2nd Quarter Results

for the period ended June 30, 2005

July 29, 2005

NT$bn	TWM+TAT+MBT[1] 1H05	YoY	2Q05	QoQ	YoY	TWM consolidated[2] 1H05
Revenue	**29.27**	**2%**	**14.95**	**4%**	**5%**	**29.50**
Telecom Service Revenue	**29.17**	**3%**	**14.90**	**4%**	**5%**	**29.06**
EBITDA	**13.95**	**4%**	**7.12**	**4%**	**6%**	**14.18**
Operating Income	**10.23**	**5%**	**5.20**	**3%**	**7%**	**10.40**
Non-op. Income (Expense)	**(0.33)**	**NM**	**(0.05)**	**-80%**	**-75%**	**(0.49)**
Pre-tax Income	**9.90**	**-4%**	**5.14**	**8%**	**11%**	**9.90**
Net Income	**8.23**	**-1%**	**4.29**	**9%**	**19%**	**8.23**
EPS (NT$)	**1.69**	**-6%**	**0.88**	**9%**	**14%**	**1.69**
EBITDA margin	47.65%		47.66%			48.07%
Operating margin	34.96%		34.78%			35.24%

1. Unaudited pro forma for TWM, TAT, and MBT only
2. Audited consolidated for TWM and another 13 affiliates.

Topics in This Report

- Revenue Analysis
- Cost & Expense Analysis
- Income Statement Analysis
- Cash Flow Analysis
- Balance Sheet Analysis
- Forecast
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- US GAAP Reconciliation

Highlights of 1H05 Results

Despite the slow down in overall industry revenue growth, Taiwan Mobile together with TAT and MBT reported NT$29.17bn in telecom service revenue, up 3% YoY and NT$13.95bn in EBITDA, up 4% YoY in the first half of 2005. Our business growth is further accelerated in 2Q recording 5% YoY rise in telecom revenue and 6% YoY increase in EBITDA.

Apart from rising yield per minute and organic growth in usage, we grew revenue from increasing subscriber acquisitions and low post-paid churn. Although we continue to invest in new opportunities (e.g. 3G and Bridge Alliance) and expand product distributions (e.g. more company stores and higher leverage off open channels), effective cost controls enabled us to sustain our EBITDA margin in 1H05.

3G Updates

TWM has adopted a prudent approach to 3G. We believe handsets pricing and variety should be one of the key factors for customers to adopt 3G and we plan to roll out additional services and 3G handsets at various price levels in 2H05. Separately, 3G pricing versus 2G is another important determinant for 2G subscribers' migration to 3G network. Judging from 3G offers in the market by our competitors, lowered than expected data pricing and higher-than-expected handset subsidy may result in faster 2G subscribers' migration to 3G. The financial implication of this is mixed.

Management Remark

In 1H of 2005, Taiwan Mobile has been benefiting from better economies of scale through accelerated revenue growth. Looking ahead, the Company is committed to further enhance our EBITDA through network optimization to effectively cut down network costs at TWM, TAT, and MBT. We will continue to pursue operating efficiency to present ample opportunities for value creation for our shareholders.

On a consolidated basis, we expect core business growth momentum will carry into 3Q and project a 3% revenue and 2% EBITDA growth sequentially. Telecom service revenue & EBITDA from TWM, TAT and MBT combined will show a repective 4% and 7% YoY growth. At the non-operating front, NT$940m Chunghwa Telecom cash dividend income to be received in 3Q will be offset by planned asset write-off of NT$1bn.

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Taiwan Mobile

I. Revenue Analysis

Pro forma TWM+TAT+MBT only

Table 1. Key Operational Data

	2Q05	1Q05	2Q04	QoQ	YoY
Revenue (NT$bn)	**14.95**	**14.33**	**14.29**	**4%**	**5%**
-Voice Revenue	14.03	13.37	13.48	5%	4%
-VAS Revenue	0.87	0.89	0.69	-2%	27%
-Others	0.04	0.06	0.13	-30%	-66%
-Data Rev as % to Total	5.9%	6.2%	4.8%		
End Subscribers (K)	**6,364**	**6,625**	**8,066**	-4%	-21%
-Postpaid	5,856	6,010	6,602	-3%	-11%
-Prepaid	509	615	1,464	-17%	-65%
Monthly Churn	**2.9%**	**2.8%**	**3.8%**		
MOU (bn)	**3.89**	**3.76**	**3.76**	3%	3%
ARPM (NT$)	**3.83**	**3.79**	**3.77**	1%	2%

