposed by the International Accounting Standards Board and the possible future rules issued by R.O.C authorities.

**TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

e. Reclassification

Certain accounts in the consolidated financial statements as of and for the year ended December 31, 2010, have been reclassified to conform to the presentation of consolidated financial statements as of and for the year ended December 31, 2011.

**11. ADDITIONAL DISCLOSURES**

The additional disclosures required by the Securities and Futures Bureau for the Corporation and its investees were as follows:

- a. Financing provided: Table 1 (attached)
- b. Endorsement/guarantee provided: Table 2 (attached)
- c. Marketable securities held: Table 3 (attached)
- d. Marketable securities acquired and disposed of at costs or prices of at least \$100 million or 20% of the paid-in capital: Table 4 (attached)
- e. Acquisition of individual real estate at costs of at least \$100 million or 20% of the paid-in capital: Table 5 (attached)
- f. Disposal of individual real estate at prices of at least \$100 million or 20% of the paid-in capital: None
- g. Total purchases from or sales to related parties amounting to at least \$100 million or 20% of the paid-in capital: Table 6 (attached)
- h. Receivables from related parties amounting to at least \$100 million or 20% of the paid-in capital: Table 7 (attached)
- i. Names and locations of, and related information on investees on which the Corporation exercised significant influence: Table 8 (attached)
- j. Derivative transactions: None
- k. Investment in Mainland China:
  - (1) The name of the investee company in Mainland China, the main businesses and products, issued capital, method of investment, information on inflow or outflow of capital, ownership, investment gain or loss, ending balance, amount received as earnings distributions from the investment, and the limitation on investment: Table 9 (attached)
  - (2) Significant direct or indirect transactions with the investee company, its prices and terms of payment, unrealized gain or loss, and other related information which is helpful to understand the impact of investment in Mainland China on financial reports: None
- l. Business relationships and significant intercompany transactions: Table 10 and Table 11 (attached)

**TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

**12. SEGMENT INFORMATION**

(In Millions of New Taiwan Dollars)

Year ended December 31, 2011	Group of Common User (CBG)	Group of Enterprise User (EBG)	Group of Home User (HBG)	Fubon Multimedia Technology (FMT)	Adjustments and Elimination	Consolidated
Operating Revenues	\$ 58,109	9,861	5,914	7,574	(89)	81,369
Operating Costs	32,973	6,786	2,627	6,261	8	48,655
Operating Expenses	12,586	1,196	759	886	(303)	15,124
Operating Income	12,550	1,879	2,528	427	206	17,590
EBITDA(Note)	20,494	2,688	3,038	516	351	27,087
Total Assets	-	-	-	-	-	91,794

Year ended December 31, 2010	Group of Common User (CBG)	Group of Enterprise User (EBG)	Group of Home User (HBG)	Fubon Multimedia Technology (FMT)	Adjustments and Elimination	Consolidated
Operating Revenues	\$ 55,115	9,495	5,699	-	(163)	70,146
Operating Costs	29,100	6,399	2,622	-	41	38,162
Operating Expenses	11,641	1,339	780	-	(84)	13,676
Operating Income	14,374	1,757	2,297	-	(120)	18,308
EBITDA(Note)	22,289	2,332	2,796	-	48	27,465
Total Assets	-	-	-	-	-	85,484

The Group should disclose segments based on the customer's character. The segments are determined to provide different products. Four segments should be disclosed due to the different market attribute and marketing strategy of each segment. The followings are the explanation:

CBG: Provide mobile communication and related service for common users.

EBG: Provide integrated service about mobile and fixed communication for enterprise users.

HBG: Provide the service about cable TV and broadband communications to home users.

FMT: Television shopping / E-shopping / Catalog shopping / Entity circuit marketing

Note: The income of operating segment is determined by EBITDA and used to examine performance.

a. Foreign operations

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

**TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

b. Foreign revenues

The Corporation has no foreign revenues.

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

Company	Years ended December 31			
	2011		2010	
	Amount	Percentage of Operating Revenue	Amount	Percentage of Operating Revenue
Chunghwa Telecom Co., Ltd.	<u>\$ 6,184,364</u>	8	<u>8,319,543</u>	12



**TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES**  
**FINANCING PROVIDED**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

TABLE 1

(In Thousands of New Taiwan Dollars)

No.	Lending Company	Borrowing Company	Financial Statement Account	Maximum Balance for the Period (Note 1)	Ending Balance (Note 1)	Drawdown Amounts	Interest Rate	Financing Purpose	Transaction Amounts	Reasons for Short-term Financing	Allowance for Doubtful Accounts	Collateral		Lending Limit for Each Borrowing Company	Lending Company's Lending Amount Limits
												Item	Value		
0	Taiwan Mobile Co., Ltd. (the "Corporation")	TFN Media Co., Ltd.	Other receivables	\$ 5,000,000	\$ 4,500,000	\$ 850,000	0.893%~1.186%	Short-term financing	-	Operation requirements	-	-	-	\$ 19,579,204 (Note 2)	19,579,204 (Note 2)
		Taiwan Cellular Co., Ltd.	Other receivables	9,000,000	-	-	0.893%~0.95%	Short-term financing	-	Operation requirements	-	-	-	19,579,204 (Note 2)	19,579,204 (Note 2)
		Taiwan Digital Communication Co., Ltd.	Other receivables	300,000	-	-	0.948%~1.002%	Short-term financing	-	Operation requirements	-	-	-	19,579,204 (Note 2)	19,579,204 (Note 2)
		Tai Fu Media Technology Co., Ltd.	Other receivables	50,000	-	-	0.95%~1.095%	Short-term financing	-	Operation requirements	-	-	-	19,579,204 (Note 2)	19,579,204 (Note 2)
		Win TV Broadcasting Co., Ltd.	Other receivables	550,000	550,000	470,000	1.092%~1.190%	Short-term financing	-	Operation requirements	-	-	-	19,579,204 (Note 2)	19,579,204 (Note 2)
1	Taiwan Cellular Co., Ltd.	Win TV Broadcasting Co., Ltd.	Other receivables	360,000	-	-	0.847%~1.009%	Short-term financing	-	Operation requirements	-	-	-	30,582,980 (Note 2)	30,582,980 (Note 2)
		Taiwan Digital Communications Co., Ltd.	Other receivables	150,000	150,000	40,000	1.590%	Short-term financing	-	Operation requirements	-	-	-	30,582,980 (Note 2)	30,582,980 (Note 2)
		TFN Media Co., Ltd.	Other receivables	7,000,000	5,000,000	4,100,000	1.35%~1.564%	Short-term financing	-	Operation requirements	-	-	-	30,582,980 (Note 2)	30,582,980 (Note 2)
2	Taiwan Fixed Network Co., Ltd.	The Corporation	Other receivables	9,000,000	-	-	0.893%	Short-term financing	-	Operation requirements	-	-	-	17,906,179 (Note 2)	17,906,179 (Note 2)
		TFN Union Investment Co., Ltd.	Other receivables	500	500	-	1.087%	Short-term financing	-	Operation requirements	-	-	-	17,906,179 (Note 2)	17,906,179 (Note 2)
		Taiwan Cellular Co., Ltd.	Other receivables	11,000,000	8,170,000	4,670,000	1.093%~1.164%	Short-term financing	-	Operation requirements	-	-	-	17,906,179 (Note 2)	17,906,179 (Note 2)
3	TCC Investment Co., Ltd.	TCCI Investment and Development Co., Ltd.	Other receivables	500	500	-	1.087%	Short-term financing	-	Operation requirements	-	-	-	12,579,226 (Note 2)	12,579,226 (Note 2)
4	Union Cable TV Co., Ltd.	TFN Media Co., Ltd.	Other receivables	739,000	715,000	645,000	0.851%~1.190%	Short-term financing	-	Repayment of financing	-	-	-	749,281 (Note 3)	13,500,000 (Note 3)
5	Globalview Cable TV Co., Ltd.	TFN Media Co., Ltd.	Other receivables	233,000	-	-	0.851%~1.000%	Transactions	242,276	Business requirements	-	-	-	242,276 (Note 4)	518,711 (Note 4)
		TFN Media Co., Ltd.	Other receivables	250,000	250,000	250,000	1.087%	Short-term financing	-	Repayment of financing	-	-	-	276,435 (Note 4)	518,711 (Note 4)

(Continued)

**TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES**  
**FINANCING PROVIDED**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

No.	Lending Company	Borrowing Company	Financial Statement Account	Maximum Balance for the Period (Note 1)	Ending Balance (Note 1)	Drawdown Amounts	Interest Rate	Financing Purpose	Transaction Amounts	Reasons for Short-term Financing	Allowance for Doubtful Accounts	Collateral		Lending Limit for Each Borrowing Company	Lending Company's Lending Amount Limits
6	Phoenix Cable TV Co., Ltd.	TFN Media Co., Ltd.	Other receivables	\$ 584,000	\$ 580,000	\$ 580,000	0.854%~1.092%	Transactions	\$ 596,517	Business requirements	\$ -	-	-	\$ 12,000,000 (Note 5)	\$ 12,000,000 (Note 5)
7	Yeong Jia Leh Cable TV Co., Ltd.	TFN Media Co., Ltd.	Other receivables	409,000	351,000	351,000	0.854%~1.186%	Transactions	544,349	Business requirements	-	-	-	24,000,000 (Note 5)	24,000,000 (Note 5)
8	Wealth Media Technology Co., Ltd.	Global Wealth Media Technology Co., Ltd.	Other receivables	15,000	-	-	0.851%	Short-term financing	-	Repayment of financing	-	-	-	3,544,867 (Note 2)	3,544,867 (Note 2)
		Tai Fu Media Technology Co., Ltd.	Other receivables	50,000	50,000	43,000	1.186%	Short-term financing	-	Operation requirements	-	-	-	3,544,867 (Note 2)	3,544,867 (Note 2)
9	Tai Fu Media Technology Co., Ltd.	Global Wealth Media Technology Co., Ltd.	Other receivables	10,000	10,000	4,000	1.087%	Short-term financing	-	Repayment of financing	-	-	-	86,240 (Note 2)	86,240 (Note 2)
10	TFN Media Co., Ltd	Taiwan Kuro Times Co., Ltd.	Other receivables	100,000	100,000	30,000	1.578%~1.590%	Short-term financing	-	Operation requirements	-	-	-	1,926,046 (Note 3)	15,000,000 (Note 3)

Note 1: Maximum amount for the period and the ending balance represent quotas, not actual appropriation.

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

Note 3: Where funds are loaned for reasons of business dealings and short-term financing needs, the amount of loaning funds shall be both limited to the higher amount of the following items: 1) a multiple of the lending company's capital, or 2) the amount of business dealings. A) 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 lending company's capital, or 2) the amount of business dealing. B) For short-term financing needs: the individual lending amount and the aggregate amount of loaning funds shall not exceed 40% of the lending company's net worth.

Note 4: Where funds are loaned for reasons of business dealings and short-term financing needs, the amount of loaning funds shall be limited to the total amount of business dealing and 40% of the lending company's net worth. A) For reasons of business dealings: the individual lending amount and the aggregate amount of loaning funds shall not exceed the amount of business dealing. B) For short-term financing needs: the individual lending amount and the aggregate amount of loaning funds shall not exceed 40% of the lending company's net worth.

Note 5: Where funds are loaned for reasons of business dealings, the individual lending amount and the aggregate amount of loaning funds shall both be limited to the higher amount of the following items: 1) a multiple of the lending company's capital, or 2) the amount of business dealings.

**TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES**  
**ENDORSEMENT/GUARANTEE PROVIDED**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

TABLE 2

(In Thousands of New Taiwan Dollars)

No.	Endorsement/Guarantor (A)	Receiving Party		Maximum Guarantee/ Endorsement Amount That Can Be Provided to Each Receiving Party	Maximum Balance for the Period (Note 1)	Ending Balance (Note 1)	Value of Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Worth of the Guarantor (Note 1)	Maximum Guarantee/ Endorsement That 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.	(Note 2)	\$ 42,000,000 (Note 3)	\$ 26,557,595	\$ 19,759,800	\$ -	40.37%	\$ 48,948,011
1	Taiwan Teleservices & Technologies Co., Ltd.	Taiwan Fixed Network Co., Ltd.	(Note 4)  (Note 6)	20,000 (Note 5)/ (Note 6)	146	-	-	0.00%	101,959 (Note 5)

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

Note 2: Direct/indirect subsidiary

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

Note 4: Parent company

Note 5: TT&T is directly and indirectly 100% owned by TFN. The endorsement/guarantee amount provided by TT&T shall be limited to the net worth of TT&T, and not over double the investment amount in TT&T.

Note 6: Following the sale by TFN of its 100% shareholding in TT&T on May 14, 2010, the endorsement/guarantee provided by TT&T is for transactions. The aggregate endorsement/guarantee amount shall not exceed the net worth of TT&T, and the individual endorsement/guarantee amount shall not exceed the amount of business dealings. The amount of business dealings is \$132,614 thousand.

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

DECEMBER 31, 2011

TABLE 3

(In Thousands of New Taiwan Dollars unless stated otherwise)

Investing Company (A)	Marketable Securities Invested (B)	Relationship with the Investing Company (B is A's)	Financial Statement Account	DECEMBER 31, 2011				Note
				Shares/Units (Thousands)	Carrying Value	Percentage of Ownership	Market Value (Note 1)	
Taiwan Mobile Co., Ltd. (the "Corporation")	<u>Stock</u> Chunghwa Telecom Co., Ltd.	-	Available-for-sale financial assets - current	2,174	\$ 217,351	0.028	\$ 217,351 (Note 5)	
	Bridge Mobile Pte Ltd.	-	Financial assets carried at cost - non-current	2,200	50,324	10	- (Note 3)	
	Yes Mobile Holdings Company	-	Financial assets carried at cost - non-current	74	-	0.19	- (Note 3)	
	Wealth Media Technology Co., Ltd.	Subsidiary	Long-term investments - equity method	38,550	8,862,169	100	8,862,169	
	Taiwan Cellular Co., Ltd.	Subsidiary	Long-term investments - equity method	370,896	17,195,352 (Note 4)	100	76,457,449	
	Taipei New Horizons Co., Ltd.	Equity-method investee	Long-term investments - equity method	64,870	562,812	49.9	562,812	
Wealth Media Technology Co., Ltd.	<u>Stock</u> Tai Fu Media Technology Co., Ltd.	Subsidiary	Long-term investments - equity method	20,090	215,600	100	215,600	
	Taiwan Win TV Broadcasting Co., Ltd.	Subsidiary	Long-term investments - equity method	16	9,858	100	9,858	
	Fubon Multimedia Technology Co., Ltd.	Subsidiary	Long-term investments - equity method	58,857	8,543,487	50.64	1,067,828	
Tai Fu Media Technology Co., Ltd.	<u>Stock</u> Global Wealth Media Technology Co., Ltd.	Subsidiary	Long-term investments - equity method	8,400	91,291	100	91,291	
	Fu Jia Leh Media Technology Co., Ltd.	Subsidiary	Long-term investments - equity method	100	423	100	423	
	Fu Sin Media Technology Co., Ltd.	Subsidiary	Long-term investments - equity method	13,500	143,971	100	143,971	
	Global Forest Media Technology Co., Ltd.	Subsidiary	Long-term investments - equity method	1,500	16,868	100	16,868	
Global Wealth Media Technology Co., Ltd.	<u>Stock</u> Globalview Cable TV Co., Ltd.	Subsidiary	Long-term investments - equity method	3,825	95,216	6.83	47,208	
Fu Sin Media Technology Co., Ltd.	<u>Stock</u> Phoenix Cable TV Co., Ltd.	Subsidiary	Long-term investments - equity method	2,272	135,050	3.34	34,770	
Global Forest Media Technology Co., Ltd.	<u>Stock</u> Union Cable TV Co., Ltd.	Subsidiary	Long-term investments - equity method	1,300	15,851	0.76	14,289	

(Continued)

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

DECEMBER 31, 2011

Investing Company (A)	Marketable Securities Invested (B)	Relationship with the Investing Company (B is A's)	Financial Statement Account	DECEMBER 31, 2011				Note
				Shares/Units (Thousands)	Carrying Value	Percentage of Ownership	Market Value (Note 1)	
Fubon Multimedia Technology Co., Ltd.	<u>Beneficiary certificates</u>							
	Fuh Hwa Money Market Funds	-	Financial assets at fair value through profit or loss-current	4,314	\$ 60,186	-	\$ 60,186 (Note 5)	
	<u>Stock</u>							
	Fu Sheng Travel Service Co.,Ltd.	Subsidiary	Long-term investments - equity method	600	7,112	100	7,112	
	Fuli Life Insurance Agent Co.,Ltd.	Subsidiary	Long-term investments - equity method	300	12,925	100	12,925	
Asian Crown International Co., Ltd.	Fuli Property Insurance Agent Co.,Ltd.	Subsidiary	Long-term investments - equity method	300	17,872	100	17,872	
	Asian Crown International Co., Ltd.	Subsidiary	Long-term investments - equity method	47	US\$ 10,733	100	US\$ 10,733	
	<u>Stock</u>							
	Fortune Kingdom Corporation	Subsidiary	Long-term investments - equity method	14,000	US\$ 10,733	100	US\$ 10,733	
Fortune Kingdom Corporation	<u>Stock</u>							
	Hong Kong Fubon Multimedia Technology Co., Ltd.	Subsidiary	Long-term investments - equity method	14,000	US\$ 10,733	100	US\$ 10,733	
Hong Kong Fubon Multimedia Technology Co., Ltd.	<u>Stock</u>							
	Fubon Gehua (Beijing) Enterprise Ltd.	Subsidiary	Long-term investments - equity method	-	US\$ 9,138	80	US\$ 9,138	
Taiwan Cellular Co., Ltd.	<u>Stock</u>							
	Arcoa 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	20,207	3	- (Note 3)	
	Transportation High Tech Inc.	-	Financial assets carried at cost - non-current	1,200	- (Note 2)	12	- (Note 3)	

(Continued)

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

DECEMBER 31, 2011

Investing Company (A)	Marketable Securities Invested (B)	Relationship with the Investing Company (B is A's)	Financial Statement Account	DECEMBER 31, 2011				Note
				Shares/Units (Thousands)	Carrying Value	Percentage of Ownership	Market Value (Note 1)	
Taiwan Cellular Co., Ltd.	WEB Point Co., Ltd.	-	Financial assets carried at cost - non-current	803	\$ 6,773	3.17	\$ - (Note 3)	
	TWM Holding Co. Ltd.	Subsidiary	Long-term investments - equity method	1 share	US\$ 8,745	100	US\$ 8,745	
	Taiwan Fixed Network Co., Ltd.	Subsidiary	Long-term investments - equity method	2,100,000	44,765,447	100	44,765,447	
	Taiwan Digital Communication Co., Ltd.	Subsidiary	Long-term investments - equity method	11,200	119,161	100	119,161	
	TCC Investment Co., Ltd.	Subsidiary	Long-term investments - equity method	24,076	31,575,249	100	31,448,066	
	Taiwan Teleservices & Technologies Co., Ltd.	Subsidiary	Long-term investments - equity method	2,484	101,959	100	101,959	
TWM Holding Co., Ltd.	<u>Stock</u> TWM Communications (Beijing) Co., Ltd.	Subsidiary	Long-term investments - equity method	-	US\$ 4,198	100	US\$ 3,307	
Taiwan Teleservices & Technologies Co., Ltd.	<u>Stock</u> TT & T Holdings Co., Ltd.	Subsidiary	Long-term investments - equity method	1,300	US\$ 1,609	100	US\$ 1,609	
	Taiwan Super Basketball Co., Ltd.	Subsidiary	Long-term investments - equity method	2,000	22,864	100	22,864	
TT&T Holdings Co., Ltd.	<u>Stock</u> Xiamen Taifu Teleservices & Technologies Co., Ltd.	Subsidiary	Long-term investments - equity method	-	US\$ 1,588	100	US\$ 1,588	
TCC Investment Co., Ltd.	<u>Stock</u> Taiwan Mobile Co., Ltd. (the "Corporation")	The Corporation	Available-for-sale financial assets - non-current	200,497	18,926,894	5.86	18,926,894 (Note 5)	
	Win TV Broadcasting Co., Ltd.	Subsidiary	Long-term investments - equity method	18,177	264,364	100	256,747	
	TFN Media Co., Ltd.	Subsidiary	Long-term investments - equity method	230,526	2,702,551	100	4,815,115	
	TCCI Investment and Development Co., Ltd.	Subsidiary	Long-term investments - equity method	400	10,809,387	100	10,809,387	
	Great Taipei Broadband Co., Ltd.	-	Financial assets carried at cost - non-current	10,000	41,241	6.67	- (Note 3)	
	<u>Preferred stock</u> Taiwan High Speed Rail Corporation Unlisted Convertible Preferred Stock - Series A	-	Bonds measured at amortized cost - non-current	50,000	500,000	1.24	- (Note 3)	
TCCI Investment and Development Co., Ltd.	<u>Stock</u> Taiwan Mobile Co., Ltd. (the "Corporation")	The Corporation	Available-for-sale financial assets - non-current	119,564	11,286,823	3.50	11,286,823 (Note 5)	
TFN Media Co., Ltd.	<u>Stock</u> Yeong Jia Leh Cable TV Co., Ltd.	Subsidiary	Long-term investments - equity method	33,940	2,216,624	100	692,144	

(Continued)

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

DECEMBER 31, 2011

Investing Company (A)	Marketable Securities Invested (B)	Relationship with the Investing Company (B is A's)	Financial Statement Account	DECEMBER 31, 2011				Note
				Shares/Units (Thousands)	Carrying Value	Percentage of Ownership	Market Value (Note 1)	
TFN Media Co., Ltd.	Mangrove Cable TV Co., Ltd.	Related party in substance	Long-term investments - equity method	6,248	\$ 612,879	29.53	\$ 349,704 (Note 6)	
	Phoenix Cable TV Co., Ltd.	Subsidiary	Long-term investments - equity method	65,818	3,231,826	96.66	1,007,321	
	Union Cable TV Co., Ltd.	Subsidiary	Long-term investments - equity method	169,141	2,061,857	99.22	1,858,671	
	Globalview Cable TV Co., Ltd.	Subsidiary	Long-term investments - equity method	51,733	1,260,952	92.38	638,432	
	Taiwan Kuro Times Co., Ltd.	Subsidiary	Long-term investments - equity method	1,214	114,755	100	30,225	
Taiwan Kuro Times Co., Ltd.	<u>Stock</u> ezPeer Multimedia Limited	Subsidiary	Long-term investments - equity method	1 share	US\$ 844	100	US\$ 844	
Taiwan Fixed Network Co., Ltd.	<u>Stock</u> TFN Union Investment Co., Ltd.	Subsidiary	Long-term investments - equity method	400	37,122,885	100	37,122,885	
	TFN HK LIMITED	Subsidiary	Long-term investments - equity method	1,300	HK\$ 2,019	100	HK\$ 2,019	
	Taiwan High Speed Rail Corporation	-	Financial assets carried at cost - non-current	225,531	912,463	3.46	- (Note 3)	
TFN Union Investment Co., Ltd.	<u>Stock</u> Taiwan Mobile Co., Ltd. (the "Corporation")	The Corporation	Available-for-sale financial assets - non-current	410,665	38,766,803	12.00	38,766,803 (Note 5)	

Note 1: Based on the investee's net worth as shown in its audited 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 19, 2012, the independent auditors' report date, the investee's net worth was not available.

