

Taiwan Mobile Co., Ltd.
Financial Statements
March 31, 2011 and 2010
Independent Accountants' Review Report

INDEPENDENT AUDITORS' REVIEW REPORT

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

We have reviewed the accompanying balance sheet of Taiwan Mobile Co., Ltd. (the Corporation) as of March 31, 2011, and the related statements of income and cash flows for the three months then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to issue a report based on our review. The financial statements of Taiwan Mobile Co., Ltd. as of March 31, 2010, and for the three months then ended have been reviewed by other auditors, who have issued a review report dated April 13, 2010, expressed an unqualified review report.

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

Based on our review as of March 31, 2011, we are not aware of any material modifications that should be made to the financial statements referred to above for them to be in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, and accounting principles generally accepted in the Republic of China.

We have also reviewed the consolidated balance sheet of the Corporation and its subsidiaries as of March 31, 2011, and the related consolidated statements of income and cash flows for the three months then ended on which we have issued modified review report dated April 13, 2011, with prior period consolidated financial statements were reviewed by other auditors.

KPMG
Taipei, Taiwan (the Republic of China)
April 13, 2011

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

March 31, 2011 AND 2010

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

(Reviewed, Not Audited)

	2011		2010			2011		2010	
	Amount	%	Amount	%		Amount	%	Amount	%
ASSETS									
CURRENT ASSETS :					LIABILITIES AND SHAREHOLDERS' EQUITY				
Cash and cash equivalents (Notes 2, 4(a), 4(r) and 5)	\$ 3,532,741	4	1,077,824	1	CURRENT LIABILITIES :				
Available-for-sale financial assets-current (Notes 2, 4(b) and 4(r))	199,094	-	168,719	-	Short-term borrowings (Note 4(j), 4(r) and 5)	6,595,000	8	-	-
Notes receivable(Note 4(r))	1,770	-	16,834	-	Accounts payable (Note 4(r))	3,429,133	4	2,564,212	3
Accounts receivable, net (Notes 2, 4(c) and 4(r))	5,244,385	6	5,449,991	7	Accounts payable-related parties (Note 4(r) and 5)	15,520	-	12,077	-
Accounts receivable-related parties (Notes 2, 4(r) and 5)	48,362	-	4,851	-	Income taxes payable (Notes 2, 4(p) and 4(r))	1,291,767	2	2,111,093	3
Other receivables(Note 4(r))	182,422	-	179,367	-	Accrued expenses (Notes 4(r) and 5)	4,363,263	5	4,233,941	5
Other receivables-related parties (Notes 4(r) and 5)	11,883,231	14	5,606,039	7	Other payables (Notes 2, 4(r) and 5)	3,445,252	4	3,458,310	4
Inventories (Note 2)	1,903,266	2	597,234	1	Advance receipts (Note 4(k))	2,674,786	3	1,831,527	2
Prepayments (Note 4(d) and 5)	482,253	1	582,955	1	Guarantee deposits-current(Note 4(r))	73,859	-	55,351	-
Deferred income tax assets-current (Notes 2 and 4(p))	6,658	-	20,975	-	Other current liabilities (Note 5)	445,613	-	459,021	1
Pledged time deposits (Notes 4(r), 5 and 6)	-	-	10,000	-	Total current liabilities	22,334,193	26	14,725,532	18
Other current assets	4,487	-	4,142	-	LONG-TERM LIABILITIES :				
Total current assets	23,488,669	27	13,718,931	17	Bonds payable (Notes 4(l) and 4(r))	8,000,000	9	8,000,000	10
INVESTMENTS :					OTHER LIABILITIES :				
Investments accounted for using the equity method (Notes 2 and 4(e))	12,309,859	14	10,540,174	13	Guarantee deposits(Note 4(r))	258,445	-	274,080	-
Financial assets carried at cost-non-current(Notes 2, 4(f) and 4(r))	50,324	-	50,324	-	Deferred credits-gains on intercompany accounts (Notes 2 and 4(e))	1,238,378	2	1,238,378	2
Total investments	12,360,183	14	10,590,498	13	Other (Note 2)	366,733	-	369,473	1
PROPERTY AND EQUIPMENT (Notes 2, and 4(g)) :					Total other liabilities	1,863,556	2	1,881,931	3
Land	3,979,837	5	3,866,289	5	Total liabilities	32,197,749	37	24,607,463	31
Buildings	2,058,942	2	2,385,587	3	SHAREHOLDERS' EQUITY (Notes 2 and 4(o)) :				
Telecommunication equipment	57,309,336	66	57,974,524	72	Capital stock -NT\$10.00 par value				
Office equipment	9,377	-	30,438	-	Authorized: 6,000,000 thousand shares				
Leased assets	1,285,920	1	1,285,920	2	Issued: 3,800,925 thousand shares	38,009,254	44	38,009,254	47
Miscellaneous equipment	2,520,346	3	2,557,588	3	Capital surplus :				
	67,163,758	77	68,100,346	85	From convertible bonds	8,775,819	10	8,775,819	11
Less accumulated depreciation	34,888,519	40	31,633,584	40	From treasury stock transactions	3,639,302	4	3,639,302	5
Less accumulated impairment-property	74,229	-	-	-	From long-term investments	4,528	-	3,743	-
Construction in progress and prepayments for equipment	1,487,995	2	1,401,761	2	Other	12,840	-	12,840	-
Net property and equipment	33,689,005	39	37,868,523	47	Retained earnings :				
INTANGIBLE ASSETS (Note 2)					Legal reserve	15,332,799	18	13,943,913	17
3G concession license	5,794,745	7	6,542,455	8	Special reserve	821,741	1	3,350,000	4
Computer software cost	799	-	2,381	-	Unappropriated earnings	19,378,364	23	19,774,397	25
Goodwill (Note 4(h))	6,835,370	8	6,835,370	9	Other equity :				
Total intangible assets	12,630,914	15	13,380,206	17	Cumulative translation adjustments	(11,681)	-	7,874	-
OTHER ASSETS :					Net loss not recognized as pension cost	(10,695)	-	(3,797)	-
Assets leased to others (Notes 2 and 4(i))	2,198,816	3	2,194,178	3	Unrealized gains on financial instruments	93,048	-	57,239	-
Idle assets (Notes 2 and 4(i))	64,659	-	221,655	-	Treasury stock	(31,889,100)	(37)	(31,889,100)	(40)
Refundable deposits(Note 4(r))	316,978	-	317,630	-	Total shareholders' equity	54,156,219	63	55,681,484	69
Deferred charges (Note 2)	523,693	1	391,822	1	Commitments and Contingencies (Note 7)				
Deferred income tax asset-non-current (Notes 2 and 4(p))	1,046,860	1	1,561,387	2	TOTAL	\$ 86,353,968	100	80,288,947	100
Other (Notes 2 and 4(n))	34,191	-	44,117	-					
Total other assets	4,185,197	5	4,730,789	6					
TOTAL	\$ 86,353,968	100	80,288,947	100					

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

TAIWAN MOBLIE CO., LTD

STATEMENTS OF INCOME

THREE MONTHS ENDED March 31, 2011 AND 2010
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)
(Reviewed, Not Audited)

	2011		2010	
	Amount	%	Amount	%
OPERATING REVENUES (Notes 2 and 5)				
Telecommunication service revenue	\$ 13,563,330	89	13,496,749	95
Other revenue	1,689,390	11	740,510	5
Total operating revenues	<u>15,252,720</u>	<u>100</u>	<u>14,237,259</u>	<u>100</u>
OPERATING COSTS (Notes 2, 5 and 10)	9,601,718	63	7,412,694	52
GROSS PROFIT	<u>5,651,002</u>	<u>37</u>	<u>6,824,565</u>	<u>48</u>
OPERATING EXPENSES (Notes 2, 5 and 10)				
Marketing	2,088,331	14	2,118,883	15
Administrative	884,578	6	978,631	7
Total operating expenses	<u>2,972,909</u>	<u>20</u>	<u>3,097,514</u>	<u>22</u>
OPERATING INCOME	<u>2,678,093</u>	<u>17</u>	<u>3,727,051</u>	<u>26</u>
NON-OPERATING INCOME AND GAINS				
Investment income recognized under the equity method (Notes 2 and 4(e))	1,007,006	7	785,802	6
Income from penalty charge	80,512	1	69,477	1
Rental income (Notes 2 and 5)	47,641	-	47,588	-
Interest income (Note 5)	30,668	-	4,933	-
Other (Notes 2 and 4(c))	44,228	-	66,258	-
Total non-operating income and gains	<u>1,210,055</u>	<u>8</u>	<u>974,058</u>	<u>7</u>
NON-OPERATING EXPENSES AND LOSSES				
Interest expenses (Notes 2, 4(g) and 5)	81,782	1	76,227	1
Loss on disposal and retirement of property and equipment (Note 2)	56,381	-	260,014	2
Other (Note 2)	28,544	-	37,117	-
Total non-operating expenses and losses	<u>166,707</u>	<u>1</u>	<u>373,358</u>	<u>3</u>
INCOME BEFORE INCOME TAX	<u>3,721,441</u>	<u>24</u>	<u>4,327,751</u>	<u>30</u>
INCOME TAX EXPENSE (Note 2 and 4(p))	432,017	2	708,972	5
NET INCOME	<u><u>\$ 3,289,424</u></u>	<u><u>22</u></u>	<u><u>3,618,779</u></u>	<u><u>25</u></u>

