Taiwan Mobile Co., Ltd.

Financial Statements for the
Six Months Ended June 30, 2006 and 2005 and
Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying balance sheets of Taiwan Mobile Co., Ltd. (the "Corporation") as of June 30, 2006 and 2005, and the related statements of income, changes in shareholders' equity and cash flows for the six months then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

As disclosed in Note 9 to the financial statements, net investment income recognized under the equity method for the six months ended June 30, 2005 of NT$34,436 thousand (0.36% of income before income tax) and additional disclosure in Note 24 for certain investees, except Taiwan Fixed Network Co., Ltd., TransAsia Telecommunications Inc. and Mobitai Communications, were based on the unaudited financial statements of such investees as of and for the same period. Total carrying value of such investments accounted for using equity method totaled NT$3,923,271 thousand (3.28% of total assets) at June 30, 2005.

In our opinion, except for such adjustments, if any, that might have been determined to be necessary had the above investment amounts and related additional disclosures been based on audited financial statements, the financial statements referred to above present fairly, in all material respects, the financial position of Taiwan Mobile Co., Ltd. as of June 30, 2006 and 2005, and the results of its operations and its cash flows for the six months then ended, in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and accounting principles generally accepted in the Republic of China.

As disclosed in Note 3 to the financial statements, the Corporation adopted the newly issued Statement of Financial Accounting Standards (SFAS) No. 34, "Accounting for Financial Instruments," SFAS No. 36, "Disclosure and Presentation of Financial Instruments," and the revisions on the related SFASs in harmonizing with SFAS No. 34 and 36 on January 1, 2006.

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

We have also reviewed the consolidated balance sheets of the Corporation and its subsidiaries as of June 30, 2006 and 2005 and the related consolidated statements of income, changes in shareholders' equity, and cash flows for the six months then ended. We have issued modified unqualified and qualified review reports on those consolidated financial statements as of and for the six months ended June 30, 2006 and 2005.

July 12, 2006

Notice to Readers

The accompanying financial statements are intended only to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such financial statements are those generally accepted and applied in the Republic of China.

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

TAIWAN MOBILE CO., LTD.

BALANCE SHEETS
JUNE 30, 2006 AND 2005
(In Thousands of New Taiwan Dollars, Except Par Value)

	2006		2005	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 2, 4 and 21)	$ 11,434,760	10	$ 6,335,981	5
Financial assets at fair value through profit or loss (Notes 2, 3 and 5)	7,314,212	6	100,300	-
Available-for-sale financial assets (Notes 2, 3 and 6)	8,775,000	7	9,277,177	8
Notes receivable	7,227	-	4,436	-
Accounts receivable - third parties (Notes 2 and 7)	5,129,511	4	4,798,047	4
Accounts receivable - related parties (Notes 2 and 21)	317,077	-	571,456	1
Other receivables - third parties (Note 21)	190,944	-	152,046	-
Other receivables - related parties (Note 21)	473,575	1	1,854,819	2
Prepayments	327,908	-	410,233	-
Deferred income tax assets - current (Notes 2 and 17)	75,382	-	86,951	-
Pledged time deposits (Notes 21 and 22)	10,000	-	145,000	-
Other current assets	8,229	-	20,417	-
Total current assets	34,063,825	28	23,756,863	20
LONG-TERM INVESTMENTS				
Investments accounted for using equity method (Notes 2 and 9)	16,019,566	13	22,837,045	19
Financial assets carried at cost (Notes 2, 3 and 8)	3,858,308	3	32,160	-
Total long-term investments	19,877,874	16	22,869,205	19
PROPERTY, PLANT AND EQUIPMENT (Notes 2, 10, 21 and 22)				
Cost				
Land	3,769,528	3	3,155,369	3
Buildings	2,221,339	2	1,881,921	1
Telecommunication equipment	69,251,102	56	65,686,126	55
Office equipment	107,096	-	140,347	-
Leased assets	1,276,190	1	1,276,190	1
Miscellaneous equipment	1,299,896	1	1,118,837	1
Total cost	77,925,151	63	73,258,790	61
Less accumulated depreciation	(23,423,134)	(19)	(20,416,687)	(17)
	54,502,017	44	52,842,103	44
Construction in progress and advance payments	1,922,393	2	6,491,008	6
Net property, plant and equipment	56,424,410	46	59,333,111	50
INTANGIBLE ASSETS (Note 2)	9,346,364	8	10,094,073	8
OTHER ASSETS				
Non-operating assets (Notes 2, 11 and 22)	1,137,702	1	2,411,179	2
Refundable deposits	272,226	-	260,067	-
Deferred charges (Notes 2, 12 and 22)	293,115	-	249,392	-
Deferred income tax assets - non-current (Notes 2 and 17)	1,013,177	1	548,531	1
Other	72,892	-	75,049	-
Total other assets	2,789,112	2	3,544,218	3
TOTAL	$ 122,501,585	100	$ 119,597,470	100

	2006		2005	
LIABILITIES AND SHAREHOLDERS' EQUITY	**Amount**	**%**	**Amount**	**%**
CURRENT LIABILITIES				
Notes payable	$ 1,372	-	$ -	-
Accounts payable (Note 21)	1,263,630	1	1,263,802	1
Income taxes payable (Notes 2 and 17)	1,415,439	1	1,051,997	1
Accrued expenses (Note 21)	3,789,884	3	2,766,817	3
Other payables (Note 21)	16,452,253	13	15,609,239	13
Advance receipts	564,129	1	926,135	1
Current portion of long-term liabilities (Notes 2, 10, 13 and 21)	1,587,881	1	2,404,661	2
Guarantee deposits	65,707	-	114,081	-
Other current liabilities (Note 21)	576,089	1	310,106	-
Total current liabilities	25,716,384	21	24,446,838	21
LONG-TERM LIABILITIES				
Hedging derivative financial liabilities (Notes 2, 3, 20 and 24)	420,522	-	-	-
Bonds payable (Notes 2, 13 and 21)	14,050,544	12	16,875,173	14
Total long-term liabilities	14,471,066	12	16,875,173	14
OTHER LIABILITIES				
Accrued pension cost (Notes 2 and 15)	139,035	-	138,984	-
Guarantee deposits	232,591	-	6,993	-
Other	-	-	46,431	-
Total other liabilities	371,626	-	192,408	-
Total liabilities	40,559,076	33	41,514,419	35
SHAREHOLDERS' EQUITY (Notes 2 and 16)				
Capital stock - $10 par value				
Authorized: 6,000,000 thousand shares				
Issued: 4,975,656 thousand shares in 2006 and 4,943,623 thousand shares in 2005	49,756,558	41	49,436,227	41
Entitlement certificates	31,030	-	13,498	-
Capital surplus	8,386,740	7	7,777,206	7
Retained earnings				
Legal reserve	10,128,401	8	8,504,731	7
Special reserve	3,350,000	3	2,201,631	2
Unappropriated earnings	10,864,170	9	11,277,492	9
Other equity				
Cumulative translation adjustments	3,426	-	(1,638)	-
Unrealized gains of financial instruments	1,501,726	1	-	-
Treasury stock	(2,079,542)	(2)	(1,126,096)	(1)
Total shareholders' equity	81,942,509	67	78,083,051	65
TOTAL	$ 122,501,585	100	$ 119,597,470	100

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

(With Deloitte & Touche audit report dated July 12, 2006)

TAIWAN MOBILE CO., LTD.

STATEMENTS OF INCOME
SIX MONTHS ENDED JUNE 30, 2006 AND 2005
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2006		2005	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUES (Notes 2 and 21)				
Telecommunication service revenue	$ 23,666,523	100	$ 22,870,458	100
Other revenue	87,572	-	100,584	-
Total operating revenues	23,754,095	100	22,971,042	100
OPERATING COSTS (Notes 2, 19 and 21)	9,890,498	42	9,161,717	40
GROSS PROFIT	13,863,597	58	13,809,325	60
OPERATING EXPENSES (Notes 2, 19 and 21)				
Marketing	4,878,872	21	3,823,599	17
Administrative	1,550,729	6	1,423,256	6
Total operating expenses	6,429,601	27	5,246,855	23
OPERATING INCOME	7,433,996	31	8,562,470	37
NON-OPERATING INCOME AND GAINS				
Investment income recognized under the equity method, net (Notes 2 and 9)	1,405,635	6	1,275,369	6
Gain on disposal of investments, net (Note 2)	626,289	3	4,721	-
Penalty income	84,037	1	84,481	1
Interest income	83,495	-	21,439	-
Rental income (Note 21)	32,274	-	83,937	-
Gain on disposal of property, plant and equipment (Notes 2 and 21)	10,327	-	71,047	-
Other	80,265	-	197,046	1
Total non-operating income and gains	2,322,322	10	1,738,040	8
NON-OPERATING EXPENSES AND LOSSES				
Loss on disposal and retirement of property, plant and equipment (Note 2)	1,295,323	6	184,469	1
Interest expenses (Notes 2 and 10)	227,410	1	314,284	1
Impairment loss (Notes 2 and 11)	100,965	-	82,023	-
Loss on buyback of bonds payable (Note 21)	59,327	-	190,184	1
Other (Notes 2 and 11)	16,308	-	91,323	1
Total non-operating expenses and losses	1,699,333	7	862,283	4

(Continued)

TAIWAN MOBILE CO., LTD.

STATEMENTS OF INCOME
SIX MONTHS ENDED JUNE 30, 2006 AND 2005
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2006		2005	
	Amount	**%**	**Amount**	**%**
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAX	$ 8,056,985	34	$ 9,438,227	41
INCOME TAX EXPENSE (Notes 2 and 17)	306,989	1	1,205,951	5
INCOME FROM CONTINUING OPERATIONS	7,749,996	33	8,232,276	36
CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES (Note 3)	35	-	-	-
NET INCOME	$ 7,750,031	33	$ 8,232,276	36

	2006		2005	
	Before Income Tax	**After Income Tax**	**Before Income Tax**	**After Income Tax**
EARNINGS PER SHARE (Note 18)				
Basic	$ 1.63	$ 1.57	$ 1.94	$ 1.69
Diluted	$ 1.62	$ 1.55	$ 1.90	$ 1.66

The pro forma net income and earnings per share had Statement of Financial Accounting Standards (SFAS) No. 34, “Accounting for Financial Instruments,” and SFAS No. 36, “Disclosure and Presentation of Financial Instruments,” been adopted are as follows:

	2006	**2005**
NET INCOME	$ 7,749,996	$ 8,248,076
EARNINGS PER SHARE		
Basic	$ 1.57	$ 1.69
Diluted	$ 1.55	$ 1.66

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

(With Deloitte & Touche audit report dated July 12, 2006) (Concluded)

TAIWAN MOBILE CO., LTD.

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
SIX MONTHS ENDED JUNE 30, 2006 AND 2005
(In Thousands of New Taiwan Dollars, Except Per Share Amounts)