Note 4: The Corporation's shares held by TCCI, TID and TUI (all are subsidiaries 100% owned by TCC) are classified as treasury shares. Therefore, the Corporation's carrying cost of \$76,457,449 thousand for TCC shall be reduced by 1) downward adjusting \$(31,077,183) thousand, the carrying value of total treasury shares on the Corporation's books, 2) excluding \$(28,636,318) thousand of unrealized gain from financial asset investment, 3) adding back \$475,907 thousand of income tax expenses resulting from TFN's and TFNI's disposal gain from the Corporation's shares, and 4) excluding recognition of upstream transactions gain of \$(24,503) thousand.

Note 5: Based on the closing price or net asset value of funds on December 31, 2011.

Note 6: 70.47% of shares are held under trustee accounts.

Note 7: The above amounts were translated into New Taiwan dollars at the exchange rate of US\$1 = NT\$30.28 and HK\$1 = NT\$3.896 as of December 31, 2011.

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED OR DISPOSED AMOUNTING TO AT LEAST \$100 MILLION

FOR THE YEAR ENDED DECEMBER 31, 2011

TABLE 4

(In Thousands of New Taiwan Dollars unless stated otherwise)

Company Name	Marketable Securities Type and Issuer	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal			Ending Balance		
					Shares/Units (Thousands)	Amount	Shares/Units (Thousands)	Amount	Shares/Units (Thousands)	Amount	Carrying Value	Gain (Loss) on Disposal	Shares/Units (Thousands)	Amount
Taiwan Mobile Co., Ltd. (the "Corporation")	Stock Taiwan Cellular Co., Ltd.	Long-term investment-equity method	Taiwan Cellular Co., Ltd.	Subsidiary	30,000	\$ 10,618,840	340,896 (Note 1,2)	\$ 5,500,000	-	\$ -	\$ -	\$ -	370,896	\$ 17,195,352 (Note 7)
	Wealth Media Technology Co., Ltd.	Long-term investment-equity method	Wealth Media Technology Co., Ltd.	Subsidiary	37,200	301,977	1,350 (Note 1,3)	8,349,894 (Note 4)	-	-	-	-	38,550	8,862,169 (Note 7)
	Taipei New Horizons Co., Ltd.	Long-term investment-equity method	Taipei New Horizons Co., Ltd.	Equity-method investee	44,910	388,002	19,960 (Note 1)	199,600	-	-	-	-	64,870	562,812 (Note 7)
Wealth Media Technology Co., Ltd.	Stock Fubon Multimedia Technology Co., Ltd.	Long-term investment-equity method	Fubon Financial Venture Capital Co., Ltd.	Related party in substance	-	-	58,857 (Note 1)	8,347,949	-	-	-	-	58,857	8,543,487 (Note 7)
Taiwan Cellular Co., Ltd.	Stock Taiwan Digital Communication Co., Ltd.	Long-term investment-equity method	Taiwan Digital Communication Co., Ltd.	Subsidiary	1,200	11,604	10,000 (Note 1)	100,000	-	-	-	-	11,200	119,161 (Note 7)
	TCC Investment Co., Ltd.	Long-term investment-equity method	TCC Investment Co., Ltd.	Subsidiary	3,950	26,428,349	20,126 (Note 1,4)	(500,000) (Note 4)	-	-	-	-	24,076	31,575,249 (Note 7)
Taiwan Fixed Network Co., Ltd.	Stock TFN Union Investment Co., Ltd.	Long-term investment-equity method	TFN Union Investment Co., Ltd.	Subsidiary	400	30,900,208	- (Note 5)	(454,573) (Note 6)	-	-	-	-	400	37,122,885 (Note 7)
TCC Investment Co., Ltd.	Stock TCCI Investment and Development Co., Ltd.	Long-term investment-equity method	TCCI Investment and Development Co., Ltd.	Subsidiary	400	8,996,439	- (Note 5)	(131,073) (Note 6)	-	-	-	-	400	10,809,387 (Note 7)
Fubon Multimedia Technology Co., Ltd.	Beneficiary certificates Fuh Hwa Money Market Funds	Financial assets at fair value through profit or loss-current	-	-	-	-	164,804	2,280,000	160,490	2,221,267	2,220,000	1,267	4,314	60,186 (Note 7)
	Fuh Hwa You Li Money Market Funds	Financial assets at fair value through profit or loss-current	-	-	7,739	100,113	-	-	7,739	100,277	100,000	277	-	-
	Fubon Chi-Hsiang Money Market Funds	Financial assets at fair value through profit or loss-current	Fubon Securities Investment Trust Co., Ltd.	Related party in substance	7,641	115,013	138,359	2,015,000	146,000	2,130,781	2,130,000	781	-	-
Fuli Life Insurance Agent Co., Ltd.	Beneficiary certificates Fubon Chi-Hsiang Money Market Funds	Financial assets at fair value through profit or loss-current	Fubon Securities Investment Trust Co., Ltd.	Related party in substance	7,676	115,541	398	6,000	8,074	121,654	121,500	154	-	-
Hong Kong Fubon Multimedia Technology Co., Ltd.	Stock Fubon Gehua (Beijing) Enterprise Ltd.	Long-term investment-equity method	Fubon Gehua (Beijing) Enterprise Ltd.	Subsidiary	-	-	-	US \$12,319	-	-	-	-	-	US\$ 9,138 (Note 7)

Note 1: The shares/units and amount of marketable securities acquired do not include stock dividends from investees.

Note 2: The shares/units and amount of marketable securities acquired include transferred to capital by legal reserve and issued to stock by cash.

Note 3: The shares/units and amount of marketable securities acquired include capital reduction to make up for losses and issued to stock by cash.

Note 4: The shares/units and amount of marketable securities acquired include issued to stock by cash and returned to investors by cash.

Note 5: The shares/units and amount of marketable securities acquired include transferred to capital by capital surplus and capital reduction.

Note 6: The amount of marketable securities acquired include capital surplus used to cover accumulated deficits and returned to investors by cash.

Note 7: The ending balance includes the unrealized gain or loss on financial instruments, cumulative translation adjustments, investment income or loss recognized under the equity method, and other adjustments in long-term investment using equity method.



TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL

DECEMBER 31, 2011

TABLE 5

(In Thousands of New Taiwan Dollars)

Company Name	Type of Properties	Transaction Date	Transaction Amount	Payment Status	Counter-Party	Relationship	Where Counter-party is a Related, Details of Prior Transaction				Price Reference	Date of Acquisition and Status of Utilization	Other Commitments
							Owner	Relationships	Date of Transaction	Amount			
Taiwan Fixed Network Co., Ltd.	Land and Building	100/7/18	2,868,000	Outstanding amount is 2,543 as of December 31, 2011	HAN YA Co., Ltd.	Third party	-	-	-	-	Based on valuation report of the DTZ Real Estate Appraisers Firm and REPro Real Estate Appraisers Firm	Operating requirement	None

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL

DECEMBER 31, 2011

TABLE 6

(In Thousands of New Taiwan Dollars)

Company Name (A)	Related Party (B)	Nature of Relationship (B is A's)	Transaction Details				Transactions with Terms Different from Others		Notes/Accounts Payable or Receivable		Note
			Purchase/ Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
Taiwan Mobile Co., Ltd. (the "Corporation")	Taiwan Fixed Network Co., Ltd.	Subsidiary	Sale	\$ (2,372,054)	(4)	Based on contract terms	-	-	\$ 433,991	7	(Note 1)
			Purchase	3,396,643	(Note 2)	Based on contract terms	-	-	(418,791)	(Note 3)	
	Taiwan Digital Communications Co., Ltd.	Subsidiary	Purchase	237,728	(Note 4)	Based on contract terms	-	-	(99,340)	(Note 5)	
	Taiwan Kuro Times Co., Ltd. Taiwan Teleservices & Technologies Co., Ltd.	Subsidiary Subsidiary	Purchase Purchase	105,157 907,559	- (Note 4)	Based on contract terms Based on contract terms	- -	- -	(36,470) (88,870)	1 (Note 6)	
Taiwan Teleservices & Technologies Co., Ltd.	The Corporation	Ultimate parent	Sale	(907,732)	(87)	Based on contract terms	-	-	88,894	90	
	Taiwan Fixed Network Co., Ltd.	Related party in substance	Sale	(132,614)	(13)	Based on contract terms	-	-	9,954	10	
Taiwan Fixed Network Co., Ltd.	The Corporation	Ultimate parent	Sale	(3,388,316)	(29)	Based on contract terms	-	-	418,791	38	(Note 7)
			Purchase	2,375,441	32	Based on contract terms	-	-	(433,148)	(52)	
	TFN Media Co., Ltd.	Related party in substance	Sale	(103,425)	(1)	Based on contract terms	-	-	19,362	2	
	Taiwan Teleservices & Technologies Co., Ltd.	Related party in substance	Purchase	132,614	(Note 4)	Based on contract terms	-	-	(9,954)	(Note 6)	
Taiwan Digital Communications Co., Ltd.	The Corporation	Ultimate parent	Sale	(237,956)	(75)	Based on contract terms	-	-	99,352	97	
Taiwan Kuro Times Co., Ltd.	The Corporation	Ultimate parent	Sale	(104,673)	(47)	Based on contract terms	-	-	39,104	70	
TFN Media Co., Ltd.	Phoenix Cable TV Co., Ltd.	Subsidiary	Channel leasing fee	(496,561)	(17)	Based on contract terms	(Note 8)	(Note 8)	1,423	1	
	Yeong Jia Leh Cable TV Co., Ltd.	Subsidiary	Channel leasing fee	(449,909)	(15)	Based on contract terms	(Note 8)	(Note 8)	2,174	1	
	Globalview Cable TV Co., Ltd.	Subsidiary	Channel leasing fee	(201,408)	(7)	Based on contract terms	(Note 8)	(Note 8)	910	-	
	Union Cable TV Co., Ltd.	Subsidiary	Channel leasing fee	(232,630)	(8)	Based on contract terms	(Note 8)	(Note 8)	795	-	
	Taiwan Fixed Network Co., Ltd.	Related party in substance	Operating cost-rent	100,393	8	Based on contract terms	-	-	(18,946)	(3)	

(Continued)

**TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES**

**ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL**

**DECEMBER 31, 2011**

Company Name (A)	Related Party (B)	Nature of Relationship (B is A's)	Transaction Details				Transactions with Terms Different from Others		Notes/Accounts Payable or Receivable		Note
			Purchase/ Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
Yeong Jia Leh Cable TV Co., Ltd.	TFN Media Co., Ltd.	Parent	Royalty for copyright	\$ 449,909	65	Based on contract terms	(Note 8)	(Note 8)	(2,174)	(16)	
Phoenix Cable TV Co., Ltd.	TFN Media Co., Ltd.	Parent	Royalty for copyright	496,561	67	Based on contract terms	(Note 8)	(Note 8)	(1,423)	(16)	
Union Cable TV Co., Ltd.	TFN Media Co., Ltd.	Parent	Royalty for copyright	232,630	62	Based on contract terms	(Note 8)	(Note 8)	(795)	(14)	
Globalview Cable TV Co., Ltd.	TFN Media Co., Ltd.	Parent	Royalty for copyright	201,408	63	Based on contract terms	(Note 8)	(Note 8)	(910)	(14)	
Mangrove Cable TV Co., Ltd	Dai-Ka Ltd.	Related party in substance	Royalty for copyright	162,898	60	Based on contract terms	(Note 8)	(Note 8)	-	-	

Note 1: The \$433,991 thousand accounts receivable amount was expressed on a gross basis in accordance with the sales amount. The net accounts receivable should be \$37,125 thousand after deducting accounts payable and accrued custodial receipts totaling \$396,866 thousand.

Note 2: Included operating costs and operating expenses.

Note 3: Included accounts payable and accrued expenses.

Note 4: Recognized as operating expenses.

Note 5: Included accrued expenses and other payables.

Note 6: Recognized as accrued expenses.

Note 7: The \$418,791 thousand accounts receivable amount was expressed on a gross basis in accordance with the sales amount. The net accounts receivable should be \$398,558 thousand after deducting accounts payable and accrued custodial receipts totaling \$20,233 thousand.

Note 8: The company authorized related party to deal with the copyright fees from cable television. As said account item is the only one, there are no comparables.

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL

DECEMBER 31, 2011

TABLE 7

(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	5.89	\$ -	-	\$ 732	\$ -
			Other receivables					
	TFN Media Co., Ltd. Win TV Broadcasting Co., Ltd.	Subsidiary Subsidiary	Other receivables Other receivables	852,867 471,421	- -	- -	- -	- -
Taiwan Cellular Co., Ltd.	TFN Media Co., Ltd.	Subsidiary	Other receivables		-	-	-	-
Taiwan Teleservices & Technologies Co., Ltd.	The Corporation	Ultimate parent	Accounts receivable	11.62	-	-	-	-
	Taiwan Fixed Network Co., Ltd.	Related party in substance	Accounts receivable	13.61	-	-	-	-
Taiwan Kuro Times Co., Ltd.	The Corporation	Ultimate parent	Accounts receivable	4.08	-	-	13,552	-
Taiwan Fixed Network Co., Ltd.	The Corporation	Ultimate parent	Accounts receivable	10.20	-	-	10,898	-
			Other receivables				158,055	68,288
	Taiwan Cellular Co., Ltd.	Parent	Other receivables	4,679,230	-	-	-	-
Phoenix Cable TV Co., Ltd.	TFN Media Co., Ltd.	Parent	Accounts receivable	6.21	-	-	-	-
			Other receivables				580,050	-
Union Cable TV Co., Ltd.	TFN Media Co., Ltd.	Parent	Accounts receivable	4.37	-	-	-	-
			Other receivables				645,020	-
Globalview Cable TV Co., Ltd.	TFN Media Co., Ltd.	Parent	Accounts receivable	5.69	-	-	-	-
			Other receivables				250,055	-
Yeong Jia Leh Cable TV Co., Ltd.	TFN Media Co., Ltd.	Parent	Accounts receivable	5.92	-	-	-	-
			Other receivables				351,285	-

**TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES**  
**NAMES AND LOCATIONS OF, AND OTHER INFORMATION ON INVESTEEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

TABLE 8

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

Investor	Investee	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2011			Net Income (Loss) of the Investee	Investment Income (Loss)	Note
				December 31, 2011	December 31, 2010	Shares (Thousands)	Percentage of Ownership	Carrying Value			
Taiwan Mobile Co., Ltd. (the "Corporation")	Taiwan Cellular Co., Ltd.	Taipei, Taiwan	Telecom engineering and IT service	\$ 44,467,288	\$ 37,558,330	370,896	100	\$ 17,195,352	\$ 3,586,064	\$ 3,575,190	
	Taipei New Horizons Co., Ltd.	Taipei, Taiwan	Real estate rental and sale	648,700	449,100	64,870	49.9	(Note 1) 562,812	(49,679)	(24,790)	
	Wealth Media Technology Co., Ltd.	Taipei, Taiwan	Investment	8,652,000	372,000	38,550	100	8,862,169	193,303	193,303	
Wealth Media Technology Co., Ltd.	Tai Fu Media Technology Co., Ltd.	Taipei, Taiwan	Investment	200,898	270,000	20,090	100	215,600	12,958	NA	
	Taiwan Win TV Broadcasting Co., Ltd.	Taipei, Taiwan	TV program producing	10,000	10,000	16	100	9,858	(54)	NA	
	Fubon Multimedia Technology Co., Ltd.	Taipei, Taiwan	Wholesale and retailing on virtual channel and physical channel	8,347,949	-	58,857	50.64	8,543,487	695,940	NA	
Tai Fu Media Technology Co., Ltd.	Global Wealth Media Technology Co., Ltd.	New Taipei City, Taiwan	Investment	84,000	84,000	8,400	100	91,291	6,054	NA	
	Fu Jia Leh Media Technology Co., Ltd.	Taipei, Taiwan	Investment	1,700	1,700	100	100	423	(344)	NA	
	Fu Sin Media Technology Co., Ltd.	Taipei, Taiwan	Investment	135,000	135,000	13,500	100	143,971	7,585	NA	
	Global Forest Media Technology Co., Ltd.	Taipei, Taiwan	Investment	15,000	1,000	1,500	100	16,868	275	NA	
Global Wealth Media Technology Co., Ltd.	Globalview Cable TV Co., Ltd.	New Taipei City, Taiwan	Cable TV service provider	91,910	91,691	3,825	6.83	95,216	92,483	NA	
Fu Sin Media Technology Co., Ltd.	Phoenix Cable TV Co., Ltd.	Kaohsiung County, Taiwan	Cable TV service provider	133,358	133,358	2,272	3.34	135,050	231,568	NA	
Global Forest Media Technology Co., Ltd.	Union Cable TV Co., Ltd.	Yilan County, Taiwan	Cable TV service provider	16,218	4	1,300	0.76	15,851	126,786	NA	
Fubon Multimedia Technology Co., Ltd.	Fu Sheng Travel Service Co., Ltd.	Taipei, Taiwan	Travel	10,000	6,000	600	100	7,112	3,850	NA	
	Fuli Life Insurance Agent Co., Ltd.	Taipei, Taiwan	Life Insurance Agent	3,000	3,000	300	100	12,925	5,420	NA	
	Fuli Property Insurance Agent Co., Ltd.	Taipei, Taiwan	Property Insurance Agent	3,000	3,000	300	100	17,872	10,932	NA	
	Asian Crown International Co., Ltd.	British Virgin Islands	Investment	US\$ 14,000	US\$ 14,000	47	100	US\$ 10,733	US\$ (3,479)	NA	
Asian Crown International Co., Ltd.	Fortune Kingdom Corporation	Samoa	Investment	US\$ 14,000	US\$ 14,000	14,000	100	US\$ 10,733	US\$ (3,479)	NA	
Fortune Kingdom Corporation	Hong Kong Fubon Multimedia Technology Co., Ltd.	Hong Kong	Investment	US\$ 14,000	US\$ 14,000	14,000	100	US\$ 10,733	US\$ (3,479)	NA	
Hong Kong Fubon Multimedia Technology Co., Ltd.	Fubon Gehua (Beijing) Enterprise Ltd.	Beijing, China	Wholesale	US\$ 12,319	-	-	80	US\$ 9,138	US\$ (4,367)	NA	
Taiwan Cellular Co., Ltd.	TWM Holding Co. Ltd.	British Virgin Islands	Investment	US\$ 10,800	US\$ 10,800	1 share	100	US\$ 8,475	US\$ 18	NA	
	Taiwan Fixed Network Co., Ltd.	Taipei, Taiwan	Fixed line service provider	21,000,000	21,000,000	2,100,000	100	44,765,447	1,650,340	NA	
	Taiwan Digital Communication Co., Ltd.	Taipei, Taiwan	Telecom engineering and IT service	112,000	12,000	11,200	100	119,161	7,556	NA	
	TCC Investment Co., Ltd.	Taipei, Taiwan	Investment	22,002,255	22,301,000	24,076	100	31,575,249	1,898,069	NA	
	Taiwan Teleservices & Technologies Co., Ltd.	Taipei, Taiwan	Call center service and ISR (international simple resales)	24,843	10,000	2,484	100	101,959	55,615	NA	
TWM Holding Co. Ltd.	TWM Communications (Beijing) Co., Ltd.	Beijing, China	Mobile application development and design	US\$ 4,936	US\$ 4,936	-	100	US\$ 4,198	US\$ 18	NA	
Taiwan Teleservices & Technologies Co., Ltd.	TT&T Holdings Co., Ltd.	Samoa	Investment	US\$ 1,300	US\$ 1,300	1,300	100	US\$ 1,609	US\$ 159	NA	
	Taiwan Super Basketball Co., Ltd.	Taipei, Taiwan	Basketball team management	20,000	20,000	2,000	100	22,864	2,847	NA	
TT&T Holdings Co., Ltd.	Xiamen Taifu Teleservices & Technologies Co., Ltd.	Xiamen, China	Call center service	US\$ 1,300	US\$ 1,300	-	100	US\$ 1,588	US\$ 164	NA	
TCC Investment Co., Ltd.	Win TV Broadcasting Co., Ltd.	Taipei, Taiwan	TV program provider	188,047	188,047	18,177	100	264,364	59,765	NA	
	TFN Media Co., Ltd.	Taipei, Taiwan	Cable broadband and value added service provider	2,035,714	2,035,714	230,526	100	2,702,551	1,970,548	NA	
	TCCI Investment and Development Co., Ltd.	Taipei, Taiwan	Investment	6,498,149	6,629,149	400	100	10,809,387	(160)	NA	
TFN Media Co., Ltd.	Yeong Jia Leh Cable TV Co., Ltd.	New Taipei City, Taiwan	Cable TV service provider	1,616,824	1,616,824	33,940	100	2,216,624	234,389	NA	
	Mangrove Cable TV Co., Ltd.	New Taipei City, Taiwan	Cable TV service provider	397,703	397,703	6,248	29.53	612,879	103,066	NA	
	Phoenix Cable TV Co., Ltd.	Kaohsiung County, Taiwan	Cable TV service provider	2,294,967	2,294,967	65,818	96.66	3,231,826	231,568	NA	
	Union Cable TV Co., Ltd.	Yilan County, Taiwan	Cable TV service provider	1,889,910	1,904,436	169,141	99.22	2,061,857	126,786	NA	
	Globalview Cable TV Co., Ltd.	New Taipei City, Taiwan	Cable TV service provider	841,413	841,413	51,733	92.38	1,260,952	92,483	NA	
	Taiwan Kuro Times Co., Ltd.	Taipei, Taiwan	The platform of music supplied	129,900	63,900	1,214	100	114,755	(23,107)	NA	
	ezPeer Multimedia Limited	Samoa	Investment	US\$ 1,522	US\$ 1,522	1 share	100	US\$ 844	US\$ (652)	NA	
Taiwan Kuro Times Co., Ltd.	TFN Union Investment Co., Ltd.	Taipei, Taiwan	Investment	22,314,536	22,769,109	400	100	37,122,885	(241)	NA	
Taiwan Fixed Network Co., Ltd.	TFN HK LIMITED	Hong Kong	Telecommunications service provider	HK\$ 1,300	HK\$ 1,300	1,300	100	HK\$ 2,019	HK\$ 655	NA	