	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
EARNINGS PER SHARE (Note 4(q))				
Basic	<u>\$ 1.25</u>	<u>1.10</u>	<u>1.45</u>	<u>1.21</u>
Diluted	<u>\$ 1.24</u>	<u>1.10</u>	<u>1.44</u>	<u>1.21</u>

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

NET INCOME	<u><u>\$ 3,289,424</u></u>	<u><u>3,618,779</u></u>
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EARNINGS PER SHARE AFTER INCOME TAX

Basic	<u>\$ 0.86</u>	<u>0.95</u>
Diluted	<u>\$ 0.86</u>	<u>0.95</u>

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

TAIWAN MOBILE CO., LTD.
STATEMENTS OF CASH FLOWS
THREE MONTHS ENDED March 31, 2011 AND 2010
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 3,289,424	3,618,779
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	1,757,257	1,802,752
Investment income recognized under the equity method	(1,007,006)	(785,802)
Amortization	238,397	219,967
Deferred income taxes	81,802	71,344
Bad debts	71,126	108,534
Loss on disposal and retirement of property and equipment, net	56,381	260,014
Provision of allowance for loss on inventories	9,105	1,600
Pension cost	666	780
Changes in operating assets and liabilities		
Notes receivable	(1,392)	(61)
Accounts receivable	173,510	(14,237)
Accounts receivable - related parties	37,461	17,817
Other receivables	188,003	(22,035)
Other receivables - related parties	28,661	2,276
Inventories	(847,107)	(169,705)
Prepayments	(19,131)	(100,357)
Other current assets	(2,630)	(1,608)
Accounts payable	689,200	508,470
Accounts payable-related parties	15,520	12,063
Income taxes payable	374,182	632,740
Accrued expenses	(108,238)	(315,267)
Other payables	(491,828)	(124,084)
Advance receipts	174,286	635,695
Other current liabilities	12,618	4,388
Net cash provided by operating activities	<u>4,720,267</u>	<u>6,364,063</u>

TAIWAN MOBILE CO., LTD.
STATEMENTS OF CASH FLOWS (CONT'D)
THREE MONTHS ENDED March 31, 2011 AND 2010
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	(879,963)	(1,025,256)
Decrease in financing provided to investees, net	340,000	-
Increase in deferred charges	(190,933)	(19,827)
Proceeds from investees' capital reduction	5,434	2,717
Increase in refundable deposits	(735)	(4,715)
Decrease in other assets	-	71
Net cash used in investing activities	<u>(726,197)</u>	<u>(1,047,010)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in long-term borrowings	(3,466,667)	-
Decrease in short-term borrowings	(3,050,000)	(5,000,000)
Increase in long-term borrowings	2,666,667	-
Decrease in short-term notes and bills payable	(499,732)	(299,872)
Increase in guarantee deposits	7,522	3,601
Net cash used in financing activities	<u>(4,342,210)</u>	<u>(5,296,271)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	<u>(348,140)</u>	<u>20,782</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	3,880,881	1,057,042
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u><u>\$ 3,532,741</u></u>	<u><u>1,077,824</u></u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid	\$ 55,143	5,953
Less interest capitalized	2,045	2,415
Interest paid - excluding interest capitalized	<u>\$ 53,098</u>	<u>3,538</u>
Income tax paid	<u>\$ 308,600</u>	<u>88</u>
NON-CASH INVESTING AND FINANCING ACTIVITIES		
Receivables from subsidiary's capital reduction	<u>\$ -</u>	<u>3,500,000</u>
Reclassification of the corporation's shares held by its subsidiaries to treasury stock	<u>\$ 31,889,100</u>	<u>31,889,100</u>
CASH INVESTING AND FINANCING ACTIVITIES		
Acquisition of property and equipment	\$ 471,597	891,414
Decrease in other payables	408,446	149,921
Increase in other liabilities-other	(80)	(16,079)
Cash paid for acquisition of property and equipment	<u><u>\$ 879,963</u></u>	<u><u>1,025,256</u></u>

(Concluded)

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

TAIWAN MOBILE CO., LTD.
NOTES TO FINANCIAL STATEMENTS
THREE MONTHS ENDED March 31, 2011 AND 2010
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)
(Reviewed, Not Audited)

1. ORGANIZATION AND OPERATIONS

Taiwan Mobile Co., Ltd. was incorporated in the Republic of China (ROC) on February 25, 1997. The Corporation's shares began to be traded on the ROC Over-the-Counter Securities Exchange (known as GreTai Securities Market) on September 19, 2000. On August 26, 2002, the Corporation's shares were listed on the Taiwan Stock Exchange. The Corporation mainly renders wireless communication services.

The Corporation's services are under the type I license issued by the Directorate General of Telecommunications (DGT) of the ROC. The license allows the Corporation to provide services for 15 years from 1997 onwards. The license had been extended to June 2017 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 March 31, 2011 and 2010, the Corporation had 2,527 and 2,447 employees, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company's financial statements were compiled in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, the Business Entity Accounting Act, the Regulation on Business Entity Accounting Handling, 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.

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.

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

The fair value of listed stocks is based on the closing price on the balance sheet date.

Receivables

The Company accesses evidence for specific and grouping impairment of receivables. Accordingly, all individually significant receivables are assessed for specific impairment. The Company 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 items.

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 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 by 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.

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

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

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

Financial Assets Carried at Cost

If there is no active market for an equity instrument, and a reliable fair value can not be estimated, the equity instrument, including non-publicly traded and emerging stocks, etc, is measured at cost. The accounting for the dividends from financial assets carried at cost is the same as that for an available-for-sale financial assets. Impairment losses are recognized if a decrease in 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 our 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.

Accounting for Leases

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

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

At the inception date of a capital lease, total leasehold receivables shall be recognized as all rental receivables plus the pre-determined bargain purchase price offered to the lessee upon maturity or

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

estimated residual value. For a financing-type of capital lease, leasehold receivables should be recognized as the sum of present value derived from each future rental receivable based on an implicit interest rate of the lease. The excess of total leasehold receivables over the present value of leasehold receivables should be deferred as unrealized interest income and amortized as interest income by the effective interest method upon each collection.

Intangible Assets

a. Franchise

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

b. Computer software

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

c. Goodwill

In accordance with the newly revised SFAS, goodwill is no longer amortized. Please refer to the accounting policy of investments accounted for by the equity method.

Idle Assets

Properties not currently used in operations are stated at the lower of book value or net realizable value, with the difference charged to current loss. Depreciation expense is computed using the straight-line method over the estimated useful lives of the assets.

Deferred Charges

Deferred charges, mainly interior decoration costs, are amortized by the straight-line method over two to five years.

Asset Impairment

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

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

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. Valuation allowance is provided for deferred income tax assets to the extent that more likely than not such assets will not be realized. Deferred tax assets or liabilities are classified as current or non-current according to the classification of related assets or liabilities for financial reporting. However, if deferred tax assets or liabilities do not relate to assets or liabilities in the financial statements, they are classified as current or non-current on the basis of the expected length of time before realized.

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

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

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

Foreign-currency Transactions

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

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

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.

3. EFFECTS OF CHANGES IN ACCOUNTING PRINCIPLES :

Effective from January 1, 2011, the Corporation adopted the 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 report by the Corporation, but it does not need to be disclosed in individual financial report. The Standard also supersedes SFAS No. 20 "Segment Reporting". There was no impact on the profit or loss for the three months ended March 31, 2011.

