

Taiwan Mobile Co., Ltd.
Financial Statements
December 31, 2010 and 2009
(With Independent Auditors' Report Thereon)

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying balance sheet of Taiwan Mobile Co., Ltd. (the Corporation) as of December 31, 2010, and the related statements of income and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to issue a report based on our audit. The financial statements of Taiwan Mobile Co., Ltd. as of December 31, 2009, and for the year then ended have been audited by other auditors, who have issued an audit report dated January 20, 2010, expressed an unqualified audit report.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Taiwan Mobile Co., Ltd. as of December 31, 2010, and the results of its operations and its cash flows for the year then ended, in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, requirements of the Business Accounting Law and Guidelines Governing Business Accounting relevant to financial accounting standards, and accounting principles generally accepted in the Republic of China.

We have also audited the consolidated balance sheet of the Corporation and its subsidiaries as of December 31, 2010, and the related consolidated statements of income, changes in shareholders' equity, and cash flows for the year then ended on which we have issued an modified audit report dated January 15, 2010, with prior period consolidated financial statements were audited by other auditors.

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

KPMG
Taipei, Taiwan (the Republic of China)
January 15, 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

DECEMBER 31, 2010 AND 2009

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

(Reviewed, Not Audited)

	2010		2009			2010		2009	
	Amount	%	Amount	%		Amount	%	Amount	%
ASSETS									
CURRENT ASSETS :					LIABILITIES AND SHAREHOLDERS' EQUITY				
Cash and cash equivalents (Notes 2, 4(a), 4(s) and 5)	\$ 3,880,881	4	1,057,042	1	CURRENT LIABILITIES :				
Available-for-sale financial assets-current (Notes 2, 4(b) and 4(s))	201,322	-	177,821	-	Short-term borrowings (Notes 4(j), 4(s) and 5)	\$ 9,645,000	11	5,000,000	6
Notes receivable(Note 4(s))	378	-	16,772	-	Short-term notes and bills payable (Notes 4(k) and 4(s))	499,732	1	299,872	-
Accounts receivable, net (Notes 2, 4(c) and 4(s))	5,493,572	6	5,538,852	7	Accounts payable (Note 4(s))	2,739,933	3	2,055,758	3
Accounts receivable-related parties (Notes 2, 4(s) and 5)	85,823	-	22,668	-	Income taxes payable (Notes 2, 4(q) and 4(s))	917,585	1	1,478,353	2
Other receivables(Note 4(s))	370,390	1	157,737	-	Accrued expenses (Notes 4(s) and 5)	4,471,500	5	4,549,206	6
Other receivables-related parties (Notes 4(s) and 5)	12,251,892	14	5,608,315	7	Other payables (Notes 2, 4(s) and 5)	4,348,846	5	3,739,454	5
Inventories (Note 2)	1,065,263	1	429,129	1	Advance receipts (Note 4(l))	2,500,500	3	1,195,832	1
Prepayments (Note 4(d))	463,123	1	482,598	1	Guarantee deposits-current(Note 4(s))	65,194	-	60,624	-
Deferred income tax assets-current (Notes 2 and 4(q))	5,184	-	27,261	-	Other current liabilities (Note 5)	432,995	1	454,633	1
Pledged time deposits (Notes 4(s), 5 and 6)	-	-	10,000	-	Total current liabilities	25,621,285	30	18,833,732	24
Other current assets	1,857	-	2,534	-	LONG-TERM LIABILITIES :				
Total current assets	23,819,685	27	13,530,729	17	Bonds payable (Notes 4(m) and 4(s))	8,000,000	9	8,000,000	10
INVESTMENTS :					Long-term borrowings(Note 4(n))	800,000	1	-	-
Investments accounted for using the equity method (Notes 2 and 4(e))	11,308,819	13	9,758,509	12	Total long-term liabilities	8,800,000	10	8,000,000	10
Financial assets carried at cost-non-current(Notes 2, 4(f) and 4(s))	50,324	-	50,324	-	OTHER LIABILITIES :				
Total investments	11,359,143	13	9,808,833	12	Guarantee deposits(Note 4(s))	259,587	-	265,205	-
PROPERTY AND EQUIPMENT (Notes 2, 4(g) and 5) :					Deferred credits-gains on intercompany accounts (Notes 2 and 4(e))	1,238,378	2	1,238,378	2
Land	3,979,837	4	3,866,289	5	Other (Note 2)	366,652	-	353,395	-
Buildings	2,448,616	3	2,385,587	3	Total other liabilities	1,864,617	2	1,856,978	2
Telecommunication equipment	56,323,134	65	57,715,923	71	Total liabilities	36,285,902	42	28,690,710	36
Office equipment	9,377	-	32,600	-	SHAREHOLDERS' EQUITY (Notes 2 and 4(p)) :				
Leased assets	1,285,920	1	1,285,920	2	Capital stock -NT\$10.00 par value				
Miscellaneous equipment	2,448,210	3	2,561,030	3	Authorized: 6,000,000 thousand shares				
	66,495,094	76	67,847,349	84	Issued: 3,800,925 thousand shares	38,009,254	44	38,009,254	47
Less accumulated depreciation	(33,240,498)	(38)	(30,434,884)	(38)	Capital surplus :				
Less accumulated impairment-property	(74,229)	-	-	-	From convertible bonds	8,775,819	10	8,775,819	11
Construction in progress and prepayments for equipment	1,834,018	2	1,620,547	2	From treasury stock transactions	3,639,302	4	3,639,302	4
Net property and equipment	35,014,385	40	39,033,012	48	From long-term investments	4,528	-	3,743	-
INTANGIBLE ASSETS (Note 2)					Other	12,840	-	12,840	-
3G concession license	5,981,673	7	6,729,382	8	Retained earnings :				
Computer software cost	1,165	-	2,919	-	Legal reserve	15,332,799	18	13,943,913	17
Goodwill (Note 4(h))	6,835,370	8	6,835,370	9	Special reserve	821,741	1	3,350,000	4
Total intangible assets	12,818,208	15	13,567,671	17	Unappropriated earnings	16,088,941	18	16,155,617	20
OTHER ASSETS :					Other equity :				
Assets leased to others (Notes 2, 4(i) and 5)	2,202,746	3	2,198,291	3	Cumulative translation adjustments	(5,716)	-	12,011	-
Idle assets (Notes 2 and 4(i))	64,822	-	222,137	-	Net loss not recognized as pension cost	(10,695)	-	(3,797)	-
Refundable deposits(Note 4(s))	316,243	-	312,915	-	Unrealized gains on financial instruments	89,842	-	63,624	-
Deferred charges (Note 2)	396,430	1	406,765	1	Treasury stock	(31,889,100)	(37)	(31,889,100)	(39)
Deferred income tax asset-non-current (Notes 2 and 4(q))	1,130,136	1	1,626,446	2	Total shareholders' equity	50,869,555	58	52,073,226	64
Other (Notes 2 and 4(o))	33,659	-	57,137	-	Commitments and Contingencies (Note 7)				
Total other assets	4,144,036	5	4,823,691	6					
TOTAL	\$ 87,155,457	100	80,763,936	100	TOTAL	\$ 87,155,457	100	80,763,936	100

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

TAIWAN MOBLIE CO., LTD.

STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2010 AND 2009
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	<u>2010</u>		<u>2009</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
OPERATING REVENUES (Notes 2 and 5)				
Telecommunication service revenue	\$ 55,001,883	94	55,159,348	97
Other revenue	3,545,402	6	1,856,104	3
Total operating revenues	<u>58,547,285</u>	<u>100</u>	<u>57,015,452</u>	<u>100</u>
OPERATING COSTS (Notes 2, 5 and 10)	<u>32,808,712</u>	<u>56</u>	<u>27,165,925</u>	<u>48</u>
GROSS PROFIT	<u>25,738,573</u>	<u>44</u>	<u>29,849,527</u>	<u>52</u>
OPERATING EXPENSES (Notes 2, 5 and 10)				
Marketing	8,330,905	14	9,200,370	16
Administrative	3,707,102	6	4,016,360	7
Total operating expenses	<u>12,038,007</u>	<u>20</u>	<u>13,216,730</u>	<u>23</u>
OPERATING INCOME	<u>13,700,566</u>	<u>24</u>	<u>16,632,797</u>	<u>29</u>
NON-OPERATING INCOME AND GAINS				
Investment income recognized under the equity method, net (Notes 2 and 4(e))	3,658,491	6	3,044,360	6
Income from penalty charge	272,040	1	257,612	1
Rental income (Notes 2 and 5)	189,974	-	193,415	-
Interest income (Note 5)	88,456	-	49,057	-
Gain on disposal of property and equipment	47,576	-	-	-
Dividend income (Note 2)	11,031	-	10,405	-
Other (Notes 2 and 4(c))	198,148	-	175,864	-
Total non-operating income and gains	<u>4,465,716</u>	<u>7</u>	<u>3,730,713</u>	<u>7</u>
NON-OPERATING EXPENSES AND LOSSES				
Loss on disposal and retirement of property and equipment (Note 2)	1,289,178	2	1,529,902	3
Interest expenses (Notes 2, 4(g), 5 and 11)	327,998	1	563,715	1
financial charges	21,907	-	22,892	-
Impairment loss (Notes 2 and 4(f))	-	-	9,740	-
Other (Note 2)	129,055	-	104,770	-
Total non-operating expenses and losses	<u>1,768,138</u>	<u>3</u>	<u>2,231,019</u>	<u>4</u>
INCOME BEFORE INCOME TAX	<u>16,398,144</u>	<u>28</u>	<u>18,132,491</u>	<u>32</u>
INCOME TAX EXPENSE (Note 2 and 4(q))	<u>2,575,958</u>	<u>5</u>	<u>4,243,629</u>	<u>8</u>
NET INCOME	<u>\$ 13,822,186</u>	<u>23</u>	<u>13,888,862</u>	<u>24</u>
	Before	After	Before	After
	Income	Income	Income	Income
	Tax	Tax	Tax	Tax
EARNINGS PER SHARE (Note 4(r))				
Basic	<u>\$ 5.48</u>	<u>4.62</u>	<u>6.09</u>	<u>4.66</u>
Diluted	<u>\$ 5.47</u>	<u>4.61</u>	<u>6.07</u>	<u>4.65</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>\$ 13,822,186</u>		<u>13,412,955</u>	
EARNINGS PER SHARE AFTER INCOME TAX				
Basic		<u>\$ 3.64</u>		<u>3.54</u>
Diluted		<u>\$ 3.63</u>		<u>3.53</u>

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

TAIWAN MOBLIE CO., LTD.
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2010 AND 2009
(In Thousands of New Taiwan Dollars, Except Per Share)