Note 1: The Corporation's shares held by TCCI, TID and TUI (all are subsidiaries 100% owned by TCC) are classified as treasury shares. Therefore, the Corporation's carrying cost of \$76,457,449 thousand for TCC shall be reduced by 1) downward adjusting \$(31,077,183) thousand, the carrying value of total treasury shares on the Corporation's books, 2) excluding \$(28,636,318) thousand of unrealized gain from financial asset investment, 3) adding back \$475,907 thousand of income tax expenses resulting from TFN's and TFNI's disposal gain from the Corporation's shares, and 4) excluding recognition of upstream transactions gain of \$(24,503) thousand.

Note 2: 70.47% of shares are held under trustee accounts.

Note 3: The above amounts were translated into New Taiwan dollars at the exchange rate of US\$1 = NT\$30.28 and HK\$1 = NT\$3.896 as of December 31, 2011.

**TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES**  
**INVESTMENT IN MAINLAND CHINA**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

TABLE 9  
(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 January 1, 2011	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2011	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 3)	Carrying Value as of December 31, 2011	Accumulated Inward Remittance of Earnings as of December 31, 2011
					Outflow	Inflow					
Xiamen Taifu Teleservices & Technologies Co., Ltd.	Call center service	US\$ 1,300 (NT\$ 39,364)	Indirect investment in Mainland China through a third place by the Corporation's subsidiary Taiwan Teleservices & Technologies Co., Ltd.	US\$ 1,300 (NT\$ 39,364)	\$ -	\$ -	US\$ 1,300 (NT\$ 39,364)	100% ownership of indirect investment by the Corporation's subsidiary	US\$ 164 (NT\$ 4,966)	US\$ 1,588 (NT\$ 48,085)	\$ -
TWM Communications (Beijing) Co. Ltd.	Mobile application development and design	US\$ 3,000 (NT\$ 90,840)	Indirect investment in Mainland China through a third place by the Corporation's subsidiary Taiwan Cellular Co., Ltd.	US\$ 4,872 (NT\$ 147,524)	-	-	US\$ 4,872 (NT\$ 147,524)	100% ownership of indirect investment by the Corporation's subsidiary	US\$ 18 (NT\$ 545)	US\$ 4,198 (NT\$ 127,115)	-
Fubon Gehua (Beijing) Enterprise Ltd.	Wholesale	RMB100,000 (NT\$479,304)	Indirect investment in Mainland China through a third place by the Corporation's subsidiary Fubon Multimedia Technology Co., Ltd.	-	US\$ 12,319 (NT\$ 373,019)	-	US\$ 12,319 (NT\$ 373,019)	80% ownership of indirect investment by the Corporation's subsidiary	US\$ (3,494) (NT\$(105,798))	US\$ 9,138 (NT\$ 276,699)	-

Accumulated Investment in Mainland China as of June 30, 2011	Investment Amounts Authorized by Investment Commission, MOEA (Note 2)	Upper Limit on Investment Authorized by Investment Commission, MOEA (Note 2)
US\$1,300 (NT\$39,364)	US\$1,300 (NT\$39,364)	\$30,038,331
US\$4,872 (NT\$147,524)	US\$4,872 (NT\$147,524)	\$45,874,469
US\$12,319 (NT\$373,019)	US\$15,000 (NT\$454,200)	\$30,038,331

Note 1: The above amounts were translated into New Taiwan dollars at the exchange rate of US\$1 = NT\$30.28 and US\$1 = RMB\$6.3175 as of December 31, 2011.

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

Note 3: Calculation was based on audited financial statements.

**TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES**  
**BUSINESS RELATIONSHIP AND SIGNIFICANT INTERCOMPANY TRANSACTIONS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

**TABLE 10**  
(In Thousands of New Taiwan Dollars)

Number	Company Name	Counterparty	Nature of Relationship (Note)	Transaction Details			Percentage of Consolidated Total Operating Revenues or Total Assets
				Account	Amount	Transaction Terms	
0	Taiwan Mobile Co., Ltd.	Taiwan Digital Communications Co., Ltd.	1	Accounts receivable	\$ 2,332	Based on regular terms	-
		Taiwan Fixed Network Co., Ltd.	1	Accounts receivable	37,125	Based on regular terms	-
		Union Cable TV Co., Ltd.	1	Accounts receivable	11	Based on regular terms	-
		Yeong Jia Leh Cable TV Co., Ltd.	1	Accounts receivable	21	Based on regular terms	-
		Mangrove Cable TV Co., Ltd.	1	Accounts receivable	2	Based on regular terms	-
		Phoenix Cable TV Co., Ltd.	1	Accounts receivable	22	Based on regular terms	-
		Globalview Cable TV Co., Ltd.	1	Accounts receivable	8	Based on regular terms	-
		Taiwan Kuro Times Co., Ltd.	1	Accounts receivable	1	Based on regular terms	-
		Fubon Multimedia Technology Co., Ltd.	1	Accounts receivable	1,427	Based on regular terms	-
		Taiwan Fixed Network Co., Ltd.	1	Other receivables	48,058	Based on regular terms	-
		Win TV Broadcasting Co., Ltd.	1	Other receivables	471,421	Based on regular terms	1%
		TFN Media Co., Ltd.	1	Other receivables	852,867	Based on regular terms	1%
		Union Cable TV Co., Ltd.	1	Other receivables	22	Based on regular terms	-
		Yeong Jia Leh Cable TV Co., Ltd.	1	Other receivables	59	Based on regular terms	-
		Mangrove Cable TV Co., Ltd.	1	Other receivables	8	Based on regular terms	-
		Phoenix Cable TV Co., Ltd.	1	Other receivables	84	Based on regular terms	-
		Globalview Cable TV Co., Ltd.	1	Other receivables	6	Based on regular terms	-
		Taiwan Kuro Times Co., Ltd.	1	Other receivables	2,815	Based on regular terms	-
		Fubon Multimedia Technology Co., Ltd.	1	Other receivables	3,067	Based on regular terms	-
		Taiwan Fixed Network Co., Ltd.	1	Prepayments	67	Based on regular terms	-
		Mangrove Cable TV Co., Ltd.	1	Prepayments	20	Based on regular terms	-
		Fubon Multimedia Technology Co., Ltd.	1	Refundable deposits	273	Based on regular terms	-
		Taiwan Fixed Network Co., Ltd.	1	Accounts payable	2,365	Based on regular terms	-
		Taiwan Teleservices & Technologies Co., Ltd.	1	Accounts payable	27	Based on regular terms	-
		Taiwan Kuro Times Co., Ltd.	1	Accounts payable	36,470	Based on regular terms	-
		Taiwan Digital Communications Co., Ltd.	1	Accrued expenses	78,505	Based on regular terms	-
		Taiwan Super Basketball Co., Ltd.	1	Accrued expenses	8,300	Based on regular terms	-
		TWM Communications (Beijing) Co., Ltd.	1	Accrued expenses	20,646	Based on regular terms	-
		Taiwan Fixed Network Co., Ltd.	1	Accrued expenses	399,783	Based on regular terms	-
		Taiwan Teleservices & Technologies Co., Ltd.	1	Accrued expenses	88,870	Based on regular terms	-
		TFN Media Co., Ltd.	1	Accrued expenses	321	Based on regular terms	-
		Taiwan Cellular Co., Ltd.	1	Other payables	778	Based on regular terms	-
		Taiwan Digital Communications Co., Ltd.	1	Other payables	20,835	Based on regular terms	-
		TWM Communications (Beijing) Co., Ltd.	1	Other payables	15,559	Based on regular terms	-
		Taiwan Fixed Network Co., Ltd.	1	Other payables	130,082	Based on regular terms	-
		Union Cable TV Co., Ltd.	1	Other payables	653	Based on regular terms	-
		Yeong Jia Leh Cable TV Co., Ltd.	1	Other payables	1,632	Based on regular terms	-
		Mangrove Cable TV Co., Ltd.	1	Other payables	194	Based on regular terms	-
		Phoenix Cable TV Co., Ltd.	1	Other payables	2,949	Based on regular terms	-
		Globalview Cable TV Co., Ltd.	1	Other payables	306	Based on regular terms	-
Taiwan Kuro Times Co., Ltd.	1	Other payables	1,713	Based on regular terms	-		

(Continued)

Number	Company Name	Counterparty	Nature of Relationship (Note)	Transaction Details			Percentage of Consolidated Total Operating Revenues or Total Assets
				Account	Amount	Transaction Terms	
		Taiwan Fixed Network Co., Ltd.	1	Advance receipts	\$ 90	Based on regular terms	-
		Taiwan Fixed Network Co., Ltd.	1	Other current liabilities	24,326	Based on regular terms	-
		TFN Media Co., Ltd.	1	Other current liabilities	173	Based on regular terms	-
		Union Cable TV Co., Ltd.	1	Other current liabilities	1,736	Based on regular terms	-
		Yeong Jia Leh Cable TV Co., Ltd.	1	Other current liabilities	5,375	Based on regular terms	-
		Mangrove Cable TV Co., Ltd.	1	Other current liabilities	829	Based on regular terms	-
		Phoenix Cable TV Co., Ltd.	1	Other current liabilities	3,822	Based on regular terms	-
		Globalview Cable TV Co., Ltd.	1	Other current liabilities	1,103	Based on regular terms	-
		Taiwan Kuro Times Co., Ltd.	1	Other current liabilities	1,769	Based on regular terms	-
		Taiwan Fixed Network Co., Ltd.	1	Guarantee deposits	830	Based on regular terms	-
		Taiwan Digital Communications Co., Ltd.	1	Operating revenues	4,991	Based on regular terms	-
		Taiwan Fixed Network Co., Ltd.	1	Operating revenues	2,372,054	Based on regular terms	3%
		TFN Media Co., Ltd.	1	Operating revenues	952	Based on regular terms	-
		Union Cable TV Co., Ltd.	1	Operating revenues	993	Based on regular terms	-
		Yeong Jia Leh Cable TV Co., Ltd.	1	Operating revenues	1,471	Based on regular terms	-
		Mangrove Cable TV Co., Ltd.	1	Operating revenues	654	Based on regular terms	-
		Phoenix Cable TV Co., Ltd.	1	Operating revenues	1,612	Based on regular terms	-
		Globalview Cable TV Co., Ltd.	1	Operating revenues	727	Based on regular terms	-
		Taiwan Kuro Times Co., Ltd.	1	Operating revenues	2,490	Based on regular terms	-
		Fubon Multimedia Technology Co., Ltd.	1	Operating revenues	1,674	Based on regular terms	-
		TWM Communications (Beijing) Co., Ltd.	1	Operating cost	1,211	Based on regular terms	-
		Taiwan Fixed Network Co., Ltd.	1	Operating cost	3,322,540	Based on regular terms	4%
		Taiwan Teleservices & Technologies Co., Ltd.	1	Operating cost	172	Based on regular terms	-
		TFN Media Co.,Ltd	1	Operating cost	58	Based on regular terms	-
		Phoenix Cable TV Co., Ltd.	1	Operating cost	171	Based on regular terms	-
		Taiwan Kuro Times Co., Ltd.	1	Operating cost	105,157	Based on regular terms	-
		Mangrove Cable TV Co., Ltd.	1	Operating cost	(1)	Based on regular terms	-
		Globalview Cable TV Co., Ltd.	1	Operating cost	(2)	Based on regular terms	-
		Union Cable TV Co., Ltd.	1	Operating cost	(2)	Based on regular terms	-
		Yeong Jia Leh Cable TV Co., Ltd.	1	Operating cost	(5)	Based on regular terms	-
		Phoenix Cable TV Co., Ltd.	1	Operating cost	(6)	Based on regular terms	-
		Taiwan Digital Communications Co., Ltd.	1	Operating expenses	237,956	Based on regular terms	-
		Taiwan Super Basketball Co., Ltd.	1	Operating expenses	33,500	Based on regular terms	-
		TWM Communications (Beijing) Co., Ltd.	1	Operating expenses	20,573	Based on regular terms	-
		Taiwan Fixed Network Co., Ltd.	1	Operating expenses	84,027	Based on regular terms	-
		Taiwan Teleservices & Technologies Co., Ltd.	1	Operating expenses	907,559	Based on regular terms	1%
		TFN Media Co., Ltd.	1	Operating expenses	324	Based on regular terms	-
		TCC Investment Co., Ltd.	1	Operating expenses	5,969	Based on regular terms	-
		Fubon Multimedia Technology Co., Ltd.	1	Operating expenses	1,019	Based on regular terms	-
		Tai Fu Media Technology Co., Ltd.	1	Interest income	312	Based on regular terms	-
		Taiwan Cellular Co., Ltd.	1	Interest income	29,220	Based on regular terms	-
		Taiwan Digital Communications Co., Ltd.	1	Interest income	279	Based on regular terms	-
		Win TV Broadcasting Co., Ltd.	1	Interest income	1,712	Based on regular terms	-
		TFN Media Co., Ltd.	1	Interest income	16,760	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	34	Based on regular terms	-
		Fu Sin Media Technology Co., Ltd.	1	Rental income	34	Based on regular terms	-
		Global Forest Media Technology Co., Ltd.	1	Rental income	34	Based on regular terms	-
		Taiwan Cellular Co., Ltd.	1	Rental income	34	Based on regular terms	-
		Taiwan Digital Communications Co., Ltd.	1	Rental income	34	Based on regular terms	-

(Continued)



Number	Company Name	Counterparty	Nature of Relationship (Note)	Transaction Details			Percentage of Consolidated Total Operating Revenues or Total Assets
				Account	Amount	Transaction Terms	
		Taiwan Super Basketball Co., Ltd.	1	Rental income	\$ 34	Based on regular terms	-
		Taiwan Fixed Network Co., Ltd.	1	Rental income	106,280	Based on regular terms	-
		Taiwan Teleservices & Technologies Co., Ltd.	1	Rental income	34	Based on regular terms	-
		Win TV Broadcasting Co., Ltd.	1	Rental income	259	Based on regular terms	-
		TFN Media Co., Ltd.	1	Rental income	10,784	Based on regular terms	-
		TFN Union Investment Co., Ltd.	1	Rental income	34	Based on regular terms	-
		TCCI Investment and Development Co., Ltd.	1	Rental income	34	Based on regular terms	-
		TCC Investment Co., Ltd.	1	Rental income	34	Based on regular terms	-
		Taiwan Win TV Broadcasting Co., Ltd.	1	Rental income	34	Based on regular terms	-
		Taiwan Kuro Times Co., Ltd.	1	Rental income	34	Based on regular terms	-
		Fubon Multimedia Technology Co., Ltd.	1	Rental income	17,524	Based on regular terms	-
		Taiwan Fixed Network Co., Ltd.	1	Miscellaneous revenue	3,696	Based on regular terms	-
		TFN Media Co., Ltd.	1	Miscellaneous revenue	11	Based on regular terms	-
		Mangrove Cable TV Co., Ltd.	1	Miscellaneous revenue	9	Based on regular terms	-
		Taiwan Kuro Times Co., Ltd.	1	Miscellaneous revenue	109	Based on regular terms	-
		Fubon Multimedia Technology Co., Ltd.	1	Miscellaneous revenue	2	Based on regular terms	-
		Taiwan Fixed Network Co., Ltd.	1	Interest expenses	18,987	Based on regular terms	-
1	Wealth Media Technology Co., Ltd.	Tai Fu Media Technology Co., Ltd.	1	Other receivables	43,091	Based on regular terms	-
		Taiwan Mobile Co., Ltd.	2	Operating expenses	34	Based on regular terms	-
		Tai Fu Media Technology Co., Ltd.	1	Interest income	91	Based on regular terms	-
		Global Wealth Media Technology Co., Ltd.	1	Interest income	11	Based on regular terms	-
2	Taiwan Win TV Broadcasting Co., Ltd.	Taiwan Mobile Co., Ltd.	2	Operating expenses	34	Based on regular terms	-
3	Fubon Multimedia Technology Co., Ltd.	Win TV Broadcasting Co., Ltd.	3	Accounts receivable	16	Based on regular terms	-
		Fuli Life Insurance Agent Co., Ltd.	1	Accounts receivable	5	Based on regular terms	-
		Taiwan Mobile Co., Ltd.	2	Accounts payable	2,973	Based on regular terms	-
		Taiwan Fixed Network Co., Ltd.	3	Accounts payable	653	Based on regular terms	-
		Win TV Broadcasting Co., Ltd.	3	Accounts payable	1	Based on regular terms	-
		Fuli Property Insurance Agent Co., Ltd.	1	Accounts payable	136	Based on regular terms	-
		Fu Sheng Travel Service Co., Ltd.	1	Accounts payable	8,192	Based on regular terms	-
		Taiwan Fixed Network Co., Ltd.	3	Leasehold payable-current	2,772	Payment terms varied depend on the agreements and Based on regular terms	-
		Taiwan Mobile Co., Ltd.	2	Other current liabilities	57	Based on regular terms	-
		Taiwan Fixed Network Co., Ltd.	3	Leasehold payable-non-current	6,590	Payment terms varied depend on the agreements and Based on regular terms	-
		Taiwan Mobile Co., Ltd.	2	Guarantee deposits	273	Payment terms varied depend on the agreements and Based on regular terms	-
		TFN Media Co., Ltd.	3	Operating revenues	(44)	Payment terms varied depend on the agreements and Based on regular terms	-
		Fu Sheng Travel Service Co., Ltd.	1	Operating revenues	(13,326)	Based on regular terms	-
		Fuli Property Insurance Agent Co., Ltd.	1	Operating revenues	6	Based on regular terms	-
		Taiwan Mobile Co., Ltd.	2	Operating revenues	1,018	Payment terms varied depend on the agreements and Based on regular terms	-
		Taiwan Fixed Network Co., Ltd.	3	Operating revenues	1	Payment terms varied depend on the agreements and Based on regular terms	-
		Win TV Broadcasting Co., Ltd.	3	Operating revenues	55	Payment terms varied depend on the agreements and Based on regular terms	-

(Continued)