Table 2. Per Sub Spending & Usage

	2Q05	1Q05	2Q04	QoQ	YoY
ARPU (NT$)*	**765**	**707**	**576**	8%	33%
-Postpaid	797	743	668	7%	19%
-Prepaid	419	355	153	18%	173%
MOU (minute)	**200**	**186**	**153**	7%	30%

*Blended ARPU is based solely on telecom service revenue

<u>Revenue Analysis</u>

2Q revenue for Taiwan Mobile, TAT, and MBT combined came in better than previously issued forecast with TWM revenue up 8% and MBT revenue up 12% YoY. However, TAT revenue experienced a decline of 8% due to decline in MOU, increases in % of customers on the one-net rate plan, and lack of handset sales compared to last year.

Data revenue grew by 27% YoY driven by strong growth in mobile internet business in 2Q05.

On the postpaid side, subscriber base declined by 3% sequentially as TAT is still in the process of cleaning up its inactive subscribers. However, net subscribers addition at TWM and MBT on the back of a low monthly churn rate of 1.5% and expanding gross adds helped offset this decline.

Pre-paid subscriber number continued to decline as a result of DGT's new regulation issued in 1Q05. However, pre-paid revenue grew modestly YoY in 2Q due to increases in MOU, decreases in free air-time discount, and more favorable call patterns.

Blended ARPU per sub trended up sequentially to NT$765 in 2Q from NT$707 in 1Q due to rising MOU and ARPM. On a consolidated basis, TWM's ARPU has exceeded CHT's ARPU and on a stand-alone basis, TWM's ARPU was the highest among the three major players. (ARPU is based on TWM internally calculated figures using telecom service revenue divided by average subscriber number).

II. Cost and Expense Analysis

Pro forma TWM+TAT+MBT only

Table 3. Total Cost & Expense

NT$bn	2Q05	1Q05	2Q04	QoQ	YoY
Revenue	**14.95**	**14.33**	**14.29**	**4%**	**5%**
Operating Cost	6.03	5.81	5.92	4%	2%
Operating Exp.	3.72	3.48	3.52	7%	6%
Total cost & expense	**9.75**	**9.29**	**9.44**	**5%**	**3%**
Operating income	5.20	5.04	4.85	3%	7%
Operating margin	34.8%	35.1%	33.9%		
EBITDA	7.12	6.83	6.70	4%	6%
EBITDA margin	47.7%	47.6%	46.9%		

Cost/Expense Analysis

2Q EBITDA margin for Taiwan Mobile, TAT, and MBT combined remained stable at 47.7%, improving slightly from a year ago. The YoY EBITDA margin expansion is attributable to stable EBITDA at TWM and profitability enhancement at TAT and MBT.

Table 4. Operating Cost Breakdown

NT$bn	2Q05	1Q05	2Q04	QoQ	YoY
Operating Cost	**6.03**	**5.81**	**5.92**	**4%**	**2%**
Cost of Goods Sold	**0.05**	**0.06**	**0.14**	**-23%**	**-67%**
Telecom Service Cost	**5.98**	**5.75**	**5.78**	**4%**	**4%**
- Depreciation	1.46	1.51	1.56	-3%	-6%
-Amortization-3G	0.19	0.00	0.00	NM	NM
- Interconnection	2.32	2.37	2.27	-2%	2%
- BTS & leased line rental	0.88	0.87	0.86	2%	3%
- Spectrum fee/license concession/USO	0.50	0.46	0.49	9%	3%

As both TWM and TAT outsourced handset procurement to Synnex, cost of goods sold dropped sharply in 2Q05 YoY.

Cash network costs moved roughly in tandem with revenue increase in 2Q05.

Depreciation expense decreased slightly due partially to lower depreciation at MBT and the sale of NT$2bn worth of transmission equipment to TFN in 1Q05. We started amortization of 3G license and realized NT$187m in 2Q05.