Effective from January 1, 2011, the Corporation adopted the third amended SFAS No. 34 "Accounting for the Financial Instruments: Recognition and Measurement". In accordance with the revised SFAS No. 34, initial accounts receivable are applied to the statement of recognition, valuation, and impairment to receivables. There was no impact on the profit or loss for the three months ended March 31, 2011.

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

4. SUMMARY OF MAJOR ACCOUNTS

a. Cash and cash equivalents

	March 31	
	2011	2010
Time deposits	\$ 1,694,220	17,496
Government bonds with repurchase rights	945,580	142,008
Cash in banks	654,360	296,452
Short-term notes and bills with repurchase rights	199,405	579,311
Cash on hand	34,051	35,924
Revolving funds	5,125	6,633
	\$ 3,532,741	1,077,824

b. Available-for-sale financial assets – current

	March 31	
	2011	2010
Domestic listed stocks		
Chunghwa Telecom Co., Ltd.	\$ 199,094	168,719
	\$ 199,094	168,719

c. Accounts receivable, net

	March 31	
	2011	2010
Accounts receivable	\$ 5,583,904	5,827,254
Less allowance for doubtful accounts	(339,519)	(377,263)
	\$ 5,244,385	5,449,991

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.

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

d. Prepayments

	March 31	
	2011	2010
Prepaid commissions	\$ 261,584	346,941
Prepaid rents	105,286	101,081
Prepaid insurance	19,639	23,156
Other	95,744	111,777
	\$ 482,253	582,955

e. Investments accounted for using the equity method

	March 31			
	2011		2010	
	Carrying Value	% of Owner- ship	Carrying Value	% of Owner- ship
Taiwan Cellular Co., Ltd. (TCC)	\$ 11,623,499	100	10,140,168	100
Taipei New Horizons Co., Ltd. (TNH)	381,186	49.9	205,365	49.9
Wealth Media Technology Co., Ltd. (WMT)	305,174	100	194,641	100
	\$ 12,309,859		10,540,174	

(1) Taiwan Cellular Co., Ltd.

On December 24, 2009, TCC's Board of Directors resolved to:

- (a) Transfer \$2,300,417 thousand from capital surplus into capital, which increased its issued shares by 230,042 thousand on the record date December 25, 2009;
- (b) Reduce \$3,500,000 thousand of capital to shareholders through the cancellation of 350,000 thousand shares, at the record date of capital reduction (December 26, 2009), the Corporation, based on its 100% ownership in TCC, received \$3,500,000 thousand in July 2010.

In 2007, the Corporation invested 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 in Equity Securities," 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 of this transaction should be treated as deferred gains. As of March 31, 2011, the amount of deferred credits recognized by the Corporation

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

was \$1,238,378 thousand.

As of March 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 811,918 thousand shares of the Corporation. Based on SFAS No. 30, "Accounting for Treasury Stock", the Corporations' shares held by subsidiaries are treated as treasury stock. This accounting treatment reduced the Corporation's long-term investment value by the same amount as treasury stock account value of \$31,889,100 thousand. Please refer to Note 4(o) for details.

(2) Taipei New Horizons Co., Ltd.

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

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 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 the proportion of the share holding which remains 49.9%.

(3) Wealth Media Technology Co., Ltd.

WMT's board of directors resolved the rights to issue of 10,000 thousand shares at \$100,000 thousand on July 27, 2010. At the record date (August 1, 2010), the Corporation subscribed for all the shares, and WMT is still a wholly-owned subsidiary.

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 which are hold by Fubon Financial Venture Capital Co., Ltd. and priced at \$8,347,949 thousand through its subsidiary, Wealth Media Technology. The Corporation will complete the transaction when the authority approves the settlement.

(4) Equity in investees' net gains or losses

The financial statements used as basis for calculating the carrying values of equity-method investments and the related income or losses were all unreviewed, except the financial statements of TFN, which is the subsidiaries of TCC, for the three months ended March 31, 2011 and 2010, The Corporation's management considered that, had these financial statements

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

been reviewed, any adjustments would have been immaterial and would thus have had no material effects on the Corporation's financial statements.

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

	For the three months ended	
	March 31	
	2011	2010
TCC	\$ 1,010,625	790,385
TNH	(6,816)	(6,609)
WMT	3,197	2,026
	\$ 1,007,006	785,802

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

	March 31	
	2011	2010
Foreign unlisted stocks		
Bridge Mobile Pte Ltd.	\$ 50,324	50,324

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

	March 31	
	2011	2010
Buildings	\$ 400,738	405,246
Telecommunication equipment	32,404,710	29,458,797
Office equipment	5,655	20,618
Leased assets	566,894	501,743
Miscellaneous equipment	1,510,522	1,247,180
	\$ 34,888,519	31,633,584

Capitalized interests for the three months ended March 31, 2011 and 2010, were \$2,045 thousand and \$2,415 thousand, respectively, with capitalization rates ranging from 1.68%-2.04% and 2.4%-2.76%, respectively.

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NOTES TO FINANCIAL STATEMENTS (CONT'D)

h. Goodwill

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

In conformity with SFAS No. 35, "Accounting for Asset Impairment," the Corporation engaged in mobile service, which was viewed as one cash-generating unit in 2010 and 2009. 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 projected changes in subscriber numbers. The estimates of remaining costs and expenses were based on the proportion of the actual costs and expenses to operating revenues in the 2010 financial statements.

(3) Assumptions on discount rate

For the years ended December 31, 2010 and 2009, the Corporation used the discount rate of 7.47% and 8.50%, respectively, in calculating the asset recoverable amounts.

Based on the key assumptions of the cash-generating unit, the Corporation's management believes that the carrying amounts of these assets for operating and goodwill will not exceed their recoverable amounts even if there are changes in the critical assumptions used to estimate recoverable amounts as long as these changes are reasonable for the years ended December 31, 2010 and 2009.

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

i. Assets leased to others and idle assets

	March 31	
	2011	2010
Assets leased to others		
Cost	\$ 2,360,058	2,337,892
Less accumulated depreciation	(150,651)	(133,123)
Less accumulated impairment	(10,591)	(10,591)
	\$ 2,198,816	2,194,178
Idle assets		
Cost	\$ 155,771	427,547
Less allowance for value decline	(35,928)	(35,928)
Less accumulated depreciation	(24,908)	(43,535)
Less accumulated impairment	(30,276)	(126,429)
	\$ 64,659	221,655

j. Short-term borrowings

	March 31	
	2011	2010
Unsecured loans provided by related party	\$ 6,595,000	-
Interest rate	0.893%	-

k. Advance receipts

In accordance with NCC's policy, the Corporation entered into a contract with First Commercial Bank Co., Ltd., which provided performance guarantee for advance receipts from prepaid card customers. The guaranteed advance receipts from prepaid card customers were \$932,733 thousand as of March 31, 2011.

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

l. Bonds payable

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

On November 14, 2008, the Corporation issued \$8,000,000 thousand 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, respectively.

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

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

m. Long-term borrowings

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. The Corporation also bears the repayment liability with respect to TFN's borrowing. Please refer to Note 5 for further information.

n. 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 \$27,155 thousand and \$26,734 thousand for the three months ended March 31, 2011 and 2010, respectively.

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

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 the Bank of Taiwan (formerly the Central Trust of China, which was merged into the Bank of Taiwan (formerly the Central Trust of China, which was merged into the Bank of Taiwan in July 2007.) Approved by Department of Labor of Taipei City Government, the Corporation suspended contributing from February 2007 to January 2012.

o. 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 treasury stock, may be transferred to capital as stock 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) 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%-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.

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

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 three months ended March 31, 2011, the bonuses to employees and remuneration to directors and supervisors were accrued respectively based on 3% and 0.3% of net income (net of the bonus to employees and remuneration to directors and supervisors) after setting aside 10% net income as legal 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 director's approval differs from the amount ratified at the annual general shareholders' meeting (AGM), the difference will be treated as changes in accounting estimation and will be adjusted in 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 its closing price one day prior to the AGM, adjusted for cash and/or stock dividends if any.