Number	Company Name	Counterparty	Nature of Relationship (Note)	Transaction Details			Percentage of Consolidated Total Operating Revenues or Total Assets
				Account	Amount	Transaction Terms	
		Fu Sheng Travel Service Co.,Ltd. Taiwan Mobile Co., Ltd.	3 2	Operating cost Operating cost	\$ 168 17,718	Based on regular terms Payment terms varied depend on the agreements and Based on regular terms	- -
		Taiwan Fixed Network Co., Ltd.	3	Operating cost	9,098	Payment terms varied depend on the agreements and Based on regular terms	-
		Win TV Broadcasting Co., Ltd.	3	Operating cost	270	Payment terms varied depend on the agreements and Based on regular terms	-
		TFN Media Co., Ltd.	3	Operating cost	43,600	Payment terms varied depend on the agreements and Based on regular terms	-
		Union Cable TV Co., Ltd.	3	Operating cost	139	Payment terms varied depend on the agreements and Based on regular terms	-
		Yeong Jia Leh Cable TV Co., Ltd.	3	Operating cost	29	Payment terms varied depend on the agreements and Based on regular terms	-
		Mangrove Cable TV Co., Ltd.	3	Operating cost	4,618	Payment terms varied depend on the agreements and Based on regular terms	-
		Phoenix Cable TV Co., Ltd.	3	Operating cost	563	Payment terms varied depend on the agreements and Based on regular terms	-
		Globalview Cable TV Co., Ltd.	3	Operating cost	34	Payment terms varied depend on the agreements and Based on regular terms	-
		Taiwan Mobile Co., Ltd.	2	Operating expenses	168	Based on regular terms	-
		Fu Sheng Travel Service Co.,Ltd.	1 3	Operating expenses	831	Based on regular terms Payment terms varied depend on the agreements and Based on regular terms	- -
		Taiwan Fixed Network Co., Ltd.	3	Operating expenses	3,349	Payment terms varied depend on the agreements and Based on regular terms	-
		Win TV Broadcasting Co., Ltd.	1	Operating expenses	80	Based on regular terms	-
		Fuli Life Insurance Agent Co.,Ltd.	1	Rental income	24	Payment terms varied depend on the agreements and Based on regular terms	-
		Win TV Broadcasting Co., Ltd.	3	Miscellaneous revenue	3	Based on regular terms	-
		Taiwan Fixed Network Co., Ltd.	3	Interest expenses	294	Payment terms varied depend on the agreements	-
4	Fu Sheng Travel Service Co.,Ltd.	Fubon Multimedia Technology Co., Ltd.	2	Accounts receivable	7,876	Based on regular terms	-
		Fubon Multimedia Technology Co., Ltd.	2	Other receivables	210	Based on regular terms	-
		Fubon Multimedia Technology Co., Ltd.	2	Operating cost	(13,326)	Based on regular terms	-
		Fubon Multimedia Technology Co., Ltd.	2	Rental income	1,000	Payment terms varied depend on the agreements and Based on regular terms	-
5	Fuli Life Insurance Agent Co.,Ltd.	Fubon Multimedia Technology Co., Ltd.	2	Accounts payable	136	Based on regular terms	-
		Fubon Multimedia Technology Co., Ltd.	2	Accounts payable	5	Based on regular terms Payment terms varied depend on the agreements and Based on regular terms	- -
		Fubon Multimedia Technology Co., Ltd.	2	Operating expenses	24	Based on regular terms	-

(Continued)

Number	Company Name	Counterparty	Nature of Relationship (Note)	Transaction Details			Percentage of Consolidated Total Operating Revenues or Total Assets
				Account	Amount	Transaction Terms	
6	Fuli Property Insurance Agent Co., Ltd.	Fubon Multimedia Technology Co., Ltd.	2	Operating cost	\$ 6	Based on regular terms	-
7	Tai Fu Media Technology Co., Ltd.	Global Wealth Media Technology Co., Ltd.	1	Other receivables	4,000	Payment terms varied depend on the agreements	-
		Wealth Media Technology Co., Ltd.	2	Short-term borrowings	43,000	Payment terms varied depend on the agreements	-
		Wealth Media Technology Co., Ltd.	2	Accrued expenses	91	Payment terms varied depend on the agreements	-
		Taiwan Mobile Co., Ltd.	2	Operating expenses	34	Payment terms varied depend on the agreements	-
		Global Wealth Media Technology Co., Ltd.	1	Interest income	30	Payment terms varied depend on the agreements	-
		Taiwan Mobile Co., Ltd.	2	Interest expenses	312	Payment terms varied depend on the agreements	-
		Wealth Media Technology Co., Ltd.	2	Interest expenses	91	Payment terms varied depend on the agreements	-
8	Global Wealth Media Technology Co., Ltd.	Tai Fu Media Technology Co., Ltd.	2	Other payables	4,000	Payment terms varied depend on the agreements	-
		Globalview Cable TV Co., Ltd.	3	Operating expenses	34	Payment terms varied depend on the agreements	-
		Wealth Media Technology Co., Ltd.	2	Interest expenses	11	Payment terms varied depend on the agreements	-
		Tai Fu Media Technology Co., Ltd.	2	Interest expenses	30	Payment terms varied depend on the agreements	-
9	Fu Jia Leh Media Technology Co., Ltd.	Taiwan Mobile Co., Ltd.	2	Operating expenses	34	Payment terms varied depend on the agreements	-
10	Fu Sin Media Technology Co., Ltd.	Taiwan Mobile Co., Ltd.	2	Operating expenses	34	Payment terms varied depend on the agreements	-
11	Global Forest Media Technology Co., Ltd.	Taiwan Mobile Co., Ltd.	2	Operating expenses	34	Payment terms varied depend on the agreements	-
12	Taiwan Cellular Co., Ltd.	Taiwan Mobile Co., Ltd.	2	Other receivables	778	Based on regular terms	-
		Taiwan Digital Communications Co., Ltd.	1	Other receivables	40,014	Based on regular terms	-
		TFN Media Co., Ltd.	1	Other receivables	4,124,617	Based on regular terms	5%
		Taiwan Fixed Network Co., Ltd.	1	Short-term borrowings	4,670,000	Based on regular terms	6%
		Taiwan Fixed Network Co., Ltd.	1	Accrued expenses	9,230	Based on regular terms	-
		Taiwan Mobile Co., Ltd.	2	Operating expenses	34	Based on regular terms	-
		Taiwan Digital Communications Co., Ltd.	1	Interest income	14	Based on regular terms	-
		Win TV Broadcasting Co., Ltd.	1	Interest income	558	Based on regular terms	-
		TFN Media Co., Ltd.	1	Interest income	49,369	Based on regular terms	-
		TT&T Holdings	2	Miscellaneous revenue	95	Based on regular terms	-
		TWN Communications (Beijing) Co., Ltd.	1	Miscellaneous revenue	95	Based on regular terms	-
		Taiwan Mobile Co., Ltd.	2	Interest expenses	29,220	Based on regular terms	-
		Taiwan Fixed Network Co., Ltd.	1	Interest expenses	47,591	Based on regular terms	-
13	Taiwan Fixed Network Co., Ltd.	Taiwan Mobile Co., Ltd.	2	Accounts receivable	398,558	Based on regular terms	-
		TFN HK	2	Accounts receivable	2	Based on regular terms	-
		Win TV Broadcasting Co., Ltd.	3	Accounts receivable	8	Based on regular terms	-
		TFN Media Co., Ltd.	3	Accounts receivable	19,362	Based on regular terms	-
		Union Cable TV Co., Ltd.	3	Accounts receivable	59	Based on regular terms	-
		Yeong Jia Leh Cable TV Co., Ltd.	3	Accounts receivable	149	Based on regular terms	-
		Mangrove Cable TV Co., Ltd.	3	Accounts receivable	252	Based on regular terms	-
		Phoenix Cable TV Co., Ltd.	3	Accounts receivable	517	Based on regular terms	-
		Globalview Cable TV Co., Ltd.	3	Accounts receivable	234	Based on regular terms	-

(Continued)

Number	Company Name	Counterparty	Nature of Relationship (Note)	Transaction Details			Percentage of Consolidated Total Operating Revenues or Total Assets
				Account	Amount	Transaction Terms	
		Taiwan Kuro Times Co., Ltd.	3	Accounts receivable	\$ 743	Based on regular terms	-
		Fubon Multimedia Technology Co., Ltd.	3	Accounts receivable	6,722	Based on regular terms	-
		Taiwan Mobile Co., Ltd.	2	Other receivables	157,825	Based on regular terms	-
		Taiwan Cellular Co., Ltd.	2	Other receivables	4,679,230	Based on regular terms	6%
		Win TV Broadcasting Co., Ltd.	3	Other receivables	464	Based on regular terms	-
		Union Cable TV Co., Ltd.	3	Other receivables	8	Based on regular terms	-
		Globalview Cable TV Co., Ltd.	3	Other receivables	2	Based on regular terms	-
		Taiwan Kuro Times Co., Ltd.	3	Other receivables	387	Based on regular terms	-
		Taiwan Mobile Co., Ltd.	2	Prepayments	90	Based on regular terms	-
		Taiwan Mobile Co., Ltd.	2	Refundable deposits	830	Based on regular terms	-
		Fubon Multimedia Technology Co., Ltd.	3	Long-term notes , accounts and overdue receivables	6,485	Based on regular terms	-
		Taiwan Mobile Co., Ltd.	2	Accounts payable	36,283	Based on regular terms	-
		TFN Media Co., Ltd.	3	Accounts payable	23,589	Based on regular terms	-
		Taiwan Kuro Times Co., Ltd.	3	Accounts payable	1	Based on regular terms	-
		Taiwan Mobile Co., Ltd.	2	Accrued expenses	48,767	Based on regular terms	-
		Taiwan Digital Communications Co., Ltd.	3	Accrued expenses	159	Based on regular terms	-
		TFN HK	2	Accrued expenses	51,676	Based on regular terms	-
		Taiwan Teleservices & Technologies Co., Ltd.	3	Accrued expenses	9,954	Based on regular terms	-
		Union Cable TV Co., Ltd.	3	Accrued expenses	108	Based on regular terms	-
		Yeong Jia Leh Cable TV Co., Ltd.	3	Accrued expenses	78	Based on regular terms	-
		Phoenix Cable TV Co., Ltd.	3	Accrued expenses	17	Based on regular terms	-
		Globalview Cable TV Co., Ltd.	3	Accrued expenses	34	Based on regular terms	-
		TWM Communications (Beijing) Co., Ltd.	3	Accrued expenses	2,619	Based on regular terms	-
		Taiwan Mobile Co., Ltd.	2	Advance receipts	83	Based on regular terms	-
		Union Cable TV Co., Ltd.	3	Advance receipts	57	Based on regular terms	-
		Globalview Cable TV Co., Ltd.	3	Advance receipts	1	Based on regular terms	-
		Fubon Multimedia Technology Co., Ltd.	3	Advance receipts	44	Based on regular terms	-
		Win TV Broadcasting Co., Ltd.	3	Guarantee deposits	1,003	Based on regular terms	-
		Union Cable TV Co., Ltd.	3	Guarantee deposits	288	Based on regular terms	-
		Taiwan Kuro Times Co., Ltd.	3	Guarantee deposits	631	Based on regular terms	-
		Taiwan Mobile Co., Ltd.	2	Operating revenues	3,388,316	Based on regular terms	4%
		Win TV Broadcasting Co., Ltd.	3	Operating revenues	419	Based on regular terms	-
		TFN Media Co., Ltd.	3	Operating revenues	103,425	Based on regular terms	-
		Union Cable TV Co., Ltd.	3	Operating revenues	3,754	Based on regular terms	-
		Yeong Jia Leh Cable TV Co., Ltd.	3	Operating revenues	588	Based on regular terms	-
		Mangrove Cable TV Co., Ltd.	3	Operating revenues	2,344	Based on regular terms	-
		Phoenix Cable TV Co., Ltd.	3	Operating revenues	6,270	Based on regular terms	-
		Globalview Cable TV Co., Ltd.	3	Operating revenues	1,909	Based on regular terms	-
		Taiwan Kuro Times Co., Ltd.	3	Operating revenues	9,877	Based on regular terms	-
		Fubon Multimedia Technology Co., Ltd.	3	Operating revenues	14,004	Based on regular terms	-
		Taiwan Mobile Co., Ltd.	2	Operating cost	2,375,441	Based on regular terms	3%
		TFN HK	2	Operating cost	72,545	Based on regular terms	-
		TFN Media Co., Ltd.	3	Operating cost	23,581	Based on regular terms	-
		Union Cable TV Co., Ltd.	3	Operating cost	526	Based on regular terms	-
		Yeong Jia Leh Cable TV Co., Ltd.	3	Operating cost	975	Based on regular terms	-
		Mangrove Cable TV Co., Ltd.	3	Operating cost	69	Based on regular terms	-
		Phoenix Cable TV Co., Ltd.	3	Operating cost	1,120	Based on regular terms	-
		Globalview Cable TV Co., Ltd.	3	Operating cost	369	Based on regular terms	-
		Taiwan Mobile Co., Ltd.	2	Operating expenses	102,265	Based on regular terms	-
		Taiwan Digital Communications Co., Ltd.	3	Operating expenses	1,226	Based on regular terms	-

(Continued)

Number	Company Name	Counterparty	Nature of Relationship (Note)	Transaction Details			Percentage of Consolidated Total Operating Revenues or Total Assets
				Account	Amount	Transaction Terms	
		Taiwan Teleservices & Technologies Co., Ltd.	3	Operating expenses	\$ 132,614	Based on regular terms	-
		TWM Communications (Beijing) Co., Ltd.	3	Operating expenses	2,713	Based on regular terms	-
		Fubon Multimedia Technology Co., Ltd.	3	Operating expenses	2	Based on regular terms	-
		Taiwan Mobile Co., Ltd.	2	Interest income	18,987	Based on regular terms	-
		Taiwan Cellular Co., Ltd.	2	Interest income	47,591	Based on regular terms	-
		TFN Union Investment Co., Ltd.	1	Interest income	2	Based on regular terms	-
		Fubon Multimedia Technology Co., Ltd.	3	Interest income	182	Based on regular terms	-
		Taiwan Mobile Co., Ltd.	2	Rental income	18,138	Based on regular terms	-
		Win TV Broadcasting Co., Ltd.	3	Rental income	5,314	Based on regular terms	-
		Taiwan Kuro Times Co., Ltd.	3	Rental income	3,390	Based on regular terms	-
		Win TV Broadcasting Co., Ltd.	3	Interest expenses	12	Based on regular terms	-
		Taiwan Kuro Times Co., Ltd.	3	Interest expenses	7	Based on regular terms	-
		Taiwan Mobile Co., Ltd.	2	Miscellaneous expenses	3,697	Based on regular terms	-
14	Taiwan Digital Communications Co., Ltd.	Taiwan Mobile Co., Ltd.	2	Accounts receivable	99,352	Based on regular terms	-
		Taiwan Fixed Network Co., Ltd.	3	Accounts receivable	167	Based on regular terms	-
		Taiwan Cellular Co., Ltd.	2	Short-term borrowings	40,000	Based on regular terms	-
		Taiwan Mobile Co., Ltd.	2	Accounts payable	2,315	Based on regular terms	-
		Taiwan Cellular Co., Ltd.	2	Accrued expenses	14	Based on regular terms	-
		Taiwan Mobile Co., Ltd.	2	Operating revenues	237,956	Based on regular terms	-
		Taiwan Fixed Network Co., Ltd.	3	Operating revenues	1,226	Based on regular terms	-
		TFN Media Co., Ltd.	3	Operating revenues	30	Based on regular terms	-
		Taiwan Mobile Co., Ltd.	2	Operating cost	2,999	Based on regular terms	-
		Taiwan Mobile Co., Ltd.	2	Operating expenses	2,026	Based on regular terms	-
		Taiwan Mobile Co., Ltd.	2	Interest expenses	279	Based on regular terms	-
		Taiwan Cellular Co., Ltd.	2	Interest expenses	14	Based on regular terms	-
15	TCC Investment Co., Ltd.	Taiwan Mobile Co., Ltd.	2	Operating expenses	34	Based on regular terms	-
		TCCI Investment and Development Co., Ltd.	1	Interest income	2	Based on regular terms	-
		Taiwan Mobile Co., Ltd.	2	Miscellaneous revenue	5,969	Based on regular terms	-
		Win TV Broadcasting Co., Ltd.	1	Miscellaneous revenue	71	Based on regular terms	-
16	TCCI Investment and Development Co., Ltd.	Taiwan Mobile Co., Ltd.	2	Operating expenses	34	Based on regular terms	-
		TCC Investment Co., Ltd.	2	Interest expenses	2	Based on regular terms	-
17	Win TV Broadcasting Co., Ltd.	TFN Media Co., Ltd.	3	Notes receivable	15,519	Payment terms varied depend on the agreements	-
		Fubon Multimedia Technology Co., Ltd.	3	Accounts receivable	84	Based on regular terms	-
		TFN Media Co., Ltd.	3	Accounts receivable	179	Payment terms varied depend on the agreements	-
		Taiwan Fixed Network Co., Ltd.	3	Refundable deposits	1,003	Payment terms varied depend on the agreements	-
		Taiwan Mobile Co., Ltd.	2	Short-term borrowings	470,000	Payment terms varied depend on the agreements	1%
		TCC Investment Co., Ltd.	2	Accrued expenses	16	Based on regular terms	-
		Fubon Multimedia Technology Co., Ltd.	3	Accrued expenses	25	Based on regular terms	-
		Taiwan Fixed Network Co., Ltd.	3	Accrued expenses	464	Payment terms varied depend on the agreements	-
		TFN Media Co., Ltd.	3	Accrued expenses	116	Payment terms varied depend on the agreements	-
		Taiwan Mobile Co., Ltd.	2	Accrued expenses	75	Payment terms varied depend on the agreements and Based on regular terms	-
		Taiwan Mobile Co., Ltd.	2	Accrued expenses	1,389	Payment terms varied depend on the agreements	-
		Union Cable TV Co., Ltd.	3	Advance receipts	83	Payment terms varied depend on the agreements	-

(Continued)

Number	Company Name	Counterparty	Nature of Relationship (Note)	Transaction Details			Percentage of Consolidated Total Operating Revenues or Total Assets
				Account	Amount	Transaction Terms	
18	TFN Media Co., Ltd.	Yeong Jia Leh Cable TV Co., Ltd.	3	Advance receipts	\$ 83	Payment terms varied depend on the agreements	-
		Mangrove Cable TV Co., Ltd.	3	Advance receipts	83	Payment terms varied depend on the agreements	-
		Phoenix Cable TV Co., Ltd.	3	Advance receipts	83	Payment terms varied depend on the agreements	-
		Globalview Cable TV Co., Ltd.	3	Advance receipts	83	Payment terms varied depend on the agreements	-
		TFN Media Co., Ltd.	3	Operating revenues	61,263	Payment terms varied depend on the agreements	-
		Union Cable TV Co., Ltd.	3	Operating revenues	417	Payment terms varied depend on the agreements	-
		Yeong Jia Leh Cable TV Co., Ltd.	3	Operating revenues	1,426	Payment terms varied depend on the agreements	-
		Mangrove Cable TV Co., Ltd.	3	Operating revenues	417	Payment terms varied depend on the agreements	-
		Phoenix Cable TV Co., Ltd.	3	Operating revenues	417	Payment terms varied depend on the agreements	-
		Globalview Cable TV Co., Ltd.	3	Operating revenues	417	Payment terms varied depend on the agreements	-
		Fubon Multimedia Technology Co., Ltd.	3	Operating revenues	424	Payment terms varied depend on the agreements	-
		Fubon Multimedia Technology Co., Ltd.	3	Operating cost	31	Based on regular terms	-
		Taiwan Mobile Co., Ltd.	2	Operating cost	212	Payment terms varied depend on the agreements and Based on regular terms	-
		Taiwan Fixed Network Co., Ltd.	3	Operating cost	4,304	Payment terms varied depend on the agreements and Based on regular terms	-
		TCC Investment Co., Ltd.	2	Operating expenses	71	Based on regular terms	-
		TFN Media Co., Ltd.	3	Operating expenses	1,320	Payment terms varied depend on the agreements	-
		Taiwan Mobile Co., Ltd.	2	Operating expenses	113	Payment terms varied depend on the agreements and Based on regular terms	-
		Taiwan Fixed Network Co., Ltd.	3	Operating expenses	1,861	Payment terms varied depend on the agreements and Based on regular terms	-
		Taiwan Fixed Network Co., Ltd.	3	Interest income	6	Payment terms varied depend on the agreements and Based on regular terms	-
		Taiwan Mobile Co., Ltd.	2	Interest expenses	1,712	Payment terms varied depend on the agreements	-
Taiwan Cellular Co., Ltd.	2	Interest expenses	558	Payment terms varied depend on the agreements	-		
Taiwan Mobile Co., Ltd.	2	Accounts receivable	34	Payment terms varied depend on the agreements	-		
Taiwan Fixed Network Co., Ltd.	3	Accounts receivable	23,589	Payment terms varied depend on the agreements	-		

(Continued)