Table 5. Operating Expense Breakdown

NT$bn	2Q05	1Q05	2Q04	QoQ	YoY
Total Op. Exp.	**3.72**	**3.48**	**3.52**	**7%**	**6%**
Selling Exp.	**2.66**	**2.52**	**2.32**	**5%**	**14%**
- SAC + SRC	1.63	1.65	1.46	-1%	12%
- Direct Store & Customer Service Exp.	0.52	0.48	0.41	9%	26%
G&A Exp.	**1.06**	**0.96**	**1.20**	**11%**	**-12%**

2Q operating expense grew modestly from 1Q, driven by 1) rising direct store expense due to increasing store numbers and 2) G&A expense edging up associated with 3G and Bridge Alliance project related expenses. On a YoY comparison, stronger new subscriber additions led to increased subscriber acquisition expense. However, total operating expense was well-contained at 25% of total revenue.

Table 6. Non-operating Item

NT$bn	2Q05	1Q05	2Q04	QoQ	YoY
Non-Operating Items	**(0.05)**	**(0.28)**	**(0.22)**	**-80%**	**-75%**
-Net interest expense	(0.13)	(0.16)	(0.28)	-20%	-54%
-Asset disposal /exchange/write-off gain (loss)	(0.07)	(0.14)	(0.02)	-51%	292%
-CB buy-back (loss)	(0.01)	(0.18)	(0.17)	-94%	-94%
-Other non-ops.	0.15	0.20	0.25	-25%	-39%

Non-Operating Item Analysis

Net interest expense was sharply reduced compared to last year as Taiwan Mobile total debt level decreased by over NT$11bn in 1H05.

III. Income Statement Analysis

Consolidated basis

Table 7. Income Statement

NT$bn	1H05	2Q05	1Q05*
Revenue	**29.50**	**15.04**	**14.46**
Telecom Service Revenue	29.06	14.81	14.26
Other Revenue	0.44	0.23	0.20
Operating Cost	**12.71**	**6.47**	**6.24**
Telecom Service Cost	11.79	6.01	5.77
Cost of Good Sold	0.11	0.05	0.07
Service Costs	0.81	0.41	0.40
Operating Expenses	**6.39**	**3.29**	**3.10**
Operating Income	10.40	5.28	5.12
Non-op. Income (Expense)	(0.49)	(0.16)	(0.34)
Pre-tax Income	9.90	5.12	4.78
(Less Tax)	(1.47)	(0.73)	(0.74)
(Minority Interest)	(0.20)	(0.10)	(0.10)
Net Income - Attributed to the Parent	8.23	4.29	3.94
EPS (NT$)	1.69	0.88	0.81

*1Q05 operating cost and expenses have been restated due to certain reclassification for TT&T

The consolidated income statement is similar to the combined figures in Table 1-6 as the key difference is the revenue and expenses from TT&T. After accounting for inter-company transactions, TT&T contributed to around 1% in revenue and operating cost and expenses to the consolidated income statement.

On a consolidated basis, operating cost as % of total revenue is slightly higher due to the inclusion of TT&T, which has high operating costs due to the nature of its labor intensive call center business. However, operating expense as % of total revenue is slightly lower as inter-company revenue and expenses between TT&T and TWM, TAT, and MBT are eliminated.

Net income under US GAAP is around 3% lower than under ROC GAAP. Please see Appendix II for more detailed explanation.

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IV. Cash Flow Analysis

Consolidated basis

Table 8. Cash Flow

NT$bn	1H05	2Q05	1Q05
Net Income	8.23	4.29	3.94
Depreciation	3.16	1.56	1.61
Amortization	0.62	0.40	0.22
Other Op Sources/(Uses)	(0.06)	(1.16)	1.10
Total Op Sources/(Uses)	**11.96**	**5.09**	**6.86**
Net Investing Sources/(Uses)	**5.67**	**3.10**	**2.56**
Net Financing Sources/(Uses)	**(12.16)**	**(2.69)**	**(9.47)**
Net Cash Position Chg.	**5.46**	**5.51**	**(0.04)**

Cash Flow Analysis

Cash inflows from investing activities came largely from bond funds redemption and cash received from TFN for NT$2.0bn fixed asset sales. Major investing cash outflows in 2Q05 is the NT$640m in capital expenditures.