	Capital Stock				Retained Earnings				Unrealized Gains of Financial Instruments	Cumulative Translation Adjustments	Treasury Stock	Total Shareholders' Equity
	Capital Stock	Entitlement Certificates	Total	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated	Total				
BALANCE, JANUARY 1, 2006	$ 49,492,065	$ 29,871	$ 49,521,936	$ 7,905,337	$ 8,504,731	$ 2,201,631	$ 19,175,425	$ 29,881,787	$ -	$ 3,240	$ (323,544)	$ 86,988,756
Appropriation of 2005 earnings												
Legal reserve	-	-	-	-	1,623,670	-	(1,623,670)	-	-	-	-	-
Special reserve	-	-	-	-	-	1,150,000	(1,150,000)	-	-	-	-	-
Reversal of special reserve	-	-	-	-	-	(1,631)	1,631	-	-	-	-	-
Remuneration to directors and supervisors	-	-	-	-	-	-	(40,394)	(40,394)	-	-	-	(40,394)
Bonus to employees - cash	-	-	-	-	-	-	(403,940)	(403,940)	-	-	-	(403,940)
Cash dividends - $2.61677 per share	-	-	-	-	-	-	(12,843,997)	(12,843,997)	-	-	-	(12,843,997)
Balance after appropriation	49,492,065	29,871	49,521,936	7,905,337	10,128,401	3,350,000	3,115,055	16,593,456	-	3,240	(323,544)	73,700,425
Net income for the six months ended June 30, 2006	-	-	-	-	-	-	7,750,031	7,750,031	-	-	-	7,750,031
Unrealized gains on available-for-sale financial assets	-	-	-	-	-	-	-	-	1,817,117	-	-	1,817,117
Unrealized losses on cash flow hedges	-	-	-	-	-	-	-	-	(315,391)	-	-	(315,391)
Conversion of convertible bonds to capital stock and entitlement certificates	264,493	1,159	265,652	481,403	-	-	-	-	-	-	-	747,055
Buyback of issued shares	-	-	-	-	-	-	-	-	-	-	(1,818,370)	(1,818,370)
Transfer of treasury stock to employees	-	-	-	-	-	-	(916)	(916)	-	-	62,372	61,456
Translation adjustments on long-term investments	-	-	-	-	-	-	-	-	-	186	-	186
BALANCE, JUNE 30, 2006	$ 49,756,558	$ 31,030	$ 49,787,588	$ 8,386,740	$ 10,128,401	$ 3,350,000	$ 10,864,170	$ 24,342,571	$ 1,501,726	$ 3,426	$ (2,079,542)	$ 81,942,509
BALANCE, JANUARY 1, 2005	$ 48,883,886	$ 279,670	$ 49,163,556	$ 7,258,873	$ 6,839,315	$ -	$ 19,554,125	$ 26,393,440	$ -	$ (1,631)	$ (1,841,417)	$ 80,972,821
Appropriation of 2004 earnings												
Legal reserve	-	-	-	-	1,665,416	-	(1,665,416)	-	-	-	-	-
Special reserve	-	-	-	-	-	2,201,631	(2,201,631)	-	-	-	-	-
Remuneration to directors and supervisors	-	-	-	-	-	-	(63,936)	(63,936)	-	-	-	(63,936)
Bonus to employees - cash	-	-	-	-	-	-	(383,613)	(383,613)	-	-	-	(383,613)
Cash dividends - $2.47302 per share	-	-	-	-	-	-	(12,126,821)	(12,126,821)	-	-	-	(12,126,821)
Balance after appropriation	48,883,886	279,670	49,163,556	7,258,873	8,504,731	2,201,631	3,112,708	13,819,070	-	(1,631)	(1,841,417)	68,398,451
Net income for the six months ended June 30, 2005	-	-	-	-	-	-	8,232,276	8,232,276	-	-	-	8,232,276
Conversion of convertible bonds to capital stock and entitlement certificates	552,341	(266,172)	286,169	518,333	-	-	-	-	-	-	-	804,502
Translation adjustments on long-term investments	-	-	-	-	-	-	-	-	-	(7)	-	(7)
Transfer of treasury stock to employees	-	-	-	-	-	-	(67,492)	(67,492)	-	-	715,321	647,829
BALANCE, JUNE 30, 2005	$ 49,436,227	$ 13,498	$ 49,449,725	$ 7,777,206	$ 8,504,731	$ 2,201,631	$ 11,277,492	$ 21,983,854	$ -	$ (1,638)	$ (1,126,096)	$ 78,083,051

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

(With Deloitte & Touche audit report dated July 12, 2006)

TAIWAN MOBILE CO., LTD.

STATEMENTS OF CASH FLOWS
SIX MONTHS ENDED JUNE 30, 2006 AND 2005
(In Thousands of New Taiwan Dollars)

	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 7,750,031	$ 8,232,276
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	2,637,166	2,270,795
Investment income recognized under the equity method, net	(1,405,635)	(1,275,369)
Loss on disposal and retirement of property, plant and equipment, net	1,284,996	113,422
Gains on disposal of available-for-sale financial assets	(625,506)	-
Amortization	458,322	260,611
Deferred income taxes	(429,588)	136,093
Bad debts	357,926	298,229
Impairment loss	100,965	82,023
Loss on buyback of bonds payable	59,327	190,184
Accrued interest compensation	34,209	64,435
Gains on disposal of long-term investments	(1)	-
Cash dividends received from equity-method investees	-	2,756,541
Pension cost	-	5,092
Net changes in operating assets and liabilities		
Financial assets held for trading	(6,714,212)	2,532,165
Notes receivable	5,443	(4,383)
Accounts receivable - third parties	(518,417)	(653,100)
Accounts receivable - related parties	211,614	(89,280)
Other receivables - third parties	34,918	(118,610)
Other receivables - related parties	23,729	(308,276)
Prepayments	147,235	35,427
Other current assets	(659)	(14,021)
Notes payable	1,332	(1,362)
Accounts payable	(214,778)	(110,241)
Income taxes payable	320,712	(859,801)
Accrued expenses	403,995	409,170
Other payables	512,585	245,913
Advance receipts	(456,727)	71,309
Other current liabilities	(219,288)	6,890
Net cash provided by operating activities	3,759,694	14,276,132
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of available-for-sale financial assets	2,944,800	-
Acquisition of property, plant and equipment	(2,388,891)	(1,368,586)
Proceeds from disposal of long-term investments	1,499,551	-
Proceeds from investees' capital reduction	1,119,715	-
Proceeds from disposal of idle assets	44,633	-
Decrease (increase) in deferred charges	(33,600)	10,332
Increase in refundable deposits	(11,103)	(5,181)

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TAIWAN MOBILE CO., LTD.

STATEMENTS OF CASH FLOWS
SIX MONTHS ENDED JUNE 30, 2006 AND 2005
(In Thousands of New Taiwan Dollars)

	2006	2005
Decrease in other assets	$ 624	$ 319
Proceeds from disposal of property, plant and equipment	260	1,147,100
Increase in long-term investments accounted for using equity method	-	(813,725)
Decrease in pledged time deposits	-	465,000
Cash received from merger with Taiwan Elitec Corporation	-	5,958
Net cash provided by (used in) investing activities	3,175,989	(558,783)
CASH FLOWS FROM FINANCING ACTIVITIES		
Buyback of issued shares	(1,818,370)	-
Decrease in bonds payable	(1,500,000)	(1,500,000)
Buyback of bonds payable	(1,335,201)	(1,126,071)
Transfer of treasury stock to employees	61,456	647,829
Decrease in guarantee deposits	(5,523)	(88,979)
Decrease in other liabilities	(1,289)	-
Decrease in long-term bank loans	-	(8,400,000)
Bonus to employees	-	(10,535)
Other	-	(462)
Net cash used in financing activities	(4,598,927)	(10,478,218)
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,336,756	3,239,131
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	9,098,004	3,096,850
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 11,434,760	$ 6,335,981
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid - excluding interest capitalized	$ 163,225	$ 281,351
Income taxes paid	$ 355,132	$ 1,491,549
NON-CASH INVESTING AND FINANCING ACTIVITIES		
Current portion of long-term liabilities	$ 1,587,881	$ 2,404,661
Conversion of convertible bonds to capital stock and entitlement certificates	$ 644,000	$ 719,300
CASH INVESTING AND FINANCING ACTIVITIES		
Acquisition of property, plant and equipment	$ 1,961,247	$ 1,918,711
Decrease (increase) in other payables	427,644	(550,125)
Cash paid for acquisition of property and equipment	$ 2,388,891	$ 1,368,586

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TAIWAN MOBILE CO., LTD.

STATEMENTS OF CASH FLOWS
SIX MONTHS ENDED JUNE 30, 2006 AND 2005
(In Thousands of New Taiwan Dollars)

SUPPLEMENTAL INFORMATION ON SUBSIDIARY:

Taiwan Elitec Corporation (TEC), the Corporation's subsidiary, merged with the Corporation on March 30, 2005, with the Corporation as the surviving company. The carrying values of TEC's assets and liabilities as of March 30, 2005 were as follows:

Accounts receivable	$ 17,015
Other receivables	7,948
Other current assets	35
Property, plant and equipment	2,811
Refundable deposits	554
Assets acquired from TEC	$ 28,363
Accrued expenses	$ 31,101
Other current liabilities	265
Long-term liabilities	2,578
Guarantee deposits	266
Liabilities assumed from TEC	$ 34,210

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

(With Deloitte & Touche audit report dated July 12, 2006) (Concluded)

1. ORGANIZATION AND OPERATIONS

Taiwan Mobile Co., Ltd. (the "Corporation"; with the English company name of Taiwan Cellular Corporation until the first quarter of 2005) 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 (nation-wide GSM 1800 for all sectors; "GSM" means "global system for mobile communications") issued by the Directorate General of Telecommunications (DGT) of the ROC. The license allows the Corporation to provide services for 15 years from 1997 onwards. It also entails the payment of an annual license fee consisting of 2% of total wireless communication service revenues. On March 24, 2005, the Corporation received the third generation (3G) concession operation license issued by the DGT. The 3G license allows the Corporation to provide services from the issuance date of the license to December 31, 2018.

As of June 30, 2006 and 2005, the Corporation had 2,103 and 1,725 employees, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

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

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

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. Property, plant and equipment, intangible assets and those not classified as current assets are non-current assets. Current liabilities are obligations held for trading and those expected to be due within twelve months from the balance sheet date. All other liabilities not classified as current liabilities are non-current liabilities.

Cash Equivalents

Government bonds and short-term bills acquired with resale rights and having maturities of up to three months from the date of purchase are classified as cash equivalents, whose carrying value approximates fair value.

Financial Instruments at Fair Value through Profit or Loss

Financial instruments at fair value through profit or loss include financial assets or liabilities held for trading and those designated on initial recognition to be measured at fair value with fair value changes recognized in profit or loss. On initial recognition, the financial instruments are recognized at fair value plus transaction costs and are subsequently measured at fair value with fair value changes recognized in profit or loss. Cash dividends received, including those received in the year of investment, are recognized as current income. The purchase or sale of the financial instruments is recognized and derecognized using trade date accounting.

Available-for-sale Financial Assets

On initial recognition, available-for-sale financial assets are recognized at fair value plus transaction costs. When subsequently measured at fair value, the fair value changes are recognized directly in equity. The cumulative gain or loss that was recognized in equity is recognized in profit or loss when an available-for-sale financial asset is derecognized from the balance sheet. The purchase or sale of the financial instruments is recognized and derecognized using trade date accounting.

Cash dividends are recognized as dividend income on the ex-dividend date, but are accounted for as reductions to the original cost of investments if such dividends are declared on the earnings of investees attributable to periods prior to the purchase of investments. Stock dividends are not recognized as current income but are accounted for only as an increase in the number of shares held. The cost per share is re-calculated based on the new number of shares.

An impairment loss is recognized if there is objective evidence that a financial asset is impaired. If the amount of impairment loss decreases in the subsequent period, such decrease is recognized in equity.

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

Allowance for Doubtful Accounts

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

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 unlisted stocks and emerging stocks, etc, is measured at cost. The accounting for the dividends from financial asset carried at cost is the same as that for an available-for-sale financial asset. Impairment losses are recognized if a decrease in the fair value of the instruments can be objectively related to an event. Reversal of impairment losses is not allowed.

Investments Accounted for Using Equity Method

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

On the acquisition date or the adoption of the equity method for the first time, the difference between the cost of acquisition and the equity in the investee's net asset value was amortized using the straight-line method over 8 to 20 years. Starting January 1, 2006, in accordance with the newly revised Statement of Financial Accounting Standards (SFAS), the cost of acquisition is subjected to an initial analysis, and goodwill represents the excess of the cost of acquisition over the fair value of the identifiable net asset value. Goodwill is no longer amortized but instead tested annually for impairment. An impairment test is also required if there is evidence indicating that goodwill might be impaired as a result of specific events or changes in economic environment. 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 also no longer amortized and applies the same accounting treatment as goodwill.

Gains or losses on sales to the Corporation of investees to company accounted for using the equity method are deferred in proportion to the Corporation's ownership percentages in the investees until realized through transactions with third parties.

Gains or losses from transactions between two investees that are both accounted for using equity method are deferred in proportion to the Corporation's equivalent stock ownership in the investees if the Corporation has controlling power over each investee.

If the investor does not have controlling power over both investees that have reciprocal transactions, unrealized gains or losses from reciprocal transactions should be deferred in proportion to the common investor's ownership percentage in one investee multiplied by the ownership percentage in the other investee.

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

Property, Plant and Equipment and Assets Leased to Others

Property, plant and equipment and assets leased to others are stated at cost less accumulated depreciation. Significant additions, renewals, betterments, and interest expenses incurred during the construction period are capitalized, while maintenance and repairs are expensed currently. Property, plant and equipment covered by agreements qualifying as capital leases are carried at the lower of the present value of future minimum lease payments or the market value of the property on the starting dates of the leases.

Depreciation is calculated using the straight-line method over the estimated service lives, which range as follows: buildings - 50 to 55 years; telecommunication equipment - 5 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, plant 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.

Intangible Assets

Intangible assets refer to the bid payment for the 3G mobile telecommunication service - License C. The 3G concession is recorded at acquisition cost and is amortized over 13 years and 9 months starting from the license issuance date.

Deferred Charges

Deferred charges, which included interior decoration, computer software, bill issuance costs and issuance costs of bonds issued before December 31, 2005, are amortized by the straight-line method over 3 to 7 years or contract periods.

Idle Assets

Idle assets, which consist of land, buildings and equipment not currently used in operations, are stated at the lower of cost or net realizable value.

Asset Impairment

If the carrying value of assets (including property, plant and equipment, intangible assets, idle assets, assets leased to others and investments accounted for using equity method) is less than their 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 disallowed.