	Retained Earnings					Cumulative Translation Adjustments	Net Loss Not Recognized as Pension Cost	Uneralized Gains (Loss) on Financial Instruments	Treasury Stock	Total Shareholders' Equity	
	Capital Stock	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated						Total
BALANCE, JANUARY 1, 2009	\$ 38,009,254	12,297,839	12,406,775	3,406,744	17,716,013	33,529,532	17,840	2,862	(5,897)	(32,948,832)	50,902,598
Appropriation of the 2008 earnings											
Legal reserve	-	-	1,537,138	-	(1,537,138)	-	-	-	-	-	-
Reversal of special reserve	-	-	-	(56,744)	56,744	-	-	-	-	-	-
Cash dividends-NT\$4.68704 per share	-	-	-	-	(13,968,864)	(13,968,864)	-	-	-	-	(13,968,864)
Balance after appropriation	38,009,254	12,297,839	13,943,913	3,350,000	2,266,755	19,560,668	17,840	2,862	(5,897)	(32,948,832)	36,933,734
Net income in 2009	-	-	-	-	13,888,862	13,888,862	-	-	-	-	13,888,862
Unrealized loss on financial instruments, net	-	-	-	-	-	-	-	-	(52,695)	-	(52,695)
Compensation cost recognized from employees stock options	-	134,541	-	-	-	-	-	-	-	-	134,541
Transfer of treasury stock to employees	-	(3,254)	-	-	-	-	-	-	-	1,059,732	1,056,478
Adjustment on change of equity-method investments	-	2,578	-	-	-	-	(5,829)	(6,659)	122,216	-	112,306
BALANCE, DECEMBER 31, 2009	38,009,254	12,431,704	13,943,913	3,350,000	16,155,617	33,449,530	12,011	(3,797)	63,624	(31,889,100)	52,073,226
Appropriation of the 2009 earnings :											
Legal reserve	-	-	1,388,886	-	(1,388,886)	-	-	-	-	-	-
Reversal of special reserve	-	-	-	(2,528,259)	2,528,259	-	-	-	-	-	-
Cash dividends-NT\$5.02783 per share	-	-	-	-	(15,028,235)	(15,028,235)	-	-	-	-	(15,028,235)
Balance after appropriation	38,009,254	12,431,704	15,332,799	821,741	2,266,755	18,421,295	12,011	(3,797)	63,624	(31,889,100)	37,044,991
Net income in 2010	-	-	-	-	13,822,186	13,822,186	-	-	-	-	13,822,186
Unrealized gain on financial instruments, net	-	-	-	-	-	-	-	-	26,218	-	26,218
Adjustment on change of equity-method investments	-	785	-	-	-	-	(17,727)	(6,898)	-	-	(23,840)
BALANCE, DECEMBER 31, 2010	\$ 38,009,254	12,432,489	15,332,799	821,741	16,088,941	32,243,481	(5,716)	(10,695)	89,842	(31,889,100)	50,869,555

Note 1 : The remuneration to directors and supervisors of \$41,470 thousand and the bonus to employees of \$414,697 thousand been expensed and deducted from 2008 earnings.

Note 2 : The remuneration to directors and supervisors of \$37,483 thousand and the bonus to employees of \$374,826 thousand been expensed and deducted from 2009 earnings.

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

TAIWAN MOBLIE CO., LTD.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2010 AND 2009
(In Thousands of New Taiwan Dollars)

	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 13,822,186	13,888,862
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	7,184,516	7,020,517
Investment income recognized under the equity method, net	(3,658,491)	(3,044,360)
Cash dividends received from equity-method investees	2,383,941	5,525,230
Loss on disposal and retirement of property and equipment, net	1,241,602	1,529,902
Amortization	878,155	866,210
Deferred income taxes	518,387	977,088
Bad debts	436,428	601,127
Provision (reversal) of allowance for loss on inventories	22,704	(12,213)
Pension cost	3,125	2,531
Compensation cost recognized from employee stock options	-	108,153
Impairment loss	-	9,740
Changes in operating assets and liabilities		
Notes receivable	16,394	(2,633)
Accounts receivable, net	(392,042)	(358,101)
Accounts receivable - related parties	(63,155)	(17,199)
Other receivables	(290,621)	137,027
Other receivables - related parties	(45,577)	(40,561)
Inventories	(658,838)	(107,018)
Prepayments	19,475	145,739
Other current assets	677	5,348
Accounts payable	684,175	(204,772)
Income taxes payable	(560,768)	(660,910)
Accrued expenses	(77,706)	(94,658)
Other payables	494,630	4,571
Advance receipts	1,304,668	(165,579)
Other current liabilities	54,189	82,779
Net cash provided by operating activities	<u>23,318,054</u>	<u>26,196,820</u>

TAIWAN MOBLIE CO., LTD.
STATEMENTS OF CASH FLOWS(CONT'D)
YEARS ENDED DECEMBER 31, 2010 AND 2009
(In Thousands of New Taiwan Dollars)

	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in financing provided to investees, net	(10,098,000)	(45,000)
Acquisition of property and equipment	(4,193,402)	(4,851,627)
Proceeds from investees' capital reduction	3,502,717	5,356
Increase in investments accounted for using the equity method	(299,600)	-
Increase in deferred charges	(121,722)	(213,995)
Proceeds from disposal of property and equipment	93,367	9,611
Decrease in pledged time deposits	10,000	-
(Increase) decrease in refundable deposits	(3,328)	4,653
Decrease in other assets	142	10,176
Increase in computer software costs	-	(1,686)
Net cash used in investing activities	<u>(11,109,826)</u>	<u>(5,082,512)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash dividends paid	(15,028,201)	(13,968,840)
Increase in short-term borrowings	4,645,000	3,700,000
Increase in long-term borrowings	800,000	-
Increase in short-term notes and bills payable	199,860	299,872
(Decrease) increase in guarantee deposits	(1,048)	10,849
Decrease in bonds payable	-	(7,500,000)
Decrease in long-term borrowings	-	(5,200,000)
Transfer of treasury stock to employees	-	1,056,478
Net cash used in financing activities	<u>(9,384,389)</u>	<u>(21,601,641)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>2,823,839</u>	<u>(487,333)</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,057,042</u>	<u>1,544,375</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 3,880,881</u>	<u>1,057,042</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid	\$ 261,635	482,409
Less interest capitalized	7,753	16,685
Interest paid - excluding interest capitalized	<u>\$ 253,882</u>	<u>465,724</u>
Income tax paid	<u>\$ 2,110,960</u>	<u>3,994,139</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	\$ 4,344,632	4,546,368
(Increase) decrease in other payables	(137,972)	302,383
(Increase) decrease in other liabilities-other	(13,258)	2,876
Cash paid for acquisition of property and equipment	<u>\$ 4,193,402</u>	<u>4,851,627</u>

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

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2010 AND 2009
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. ORGANIZATION AND OPERATIONS

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

The Corporation's services are under the type I license 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 order No.09900111921 issued by the Ministry Of Transportation And Communications on November 25, 2010. It also entails the payment of an annual license fee consisting of 2% of total wireless communication service revenues. On March 24, 2005, the Corporation received the third generation (3G) concession operation license issued by the DGT. The 3G license allows the Corporation to provide services from the issuance date of the license to December 31, 2018.

As of December 31, 2010 and 2009, the Corporation had 2,548 and 2,496 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.

Allowance for Doubtful Accounts

Allowance for doubtful accounts is provided on the basis of past experience and an evaluation of the aging and collectibility of all receivables at the balance sheet date.

Inventories

Inventories are recorded at weighted-average cost. Before January 1, 2009, inventories were stated at the lower of the cost or market value. Market value was evaluated on the basis of replacement cost or net realizable value. Effective from January 1, 2009, however, inventories are stated at the lower of 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, based on the Interpretation No. 2008-340 issued by the Accounting Research and Development Foundation (ARDF) in November 2008.

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

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

Accounting for Leases

In accordance with SFAS No. 2, "Accounting for Leases," a lease is identified as either an operating lease or a capital lease based on the lease contract terms, the 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.

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

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

Intangible Assets

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.

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

Share-based Compensation

Employee stock options granted on or after January 1, 2008, are accounted for under SFAS No 39, "Accounting for Share-based Payment." Under the statement, the value of the stock options granted, which is equal to the best available estimate of the number of stock options expected to vest multiplied by the grant-date fair value, is expensed on a straight-line basis over the vesting period with a corresponding adjustment to capital surplus-employee stock options.

Pension Costs

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

Income Taxes

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

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

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

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

Treasury Stock

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

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

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

Foreign-currency Transactions

Assets, liabilities, revenues or expenses denominated in foreign currencies as a result of foreign-currency transactions 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, and the resulting exchange differences are included in profit or loss for the current period except for the differences arising on the retranslation of non-monetary assets and liabilities in respect of which gains and losses are recognized directly in equity. For such non-monetary assets and liabilities, any exchange component of that gain or loss is also recognized directly in equity. Non-monetary assets or liabilities carried at cost that are denominated in foreign currencies are translated at the historical rates prevailing at the dates of transactions.

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

Revenue Recognition

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

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

Promotion Expenses

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

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

Hedging Derivative Financial Instruments

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

Hedge Accounting

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

Because the Corporation entered into interest rate swaps (IRS) contracts to hedge against cash flow risk from inverse floating interest rates of liabilities, it was qualified to apply hedge accounting. The accounting treatment is as follows: Gain or loss from changes in the fair value of the derivatives, which is recognized in shareholder's equity, shall be reclassified in earnings, if gain or loss from the expected transaction of the hedged position occurs. When there is any objective evidence that the net loss recognized in shareholders' equity is expected to be unrecoverable, the mentioned net loss should be reclassified as earnings as well.

3. EFFECTS OF CHANGES IN ACCOUNTING PRINCIPLES : None

4. SUMMARY OF MAJOR ACCOUNTS

a. Cash and cash equivalents

	December 31	
	2010	2009
Government bonds with repurchase rights	\$ 1,885,059	265,000
Time deposits	1,437,775	45,139
Cash in banks	300,484	517,071
Short-term notes and bills with repurchase rights	200,024	202,000
Cash on hand	50,514	21,999
Revolving funds	7,025	5,833
	\$ 3,880,881	1, 057,042

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

b. Available-for-sale financial assets – current

	December 31	
	2010	2009
Domestic listed stocks		
Chunghwa Telecom Co., Ltd.	\$ 201,322	177,821

c. Accounts receivable, net

	December 31	
	2010	2009
Accounts receivable	\$ 5,860,597	5,949,853
Less allowance for doubtful accounts	(367,025)	(411,001)
	\$ 5,493,572	5,538,852

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.

d. Prepayments

	December 31	
	2010	2009
Prepaid commissions	\$ 290,648	269,244
Prepaid rents	73,425	89,155
Other	99,050	124,199
	\$ 463,123	482,598

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

e. Investments accounted for using the equity method

	December 31			
	2010		2009	
	Carrying Value	% of Owner- ship	Carrying Value	% of Owner- ship
Taiwan Cellular Co., Ltd. (TCC)	\$ 10,618,840	100	9,353,920	100
Taipei New Horizons Co., Ltd. (TNH)	388,002	49.9	211,974	49.9
Wealth Media Technology Co., Ltd. (WMT)	301,977	100	192,615	100
	\$ 11,308,819		9,758,509	

(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 December 31, 2010, the amount of deferred credits recognized by the Corporation was \$1,238,378 thousand.