NT$2.7bn cash outflow from financing activity in 2Q05 stemmed largely from NT$2.4bn debt repayments and NT$86m buyback of convertible bonds. In 1H05, TWM paid back a total of NT$11bn in debt: NT8.4bn in long-term bank loan, NT$1.5bn in corporate bond and NT$1.1bn in convertible bonds buyback.

Table 9. Capex & FCF

NT$bn	1H05	2Q05	1Q05
Total Capex	**1.46**	**0.64**	**0.82**
% of Revenue	**5%**	**4%**	**6%**
Free Cash Flow*	**10.50**	**4.45**	**6.04**

*Free cash flow: operating cash flow minus capex

Capex and Free Cash Flow Analysis

Cash outflow on capital expenditure is NT$640m (NT$599m at TWM, NT$10m at TAT, and NT$31m at MBT) in 2Q05. In 1H05, total fixed asset gross adds is NT$2.00bn (47% for 2G and 53% for 3G). Free cash flow at the end of 2Q05 remained strong as capex accounted for only 4% of revenue because of minimal capex at TAT and MBT. Total gross adds for 2005 may be lower than our previous budget of NT$6.5bn due to lower spending on 2G.

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V. Balance Sheet Analysis

Consolidated basis

Table 10. Balance Sheet

NT$bn	2Q05	1Q05
Total Assets	**123.08**	**121.89**
Current Assets	31.54	29.62
- Cash & Cash Equivalents	13.28	7.77
- Short-Term Investment	9.38	11.94
- Other Current Assets	8.88	9.90
Long-Term Investment	4.32	4.44
Property and Equipment	66.62	66.59
Intangible Assets	10.09	10.28
Other Assets	10.51	10.97
Liabilities	**43.98**	**34.88**
Current Liabilities	26.67	16.24
- ST Debts	2.52	3.99
- Other Current Liabilities	24.15	12.25
Long-Term Borrowings	16.88	18.11
Other Liabilities	0.43	0.53
Shareholders' Equity	**79.10**	**87.01**

<u>Balance Sheet Analysis</u>

Cash and cash equivalents of NT$13.3bn as of 2Q end consists of NT$6.3bn from Taiwan Mobile, NT$1.1bn from TAT, NT$1.2bn from MBT, and NT$4.7bn from other affiliates. Short-term investment decreased as a result of NT$2.6bn bond funds being redeemed on the group basis.

Current liabilities increased due to NT$12.1bn cash dividend payable in TWM. Long-term borrowings decreased due to payment of NT$2.4bn in syndication loan by TWM. TWM has fully paid off its long-term bank loan in 2Q05. At the end of 2Q05, face value of convertible bonds outstanding decreased by NT$300m to NT$2.4bn.

Table 11. Ratios

	2Q05	1Q05
Current Ratio	118%	182%
Interest Coverage (x)	32.3	28.4
Net Debt to Equity	8%	16%
ROE (annualized)	20%	19%
ROA (annualized)	14%	13%

<u>Ratio Analysis</u>

Current ratio fell to 118% due an increase in current liability arising from cash dividend payable for Taiwan Mobile.

Net debt to equity came in at 8% as a result of Taiwan Mobile's continuous de-leveraging efforts and net cash positions at other affiliates.

Taiwan Mobile

VI. Forecast

Table 12. TWM Q2 Results vs Forecast

NT$bn	2Q05 Actual	2Q05 Forecast	% of Forecast Achieved
Revenue	11.92	11.60	103%
Gross Profit	7.14	6.78	105%
Operating Expense	2.80	2.75	102%
Operating Income	4.34	4.02	108%
Pre-tax Income	4.90	4.40	111%
Net Income	4.29	3.84	112%
EPS (NT$)	0.88	0.78	113%
EBITDA	5.69	5.39	105%
EBITDA margin	47.7%	46.5%	

Taiwan Mobile 2Q results beat the forecast provided during 1Q results conference due to 1) higher revenue growth and 2) well-controlled expenses

Table 13. TWM Stand-Alone Q3 Forecast

NT$bn	3Q05	QoQ	YoY
Revenue	12.40	4%	7%
Gross Profit	7.37	3%	8%
Operating Expense	2.96	6%	10%
Operating Income	4.41	2%	8%
Pre-tax Income	4.94	1%	-21%
Net Income	4.51	5%	-20%
EPS (NT$)	0.92	5%	-24%
EBITDA	5.80	2%	9%
EBITDA margin	46.7%		

Revenue growth momentum will carry into 3Q, propelled by 4% QoQ revenue increase at TWM on a stand-alone basis and 3% QoQ revenue increase on a consolidated basis. The lower revenue growth momentum on a consolidated basis is due to revenue decline in TAT.