Pension Costs

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

Bonds Payable

Convertible bonds with redemption rights that were issued before December 31, 2005 are classified as current or non-current according to the redemption dates. The redemption price in excess of the face value of the bonds is amortized using the interest method from the issuance date through the maturity date and accounted for as accrued interest compensation. The accrued interest compensation is provided as a valuation account of convertible bonds. The issuance costs are recognized as deferred charges. The issuance costs for the non-convertible bonds are amortized over the term of the bond, and those for the convertible bonds with redemption rights are amortized from the issuance date to the maturity date of redemption rights.

When bondholders exercise their conversion rights, the face value of the bonds and the related accrued interest compensation are both transferred to capital stock or entitlement certificates and capital surplus.

Income Taxes

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

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

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

Income tax of 10% on unappropriated earnings generated is expensed in the year when the shareholders resolve the retention of the earnings.

Treasury Stock

The purchase of issued shares is accounted for by debiting treasury stock, which is a reduction of shareholders' equity.

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

Foreign-currency Transactions

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

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

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

The above prevailing exchange rates are based on the average of bid and ask rates of principal 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 and are recognized on the basis of minutes of usage.

Promotion Expenses

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

Hedging Derivative Financial Instruments

The interest rate swap contracts which the Corporation entered into to manage its exposure to the interest rate risk are designated as a cash flow hedge. The hedging instrument is measured at fair value, and the change of fair value is recognized directly in equity and will be recognized as profit or loss when the hedged forecast transaction affects profit or loss. If the cumulative net loss recognized in equity is regarded as irrecoverable, it is immediately recognized as a loss in the current period.

Reclassification

Certain accounts in the financial statements as of and for the six months ended June 30, 2005 have been reclassified to conform to the presentation of financial statements as of and for the six months ended June 30, 2006.

3. REASONS AND EFFECT OF CHANGES IN ACCOUNTING PRINCIPLE

Effective January 1, 2006, the Corporation adopted newly issued SFAS No. 34, "Accounting for Financial Instruments," SFAS No. 36, "Disclosure and Presentation of Financial Instruments," and the revisions on the related SFASs.

a. Effect of the first time adoption of the newly issued and revised SFASs

Upon adoption of the newly issued and revised SFASs, the Corporation appropriately reclassified the financial assets and liabilities, including derivatives. The adjustments to the carrying values of the financial instruments at fair value through profit or loss were recorded in the cumulative effect of changes in accounting principles, and those of the available-for-sale financial assets measured at fair value and of the derivatives for cash flow hedge were recorded in equity.

The effect of the first time adoption of these SFASs is summarized as follows:

	Recognized as Cumulative Effect of Changes in Accounting Principle (Net of Tax)	Recognized in Equity (Net of Tax)
Financial assets at fair value through profit or loss	$ 35	$ -
Available-for-sale financial assets	-	2,082,823
Hedging derivative financial liabilities	-	(248,184)
	$ 35	$ 1,834,639

The changes in accounting policy resulted in a decrease in income from continuing operations of $35 thousand for the six months ended June 30, 2006, but had no effect on net income and earnings per share (net of tax).

b. Reclassifications by the adoption of these SFASs

The accounting policies applied in measuring financial instruments in 2005 that differ from 2006 are described as follows:

1) Short-term investments

Short-term investments are carried at the lower of aggregate cost or market value, and the loss on market value decline is recognized in current income. The market values of the investment in listed stocks are determined based on the average closing prices in the last month of an accounting period.

2) Long-term investments accounted for using cost method denominated in foreign currencies

The long-term investments accounted for using cost method denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. If the translated amount is less than the original cost amount, the resulting exchange differences are recognized as the cumulative translation adjustments in equity. If the translated amount is higher, no adjustment is made.

3) Interest rate swap contracts

The notional amounts of interest rate swap contracts, which are used for non-trading purposes, are not recognized in the financial statements because these contracts do not require initial settlements. However, a memorandum entry is made to note the transaction.

Due to the adoption of new and amended SFASs starting from January 1, 2006, certain accounts in the financial statements as of and for the six months ended June 30, 2005 have been reclassified as follows to conform to the presentation of the financial statements as of and for the six months ended June 30, 2006.

	Before Reclassification	After Reclassification
Balance sheet		
Short-term investments	$ 9,377,477	$ -
Long-term investments	32,160	-
Financial assets at fair value through profit or loss	-	100,300
Available-for-sale financial assets	-	9,277,177
Financial assets carried at cost	-	32,160

Starting on January 1, 2006, the Corporation adopted newly revised SFAS No. 1, "Conceptual Framework for Financial Accounting and Preparation of Financial Statements," SFAS No. 5, "Long-term Investments in Equity Securities," and SFAS No. 25, "Business Combinations - Accounting Treatment under Purchase Method." These revisions primarily included that goodwill is no longer amortized and that the difference between the cost of acquisition and the equity in the investee's net asset value is subjected to an initial analysis. If defined as goodwill, the difference is no longer amortized but instead tested annually for impairment. These adoptions had no effect on the income from continuing operations and the cumulative effect of changes in accounting principle for the six months ended June 30, 2006.

4. CASH AND CASH EQUIVALENTS

	June 30	
	2006	2005
Short-term bills with resale rights	$ 5,336,005	$ -
Government bonds with resale rights	4,237,058	5,149,799
Time deposits	1,264,300	719,708
Cash in banks	570,919	452,597
Cash on hand	23,406	10,872
Revolving funds	3,072	3,005
	$ 11,434,760	$ 6,335,981

5. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Information on the financial instruments held for trading is as follows:

	June 30	
	2006	2005
Financial assets held for trading		
Beneficiary certificates		
Open-end funds	$ 7,314,212	$ 100,300

6. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	June 30	
	2006	2005
Domestic listed stocks		
Chunghwa Telecom Co., Ltd.	$ 8,775,000	$ 9,277,177

7. ACCOUNTS RECEIVABLE - THIRD PARTIES

	June 30	
	2006	2005
Accounts receivable	$ 5,488,118	$ 5,203,602
Less allowance for doubtful accounts	(358,607)	(405,555)
	$ 5,129,511	$ 4,798,047

8. FINANCIAL ASSETS CARRIED AT COST

	June 30	
	2006	2005
Domestic emerging stocks		
Taiwan Fixed Network Co., Ltd.	$ 3,826,148	$ -
Foreign unlisted stocks		
Bridge Mobile Pte Ltd.	32,160	32,160
	$ 3,858,308	$ 32,160

The above investments in stocks are measured at cost because there is no active market and reliable fair value.

9. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	June 30			
	2006		2005	
	Carrying Value	% of Owner-ship	Carrying Value	% of Owner-ship
TransAsia Telecommunications Inc. (TAT, formerly TAT International Telecommunications Co., Ltd.)	$ 13,103,301	100.00	$ -	-
Taiwan Cellular Co., Ltd. (TCC, formerly Taihsing Den Syun Co., Ltd.)	2,916,265	100.00	-	-
TransAsia Telecommunications Inc. (former TAT)	-	-	11,610,652	92.32
Taiwan Fixed Network Co., Ltd.	-	-	4,129,069	9.87
Mobitai Communications (former Mobitai)	-	-	3,174,053	84.85
Tai Hung Investment Ltd.	-	-	1,650,005	99.99
Taiwan Cellular Co., Ltd. (former TCC)	-	-	1,001,560	99.99
Tai Fu Investment Ltd.	-	-	556,271	99.99
T.I. Investment Ltd.	-	-	406,531	99.99
Tai Hsuo Investment Ltd.	-	-	308,904	99.99
	$ 16,109,566		$ 22,837,045	

On January 26, 2006, the Corporation established TAT International Telecommunications Co., Ltd. (TATIT) and acquired 100% equity in TATIT with 328,645 thousand shares of TransAsia Telecommunications Inc. (the former TAT). TATIT's Board of Directors proposed, on January 26, 2006, and decided, on June 15, 2006, to merge the former TAT with TATIT, with TATIT as the surviving company. TATIT thus assumed all the former TAT's rights and obligations and was renamed as TransAsia Telecommunications Inc. (TAT) on the record date, June 27, 2006. TAT mainly provides wireless services.

Through a series of share purchases between August 2004 and August 2005, the Corporation acquired 94.28% equity (255,079 thousand shares) in Mobitai Communications (the former Mobitai) for $3,440,452 thousand. On September 8, 2005, the Corporation established Taihsing Den Syun Co., Ltd. (TDS) and acquired 100% equity in TDS with 255,079 thousand of the former Mobitai's shares and $250,000 thousand in cash. TDS mainly provides equipment installation and IT services.

On November 3, 2005, TDS established Tai Ya International Telecommunications Co., Ltd. (TYIT) and acquired 100% equity in TYIT with 255,079 thousand of the former Mobitai's shares. TYIT's Board of Directors decided, on November 3, 2005, to merge the former Mobitai with TYIT, with TYIT as the surviving company. The record date of the merger was January 1, 2006. TYIT thus assumed all Mobitai's rights and obligations and was renamed as Mobitai Communications (Mobitai) on the record date. Mobitai mainly provides wireless services.

To integrate enterprise resources and enhance operating efficiency, TDS's Board of Directors decided, on March 30, 2006, to merge Taiwan Cellular Co., Ltd. (the former TCC) for $1,527,583 thousand at NT$33.85 per share, with TDS as the surviving company. TCC, incorporated in November 1997, is engaged in general investing activities. The record date of the merger was May 1, 2006. TDS thus assumed all of TCC's rights and obligations and was renamed as Taiwan Cellular Co., Ltd. (TCC).

On March 30, 2006, TCC's Board of Directors decided to reduce TCC's capital by $1,119,715 thousand, resulting in the cancellation of 111,972 thousand shares and the return to investors of their cash investments. On the record date (June 1, 2006), the Corporation was entitled to receive $1,119,715 thousand based on its equity of 100% in TCC.

The Corporation's subsidiaries, Tai Hung Investment Ltd., Tai Fu Investment Ltd., T.I. Investment Ltd. and Tai Hsuo Investment Ltd., adopted resolutions for their liquidations, which were completed in December 2005.

Previously, although the Corporation's equity in Taiwan Fixed Network Co., Ltd. (TFN) was less than 20%, the equity method was applied because of the Corporation's significant influence over TFN. The investment income or loss was recognized using the treasury stock method for the reciprocal investments between TFN and the Corporation. On July 19, 2005, however, the Corporation lost its significant influence over TFN and thus changed the accounting treatment to the cost method. On January 1, 2006, the Corporation reclassified its equity in TFN under the financial asset carried at cost.

The carrying value of the investments under equity method and the related investment income or losses for the six months ended June 30, 2006 and 2005 were determined on the basis of unaudited financial statements, except the financial statements of TAT and Mobitai in 2006 (the Corporation's management considered that the adjustment might be immaterial if the carrying value of the investments under equity method and the related investment income or losses were determined on the basis of audited financial statements) and the financial statements of TFN, the former TAT and the former Mobitai in 2005. The Corporation's investment income or losses were as follows:

	Six Months Ended June 30	
	2006	**2005**
Taiwan Cellular Co., Ltd. (formerly Taihsing Den Syun Co., Ltd.)	$ 729,600	$ -
TransAsia Telecommunications Inc. (formerly TAT International Telecommunications Co., Ltd.)	644,838	-
Taiwan Cellular Co., Ltd. (former TCC)	31,198	51,011
TransAsia Telecommunications Inc. (former TAT)	(1)	1,150,437
Mobitai Communications (former Mobitai)	-	203,054
Taiwan Fixed Network Co., Ltd.	-	(112,558)
Tai Hsuo Investment Ltd.	-	(21,095)
Tai Hung Investment Ltd.	-	3,186
Tai Fu Investment Ltd.	-	2,382
Taiwan Elitec Corporation	-	(1,817)
T.I. Investment Ltd.	-	769
	$ 1,405,635	$ 1,275,369

In conformity with the SFAS No. 35, "Accounting for Asset Impairment," the Corporation and subsidiaries identified the Corporation, the former TAT and the former Mobitai, the subsidiary of TYIT, as the smallest identifiable group of cash-generating units. The former TAT and the former Mobitai mainly provide second-generation GSM wireless communication services. As of December 31, 2005, goodwill amounting to $5,881,350 thousand and $532,679 thousand was allocated to the carrying values of the operating assets of the former TAT and the former Mobitai, respectively. The recoverable amounts were measured by the asset values in use under the following critical assumptions, which indicated no asset impairment when the recoverable amounts were compared with the former TAT's and the former Mobitai's carrying values:

a. Assumptions on operating revenues

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

b. Assumptions on operating costs and expenses

   The estimates of commissions, customer retention costs, customer service costs and bill processing costs were based on the projected changes in subscriber numbers. The estimates of remaining costs and expenses were based on the proportion of the actual costs and expenses to operating revenues in the 2005 financial statements.

c. The Corporation used the discount rates of 7.63% and 8.72% in calculating the asset recoverable amounts of the former TAT and the former Mobitai, respectively.