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

As of December 31, 2010, 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(p) 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.

(4) Equity in investees' net gains or losses

The carrying value of the investments under the equity method and the related investment income or losses were determined on the basis of audited financial statements.

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

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

	For the year ended December 31	
	2010	2009
TCC	\$ 3,672,572	3,115,006
TNH	(23,572)	(37,526)
WMT	9,491	(33,120)
	\$ 3,658,491	3,044,360

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

	December 31	
	2010	2009
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. An impairment loss of \$9,740 thousand was recognized for the year ended December 31, 2009.

g. Property and equipment — accumulated depreciation

	December 31	
	2010	2009
Buildings	\$ 454,417	392,953
Telecommunication equipment	30,865,040	28,394,030
Office equipment	5,253	21,298
Leased assets	550,606	485,455
Miscellaneous equipment	1,365,182	1,141,148
	\$ 33,240,498	30,434,884

Capitalized interests for the years ended December 31, 2010 and 2009, were \$7,753 thousand and \$16,685 thousand, respectively, with capitalization rates ranging from 1.56%-2.88% and 2.4%-2.76%, respectively.

TAIWAN MOBILE CO., LTD.
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

	December 31	
	2010	2009
Assets leased to others		
Cost	\$ 2,360,147	2,338,225
Less accumulated depreciation	(146,810)	(129,343)
Less accumulated impairment	(10,591)	(10,591)
	\$ 2,202,746	2,198,291
Idle assets		
Cost	\$ 155,771	427,548
Less allowance for value decline	(35,929)	(35,929)
Less accumulated depreciation	(24,744)	(43,053)
Less accumulated impairment	(30,276)	(126,429)
	\$ 64,822	222,137

j. Short-term borrowings

	December 31	
	2010	2009
Unsecured loans provided by related party	\$ 6,645,000	-
Unsecured loans provided from financial institutions	3,000,000	5,000,000
	\$ 9,645,000	5,000,000
Interest rate	0.69%~0.893%	0.57%~0.60%

k. Short-term notes and bills payable

	December 31	
	2010	2009
Commercial paper payable		
China Bills Finance Corporation	\$ 500,000	-
Grand Bills Finance Corporation	-	300,000
Less discount on short-term notes and bills payable	(268)	(128)
Net carrying value	\$ 499,732	299,872
Interest rate	0.46%	0.27%
	2010.12.31~	2009.12.10~
Period	2011.01.28	2010.1.29

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

l. Advance receipts

In accordance with NCC's policy, the Corporation entered into a contract with First Commercial Bank Co., Ltd., which provided performance guarantee for advance receipts from prepaid card customers. The guaranteed advance receipts from prepaid card customers were \$905,748 thousand as of December 31, 2010.

m. Bonds payable

	December 31			
	2010		2009	
	Current	Non-current	Current	Non-current
Domestic unsecured bonds	\$ -	8,000,000	-	8,000,000

(1) 1st domestic unsecured bonds

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

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

The last installments of the above-mentioned corporate bonds were repaid by the Corporation in December 2009.

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

(2) 2nd domestic unsecured bonds

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

n. Long-term borrowings

	December 31	
	2010	2009
Unsecured loans	\$ 800,000	-
Interest rate	0.8832%	

To provide medium-term working capital, the Corporation and its subsidiary, TFN, entered into a syndicated loan with a joint credit line of \$13,500,000 thousand with 9 banks led by Chinatrust Commercial Bank on February 21, 2008. This joint credit facility covers a period of three years commencing from May 20, 2008. Based on the terms of this agreement, the credit line will be decreased by 50% after two years from the commencing date. As of May 20, 2010, the credit line has been reduced to \$6,750,000 thousand. Also, interests are payable monthly. Upon maturity, the loan is allowed to revolve within its credit limits. The contract requires the Corporation to maintain certain financial ratios including debt ratios, interest coverage, and tangible net asset ratio based on semi-annual financials. The Corporation also bears the repayment liability with respect to TFN's borrowing. Please refer to Note 5 for further information.

o. Pension plan

The Labor Pension Act (LPA) provides for a defined contribution pension plan. Starting from July 1, 2005, the Corporation should contribute monthly an amount equal to 6% of the employees' monthly salaries to the employees' individual pension accounts. The contributed amount was \$106,195 thousand and \$108,662 thousand for the years ended December 31, 2010 and 2009, 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 in July 2007.) Approved by Department of Labor of Taipei City Government, the Corporation suspended contributing from February 2007 to January 2011.

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

(1) Pension cost

	Years Ended December 31	
	2010	2009
Service cost	\$ 3,004	3,127
Interest cost	8,215	10,656
Projected return of pension assets	(8,631)	(11,789)
Amortization	537	537
Pension cost	\$ 3,125	2,531

(2) Changes in the prepaid pension cost

	December 31	
	2010	2009
Benefit obligation		
Vested	\$ (1,085)	-
Non-vested	(259,291)	(252,211)
Accumulated	(260,376)	(252,211)
Additional benefits based on future salaries	(158,286)	(158,534)
Projected benefit obligation	(418,662)	(410,745)
Fair value of plan assets	431,815	431,535
Funded status	13,153	20,790
Unrecognized net transition obligation	6,211	6,726
Unrecognized prior service cost	377	399
Unrecognized net gain or loss	(13,173)	(18,222)
Prepaid pension cost	\$ 6,568	9,693
(3) Vested benefit	\$ (1,342)	-

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

(4) Actuarial assumptions

	Years Ended December 31	
	2010	2009
Discount rate used in determining present values	2.00%	2.00%
Future salary increase rate	2.50%	2.50%
Expected rate of return on plan assets	2.00%	2.00%

p. Shareholders' equity

(1) Capital surplus

Under the Company Act, capital surplus may only be used to offset a deficit. However, capital surplus, generated from the excess of the issue price over the par value of capital stock, including the stock issued for new capital and the buyback of 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.

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

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

shareholders' equity. The special reserve appropriated will be reversed to the extent that the net debit balance reverses.

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

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

For the year ended December 31, 2010, 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 2011'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 and 2008 earning appropriations resolved by the AGMs on June 18, 2010, and June 19, 2009, were as follows:

	Appropriation of Earnings		Dividend Per Share	
	(NT\$)			
	For Fiscal Year 2009	For Fiscal Year 2008	For Fiscal Year 2009	For Fiscal Year 2008
Appropriation of legal reserve	\$ 1,388,886	1,537,138		
Reversal of special reserve	(2,528,259)	(56,744)		
Cash dividends	15,028,235	13,968,864	5.02783	4.68704
	\$ 13,888,862	15,449,258		

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

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.

The shareholders on June 19, 2009, resolved to distribute 2008 bonus of \$414,697 thousand to employees and remuneration of \$41,470 thousand to directors and supervisors.

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

(3) Treasury stock

	(Shares in Thousands)			
Purpose of Buyback	Beginning Shares	Increase	Decrease	Ending Shares
<u>For the year ended December</u>				
<u>31, 2010</u>				
Shares held by subsidiaries	811,918	-	-	811,918
 <u>For the year ended December</u>				
<u>31, 2009</u>				
To be transferred to employees	24,193	-	24,193	-
Shares held by subsidiaries	811,918	-	-	811,918

(a) Transfer of stock to employees

For the year ended December 31, 2009, the Corporation transferred 24,193 thousand shares bought back from the market to employees at NT\$43.8 per share, resulting in a reduction of \$3,254 thousand in capital surplus.

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

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

(b) Shares held by subsidiaries

As of December 31, 2010, 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 \$56,590,657 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 consolidated 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 years ended December 31, 2010 and 2009 was summarized as follows:

	Years Ended	
	December 31	
	2010	2009
Available-for-sale financial assets		
Balance, beginning of period	\$ 63,624	54,455
Fair value changes recognized directly in equity	26,218	9,169
	<u>89,842</u>	<u>63,624</u>
Changes in unrealized gains (losses) of cash flow hedge		
Balance, beginning of period	-	61,864
Fair value changes recognized directly in equity	-	(61,864)
	<u>-</u>	<u>-</u>
Changes in unrealized gains (losses) recognized by the equity accounted investees		
Balance, beginning of period	-	(122,216)
Fair value changes recognized directly in equity	-	122,216
	<u>-</u>	<u>-</u>
Unrealized gains on financial instruments	<u><u>\$ 89,842</u></u>	<u><u>63,624</u></u>

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

q. Income tax expense

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

	Years Ended	
	December 31	
	2010	2009
Tax on pretax income at statutory tax rate	\$ 2,787,684	4,533,113
Add (deduct) tax effects of:		
Permanent differences		
Investment income from domestic investees accounted for using the equity method	(621,943)	(761,090)
Other	(1,015)	(17,718)
Temporary differences	(174,571)	(483,947)
Deferred income taxes	518,387	977,088
Prior years' adjustment	69,335	5,932
Investment tax credits	(1,919)	(10,002)
Tax on short-term bills	-	253
Income tax expense	\$ 2,575,958	4,243,629

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:

	December 31	
	2010	2009
Unrealized loss on retirement of property and equipment	\$ 1,093,815	1,412,488
Provision for doubtful accounts	250,056	480,098
Amortization of goodwill	(180,758)	(121,518)
Depreciation resulting from the differences in estimated service lives of properties	117,618	72,493
Provision for impairment losses on idle assets	21,650	30,375
Other	28,295	15,351
	1,330,676	1,889,287
Less valuation allowance	(195,356)	(235,580)
	\$ 1,135,320	1,653,707
Deferred income tax assets		
Current	\$ 5,184	27,261
Non-current	1,130,136	1,626,446
	\$ 1,135,320	1,653,707

(3) Integrated income tax information was as follows:

	December 31	
	2010	2009
Balance of imputation credit account (ICA)	\$ 1,438,180	2,990,172