EBITDA margin in 3Q expects to see a mild contraction sequentially in view of higher expenses stemming from 1) expanding 3G infrastructure, 2) more extensive company distribution stores, and 3) anticipated increase in new subscriber additions.

On a year-on-year comparison, EBITDA margin in 3Q05 will continue to expand due to revenue increase.

Table 14. TWM Consolidated Q3 Forecast

NT$bn	3Q05	QoQ
Revenue	15.53	3%
Gross Profit	8.97	5%
Operating Expense	3.59	9%
Operating Income	5.37	2%
Pre-tax Income	5.13	0%
Net Income	4.51	5%
EPS (NT$)	0.92	5%
EBITDA	7.35	2%
EBITDA margin	47.3%	

At the non-operating front, NT$940m Chunghwa Telecom cash dividend income to be received in 3Q will be offset by planned asset write-off of NT$1bn. In 4Q05, we anticipate to incur another asset-write down of around NT$400m.

We cannot provide specific figures for YoY comparison on a consolidated basis due to differences in the consolidated entities between 2004 and 2005. However, telecom service revenue and EBITDA for TWM, TAT, and MBT combined will experience around 4% and 7% growth respectively.

Taiwan Mobile

VII. Management Discussion & Analysis

Key Messages

In 1H of 2005, Taiwan Mobile has been benefiting from better economies of scale through accelerated revenue growth. Looking ahead, the Company is committed to further enhance our EBITDA through network optimization to effectively cut down network costs at TWM, TAT, and MBT. We will continue to pursue operating efficiency to present ample opportunities for value creation for our shareholders.

3G Updates

TWM has adopted a prudent approach to 3G. We believe handsets pricing and variety should be one of the key factors for customers to adopt 3G and we plan to roll out additional 3G handsets at various price levels in 2H05. Separately, 3G pricing versus 2G is another important determinant for 2G subscribers' migration to 3G network. Judging from 3G offers in the market by our competitors, lowered than expected data pricing and higher-than-expected handset subsidy may result in faster 2G subscribers' migration to 3G. The financial implication of this is mixed.

Management Change

Effective May 15, 2005, Dr. Teddy Huang is the new Chief Technology Officer. Effective June 15, Mr. Benny Chen is the new Chief Business Officer.

Major Resolutions at 2005 AGM

Lowered BOD Compensation: Taiwan Mobile lowered the payout ratio to directors and supervisors from 0.5% to 0.3%

Board Election Results: Taiwan Mobile elected 9 directors and 3 supervisors. In-line with corporate governance practices, Taiwan Mobile increased its independent directors from 2 to 3, and maintained independent supervisor at 1.

Investment Updates

- Taiwan Mobile has rolled back its franchised business. As a result, Taiwan Teleshop has been merged into TWM's group at the end of 2Q
- Mobitai ISR dispute has been fully settled with no negative impact on bottom line
- TFN recognized around NT$800m in asset impairment in accordance with Rule No. 35 in 1H05. Under the equity method, TWM recognized around NT$80m of investment loss in TFN
- As TWM and TFN are separately managed companies and the number of overlapping directors between TFN and TWM is less than 1/2, Taiwan Mobile may qualify to recognize its investment in TFN under the cost method instead of the equity method, starting 2H 2005

Audit & Corporate Governance Committee

In line with corporate governance practices, Taiwan Mobile's newly elected board of directors today elected the independent directors and supervisor to be in charge of the audit and corporate governance committees.

Awards & Recognition

TWM was one of the four listed companies that received the " Corporate Social Responsibility Award" from Global View Magazine and ranked first among Taiwan's services sector due to its superior performance in the areas of corporate citizenship, environmental protection and information transparency.