10. PROPERTY, PLANT AND EQUIPMENT - ACCUMULATED DEPRECIATION

	June 30	
	2006	2005
Buildings	$ 252,480	$ 177,829
Telecommunication equipment	22,398,082	19,385,904
Office equipment	40,290	87,648
Leased assets	260,556	196,746
Miscellaneous equipment	471,726	568,560
	$ 23,423,134	$ 20,416,687

Interest expenses capitalized for the six months ended June 30, 2006 and 2005 amounted to $552,725 thousand and $54,356 thousand, respectively, with interest rates ranging from 2.28% to 3.12% and from 2.64%-3.24%, respectively.

11. NON-OPERATING ASSETS

	June 30	
	2006	2005
Cost		
Assets leased to others	$ 962,976	$ 2,436,920
Idle assets	2,788,470	3,010,499
	3,751,446	5,447,419
Less accumulated depreciation	(780,083)	(1,112,270)
	2,971,363	4,335,149
Less accumulated impairment	(1,833,661)	(1,923,970)
	$ 1,137,702	$ 2,411,179

The impairment losses of idle buildings and equipment were determined based on their appraised values and net realizable value, respectively, and the Corporation recognized impairment losses of $100,965 thousand and $82,023 thousand for the six months ended June 30, 2006 and 2005, respectively.

12. DEFERRED CHARGES

	June 30	
	2006	2005
Interior decoration	$ 185,934	$ 111,192
Computer software	90,665	40,331
Other	16,516	97,869
	$ 293,115	$ 249,392

13. BONDS PAYABLE

	June 30			
	2006		2005	
	Current	Non-current	Current	Non-current
Domestic secured bonds	$ -	$ -	$ 1,500,000	$ -
Domestic unsecured bonds	1,250,000	13,750,000	-	15,000,000
1st domestic unsecured convertible bonds	272,900	-	-	1,582,700
2nd domestic unsecured convertible bonds	-	265,000	824,000	-
Add accrued interest compensation	64,981	35,544	80,661	292,473
	$ 1,587,881	$ 14,050,544	$ 2,404,661	$ 16,875,173

a. Domestic secured bonds

On February 1, 2001, the Corporation issued $3,000,000 thousand of five-year domestic secured bonds, with each bond having a face value of $1,000 thousand with a coupon rate of 5.31% per annum. The bonds will be redeemed in the fourth and fifth years after the issuance date at $1,500,000 thousand for each of those years. Interest is payable annually. The bonds were repaid by the Corporation in February 2006.

The bond covenant requires the Corporation to maintain its year-end current ratio at above 100%, debt-to-equity ratio at below 100% and solvency ratio [(Net income + Depreciation + Amortization + Interest expense)/(Long-term bank loan repayments + Interest expense)] at above 150%.

b. Domestic unsecured bonds

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

c. 1st domestic convertible bonds

On August 25, 2001, the Corporation issued $10,000,000 thousand of five-year domestic convertible bonds, with each bond having a face value of $100 thousand and 0% interest. Within the conversion period, starting from 3 months after the issuance date to 10 days before maturity, the bondholders may ask for bond conversion into common stocks or entitlement certificates of the Corporation. Cash is paid for those bonds that cannot be converted into one share. The conversion price is subject to adjustment based on the prescribed formula. The conversion price has been NT$23.3 per share since July 20, 2005. As of June 30, 2006, bonds amounting to $6,532,700 thousand have been converted to 211,711 thousand of common shares and 3,103 thousand units of entitlement certificates. Each certificate can be converted into one common share. The bonds amounting to $3,194,400 thousand were purchased and canceled by the Corporation.

If the closing price of the Corporation's share is above 50% of the conversion price for 30 consecutive trading days of the Taiwan Stock Exchange from 3 months after bond issuance to 40 days before maturity, the Corporation has the option to convert the bonds to entitlement certificates at the conversion price or to redeem the bonds by cash at face value. If the total value of outstanding convertible bonds becomes less than 10% of the total principal, the Corporation also has the option, at any time, to convert the bonds to entitlement certificates at the conversion price or to redeem the bonds by cash at face value.

On the third year after the issuance date, the holders may redeem the bonds by cash at face value plus interest accrued, which is 113.3% of face value calculated based on an implied yield rate of 4.25%. Upon maturity, the Corporation will redeem the bonds by cash at face value plus interest accrued, which is 124.62% of face value, calculated based on an implied yield rate of 4.5%.

d. 2nd domestic convertible bonds

On August 16, 2002, the Corporation issued $6,000,000 thousand of five-year domestic convertible bonds, with each bond having a face value of $100 thousand and 0% interest. Within the conversion period from 3 months after issuance date to the 10th day before maturity, the bondholders may have the bonds converted into common stocks of the Corporation. Cash is paid for bonds that cannot be converted into one share. The conversion price is subject to adjustment based on the prescribed formula. The conversion price has been NT$24.7 per share since July 20, 2005. As of June 30, 2006, bonds amounting to $5,194,900 thousand have been converted to 200,606 thousand of common shares. Bonds amounting to $540,100 thousand were purchased and canceled by the Corporation.

If the closing price of the Corporation's share is above 50% of the conversion price for 30 consecutive trading days of the Taiwan Stock Exchange from 3 months after bond issuance to 40 days before maturity, the Corporation has the option to convert the bonds to common stocks at conversion price or to redeem the bonds by cash at face value. If the total value of outstanding convertible bonds becomes less than 10% of the total principal, the Corporation also has the option - from 3 months after bond issuance to the 40th day before maturity - to convert the bonds to common stocks at the conversion price or to redeem the bonds by cash at face value.

On the third year after the issuance date, the holders may redeem the bonds by cash at face value plus interest accrued, which is 109.59% of face value, calculated based on an implied yield rate of 3.1%. Upon maturity, the Corporation will redeem the bonds by cash at face value plus interest accrued, which is 117.63% of face value, calculated based on implied yield rate of 3.3%.

Future repayments of corporate bonds, excluding convertible bonds, are as follows:

Year	Amount
From the third to fourth quarter, 2006	$ 1,250,000
2007	3,750,000
2008	2,500,000
2009	7,500,000
	$ 15,000,000

14. LONG-TERM BANK LOANS

The loans were to mature on September 1, 2010, with interest payable monthly. The Corporation made an early repayment of all long-term bank loans in the second quarter of 2005.

15. PENSION PLAN

The Labor Pension Act (LPA) became effective on July 1, 2005. Employees on board before June 30, 2005 may choose to continue to be subject to the pension plan under the Labor Standards Act (LSA) or be subject to the new pension plan under LPA, with their service years accumulated as of July 1, 2005 to be retained and subject to the pension plan under LSA. Starting from July 1, 2005, new employees may only choose to be subject to the new pension plan under LPA.

The new 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 wages to the employees' individual pension accounts. The Corporation recognized a pension cost of $40,597 thousand for the six months ended June 30, 2006.

The 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 wages to a pension fund. The pension fund is managed by an independently administered pension fund committee and deposited in the committee's name in the Central Trust of China.

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

a. Changes in the pension fund

	Six Months Ended June 30	
	2006	2005
Balance, beginning of period	$ 258,701	$ 110,857
Contributions	10,421	11,794
Interests	1,075	-
Balance, end of period	$ 270,197	$ 122,651

b. Changes in the accrued pension cost

	Six Months Ended June 30	
	2006	2005
Balance, beginning of period	$ 83,615	$ 137,539
Pension cost	12,497	17,248
Pension liability resulting from personnel transfer from subsidiaries to the Corporation	55,420	246
Contributions	(10,421)	(11,793)
Balance, end of period	$ 141,111	$ 143,240

A portion of the above ending balance was recorded as accrued pension cost, and the other portion, as accrued expenses.

16. SHAREHOLDERS' EQUITY

a. Capital surplus

Under the Company Law, capital surplus may only be used to offset a deficit. However, capital surplus generated from the excess of the issue price over the par value of capital stock, including the stock issued for new capital and the buyback of treasury stock, may be transferred to capital as stock dividends, and this transfer is restricted to a certain percentage of the capital surplus and may be made only within prescribed limits each time.

b. Appropriation of earnings and dividend policy

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

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

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

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

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

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

The 2005 and 2004 earnings appropriations resolved by the shareholders in their meeting on June 15, 2006 and June 14, 2005 were as follows:

	Appropriation of Earnings		Dividend Per Share (NT$)	
	For Fiscal Year 2005	For Fiscal Year 2004	For Fiscal Year 2005	For Fiscal Year 2004
Appropriation of legal reserve	$ 1,623,670	$ 1,665,416		
Appropriation of special reserve	1,150,000	2,201,631		
Reversal of special reserve	(1,631)	-		
Remuneration to directors and supervisors	40,394	63,936		
Cash bonus to employees	403,940	383,613		
Cash dividends	12,843,997	12,126,821	$2.61677	$2.47302
	$ 16,060,370	$ 16,441,417		

c. Treasury stock

(Shares in Thousands)

Purpose of Buyback	Beginning Shares	Increase	Decrease	Ending Shares
Six months ended June 30, 2006				
To be transferred to employees	11,551	57,804	2,023	67,332
Six months ended June 30, 2005				
To be transferred to employees	65,368	-	25,393	39,975

The Corporation transferred the treasury stock 2,023 thousand shares at NT$30.47 per share, resulting in a reduction of retained earnings, amounting to $916 thousands.

As of June 30, 2005, the Corporation transferred 25,393 thousand shares of treasury stock to employees at NT$25.65 and $25.54 per share, respectively, resulting in a reduction of retained earnings, amounting to $67,492 thousand.

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

d. Unrealized gains (losses) on financial instruments

Unrealized gains or losses on financial instruments for the six months ended June 30, 2006 were summarized as follows:

	Six Months Ended June 30, 2006
Available-for-sale financial assets	
Effect of the first time adoption of new issued SFASs	$ 2,082,823
Fair value changes recognized directly in equity	359,800
Transfer to current gains or loss upon sales of financial assets	(625,506)
	$ 1,817,117
Changes in unrealized gains (losses) of cash flow hedge	
Effect of the first time adoption of new issued SFASs	$ (248,184)
Fair value changes recognized directly in equity	(67,207)
	$ (315,391)

17. INCOME TAX EXPENSE

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

	Six Months Ended June 30	
	2006	2005
Tax on pretax income at statutory tax rate (25%)	$ 2,014,236	$ 2,359,547
Add (deduct) tax effects of		
Permanent differences		
Investment income from domestic investees accounted for under the equity method	(351,409)	(318,650)
Gain on disposal of marketable securities	(156,572)	46,366
Other	(61,120)	5,789
Temporary differences	27,294	(72,955)
Tax-exempt income	(188,124)	(991,221)
Income tax (10%) on unappropriated earnings	132,470	349,005
Investment tax credits	(716,012)	(319,467)
Deferred income tax	(429,588)	136,093
Prior year's adjustment	35,808	11,444
Tax on short-term bills	6	-
Income tax expense	$ 306,989	$ 1,205,951

b. Under Article 8 of the Statue for Upgrading Industries (SUI) before the SUI amendment in 1999, the Corporation is considered an important technology-based enterprise. Thus, the Corporation's net operating income generated from the following expansion of its equipment is exempt from income tax for five years during the period specified, as approved by the Ministry of Finance.

Equipment Expansion Projects	Tax-Exempt Period
Switches, base transmission station (BTS) and related telecommunication equipment, acquired from July 31, 1999 to December 31, 1999	2001 to 2005
Switches, BTS and related telecommunication equipment, acquired from September 30, 2000 to September 30, 2001	2002 to 2006

c. Deferred income tax assets and liabilities as of June 30, 2006 and 2005 were as follows:

	June 30	
	2006	**2005**
Provision for doubtful accounts	$ 631,140	$ 668,856
Provision for impairment losses on idle assets	389,080	438,286
Unrealized loss on retirement of property, plant and equipment	245,321	-
Unrealized loss on financial liabilities	105,131	-
Accrued interest compensation	25,131	93,161
Accrued pension cost	16,729	16,272
Other	-	59,395
	1,412,532	1,275,970
Less valuation allowance	(323,973)	(640,488)
	$ 1,088,559	$ 635,482
Deferred income tax assets		
Current	$ 75,382	$ 86,951
Non-current	1,013,177	548,531
	$ 1,088,559	$ 635,482

d. Integrated income tax information was as follows:

Balance of imputation credit account (ICA)	$ 1,893,203	$ 2,582,856

As of June 30, 2006, there were no unappropriated earnings generated before January 1, 1998. The estimated creditable ratio for the 2005 earnings appropriation and the actual creditable ratio for the 2004 earnings appropriation were 9.87% and 13.25%, 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 2005 earnings appropriation may be adjusted when the imputation credits are distributed.

e. Income tax returns through 2000 had been examined and cleared by the tax authorities. However, the Corporation disagreed with the examination result on the 1999 and 2000 income tax returns and filed a request for a reexamination of the 1999 income tax return in July 2005.