As of December 31, 2010, there were no unappropriated earnings generated before January 1, 1998. The actual creditable ratios for the 2010 and 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 disagreed with the examination results of the 2002 and 2003 income tax returns and had filed an appeal for retrial. The former TAT also 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)

r. 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 year ended December 31, 2010</u>					
Basic EPS					
Income of common shareholders	\$ 16,398,144	13,822,186	2,989,008	<u>5.48</u>	<u>4.62</u>
Add effect of dilutive potentially common stock — bonus to employees	-	-	8,234		
Diluted EPS					
Income of common shareholders with dilutive effect of potential common shares	<u>\$ 16,398,144</u>	<u>13,822,186</u>	<u>2,997,242</u>	<u>5.47</u>	<u>4.61</u>
<u>For the year ended December 31, 2009</u>					
Basic EPS					
Income of common shareholders	\$ 18,132,491	13,888,862	2,979,311	<u>6.09</u>	<u>4.66</u>
Add effect of dilutive potentially common stock — bonus to employees	-	-	9,846		
Diluted EPS					
Income of common shareholders with dilutive effect of potential common shares	<u>\$ 18,132,491</u>	<u>13,888,862</u>	<u>2,989,157</u>	<u>6.07</u>	<u>4.65</u>

The 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)

s. Financial instrument transactions

(1) Fair value information

<u>Financial instruments</u>	December 31			
	2010		2009	
	Carrying Value	Fair Value	Carrying Value	Fair Value
<u>Assets</u>				
Cash and cash equivalents	\$ 3,880,881	3,880,881	1,057,042	1,057,042
Available-for-sale financial assets – current	201,322	201,322	177,821	177,821
Notes receivable	378	378	16,772	16,772
Accounts receivable (including related parties)	5,579,395	5,579,395	5,561,520	5,561,520
Other receivables (including related parties)	12,622,282	12,622,282	5,766,052	5,766,052
Pledged time deposits	-	-	10,000	10,000
Financial assets carried at cost – non-current	50,324	-	50,324	-
Refundable deposits	316,243	316,243	312,915	312,915
<u>Liabilities</u>				
Short-term borrowings	9,645,000	9,645,000	5,000,000	5,000,000
Short-term notes and bills payable	499,732	499,732	299,872	299,872
Accounts payable	2,739,933	2,739,933	2,055,758	2,055,758
Income taxes payable	917,585	917,585	1,478,353	1,478,353
Accrued expenses	4,471,500	4,471,500	4,549,206	4,549,206
Other payables	4,348,846	4,348,846	3,739,454	3,739,454
Guarantee deposits (including current portion)	324,781	324,781	325,829	325,829
Bonds payable (including current portion)	8,000,000	8,264,392	8,000,000	8,373,376
long-term borrowings	800,000	800,000	-	-

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

- (a) Available-for-sale financial assets—based on quoted prices in an active market at the balance sheet date
- (b) Financial assets carried at cost—non-current—based on the net worth of the investee or estimated book value; this is because there is no active market for unlisted stocks, and a reliable fair value could only be verified at a more than reasonable cost
- (c) Bonds payable—based on the over-the-counter quotations in December

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

- (d) Long-term borrowings — based on the present value of future cash flows discounted by the interest rates the Corporation may obtain for similar loans
 - (e) The book values of short-term financial instruments approximate their fair value due to their short maturities; short-term financial instruments include cash and cash equivalents, receivables, pledged time deposits, refundable deposits, short-term borrowings, short-term notes and bills payable, payables, and guarantee deposits
- (3) The fair values of financial assets and liabilities were not simultaneously determined by quoted prices in active markets and by estimations using valuation technique.
- (4) The financial assets exposed to fair value interest rate risk amounted to \$15,665,858 thousand and \$2,567,139 thousand as of December 31, 2010 and 2009, respectively, and the financial liabilities exposed to fair value interest rate risk amounted to \$18,944,732 thousand and \$13,299,872 thousand as of December 31, 2010 and 2009, respectively. The financial assets exposed to cash flow interest rate risk amounted to \$297,728 thousand and \$509,232 thousand as of December 31, 2010 and 2009, 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 December 31, 2010 and 2009, 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.

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

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.

(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:

Related Party	Relationship with the Corporation
Taiwan Cellular Co., Ltd. (TCC)	Subsidiary
Wealth Media Technology Co., Ltd. (WMT)	Subsidiary
Tai Fu Media Technology Co., Ltd. (TFMT)	Subsidiary
Global Wealth Media Technology Co., Ltd.	Subsidiary
Fu Sin Media Technology Co., Ltd.	Subsidiary
Fu Jia Leh Media Technology Co., Ltd.	Subsidiary
Global Forest Media Technology Co., Ltd.	Subsidiary
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

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

Related Party	Relationship with the Corporation
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. (formerly named Hurray! Times Communications (Beijing) Ltd.) (TWMC)	Subsidiary
Taiwan Win TV Broadcasting Co., Ltd.	Subsidiary
Taiwan Kuro Times Co., Ltd.(TKT)	Subsidiary (changed relationship with the Corporation on September 1, 2010)
ezPeer Multimedia Limited	Subsidiary (changed relationship with the Corporation on September 1, 2010)
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. (formerly named Fubon Direct Marketing Consulting Co., Ltd.)	Related party in substance (renamed on April 13, 2009)
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
Tai Yi Digital Broadcasting Co., Ltd.	Equity-method investee of TCC (liquidated on February 28, 2009)
Reach & Range Inc.	Subsidiary (merged into TFN on May 1, 2009)
TFN Investment Co., Ltd.	Subsidiary (merged into TCCI on September 19, 2009)
Shin Ho Cable TV Co., Ltd.	Related party in substance (liquidated on December 1, 2009)

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

b. Significant transactions with related parties were summarized below:

(1) Operating revenues

	Years Ended December 31			
	2010		2009	
	% of		% of	
	Amount	Total Revenues	Amount	Total Revenues
TFN	\$ 2,216,854	4	2,276,319	4
TFCB	11,732	-	9,796	-
	\$ 2,228,586		2,286,115	

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

	Years ended December 31			
	2010		2009	
	% of		% of	
	Amount	Total Costs	Amount	Total Costs
TFN	\$ 2,015,734	6	1,390,303	5
Fubon Ins.	43,889	-	51,412	-
TKT	11,920	-	-	-
	\$ 2,071,543		1,441,715	

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

(3) Property transaction

Purchase of property

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

Purchase of property

	Year Ended December 31, 2009	
	Description of property	Amount
TWMC	Telecommunication equipment	\$ 11,582

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

(4) Rental income

	<u>Leased Property</u>	Year Ended	
		December 31, 2010	
		2010	2009
TFN	Offices and BTS, etc.	\$ 119,094	119,447
FMT	Office appliance, etc.	35,317	33,423
TFNM	Offices	10,784	10,784
		<u>\$ 165,195</u>	<u>163,654</u>

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

(5) Cash in banks

	December 31			
	2010		2009	
	Amount	%	Amount	%
(a) Cash in banks				
TFCB	<u>\$ 94,136</u>	2	<u>99,376</u>	9
(b) Pledged time deposits				
TFCB	<u>\$ -</u>	-	<u>10,000</u>	100

(6) Receivables and payables

	December 31			
	2010		2009	
	Amount	%	Amount	%
(a) Accounts receivable				
TFN	\$ 75,990	1	19,347	-
Other	9,833	-	3,321	-
	<u>\$ 85,823</u>		<u>22,668</u>	
(b) Other receivables				
TCC (Note 1 and 2)	\$ 8,397,799	67	3,500,000	61
TFNM (Note 2)	3,725,325	30	2,003,836	35
TFN	59,310	-	53,418	1
TFMT(Note 2)	33,055	-	-	-
TDC(Note 2)	30,040	-	-	-
WMT	-	-	45,065	1
Other	6,363	-	5,996	-
	<u>\$ 12,251,892</u>		<u>5,608,315</u>	

Note 1: Accounts from investees' capital reduction in 2009

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

Note 2: Financing to related parties was as follows:

Year Ended December 31, 2010					
Related Party	Drawdown Amounts	Ending Balance (Note1)	Maximum Balance (Note1 and 2)	Interest Rate %	Interest Income
TCC	\$ 8,370,000	9,000,000	9,000,000	0.893	28,252
TFNM	3,710,000	5,000,000	7,000,000	0.893	28,651
TFMT	33,000	50,000	50,000	0.950	55
TDC	30,000	300,000	300,000	0.948	40
	\$ 12,143,000	14,350,000			56,998

Year Ended December 31, 2009					
Related Party	Drawdown Amounts	Ending Balance (Note1)	Maximum Balance (Note1 and 2)	Interest Rate %	Interest Income
TFMN	\$ 2,000,000	2,000,000	2,000,000	0.838	2,893
WMT	45,000	2,500,000	2,500,000	0.838	69
TFMT	-	-	2,500,000	0.838~2.417	40,132
TCC	-	-	1,200,000	0.847	371
	\$ 2,045,000	4,500,000			43,465

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

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

	December 31			
	2010		2009	
	Amount	%	Amount	%
(c) Accrued expenses				
TFN	\$ 248,681	6	265,004	6
TT&T	67,278	2	65,790	1
TWMC	38,250	1	-	-
Fubon Ins	9,536	-	10,607	-
	\$ 363,745		341,401	

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

	December 31			
	2010		2009	
	Amount	%	Amount	%
(d) Other payables				
TFN	<u>\$ 147,841</u>	3	<u>176,836</u>	5
(e) Other current liabilities - collections and temporary credits for the following				
TFN	<u>\$ 88,814</u>	21	<u>83,059</u>	18
 (7) Other				
	2010		2009	
	Amount	%	Amount	%
(a)Telecommunication service expenses				
TFN	<u>\$ 79,373</u>		<u>78,101</u>	
(b)Professional service fees				
TT&T	\$ 841,116		859,159	
TWMC	38,250		-	
	<u>879,366</u>		<u>859,159</u>	
(c)Insurance expenses				
Fubon Ins.	<u>\$ 10,658</u>		<u>10,029</u>	
(d)Other expenses				
FPM	<u>\$ 25,244</u>		<u>25,611</u>	
(e)Donation				
TWN Foundation	<u>\$ 13,007</u>		<u>30,400</u>	
(f)Rental expenses				
TFN	<u>\$ 11,437</u>		<u>13,304</u>	
(g)Repairs and maintenance				
FPM	<u>\$ 23,000</u>		<u>23,485</u>	
(h)Advertisement expenses				
TSBC	<u>\$ 32,850</u>		<u>34,300</u>	

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

(8) Financing from related parties was as follows:

		Year Ended December 31, 2010			
Related Party	Drawdown Amounts	Ending Balance (Note1)	Maximum Balance (Note1 and 2)	Interest Rate %	Interest Expense
TFN	\$ 6,645,000	9,000,000	9,000,000	0.893	25,603

		Year Ended December 31, 2009			
Related Party	Drawdown Amounts	Ending Balance (Note1)	Maximum Balance (Note1 and 2)	Interest Rate %	Interest Expense
TFN	\$ -	-	4,000,000	1.608~2.417	16,869

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

Note 2: Maximum balance: the maximum accumulated amounts of the year

(9)Endorsement/guarantee provided

- (a) The Corporation provided \$21,500,000 thousand guarantee for TFN's bank loans. The Corporation also provided \$19,757,595 thousand in promissory notes outstanding for TFN's borrowings with banks. TFN has drawn down \$242,149 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 December 31, 2010, the Corporation and TFN had made draw down \$800,000 thousand and \$1,500,000 thousand, respectively.
- (c) As of December 31, 2010, the Corporation had provided TFN with \$50,000 thousand as performance guarantee for IDD calling card service issued by July 31, 2008, in accordance with NCC's new policy effective from April 1, 2007.