Appendix I: TWM Stand-Alone Results

Income Statement

NT$bn	1H05	1H04	2Q05	1Q05	2Q04
Revenue	**23.29**	**22.09**	**11.92**	**11.38**	**11.07**
Telecom Service Revenue	22.87	21.92	11.71	11.16	10.94
Other Revenue	0.42	0.17	0.21	0.22	0.13
Operating Cost	**9.33**	**9.01**	**4.78**	**4.55**	**4.53**
Operating Expenses	**5.40**	**4.91**	**2.80**	**2.60**	**2.44**
Selling Expenses	3.90	3.38	2.01	1.89	1.63
G&A Expenses	1.50	1.54	0.79	0.71	0.81
Operating Income	**8.56**	**8.17**	**4.34**	**4.22**	**4.10**
Non-op. Income	0.88	1.25	0.57	0.31	0.14
Pre-tax Income	9.44	9.42	4.90	4.53	4.24
(Less Tax)	(1.21)	(1.14)	(0.61)	(0.59)	(0.65)
Net Income	**8.23**	**8.28**	**4.29**	**3.94**	**3.59**
EPS (NT$)	1.69	1.79	0.88	0.81	0.77

For Taiwan Mobile stand-alone telecom service revenue, low churn rate and MOU and ARPM growth led to above industry growth of 7% in 2Q05. Taiwan Mobile also achieved a 7 % YoY increase in EBITDA as strong revenue growth compensated for slight EBITDA margin contraction.

Year on year, 2Q operating cost increased by around 5% reflecting the NT$187m in 3G amortization expense. 2Q operating expense also increased due to the expansion of direct stores, G&A expenses related to 3G and Bridge Alliance project, and higher subscriber acquisition cost due to stronger new subscriber additions.

Non-operating income increased sequentially due to decrease in interest expense and reduction in the amount of one time loss due to CB buybacks. YoY, non-operating income declined slightly due to the lack of exceptional gains from the disposal of CHT shares.

Cash Flow

NT$bn	1H05	1H04	2Q05	1Q05
Net Income	8.23	8.28	4.29	3.94
Depreciation	2.27	2.34	1.13	1.14
Amortization	0.26	0.09	0.22	0.04
Other Op Sources/(Uses)	0.98	1.45	(2.13)	3.11
Total Op Sources/(Uses)	**11.74**	**12.17**	**3.51**	**8.24**
Acquisition/Divestment	1.54	3.73	0.41	1.13
Capex	(1.37)	(2.71)	(0.60)	(0.77)
Others	1.80	(1.25)	1.75	0.05
Net Investing Sources/(Uses)	**1.97**	**(0.23)**	**1.56**	**0.42**
Debt Repayment	(9.90)	(9.49)	(2.40)	(7.50)
CB Buyback	(1.13)	(1.27)	(0.09)	(1.04)
Others	0.55	(1.93)	0.32	0.22
Net Financing Sources/(Uses)	**(10.48)**	**(12.70)**	**(2.16)**	**(8.32)**
Net Cash Position Changes	**3.24**	**(0.76)**	**2.90**	**0.34**

For 2Q05, cash inflows from investing activities came largely from bond funds redemption and cash received from TFN for NT$2bn fixed asset sales. Major investing cash outflows in 2Q05 is the NT$0.60bn in capital expenditures. In 1H05, total fixed asset gross adds is NT$1.9bn

NT$2.16bn cash outflow from financing activity in 2Q05 stemmed largely from NT$2.4bn debt repayments and NT$86m buyback of convertible bonds. In 1H05, TWM paid back a total of NT$11bn in debt: NT8.4bn in long-term bank loan, NT$1.5bn in corporate bond and NT$1.1bn in convertible bonds buyback.