18. EARNINGS PER SHARE

The numerators and denominators used in calculating earnings per share (EPS) were as follows:

(In New Taiwan Dollar)

	Six Months Ended June 30			
	2006		2005	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
Basic EPS				
Income from continuing operations	$ 1.63	$ 1.57	$ 1.94	$ 1.69
Cumulative effect of changes in accounting principle	-	-	-	-
Net income	$ 1.63	$ 1.57	$ 1.94	$ 1.69
Diluted EPS				
Income from continuing operations	$ 1.62	$ 1.55	$ 1.90	$ 1.66
Cumulative effect of changes in accounting principle	-	-	-	-
Net income	$ 1.62	$ 1.55	$ 1.90	$ 1.66

	Amounts (Numerator)		Shares (Denominator) (Thousands)	EPS (NT$)	
	Before Income Tax	After Income Tax		Before Income Tax	After Income Tax
Six months ended June 30, 2006					
Weighted-average number of outstanding shares			4,960,484		
Less buyback of issued shares			(22,156)		
Basic EPS					
Income of common shareholders	$ 8,057,020	$ 7,750,031	4,938,328	$ 1.63	$ 1.57
Add effect of potentially dilutive convertible bonds					
1st convertible bonds (with implied yield rate of 4.5%)	22,900	17,175	36,931		
2nd convertible bonds (with implied yield rate of 3.3%)	11,309	8,482	25,543		
Diluted EPS					
Income of common shareholders with dilutive effect of potential common shares	$ 8,091,229	$ 7,775,688	5,000,802	$ 1.62	$ 1.55
Six months ended June 30, 2005					
Weighted-average number of outstanding shares			4,934,332		
Less buyback of issued shares			(57,245)		
Basic EPS					
Income of common shareholders	$ 9,438,227	$ 8,232,276	4,877,087	$ 1.94	$ 1.69
Add effect of potentially dilutive convertible bonds					
1st convertible bonds (with implied yield rate of 4.5%)	43,307	32,480	69,979		
2nd convertible bonds (with implied yield rate of 3.3%)	21,128	15,846	47,066		
Diluted EPS					
Income of common shareholders with dilutive effect of potential common shares	$ 9,502,662	$ 8,280,602	4,994,132	$ 1.90	$ 1.66

19. LABOR COST, DEPRECIATION AND AMORTIZATION EXPENSE

	Six Months Ended June 30					
	2006			2005		
	Classified as Operating Cost	Classified as Operating Expenses	Total	Classified as Operating Cost	Classified as Operating Expenses	Total
Labor cost						
Salary	$ 169,073	$ 538,790	$ 707,863	$ 147,362	$ 487,243	$ 634,605
Labor and health insurance	10,398	32,091	42,489	12,246	25,733	37,979
Pension	9,516	28,591	38,107	3,763	7,891	11,654
Other	10,247	43,004	53,251	6,442	11,519	17,961
	$ 199,234	$ 642,476	$ 841,710	$ 169,813	$ 532,386	$ 702,199
Depreciation	$ 2,462,515	$ 168,955	$ 2,631,470	$ 2,123,781	$ 121,973	$ 2,245,754
Amortization	384,888	69,065	453,953	195,383	47,527	242,910

20. FINANCIAL INSTRUMENT TRANSACTIONS

a. Fair value information

	June 30			
	2006		2005	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Non-derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss	$ 7,314,212	$ 7,314,212	$ 100,300	$ 57,300
Available-for-sale financial assets	8,775,000	8,775,000	9,277,177	12,840,000
Liabilities				
Bonds payable (including current portion)	15,638,425	19,735,319	19,279,834	19,667,980
Derivative financial instruments				
Liabilities				
Interest rate swap contracts	420,522	420,522	-	194,811

Effective January 1, 2006, the Corporation adopted newly issued SFAS No. 34, “Accounting for Financial Instruments,” and, therefore, the derivative financial instruments were not recognized in the 2005 financial statements. Please refer to Note 3 for the related description of the cumulative effect of changes in accounting principle and the adjustments in equity as a result of the adoption of newly issued SFASs.

b. The methods and significant assumptions applied in determining fair values of financial instruments were as follows:

1) Financial assets at fair value through profit or loss and available-for-sale financial assets - based on quoted prices in an active market on the balance sheet date.

2) Because there is no active market and a reliable fair value could only be verified at a more than reasonable cost, the fair values of investments in unlisted stocks carried at cost or accounted for using equity method can not be estimated.

3) Bonds payable - based on the over-the-counter quotations in June.

4) Derivative financial instruments - based on valuation results provided by banks.

5) The above financial instruments do not include cash and cash equivalents, notes and accounts receivables, pledged time deposits, refundable deposits, notes and accounts payable and guarantee deposits. Because of the short maturities of these instruments, the carrying values represent a reasonable basis to estimate fair values.

c. The fair values of financial assets and liabilities were not simultaneously determined by quoted prices in active markets and by estimations using valuation technique.

d. The financial assets exposed to fair value interest rate risk amounted to $37,205,510 thousand and $23,097,690 thousand as of June 30, 2006 and 2005, respectively, and the financial liabilities exposed to fair value interest rate risk amounted to $29,765,313 thousand and $31,389,251 thousand as of June 30, 2006 and 2005, respectively. The financial assets exposed to cash flow interest rate risk amounted to $550,852 thousand and $419,922 thousand as of June 30, 2006 and 2005, respectively, and the financial liabilities exposed to cash flow interest rate risk amounted to $7,920,522 thousand and $7,500,000 thousand as of June 30, 2006 and 2005, respectively.

e. Information on financial risks:

1) Market risk

The interest rate swap (IRS) contracts are used to hedge interest rate fluctuation on its liabilities with anti-floating interest rates. Since the interest receivable and payable are settled at net amounts on the settlement date. The market risk is immaterial.

2) Credit risk

Credit risk represents the potential impacts to financial assets that the 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 June 30, 2006 and 2005 were both zero because all of counter-parties are reputable financial institutions with good credit ratings.

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

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

3) Liquidity risk

The Corporation entered into IRS transactions to hedge cash flow risks. Because the IRS contracts are settled at net amounts, the expected cash demand is insignificant. The Corporation has sufficient operating capital to meet cash demand.

f. The purpose of derivative financial instruments held or issued and the strategies to meet the purpose

The Corporation uses IRS contracts to hedge fluctuation on its liabilities with anti-floating interest rates. The overall purpose of these contracts is to hedge the Corporation's exposure to cash flow risks. The Corporation uses interest rate swaps to hedge interest rate fluctuation risk and periodically evaluates the effectiveness of the hedging instruments.

21. 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; formerly Taihsing Den Syun Co., Ltd.)	Subsidiary
TransAsia Telecommunications Inc. (TAT; formerly TAT International Telecommunications Co., Ltd.)	Subsidiary
Taiwan Teleservices & Technologies Co., Ltd. (TT&T)	Subsidiary
Mobitai Communications (Mobitai; formerly Tai Ya International Telecommunications Co., Ltd. (TYIT))	Subsidiary (merged with the former Mobitai on January 1, 2006 and renamed as Mobitai Communications)
TT&T Casualty & Property Insurance Agency Co., Ltd.	Subsidiary
TT&T Life Insurance Agency Co., Ltd.	Subsidiary
TT&T Holdings Co., Ltd.	Subsidiary
Dalian Xinkai Teleservices & Technologies Ltd.	Subsidiary
Xiamen Taifu Teleservices & Technologies Ltd.	Subsidiary
Taiwan Mobile Foundation (TWM Foundation)	Over one third of the Foundation's issued fund came from the Corporation
Howin Technologies Co., Ltd. (HTC)	Equity-method investee of TCC (formerly Taihsing Den Syun Co., Ltd.) and the former TAT (all shares were sold in June 2006)
Tai Yi Digital Broadcasting Co., Ltd.	Equity-method investee of TCC (formerly Taihsing Den Syun Co., Ltd.)
Taiwan Fixed Network Co., Ltd. (TFN)	Same chairman
Chung Hsing Constructions Co., Ltd.	Same chairman
Fubon Land Development Co., Ltd.	Same chairman
Fubon Financial Holding Co., Ltd.	Same chairman
Taipei Fubon Commercial Bank Co., Ltd. (TFCB)	Same chairman
Fubon Securities Co., Ltd. (FSC)	Related party in substance
Fubon Securities Investment Trust Co., Ltd.	Related party in substance

(Continued)

Related Party	Relationship with the Corporation
Fubon Life Assurance Co., Ltd.	Related party in substance
Fubon Insurance Co., Ltd. (Fubon Ins.)	Related party in substance
Fubon Direct Marketing Consulting Co., Ltd.	Related party in substance
Fubon Asset Management Co., Ltd.	Related party in substance
Fubon Financial Holding Venture Capital Co., Ltd.	Related party in substance
Fubon Venture Capital Consulting Co., Ltd.	Related party in substance
T.I. Investment Ltd.	Subsidiary (liquidated in December 2005)
Tai Hsuo Investment Ltd.	Subsidiary (liquidated in December 2005)
Tai Fu Investment Ltd.	Subsidiary (liquidated in December 2005)
Tai Hung Investment Ltd.	Subsidiary (liquidated in December 2005)
Taiwan Telecom (Aust) Pty Ltd.	Subsidiary (liquidated in November 2005)
The Tele-World Shop Pte Ltd.	Indirect investee under Corporation's control (liquidated in July 2005)
Mobitai Communications (the former Mobitai)	Subsidiary (merged into TYIT on January 1, 2006)
Taiwan Tele-Shop Co., Ltd. (TTS)	Subsidiary (merged into the former TCC on June 30, 2005)
Taiwan Elitec Corporation (TEC)	Subsidiary (merged into the Corporation on March 30, 2005)
Supreme-Tech (Aust) Pty Ltd.	Subsidiary (liquidated in January 2005)
Taiwan Cellular Co., Ltd. (the former TCC)	Subsidiary (merged into TCC (formerly Taihsing Den Syun Co., Ltd.) on May 1, 2006)
TransAsia Telecommunications Inc. (the former TAT)	Subsidiary (merged into TYIT on June 27, 2006)

(Concluded)

b. Significant transactions with related parties were summarized below:

1) Operating revenues

	Six Months Ended June 30			
	2006		2005	
	Amount	% of Total Revenues	Amount	% of Total Revenues
TFN	$ 1,316,077	6	$ 1,124,827	5
The former TAT	657,234	3	771,933	3
Mobitai	154,562	1	-	-
The former Mobitai	-	-	201,527	1
	$ 2,127,873		$ 2,098,287	

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

2) Operating costs

	Six Months Ended June 30			
	2006		2005	
	Amount	% of Total Costs	Amount	% of Total Costs
TFN	$ 429,515	4	$ 406,488	4
The former TAT	295,955	3	316,990	3
Mobitai	74,000	1	-	-
The former Mobitai	-	-	92,563	1
	$ 799,470		$ 816,041	

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

3) Property transactions

Acquisition of property, plant and equipment

	Six Months Ended June 30, 2006	
	Description	Amount
TT&T	Office equipment, miscellaneous equipment and deferred charges	$ 59,476

Disposal of property, plant and equipment

	Six Months Ended June 30, 2005	
	Description	Amount
TFN	Telecommunication equipment, miscellaneous equipment and deferred charges	$ 2,093,154

The above disposal was made at arm's length and resulted in a disposal gain of $70,085 thousand for the six months ended June 30, 2005.

4) Operating lease income

	Six Months Ended June 30		
	Leased Sites/Equipment	2006	2005
TFN	Ji-lung Road, Tai-Chung, Chung-Ho and Tang-Cherng offices, BTS, etc.	$ 14,212	$ 16,214
TT&T	Tang-Cherng and Tai-Chung offices telecommunication equipment and miscellaneous equipment	34	48,427
		$ 14,246	$ 64,641

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

5) Cash in banks

	June 30			
	2006		2005	
	Amount	**%**	**Amount**	**%**
a) Cash in banks				
TFCB	$ 216,312	2	$ 275,600	4
b) Pledged time deposits				
TFCB	$ 10,000	100	$ 145,000	100

6) Receivables and payables

	June 30			
	2006		2005	
	Amount	**%**	**Amount**	**%**
a) Accounts receivable				
TAT	$ 143,562	3	$ -	-
TFN	127,188	2	78,135	1
Mobitai	30,707	1	-	-
HTC	92	-	16,663	-
The former TCC*	-	-	266,924	5
The former TAT	-	-	172,740	3
The former Mobitai	-	-	25,812	-
Other	15,528	-	11,182	-
	$ 317,077		$ 571,456	

* Accounts receivable primarily consisted of the telecommunication service charges collected by TTS from customers for the Corporation, before TTS merged into the former TCC.

	June 30			
	2006		2005	
	Amount	**%**	**Amount**	**%**
b) Other receivables				
TAT	$ 227,916	34	$ -	-
Mobitai	225,700	34	-	-
TT&T	9,417	1	1,658	-
TFCB	5,745	1	11,125	1
TFN*	4,789	1	1,104,408	55
The former TAT**	-	-	379,986	19
The former Mobitai**	-	-	16,286	1
The former TCC	-	-	339,822	17
Other	8	-	1,534	-
	$ 473,575		$ 1,854,819	

* The balance on June 30, 2005 resulted mainly from the sale of the Corporation's transmission networks to TFN.