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

(10) Other

For the years ended December 31, 2010 and 2009, 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:

	Year Ended December 31	
	2010	2009
TFN	\$ 449,133	458,519

c. Compensation to directors, supervisors, and managers:

	Year Ended December 31	
	2010	2009
Salaries, incentives, and special compensation	\$ 242,394	204,702
Earnings paid as remunerations to directors	37,306	37,483
Earnings paid as bonus to employees	64,203	62,668
Professional fee	2,120	2,330
	\$ 346,023	307,183

The compensation to directors, supervisors and managers for the year ended December 31, 2009 included the bonus appropriation from 2009 earnings approved in 2010 AGM. While that for the year ended December 31, 2010 included the bonus appropriation from 2010 earnings subject to approval in 2011 AGM. More detailed information may be referred in the Corporation's annual reports.

6. ASSETS PLEDGED

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

	December 31	
	2010	2009
Time deposits	\$ -	10,000

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

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 \$3,672,092 thousand in May 2009, respectively. As of December 31, 2010, the purchase amount was \$4,735,510 thousand and \$3,248,810 thousand, respectively.
- b. Future minimum rental payments as of December 31, 2010, for significant operating lease agreements, were summarized as follows:

	Amount
2011	\$ 64,954
2012	37,572
2013	29,002
2014	28,554
2015	16,736

8. SIGNIFICANT CASUALTY LOSS: NONE

9. SIGNIFICANT SUBSEQUENT EVENTS: NONE

10. OTHER

- a. Labor cost, depreciation, and amortization expense

	For the year ended December 31					
	2010			2009		
	Classified as Operating Costs	Classified as Operating Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Total
Labor cost						
Salary	\$ 929,563	1,839,472	2,769,035	923,145	1,903,570	2,826,715
Labor and health insurance	53,886	95,467	149,353	50,942	92,099	143,041
Pension	37,041	63,038	100,079	36,711	62,491	99,202
Other	44,363	82,823	127,186	43,184	80,745	123,929
Depreciation	6,591,479	573,741	7,165,220	6,448,639	553,142	7,001,781
Amortization	756,797	120,754	877,551	761,758	103,117	864,875

- b. Reclassification

Certain accounts in the financial statements as of and for the year ended December 31, 2009, have been reclassified to conform to the presentation of financial statements as of and for the year ended December 31, 2010.

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

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: Table 4 (attached)
- e. Acquisition of individual real estate at costs of at least \$100 million or 20% of the paid-in capital: None
- f. Disposal of individual real estate at prices of at least \$100 million or 20% of the paid-in capital: None
- g. Total purchase from or sale to related parties amounting to at least \$100 million or 20% of the paid-in capital: Table 5 (attached)
- h. Receivables from related parties amounting to at least \$100 million or 20% of the paid-in capital: Table 6 (attached)
- i. Names, locations, and related information of investees on which the Corporation exercised significant influence: Table 7 (attached)
- j. Derivative transactions:

The Corporation entered into interest rate swap (IRS) contracts in December 2002 to hedge fluctuation on inverse floating interest rates of bonds, which are settled semiannually. Please refer to Note 4. (s) for the related information.

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

The Corporation entered into IRS contracts to hedge inverse floating interest rate fluctuation. For the year ended 2009, the Corporation recognized gains of \$84,485 thousand, recorded as deduction to interest expense.

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

k. Investment in Mainland China:

- (1) The name of the investee company in Mainland China, the main businesses and products, issued capital, method of investment, information on inflow or outflow of capital, ownership, investment gain or loss, ending balance, amount received as earnings distributions from the investment, and the limitation on investment: Table 8 (attached)
- (2) Significant direct or indirect transactions with the investee company, its prices and terms of payment, unrealized gain or loss, and other related information which is helpful to understand the impact of investment in Mainland China on financial reports: None

12. SEGMENT INFORMATION

a. Industry

The corporation is primarily a wireless communication services provider.

b. Foreign operations

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

c. Foreign revenues

The Corporation has no foreign revenues.

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

	Years Ended December 31			
	2010		2009	
Company	Amount	Percentage of Operating Revenue	Amount	Percentage of Operating Revenue
Chunghwa Telecom Co., Ltd.	\$ 8,226,198	14	8,730,057	15

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES
FINANCING PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2010

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")	Wealth Media Technology Co., Ltd.	Other receivables	\$ 2,500,000	\$ -	0.838%~0.851%	Short-term financing	\$ -	Operation requirements	\$ -	-	-	\$ 20,347,822 (Note 2)	\$ 20,347,822 (Note 2)
		TCC Investment Co., Ltd.	Other receivables	7,300,000	-	-	Short-term financing	-	Operation requirements	-	-	-	20,347,822 (Note 2)	20,347,822 (Note 2)
		Taiwan Fixed Network Co., Ltd.	Other receivables	7,000,000	-	-	Short-term financing	-	Operation requirements	-	-	-	20,347,822 (Note 2)	20,347,822 (Note 2)
		TFN Media Co., Ltd.	Other receivables	7,000,000	5,000,000	0.838%~0.893%	Short-term financing	-	Operation requirements	-	-	-	20,347,822 (Note 2)	20,347,822 (Note 2)
		Taiwan Cellular Co., Ltd.	Other receivables	9,000,000	9,000,000	0.893%~0.95%	Short-term financing	-	Operation requirements	-	-	-	20,347,822 (Note 2)	20,347,822 (Note 2)
		Taiwan Digital Communication Co., Ltd.	Other receivables	300,000	300,000	0.948%	Short-term financing	-	Operation requirements	-	-	-	20,347,822 (Note 2)	20,347,822 (Note 2)
		Tai Fu Media Technology Co., Ltd.	Other receivables	50,000	50,000	0.950%	Short-term financing	-	Operation requirements	-	-	-	20,347,822 (Note 2)	20,347,822 (Note 2)
1	Taiwan Cellular Co., Ltd.	TFN Media Co., Ltd.	Other receivables	7,000,000	2,000,000	0.838%~1.350%	Short-term financing	-	Operation requirements	-	-	-	23,520,151 (Note 2)	23,520,151 (Note 2)
		TCC Investment Co., Ltd.	Other receivables	3,000,000	-	0.845%~0.854%	Short-term financing	-	Operation requirements	-	-	-	23,520,151 (Note 2)	23,520,151 (Note 2)
		Win TV Broadcasting Co., Ltd.	Other receivables	360,000	360,000	0.847%~0.896%	Short-term financing	-	Operation requirements	-	-	-	23,520,151 (Note 2)	23,520,151 (Note 2)
2	Taiwan Fixed Network Co., Ltd.	Taiwan Cellular Co., Ltd.	Other receivables	9,000,000	-	0.838%~0.847%	Short-term financing	-	Operation requirements	-	-	-	15,314,639 (Note 2)	15,314,639 (Note 2)
		The Corporation	Other receivables	9,000,000	9,000,000	0.893%	Short-term financing	-	Operation requirements	-	-	-	15,314,639 (Note 2)	15,314,639 (Note 2)
3	Union Cable TV Co., Ltd.	TFN Media Co., Ltd.	Other receivables	1,200,000	-	0.838%~0.940%	Transactions	283,669	Business requirements	-	-	-	13,500,000 (Note 3)	13,500,000 (Note 3)
			Other receivables	739,000	739,000	0.851%~0.955%	Short-term financing	-	Repayment of financing	-	-	-	746,931 (Note 3)	13,500,000 (Note 3)
4	Globalview Cable TV Co., Ltd.	TFN Media Co., Ltd.	Other receivables	233,000	233,000	0.845%~0.940%	Transactions	234,995	Business requirements	-	-	-	234,995 (Note 4)	503,666 (Note 4)

(Continued)

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES
FINANCING PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2010

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
5	Phoenix Cable TV Co., Ltd.	TFN Media Co., Ltd.	Other receivables	1,500,000	584,000	0.838%~0.955%	Transactions	583,728	Business requirements	\$ -	-	-	12,000,000 (Note 5)	12,000,000 (Note 5)
6	Yeong Jia Leh Cable TV Co., Ltd.	TFN Media Co., Ltd.	Other receivables	1,200,000	373,000	0.838%~1.068%	Transactions	530,381	Business requirements	-	-	-	24,000,000 (Note 5)	24,000,000 (Note 5)
7	TFN Media Co., Ltd.	Win TV Broadcasting Co., Ltd.	Other receivables	500,000	-	0.839%~0.845%	Transactions	60,303	Business requirements	-	-	-	15,000,000 (Note 5)	15,000,000 (Note 5)
8	Wealth Media Technology Co., Ltd.	Tai Fu Media Technology Co., Ltd.	Other receivables	60,000	-	0.838%	Short-term financing	-	Repayment of financing	-	-	-	120,791 (Note 2)	120,791 (Note 2)
		Global Wealth Media Technology Co., Ltd.	Other receivables	15,000	15,000	0.851%	Short-term financing	-	Repayment of financing	-	-	-	120,791 (Note 2)	120,791 (Note 2)
9	Tai Fu Media Technology Co., Ltd.	Global Wealth Media Technology Co., Ltd.	Other receivables	24,000	-	0.867%	Short-term financing	-	To meet its financing needs in acquiring minorities	-	-	-	80,308 (Note 2)	80,308 (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 YEAR ENDED DECEMBER 31, 2010

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)	\$ 34,878,330	\$ 26,557,595	\$ -	52.21%	\$ 50,869,555
1	Taiwan Teleservices & Technologies Co., Ltd.	Taiwan Fixed Network Co., Ltd.	(Note 4) (Note 6)	20,000 (Note 5)/ (Note 6)	146	146	-	0.18%	80,947 (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 \$141,464 thousands.