Number	Company Name	Counterparty	Nature of Relationship (Note)	Transaction Details			Percentage of Consolidated Total Operating Revenues or Total Assets
				Account	Amount	Transaction Terms	
		Win TV Broadcasting Co., Ltd.	3	Accounts receivable	\$ 116	Payment terms varied depend on the agreements	-
		Union Cable TV Co., Ltd.	1	Accounts receivable	20,262	Payment terms varied depend on the agreements	-
		Yeong Jia Leh Cable TV Co., Ltd.	1	Accounts receivable	31,546	Payment terms varied depend on the agreements	-
		Mangrove Cable TV Co., Ltd.	1	Accounts receivable	9,762	Payment terms varied depend on the agreements	-
		Phoenix Cable TV Co., Ltd.	1	Accounts receivable	27,885	Payment terms varied depend on the agreements	-
		Globalview Cable TV Co., Ltd.	1	Accounts receivable	12,350	Payment terms varied depend on the agreements	-
		Yeong Jia Leh Cable TV Co., Ltd.	1	Other receivables	327	Based on regular terms	-
		Globalview Cable TV Co., Ltd.	1	Other receivables	31	Based on regular terms	-
		Taiwan Mobile Co., Ltd.	2	Other receivables	332	Based on regular terms	-
		Taiwan Kuro Times Co., Ltd.	1	Other receivables	30,120	Payment terms varied depend on the agreements	-
		Taiwan Mobile Co., Ltd.	2	Short-term borrowings	850,000	Payment terms varied depend on the agreements	1%
		Taiwan Cellular Co., Ltd.	2	Short-term borrowings	4,100,000	Payment terms varied depend on the agreements	5%
		Union Cable TV Co., Ltd.	1	Short-term borrowings	645,000	Payment terms varied depend on the agreements	1%
		Yeong Jia Leh Cable TV Co., Ltd.	1	Short-term borrowings	351,000	Payment terms varied depend on the agreements	-
		Phoenix Cable TV Co., Ltd.	1	Short-term borrowings	580,000	Payment terms varied depend on the agreements	1%
		Globalview Cable TV Co., Ltd.	1	Short-term borrowings	250,000	Payment terms varied depend on the agreements	-
		Win TV Broadcasting Co., Ltd.	3	Notes payable	15,519	Payment terms varied depend on the agreements	-
		Win TV Broadcasting Co., Ltd.	3	Accounts payable	179	Payment terms varied depend on the agreements	-
		Union Cable TV Co., Ltd.	1	Accounts payable	1,952	Payment terms varied depend on the agreements	-
		Yeong Jia Leh Cable TV Co., Ltd.	1	Accounts payable	1,984	Payment terms varied depend on the agreements	-
		Mangrove Cable TV Co., Ltd.	1	Accounts payable	511	Payment terms varied depend on the agreements	-
		Phoenix Cable TV Co., Ltd.	1	Accounts payable	5,698	Payment terms varied depend on the agreements	-
		Globalview Cable TV Co., Ltd.	1	Accounts payable	1,731	Payment terms varied depend on the agreements	-
		Taiwan Mobile Co., Ltd.	2	Accrued expenses	950	Payment terms varied depend on the agreements and Based on regular terms	-
		Taiwan Fixed Network Co., Ltd.	3	Accrued expenses	18,946	Payment terms varied depend on the agreements and Based on regular terms	-
		Union Cable TV Co., Ltd.	1	Accrued expenses	4,635	Payment terms varied depend on the agreements and Based on regular terms	-
		Yeong Jia Leh Cable TV Co., Ltd.	1	Accrued expenses	7,773	Payment terms varied depend on the agreements and Based on regular terms	-
		Mangrove Cable TV Co., Ltd.	1	Accrued expenses	2,272	Payment terms varied depend on the agreements and Based on regular terms	-
		Phoenix Cable TV Co., Ltd.	1	Accrued expenses	5,259	Payment terms varied depend on the agreements and Based on regular terms	-

(Continued)

Number	Company Name	Counterparty	Nature of Relationship (Note)	Transaction Details			Percentage of Consolidated Total Operating Revenues or Total Assets
				Account	Amount	Transaction Terms	
		Globalview Cable TV Co., Ltd.	1	Accrued expenses	\$ 3,158	Payment terms varied depend on the agreements and Based on regular terms	-
		Taiwan Mobile Co., Ltd.	2	Accrued expenses	1,795	Payment terms varied depend on the agreements	-
		Taiwan Cellular Co., Ltd.	2	Accrued expenses	24,617	Payment terms varied depend on the agreements	-
		Union Cable TV Co., Ltd.	1	Accrued expenses	5	Payment terms varied depend on the agreements	-
		Taiwan Mobile Co., Ltd.	2	Other current liabilities	72	Based on regular terms	-
		Yeong Jia Leh Cable TV Co., Ltd.	1	Other current liabilities	160	Based on regular terms	-
		Globalview Cable TV Co., Ltd.	1	Other current liabilities	16	Based on regular terms	-
		Taiwan Mobile Co., Ltd.	2	Operating revenues	58	Payment terms varied depend on the agreements	-
		Taiwan Fixed Network Co., Ltd.	3	Operating revenues	23,581	Payment terms varied depend on the agreements	-
		Win TV Broadcasting Co., Ltd.	3	Operating revenues	1,320	Payment terms varied depend on the agreements	-
		Union Cable TV Co., Ltd.	1	Operating revenues	252,207	Payment terms varied depend on the agreements	-
		Yeong Jia Leh Cable TV Co., Ltd.	1	Operating revenues	487,476	Payment terms varied depend on the agreements	1%
		Mangrove Cable TV Co., Ltd.	1	Operating revenues	6,784	Payment terms varied depend on the agreements	-
		Phoenix Cable TV Co., Ltd.	1	Operating revenues	538,401	Payment terms varied depend on the agreements	1%
		Globalview Cable TV Co., Ltd.	1	Operating revenues	218,174	Payment terms varied depend on the agreements	-
		Fubon Multimedia Technology Co., Ltd.	3	Operating revenues	43,600	Payment terms varied depend on the agreements	-
		Win TV Broadcasting Co., Ltd.	3	Operating cost	61,263	Payment terms varied depend on the agreements	-
		Union Cable TV Co., Ltd.	1	Operating cost	33,682	Payment terms varied depend on the agreements	-
		Yeong Jia Leh Cable TV Co., Ltd.	1	Operating cost	54,508	Payment terms varied depend on the agreements	-
		Mangrove Cable TV Co., Ltd.	1	Operating cost	9,674	Payment terms varied depend on the agreements	-
		Phoenix Cable TV Co., Ltd.	1	Operating cost	55,669	Payment terms varied depend on the agreements	-
		Globalview Cable TV Co., Ltd.	1	Operating cost	23,172	Payment terms varied depend on the agreements	-
		Taiwan Mobile Co., Ltd.	2	Operating cost	333	Payment terms varied depend on the agreements and Based on regular terms	-
		Taiwan Fixed Network Co., Ltd.	3	Operating cost	101,721	Payment terms varied depend on the agreements and Based on regular terms	-
		Taiwan Digital Communications Co., Ltd.	3	Operating expenses	30	Based on regular terms	-
		Fubon Multimedia Technology Co., Ltd.	3	Operating expenses	471	Based on regular terms	-

(Continued)



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	Operating expenses	\$ 11,502	Payment terms varied depend on the agreements and Based on regular terms	-
		Taiwan Fixed Network Co., Ltd.	3	Operating expenses	1,666	Payment terms varied depend on the agreements and Based on regular terms	-
		Union Cable TV Co., Ltd.	1	Operating expenses	3,079	Payment terms varied depend on the agreements and Based on regular terms	-
		Yeong Jia Leh Cable TV Co., Ltd.	1	Operating expenses	5,850	Payment terms varied depend on the agreements and Based on regular terms	-
		Mangrove Cable TV Co., Ltd.	1	Operating expenses	1,578	Payment terms varied depend on the agreements and Based on regular terms	-
		Phoenix Cable TV Co., Ltd.	1	Operating expenses	4,480	Payment terms varied depend on the agreements and Based on regular terms	-
		Globalview Cable TV Co., Ltd.	1	Operating expenses	2,101	Payment terms varied depend on the agreements and Based on regular terms	-
		Taiwan Kuro Times Co., Ltd.	1	Interest income	120	Payment terms varied depend on the agreements	-
		Taiwan Mobile Co., Ltd.	2	Interest expenses	16,760	Payment terms varied depend on the agreements	-
		Taiwan Cellular Co., Ltd.	2	Interest expenses	49,377	Payment terms varied depend on the agreements	-
		Union Cable TV Co., Ltd.	1	Interest expenses	6,459	Payment terms varied depend on the agreements	-
		Yeong Jia Leh Cable TV Co., Ltd.	1	Interest expenses	3,539	Payment terms varied depend on the agreements	-
		Phoenix Cable TV Co., Ltd.	1	Interest expenses	5,874	Payment terms varied depend on the agreements	-
		Globalview Cable TV Co., Ltd.	1	Interest expenses	2,502	Payment terms varied depend on the agreements	-
19	Union Cable TV Co., Ltd.	Taiwan Mobile Co., Ltd.	2	Accounts receivable	2,335	Payment terms varied depend on the agreements	-
		Taiwan Fixed Network Co., Ltd.	3	Accounts receivable	108	Payment terms varied depend on the agreements	-
		TFN Media Co., Ltd.	2	Accounts receivable	6,571	Payment terms varied depend on the agreements	-
		TFN Media Co., Ltd.	2	Other receivables	645,020	Payment terms varied depend on the agreements and Based on regular terms	1%
		Taiwan Fixed Network Co., Ltd.	3	Prepayments	57	Payment terms varied depend on the agreements	-
		Win TV Broadcasting Co., Ltd.	3	Prepayments	83	Payment terms varied depend on the agreements	-
		Taiwan Fixed Network Co., Ltd.	3	Refundable deposits	288	Payment terms varied depend on the agreements	-

(Continued)

Number	Company Name	Counterparty	Nature of Relationship (Note)	Transaction Details			Percentage of Consolidated Total Operating Revenues or Total Assets
				Account	Amount	Transaction Terms	
20	Yeong Jia Leh Cable TV Co., Ltd.	TFN Media Co., Ltd.	2	Accounts payable	\$ 795	Payment terms varied depend on the agreements	-
		Taiwan Mobile Co., Ltd.	2	Accrued expenses	27	Based on regular terms	-
		Taiwan Fixed Network Co., Ltd.	3	Accrued expenses	29	Payment terms varied depend on the agreements	-
		Yeong Jia Leh Cable TV Co., Ltd.	3	Other payables	46	Based on regular terms	-
		TFN Media Co., Ltd.	2	Other payables	19,466	Payment terms varied depend on the agreements	-
		TFN Media Co., Ltd.	2	Other current liabilities	13	Based on regular terms	-
		Taiwan Fixed Network Co., Ltd.	3	Operating revenues	1,246	Payment terms varied depend on the agreements	-
		TFN Media Co., Ltd.	2	Operating revenues	35,633	Payment terms varied depend on the agreements	-
		Fubon Multimedia Technology Co., Ltd.	3	Operating revenues	139	Payment terms varied depend on the agreements	-
		Win TV Broadcasting Co., Ltd.	3	Operating cost	417	Payment terms varied depend on the agreements	-
		TFN Media Co., Ltd.	2	Operating cost	232,629	Payment terms varied depend on the agreements	-
		Taiwan Mobile Co., Ltd.	2	Operating cost	373	Payment terms varied depend on the agreements and Based on regular terms	-
		Taiwan Fixed Network Co., Ltd.	3	Operating cost	3,282	Payment terms varied depend on the agreements and Based on regular terms	-
		TFN Media Co., Ltd.	2	Operating expenses	19,577	Payment terms varied depend on the agreements	-
		Taiwan Mobile Co., Ltd.	2	Operating expenses	883	Payment terms varied depend on the agreements	-
		Taiwan Fixed Network Co., Ltd.	3	Operating expenses	1,212	Payment terms varied depend on the agreements and Based on regular terms	-
		TFN Media Co., Ltd.	2	Interest income	6,459	Payment terms varied depend on the agreements	-
		TFN Media Co., Ltd.	2	Miscellaneous revenue	1,127	Based on regular terms	-
		Fubon Multimedia Technology Co., Ltd.	3	Notes receivable	5	Payment terms varied depend on the agreements	-
		Taiwan Mobile Co., Ltd.	2	Accounts receivable	8,151	Payment terms varied depend on the agreements	-
Taiwan Fixed Network Co., Ltd.	3	Accounts receivable	78	Payment terms varied depend on the agreements	-		
TFN Media Co., Ltd.	2	Accounts receivable	9,471	Payment terms varied depend on the agreements	-		
TFN Media Co., Ltd.	2	Other receivables	351,285	Payment terms varied depend on the agreements and Based on regular terms	-		
Win TV Broadcasting Co., Ltd.	3	Prepayments	83	Payment terms varied depend on the agreements and Based on regular terms	-		

(Continued)

Number	Company Name	Counterparty	Nature of Relationship (Note)	Transaction Details			Percentage of Consolidated Total Operating Revenues or Total Assets
				Account	Amount	Transcation Terms	
		TFN Media Co., Ltd.	2	Other current assets	\$ 2	Based on regular terms	-
		Taiwan Fixed Network Co., Ltd.	3	Accounts payable	6	Payment terms varied depend on the agreements	-
		TFN Media Co., Ltd.	2	Accounts payable	2,174	Payment terms varied depend on the agreements	-
		Taiwan Fixed Network Co., Ltd.	3	Accrued expenses	103	Based on regular terms	-
		TFN Media Co., Ltd.	2	Accrued expenses	167	Based on regular terms	-
		Taiwan Mobile Co., Ltd.	2	Accrued expenses	75	Payment terms varied depend on the agreements	-
		Globalview Cable TV Co., Ltd.	3	Other payables	242	Based on regular terms	-
		TFN Media Co., Ltd.	2	Other payables	29,372	Payment terms varied depend on the agreements	-
		Union Cable TV Co., Ltd.	3	Operating revenues	596	Based on regular terms	-
		Mangrove Cable TV Co., Ltd.	3	Operating revenues	644	Based on regular terms	-
		Phoenix Cable TV Co., Ltd.	3	Operating revenues	644	Based on regular terms	-
		Globalview Cable TV Co., Ltd.	3	Operating revenues	644	Based on regular terms	-
		Taiwan Fixed Network Co., Ltd.	3	Operating revenues	975	Payment terms varied depend on the agreements	-
		TFN Media Co., Ltd.	2	Operating revenues	56,863	Payment terms varied depend on the agreements	-
		Fubon Multimedia Technology Co., Ltd.	3	Operating revenues	29	Payment terms varied depend on the agreements	-
		Union Cable TV Co., Ltd.	3	Operating cost	596	Based on regular terms	-
		Mangrove Cable TV Co., Ltd.	3	Operating cost	644	Based on regular terms	-
		Phoenix Cable TV Co., Ltd.	3	Operating cost	644	Based on regular terms	-
		Globalview Cable TV Co., Ltd.	3	Operating cost	644	Based on regular terms	-
		Win TV Broadcasting Co., Ltd.	3	Operating cost	417	Payment terms varied depend on the agreements	-
		TFN Media Co., Ltd.	2	Operating cost	449,909	Payment terms varied depend on the agreements	1%
		Taiwan Mobile Co., Ltd.	2	Operating cost	484	Payment terms varied depend on the agreements and Based on regular terms	-
		Taiwan Fixed Network Co., Ltd.	3	Operating cost	224	Payment terms varied depend on the agreements and Based on regular terms	-
		Win TV Broadcasting Co., Ltd.	3	Operating expenses	1,010	Payment terms varied depend on the agreements	-
		TFN Media Co., Ltd.	2	Operating expenses	37,577	Payment terms varied depend on the agreements	-
		Taiwan Mobile Co., Ltd.	2	Operating expenses	1,652	Payment terms varied depend on the agreements and Based on regular terms	-
		Taiwan Fixed Network Co., Ltd.	3	Operating expenses	365	Payment terms varied depend on the agreements and Based on regular terms	-
		TFN Media Co., Ltd.	2	Interest income	3,539	Payment terms varied depend on the agreements	-

(Continued)

Number	Company Name	Counterparty	Nature of Relationship (Note)	Transaction Details			Percentage of Consolidated Total Operating Revenues or Total Assets
				Account	Amount	Transcation Terms	
		TFN Media Co., Ltd.	2	Miscellaneous revenue	\$ 3,495	Based on regular terms	-
21	Mangrove Cable TV Co., Ltd.	Phoenix Cable TV Co., Ltd.	3	Accounts receivable	338	Based on regular terms	-
		Taiwan Mobile Co., Ltd.	2	Accounts receivable	314	Payment terms varied depend on the agreements	-
		TFN Media Co., Ltd.	2	Accounts receivable	2,776	Payment terms varied depend on the agreements	-
		TFN Media Co., Ltd.	2	Other receivables	8	Based on regular terms	-
		Win TV Broadcasting Co., Ltd.	3	Prepayments	83	Payment terms varied depend on the agreements	-
		Taiwan Mobile Co., Ltd.	2	Other current assets	46	Based on regular terms	-
		Taiwan Fixed Network Co., Ltd.	3	Other current assets	123	Based on regular terms	-
		TFN Media Co., Ltd.	2	Accounts payable	836	Payment terms varied depend on the agreements	-
		Taiwan Fixed Network Co., Ltd.	3	Accounts payable	311	Payment terms varied depend on the agreements	-
		Taiwan Fixed Network Co., Ltd.	3	Accrued expenses	90	Based on regular terms	-
		Taiwan Mobile Co., Ltd.	2	Accrued expenses	22	Payment terms varied depend on the agreements	-
		TFN Media Co., Ltd.	2	Other payables	8,926	Payment terms varied depend on the agreements	-
		Union Cable TV Co., Ltd.	3	Operating revenues	1,708	Based on regular terms	-
		Phoenix Cable TV Co., Ltd.	3	Operating revenues	1,401	Based on regular terms	-
		Taiwan Fixed Network Co., Ltd.	3	Operating revenues	69	Payment terms varied depend on the agreements	-
		TFN Media Co., Ltd.	2	Operating revenues	10,420	Payment terms varied depend on the agreements	-
		Fubon Multimedia Technology Co., Ltd.	3	Operating revenues	4,618	Payment terms varied depend on the agreements	-
		Union Cable TV Co., Ltd.	3	Operating cost	1,708	Based on regular terms	-
		Phoenix Cable TV Co., Ltd.	3	Operating cost	1,401	Based on regular terms	-
		Win TV Broadcasting Co., Ltd.	3	Operating cost	417	Payment terms varied depend on the agreements	-
		TFN Media Co., Ltd.	2	Operating cost	2,544	Payment terms varied depend on the agreements	-
Taiwan Mobile Co., Ltd.	2	Operating cost	355	Payment terms varied depend on the agreements and Based on regular terms	-		
Taiwan Fixed Network Co., Ltd.	3	Operating cost	2,053	Payment terms varied depend on the agreements and Based on regular terms	-		
Taiwan Mobile Co., Ltd.	2	Operating expenses	4,240	Payment terms varied depend on the agreements	-		
Taiwan Mobile Co., Ltd.	2	Operating expenses	339	Payment terms varied depend on the agreements and Based on regular terms	-		
Taiwan Fixed Network Co., Ltd.	3	Operating expenses	290	Payment terms varied depend on the agreements and Based on regular terms	-		

(Continued)

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	Miscellaneous revenue	\$ 832	Based on regular terms	-
22	Phoenix Cable TV Co., Ltd.	Taiwan Mobile Co., Ltd.	2	Accounts receivable	6,654	Payment terms varied depend on the agreements	-
		Taiwan Fixed Network Co., Ltd.	3	Accounts receivable	17	Payment terms varied depend on the agreements	-
		TFN Media Co., Ltd.	2	Accounts receivable	10,902	Payment terms varied depend on the agreements	-
		Taiwan Mobile Co., Ltd.	2	Other receivables	39	Payment terms varied depend on the agreements	-
		TFN Media Co., Ltd.	2	Other receivables	580,050	Payment terms varied depend on the agreements and Based on regular terms	1%
		Win TV Broadcasting Co., Ltd.	3	Prepayments	83	Payment terms varied depend on the agreements	-
		TFN Media Co., Ltd.	2	Accounts payable	1,423	Payment terms varied depend on the agreements	-
		Taiwan Mobile Co., Ltd.	2	Accrued expenses	95	Payment terms varied depend on the agreements	-
		Taiwan Fixed Network Co., Ltd.	3	Accrued expenses	494	Payment terms varied depend on the agreements and Based on regular terms	-
		Mangrove Cable TV Co., Ltd.	3	Other payables	322	Based on regular terms	-
		TFN Media Co., Ltd.	2	Other payables	26,463	Payment terms varied depend on the agreements	-
		Taiwan Mobile Co., Ltd.	2	Other current liabilities	39	Based on regular terms	-
		Yeong Jia Leh Cable Co., Ltd.	3	Operating revenues	412	Based on regular terms	-
		Taiwan Fixed Network Co., Ltd.	3	Operating revenues	1,120	Payment terms varied depend on the agreements	-
		TFN Media Co., Ltd.	2	Operating revenues	58,116	Payment terms varied depend on the agreements	-
		Fubon Multimedia Technology Co., Ltd.	3	Operating revenues	563	Payment terms varied depend on the agreements	-
		Yeong Jia Leh Cable Co., Ltd.	3	Operating cost	412	Payment terms varied depend on the agreements and Based on regular terms	-
		Win TV Broadcasting Co., Ltd.	3	Operating cost	417	Payment terms varied depend on the agreements	-
		TFN Media Co., Ltd.	2	Operating cost	496,561	Payment terms varied depend on the agreements	1%
		Taiwan Mobile Co., Ltd.	2	Operating cost	669	Payment terms varied depend on the agreements and Based on regular terms	-
		Taiwan Fixed Network Co., Ltd.	3	Operating cost	5,254	Payment terms varied depend on the agreements and Based on regular terms	-
		TFN Media Co., Ltd.	2	Operating expenses	41,840	Payment terms varied depend on the agreements	-
		Taiwan Fixed Network Co., Ltd.	3	Operating expenses	1,017	Payment terms varied depend on the agreements and Based on regular terms	-