The 2009 earning appropriations resolved by the AGM on June 18, 2010 was as follows:

	Appropriation of Earnings	Dividend Per Share (NT\$)
	For Fiscal Year 2009	For Fiscal Year 2009
Appropriation of legal reserve	\$ 1,388,886	
Reversal of special reserve	(2,528,259)	
Cash dividends	15,028,235	5.02783
	\$ 13,888,862	

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

As of the date of the accompanying auditor's report, the appropriation of the corporation's 2010's earnings had not yet been resolved by the board of directors. Information on the

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

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

(3) Treasury stock

Purpose of Buyback	(Shares in Thousands)			
	Beginning Shares	Increase	Decrease	Ending Shares
<u>For the three months ended March 31, 2011</u>				
Shares held by subsidiaries	811,918	-	-	811,918
<u>For the three months ended March 31, 2010</u>				
Shares held by subsidiaries	811,918	-	-	811,918

(a) Shares held by subsidiaries

As of March 31, 2011, the carrying and market value of the Corporation's stocks held by TCCI, TID, and TUI (all are the subsidiaries 100%-owned by the Corporation) were \$56,184,698 thousand. The Corporation reclassified \$31,889,100 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 on these shares, except for the participation in capital injection by cash. In addition, based on the ROC Company Act, the shareholders of treasury stocks cannot exercise the voting right.

(4) Unrealized gain or loss on financial instruments

Unrealized gain or loss on financial instruments for the three months ended March 31, 2011 and 2010 was summarized as follows:

	Three Months Ended March 31	
	2011	2010
Available-for-sale financial assets		
Balance, beginning of period	\$ 89,842	63,624
Fair value changes recognized directly in equity	3,206	(6,385)
Unrealized gains on financial instruments	\$ 93,048	57,239

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

p. Income tax expense

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

	Three Months Ended	
	March 31	
	<u>2011</u>	<u>2010</u>
Tax on pretax income at statutory tax rate	\$ 632,645	865,526
Add (deduct) tax effects of:		
Permanent differences		
Investment income from domestic investees accounted for using the equity method	(171,191)	(157,160)
Temporary differences	(81,803)	(72,898)
Deferred income taxes	81,802	71,344
Prior years' adjustment	(28,800)	4,835
Investment tax credits	(636)	(2,675)
Income tax expense	<u><u>\$ 432,017</u></u>	<u><u>708,972</u></u>

On May 27, 2009, the Legislative Yuan passed the 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 the amendment of Article 5 of the Income Tax Act to reduce 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:

	March 31	
	2011	2010
Unrealized loss on retirement of property and equipment	\$ 1,046,348	1,353,617
Provision for doubtful accounts	225,981	465,289
Amortization of goodwill	(200,124)	(144,302)
Depreciation resulting from the differences in estimated service lives of properties	123,107	117,618
Provision for impairment losses on idle assets	21,481	30,033
Other	32,079	(5,866)
	1,248,872	1,816,389
Less valuation allowance	(195,355)	(234,027)
	\$ 1,053,517	1,582,362
Deferred income tax assets		
Current	\$ 6,657	20,975
Non-current	1,046,860	1,561,387
	\$ 1,053,517	1,582,362

(3) Integrated income tax information was as follows:

	March 31	
	2011	2010
Balance of imputation credit account (ICA)	\$ 1,741,947	2,990,207

As of March 31, 2011, there were no unappropriated earnings generated before January 1, 1998. The estimated creditable ratios for the 2010 earnings appropriation and the actual creditable ratio for the 2009 earnings appropriation were 20.35% and 28.67%, 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 2010 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 cleared by the tax authorities were as follows:

	Year
The Corporation	2007 ; only 2006 not applicable
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 2007 had been examined by the tax authorities, except for 2006. In addition, the Corporation disagreed with the examination results of the income tax returns and had requested a reexamination for the 2003 through 2005, 2007 income tax returns.

TAT's income tax returns as of 2007 had been examined by the tax authorities. TAT disagreed with the examination results of the income tax returns and had requested a reexamination of the 2006 and 2007 income tax returns.

The former TAT's income tax returns as of 2006 had been examined by the tax authorities. The former TAT filed administrative proceedings for 2004 and 2005 income tax returns which were reviewed by the Supreme Court of the ROC.

Mobitai's income tax returns as of 2006 had been examined by the tax authorities. Mobitai disagreed with the result on the income tax returns and had requested a reexamination of the 2006 income tax return.

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

q. Earnings per share

	<u>Amounts (Numerator)</u>			<u>EPS (NT\$)</u>	
	<u>Before Income Tax</u>	<u>After Income Tax</u>	<u>Shares (Denominator) (Thousands)</u>	<u>Before Income Tax</u>	<u>After Income Tax</u>
<u>For the three months ended March 31, 2011</u>					
Basic EPS					
Income of common shareholders	\$ 3,721,441	3,289,424	2,989,008	<u>\$ 1.25</u>	<u>\$ 1.10</u>
Add effect of dilutive potentially common stock — bonus to employees	-	-	6,652		
Diluted EPS					
Income of common shareholders with dilutive effect of potential common shares	<u>\$ 3,721,441</u>	<u>3,289,424</u>	<u>2,995,660</u>	<u>\$ 1.24</u>	<u>\$ 1.10</u>
<u>For the three months ended March 31, 2010</u>					
Basic EPS					
Income of common shareholders	\$ 4,327,751	3,618,779	2,989,008	<u>\$ 1.45</u>	<u>\$ 1.21</u>
Add effect of dilutive potentially common stock—bonus to employees	-	-	7,902		
Diluted EPS					
Income of common shareholders with dilutive effect of potential common shares	<u>\$ 4,327,751</u>	<u>3,618,779</u>	<u>2,996,910</u>	<u>\$ 1.44</u>	<u>\$ 1.21</u>

The Accounting Research Development Foundation (ARDF) issued Interpretation No. 2007-052 that requires companies to recognize bonuses paid to employees and remunerations to directors and supervisors as compensation expenses beginning January 1, 2008. These bonuses and remunerations 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 dilutions 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 resolved 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)

r. Financial instrument transactions

(1) Fair value information

<u>Financial instruments</u>	March 31			
	2011		2010	
	Carrying Value	Fair Value	Carrying Value	Fair Value
<u>Assets</u>				
Cash and cash equivalents	\$ 3,532,741	3,532,741	1,077,824	1,077,824
Available-for-sale financial assets – current	199,094	199,094	168,719	168,719
Notes receivable	1,770	1,770	16,834	16,834
Accounts receivable (including related parties)	5,292,747	5,292,747	5,454,842	5,454,842
Other receivables (including related parties)	12,065,653	12,065,653	5,785,406	5,785,406
Pledged time deposits	-	-	10,000	10,000
Financial assets carried at cost – non-current	50,324	-	50,324	-
Refundable deposits	316,978	316,978	317,630	317,630
<u>Liabilities</u>				
Short-term borrowings	6,595,000	6,595,000	-	-
Accounts payable (including related parties)	3,444,653	3,444,653	2,576,289	2,576,289
Income taxes payable	1,291,767	1,291,767	2,111,093	2,111,093
Accrued expenses	4,363,263	4,363,263	4,233,941	4,233,941
Other payables	3,445,252	3,445,252	3,458,310	3,458,310
Guarantee deposits (including current portion)	332,304	332,304	329,431	329,431
Bonds payable (including current portion)	8,000,000	8,288,352	8,000,000	8,346,448

(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 March
- (d) 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, payables, and guarantee deposits

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

- (3)The fair values of financial assets and liabilities were not simultaneously determined by quoted prices in active markets and by estimations using valuation technique.
- (4)The financial assets exposed to fair value interest rate risk amounted to \$14,642,205 thousand and \$2,793,815 thousand as of March 31, 2011 and 2010, respectively, and the financial liabilities exposed to fair value interest rate risk amounted to \$14,595,000 thousand and \$8,000,000 thousand as of March 31, 2011 and 2010, respectively. The financial assets exposed to cash flow interest rate risk amounted to \$651,354 thousand and \$287,594 thousand as of March, 2011 and 2010, respectively, and the financial liabilities exposed to cash flow interest rate risk both amounted to \$0 thousand.
- (5)Information on financial risks:

(a) Market risk

The Corporation did not enter into any financial derivatives transactions, which will have big exposure to exchange rate and interest rate risks.