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES
MARKETABLE SECURITIES HELD
DECEMBER 31, 2010

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	December 31, 2010				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	2,717	\$ 201,322	0.035	\$ 201,322 (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	301,977	100	301,977	
	Taiwan Cellular Co., Ltd.	Subsidiary	Long-term investments - equity method	30,000	10,618,840 (Note 4)	100	58,800,377	
	Taipei New Horizons Co., Ltd.	Equity-method investee	Long-term investments - equity method	44,910	388,002	49.9	388,002	
Wealth Media Technology Co., Ltd.	<u>Stock</u> Tai Fu Media Technology Co., Ltd.	Subsidiary	Long-term investments - equity method	27,000	200,769	100	200,769	
	Taiwan Win TV Broadcasting Co., Ltd.	Subsidiary	Long-term investments - equity method	16	9,912	100	9,912	
Tai Fu Media Technology Co., Ltd.	<u>Stock</u> Global Wealth Media Technology Co., Ltd.	Subsidiary	Long-term investments - equity method	8,400	89,937	100	89,937	
	Fu Jia Leh Media Technology Co., Ltd.	Subsidiary	Long-term investments - equity method	100	767	100	767	
	Fu Sin Media Technology Co., Ltd.	Subsidiary	Long-term investments - equity method	13,500	141,279	100	141,279	
	Global Forest Media Technology Co., Ltd.	Subsidiary	Long-term investments - equity method	100	643	100	643	
Global Wealth Media Technology Co., Ltd.	<u>Stock</u> Globalview Cable TV Co., Ltd.	Subsidiary	Long-term investments - equity method	3,815	93,667	6.813	45,762	
Fu Sin Media Technology Co., Ltd.	<u>Stock</u> Phoenix Cable TV Co., Ltd.	Subsidiary	Long-term investments - equity method	2,272	132,411	3.34	32,131	
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
DECEMBER 31, 2010

Investing Company (A)	Marketable Securities Invested (B)	Relationship with the Investing Company (B is A's)	Financial Statement Account	December 31, 2010				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\$ 8,575	100	US\$ 8,575	
	Taiwan Fixed Network Co., Ltd.	Subsidiary	Long-term investments - equity method	2,100,000	\$ 38,286,597	100	\$ 38,286,597	
	Taiwan Digital Communication Co., Ltd.	Subsidiary	Long-term investments - equity method	1,200	11,604	100	11,604	
	TCC Investment Co., Ltd.	Subsidiary	Long-term investments - equity method	3,950	26,428,349	100	26,301,166	
	Taiwan Teleservices & Technologies Co., Ltd.	Subsidiary	Long-term investments - equity method	1,000	80,947	100	80,947	
TWM Holding Co., Ltd.	<u>Stock</u> TWM Communications (Beijing) Ltd.	Subsidiary	Long-term investments - equity method	-	US\$ 4,028	100	US\$ 3,137	
Taiwan Teleservices & Technologies Co., Ltd.	<u>Stock</u> TT & T Holdings Co., Ltd.	Subsidiary	Long-term investments - equity method	1,300	US\$ 1,383	100	US\$ 1,383	
	Taiwan Super Basketball Co., Ltd.	Subsidiary	Long-term investments - equity method	2,000	20,083	100	20,083	
TT&T Holdings Co., Ltd.	<u>Stock</u> Xiamen Taifu Teleservices & Technologies Co., Ltd.	Subsidiary	Long-term investments - equity method	-	US\$ 1,356	100	US\$ 1,356	
TCC Investment Co., Ltd.	<u>Stock</u> Taiwan Mobile Co., Ltd. (the "Corporation")	The Corporation	Available-for-sale financial assets - non-current	222,774	15,527,360	5.86	15,527,360	(Note 5)
	Win TV Broadcasting Co., Ltd.	Subsidiary	Long-term investments - equity method	18,177	275,809	100	268,192	
	TFN Media Co., Ltd.	Subsidiary	Long-term investments - equity method	230,526	2,384,676	100	4,360,839	
	TCCI Investment and Development Co., Ltd.	Subsidiary	Long-term investments - equity method	400	8,996,439	100	8,996,439	
	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	9,259,552	3.50	9,259,552	(Note 5)
TFN Media Co., Ltd.	<u>Stock</u> Yeong Jia Leh Cable TV Co., Ltd.	Subsidiary	Long-term investments - equity method	33,940	2,114,721	100	590,241	

(Continued)

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES
MARKETABLE SECURITIES HELD
DECEMBER 31, 2010

Investing Company (A)	Marketable Securities Invested (B)	Relationship with the Investing Company (B is A's)	Financial Statement Account	December 31, 2010				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	\$ 594,602	29.53	\$ 331,427 (Note 6)	
	Phoenix Cable TV Co., Ltd.	Subsidiary	Long-term investments - equity method	65,818	3,155,367	96.66	930,862	
	Union Cable TV Co., Ltd.	Subsidiary	Long-term investments - equity method	170,441	2,071,829	99.9998	1,867,082	
	Globalview Cable TV Co., Ltd.	Subsidiary	Long-term investments - equity method	51,733	1,243,022	92.38	620,501	
	Taiwan Kuro Times Co., Ltd.	Subsidiary	Long-term investments - equity method	667	54,480	54.988	29,573	
Taiwan Kuro Times Co., Ltd.	<u>Stock</u> ezPeer Multimedia Limited	Subsidiary	Long-term investments - equity method	1,522	US\$ 1,496	100	US\$ 1,496	
Taiwan Fixed Network Co., Ltd.	<u>Stock</u> TFN Union Investment Co., Ltd.	Subsidiary	Long-term investments - equity method	400	30,900,208	100	30,900,208	
	TFN HK LIMITED	Subsidiary	Long-term investments - equity method	1,300	HK\$ 1,364	100	HK\$ 1,364	
	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	31,803,745	12.00	31,803,745 (Note 5)	

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

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

Note 3: As of January 15, 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 \$58,800,377 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 \$16,754,716 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 \$13,628 thousand.

Note 5: Based on the closing price on December 31, 2010.

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

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES
MARKETABLE SECURITIES ACQUIRED OR DISPOSED AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2010

TABLE 4
(In Thousands of New Taiwan Dollars)

Company Name	Marketable Securities Type and Issuer	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal			Ending Balance		
					Shares/Units (Thousands)	Amount	Shares/Units (Thousands)	Amount	Shares/Units (Thousands)	Amount	Carrying Value	Gain (Loss) on Disposal	Shares/Units (Thousands)	Amount
Taiwan Mobile Co., Ltd. (the "Corporation")	Beneficiary certificates Fubon Yield Enrichment Fund of Funds	Financial assets at fair value through profit or loss-current	-	-	-	\$ -	20,000	\$ 200,000	20,000	\$ 194,072	\$ 200,000	\$ (5,928)	-	\$ -
	Stock Wealth Media Technology Co., Ltd.	Long-term investment-equity method	Wealth Media Technology Co., Ltd.	Subsidiary	27,200	192,615	10,000 (Note 1)	100,000	-	-	-	-	37,200	301,977 (Note 2)
	Taipei New Horizons Co., Ltd.	Long-term investment-equity method	Taipei New Horizons Co., Ltd.	Equity-method investee	24,950	211,974	19,960 (Note 1)	199,600	-	-	-	-	44,910	388,002 (Note 2)
Taiwan Cellular Co., Ltd.	Stock TCCI investment Co., Ltd.	Long-term investment-equity method	TCCI investment Co., Ltd.	Subsidiary	2,100	21,092,818	1,850 (Note 1)	1,850,000	-	-	-	-	3,950	26,428,349 (Note 2)
Taiwan Fixed Network Co., Ltd.	Stock New Century infocomm Technology Co., Ltd.	Financial assets Carried at cost –non-current	Yuan Cing Infocomm Tech Co., Ltd.	-	21,890	187,042	-	-	21,890	238,541	187,042	51,499	-	-

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

Note 2: The ending balance includes the unrealized gain or loss on financial instruments, cumulative translation adjustments, investment income or loss recognized under the equity method, and other adjustments in long-term investment using equity method.

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES
TOTAL PURCHASE FROM OR SALE TO RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2010

TABLE 5
(In Thousands of New Taiwan Dollars)

Company Name (A)	Related Party (B)	Nature of Relationship (B is A's)	Transaction Details				Transactions with Terms Different from Others		Notes/Accounts Payable or Receivable		Note
			Purchase/Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
Taiwan Mobile Co., Ltd. (the "Corporation")	Taiwan Fixed Network Co., Ltd.	Subsidiary	Sale	\$ (2,216,854)	(4)	Based on contract terms	-	-	\$ 370,835	6	(Note 1)
			Purchase	2,095,107	(Note 2)	Based on contract terms	-	-	(245,359)	(Note 3)	
	Taiwan Teleservices & Technologies Co., Ltd.	Subsidiary	Purchase	841,116	(Note 4)	Based on contract terms	-	-	(67,278)	(Note 5)	
Taiwan Teleservices & Technologies Co., Ltd.	The Corporation	Ultimate parent	Sale	(841,304)	(86)	Based on contract terms	-	-	67,306	88	
	Taiwan Fixed Network Co., Ltd.	Related party in substance	Sale	(141,464)	(14)	Based on contract terms	-	-	9,533	12	
Taiwan Fixed Network Co., Ltd.	The Corporation	Ultimate parent	Sale	(2,091,036)	(20)	Based on contract terms	-	-	245,359	27	
			Purchase	2,219,511	33	Based on contract terms	-	-	(370,375)	(49)	
	Taiwan Teleservices & Technologies Co., Ltd.	Related party in substance	Purchase	141,464	(Note 4)	Based on contract terms	-	-	(9,533)	(Note 5)	
TFN Media Co., Ltd.	Phoenix Cable TV Co., Ltd.	Subsidiary	Channel leasing fee	(484,524)	(18)	Based on contract terms	(Note 6)	(Note 6)	2,817	2	
	Yeong Jia Leh Cable TV Co., Ltd.	Subsidiary	Channel leasing fee	(438,024)	(16)	Based on contract terms	(Note 6)	(Note 6)	4,279	3	
	Union Cable TV Co., Ltd.	Subsidiary	Channel leasing fee	(227,304)	(8)	Based on contract terms	(Note 6)	(Note 6)	1,516	1	
	Globalview Cable Co., Ltd.	Subsidiary	Channel leasing fee	(195,349)	(7)	Based on contract terms	(Note 6)	(Note 6)	182	-	
Union Cable TV Co., Ltd.	TFN Media Co., Ltd.	Parent	Royalty of copyright	227,304	62	Based on contract terms	(Note 6)	(Note 6)	(1,516)	(24)	
Yeong Jia Leh Cable TV Co., Ltd.	TFN Media Co., Ltd.	Parent	Royalty of copyright	438,024	62	Based on contract terms	(Note 6)	(Note 6)	(4,279)	(26)	
Phoenix Cable TV Co., Ltd.	TFN Media Co., Ltd.	Parent	Royalty of copyright	484,524	66	Based on contract terms	(Note 6)	(Note 6)	(2,817)	(40)	
Globalview Cable Co., Ltd.	TFN Media Co., Ltd.	Parent	Royalty of copyright	195,349	63	Based on contract terms	(Note 6)	(Note 6)	(182)	(7)	
Mangrove Cable Co., Ltd.	Dai-Ka Ltd.	Related party in substance	Royalty of copyright	158,359	61	Based on contract terms	(Note 6)	(Note 6)	-	-	