** The balance resulted mainly from the Corporation's business service contracts.

	June 30			
	2006		2005	
	Amount	%	Amount	%
c) Accounts payable				
TAT	$ 15,647	1	$ -	-
TFN	-	-	44,826	4
The former TAT	-	-	17,667	1
	$ 15,647		$ 62,493	
d) Accrued expenses				
TT&T	$ 227,063	6	$ 92,952	3
TFN	52,589	1	87,398	3
The former TCC	-	-	287,517	10
TWM Foundation	-	-	12,200	-
	$ 279,652		$ 480,067	
e) Other payables				
TAT	$ 296,760	2	$ -	-
Mobitai	167,878	1	-	-
TFN	87,901	1	145,968	1
The former TCC	-	-	92,129	1
The former TAT	-	-	118,315	1
	$ 552,539		$ 356,412	
f) Other current liabilities - collections for the following				
TAT	$ 85,698	15	$ -	-
Mobitai	61,703	11	-	-
TFN	23,518	4	19,227	6
The former TAT	-	-	120,923	39
TFCB	-	-	12,698	4
	$ 170,919		$ 152,848	
g) Prepayments				
Fubon Ins.	$ 29,046	9	$ 32,276	8

	Six Months Ended June 30	
	2006	2005
7) Telecommunication service expenses		
TFN	$ 23,088	$ 8,949

(Continued)

	Six Months Ended June 30	
	2006	2005
8) Commission expenses		
TT&T	$ -	$ 24,323
TTS	-	15,395
	$ -	$ 39,718
9) Professional service fees		
TT&T	$ 526,077	$ 470,855
TTS	-	174,732
	$ 526,077	$ 645,587
10) Service charge		
TTS	$ -	$ 122,390
11) Miscellaneous purchases		
TT&T	$ 15,300	$ -
12) Insurance expenses		
Fubon Ins.	$ 47,724	$ 60,962
13) Other expenses		
TT&T	$ 44,797	$ 2
14) Donation		
TWM Foundation	$ -	$ 12,200

(Concluded)

15) Guarantee provided

As of June 30, 2005, the Corporation provided the former TCC with loan guarantee amounting to $135,000 thousand.

16) Other

a) On March 8, 2005, the Corporation bought back 750 units of its outstanding 2nd domestic convertible bonds from FSC for NT$131,800 per unit. The aggregate purchase price amounted to $98,850 thousand and resulted in a loss of $17,341 thousand.

b) As of June 30, 2005, the Corporation acquired commercial drafts of $50,000 thousand from TTS as guarantee deposits for the consignment sales agreement and the credit limit of receivable.

c) HTC entered into an agreement to provide the Corporation with GSM-1800 network maintenance. As of June 30, 2005, the Corporation had received performance guarantee deposits of $630,000 thousand.

d) In 2004, Fubon Commercial Bank Co., Ltd. (FCB; TFCB had assumed all rights and obligation of FCB) entered into a cooperative co-branding agreement with the Corporation, by which the Corporation may encourage its customers to use credit cards issued by TFCB. The Corporation recognized revenues of $8,598 thousand and $14,800 thousand from this cooperative agreement for 2006 and the six months ended June 30, 2005.

e) On June 30, 2005, the Corporation sold 11,364 thousand shares of TTS's common shares to the former TCC at NT$18.12 per share. The aggregate selling price was $205,924 thousand.

f) For the six months ended June 30, 2006 and 2005, the Corporation provided business services to the former TAT (including TAT) and the former Mobitai (including Mobitai) for service charges amounting to $1,009,952 thousand and $322,836 thousand, which were recorded as deductions from related costs and expenses.

22. ASSETS PLEDGED

The assets pledged as collaterals for bank loans were as follows:

	June 30	
	2006	2005
Time deposits	$ 10,000	$ 145,000
Fixed assets, net carrying value	-	27,435,851
Idle assets*	-	598,519
Assets leased to others, net carrying value	-	182,037
	$ 10,000	$ 28,361,407

* Net carrying value before deducting accumulated impairment.

23. COMMITMENTS AND CONTINGENT EVENTS

a. To enhance the intensity and widen the coverage of the 3G signal and to increase the service functions and items provided by 3G mobile telecommunications, the Corporation entered into a 3G expansion contract with Nokia for $4,800,000 thousand in September 2004. In accordance with the terms of the contract, as of June 30, 2006, payments of $2,327,796 thousand has been made.

b. To provide better communication quality and more diverse service functions, the Corporation entered into agreements for upgrading the existing network equipment and building IT systems with Siemens in September 2004 for US$17,310 thousand and NT$67,472 thousand, respectively. In accordance with the terms of the agreements, as of June 30, 2006, payments of US$17,310 thousand and NT$66,902 thousand have been made, respectively.

c. Future minimum rental payments as of June 30, 2006 for significant operating lease agreements were summarized as follows:

	Amount
From third to fourth quarter 2006	$ 7,434
2007	14,868
2008	7,062

24. ADDITIONAL DISCLOSURES

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

a. Financing provided: None.

b. Endorsement/guarantee provided: None.

c. Marketable securities held: Table 1 (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 2 (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 3 (attached).

h. Receivables from related parties amounting to at least $100 million or 20% of the paid-in capital: Table 4 (attached).

i. Names, locations, and related information of investees on which the Corporation exercised significant influence: Table 5 (attached).

j. Derivative transactions

   The Corporation entered into interest rate swap (IRS) contracts in December 2002 to hedge fluctuation on anti-floating interest rates of bonds, which are settled semiannually. Please refer to Note 20 for the related information.

Financial Instrument	Term	Contract Amount
Interest rate swap contracts	Anti-floating interest rate in exchange for fixed interest rates of 2.25%	$ 2,500,000
	Anti-floating interest rate in exchange for fixed interest rate of 2.45%	5,000,000

   The Corporation entered into IRS contracts to hedge anti-floating interest rate fluctuation. For the six months ended June 30, 2006 and 2005, the Corporation recognized losses of $56,989 thousand and gains of $14,970 thousand, respectively, recorded as addition to and deduction from interest expense.

k. Information on 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 6 (attached)

   2) Significant direct or indirect transactions with the investee company, 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

TABLE 1

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
JUNE 30, 2006
(In Thousands of New Taiwan Dollars)

Holding Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	June 30, 2006				Note
				Shares/Units (Thousands)	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value (Note 1)	
The Corporation	Beneficiary certificate							
	Fuh-Hwa Albatross Fund	-	Financial assets at fair value through profit or loss - current	44,641	$ 500,505	-	$ 500,505 (Note 2)	
	Fuh-Hwa Bond Fund	-	Financial assets at fair value through profit or loss - current	52,960	701,133	-	701,133 (Note 2)	
	AIG Taiwan Bond Fund	-	Financial assets at fair value through profit or loss - current	87,036	1,102,367	-	1,102,367 (Note 2)	
	NITC Bond Fund	-	Financial assets at fair value through profit or loss - current	7,360	1,202,709	-	1,202,709 (Note 2)	
	NITC Taiwan Bond Fund	-	Financial assets at fair value through profit or loss - current	35,789	500,795	-	500,795 (Note 2)	
	Dresdner Bond Dam Fund	-	Financial assets at fair value through profit or loss - current	87,099	1,002,232	-	1,002,232 (Note 2)	
	ABN AMRO Bond Fund	-	Financial assets at fair value through profit or loss - current	80,345	1,202,231	-	1,202,231 (Note 2)	
	ABN AMRO Select Bond Fund	-	Financial assets at fair value through profit or loss - current	71,247	801,931	-	801,931 (Note 2)	
	JF (Taiwan) Bond Fund	-	Financial assets at fair value through profit or loss - current	19,819	300,309	-	300,309 (Note 2)	
	Stock							
	Chunghwa Telecom Co., Ltd.	-	Available-for-sale financial assets - current	150,000	8,775,000	1.55	8,775,000 (Note 3)	
	Taiwan Fixed Network Co., Ltd.	Same chairman as the Corporation	Financial assets carried at cost	637,000	3,826,148	9.87	6,901,021	
	Bridge Mobile Pte Ltd.	-	Financial assets carried at cost	1,000	32,160	12.50	23,184	
	TransAsia Telecommunications Inc.	Subsidiary	Long-term investments - equity method	1,245,846	13,103,301	100.00	13,121,256	
	Taiwan Cellular Co., Ltd. (formerly Taihsing Den Syun Co., Ltd.)	Subsidiary	Long-term investments - equity method	275,000	2,916,265	100.00	2,923,093	
TransAsia Telecommunications Inc.	Beneficiary certificate							
	ABN AMRO Bond Fund	-	Financial assets at fair value through profit or loss - current	33,463	500,723	-	500,723 (Note 2)	
	AIG Taiwan Bond Fund	-	Financial assets at fair value through profit or loss - current	51,411	651,152	-	651,152 (Note 2)	
	Prudential Financial Bond Fund	-	Financial assets at fair value through profit or loss - current	55,216	801,490	-	801,490 (Note 2)	

(Continued)

Holding Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	June 30, 2006				Note
				Shares/Units (Thousands)	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value (Note 1)	
Taiwan Cellular Co., Ltd. (formerly Taihsing Den Syun Co., Ltd.)	Stock							
	Arcoa Communication Co., Ltd.	-	Financial assets carried at cost	6,998	$ 67,731	5.21	$ - (Note 4)	
	Taiwan Fixed Network Co., Ltd.	Same chairman as the Corporation	Financial assets carried at cost	4,900	43,826	0.08	55,935 (Note 4)	
	Parawin Venture Capital Corp.	-	Financial assets carried at cost	3,000	25,144	3.00	- (Note 4)	
	Transportation High Tech Inc.	-	Financial assets carried at cost	1,200	(Note 5)	12.00	- (Note 4)	
	WEB Point Co., Ltd.	-	Financial assets carried at cost	803	7,084	3.17	- (Note 4)	
	Sunnet Technologies Co., Ltd.	-	Financial assets carried at cost	375	3,265	1.51	- (Note 4)	
	Mobitai Communications	Subsidiary	Long-term investments - equity method	200,000	2,096,192	100.00	2,098,871	
	Taiwan Teleservice & Technologies Co., Ltd.	Subsidiary	Long-term investments - equity method	70,000	499,683	100.00	506,577	
	Tai Yi Digital Broadcasting Co., Ltd.	Subsidiary	Long-term investments - equity method	2,495	24,670	49.90	24,670	
Mobitai Communications	Stock							
	Yes Mobile Holdings Company	-	Financial assets carried at cost	74	- (Note 5)	0.19	- (Note 4)	
Taiwan Teleservice & Technologies Co., Ltd.	Stock							
	TT&T Life Insurance Agency Co., Ltd.	Subsidiary	Long-term investments - equity method	300	3,029	100.00	3,029	
	TT&T Casualty & Property Insurance Agency Co., Ltd.	Subsidiary	Long-term investments - equity method	300	2,721	100.00	2,721	
	TT & T Holdings Co., Ltd.	Subsidiary	Long-term investments - equity method	2,600	80,968	100.00	80,968	
TT&T Holdings Co., Ltd.	Stock							
	Dalian Xinkai Teleservices & Technologies Ltd.	Subsidiary	Long-term investments - equity method	-	US$ 1,389	50.00	US$ 1,389	
	Xiamen Taifu Teleservices & Technologies Ltd.	Subsidiary	Long-term investments - equity method	-	US$ 965	100.00	US$ 965	

Note 1: Based on the investee's net value as shown in its latest financial statements.

Note 2: Based on the net asset value of the fund on June 30, 2006.

Note 3: Based on the closing price on June 30, 2006.

Note 4: As of July 12, 2006, the independent accountants' review report date, the investee's net value was unavailable.

Note 5: Deducted impairment loss recognized in 2004.