(b) Credit risk

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

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

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

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

(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
Win TV Broadcasting Co., Ltd.	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) Ltd. (TWMC)	Subsidiary
Taiwan Win TV Broadcasting Co., Ltd.	Subsidiary

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

Related Party	Relationship with the Corporation
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)
Taiwan Mobile Foundation (TWM Foundation)	Over one third of the Foundation's issued fund came from the Corporation
Taipei New Horizons Co., Ltd. (TNH)	Equity-method investee
Fubon Life Assurance Co., Ltd.	Same chairman
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 Multimedia Technology Co., Ltd. (FMT)	Related party in substance
Fubon Asset Management Co., Ltd.	Related party in substance
Chung Hsing Constructions Co., Ltd.	Related party in substance
Fubon Land Development Co., Ltd.	Related party in substance
Fubon Financial Holding Company	Related party in substance
Taipei Fubon Commercial Bank Co., Ltd. (TFCB)	Related party in substance
Fubon Securities Co., Ltd.	Related party in substance
Fubon Future Co., Ltd.	Related party in substance
Fubon Investment Services Co., Ltd.	Related party in substance
Fubon Insurance Co., Ltd. (Fubon Ins.)	Related party in substance
Fubon Property Management Co., Ltd. (FPM)	Related party in substance
Fubon Real Estate Management Co., Ltd.	Related party in substance
Taiwan Sport Lottery Corporation (TSL)	Related party in substance

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

b. Significant transactions with related parties were summarized below:

(1) Operating revenues

	Three Months Ended March 31			
	2011		2010	
	% of		% of	
	Amount	Total Revenues	Amount	Total Revenues
TFN	<u>\$ 551,139</u>	4	<u>549,897</u>	4

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

(2) Operating costs

	Three Months Ended March 31			
	2011		2010	
	% of		% of	
	Amount	Total Costs	Amount	Total Costs
TFN	\$ 653,406	7	419,830	6
TKT	15,273	-	-	-
Fubon Ins.	8,974	-	11,218	-
	<u>\$ 677,653</u>		<u>431,048</u>	

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

(3) Rental income

	Leased Property	Three Months Ended	
		March 31, 2011	
		2011	2010
TFN	Offices and BTS, etc.	<u>\$ 29,754</u>	<u>29,820</u>

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

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

(4) Cash in banks

	March 31			
	2011		2010	
	Amount	%	Amount	%
(a) Cash in banks				
TFCB	\$ 506,681	14	75,100	7
(b) Pledged time deposits				
TFCB	\$ -	-	10,000	100

(5) Receivables and payables

	March 31			
	2011		2010	
	Amount	%	Amount	%
(a) Accounts receivable				
TFN	\$ 37,414	-	550	-
Other	10,948	-	4,301	-
	\$ 48,362		4,851	
(b) Other receivables				
TCC (Note 1 and 2)	\$ 8,017,888	66	3,500,000	60
TFNM (Note 2)	3,718,969	31	2,007,969	35
TDC (Note 2)	60,187	1	-	-
TFN	43,621	-	43,893	1
TFMT (Note 2)	33,168	-	-	-
WMT	-	-	45,158	1
Other	9,398	-	9,019	-
	\$ 11,883,231		5,606,039	

Note 1: Accounts from investees' capital reduction on March 31, 2010

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

Note 2: Financing to related parties was as follows:

Related Party	Drawdown Amounts	Three Months Ended March 31, 2011			
		Ending Balance (Note3)	Maximum Balance (Note3 and 4)	Interest Rate %	Interest Income
TCC	\$ 8,000,000	9,000,000	9,000,000	0.893~0.950	18,352
TFNM	3,710,000	5,000,000	5,000,000	0.893	8,169
TDC	60,000	300,000	300,000	0.948~1.002	111
TFMT	33,000	50,000	50,000	0.950	77
	\$ 11,803,000	14,350,000			26,709

Related Party	Drawdown Amounts	Three Months Ended March 31, 2010			
		Ending Balance (Note3)	Maximum Balance (Note3 and 4)	Interest Rate %	Interest Income
TFNM	\$ 2,000,000	2,000,000	2,000,000	0.838	4,133
WMT	45,000	2,500,000	2,500,000	0.838	93
TCCI	-	7,300,000	7,300,000	-	-
TFN	-	7,000,000	7,000,000	-	-
	\$ 2,045,000	18,800,000			4,226

Note 3: The ending balance and the maximum balance represent quotas.

Note 4: Maximum balance: the maximum accumulated amounts of the period.

	March 31			
	2011		2010	
	Amount	%	Amount	%
(c) Prepayments				
Fubon Ins.	\$ 24,580	5	28,551	5
(d) Accounts payable				
TKT	\$ 15,502	-	-	-
TFN	-	-	12,060	1
Other	18	-	17	-
	\$ 15,520		12,077	

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

	March 31			
	2011		2010	
	Amount	%	Amount	%
(e) Accrued expenses				
TFN	\$ 252,441	6	153,416	3
TT&T	72,076	2	67,904	2
TWMC	38,616	1	-	-
TDC	16,393	-	-	-
	\$ 379,526		221,320	
(f) Other payables				
TFN	\$ 71,397	2	103,639	3
(g) Other current liabilities - collections and temporary credits for the following				
TFN	\$ 93,908	21	86,595	19
(6) Other				
			Three Months Ended	
			March 31	
			2011	2010
(a) Telecommunication service expenses				
TFN	\$ 21,489		19,251	
(b) Professional service fees				
TT&T	\$ 216,692		200,112	
(c) Commissions expenses				
TDC	\$ 44,217		-	

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

(7) Financing from related parties was as follows:

Three Months Ended March 31, 2011					
Related Party	Drawdown Amounts	Ending Balance (Note1)	Maximum Balance (Note1 and 2)	Interest Rate %	Interest Expense
TFN	\$ 6,595,000	9,000,000	9,000,000	0.893	14,631

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

Note 2: Maximum balance: the maximum accumulated amounts of the period.

(8) Endorsement/guarantee provided

(a) The Corporation provided \$21,500,000 thousand guarantee for TFN's bank loans. The Corporation also provided \$19,731,800 thousand in promissory notes outstanding for TFN's borrowings with banks. TFN has drawn down \$1,000,000 thousand from banks within the guarantee amount.

(b) The Corporation and its subsidiary, TFN, obtained \$13,500,000 thousand of syndicated loan from 9 banks led by Chinatrust Commercial Bank. Based on the terms of the agreement, the credit line will be decreased by 50% after two years commencing from May 20, 2008. As of May 20, 2010, the credit line has been reduced to \$6,750,000 thousand. The Corporation provided a guarantee for TFN's bank loan. As of March 31, 2011, the Corporation and TFN had not made any drawdown on this loan.

(9) Other

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

	Three Months Ended March 31	
	2011	2010
TFN	\$ 113,389	109,322

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

6. ASSETS PLEDGED

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

	March 31	
	2011	2010
Time deposits	\$ -	10,000

7. COMMITMENTS AND CONTINGENT EVENTS

- a. To enhance 3G mobile communications, expand network coverage, and increase the service functions, the Corporation entered into a 3G expansion contract with Nokia Siemens Networks Taiwan Co., Ltd. for \$4,800,000 thousand in September 2006 and \$3,840,861 thousand in May 2009 and \$6,650,000 thousand in February 2011, respectively. As of March 31, 2011, the purchase amount was \$4,735,510 thousand and \$3,237,697 thousand and \$0 thousand, respectively.
- b. Future minimum rental payments as of March 31, 2011, for significant operating lease agreements, were summarized as follows:

	Amount
From the second to fourth quarter 2011	\$ 37,648
2012	34,955
2013	35,491
2014	28,554
2015	16,736

8. SIGNIFICANT CASUALTY LOSS: NONE

9. SIGNIFICANT SUBSEQUENT EVENTS: Please refer to Note 4(e) for details.

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

10. OTHER

a. Labor cost, depreciation, and amortization expense

	For the three months ended March 31					
	2011			2010		
	Classified as Operating Costs	Classified as Operating Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Total
Labor cost						
Salary	\$ 233,595	456,990	690,585	233,554	507,896	741,450
Labor and health insurance	14,246	25,807	40,053	12,722	22,630	35,352
Pension	9,310	15,915	25,225	9,262	15,754	25,016
Other	9,910	19,165	29,075	10,078	18,028	28,106
Depreciation	1,605,793	147,459	1,753,252	1,655,786	142,704	1,798,490
Amortization	204,819	33,488	238,307	189,980	29,653	219,633

b. Reclassification

Certain accounts in the financial statements as of and for the three months ended March 31, 2010, have been reclassified to conform to the presentation of financial statements as of and for the three months ended March 31, 2011.