Note 1: The \$75,990 thousand accounts receivable amount was expressed on a gross basis in accordance with sales amount. The net accounts receivable should be \$370,835 thousand after deducting accounts payable and accrued custodial receipts/payments totaled \$294,845 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
DECEMBER 31, 2010

TABLE 6
(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 \$ 370,835	6	\$ -	-	\$ 372	\$ -				
			Other receivables 59,310						-	-	10,880	-
	TFN Media Co., Ltd.	Subsidiary	Other receivables 3,725,325						-	-	-	-
Taiwan Cellular Co., Ltd.	Taiwan Cellular Co., Ltd.	Subsidiary	Other receivables 8,397,799		-	-	-	-				
			Other receivables 1,814,284						-	-	-	-
	TFN Media Co., Ltd.	Subsidiary	Other receivables 123,200						-	-	-	-
Taiwan Teleservices & Technologies Co., Ltd.	The Corporation	Ultimate parent	Accounts receivable 67,306	12.64	-	-	-	-				
	Taiwan Fixed Network Co., Ltd.	Related party in substance	Accounts receivable 9,533	13.62	-	-	-	-				
Taiwan Fixed Network Co., Ltd.	The Corporation	Ultimate parent	Accounts receivable 245,359	7.75	-	-	534	-				
			Other receivables 6,917,553						-	-	141,172	-
Phoenix Cable TV Co., Ltd.	TFN Media Co., Ltd.	Parent	Accounts receivable 7,819	10.74	-	-	-	-				
			Other receivables 582,167						-	-	-	-
Union Cable TV Co., Ltd.	TFN Media Co., Ltd.	Parent	Accounts receivable 9,753	4.74	-	-	-	-				
			Other receivables 595,143						-	-	-	-
Globalview Cable TV Co., Ltd.	TFN Media Co., Ltd.	Parent	Accounts receivable 3,647	8.2	-	-	-	-				
			Other receivables 220,152						-	-	-	-
Yeong Jia Leh Cable TV Co., Ltd.	TFN Media Co., Ltd.	Parent	Accounts receivable 9,735	8.59	-	-	-	-				
			Other receivables 313,509						-	-	-	-

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES
NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
FOR THE YEAR ENDED DECEMBER 31, 2010

TABLE 7

(In Thousands of New Taiwan Dollars or stated otherwise)

Investor	Investee	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2010			Net Income (Loss) of the Investee	Investment Income (Loss)	Note
				December 31, 2010	December 31, 2009	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	\$ 10,618,840 (Note 1)	\$ 3,678,672	\$ 3,672,572	
	Taipei New Horizons Co., Ltd.	Taipei, Taiwan	Real Estate Rental and Sale	449,100	249,500	44,910	49.9	388,002	(47,238)	(23,572)	
	Wealth Media Technology Co., Ltd.	Taipei, Taiwan	Investment	372,000	272,000	37,200	100	301,977	9,491	9,491	
Wealth Media Technology Co., Ltd.	Tai Fu Media Technology Co., Ltd.	Taipei, Taiwan	Investment	270,000	270,000	27,000	100	200,769	9,721	NA	
	Taiwan Win TV Broadcasting Co., Ltd.	Taipei, Taiwan	TV program producing	10,000	-	16	100	9,912	(88)	NA	
Tai Fu Media Technology Co., Ltd.	Global Wealth Media Technology Co., Ltd.	Xizhi Dist., New Taipei City, Taiwan	Investment	84,000	84,000	8,400	100	89,937	5,174	NA	
	Fu Jia Leh Media Technology Co., Ltd.	Taipei, Taiwan	Investment	1,700	1,700	100	100	767	(201)	NA	
	Fu Sin Media Technology Co., Ltd.	Taipei, Taiwan	Investment	135,000	135,000	13,500	100	141,279	5,398	NA	
	Global Forest Media Technology Co., Ltd.	Taipei, Taiwan	Investment	1,000	1,000	100	100	643	(138)	NA	
Global Wealth Media Technology Co., Ltd.	Globalview Cable TV Co., Ltd.	Xizhi Dist., New Taipei City, Taiwan	Cable TV service provider	91,691	90,099	3,815	6.813	93,667	80,477	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	132,411	168,255	NA	
Global Forest Media Technology Co., Ltd.	Union Cable TV Co., Ltd.	Yilan County, Taiwan	Cable TV service provider	4	-	326 shares	0.0002	4	132,143	NA	
Taiwan Cellular Co., Ltd.	TWM Holding Co. Ltd.	British Virgin Islands	Investment	US\$ 10,800	US\$ 10,800	1 share	100	US\$ 8,575	US\$ 66	NA	
	Taiwan Fixed Network Co., Ltd.	Taipei, Taiwan	Fixed line service provider	21,000,000	21,000,000	2,100,000	100	38,286,597	2,054,662	NA	
	Taiwan Digital Communication Co., Ltd.	Taipei, Taiwan	Telecom engineering and IT service	12,000	12,000	1,200	100	11,604	654	NA	
	TCC Investment Co., Ltd.	Taipei, Taiwan	Investment	22,301,000	20,451,000	3,950	100	26,428,349	1,608,730	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	80,947	40,966	NA	
TWM Holding Co. Ltd.	TWM Communications (Beijing) Ltd.	Beijing, China	Mobile application development and design	US\$ 4,936	US\$ 4,936	-	100	US\$ 4,028	US\$ 62	NA	
Taiwan Teleservices & Technologies Co., Ltd.	TT&T Holdings Co., Ltd.	Samoa	Investment	US\$ 1,300	US\$ 1,300	1,300	100	US\$ 1,383	US\$ (68)	NA	
	Taiwan Super Basketball Co., Ltd.	Taipei, Taiwan	Basketball team management	20,000	20,000	2,000	100	20,083	73	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\$ 1,356	US\$ (89)	NA	
TCC Investment Co., Ltd.	Win TV Broadcasting Co., Ltd.	Taipei, Taiwan	TV program provider	188,047	179,047	18,177	100	275,809	79,122	NA	
	TFN Media Co., Ltd.	Taipei, Taiwan	Cable broadband and value added service provider	2,035,714	2,035,714	230,526	100	2,384,676	1,676,454	NA	
	TCCI Investment and Development Co., Ltd.	Taipei, Taiwan	Investment	6,629,149	6,629,149	400	100	8,996,439	(17)	NA	
TFN Media Co., Ltd.	Yeong Jia Leh Cable TV Co., Ltd.	Xinzhuang Dist., New Taipei City, Taiwan	Cable TV service provider	1,616,824	1,616,824	33,940	100	2,114,721	147,207	NA	
	Mangrove Cable TV Co., Ltd.	Danshui Dist., New Taipei City, Taiwan	Cable TV service provider	397,703	397,703	6,248 (Note 2)	29.53	594,602	92,740	NA	
	Phoenix Cable TV Co., Ltd.	Kaohsiung County, Taiwan	Cable TV service provider	2,294,967	2,294,967	65,818	96.66	3,155,367	168,255	NA	
	Union Cable TV Co., Ltd.	Yilan County, Taiwan	Cable TV service provider	1,904,436	1,904,440	170,441	99.9998	2,071,829	132,143	NA	
	Globalview Cable TV Co., Ltd.	Xizhi Dist., New Taipei City, Taiwan	Cable TV service provider	841,413	841,413	51,733	92.38	1,243,022	80,477	NA	
Taiwan Kuro Times Co., Ltd.	Taiwan Kuro Times Co., Ltd.	Taipei, Taiwan	The platform of music supplied	63,900	-	667	54.988	54,480	(15,719)	NA	
	ezPeer Multimedia Limited	Samoa	Investment	US\$ 1,522	-	1,522	100	US\$ 1,496	US\$ (26)	NA	
Taiwan Fixed Network Co., Ltd.	TFN Union Investment Co., Ltd.	Taipei, Taiwan	Investment	22,769,109	22,769,109	400	100	30,900,208	(17)	NA	
	TFN HK LIMITED	Hong Kong	Telecommunications service provider	HK\$ 1,300	HK\$ 1,300	1,300	100	HK\$ 1,364	HK\$ 558	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 \$58,800,377 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 \$16,754,716 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 \$13,628 thousand.

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

Note 3: On May 14, 2010, TFN sold to TCC its 100% shareholdings in TT&T.

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES
INVESTMENT IN MAINLAND CHINA
FOR THE YEARS ENDED DECEMBER 31, 2010

TABLE 8
(In Thousands of New Taiwan Dollars or U.S. Dollars)

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2010	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2010	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 3)	Carrying Value as of June 30, 2010	Accumulated Inward Remittance of Earnings as of December 31, 2010
					Outflow	Inflow					
Xiamen Taifu Teleservices & Technologies Co., Ltd.	Call center service	US\$ 1,300 (NT\$ 39,282)	Indirect investment in Mainland China through a third place by the Corporation's subsidiary, Taiwan Teleservices & Technologies Co., Ltd.	US\$ 1,300 (NT\$ 39,282)	\$ -	\$ -	US\$ 1,300 (NT\$ 39,282)	100% ownership of indirect investment by the Corporation's subsidiary	(US\$ 89) (NT\$ (2,689))	US\$ 1,356 (NT\$ 40,974)	\$ -
TWM Communications (Beijing) Ltd.	Mobile application development and design	US\$ 3,000 (NT\$ 90,651)	Indirect investment in Mainland China through a third place by the Corporation's subsidiary, Taiwan Cellular Co., Ltd.	US\$ 4,872 (NT\$ 147,217)	-	-	US\$ 4,872 (NT\$ 147,217)	100% ownership of indirect investment by the Corporation's subsidiary	US\$ 62 (NT\$ 1,873)	US\$ 4,028 (NT\$ 121,714)	-

Accumulated Investment in Mainland China as of June 30, 2010	Investment Amounts Authorized by Investment Commission, MOEA (Note 2)	Upper Limit on Investment Authorized by Investment Commission, MOEA (Note 2)
US\$1,300 (NT\$39,282)	US\$1,300 (NT\$39,282)	\$80,947
US\$4,872 (NT\$147,217)	US\$4,872 (NT\$147,217)	\$58,800,377

Note 1: The above amounts were translated into New Taiwan dollars at the exchange rate of US\$1 = NT\$30.217, and RMB1 = NT\$4.5626 as of December 31, 2010.

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.