(Concluded)

TABLE 2

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
SIX MONTHS ENDED JUNE 30, 2006
(In Thousands of New Taiwan Dollars)

Company Name	Marketable Securities Type and Name	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
The Corporation	Beneficiary certificate													
	Fubon Ju-I Fund	Financial assets at fair value through profit or loss - current	-	-	25,522	$ 400,000	-	$ -	25,522	$ 400,145	$ 400,023	$ 122	-	$ -
	Fubon Ju-I II Fund	Financial assets at fair value through profit or loss - current	-	-	13,916	200,000	-	-	13,916	200,072	200,012	60	-	-
	Fuh-Hwa Albatross Fund	Financial assets at fair value through profit or loss - current	-	-	-	-	44,641	500,000	-	-	-	-	44,641	500,505 (Note 4)
	Fuh-Hwa Bond Fund	Financial assets at fair value through profit or loss - current	-	-	-	-	52,960	700,000	-	-	-	-	52,960	701,133 (Note 4)
	ABN AMRO Bond Fund	Financial assets at fair value through profit or loss - current	-	-	-	-	80,345	1,200,000	-	-	-	-	80,345	1,202,231 (Note 4)
	ABN AMRO Select Bond Fund	Financial assets at fair value through profit or loss - current	-	-	-	-	71,247	800,000	-	-	-	-	71,247	801,931 (Note 4)
	AIG Taiwan Bond Fund	Financial assets at fair value through profit or loss - current	-	-	-	-	87,036	1,100,000	-	-	-	-	87,036	1,102,367 (Note 4)
	Dresdner Bond Dam Fund	Financial assets at fair value through profit or loss - current	-	-	-	-	87,099	1,000,000	-	-	-	-	87,099	1,002,232 (Note 4)
	Fubon Chi-Shun III Fund	Financial assets at fair value through profit or loss - current	-	-	-	-	47,546	500,000	47,546	500,599	500,000	599	-	-
	Beneficiary certificate													
	NITC Bond Fund	Financial assets at fair value through profit or loss - current	-	-	-	-	7,360	1,200,000	-	-	-	-	7,360	1,202,709 (Note 4)
	NITC Taiwan Bond Fund	Financial assets at fair value through profit or loss - current	-	-	-	-	35,789	500,000	-	-	-	-	35,789	500,795 (Note 4)
	JF (Taiwan) Bond Fund	Financial assets at fair value through profit or loss - current	-	-	-	-	19,819	300,000	-	-	-	-	19,819	300,309 (Note 4)
	Stock													
	The former TransAsia Telecommunications Inc.	Long-term investments - equity method	TAT International Telecommunications Co. Ltd.	Subsidiary	328,645	12,458,466	-	-	328,645	3 (Note 1)	12,458,465	1 (Note 1)	-	- (Note 1)
	TransAsia Telecommunications Inc.	Long-term investments - equity method	-	-	-	-	1,245,846	12,458,463	-	-	-	-	1,245,846	13,103,301 (Note 2)
	Taiwan Cellular Co., Ltd.	Long-term investments - equity method	Taiwan Cellular Co., Ltd. (formerly Taihsing Den Syun Co., Ltd.)	Subsidiary	44,300	992,550	-	-	44,300	-	1,504,634 (Note 3)	- (Note 3)	-	- (Note 3)

(Continued)

Company Name	Marketable Securities Type and Name	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
TransAsia Telecommunications Inc.	<u>Beneficiary certificate</u>													
	ABN AMRO Bond Fund	Financial assets at fair value through profit or loss - current	-	-	-	$ -	33,463	$ 500,000	-	$ -	$ -	$ -	33,463	$ 500,723 (Note 4)
	AIG Taiwan Bond Fund	Financial assets at fair value through profit or loss - current	-	-	-	-	51,411	650,000	-	-	-	-	51,411	651,152 (Note 4)
	Prudential Financial Bond Fund	Financial assets at fair value through profit or loss - current	-	-	-	-	55,216	800,000	-	-	-	-	55,216	801,490 (Note 4)
	<u>Stock</u>													
	The former TransAsia Telecommunications Inc.	Long-term investments - equity method	The Corporation	Ultimate parent	-	-	328,645	12,458,466	328,645	-	12,458,466	- (Note 1)	-	- (Note 1)
Mobitai Communications	<u>Stock</u>													
	The former Mobitai Communications	Long-term investments - equity method	-	-	365,078	3,532,794	-	-	365,078	-	3,532,794	- (Note 5)	-	- (Note 5)
Taiwan Cellular Co., Ltd. (formerly Taihsing Den Syun Co., Ltd.)	<u>Stock</u>													
	Taiwan Cellular Co., Ltd.	Long-term investments - equity method	The Corporation	Ultimate parent	-	-	44,300	-	44,300	-	- (Note 6)	- (Note 6)	-	-

Note 1: The amount included the investment loss adjustment of $1 thousand. For its reorganization, the Corporation retained 80 shares of the former TransAsia Telecommunications Inc. and established TAT International Telecommunication Co., Ltd. by investing the remaining holding shares of the former TransAsia Telecommunications Inc., with a carrying value of $12,458,463 thousand. There was no gain or loss on this share disposal. TAT International Telecommunications Co. Ltd. merged with the former TransAsia Telecommunications Inc., with TAT International Telecommunications Co. Ltd. as the surviving company and renamed as "TransAsia Telecommunications Inc." on June 27, 2006. The Corporation received acquisition price amounting to $3 thousand.

Note 2: The amount included the investment income adjustment of $644,838 thousand.

Note 3: For its reorganization, Taihsing Den Syun Co., Ltd. merged with the Taiwan Cellular Co., Ltd., with Taihsing Den Syun Co., Ltd. as the surviving company and renamed as Taiwan Cellular Co., Ltd. on May 1, 2006. There was no gain or loss on this share disposal. The amount included (a) the investment income adjustment of $31,199 thousand; (b) the reclassification of unrealized gain from intercompany transactions resulting from the sale of investment of Howin Technologies Co., Ltd. amounting to $484,380 thousand and (c) cumulative translation adjustments of ($3,495) thousand.

Note 4: The amount included the revaluation gain on financial assets.

Note 5: For its reorganization, Mobitai Communications merged with the former Mobitai Communications, with Mobitai Communications as the surviving company. There was no gain or loss on this share disposal.

Note 6: For its reorganization, Taihsing Den Syun Co., Ltd. merged with the Taiwan Cellular Co., Ltd., with Taihsing Den Syun Co., Ltd. as the surviving company and renamed as Taiwan Cellular Co., Ltd. There was no gain or loss on this share disposal.

(Concluded)

TABLE 3

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
SIX MONTHS ENDED JUNE 30, 2006
(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction		Note/Accounts Payable or Receivable		Note
			Purchase/ Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
The Corporation	The former TransAsia Telecommunications Inc.	Subsidiary	Sale	$ (657,234)	(3)	Based on contract terms	-	-	$ 143,562 (Note 1)	3	
			Purchase	295,955	3	Based on contract terms	-	-	(15,647)	(1)	
	Taiwan Fixed Network Co., Ltd.	Same chairman as the Corporation	Sale	(1,316,077)	(6)	Based on contract terms	-	-	127,188	2	
			Purchase	429,515	4	Based on contract terms	-	-	-	-	
	Mobitai Communications	Subsidiary	Sale	(154,562)	(1)	Based on contract terms	-	-	30,707	1	
	Taiwan Teleservice & Technologies Co., Ltd.	Subsidiary	Purchase	526,077	(Note 2)	Based on contract terms	-	-	(227,063)	(6)	
The former TransAsia Telecommunications Inc.	The Corporation	Ultimate parent	Sale	(293,834)	(7)	Based on contract terms	-	-	392,609	33	
			Purchase	660,092	32	Based on contract terms	-	-	(144,917)	(69)	
Taiwan Teleservice & Technologies Co., Ltd.	The Corporation	Ultimate parent	Sale	(523,471)	(76)	Based on contract terms	-	-	165,536	72	

Note 1: Disclosed with the ending balance of TransAsia Telecommunications Inc.

Note 2: Recognized as operating expenses.

TABLE 4

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST $100 MILLION OR 20% OF THE PAID-IN CAPITAL
SIX MONTHS ENDED JUNE 30, 2006
(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Ending Balance		Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Bad Debts
						Amount	Action Taken		
The Corporation	TransAsia Telecommunications Inc.	Subsidiary	Accounts receivable	$ 143,562	8.88 (Note 1)	$ -	-	$ -	$ -
			Other receivables	227,916	-	-	-	-	-
	Mobitai Communications	Subsidiary	Accounts receivable	30,707	1.69	-	-	-	-
			Other receivables	225,700	-	-	-	14,352	-
	Taiwan Fixed Network Co., Ltd.	Same chairman as the Corporation	Accounts receivable	127,188	19.58	-	-	63	-
			Other receivables	4,789	-	-	-	770	-
TransAsia Telecommunications Inc.	The Corporation	Ultimate parent	Accounts receivable	392,609	(Note 2)	-	-	-	-
			Other receivables	8,634	-	-	-	-	-
Mobitai Communications	The Corporation	Ultimate parent	Accounts receivable	229,419	(Note 2)	-	-	-	-
			Other receivables	12	-	-	-	-	-
Taiwan Teleservice & Technologies Co., Ltd.	The Corporation	Ultimate parent	Accounts receivable	165,536	11.48	-	-	-	-
			Other receivables	44,036	-	-	-	-	-

Note 1: The calculation included TransAsia Telecommunications Inc. and the former TransAsia Telecommunications Inc.

Note 2: Not applicable because telecommunication service revenue was collected on behalf of these companies.

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
SIX MONTHS ENDED JUNE 30, 2006
(In Thousands of New Taiwan Dollars or U.S. Dollars and RMB)

Investor	Investee	Location	Main Businesses and Products	Original Investment Amount		Balance as of June 30, 2006			Net Income (Loss) of the Investee	Investment Income (Loss)	Note
				June 30, 2006	December 31, 2005	Shares (Thousands)	Percentage of Ownership	Carrying Value			
The Corporation	Taiwan Cellular Co., Ltd.	Taipei, Taiwan	Telecommunication equipment retailing and wholesale	$ -	$ 1,420,017	-	-	$ -	$ 7,614	$ 31,198	
	The former TransAsia Telecommunications Inc.	Taipei, Taiwan	Wireless service provider	-	10,408,388	-	-	-	602,042	(1)	
	Taiwan Cellular Co., Ltd. (formerly Taihsing Den Syun Co., Ltd.)	Taipei, Taiwan	Equipment installation and IT service	2,750,000	3,869,715	275,000	100.00	2,916,265	252,048	729,600	
	TransAsia Telecommunications Inc.	Taipei, Taiwan	Wireless service provider	12,458,463	-	1,245,846	100.00	13,103,301	662,793	644,838	
Taiwan Cellular Co., Ltd. (formerly Taihsing Den Syun Co., Ltd.)	Taiwan Teleservice & Technologies Co., Ltd.	Taipei, Taiwan	Call center service	91,277	327,146	70,000	100.00	499,683	61,833	NA	
	Mobitai Communications	Taipei, Taiwan	Wireless service provider	2,000,000	3,650,782	200,000	100.00	2,096,192	216,859	NA	
	Tai Yi Digital Broadcasting Co., Ltd.	Taipei, Taiwan	Telecommunication business and cell phone number agency of broadcasts	24,950	24,950	2,495	49.90	24,670	(127)	NA	
	Howin Technologies Co., Ltd.	Taipei, Taiwan	Communication engineering and equipment	-	131,700	-	-	-	-	NA	
Taiwan Teleservice & Technologies Co., Ltd.	TT&T Life Insurance Agency Co., Ltd.	Taipei, Taiwan	Insurance agent	3,000	3,000	300	100.00	3,029	17	NA	
	TT&T Casualty & Property Insurance Agency Co., Ltd.	Taipei, Taiwan	Insurance agent	3,000	3,000	300	100.00	2,721	(43)	NA	
	TT&T Holdings Co., Ltd.	Samoa	Investment	83,530	83,530	2,600	100.00	80,968	US$ (32)	NA	
TT&T Holdings Co., Ltd.	Dalian Xinkai Teleservices & Technologies Ltd.	Dalian	Call center service	US$ 1,511	US$ 1,511	-	50.00	US$ 1,389	RMB (1,426)	NA	
	Xiamen Taifu Teleservices & Technologies Ltd.	Xiamen	Call center service	US$ 1,000	US$ 1,000	-	100.00	US$ 965	RMB 230	NA	
TransAsia Telecommunications Inc.	The former TransAsia Telecommunications Inc.	Taipei, Taiwan	Wireless service provider	-	-	-	-	-	602,042	NA	
The former TransAsia Telecommunications Inc.	Howin Technologies Co., Ltd.	Taipei, Taiwan	Communication engineering and equipment	-	2,250	-	-	-	(13,808)	NA	
Mobitai Communications	The former Mobitai Communications	Taichung, Taiwan	Wireless service provider	-	3,650,782	-	-	-	-	NA	

TABLE 6

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

INVESTMENT IN MAINLAND CHINA
SIX MONTHS ENDED JUNE 30, 2006
(In Thousands of New Taiwan Dollars or U.S. Dollars and RMB)

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type	Accumulated Outflow of Investment from Taiwan as of December 31, 2005	Investment Flows		Accumulated Outflow of Investment from Taiwan as of June 30, 2006	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Value as of June 30, 2006	Accumulated Inward Remittance of Earnings as of June 30, 2006
					Outflow	Inflow					
Dalian Xinkai Teleservices & Technologies Ltd.	Call center service	RMB 25,011 (NT$102,042)	Indirect investment in the Company in Mainland China through a third place by the Corporation's subsidiary, Taiwan Teleservices & Technologies Co., Ltd.	US$ 666 (NT$ 21,727)	$ -	$ -	US$ 666 (NT$ 21,727)	50% ownership of indirect investment by the Corporation's subsidiary	US$ (89)	US$ 1,389 (NT$ 45,323) (Note 2)	$ -
Xiamen Taifu Teleservices & Technologies Ltd.	Call center service	US$ 1,000 (NT$ 32,630)	Indirect investment in the Company in Mainland China through a third place by the Corporation's subsidiary, Taiwan Teleservices & Technologies Co., Ltd.	US$ 1,000 (NT$ 32,630)	-	-	US$ 1,000 (NT$ 32,630)	100% ownership of indirect investment by the Corporation's subsidiary	US$ 29	US$ 965 (NT$ 31,481)	-

Accumulated Investment in Mainland China as of June 30, 2006	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment Authorized by Investment Commission, MOEA
US$1,666	Note 3	Note 3

Note 1: The above amounts were translated into New Taiwan Dollars at the exchange rate of US$1=NT$32.46 and RMB1=NT$4.05 as of June 30, 2006.