11. ADDITIONAL DISCLOSURES

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

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

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

significant influence: Table 6 (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 7 (attached)
- (2) Significant direct or indirect transactions with the investee company, its prices and terms of payment, unrealized gain or loss, and other related information which is helpful to understand the impact of investment in Mainland China on financial reports: None

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 THREE MONTHS ENDED MARCH 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)	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	\$ 5,000,000	0.893%	Short-term financing	-	Operation requirements	-	-	-	\$ 21,662,488 (Note 2)	21,662,488 (Note 2)
		Taiwan Cellular Co., Ltd.	Other receivables	9,000,000	9,000,000	0.893%~0.95%	Short-term financing	-	Operation requirements	-	-	-	21,662,488 (Note 2)	21,662,488 (Note 2)
		Taiwan Digital Communication Co., Ltd.	Other receivables	300,000	300,000	0.948%~1.002%	Short-term financing	-	Operation requirements	-	-	-	21,662,488 (Note 2)	21,662,488 (Note 2)
		Tai Fu Media Technology Co., Ltd.	Other receivables	50,000	50,000	0.950%	Short-term financing	-	Operation requirements	-	-	-	21,662,488 (Note 2)	21,662,488 (Note 2)
1	Taiwan Cellular Co., Ltd.	TFN Media Co., Ltd.	Other receivables	2,000,000	2,000,000	1.350%	Short-term financing	-	Operation requirements	-	-	-	23,777,661 (Note 2)	23,777,661 (Note 2)
		Win TV Broadcasting Co., Ltd.	Other receivables	360,000	360,000	0.847%~1.009%	Short-term financing	-	Operation requirements	-	-	-	23,777,661 (Note 2)	23,777,661 (Note 2)
2	Taiwan Fixed Network Co., Ltd.	TFN Union Investment Co., Ltd.	Other receivables	500	500	-	Short-term financing	-	Operation requirements	-	-	-	15,447,349 (Note 2)	15,447,349 (Note 2)
		The Corporation	Other receivables	9,000,000	9,000,000	0.893%	Short-term financing	-	Operation requirements	-	-	-	15,447,349 (Note 2)	15,447,349 (Note 2)
3	TCC Investment Co., Ltd.	TCCI Investment and Development Co., Ltd.	Other receivables	500	500	-	Short-term financing	-	Operation requirements	-	-	-	10,647,260 (Note 2)	10,647,260 (Note 2)
4	Union Cable TV Co., Ltd.	TFN Media Co., Ltd.	Other receivables	739,000	739,000	0.851%~1.000%	Short-term financing	-	Repayment of financing	-	-	-	760,492 (Note 3)	13,500,000 (Note 3)
5	Globalview Cable TV Co., Ltd.	TFN Media Co., Ltd.	Other receivables	233,000	233,000	0.851%~1.000%	Transactions	236,420	Business requirements	-	-	-	236,420 (Note 4)	514,944 (Note 4)

(Continued)

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

FINANCING PROVIDED

FOR THE THREE MONTHS ENDED MARCH 31, 2011

No.	Lending Company	Borrowing Company	Financial Statement Account	Maximum Balance for the Period (Note 1)	Ending Balance (Note 1)	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	\$ 584,000	0.854%-0.955%	Transactions	\$ 585,721	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	373,000	373,000	0.854%-1.000%	Transactions	533,078	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	15,000	0.851%	Short-term financing	-	Repayment of financing	-	-	-	122,069 (Note 2)	122,069 (Note 2)

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

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

Note 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 financing company's capital, or 2) the amount of business dealing. 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 financing 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 financing 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 financing 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 financing 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 be both limited to the higher amount of the following items: 1) a multiple of the financing company's capital, or 2) the amount of business dealing.

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES
ENDORSEMENT/GUARANTEE PROVIDED
FOR THE THREE MONTHS ENDED MARCH 31, 2011

TABLE 2
(In Thousands of New Taiwan Dollars)

No.	Endorsement/Guarantor (A)	Receiving Party		Maximum Guarantee/ Endorsement Amount Can Be Provided to Each Receiving Party	Maximum Balance for the Period (Note 1)	Ending Balance (Note 1)	Value of Collaterals	Ratio of Accumulated Endorsement/ Guarantee to Net Worth of the Guarantor (Note 1)	Maximum Guarantee/ Endorsement Can Be Provided by the Guarantor/Endorser
		Name (B)	Nature of Relationship (B is A's)						
0	Taiwan Mobile Co., Ltd. (the "Corporation")	Taiwan Fixed Network Co., Ltd.	(Note 2)	\$ 42,000,000 (Note 3)	\$ 26,557,595	\$ 26,481,800	\$ -	48.90%	\$ 54,156,219
1	Taiwan Teleservices & Technologies Co., Ltd.	Taiwan Fixed Network Co., Ltd.	(Note 4) (Note 6)	20,000 (Note 5)/ (Note 6)	146	146	-	0.16%	93,058 (Note 5)

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

Note 2: Direct/indirect subsidiary

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

Note 4: 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 within the net worth of TT&T, and not over the double of the investment amount in TT&T.

Note 6: Following the sale by TFN of its 100% shareholdings in TT&T on May 14, 2010, the endorsement/guarantee provided by TT&T is for transaction. 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 dealing. The amount of business dealing is \$142,611 thousands.

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES
MARKETABLE SECURITIES HELD
MARCH 31, 2011

TABLE 3

(In Thousands of New Taiwan Dollars or stated otherwise)

Investing Company (A)	Marketable Securities Invested (B)	Relationship with the Investing Company (B is A's)	Financial Statement Account	March 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	\$ 199,094	0.028	\$ 199,094 (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	37,200	305,174	100	305,174	
	Taiwan Cellular Co., Ltd.	Subsidiary	Long-term investments - equity method	30,000	11,623,499 (Note 4)	100	59,444,152	
	Taipei New Horizons Co., Ltd.	Equity-method investee	Long-term investments - equity method	44,910	381,186	49.9	381,186	
Wealth Media Technology Co., Ltd.	<u>Stock</u> Tai Fu Media Technology Co., Ltd.	Subsidiary	Long-term investments - equity method	27,000	204,023	100	204,023	
	Taiwan Win TV Broadcasting Co., Ltd.	Subsidiary	Long-term investments - equity method	16	9,859	100	9,859	
Tai Fu Media Technology Co., Ltd.	<u>Stock</u> Global Wealth Media Technology Co., Ltd.	Subsidiary	Long-term investments - equity method	8,400	91,530	100	91,530	
	Fu Jia Leh Media Technology Co., Ltd.	Subsidiary	Long-term investments - equity method	100	697	100	697	
	Fu Sin Media Technology Co., Ltd.	Subsidiary	Long-term investments - equity method	13,500	143,226	100	143,226	
	Global Forest Media Technology Co., Ltd.	Subsidiary	Long-term investments - equity method	100	573	100	573	
Global Wealth Media Technology Co., Ltd.	<u>Stock</u> Globalview Cable TV Co., Ltd.	Subsidiary	Long-term investments - equity method	3,815	95,345	6.813	47,440	
Fu Sin Media Technology Co., Ltd.	<u>Stock</u> Phoenix Cable TV Co., Ltd.	Subsidiary	Long-term investments - equity method	2,272	134,421	3.34	34,141	
Global Forest Media Technology Co., Ltd.	<u>Stock</u> Union Cable TV Co., Ltd.	Subsidiary	Long-term investments - equity method	326 shares	4	0.0002	4	
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)

(Continued)

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES
MARKETABLE SECURITIES HELD
MARCH 31, 2011