Taiwan Mobile

Balance Sheet

NT$bn	2Q05	1Q05	2Q04
Total Assets	**119.60**	**117.39**	**126.11**
Current Assets	23.76	22.19	25.51
- Cash & Cash Equivalents	6.34	3.43	1.12
-Short-Term Investment	9.38	10.08	13.81
-Accounts & Other Receivable	7.38	7.56	8.74
- Other Current Assets	0.67	1.12	1.83
Long-Term Investment	22.87	22.29	22.86
Property and Equipment	59.33	58.90	63.52
Intangible Assets	10.09	10.28	10.28
Other Assets	3.54	3.74	3.94
-Non-Operating Assets	2.41	2.50	2.42
-Others	1.13	1.24	1.51
Liabilities	**41.51**	**31.65**	**58.70**
Current Liabilities	24.45	13.34	25.29
- Accounts & Notes Payable	16.87	3.27	13.82
- Current portion of LT Liabilities	2.40	3.87	6.66
- Other Current Liabilities	5.17	6.21	4.81
Bonds Payable	16.88	16.91	21.27
Long-Term Bank Loan	0.00	1.20	12.00
Other Liabilities	0.19	0.19	0.14
Shareholders' Equity	**78.08**	**85.75**	**67.41**
Capital Stock	49.45	49.36	47.49
Capital Surplus	7.78	7.61	4.30
Retained Earnings	21.98	30.31	18.06
Treasury Stock	(1.13)	(1.53)	(2.47)
Other Adjustments	(0.00)	(0.00)	0.03

Short-term investment declined slightly due to the redemption of bond funds. Current liabilities increased due to NT$12.1bn cash dividend payable. Ex-dividend date was on July 20, and payment date is August 10.

Current portion of LT liabilities decreased due to payments of long-term bank loan and buyback and conversion of CB2. Bonds payable decreased due to the buyback and conversion of CB1. Long term bank loan has been fully paid off.

At the end of 2Q05, face value of convertible bonds outstanding decreased by NT$300m to NT$2.4bn, consisting of around NT$1.6bn of CB1 and NT$0.8bn of CB2. Conversion prices for CB1 and CB2 have been adjusted for cash dividend and are now at 23.3 and 24.7 respectively. If all of the outstanding CBs are converted today, they would cause around 2% dilution.

In 1H05, TWM paid back a total of NT$11bn in debt: NT8.4bn in long-term bank loan, NT$1.5bn in corporate bond and NT$1.1bn in convertible bonds buyback. As a result, net debt to equity ratio is now at 17%.

Taiwan Mobile

Appendix II: US GAAP Reconciliation

TAIWAN MOBILE CO.,LTD

PRO FORMA CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED JUNE 30,2005

(In thousands of NT dollars)

	Net income based on ROC GAAP	$	8,232,276
	Adjustments:		
1	Recognition of bonuses to employees, directors and supervisors		(301,905)
2	Reversal of goodwill amortization expense		216,409
3	Recognition of compensation expenses for sale of treasury stock		(154,187)
4	Market value valuation adjustment for trading securities		15,055
5	Other		5,056
6	Income tax effect of U.S. GAAP adjustments		(749)
	Net increase in net income		(220,321)
	Net income based on U.S. GAAP	$	8,011,955

Taiwan Mobile

Summary of Certain Major Differences between ROC GAAP and U.S. GAAP

Our income statement is prepared and presented in accordance with ROC GAAP, which differs in certain material respects from U.S. GAAP. "Full" US GAAP analysis has not been performed and the pro forma income statement was based on certain assumptions as noted below.

Given the number and nature of differences between ROC GAAP and U.S. GAAP, users of ROC GAAP financial statements should not assume that those financial statements are comparable to financial statements prepared in accordance with U.S. GAAP.

a. Bonuses to employees, directors and supervisors

According to ROC regulations and the Company's Articles of Incorporation, a portion of the Company's distributable earnings should be set aside as bonuses to employees, directors and supervisors. Bonuses to directors and supervisors are usually paid in cash. However, bonuses to employees may be paid in cash or stock or a combination of both. Under ROC GAAP, the bonuses, including stock bonuses which are valued at par value of NT$10, are treated as appropriation of retained earnings and are charged against retained earnings after such bonuses are formally approved by the shareholders in the following year.

Under U.S. GAAP, such bonuses are treated as compensation expenses and are charged to earnings. The amount of compensation expenses related to stock bonuses is determined based on fair market value which is determinable upon approval of distribution by the shareholders in the subsequent year. The total amount of the aforementioned bonuses to be paid in the following year is initially accrued based on management's estimate pursuant to the Company's Articles of Incorporation. Any difference between the amount initially accrued and the fair market value of the bonuses upon the payment of cash bonuses and the issuance of shares is recognized in the year of approval by shareholders.

b. Goodwill

Under ROC GAAP, goodwill is the unidentifiable difference between the cost of investment and the investee's proportionate net value and is amortized systematically. The amortization of goodwill is charged to income over the period estimated to be benefited. Under ROC SFAS No. 35, effective January 1, 2005, the goodwill should be also tested for impairment periodically every year and should be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. To comply with ROC SFAS No. 35, the impairment assessment of goodwill was completed as of March 31, 2005 and no material impairment loss was found. During the past three months ended June 30, 2005, the assumptions of assessing the impairment loss under ROC SFAS No. 35 are not significantly changed.