Note 2: The carrying value as of June 30, 2006 included the investment of US$845 thousand in the form of technology transferred to the investee from TT&T Holdings Co., Ltd. in Samoa.

Note 3: The indirect investment made by Taiwan Teleservices & Technologies Co., Ltd., a subsidiary of the Corporation.

SCHEDULE 1

TAIWAN MOBILE CO., LTD.

CASH AND CASH EQUIVALENTS
JUNE 30, 2006
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Item	Due Date	Amount
Short-term bills with resale rights	2006.07.04-2006.07.12	$ 5,336,005
Government bonds with resale rights	2006.07.03-2006.07.06	4,237,058
Cash in banks		
Demand deposits		501,857
Checking deposits		20,067
Foreign-currency deposits		
(US$759,034.35, exchange rate at US$1=NT$32.62)		24,760
(EUR591,577.66, exchange rate at EUR1=NT$40.97)		24,235
		570,919
Time deposits		
(US$11,877,387.87, exchange rate at US$1=NT$32.62)	2006.07.05-2006.08.04	387,440
(EUR21,404,049.14, exchange rate at EUR1=NT$40.97)	2006.07.07-2006.08.24	876,860
		1,264,300
Cash on hand		23,406
Revolving funds		3,072
		$ 11,434,760

SCHEDULE 2

TAIWAN MOBILE CO., LTD.

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS
JUNE 30, 2006
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Security Type and Company Name	Shares/Units (Thousand)	Cost	Market Price Per Share/Unit (NT$)	Market Price
Beneficiary certificates				
Fun-hwa Albatross Fund	44,641	$ 500,000	$ 1.21	$ 500,505
Fun-hwa Bond Fund	52,960	700,000	13.23	701,133
Aig Taiwan Bond Fund	87,036	1,100,000	12.66	1,102,367
NITC Bond Fund	7,360	1,200,000	163.40	1,202,709
NITC Taiwan Bond Fund	35,789	500,000	13.99	500,795
Dresdner Bond Dam Fund	87,099	1,000,000	11.50	1,002,232
ABN Bond Fund	80,345	1,200,000	14.96	1,202,231
ABN Amro Select Bond Fund	71,247	800,000	11.25	801,931
JF Taiwan Bond Fund	19,819	300,000	15.15	300,309
				$ 7,314,212

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

TAIWAN MOBILE CO., LTD.

ACCOUNTS RECEIVABLE
JUNE 30, 2006
(In Thousands of New Taiwan Dollars)

Client	Amount
Related parties	
TransAsia Telecommunications Inc.	$ 143,562
Taiwan Fixed Network Co., Ltd.	127,188
Other (Note)	46,327
	317,077
Third parties	
Chunghwa Telecom Co., Ltd.	839,330
Other (Note)	4,648,788
	5,488,118
Less allowance for doubtful accounts	(358,607)
	5,129,511
	$ 5,446,588

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

TAIWAN MOBILE CO., LTD.

CHANGES IN INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD
SIX MONTHS ENDED JUNE 30, 2006
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

		Beginning Balance		Increase		Decrease		Adjustments on Equity Method (Note 2)	Ending Balance			Market Price or Net Asset Value (Note 3)
	Par Value	Thousand Shares	Amount	Thousand Shares	Amount	Thousand Shares	Amount (Note 1)		Thousand Shares	% of Ownership	Amount	
TransAsia Telecommunications Inc. (formerly TAT International Telecommunications Co., Ltd.)	NT$10	-	$ -	1,245,846	$ 12,458,463	-	$ -	$ 644,838	1,245,846	100.00	$ 13,103,301	$ 13,121,256
Taiwan Cellular Co., Ltd. (formerly Taihsing Den Syun Co., Ltd.)	NT$10	386,972	3,781,996	-	-	111,972	1,119,715	253,984	275,000	100.00	2,916,265	2,923,093
TransAsia Telecommunications Inc.	NT$10	328,645	12,458,466	-	-	328,645	12,458,465	(1)	-	-	-	-
Taiwan Cellular Co., Ltd.	NT$10	44,300	992,550	-	-	44,300	1,504,633	512,083	-	-	-	-
Total			$ 17,233,012		$ 12,458,463		$ 15,082,813	$ 1,410,904			$ 16,019,566	

Note 1: The decrease in equity method investments included the following:

a. Establishment of TAT International Telecommunications Co., Ltd. by investing the shares of the former TransAsia Telecommunications Inc.	$ 12,458,463
b. Merger of Taihsing Den Syun Co., Ltd. with Taiwan Cellular Co., Ltd.	1,504,633
c. Capital reduction of Taiwan Cellular Corporation (formerly Taihsing Den Syun Co., Ltd.)	1,119,715
d. Merger of TAT International Telecommunications Co., Ltd. with the former TransAsia Telecommunications Inc.	2
	$ 15,082,813

Note 2: Adjustments on equity method included the following:

a. Investment income recognized based on investees' financial statements	$ 1,405,635
b. Translation adjustments on foreign-currency denominated long-term investments	186
c. Changes in investees' equity	5,083
	$ 1,410,904

Note 3: The net asset value of TransAsia Telecommunications Inc. was calculated based on audited financial statements as of June 30, 2006; the net asset value of Taiwan Cellular Corporation (formerly Taihsing Den Syun Co., Ltd.) was calculated based on unaudited financial statements as of June 30, 2006.

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

TAIWAN MOBILE CO., LTD.

CHANGES IN PROPERTY, PLANT AND EQUIPMENT
SIX MONTHS ENDED JUNE 30, 2006
(In Thousands of New Taiwan Dollars)

	Beginning Balance	Changes for the Period			Ending Balance
		Increase	Decrease	Reclassification	
Cost					
Land	$ 3,399,049	$ -	$ -	$ 370,479	$ 3,769,528
Buildings	2,001,480	-	-	219,859	2,221,339
Telecommunication equipment	69,366,884	-	2,652,348	2,536,566	69,251,102
Office equipment	93,138	14,944	2,526	1,540	107,096
Leased assets	1,276,190	-	-	-	1,276,190
Miscellaneous equipment	928,514	151,479	14,364	234,267	1,299,896
	77,065,255	$ 166,423	$ 2,669,238	$ 3,362,711	77,925,151
Accumulated depreciation					
Buildings	203,180	$ 22,493	$ -	$ 26,807	252,480
Telecommunication equipment	20,928,068	2,452,542	1,129,906	147,378	22,398,082
Office equipment	32,228	10,063	2,001	-	40,290
Leased assets	228,651	31,905	-	-	260,556
Miscellaneous equipment	345,044	114,467	14,049	26,264	471,726
	21,737,171	$ 2,631,470	$ 1,145,956	$ 200,449	23,423,134
	55,328,084				54,502,017
Construction in progress and advance payments	2,310,644	$ 1,794,824	$ 772	$ (2,182,303)	1,922,393
Net property, plant and equipment	$ 57,638,728				$ 56,424,410

Note 1: The total insurance for property, plant and equipment and assets leased to others amounted to $41,661,995 thousand.

Note 2: The increase of the construction in progress and advance payments included capitalized interests amounting to $5,582 thousand.

SCHEDULE 6

TAIWAN MOBILE CO., LTD.

NON-OPERATING ASSETS
JUNE 30, 2006
(In Thousands of New Taiwan Dollars)

	Cost	Accumulated Depreciation	Net Carrying Value
Assets leased to others			
Land	$ 593,096	$ -	$ 593,096
Buildings	361,009	43,568	317,441
	$ 954,105	$ 43,568	910,537
Deferred charges, net			
Interior decoration, etc.			8,871
			919,408
Less accumulated impairment			(10,591)
			908,817
Idle assets			
Land	$ 238,960	$ -	238,960
Buildings	137,010	20,656	116,354
Telecommunication equipment	2,404,923	713,003	1,691,920
Miscellaneous equipment	5,336	2,856	2,480
	$ 2,786,229	$ 736,515	2,049,714
Deferred charges, net			2,241
			2,051,955
Less accumulated impairment			(1,823,070)
			228,885
			$ 1,137,702

SCHEDULE 7

TAIWAN MOBILE CO., LTD.

ACCOUNTS PAYABLE
JUNE 30, 2006
(In Thousands of New Taiwan Dollars)

Suppliers	Amount
National Communication Commission	$ 994,064
Other (Note)	269,566
	$ 1,263,630

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

SCHEDULE 8

TAIWAN MOBILE CO., LTD.

ACCRUED EXPENSES
JUNE 30, 2006
(In Thousands of New Taiwan Dollars)

Nature	Amount
Commissions	$ 1,252,470
Salaries and bonuses	757,068
Repair and maintenance expenses	412,343
Professional service fees	352,541
Interest	112,596
Other (Note)	902,866
	$ 3,789,884

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

SCHEDULE 9

TAIWAN MOBILE CO., LTD.

OTHER PAYABLE
JUNE 30, 2006
(In Thousands of New Taiwan Dollars)

Item	Amount
Dividends payable	$ 12,844,491
Payables on equipment and constructions payable	1,618,380
Bonuses to employees	414,666
Value-added tax	178,548
Other (Note)	1,396,168
	$ 16,452,253

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

SCHEDULE 10

TAIWAN MOBILE CO., LTD.

BONDS PAYABLE
JUNE 30, 2006
(In Thousands of New Taiwan Dollars)

Bond Type	Trustee	Date of Issuance	Payment Terms	Interest Rate	Issuance Amount	Buyback	Conversion	Current Portion	Non-current Portion	Total
1st domestic unsecured bonds	Bank SinoPac, Trust Division	December 13, 2002	Note 13	Note 13	$ 15,000,000	$ -	$ -	$ 1,250,000	$ 13,750,000	$ 15,000,000
1st domestic unsecured convertible bonds	Bank SinoPac, Trust Division	August 25, 2001	Note 13	-	10,000,000	3,194,400	6,532,700	272,900	-	272,900
2nd domestic unsecured convertible bonds	Bank SinoPac, Trust Division	August 16, 2002	Note 13	-	6,000,000	540,100	5,194,900	-	265,000	265,000
					$ 31,000,000	$ 3,734,500	$ 11,727,600	1,522,900	14,015,000	15,537,900
Add accrued interest compensation								64,981	35,544	100,525
Total								$ 1,587,881	$ 14,050,544	$ 15,638,425

SCHEDULE 11

TAIWAN MOBILE CO., LTD.

OPERATING REVENUES
SIX MONTHS ENDED JUNE 30, 2006
(In Thousands of New Taiwan Dollars)

Item	Amount
Mobile service revenues	
Network interconnection (Note 1)	$ 7,726,060
Airtime usage	7,969,755
Monthly access fee and activation fee	7,970,708
	23,666,523
Other operating revenues (Note 2)	87,572
	$ 23,754,095

Note 1: Including revenues from other telecommunication service providers' use of the Corporation's telecommunication networks and IDD delivery revenues.

Note 2: Including revenues from cooperative co-branding agreement with Taipei Fubon Commercial Bank Co., Ltd.

TAIWAN MOBILE CO., LTD.

OPERATING COSTS
SIX MONTHS ENDED JUNE 30, 2006
(In Thousands of New Taiwan Dollars)

Item	Amount
Mobile service costs	
Network interconnection (Note 1)	$ 4,247,422
Depreciation	2,462,515
Franchise fee (2G&3G)	846,154
Monthly leased-line charges	594,721
Rents	518,046
Frequency usage fee	200,976
Maintenance materials and constructions	180,373
Other (Note 2)	840,291
	$ 9,890,498

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

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

TAIWAN MOBILE CO., LTD.

OPERATING EXPENSES
SIX MONTHS ENDED JUNE 30, 2006
(In Thousands of New Taiwan Dollars)

Item	Marketing	Administrative	Total
Commissions	$ 3,665,456	$ -	$ 3,665,456
Salaries	293,709	273,672	567,381
Professional service fees	381,779	175,043	556,822
Bad debts	-	357,926	357,926
Service charges	13,449	217,811	231,260
Other (Note)	524,479	526,277	1,050,756
	$ 4,878,872	$ 1,550,729	$ 6,429,601

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