Investing Company (A)	Marketable Securities Invested (B)	Relationship with the Investing Company (B is A's)	Financial Statement Account	March 31, 2011				Note
				Shares/Units (Thousands)	Carrying Value	Percentage of Ownership	Market Value (Note 1)	
	Transportation High Tech Inc.	-	Financial assets carried at cost - non-current	1,200	\$ -	12	\$ -	
	WEB Point Co., Ltd.	-	Financial assets carried at cost - non-current	803	(Note 2) 6,773	3.17	(Note 3) -	
	TWM Holding Co. Ltd.	Subsidiary	Long-term investments - equity method	1 share	US\$ 8,472	100	US\$ 8,472	
	Taiwan Fixed Network Co., Ltd.	Subsidiary	Long-term investments - equity method	2,100,000	38,618,373	100	38,618,373	
	Taiwan Digital Communication Co., Ltd.	Subsidiary	Long-term investments - equity method	1,200	16,526	100	16,526	
	TCC Investment Co., Ltd.	Subsidiary	Long-term investments - equity method	3,950	26,745,333	100	26,618,150	
	Taiwan Teleservices & Technologies Co., Ltd.	Subsidiary	Long-term investments - equity method	1,000	93,058	100	93,058	
TWM Holding Co., Ltd.	<u>Stock</u> TWM Communications (Beijing) Ltd.	Subsidiary	Long-term investments - equity method	-	US\$ 3,924	100	US\$ 3,033	
Taiwan Teleservices & Technologies Co., Ltd.	<u>Stock</u> TT & T Holdings Co., Ltd.	Subsidiary	Long-term investments - equity method	1,300	US\$ 1,460	100	US\$ 1,460	
	Taiwan Super Basketball Co., Ltd.	Subsidiary	Long-term investments - equity method	2,000	19,114	100	19,114	
TT&T Holdings Co., Ltd.	<u>Stock</u> Xiamen Taifu Teleservices & Technologies Co., Ltd.	Subsidiary	Long-term investments - equity method	-	US\$ 1,427	100	US\$ 1,427	
TCC Investment Co., Ltd.	<u>Stock</u> Taiwan Mobile Co., Ltd. (the "Corporation")	The Corporation	Available-for-sale financial assets - non-current	222,774	15,415,973	5.86	15,415,973	
	Win TV Broadcasting Co., Ltd.	Subsidiary	Long-term investments - equity method	18,177	296,006	100	288,389	
	TFN Media Co., Ltd.	Subsidiary	Long-term investments - equity method	230,526	1,332,689	100	3,342,952	
	TCCI Investment and Development Co., Ltd.	Subsidiary	Long-term investments - equity method	400	8,936,657	100	8,936,657	
	Great Taipei Broadband Co., Ltd.	-	Financial assets carried at cost - non-current	10,000	42,845	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	132,849	9,193,128	3.50	9,193,128	(Note 5)
TFN Media Co., Ltd.	<u>Stock</u> Yeong Jia Leh Cable TV Co., Ltd.	Subsidiary	Long-term investments - equity method	33,940	2,175,237	100	650,757	

(Continued)

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES
MARKETABLE SECURITIES HELD
MARCH 31, 2011

Investing Company (A)	Marketable Securities Invested (B)	Relationship with the Investing Company (B is A's)	Financial Statement Account	March 31, 2011				Note
				Shares/Units (Thousands)	Carrying Value	Percentage of Ownership	Market Value (Note 1)	
	Mangrove Cable TV Co., Ltd.	Related party in substance	Long-term investments - equity method	6,248	\$ 622,948	29.53	\$ 359,773 (Note 6)	
	Phoenix Cable TV Co., Ltd.	Subsidiary	Long-term investments - equity method	65,818	3,213,607	96.66	989,102	
	Union Cable TV Co., Ltd.	Subsidiary	Long-term investments - equity method	170,441	2,105,728	99.9869	1,900,981	
	Globalview Cable TV Co., Ltd.	Subsidiary	Long-term investments - equity method	51,733	1,265,776	92.38	643,256	
	Taiwan Kuro Times Co., Ltd.	Subsidiary	Long-term investments - equity method	667	56,983	54.988	32,075	
Taiwan Kuro Times Co., Ltd.	<u>Stock</u> ezPeer Multimedia Limited	Subsidiary	Long-term investments - equity method	1,522	US\$ 1,471	100	US\$ 1,471	
Taiwan Fixed Network Co., Ltd.	<u>Stock</u> TFN Union Investment Co., Ltd.	Subsidiary	Long-term investments - equity method	400	30,694,876	100	30,694,876	
	TFN HK LIMITED	Subsidiary	Long-term investments - equity method	1,300	HK\$ 1,486	100	HK\$ 1,486	
	Taiwan High Speed Rail Corporation	-	Financial assets carried at cost - non-current	225,531	2,120,829	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	456,295	31,575,597	12	31,575,597 (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 April 13, 2011, 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 \$59,444,152 thousand on TCC shall be reduced by 1) downward adjusting \$31,889,100 thousand, the carrying value of total treasury shares on the Corporation's book, 2) excluding \$16,389,353 thousand unrealized gain from financial assets investment, 3) adding back \$475,907 thousand income tax expenses resulted from TFN and TFNI's disposal gain from the Corporation's shares, and 4) excluding recognition of upstream transactions gain of \$18,107 thousand.

Note 5: Based on the closing price on March 31, 2011.

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

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES
TOTAL PURCHASE FROM OR SALE TO RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE THREE MONTHS ENDED MARCH 31, 2011

TABLE 4
(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	\$ (551,139)	(4)	Based on contract terms	-	-	\$ 369,138	7	(Note 1)
			Purchase	674,895	(Note 2)	Based on contract terms	-	-	(262,504)	(Note 3)	
	Taiwan Teleservices & Technologies Co., Ltd.	Subsidiary	Purchase	216,692	(Note 4)	Based on contract terms	-	-	(72,076)	(Note 5)	
Taiwan Teleservices & Technologies Co., Ltd.	The Corporation	Ultimate parent	Sale	(216,725)	(86)	Based on contract terms	-	-	72,094	86	
Taiwan Fixed Network Co., Ltd.	The Corporation	Ultimate parent	Sale	673,059	(25)	Based on contract terms	-	-	261,777	27	
			Purchase	552,034	31	Based on contract terms	-	-	(368,883)	(48)	
TFN Media Co., Ltd.	Phoenix Cable TV Co., Ltd.	Subsidiary	Channel leasing fee	(124,011)	(17)	Based on contract terms	(Note 6)	(Note 6)	380	-	
	Yeong Jia Leh Cable TV Co., Ltd.	Subsidiary	Channel leasing fee	(112,329)	(16)	Based on contract terms	(Note 6)	(Note 6)	2,268	2	
Yeong Jia Leh Cable TV Co., Ltd.	TFN Media Co., Ltd.	Parent	Royalty of copyright	112,329	66	Based on contract terms	(Note 6)	(Note 6)	(2,268)	(15)	
Phoenix Cable TV Co., Ltd.	TFN Media Co., Ltd.	Parent	Royalty of copyright	124,011	69	Based on contract terms	(Note 6)	(Note 6)	(380)	(6)	

Note 1: The \$37,414 thousand accounts receivable amount was expressed on a gross basis in accordance with sales amount. The net accounts receivable should be \$369,138 thousand after deducting accounts payable and accrued custodial receipts/payments totaled \$331,724 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: Recognized as accrued expenses.

Note 6: No comparables on such kind of transactions.

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES
RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE THREE MONTHS ENDED MARCH 31, 2011

TABLE 5
(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 \$ 369,138	5.96	\$ -	-	\$ 167	\$ -				
			Other receivables 43,621						-	-	329	-
	TFN Media Co., Ltd.	Subsidiary	Other receivables 3,718,969						-	-	-	-
	Taiwan Cellular Co., Ltd.	Subsidiary	Other receivables 8,017,888		-	-	-	-				
Taiwan Cellular Co., Ltd.	TFN Media Co., Ltd.	Subsidiary	Other receivables 1,418,031		-	-	-	-				
	Win TV Broadcasting Co., Ltd.	Subsidiary	Other receivables 180,231		-	-	-	-				
Taiwan Teleservices & Technologies Co., Ltd.	The Corporation	Ultimate parent	Accounts receivable 72,094	12.44	-	-	-	-				
Taiwan Fixed Network Co., Ltd.	The Corporation	Ultimate parent	Accounts receivable 261,777	10.62	-	-	90	-				
			Other receivables 6,777,041						-	-	59,623	-
Phoenix Cable TV Co., Ltd.	TFN Media Co., Ltd.	Parent	Accounts receivable 17,270	4.86	-	-	-	-				
			Other receivables 583,705						-	-	-	-
Union Cable TV Co., Ltd.	TFN Media Co., Ltd.	Parent	Accounts receivable 10,834	3.75	-	-	-	-				
			Other receivables 656,668						-	-	-	-
Globalview Cable TV Co., Ltd.	TFN Media Co., Ltd.	Parent	Accounts receivable 6,584	4.91	-	-	-	-				
			Other receivables 233,563						-	-	-	-
Yeong Jia Leh Cable TV Co., Ltd.	TFN Media Co., Ltd.	Parent	Accounts receivable 15,965	4.68	-	-	-	-				
			Other receivables 356,247						-	-	-	-