(Continued)

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	\$ 5,874	Payment terms varied depend on the agreements	-
		Taiwan Mobile Co., Ltd.	2	Rental income	171	Payment terms varied depend on the agreements	-
		TFN Media Co., Ltd.	2	Miscellaneous revenue	2,032	Based on regular terms	-
23	Globalview Cable TV Co., Ltd.	Taiwan Mobile Co., Ltd.	2	Accounts receivable	1,488	Payment terms varied depend on the agreements	-
		Taiwan Fixed Network Co., Ltd.	3	Accounts receivable	34	Payment terms varied depend on the agreements	-
		TFN Media Co., Ltd.	2	Accounts receivable	4,830	Payment terms varied depend on the agreements	-
		Yeong Jia Leh Cable Co., Ltd.	3	Other receivables	254	Based on regular terms	-
		TFN Media Co., Ltd.	2	Other receivables	250,055	Payment terms varied depend on the agreements and Based on regular terms	-
		Win TV Broadcasting Co., Ltd.	3	Prepayments	83	Payment terms varied depend on the agreements	-
		TFN Media Co., Ltd.	2	Accounts payable	910	Payment terms varied depend on the agreements	-
		Taiwan Fixed Network Co., Ltd.	3	Accounts payable	26	Payment terms varied depend on the agreements and Based on regular terms	-
		Taiwan Fixed Network Co., Ltd.	3	Accrued expenses	190	Based on regular terms	-
		TFN Media Co., Ltd.	2	Accrued expenses	16	Based on regular terms	-
		Taiwan Mobile Co., Ltd.	2	Accrued expenses	11	Payment terms varied depend on the agreements	-
		TFN Media Co., Ltd.	2	Other payables	11,440	Payment terms varied depend on the agreements	-
		TFN Media Co., Ltd.	2	Other current liabilities	8	Based on regular terms	-
		Yeong Jia Leh Cable Co., Ltd.	3	Operating revenues	242	Based on regular terms	-
		Taiwan Fixed Network Co., Ltd.	3	Operating revenues	389	Payment terms varied depend on the agreements	-
		TFN Media Co., Ltd.	2	Operating revenues	24,101	Payment terms varied depend on the agreements	-
		Fubon Multimedia Technology Co., Ltd.	3	Operating revenues	29	Payment terms varied depend on the agreements	-
		Yeong Jia Leh Cable Co., Ltd.	3	Operating cost	242	Based on regular terms	-
		Win TV Broadcasting Co., Ltd.	3	Operating cost	417	Payment terms varied depend on the agreements	-
		TFN Media Co., Ltd.	2	Operating cost	201,408	Payment terms varied depend on the agreements	-
		Taiwan Mobile Co., Ltd.	2	Operating cost	333	Payment terms varied depend on the agreements and Based on regular terms	-
		Taiwan Fixed Network Co., Ltd.	3	Operating cost	1,510	Payment terms varied depend on the agreements and Based on regular terms	-
		TFN Media Co., Ltd.	2	Operating expenses	16,766	Payment terms varied depend on the agreements	-
		Taiwan Mobile Co., Ltd.	2	Operating expenses	422	Payment terms varied depend on the agreements and Based on regular terms	-

(Continued)

Number	Company Name	Counterparty	Nature of Relationship (Note)	Transaction Details			Percentage of Consolidated Total Operating Revenues or Total Assets
				Account	Amount	Transaction Terms	
		Taiwan Fixed Network Co., Ltd.	3	Operating expenses	\$ 410	Payment terms varied depend on the agreements and Based on regular terms	-
		TFN Media Co., Ltd.	2	Interest income	2,502	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	1,171	Based on regular terms	-
24	Taiwan Kuro Times Co., Ltd.	Taiwan Mobile Co., Ltd.	2	Accounts receivable	39,104	Based on regular terms	-
		Taiwan Fixed Network Co., Ltd.	3	Accounts receivable	4	Based on regular terms	-
		Union Cable TV Co., Ltd.	3	Accounts receivable	2	Based on regular terms	-
		Yeong Jia Leh Cable TV Co., Ltd.	3	Accounts receivable	2	Based on regular terms	-
		Phoenix Cable TV Co., Ltd.	3	Accounts receivable	2	Based on regular terms	-
		Globalview Cable TV Co., Ltd.	3	Accounts receivable	2	Based on regular terms	-
		Taiwan Fixed Network Co., Ltd.	3	Refundable deposits	631	Based on regular terms	-
		TFN Media Co., Ltd.	2	Short-term borrowings	30,000	Based on regular terms	-
		Taiwan Mobile Co., Ltd.	2	Accounts payable	1,622	Based on regular terms	-
		Taiwan Fixed Network Co., Ltd.	3	Accounts payable	727	Based on regular terms	-
		Taiwan Mobile Co., Ltd.	2	Accrued expenses	2,816	Based on regular terms	-
		Taiwan Fixed Network Co., Ltd.	3	Accrued expenses	397	Based on regular terms	-
		TFN Media Co., Ltd.	2	Accrued expenses	120	Based on regular terms	-
		Taiwan Mobile Co., Ltd.	2	Operating revenues	104,673	Based on regular terms	-
		Taiwan Mobile Co., Ltd.	2	Operating cost	2,877	Based on regular terms	-
		Taiwan Fixed Network Co., Ltd.	3	Operating cost	11,955	Based on regular terms	-
		Taiwan Mobile Co., Ltd.	2	Operating expenses	102	Based on regular terms	-
		Taiwan Fixed Network Co., Ltd.	3	Operating expenses	1,928	Based on regular terms	-
		Taiwan Fixed Network Co., Ltd.	3	Interest income	7	Based on regular terms	-
		TFN Media Co., Ltd.	2	Interest expenses	120	Based on regular terms	-
25	TWM Communications (Beijing) Co., Ltd.	Taiwan Mobile Co., Ltd.	2	Accounts receivable	36,248	Based on regular terms	-
		Taiwan Mobile Co., Ltd.	2	Operating revenues	21,072	Based on regular terms	-
		Taiwan Cellulau Co., Ltd.	2	Operating expenses	96	Based on regular terms	-
		Taiwan Fixed Network Co., Ltd.	3	Accounts receivable	2,622	Based on regular terms	-
		Taiwan Fixed Network Co., Ltd.	3	Operating revenues	2,676	Based on regular terms	-
26	Taiwan Teleservices & Technologies Co., Ltd.	Taiwan Mobile Co., Ltd.	2	Accounts receivable	88,894	Based on regular terms	-
		Taiwan Fixed Network Co., Ltd.	3	Accounts receivable	9,954	Based on regular terms	-
		TT&T Holdings	1	Accrued expenses	5,624	Based on regular terms	-
		Taiwan Mobile Co., Ltd.	2	Operating revenues	907,732	Based on regular terms	1%
		Taiwan Fixed Network Co., Ltd.	3	Operating revenues	132,614	Based on regular terms	-
		Taiwan Mobile Co., Ltd.	2	Operating expenses	34	Based on regular terms	-
		TT&T Holdings	1	Operating expenses	70,435	Based on regular terms	-
27	Taiwan Super Basketball Co., Ltd.	Taiwan Mobile Co., Ltd.	2	Accounts receivable	8,300	Based on regular terms	-
		Taiwan Mobile Co., Ltd.	2	Operating revenues	33,500	Based on regular terms	-
		Taiwan Mobile Co., Ltd.	2	Operating expenses	34	Based on regular terms	-
28	TT&T Holdings	Taiwan Teleservices & Technologies Co., Ltd.	2	Accounts receivable	5,620	Based on regular terms	-

(Continued)

Number	Company Name	Counterparty	Nature of Relationship (Note)	Transaction Details			Percentage of Consolidated Total Operating Revenues or Total Assets
				Account	Amount	Transaction Terms	
		Xiamen Taifu Teleservices & Technologies Co., Ltd.	1	Other receivables	\$ 2,271	Based on regular terms	-
		Xiamen Taifu Teleservices & Technologies Co., Ltd.	1	Accounts payable	5,169	Based on regular terms	-
		Taiwan Teleservices & Technologies Co., Ltd.	2	Operating revenues	70,575	Based on regular terms	-
		Taiwan Cellulau Co., Ltd.	2	Operating expenses	97	Based on regular terms	-
		Xiamen Taifu Teleservices & Technologies Co., Ltd.	1	Operating expenses	61,857	Based on regular terms	-
		Xiamen Taifu Teleservices & Technologies Co., Ltd.	1	Miscellaneous revenue	2,208	Based on regular terms	-
29	Xiamen Taifu Teleservices & Technologies Co., Ltd.	TT&T Holdings	2	Accounts receivable	5,163	Based on regular terms	-
		TT&T Holdings	2	Other payables	2,313	Based on regular terms	-
		TT&T Holdings	2	Operating revenues	62,227	Based on regular terms	-
30	TFN HK	Taiwan Fixed Network Co., Ltd.	2	Accounts receivable	50,578	Based on regular terms	-
		Taiwan Fixed Network Co., Ltd.	2	Operating revenues	71,262	Based on regular terms	-
31	TFN Union Investment Co., Ltd.	Taiwan Mobile Co., Ltd.	2	Operating expenses	34	Based on regular terms	-
		Taiwan Fixed Network Co., Ltd.	2	Interest expenses	2	Based on regular terms	-

Note : 1.Parent to subsidiary

2.Subsidiary to parent

3.Between subsidiaries



**TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES**  
**BUSINESS RELATIONSHIP AND SIGNIFICANT INTERCOMPANY TRANSACTIONS**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

**TABLE 11**

(In Thousands of New Taiwan Dollars)

Number	Company Name	Counterparty	Nature of Relationship (Note)	Transaction Details			Percentage of Consolidated Total Operating Revenues or Total Assets
				Account	Amount	Transaction Terms	
0	Taiwan Mobile Co., Ltd.	Taiwan Digital Communications Co., Ltd.	1	Accounts receivable	630	Based on regular terms	-
		Taiwan Fixed Network Co., Ltd.	1	Accounts receivable	75,990	Based on regular terms	-
		TFN Media Co., Ltd.	1	Accounts receivable	86	Based on regular terms	-
		Union Cable TV Co., Ltd.	1	Accounts receivable	35	Based on regular terms	-
		Yeong Jia Leh Cable TV Co., Ltd.	1	Accounts receivable	77	Based on regular terms	-
		Mangrove Cable TV Co., Ltd.	1	Accounts receivable	18	Based on regular terms	-
		Phoenix Cable TV Co., Ltd.	1	Accounts receivable	101	Based on regular terms	-
		Globalview Cable TV Co., Ltd.	1	Accounts receivable	14	Based on regular terms	-
		Taiwan Kuro Times Co., Ltd.	1	Accounts receivable	(2)	Based on regular terms	-
		Tai Fu Media Technology Co., Ltd.	1	Other receivables	33,055	Based on regular terms	-
		Taiwan Cellular Co., Ltd.	1	Other receivables	8,397,799	Based on regular terms	12%
		Taiwan Digital Communications Co., Ltd.	1	Other receivables	30,040	Based on regular terms	-
		Taiwan Fixed Network Co., Ltd.	1	Other receivables	59,310	Based on regular terms	-
		Mangrove Cable TV Co., Ltd.	1	Other receivables	58	Based on regular terms	-
		TFN Media Co., Ltd.	1	Other receivables	3,725,325	Based on regular terms	5%
		TFN Union Investment Co., Ltd.	1	Other receivables	23	Based on regular terms	-
		TCCI Investment and Development Co., Ltd.	1	Other receivables	23	Based on regular terms	-
		Taiwan Fixed Network Co., Ltd.	1	Prepayments	62	Based on regular terms	-
		Mangrove Cable TV Co., Ltd.	1	Prepayments	20	Based on regular terms	-
		Taiwan Fixed Network Co., Ltd.	1	Short-term borrowing	6,645,000	Based on regular terms	9%
		Taiwan Teleservices & Technologies Co., Ltd.	1	Accounts payable	27	Based on regular terms	-
		Taiwan Kuro Times Co., Ltd.	1	Accounts payable	8,482	Based on regular terms	-
		Taiwan Cellular Co., Ltd.	1	Accrued expenses	689	Based on regular terms	-
		Taiwan Digital Communications Co., Ltd.	1	Accrued expenses	42	Based on regular terms	-
		Taiwan Super Basketball Co., Ltd.	1	Accrued expenses	5,850	Based on regular terms	-
		TWM Communications (Beijing) Ltd.	1	Accrued expenses	38,250	Based on regular terms	-
		Taiwan Fixed Network Co., Ltd.	1	Accrued expenses	248,681	Based on regular terms	-
		Taiwan Teleservices & Technologies Co., Ltd.	1	Accrued expenses	67,278	Based on regular terms	-
		Taiwan Digital Communications Co., Ltd.	1	Other payables	11	Based on regular terms	-
		TWM Communications (Beijing) Ltd.	1	Other payables	13,774	Based on regular terms	-
		Taiwan Fixed Network Co., Ltd.	1	Other payables	147,841	Based on regular terms	-
		Union Cable TV Co., Ltd.	1	Other payables	691	Based on regular terms	-
		Yeong Jia Leh Cable TV Co., Ltd.	1	Other payables	1,488	Based on regular terms	-

(Continued)

Number	Company Name	Counterparty	Nature of Relationship (Note)	Transaction Details			
		Mangrove Cable TV Co., Ltd.	1	Other payables	179	Based on regular terms	-
		Phoenix Cable TV Co., Ltd.	1	Other payables	2,760	Based on regular terms	-
		Globalview Cable TV Co., Ltd.	1	Other payables	305	Based on regular terms	-
		Taiwan Kuro Times Co., Ltd.	1	Other payables	1,652	Based on regular terms	-
		Taiwan Fixed Network Co., Ltd.	1	Advance receipts	137	Based on regular terms	-
		Taiwan Fixed Network Co., Ltd.	1	Other current liabilities	88,814	Based on regular terms	-
		Win TV Broadcasting Co., Ltd.	1	Other current liabilities	30	Based on regular terms	-
		TFN Media Co., Ltd.	1	Other current liabilities	162	Based on regular terms	-
		Union Cable TV Co., Ltd.	1	Other current liabilities	1,693	Based on regular terms	-
		Yeong Jia Leh Cable TV Co., Ltd.	1	Other current liabilities	5,138	Based on regular terms	-
		Mangrove Cable TV Co., Ltd.	1	Other current liabilities	584	Based on regular terms	-
		Phoenix Cable TV Co., Ltd.	1	Other current liabilities	3,609	Based on regular terms	-
		Globalview Cable TV Co., Ltd.	1	Other current liabilities	1,011	Based on regular terms	-
		Taiwan Kuro Times Co., Ltd.	1	Other current liabilities	1,836	Based on regular terms	-
		Taiwan Fixed Network Co., Ltd.	1	Guarantee deposits	830	Based on regular terms	-
		Taiwan Digital Communications Co., Ltd.	1	Operating revenues	844	Based on regular terms	-
		Taiwan Fixed Network Co., Ltd.	1	Operating revenues	2,216,854	Based on regular terms	3%
		TFN Media Co., Ltd.	1	Operating revenues	2,491	Based on regular terms	-
		Union Cable TV Co., Ltd.	1	Operating revenues	642	Based on regular terms	-
		Yeong Jia Leh Cable TV Co., Ltd.	1	Operating revenues	1,021	Based on regular terms	-
		Mangrove Cable TV Co., Ltd.	1	Operating revenues	516	Based on regular terms	-
		Phoenix Cable TV Co., Ltd.	1	Operating revenues	1,379	Based on regular terms	-
		Globalview Cable TV Co., Ltd.	1	Operating revenues	526	Based on regular terms	-
		Taiwan Kuro Times Co., Ltd.	1	Operating revenues	775	Based on regular terms	-
		TWM Communications (Beijing) Ltd.	1	Operating cost	400	Based on regular terms	-
		Taiwan Fixed Network Co., Ltd.	1	Operating cost	2,026,718	Based on regular terms	3%
		Taiwan Teleservices & Technologies Co., Ltd.	1	Operating cost	710	Based on regular terms	-
		TFN Media Co., Ltd.	1	Operating cost	(124)	Based on regular terms	-
		Phoenix Cable TV Co., Ltd.	1	Operating cost	171	Based on regular terms	-
		Taiwan Kuro Times Co., Ltd.	1	Operating cost	9,930	Based on regular terms	-
		Taiwan Digital Communications Co., Ltd.	1	Operating expenses	40	Based on regular terms	-
		Taiwan Super Basketball Co., Ltd.	1	Operating expenses	32,850	Based on regular terms	-
		TWM Communications (Beijing) Ltd.	1	Operating expenses	38,250	Based on regular terms	-
		Taiwan Fixed Network Co., Ltd.	1	Operating expenses	87,824	Based on regular terms	-
		Taiwan Teleservices & Technologies Co., Ltd.	1	Operating expenses	841,765	Based on regular terms	1%
		TFN Media Co., Ltd.	1	Operating expenses	(6)	Based on regular terms	-
		Union Cable TV Co., Ltd.	1	Operating expenses	(20)	Based on regular terms	-
		Yeong Jia Leh Cable TV Co., Ltd.	1	Operating expenses	(38)	Based on regular terms	-
		Mangrove Cable TV Co., Ltd.	1	Operating expenses	(7)	Based on regular terms	-

(Continued)

Number	Company Name	Counterparty	Nature of Relationship (Note)	Transaction Details			
		Phoenix Cable TV Co., Ltd.	1	Operating expenses	(45)	Based on regular terms	-
		Globalview Cable TV Co., Ltd.	1	Operating expenses	(21)	Based on regular terms	-
		TCC Investment Co., Ltd.	1	Operating expenses	5,408	Based on regular terms	-
		Wealth Media Technology Co., Ltd.	1	Interest income	235	Based on regular terms	-
		Tai Fu Media Technology Co., Ltd.	1	Interest income	55	Based on regular terms	-
		Taiwan Cellular Co., Ltd.	1	Interest income	28,252	Based on regular terms	-
		Taiwan Digital Communications Co., Ltd.	1	Interest income	40	Based on regular terms	-
		TFN Media Co., Ltd.	1	Interest income	28,651	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	34	Based on regular terms	-
		Fu Sin Media Technology Co., Ltd.	1	Rental income	34	Based on regular terms	-
		Global Forest Media Technology Co., Ltd.	1	Rental income	34	Based on regular terms	-
		Taiwan Cellular Co., Ltd.	1	Rental income	34	Based on regular terms	-
		Taiwan Digital Communications 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	119,094	Based on regular terms	-
		Taiwan Teleservices & Technologies Co., Ltd.	1	Rental income	34	Based on regular terms	-
		Win TV Broadcasting Co., Ltd.	1	Rental income	259	Based on regular terms	-
		TFN Media Co., Ltd.	1	Rental income	10,784	Based on regular terms	-
		TFN Union Investment Co., Ltd.	1	Rental income	17	Based on regular terms	-
		TCCI Investment and Development Co., Ltd.	1	Rental income	17	Based on regular terms	-
		TCC Investment Co., Ltd.	1	Rental income	34	Based on regular terms	-
		Taiwan Win TV Broadcasting Co., Ltd.	1	Rental income	26	Based on regular terms	-
		Taiwan Fixed Network Co., Ltd.	1	Miscellaneous revenue	4,619	Based on regular terms	-
		Taiwan Fixed Network Co., Ltd.	1	Interest expenses	25,603	Based on regular terms	-
1	Wealth Media Technology Co., Ltd.	Global Wealth Media Technology Co., Ltd.	1	Other receivables	4,000	Payment terms varied depend on the agreements	-
		Taiwan Mobile Co., Ltd.	2	Operating expenses	34	Payment terms varied depend on the agreements	-
		Tai Fu Media Technology Co., Ltd.	1	Interest income	272	Payment terms varied depend on the agreements	-
		Global Wealth Media Technology Co., Ltd.	1	Interest income	20	Payment terms varied depend on the agreements	-
		Taiwan Mobile Co., Ltd.	2	Interest expenses	235	Payment terms varied depend on the agreements	-
2	Taiwan Win TV Broadcasting Co., Ltd.	Taiwan Mobile Co., Ltd.	2	Operating expenses	26	Based on regular terms	-
3	Tai Fu Media Technology Co., Ltd.	Taiwan Mobile Co., Ltd.	2	Accrued expenses	55	Payment terms varied depend on the agreements	-
		Taiwan Mobile Co., Ltd.	2	Other payables	33,000	Payment terms varied depend on the agreements	-
		Taiwan Mobile Co., Ltd.	2	Operating expenses	34	Payment terms varied depend on the agreements	-
		Global Wealth Media Technology Co., Ltd.	1	Interest income	14	Payment terms varied depend on the agreements	-

(Continued)