SCHEDULE 1

TAIWAN MOBILE CO., LTD.
CASH AND CASH EQUIVALENTS
DECEMBER 31, 2010
(In Thousands of New Taiwan Dollars)

Item	Due Date	Amount
Government bonds with repurchase rights	2011.1.04/2011.1.07	\$ 1,885,059
Time deposits		
US\$1,250,115.81 (exchange rate at US\$1=NT\$30.217)		37,775
NTD		1,400,000
		1,437,775
Cash in banks		
Foreign-currency deposits		
EUR1,562.97 (exchange rate at EUR1=NT\$40.065)		62
US\$1,334,776.98(exchange rate at US\$1=NT\$30.217)		40,333
Checking deposits		2,756
Demand deposits		257,333
		300,484
Short-term notes and bills with repurchase rights	2011.1.07	200,024
Cash on hand		50,514
Revolving funds		7,025
		\$ 3,880,881

TAIWAN MOBILE CO., LTD.
ACCOUNTS RECEIVABLE
DECEMBER 31, 2010
(In Thousands of New Taiwan Dollars)

Client	Amount
Related parties	
Taiwan Fixed Network Co., Ltd.	\$ 75,990
Other (Note)	9,833
	85,823
Third parties	
Chunghwa Telecom Co., Ltd.	623,356
Other (Note)	5,237,241
	5,860,597
Less allowance for doubtful accounts	(367,025)
	5,493,572
	\$ 5,579,395

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

TAIWAN MOBILE CO., LTD.
OTHERS RECEIVABLES
DECEMBER 31, 2010
(In Thousands of New Taiwan Dollars)

<u>Item</u>	<u>Amount</u>
Receivable for financing provided	\$ 12,143,000
Other (Note)	479,282
	<u>\$ 12,622,282</u>

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

TAIWAN MOBILE CO., LTD.
CHANGES IN INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD
YEAR ENDED DECEMBER 31, 2010
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

	Par Value	Beginning Balance		Increase		Decrease		Adjustments on Equity Method (Note 3)	Ending Balance		Market Price or Net Asset Value (Notes 4 and 5)	
		Thousand Shares	Amount	Thousand Shares	Amount (Note 1)	Thousand Shares	Amount (Note 2)		Thousand Shares	% of Ownership		
										Amount		
Taiwan Cellular Co., Ltd.	NT\$ 10	30,000	9,353,920	-	-	-	2,383,941	3,648,861	30,000	100	10,618,840	58,800,377
Taipei New Horizons Co., Ltd.	10	24,950	211,974	19,960	199,600	-	-	(23,572)	44,910	49.9	388,002	388,002
Wealth Media Technology Co., Ltd.	10	27,200	192,615	10,000	100,000	-	-	9,362	37,200	100	301,977	301,977
Total			\$ 9,758,509		299,600		2,383,941	3,634,651			11,308,819	

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

Taipei New Horizons Co., Ltd.	\$ 199,600
Wealth Media Technology Co., Ltd.	100,000
	<u>\$ 299,600</u>

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

Distributing of cash dividends by Taiwan Cellular Co., Ltd.	<u>\$ 2,383,941</u>
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Note 3: Other adjustment from evaluation included the following:

a. Recognized investment income from investees	\$ 3,658,491
b. Recognized changes in cumulative translation adjustment of investees	(17,727)
c. Recognized changes in net loss not recognized as pension cost of investees	(6,898)
d. Recognized changes in paid-in capital of investees	785
	<u>\$ 3,634,651</u>

Note 4: The net asset value of Taiwan Cellular Co., Ltd., Taipei New Horizons Co., Ltd. and Wealth Media Technology Co., Ltd. were calculated based on audited financial statements as of December 31, 2010.

Note 5: None of the above investments were provided as collateral.

TAIWAN MOBILE CO., LTD.
CHANGES IN PROPERTY AND EQUIPMENT
YEAR ENDED DECEMBER 31, 2010
(In Thousands of New Taiwan Dollars)

	Beginning Balance	Changes for the Period			Ending Balance
		Increase	Decrease	Reclassification	
Cost					
Land	\$ 3,866,289	-	-	113,548	3,979,837
Buildings	2,385,587	-	-	63,029	2,448,616
Telecommunication equipment	57,715,923	37,818	5,239,468	3,808,861	56,323,134
Office equipment	32,600	-	24,534	1,311	9,377
Leased assets	1,285,920	-	-	-	1,285,920
Miscellaneous equipment	2,561,030	543	395,201	281,838	2,448,210
	<u>67,847,349</u>	<u>38,361</u>	<u>5,659,203</u>	<u>4,268,587</u>	<u>66,495,094</u>
Accumulated depreciation					
Buildings	392,953	46,865	-	14,599	454,417
Telecommunication equipment	28,394,030	6,471,232	3,995,604	(4,618)	30,865,040
Office equipment	21,298	4,107	20,152	-	5,253
Leased assets	485,455	65,151	-	-	550,606
Miscellaneous equipment	1,141,148	577,865	358,449	4,618	1,365,182
	<u>30,434,884</u>	<u>7,165,220</u>	<u>4,374,205</u>	<u>14,599</u>	<u>33,240,498</u>
Construction in progress and advance payments	<u>1,620,547</u>	<u>4,306,272</u>	<u>792</u>	<u>(4,092,009)</u>	<u>1,834,018</u>
Accumulated impairment					
Land	-	-	-	52,902	52,902
Building	-	-	-	21,327	21,327
	<u>-</u>	<u>-</u>	<u>-</u>	<u>74,229</u>	<u>74,229</u>
Net property and equipment	<u>\$39,033,012</u>				<u>35,014,385</u>

Note 1: The total insurance for property, equipment, and assets leased to others amounted to \$25,111,620 thousand.

Note 2: The increase of the construction in progress and advance payments included capitalized interests amounting to \$7,753 thousand.

TAIWAN MOBILE CO., LTD.
NON-OPERATING ASSETS
DECEMBER 31, 2010
(In Thousands of New Taiwan Dollars)

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Carrying Value</u>
Assets leased to others			
Land	\$ 1,585,016	-	1,585,016
Buildings	774,921	(146,810)	628,111
	<u>\$ 2,359,937</u>	<u>(146,810)</u>	2,213,127
Deferred charges, net			210
			2,213,337
Less accumulated impairment			(10,591)
			<u>\$ 2,202,746</u>
Idle assets			
Land	\$ 65,871	-	65,871
Buildings	38,322	(9,094)	29,228
Telecommunication equipment	51,578	(15,650)	35,928
	<u>\$ 155,771</u>	<u>(24,744)</u>	131,027
Less allowance for losses			(35,929)
Less accumulated impairment			(30,276)
			<u>\$ 64,822</u>

SCHEDULE 7

TAIWAN MOBILE CO., LTD.
SHORT-TERM BORROWINGS
DECEMBER 31, 2010
(In Thousands of New Taiwan Dollars)

<u>Bond Type and Creditor</u>	<u>Financing Period</u>	<u>Interest Rate</u>	<u>Amount</u>	<u>Credit Line</u>	<u>Mortgage Guarantee</u>
Unsecured loans					
Bank of Taiwan	December 23, 2010 ~January 28, 2011	0.75~0.82	\$ 1,400,000	5,000,000	None
Hua Nan Commercial Bank	December 31, 2010 ~January 28, 2011	0.69	900,000	2,250,000	None
Simo Pac Commercial Bank	December 31, 2010 ~January 28, 2011	0.75	500,000	2,000,000	None
Australian and New Zealand Banking Group Limited	December 31, 2010 ~January 28, 2011	0.85	200,000	2,000,000	None
			3,000,000	11,250,000	
Other-related parties					
Taiwan Fixed Network Co., Ltd.	July 29, 2010 ~July 28, 2011	0.893	6,645,000	9,000,000	None
			\$ 9,645,000	20,250,000	

TAIWAN MOBILE CO., LTD.
ACCOUNTS PAYABLE
DECEMBER 31, 2010
(In Thousands of New Taiwan Dollars)

<u>Suppliers</u>	<u>Amount</u>
National Communication Commission	\$ 1,684,005
Synnex Technology international Corp.	489,205
Other (Note)	566,723
	<u>\$ 2,739,933</u>

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

SCHEDULE 9

TAIWAN MOBILE CO., LTD.
ACCRUED EXPENSES
DECEMBER 31, 2010
(In Thousands of New Taiwan Dollars)

<u>Nature</u>	<u>Amount</u>
Salaries and bonuses	\$ 1,188,797
Commissions	749,488
Bonus to directors, supervisors, and employees	403,117
Professional service fees	400,772
Radio base stations related expenses	291,967
Other (Note)	1,437,359
	<u>\$ 4,471,500</u>

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

TAIWAN MOBILE CO., LTD.
OTHER PAYABLES
DECEMBER 31, 2010
(In Thousands of New Taiwan Dollars)

<u>Item</u>	<u>Amount</u>
Payable for equipment and constructions	\$ 1,488,348
Other(Note)	2,860,498
	<u>\$ 4,348,846</u>

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

TAIWAN MOBILE CO., LTD.
OPERATING REVENUES
YEAR ENDED DECEMBER 31, 2010
(In Thousands of New Taiwan Dollars)

Item	Amount
Telecom service revenues	
Monthly access fee and activation fee	\$ 20,425,965
Airtime usage	19,748,113
Interconnection revenue (Note 1)	14,827,805
	55,001,883
Other operating revenues (Note 2)	3,545,402
	\$ 58,547,285

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

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

TAIWAN MOBILE CO., LTD.
OPERATING COSTS
YEAR ENDED DECEMBER 31, 2010
(In Thousands of New Taiwan Dollars)

<u>Item</u>	<u>Amount</u>
Telecom service costs	
Interconnection cost (Note 1)	\$ 8,948,295
Cost of goods sold	8,057,934
Depreciation	6,591,479
Leased-line charges	2,297,309
Rents	1,612,408
2G concession fee and 3G license amortization	1,542,486
Maintenance materials and constructions	882,492
Administrative and utilities expense of radio base stations	875,806
Frequency usage fee	513,604
Other (Note 2)	1,486,899
	<u><u>\$ 32,808,712</u></u>

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

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

TAIWAN MOBILE CO., LTD.
OPERATING EXPENSES
YEAR ENDED DECEMBER 31, 2010
(In Thousands of New Taiwan Dollars)

<u>Item</u>	<u>Marketing</u>	<u>Administrative</u>	<u>Total</u>
Commissions	\$ 4,757,218	-	4,757,218
Salaries and pension	855,025	1,047,485	1,902,510
Professional service fees	1,197,483	224,957	1,422,440
Service charges	147,905	475,075	622,980
Depreciation	13,146	560,595	573,741
Bad debts	-	434,310	434,310
Advertising	374,323	50,965	425,288
Maintenance	44,474	195,142	239,616
Other (Note)	941,331	718,573	1,659,904
	<u>\$ 8,330,905</u>	<u>3,707,102</u>	<u>12,038,007</u>

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