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES
NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
MARCH 31, 2011

TABLE 6
(In Thousands of New Taiwan Dollars)

Investor	Investee	Location	Main Businesses and Products	Investment Amount		Balance as of March 31, 2011			Net Income (Loss) of the Investee	Investment Income (Loss)	Note
				March 31, 2011	March 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	\$ 37,558,330	\$ 37,558,330	30,000	100	\$ 11,623,499	\$ 1,015,103	\$ 1,010,625	
	Taipei New Horizons Co., Ltd.	Taipei, Taiwan	Real Estate Rental and Sale	449,100	449,100	44,910	49.9	381,186	(13,659)	(6,816)	
	Wealth Media Technology Co., Ltd.	Taipei, Taiwan	Investment	372,000	372,000	37,200	100	305,174	3,197	3,197	
Wealth Media Technology Co., Ltd.	Tai Fu Media Technology Co., Ltd.	Taipei, Taiwan	Investment	270,000	270,000	27,000	100	204,023	3,253	NA	
	Taiwan Win TV Broadcasting Co., Ltd.	Taipei, Taiwan	TV program producing	10,000	10,000	16	100	9,859	(53)	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	91,530	1,593	NA	
	Fu Jia Leh Media Technology Co., Ltd.	Taipei, Taiwan	Investment	1,700	1,700	100	100	697	(71)	NA	
	Fu Sin Media Technology Co., Ltd.	Taipei, Taiwan	Investment	135,000	135,000	13,500	100	143,226	1,947	NA	
	Global Forest Media Technology Co., Ltd.	Taipei, Taiwan	Investment	1,000	1,000	100	100	573	(69)	NA	
Global Wealth Media Technology Co., Ltd.	Globalview Cable TV Co., Ltd.	New Taipei City, Taiwan	Cable TV service provider	91,691	91,691	3,815	6.813	95,345	24,632	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	134,421	60,250	NA	
Global Forest Media Technology Co., Ltd.	Union Cable TV Co., Ltd.	Yilan County, Taiwan	Cable TV service provider	4	4	326 shares	0.0002	4	33,903	NA	
Taiwan Cellular Co., Ltd.	TWM Holding Co. Ltd.	British Virgin Islands	Investment	US\$ 10,800	US\$ 10,800	1 share	100	US\$ 8,472	US\$ (148)	NA	
	Taiwan Fixed Network Co., Ltd.	Taipei, Taiwan	Fixed line service provider	21,000,000	21,000,000	2,100,000	100	38,618,373	537,049	NA	
	Taiwan Digital Communication Co., Ltd.	Taipei, Taiwan	Telecom engineering and IT service	12,000	12,000	1,200	100	16,526	4,922	NA	
	TCC Investment Co., Ltd.	Taipei, Taiwan	Investment	22,301,000	22,301,000	3,950	100	26,745,333	477,620	NA	
	Taiwan Teleservices & Technologies Co., Ltd. (Note 3)	Taipei, Taiwan	Call center service and ISR (international simple resales)	10,000	10,000	1,000	100	93,058	12,536	NA	
TWM Holding Co. Ltd.	TWM Communications (Beijing) Ltd.	Beijing, China	Mobile application development and design	US\$ 4,936	US\$ 4,936	-	100	US\$ 3,924	US\$ (149)	NA	
Taiwan Teleservices & Technologies Co., Ltd.	TT&T Holdings Co., Ltd.	Samoa	Investment	US\$ 1,300	US\$ 1,300	1,300	100	US\$ 1,460	US\$ 57	NA	
	Taiwan Super Basketball Co., Ltd.	Taipei, Taiwan	Basketball team management	20,000	20,000	2,000	100	19,114	(969)	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\$ 1,427	US\$ 50	NA	
TCC Investment Co., Ltd.	Win TV Broadcasting Co., Ltd.	Taipei, Taiwan	TV program provider	188,047	188,047	18,177	100	296,006	20,197	NA	
	TFN Media Co., Ltd.	Taipei, Taiwan	Cable broadband and value added service provider	2,035,714	2,035,714	230,526	100	1,332,689	491,527	NA	
	TCCI Investment and Development Co., Ltd.	Taipei, Taiwan	Investment	6,629,149	6,629,149	400	100	8,936,657	-	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	2,175,237	60,516	NA	
	Mangrove Cable TV Co., Ltd.	New Taipei City, Taiwan	Cable TV service provider	397,703	397,703	6,248	29.53	622,948	28,346	NA	
	Phoenix Cable TV Co., Ltd.	Kaohsiung County, Taiwan	Cable TV service provider	2,294,967	2,294,967	65,818	96.66	3,213,607	60,250	NA	
	Union Cable TV Co., Ltd.	Yilan County, Taiwan	Cable TV service provider	1,904,436	1,904,436	170,441	99.9869	2,105,728	33,903	NA	
	Globalview Cable TV Co., Ltd.	New Taipei City, Taiwan	Cable TV service provider	841,413	841,413	51,733	92.38	1,265,776	24,632	NA	
	Taiwan Kuro Times Co., Ltd.	Taipei, Taiwan	The platform of music supplied	63,900	63,900	667	54.988	56,983	5,651	NA	
Taiwan Kuro Times Co., Ltd.	ezPeer Multimedia Limited	Samoa	Investment	US\$ 1,522	US\$ 1,522	1,522	100	US\$ 1,471	US\$ (25)	NA	
Taiwan Fixed Network Co., Ltd.	TFN Union Investment Co., Ltd.	Taipei, Taiwan	Investment	22,769,109	22,769,109	400	100	30,694,876	-	NA	
	TFN HK LIMITED	Hong Kong	Telecommunications service provider	HK\$ 1,300	HK\$ 1,300	1,300	100	HK\$ 1,486	HK\$ 123	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 \$59,444,152 thousand on TCC shall be reduced by 1) downward adjusting \$31,889,100 thousand, the carrying value of total treasury shares on the Corporation's book, 2) excluding \$16,389,353 thousand unrealized gain from financial assets investment, 3) adding back \$475,907 thousand income tax expenses resulted from TFN and TFNI's disposal gain from the Corporation's shares, and 4) excluding recognition of upstream transactions gain of \$18,107 thousand.

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

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES
INVESTMENT IN MAINLAND CHINA
FOR THE THREE MONTHS ENDED MARCH 31, 2011

TABLE 7
(In Thousands of New Taiwan Dollars or 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 March 31, 2011	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 3)	Carrying Value as of March 31, 2011	Accumulated Inward Remittance of Earnings as of March 31, 2011
					Outflow	Inflow					
Xiamen Taifu Teleservices & Technologies Co., Ltd.	Call center service	US\$ 1,300 (NT\$ 38,324)	Indirect investment in Mainland China through a third place by the Corporation's subsidiary, Taiwan Teleservices & Technologies Co., Ltd.	US\$ 1,300 (NT\$ 38,324)	\$ -	\$ -	US\$ 1,300 (NT\$ 38,324)	100% ownership of indirect investment by the Corporation's subsidiary	US\$ 50 (NT\$ 1,474)	US\$ 1,427 (NT\$ 42,068)	\$ -
TWM Communications (Beijing) Ltd.	Mobile application development and design	US\$ 3,000 (NT\$ 88,440)	Indirect investment in Mainland China through a third place by the Corporation's subsidiary, Taiwan Cellular Co., Ltd.	US\$ 4,872 (NT\$ 143,627)	-	-	US\$ 4,872 (NT\$ 143,627)	100% ownership of indirect investment by the Corporation's subsidiary	US\$ (149) (NT\$ (4,393))	US\$ 3,924 (NT\$ 115,680)	-

Accumulated Investment in Mainland China as of March 31, 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\$38,324)	US\$1,300 (NT\$38,324)	\$93,058
US\$4,872 (NT\$143,627)	US\$4,872 (NT\$143,627)	\$59,444,152

Note 1: The above amounts were translated into New Taiwan dollars at the exchange rate of US\$1=NT\$29.48, and RMB1=NT\$4.5165 as of March 31, 2011.

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

Note 3: Calculation was based on audited financial statements.