Number	Company Name	Counterparty	Nature of Relationship (Note)	Transaction Details			
		Taiwan Mobile Co., Ltd.	2	Interest expenses	55	Payment terms varied depend on the agreements	-
		Wealth Media Technology Co., Ltd.	2	Interest expenses	272	Payment terms varied depend on the agreements	-
4	Global Wealth Media Technology Co., Ltd.	Wealth Media Technology Co., Ltd.	2	Other payables	4,000	Payment terms varied depend on the agreements	-
		Globalview Cable TV Co., Ltd.	1	Operating expenses	34	Payment terms varied depend on the agreements	-
		Wealth Media Technology Co., Ltd.	2	Interest expenses	20	Payment terms varied depend on the agreements	-
		Tai Fu Media Technology Co., Ltd.	2	Interest expenses	14	Payment terms varied depend on the agreements	-
5	Fu Jia Leh Media Technology Co., Ltd.	Taiwan Mobile Co., Ltd.	2	Operating expenses	34	Payment terms varied depend on the agreements	-
6	Fu Sin Media Technology Co., Ltd.	Taiwan Mobile Co., Ltd.	2	Operating expenses	34	Payment terms varied depend on the agreements	-
7	Global Forest Media Technology Co., Ltd.	Taiwan Mobile Co., Ltd.	2	Operating expenses	34	Payment terms varied depend on the agreements	-
8	Taiwan Cellular Co., Ltd.	Taiwan Mobile Co., Ltd.	2	Other receivables	689	Based on regular terms	-
		Win TV Broadcasting Co., Ltd.	1	Other receivables	123,200	Based on regular terms	-
		TFN Media Co., Ltd.	1	Other receivables	1,814,284	Based on regular terms	3%
		Taiwan Mobile Co., Ltd.	2	Short-term borrowings	8,370,000	Based on regular terms	12%
		Taiwan Mobile Co., Ltd.	2	Accrued expenses	27,799	Based on regular terms	-
		Taiwan Mobile Co., Ltd.	2	Operating expenses	34	Based on regular terms	-
		Win TV Broadcasting Co., Ltd.	1	Interest income	442	Based on regular terms	-
		TFN Media Co., Ltd.	1	Interest income	23,601	Based on regular terms	-
		TCC Investment Co., Ltd.	1	Interest income	10,987	Based on regular terms	-
		TT&T Holdings	1	Miscellaneous revenue	95	Based on regular terms	-
		TWM Communications (Beijing) Ltd.	1	Miscellaneous revenue	95	Based on regular terms	-
		Taiwan Mobile Co., Ltd.	2	Interest expenses	28,252	Based on regular terms	-
		Taiwan Fixed Network Co., Ltd.	1	Interest expenses	35,837	Based on regular terms	-
9	Taiwan Fixed Network Co., Ltd.	Taiwan Mobile Co., Ltd.	2	Accounts receivable	213,039	Based on regular terms	-
		TFN HK	1	Accounts receivable	2	Based on regular terms	-
		Win TV Broadcasting Co., Ltd.	3	Accounts receivable	11	Based on regular terms	-
		TFN Media Co., Ltd.	3	Accounts receivable	25,331	Based on regular terms	-
		Union Cable TV Co., Ltd.	3	Accounts receivable	66	Based on regular terms	-
		Yeong Jia Leh Cable TV Co., Ltd.	3	Accounts receivable	136	Based on regular terms	-
		Mangrove Cable TV Co., Ltd.	3	Accounts receivable	139	Based on regular terms	-
		Phoenix Cable TV Co., Ltd.	3	Accounts receivable	595	Based on regular terms	-
		Globalview Cable TV Co., Ltd.	3	Accounts receivable	198	Based on regular terms	-
		Taiwan Kuro Times Co., Ltd.	3	Accounts receivable	1,335	Based on regular terms	-
		Taiwan Mobile Co., Ltd.	2	Other receivables	6,917,265	Based on regular terms	10%
		Win TV Broadcasting Co., Ltd.	3	Other receivables	576	Based on regular terms	-

(Continued)

Number	Company Name	Counterparty	Nature of Relationship (Note)	Transaction Details			
		Union Cable TV Co., Ltd.	3	Other receivables	104	Based on regular terms	-
		Globalview Cable TV Co., Ltd.	3	Other receivables	2	Based on regular terms	-
		Taiwan Mobile Co., Ltd.	2	Prepayments	114	Based on regular terms	-
		Taiwan Mobile Co., Ltd.	2	Refundable deposits	830	Based on regular terms	-
		Taiwan Mobile Co., Ltd.	2	Accounts payable	75,530	Based on regular terms	-
		TFN Media Co., Ltd.	3	Accounts payable	25,710	Based on regular terms	-
		Taiwan Mobile Co., Ltd.	2	Accrued expenses	59,739	Based on regular terms	-
		TFN HK	1	Accrued expenses	35,368	Based on regular terms	-
		Taiwan Teleservices & Technologies Co., Ltd.	3	Accrued expenses	9,533	Based on regular terms	-
		Union Cable TV Co., Ltd.	3	Accrued expenses	108	Based on regular terms	-
		Yeong Jia Leh Cable TV Co., Ltd.	3	Accrued expenses	78	Based on regular terms	-
		Globalview Cable TV Co., Ltd.	3	Accrued expenses	31	Based on regular terms	-
		TWM Communications (Beijing) Ltd.	3	Accrued expenses	3,248	Based on regular terms	-
		Taiwan Mobile Co., Ltd.	2	Advance receipts	62	Based on regular terms	-
		Mangrove Cable TV Co., Ltd.	3	Other current liabilities	79	Based on regular terms	-
		Union Cable TV Co., Ltd.	3	Guarantee deposits	288	Based on regular terms	-
		Taiwan Mobile Co., Ltd.	2	Operating revenues	2,091,036	Based on regular terms	3%
		Win TV Broadcasting Co., Ltd.	3	Operating revenues	495	Based on regular terms	-
		TFN Media Co., Ltd.	3	Operating revenues	88,199	Based on regular terms	-
		Union Cable TV Co., Ltd.	3	Operating revenues	2,953	Based on regular terms	-
		Yeong Jia Leh Cable TV Co., Ltd.	3	Operating revenues	652	Based on regular terms	-
		Mangrove Cable TV Co., Ltd.	3	Operating revenues	2,078	Based on regular terms	-
		Phoenix Cable TV Co., Ltd.	3	Operating revenues	6,610	Based on regular terms	-
		Globalview Cable TV Co., Ltd.	3	Operating revenues	1,849	Based on regular terms	-
		Taiwan Kuro Times Co., Ltd.	3	Operating revenues	2,788	Based on regular terms	-
		Taiwan Mobile Co., Ltd.	2	Operating cost	2,219,511	Based on regular terms	3%
		TFN HK	1	Operating cost	54,164	Based on regular terms	-
		TFN Media Co., Ltd.	3	Operating cost	24,774	Based on regular terms	-
		Union Cable TV Co., Ltd.	3	Operating cost	880	Based on regular terms	-
		Yeong Jia Leh Cable TV Co., Ltd.	3	Operating cost	889	Based on regular terms	-
		Mangrove Cable TV Co., Ltd.	3	Operating cost	69	Based on regular terms	-
		Phoenix Cable TV Co., Ltd.	3	Operating cost	1,601	Based on regular terms	-
		Globalview Cable TV Co., Ltd.	3	Operating cost	331	Based on regular terms	-
		Taiwan Mobile Co., Ltd.	2	Operating expenses	115,702	Based on regular terms	-
		TWM Communications (Beijing) Ltd.	3	Operating expenses	6	Based on regular terms	-
		Taiwan Teleservices & Technologies Co., Ltd.	3	Operating expenses	141,464	Based on regular terms	-
		TWM Communications (Beijing) Ltd.	3	Operating expenses	3,248	Based on regular terms	-
		Taiwan Mobile Co., Ltd.	2	Interest income	25,603	Based on regular terms	-
		Taiwan Cellular Co., Ltd.	2	Interest income	35,837	Based on regular terms	-
		Taiwan Mobile Co., Ltd.	2	Rental income	19,092	Based on regular terms	-

(Continued)

Number	Company Name	Counterparty	Nature of Relationship (Note)	Transaction Details			
		Win TV Broadcasting Co., Ltd.	3	Rental income	442	Based on regular terms	-
		Taiwan Mobile Co., Ltd.	2	Miscellaneous revenue	3,683	Based on regular terms	-
		Taiwan Mobile Co., Ltd.	2	Miscellaneous expense	4,619	Based on regular terms	-
10	Taiwan Digital Communications Co., Ltd.	Taiwan Mobile Co., Ltd.	2	Accounts receivable	53	Based on regular terms	-
		Taiwan Mobile Co., Ltd.	2	Short-term borrowings	30,000	Based on regular terms	-
		Taiwan Mobile Co., Ltd.	2	Accounts payable	630	Based on regular terms	-
		Taiwan Mobile Co., Ltd.	2	Accrued expenses	40	Based on regular terms	-
		Taiwan Mobile Co., Ltd.	2	Operating revenues	40	Based on regular terms	-
		Taiwan Mobile Co., Ltd.	2	Operating cost	844	Based on regular terms	-
		Taiwan Mobile Co., Ltd.	2	Operating expenses	34	Based on regular terms	-
		Taiwan Mobile Co., Ltd.	2	Interest expenses	40	Based on regular terms	-
11	TCC Investment Co., Ltd.	Taiwan Mobile Co., Ltd.	2	Operating expenses	34	Based on regular terms	-
		Taiwan Mobile Co., Ltd.	2	Miscellaneous revenue	5,408	Based on regular terms	-
		Win TV Broadcasting Co., Ltd.	1	Miscellaneous revenue	31	Based on regular terms	-
		Taiwan Cellular Co., Ltd.	2	Interest expenses	10,987	Based on regular terms	-
12	TCCI Investment and Development Co., Ltd.	Taiwan Mobile Co., Ltd.	2	Accrued expenses	23	Based on regular terms	-
		Taiwan Mobile Co., Ltd.	2	Operating expenses	17	Based on regular terms	-
13	Win TV Broadcasting Co., Ltd.	TFN Media Co., Ltd.	3	Note receivable	14,894	Payment terms varied depend on the agreements	-
		TFN Media Co., Ltd.	3	Accounts receivable	179	Payment terms varied depend on the agreements	-
		Yeong Jia Leh Cable TV Co., Ltd.	3	Accounts receivable	250	Payment terms varied depend on the agreements	-
		Phoenix Cable TV Co., Ltd.	3	Accounts receivable	788	Payment terms varied depend on the agreements	-
		TFN Media Co., Ltd.	3	Accrued expenses	116	Payment terms varied depend on the agreements	-
		TCC Investment Co., Ltd.	2	Accrued expenses	16	Payment terms varied depend on the agreements	-
		Taiwan Mobile Co., Ltd.	2	Accrued expenses	28	Payment terms varied depend on the agreements and Based on regular terms	-
		Taiwan Cellular Co., Ltd.	2	Accrued expenses	200	Payment terms varied depend on the agreements	-
		Taiwan Cellular Co., Ltd.	2	Other payables	123,000	Payment terms varied depend on the agreements	-
		Union Cable TV Co., Ltd.	3	Advance receipts	(42)	Payment terms varied depend on the agreements	-
		Phoenix Cable TV Co., Ltd.	3	Advance receipts	121	Payment terms varied depend on the agreements	-
		Taiwan Cellular Co., Ltd.	2	Other current liabilities	24	Payment terms varied depend on the agreements	-
		Taiwan Teleservices & Technologies Co., Ltd.	3	Operating revenues	143	Payment terms varied depend on the agreements	-

(Continued)

Number	Company Name	Counterparty	Nature of Relationship (Note)	Transaction Details			
		TFN Media Co., Ltd.	3	Operating revenues	58,978	Payment terms varied depend on the agreements	-
		Union Cable TV Co., Ltd.	3	Operating revenues	500	Payment terms varied depend on the agreements	-
		Yeong Jia Leh Cable TV Co., Ltd.	3	Operating revenues	1,500	Payment terms varied depend on the agreements	-
		Mangrove Cable TV Co., Ltd.	3	Operating revenues	14,290	Payment terms varied depend on the agreements	-
		Phoenix Cable TV Co., Ltd.	3	Operating revenues	1,450	Payment terms varied depend on the agreements	-
		Globalview Cable TV Co., Ltd.	3	Operating revenues	653	Payment terms varied depend on the agreements	-
		Taiwan Mobile Co., Ltd.	2	Operating cost	177	Payment terms varied depend on the agreements and Based on regular terms	-
		Taiwan Fixed Network Co., Ltd.	3	Operating cost	288	Payment terms varied depend on the agreements and Based on regular terms	-
		TFN Media Co., Ltd.	3	Operating expenses	1,320	Payment terms varied depend on the agreements	-
		TCC Investment Co., Ltd.	2	Operating expenses	47	Payment terms varied depend on the agreements	-
		Taiwan Mobile Co., Ltd.	2	Operating expenses	89	Payment terms varied depend on the agreements and Based on regular terms	-
		Taiwan Fixed Network Co., Ltd.	3	Operating expenses	182	Payment terms varied depend on the agreements and Based on regular terms	-
		Taiwan Cellular Co., Ltd.	2	Interest expenses	442	Payment terms varied depend on the agreements	-
		TFN Media Co., Ltd.	3	Interest expenses	176	Payment terms varied depend on the agreements	-
14	TFN Media Co., Ltd.	Taiwan Fixed Network Co., Ltd.	3	Accounts receivable	25,710	Payment terms varied depend on the agreements	-
		Win TV Broadcasting Co., Ltd.	3	Accounts receivable	116	Payment terms varied depend on the agreements	-
		Union Cable TV Co., Ltd.	1	Accounts receivable	18,061	Payment terms varied depend on the agreements	-
		Yeong Jia Leh Cable TV Co., Ltd.	1	Accounts receivable	27,561	Payment terms varied depend on the agreements	-
		Mangrove Cable TV Co., Ltd.	1	Accounts receivable	8,374	Payment terms varied depend on the agreements	-
		Phoenix Cable TV Co., Ltd.	1	Accounts receivable	24,977	Payment terms varied depend on the agreements	-
		Globalview Cable TV Co., Ltd.	1	Accounts receivable	9,545	Payment terms varied depend on the agreements	-
		Yeong Jia Leh Cable TV Co., Ltd.	1	Other receivables	139	Based on regular terms	-
		Globalview Cable TV Co., Ltd.	1	Other receivables	16	Based on regular terms	-

(Continued)

Number	Company Name	Counterparty	Nature of Relationship (Note)	Transaction Details			
		Taiwan Cellular Co., Ltd.	2	Prepayments	7	Payment terms varied depend on the agreements	-
		Win TV Broadcasting Co., Ltd.	3	Notes payable	14,894	Payment terms varied depend on the agreements	-
		Win TV Broadcasting Co., Ltd.	3	Accounts payable	179	Payment terms varied depend on the agreements	-
		Union Cable TV Co., Ltd.	1	Accounts payable	451	Payment terms varied depend on the agreements	-
		Yeong Jia Leh Cable TV Co., Ltd.	1	Accounts payable	3,984	Payment terms varied depend on the agreements	-
		Mangrove Cable TV Co., Ltd.	1	Accounts payable	1,274	Payment terms varied depend on the agreements	-
		Phoenix Cable TV Co., Ltd.	1	Accounts payable	959	Payment terms varied depend on the agreements	-
		Globalview Cable TV Co., Ltd.	1	Accounts payable	475	Payment terms varied depend on the agreements	-
		Taiwan Mobile Co., Ltd.	2	Accrued expenses	998	Payment terms varied depend on the agreements and Based on regular terms	-
		Taiwan Fixed Network Co., Ltd.	3	Accrued expenses	24,948	Payment terms varied depend on the agreements and Based on regular terms	-
		Union Cable TV Co., Ltd.	1	Accrued expenses	9,284	Payment terms varied depend on the agreements and Based on regular terms	-
		Yeong Jia Leh Cable TV Co., Ltd.	1	Accrued expenses	6,321	Payment terms varied depend on the agreements and Based on regular terms	-
		Mangrove Cable TV Co., Ltd.	1	Accrued expenses	2,227	Payment terms varied depend on the agreements and based on regular terms	-
		Phoenix Cable TV Co., Ltd.	1	Accrued expenses	7,661	Payment terms varied depend on the agreements and Based on regular terms	-
		Globalview Cable TV Co., Ltd.	1	Accrued expenses	3,295	Payment terms varied depend on the agreements and Based on regular terms	-
		Taiwan Mobile Co., Ltd.	2	Accrued expenses	14,251	Payment terms varied depend on the agreements	-
		Taiwan Cellular Co., Ltd.	2	Accrued expenses	4,284	Payment terms varied depend on the agreements	-
		Yeong Jia Leh Cable TV Co., Ltd.	1	Accrued expenses	6	Payment terms varied depend on the agreements	-
		Taiwan Mobile Co., Ltd.	2	Other payables	3,710,000	Payment terms varied depend on the agreements	5%
		Taiwan Cellular Co., Ltd.	2	Other payables	1,810,000	Payment terms varied depend on the agreements	3%

(Continued)



Number	Company Name	Counterparty	Nature of Relationship (Note)	Transaction Details		
		Union Cable TV Co., Ltd.	1	Other payables	595,000	Payment terms varied depend on the agreements 1%
		Yeong Jia Leh Cable TV Co., Ltd.	1	Other payables	313,000	Payment terms varied depend on the agreements -
		Phoenix Cable TV Co., Ltd.	1	Other payables	582,000	Payment terms varied depend on the agreements 1%
		Globalview Cable TV Co., Ltd.	1	Other payables	220,000	Payment terms varied depend on the agreements -
		Taiwan Fixed Network Co., Ltd.	3	Operating revenues	24,774	Payment terms varied depend on the agreements -
		Win TV Broadcasting Co., Ltd.	3	Operating revenues	1,320	Payment terms varied depend on the agreements -
		Union Cable TV Co., Ltd.	1	Operating revenues	246,881	Payment terms varied depend on the agreements -
		Yeong Jia Leh Cable TV Co., Ltd.	1	Operating revenues	475,602	Payment terms varied depend on the agreements 1%
		Mangrove Cable TV Co., Ltd.	1	Operating revenues	6,143	Payment terms varied depend on the agreements -
		Phoenix Cable TV Co., Ltd.	1	Operating revenues	526,364	Payment terms varied depend on the agreements 1%
		Globalview Cable TV Co., Ltd.	1	Operating revenues	212,115	Payment terms varied depend on the agreements -
		Win TV Broadcasting Co., Ltd.	3	Operating cost	58,883	Payment terms varied depend on the agreements -
		Union Cable TV Co., Ltd.	1	Operating cost	34,943	Payment terms varied depend on the agreements -
		Yeong Jia Leh Cable TV Co., Ltd.	1	Operating cost	52,832	Payment terms varied depend on the agreements -
		Mangrove Cable TV Co., Ltd.	1	Operating cost	10,514	Payment terms varied depend on the agreements -
		Phoenix Cable TV Co., Ltd.	1	Operating cost	55,189	Payment terms varied depend on the agreements -
		Globalview Cable TV Co., Ltd.	1	Operating cost	22,131	Payment terms varied depend on the agreements -
		Taiwan Mobile Co., Ltd.	2	Operating cost	337	Payment terms varied depend on the agreements and Based on regular terms -
		Taiwan Fixed Network Co., Ltd.	3	Operating cost	86,389	Payment terms varied depend on the agreements and Based on regular terms -
		Win TV Broadcasting Co., Ltd.	3	Operating expenses	100	Payment terms varied depend on the agreements -
		Union Cable TV Co., Ltd.	1	Operating expenses	2,687	Payment terms varied depend on the agreements -
		Yeong Jia Leh Cable TV Co., Ltd.	1	Operating expenses	4,736	Payment terms varied depend on the agreements -
		Mangrove Cable TV Co., Ltd.	1	Operating expenses	1,650	Payment terms varied depend on the agreements -

(Continued)