Under U.S. GAAP, purchase price allocation was not performed in accordance with SFAS No.141 in order to identify goodwill and other intangible assets as two separate components of the premium paid for acquisition and test for impairment loss in the application of SFAS No.142. If intangible assets were identified, they will be amortized and the amount of the amortization for the remaining goodwill will be smaller than that present now.

c. Compensation expenses for sale of treasury stock

Under ROC GAAP, no income or expense is recognized in connection with a sale of the Company's treasury stock. Instead, the capital surplus account was increased /decreased by an amount equal to the difference between the aggregate sales price and the aggregate cost of treasury stock sold. If the balance of capital surplus from treasury is not sufficient to absorb this difference, the rest is recorded as a reduction of retained earnings.

Under U.S. GAAP, the excess of the market price of treasury stocks at the date of issue over the transferring price was recorded as compensation expenses when the shares of treasury stock were sold to employees if the transferring price is at a discount greater than 15% of the market price.

d. Investments in marketable securities

Under ROC GAAP, investments in marketable securities are classified as short-term investments or long-term investments. Short-term investments are stated at the lower of cost or market value, while long-term investments in listed equity securities in respect of which the company does not exercise significant influence on operating and financial decisions of the investee are stated at the lower of cost or market value, and unrealized gains/losses are recorded in stockholders' equity. Short-term investments in non-listed equity securities in respect of which the company does not exercise significant influence on operating and financial decisions of the investee are stated at cost, subject to permanent impairment test.

Under U.S. GAAP, investments in marketable equity securities are classified in one of three categories: trading, held-to-maturity or available-for-sale. Marketable equity securities classified as trading securities are reported at fair value with unrealized gains and losses included in earnings; debt securities classified as held-to maturity securities are reported at amortized cost; and debt and marketable equity securities classified as available-for-sale securities are reported at fair value with unrealized gains and losses reported as a separate component of stockholders' equity.

e. 10% tax on undistributed earnings

In ROC, a 10% tax is imposed on any undistributed earnings. Prior to 2002, for ROC GAAP purposes, the 10% tax on undistributed earnings was recorded in the year of shareholders' approval. The accounting policy with respect to the 10% tax on undistributed earnings under U.S. GAAP was consistent with the policy used for ROC GAAP. During 2002, the American Institute of Certified Public Accountants International Practices Task Force (the "Task Force") concluded that in accordance with Emerging Issues Task Force (EITF) 95-10, "Accounting for tax credits related to dividends in accordance with SFAS 109," the 10% tax on undistributed earnings should be accrued during the period the earnings arise and adjusted to the extent that the distributions are approved by the shareholders in the following year. The U.S. GAAP policy is modified to comply with the Task Force's conclusion. Income tax expense related to the 10% undistributed earnings tax is accrued and recorded in the year which the profits were earned. Adjustments to earnings are recorded in the following year based on the earnings appropriation approved by the shareholders.

The effect of 10% undistributed earnings tax was not shown on the reconciliation statement to avoid misleading the users. The 10% undistributed earnings tax will be affected significantly by the last year's adjustment based on the approval of the stockholders. However, the effect of last year's adjustment will be mitigated due to the estimated income tax of current year by the end of this year. The actual impact of 10% undistributed earnings tax to income before income tax were 2.07% and 1.80% for the years ended December 31, 2003 and 2004, respectively based on the past experience.

f. Income tax effect of U.S. GAAP adjustments

Difference exists between ROC GAAP and tax basis for certain reconciling items presented in the pro forma income statement. Related impact on deferred taxes and income tax expense was calculated based on the timing differences between book and tax basis in accordance with ROC SFAS No.12. The effective tax rate 14.82% is applied to generate the related tax effect on such adjustments.