Number	Company Name	Counterparty	Nature of Relationship (Note)	Transaction Details			
		Phoenix Cable TV Co., Ltd.	1	Operating expenses	4,361	Payment terms varied depend on the agreements	-
		Globalview Cable TV Co., Ltd.	1	Operating expenses	1,659	Payment terms varied depend on the agreements	-
		Taiwan Mobile Co., Ltd.	2	Operating expenses	12,808	Payment terms varied depend on the agreements and Based on regular terms	-
		Taiwan Fixed Network Co., Ltd.	3	Operating expenses	1,804	Payment terms varied depend on the agreements and Based on regular terms	-
		Win TV Broadcasting Co., Ltd.	3	Interest income	176	Payment terms varied depend on the agreements	-
		Taiwan Mobile Co., Ltd.	2	Interest expenses	28,651	Payment terms varied depend on the agreements	-
		Taiwan Cellular Co., Ltd.	2	Interest expenses	23,593	Payment terms varied depend on the agreements	-
		Union Cable TV Co., Ltd.	1	Interest expenses	5,397	Payment terms varied depend on the agreements	-
		Yeong Jia Leh Cable TV Co., Ltd.	1	Interest expenses	2,816	Payment terms varied depend on the agreements	-
		Phoenix Cable TV Co., Ltd.	1	Interest expenses	5,164	Payment terms varied depend on the agreements	-
		Globalview Cable TV Co., Ltd.	1	Interest expenses	1,834	Payment terms varied depend on the agreements	-
15	Union Cable TV Co., Ltd.	Taiwan Mobile Co., Ltd.	2	Accounts receivable	2,378	Payment terms varied depend on the agreements	-
		Taiwan Fixed Network Co., Ltd.	3	Accounts receivable	108	Payment terms varied depend on the agreements	-
		TFN Media Co., Ltd.	2	Accounts receivable	9,753	Payment terms varied depend on the agreements	-
		TFN Media Co., Ltd.	2	Other receivables	595,143	Payment terms varied depend on the agreements and Based on regular terms	1%
		Win TV Broadcasting Co., Ltd.	3	Prepayments	(42)	Payment terms varied depend on the agreements	-
		Taiwan Fixed Network Co., Ltd.	3	Prepayments	46	Payment terms varied depend on the agreements and Based on regular terms	-
		Taiwan Fixed Network Co., Ltd.	3	Refundable deposits	288	Payment terms varied depend on the agreements	-
		TFN Media Co., Ltd.	2	Accounts payable	1,516	Payment terms varied depend on the agreements	-
		Taiwan Mobile Co., Ltd.	2	Accrued expenses	31	Payment terms varied depend on the agreements and Based on regular terms	-
		Taiwan Fixed Network Co., Ltd.	3	Accrued expenses	123	Payment terms varied depend on the agreements and Based on regular terms	-
		TFN Media Co., Ltd.	2	Other payables	16,545	Payment terms varied depend on the agreements	-

(Continued)

Number	Company Name	Counterparty	Nature of Relationship (Note)	Transaction Details			
		Taiwan Fixed Network Co., Ltd.	3	Operating revenues	1,246	Payment terms varied depend on the agreements	-
		TFN Media Co., Ltd.	2	Operating revenues	36,788	Payment terms varied depend on the agreements	-
		TFN Media Co., Ltd.	2	Operating cost	227,304	Payment terms varied depend on the agreements	-
		Taiwan Mobile Co., Ltd.	2	Operating cost	310	Payment terms varied depend on the agreements and Based on regular terms	-
		Taiwan Fixed Network Co., Ltd.	3	Operating cost	2,052	Payment terms varied depend on the agreements and Based on regular terms	-
		Win TV Broadcasting Co., Ltd.	3	Operating cost	500	Payment terms varied depend on the agreements and Based on regular terms	-
		TFN Media Co., Ltd.	2	Operating expenses	19,577	Payment terms varied depend on the agreements	-
		Taiwan Mobile Co., Ltd.	2	Operating expenses	372	Payment terms varied depend on the agreements and Based on regular terms	-
		Taiwan Fixed Network Co., Ltd.	3	Operating expenses	1,266	Payment terms varied depend on the agreements and Based on regular terms	-
		TFN Media Co., Ltd.	2	Interest income	5,397	Payment terms varied depend on the agreements	-
		TFN Media Co., Ltd.	2	Miscellaneous revenue	841	Based on regular terms	-
16	Yeong Jia Leh Cable TV Co., Ltd.	Taiwan Mobile Co., Ltd.	2	Accounts receivable	6,391	Payment terms varied depend on the agreements	-
		Taiwan Fixed Network Co., Ltd.	3	Accounts receivable	78	Payment terms varied depend on the agreements	-
		TFN Media Co., Ltd.	2	Accounts receivable	9,735	Payment terms varied depend on the agreements	-
		TFN Media Co., Ltd.	2	Other receivables	313,509	Payment terms varied depend on the agreements and Based on regular terms	-
		TFN Media Co., Ltd.	2	Other current assets	3	Based on regular terms	-
		Taiwan Mobile Co., Ltd.	2	Other current assets	89	Payment terms varied depend on the agreements and Based on regular terms	-
		Taiwan Fixed Network Co., Ltd.	3	Other current assets	79	Payment terms varied depend on the agreements and Based on regular terms	-
		Taiwan Fixed Network Co., Ltd.	3	Accounts payable	22	Payment terms varied depend on the agreements	-
		TFN Media Co., Ltd.	2	Accounts payable	3,787	Payment terms varied depend on the agreements	-
		Win TV Broadcasting Co., Ltd.	3	Accrued expenses	250	Payment terms varied depend on the agreements	-

(Continued)

Number	Company Name	Counterparty	Nature of Relationship (Note)	Transaction Details			
		Taiwan Mobile Co., Ltd.	2	Accrued expenses	161	Payment terms varied depend on the agreements and Based on regular terms	-
		Taiwan Fixed Network Co., Ltd.	3	Accrued expenses	182	Payment terms varied depend on the agreements and Based on regular terms	-
		TFN Media Co., Ltd.	2	Accrued expenses	139	Payment terms varied depend on the agreements and Based on regular terms	-
		TFN Media Co., Ltd.	2	Other payables	23,281	Payment terms varied depend on the agreements	-
		Union Cable TV Co., Ltd.	3	Operating revenues	288	Based on regular terms	-
		Mangrove Cable TV Co., Ltd.	3	Operating revenues	221	Based on regular terms	-
		Phoenix Cable TV Co., Ltd.	3	Operating revenues	736	Based on regular terms	-
		Globalview Cable TV Co., Ltd.	3	Operating revenues	350	Based on regular terms	-
		Taiwan Fixed Network Co., Ltd.	3	Operating revenues	889	Payment terms varied depend on the agreements	-
		TFN Media Co., Ltd.	2	Operating revenues	54,779	Payment terms varied depend on the agreements	-
		Union Cable TV Co., Ltd.	3	Operating cost	288	Based on regular terms	-
		Mangrove Cable TV Co., Ltd.	3	Operating cost	221	Based on regular terms	-
		Phoenix Cable TV Co., Ltd.	3	Operating cost	736	Based on regular terms	-
		Globalview Cable TV Co., Ltd.	3	Operating cost	350	Based on regular terms	-
		Win TV Broadcasting Co., Ltd.	3	Operating cost	500	Payment terms varied depend on the agreements	-
		TFN Media Co., Ltd.	2	Operating cost	438,024	Payment terms varied depend on the agreements	1%
		Taiwan Mobile Co., Ltd.	2	Operating cost	472	Payment terms varied depend on the agreements and Based on regular terms	-
		Taiwan Fixed Network Co., Ltd.	3	Operating cost	291	Payment terms varied depend on the agreements and Based on regular terms	-
		TFN Media Co., Ltd.	2	Operating expenses	37,577	Payment terms varied depend on the agreements	-
		Taiwan Mobile Co., Ltd.	2	Operating expenses	643	Payment terms varied depend on the agreements and Based on regular terms	-
		Taiwan Fixed Network Co., Ltd.	3	Operating expenses	358	Payment terms varied depend on the agreements and Based on regular terms	-
		Win TV Broadcasting Co., Ltd.	3	Operating expenses	1,002	Payment terms varied depend on the agreements and Based on regular terms	-
		TFN Media Co., Ltd.	2	Interest income	2,816	Payment terms varied depend on the agreements	-
		TFN Media Co., Ltd.	2	Miscellaneous revenue	2,789	Payment terms varied depend on the agreements	-

(Continued)

Number	Company Name	Counterparty	Nature of Relationship (Note)	Transaction Details			
17	Mangrove Cable TV Co., Ltd.	Taiwan Mobile Co., Ltd.	2	Accounts receivable	90	Payment terms varied depend on the agreements	-
		Taiwan Fixed Network Co., Ltd.	3	Accounts receivable	20	Payment terms varied depend on the agreements	-
		TFN Media Co., Ltd.	2	Accounts receivable	3,374	Payment terms varied depend on the agreements	-
		TFN Media Co., Ltd.	2	Other receivables	127	Payment terms varied depend on the agreements and Based on regular terms	-
		Mangrove Cable TV Co., Ltd.	3	Prepayments	208	Payment terms varied depend on the agreements	-
		Taiwan Mobile Co., Ltd.	2	Other current assets	47	Payment terms varied depend on the agreements and Based on regular terms	-
		Taiwan Fixed Network Co., Ltd.	3	Other current assets	218	Payment terms varied depend on the agreements and Based on regular terms	-
		Taiwan Fixed Network Co., Ltd.	3	Accounts payable	282	Payment terms varied depend on the agreements	-
		TFN Media Co., Ltd.	2	Accounts payable	1,328	Payment terms varied depend on the agreements	-
		Taiwan Mobile Co., Ltd.	2	Accrued expenses	30	Payment terms varied depend on the agreements and Based on regular terms	-
		Taiwan Fixed Network Co., Ltd.	3	Accrued expenses	103	Payment terms varied depend on the agreements and Based on regular terms	-
		TFN Media Co., Ltd.	2	Other payables	7,046	Payment terms varied depend on the agreements	-
		Taiwan Mobile Co., Ltd.	2	Other current liabilities	31	Payment terms varied depend on the agreements and Based on regular terms	-
		Taiwan Fixed Network Co., Ltd.	3	Operating revenues	69	Payment terms varied depend on the agreements	-
		TFN Media Co., Ltd.	2	Operating revenues	11,121	Payment terms varied depend on the agreements	-
		Win TV Broadcasting Co., Ltd.	3	Operating cost	14,242	Payment terms varied depend on the agreements	-
		TFN Media Co., Ltd.	2	Operating cost	1,903	Payment terms varied depend on the agreements	-
		Taiwan Mobile Co., Ltd.	2	Operating cost	287	Payment terms varied depend on the agreements	-
		Taiwan Fixed Network Co., Ltd.	3	Operating cost	1,763	Payment terms varied depend on the agreements and Based on regular terms	-
		TFN Media Co., Ltd.	2	Operating expenses	4,240	Payment terms varied depend on the agreements	-

(Continued)

Number	Company Name	Counterparty	Nature of Relationship (Note)	Transaction Details			
		Taiwan Mobile Co., Ltd.	2	Operating expenses	250	Payment terms varied depend on the agreements and Based on regular terms	-
		Taiwan Fixed Network Co., Ltd.	3	Operating expenses	315	Payment terms varied depend on the agreements and Based on regular terms	-
		Win TV Broadcasting Co., Ltd.	3	Operating expenses	50	Payment terms varied depend on the agreements and Based on regular terms	-
		TFN Media Co., Ltd.	2	Miscellaneous revenue	1,043	Based on regular terms	-
18	Phoenix Cable TV Co., Ltd.	Taiwan Mobile Co., Ltd.	2	Accounts receivable	8,800	Payment terms varied depend on the agreements	-
		Taiwan Fixed Network Co., Ltd.	3	Accounts receivable	170	Payment terms varied depend on the agreements	-
		TFN Media Co., Ltd.	2	Accounts receivable	7,819	Payment terms varied depend on the agreements	-
		Taiwan Mobile Co., Ltd.	2	Other receivables	15	Payment terms varied depend on the agreements	-
		TFN Media Co., Ltd.	2	Other receivables	582,167	Payment terms varied depend on the agreements and Based on regular terms	1%
		Win TV Broadcasting Co., Ltd.	3	Prepayments	(99)	Payment terms varied depend on the agreements	-
		TFN Media Co., Ltd.	2	Accounts payable	2,817	Payment terms varied depend on the agreements	-
		Win TV Broadcasting Co., Ltd.	3	Accrued expenses	788	Payment terms varied depend on the agreements	-
		Taiwan Mobile Co., Ltd.	2	Accrued expenses	(23)	Payment terms varied depend on the agreements and Based on regular terms	-
		Taiwan Fixed Network Co., Ltd.	3	Accrued expenses	574	Payment terms varied depend on the agreements and Based on regular terms	-
		TFN Media Co., Ltd.	2	Other payables	22,160	Payment terms varied depend on the agreements	-
		Taiwan Mobile Co., Ltd.	2	Other current liabilities	2,723	Payment terms varied depend on the agreements and Based on regular terms	-
		Taiwan Fixed Network Co., Ltd.	3	Other current liabilities	108	Payment terms varied depend on the agreements and Based on regular terms	-
		Taiwan Fixed Network Co., Ltd.	3	Operating revenues	1,601	Payment terms varied depend on the agreements	-
		TFN Media Co., Ltd.	2	Operating revenues	57,364	Payment terms varied depend on the agreements	-
		Win TV Broadcasting Co., Ltd.	3	Operating cost	500	Payment terms varied depend on the agreements	-
		TFN Media Co., Ltd.	2	Operating cost	484,524	Payment terms varied depend on the agreements	1%

(Continued)

Number	Company Name	Counterparty	Nature of Relationship (Note)	Transaction Details			
		Taiwan Mobile Co., Ltd.	2	Operating cost	654	Payment terms varied depend on the agreements and Based on regular terms	-
		Taiwan Fixed Network Co., Ltd.	3	Operating cost	5,225	Payment terms varied depend on the agreements and Based on regular terms	-
		TFN Media Co., Ltd.	2	Operating expenses	41,840	Payment terms varied depend on the agreements	-
		Taiwan Mobile Co., Ltd.	2	Operating expenses	842	Payment terms varied depend on the agreements and Based on regular terms	-
		Taiwan Fixed Network Co., Ltd.	3	Operating expenses	1,383	Payment terms varied depend on the agreements and Based on regular terms	-
		Win TV Broadcasting Co., Ltd.	3	Operating expenses	950	Payment terms varied depend on the agreements and Based on regular terms	-
		TFN Media Co., Ltd.	2	Interest income	5,164	Payment terms varied depend on the agreements	-
		Taiwan Mobile Co., Ltd.	2	Rental income	143	Payment terms varied depend on the agreements	-
		Taiwan Mobile Co., Ltd.	2	Miscellaneous revenue	14	Based on regular terms	-
		TFN Media Co., Ltd.	2	Miscellaneous revenue	2,187	Based on regular terms	-
19	Globalview Cable TV Co., Ltd.	Taiwan Mobile Co., Ltd.	2	Accounts receivable	1,230	Payment terms varied depend on the agreements	-
		Taiwan Fixed Network Co., Ltd.	3	Accounts receivable	31	Payment terms varied depend on the agreements	-
		TFN Media Co., Ltd.	2	Accounts receivable	3,647	Payment terms varied depend on the agreements	-
		TFN Media Co., Ltd.	2	Other receivables	220,152	Payment terms varied depend on the agreements and Based on regular terms	-
		TFN Media Co., Ltd.	2	Other current assets	22	Based on regular terms	-
		Taiwan Fixed Network Co., Ltd.	3	Accounts payable	28	Payment terms varied depend on the agreements	-
		TFN Media Co., Ltd.	2	Accounts payable	182	Payment terms varied depend on the agreements	-
		TFN Media Co., Ltd.	2	Accrued expenses	16	Based on regular terms	-
		Taiwan Mobile Co., Ltd.	2	Accrued expenses	11	Payment terms varied depend on the agreements and Based on regular terms	-
		Taiwan Fixed Network Co., Ltd.	3	Accrued expenses	154	Payment terms varied depend on the agreements and Based on regular terms	-
		TFN Media Co., Ltd.	2	Other payables	9,363	Payment terms varied depend on the agreements	-
		Union Cable TV Co., Ltd.	3	Operating revenues	809	Based on regular terms	-

(Continued)

Number	Company Name	Counterparty	Nature of Relationship (Note)	Transaction Details			
		Taiwan Fixed Network Co., Ltd.	3	Operating revenues	352	Payment terms varied depend on the agreements	-
		TFN Media Co., Ltd.	2	Operating revenues	22,880	Payment terms varied depend on the agreements	-
		Union Cable TV Co., Ltd.	3	Operating cost	809	Based on regular terms	-
		Win TV Broadcasting Co., Ltd.	3	Operating cost	500	Payment terms varied depend on the agreements	-
		TFN Media Co., Ltd.	2	Operating cost	195,349	Payment terms varied depend on the agreements	-
		Taiwan Mobile Co., Ltd.	2	Operating cost	269	Payment terms varied depend on the agreements and Based on regular terms	-
		Taiwan Fixed Network Co., Ltd.	3	Operating cost	1,835	Payment terms varied depend on the agreements and Based on regular terms	-
		TFN Media Co., Ltd.	2	Operating expenses	16,766	Payment terms varied depend on the agreements	-
		Taiwan Mobile Co., Ltd.	2	Operating expenses	284	Payment terms varied depend on the agreements and Based on regular terms	-
		Taiwan Fixed Network Co., Ltd.	3	Operating expenses	36	Payment terms varied depend on the agreements and Based on regular terms	-
		Win TV Broadcasting Co., Ltd.	3	Operating expenses	155	Payment terms varied depend on the agreements and Based on regular terms	-
		TFN Media Co., Ltd.	2	Interest income	1,834	Payment terms varied depend on the agreements	-
		Global Wealth Media Technology Co., Ltd.	3	Rental income	34	Payment terms varied depend on the agreements	-
		TFN Media Co., Ltd.	2	Miscellaneous revenue	910	Based on regular terms	-
20	Taiwan Kuro Times Co., Ltd.	Taiwan Mobile Co., Ltd.	2	Accounts receivable	12,156	Based on regular terms	-
		Taiwan Mobile Co., Ltd.	2	Accrued expenses	599	Based on regular terms	-
		Taiwan Fixed Network Co., Ltd.	3	Accrued expenses	678	Based on regular terms	-
		Taiwan Mobile Co., Ltd.	2	Advance receipts	210	Based on regular terms	-
		Taiwan Mobile Co., Ltd.	2	Operating revenues	9,934	Based on regular terms	-
		Taiwan Fixed Network Co., Ltd.	3	Operating cost	2,152	Based on regular terms	-
		Taiwan Mobile Co., Ltd.	2	Operating cost	(134)	Based on regular terms	-
		Taiwan Mobile Co., Ltd.	2	Operating expenses	643	Based on regular terms	-
		Taiwan Fixed Network Co., Ltd.	3	Operating expenses	7	Based on regular terms	-
21	TWM Communications (Beijing) Ltd.	Taiwan Mobile Co., Ltd.	2	Accounts receivable	52,571	Based on regular terms	-
		Taiwan Fixed Network Co., Ltd.	3	Accounts receivable	3,239	Based on regular terms	-
		Taiwan Mobile Co., Ltd.	2	Operating revenues	40,144	Based on regular terms	-
		Taiwan Fixed Network Co., Ltd.	3	Operating revenues	3,320	Based on regular terms	-
		Taiwan Cellular Co., Ltd.	2	Operating expenses	102	Based on regular terms	-
22	Taiwan Teleservices & Technologies Co., Ltd.	Taiwan Mobile Co., Ltd.	2	Accounts receivable	67,306	Based on regular terms	-

(Continued)



Number	Company Name	Counterparty	Nature of Relationship (Note)	Transaction Details			
		Taiwan Fixed Network Co., Ltd.	3	Accounts receivable	9,533	Based on regular terms	-
		TT&T Holdings	1	Accrued expenses	5,808	Based on regular terms	-
		Taiwan Mobile Co., Ltd.	2	Operating revenues	841,304	Based on regular terms	1%
		Taiwan Fixed Network Co., Ltd.	3	Operating revenues	141,464	Based on regular terms	-
		Taiwan Mobile Co., Ltd.	2	Operating expenses	34	Based on regular terms	-
		TT&T Holdings	1	Operating expenses	85,329	Based on regular terms	-
		Win TV Broadcasting Co., Ltd.	3	Operating expenses	150	Based on regular terms	-
		Taiwan Mobile Co., Ltd.	2	Rental income	1,171	Based on regular terms	-
23	Taiwan Super Basketball Co., Ltd.	Taiwan Mobile Co., Ltd.	2	Accounts receivable	5,850	Based on regular terms	-
		Taiwan Mobile Co., Ltd.	2	Operating revenues	32,850	Based on regular terms	-
		Taiwan Mobile Co., Ltd.	2	Operating expenses	34	Based on regular terms	-
24	TT&T Holdings	Taiwan Teleservices & Technologies Co., Ltd.	2	Accounts receivable	5,776	Based on regular terms	-
		Xiamen Taifu Teleservices & Technologies Co., Ltd.	1	Other receivables	2,414	Based on regular terms	-
		Xiamen Taifu Teleservices & Technologies Co., Ltd.	1	Accounts payable	5,002	Based on regular terms	-
		Taiwan Teleservices & Technologies Co., Ltd.	2	Operating revenues	85,425	Based on regular terms	-
		Taiwan Cellular Co., Ltd.	2	Operating expenses	102	Based on regular terms	-
		Xiamen Taifu Teleservices & Technologies Co., Ltd.	1	Operating expenses	72,625	Based on regular terms	-
		Xiamen Taifu Teleservices & Technologies Co., Ltd.	1	Miscellaneous revenue	4,330	Based on regular terms	-
25	Xiamen Taifu Teleservices & Technologies Co., Ltd.	TT&T Holdings	2	Accounts receivable	5,002	Based on regular terms	-
		TT&T Holdings	2	Other payables	2,528	Based on regular terms	-
		TT&T Holdings	2	Operating revenues	72,571	Based on regular terms	-
26	TFN HK	Taiwan Fixed Network Co., Ltd.	2	Accounts receivable	33,138	Based on regular terms	-
		Taiwan Fixed Network Co., Ltd.	2	Operating revenues	53,110	Based on regular terms	-
27	TFN Union Investment Co., Ltd.	Taiwan Mobile Co., Ltd.	2	Accrued expenses	23	Based on regular terms	-
		Taiwan Mobile Co., Ltd.	2	Operating expenses	17	Based on regular terms	-

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