Taiwan Mobile Co., Ltd.

Financial Statements for the
Three Months Ended March 31, 2007 and 2006 and
Independent Accountants' Review Report

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

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

We have reviewed the accompanying balance sheets of Taiwan Mobile Co., Ltd. (the "Corporation") as of March 31, 2007 and 2006, and the related statements of income and cash flows for the three months then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to issue a report based on our reviews.

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

Based on our reviews, we are not aware of any material modifications that should be made to the financial statements referred to above for them to be in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, requirements of the Business Accounting Law and Guidelines Governing Business Accounting relevant to financial accounting standards, and accounting principles generally accepted in the Republic of China.

As disclosed in Note 23 to the financial statements, to position as an integrated telecom and media player down the road differentiating from competition and build growth momentum through exposure to higher margin lines of business, the board of directors of the Corporation's subsidiary, Taihsing International Telecommunication Co., Ltd., resolved on March 1, 2007 and April 9, 2007 to acquire Taiwan Fixed Network Co., Ltd. (TFN) through a public tender offer at NT$8.3 per share from March 2, 2007 to April 13, 2007. As of the end of the public tender offer period, 4,781,501 thousand shares had been acquired (74.09 percent of TFN's outstanding shares), and the transaction was settled on April 17, 2007.

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 Nos. 34 and 36 on January 1, 2006.

April 17, 2007

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 review such financial statements are those generally accepted and applied in the Republic of China.

For the convenience of readers, the accountants' review 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 accountants' review report and financial statements shall prevail.

TAIWAN MOBILE CO., LTD.

BALANCE SHEETS
MARCH 31, 2007 AND 2006
(In Thousands of New Taiwan Dollars, Except Par Value)
(Reviewed, Not Audited)

	2007		2006	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 2, 4 and 20)	$ 8,704,163	7	$ 14,862,291	12
Financial assets at fair value through profit or loss - current (Notes 2, 3 and 5)	7,910,615	7	-	-
Available-for-sale financial assets - current (Notes 2, 3 and 6)	172,301	-	9,180,000	8
Notes receivable	12,314	-	11,366	-
Accounts receivable - third parties (Notes 2 and 7)	4,922,208	4	4,812,621	4
Accounts receivable - related parties (Notes 2 and 20)	282,227	-	323,628	-
Other receivables - third parties	198,604	-	140,075	-
Other receivables - related parties (Note 20)	275,907	-	923,070	1
Inventories (Note 2)	77,820	-	320	-
Prepayments (Note 20)	498,673	1	344,584	-
Deferred income tax assets - current (Notes 2 and 16)	102,740	-	69,016	-
Pledged time deposits (Notes 20 and 21)	10,000	-	10,000	-
Other current assets	9,209	-	39,632	-
Total current assets	23,176,781	19	30,716,603	25
INVESTMENTS				
Investments accounted for using equity method (Notes 2 and 8)	31,190,627	25	17,481,956	15
Financial assets carried at cost - non-current (Notes 2, 3 and 9)	32,160	-	3,858,308	3
Total investments	31,222,787	25	21,340,264	18
PROPERTY AND EQUIPMENT (Notes 2, 10, 20, 21 and 22)				
Cost				
Land	3,667,983	3	3,774,031	3
Buildings	2,184,696	2	2,223,815	2
Telecommunications equipment	69,447,400	57	68,451,566	56
Office equipment	105,860	-	94,229	-
Leased assets	1,276,190	1	1,276,191	1
Miscellaneous equipment	1,819,684	1	1,123,034	1
Total cost	78,501,813	64	76,942,866	63
Less accumulated depreciation	(26,323,782)	(22)	(22,175,081)	(18)
	52,178,031	42	54,767,785	45
Construction in progress and advance payments	3,142,242	3	2,066,222	2
Net property and equipment	55,320,273	45	56,834,007	47
INTANGIBLE ASSETS (Note 2)	8,785,582	7	9,533,291	8
OTHER ASSETS				
Assets leased to others (Notes 2, 11 and 20)	2,385,818	2	912,112	1
Idle assets (Notes 2 and 11)	227,439	-	261,429	-
Refundable deposits	287,108	-	267,463	-
Deferred charges (Notes 2 and 12)	328,981	1	294,754	-
Deferred income tax assets - non-current (Notes 2 and 16)	1,102,571	1	995,330	1
Other	48,839	-	35,827	-
Total other assets	4,380,756	4	2,766,915	2
TOTAL	$ 122,886,179	100	$ 121,191,080	100

	2007		2006	
LIABILITIES AND SHAREHOLDERS' EQUITY	**Amount**	**%**	**Amount**	**%**
CURRENT LIABILITIES				
Accounts payable (Note 20)	$ 1,833,616	1	$ 1,855,164	2
Income taxes payable (Notes 2 and 16)	2,696,807	2	1,623,024	1
Accrued expenses (Note 20)	3,487,062	3	4,079,827	3
Other payables (Note 20)	3,424,398	3	2,758,492	2
Advance receipts	888,657	1	727,265	1
Current portion of long-term liabilities (Notes 2, 13 and 21)	3,803,112	3	1,942,219	2
Guarantee deposits	36,476	-	80,307	-
Other current liabilities (Note 20)	898,915	1	595,226	-
Total current liabilities	17,069,043	14	13,661,524	11
LONG-TERM LIABILITIES				
Hedging derivative financial liabilities (Notes 2, 3 and 24)	281,089	-	416,807	-
Bonds payable (Notes 2, 13 and 21)	10,000,000	8	14,478,137	12
Total long-term liabilities	10,281,089	8	14,894,944	12
OTHER LIABILITIES				
Accrued pension cost (Notes 2 and 14)	-	-	127,158	-
Guarantee deposits	247,022	-	229,771	1
Deferred credits - gains on inter-affiliate accounts (Notes 2, 8 and 9)	1,586,156	2	-	-
Other	-	-	1,289	-
Total other liabilities	1,833,178	2	358,218	1
Total liabilities	29,183,310	24	28,914,686	24
SHAREHOLDERS' EQUITY (Notes 2 and 15)				
Capital stock - NT$10 par value				
Authorized: 6,000,000 thousand shares				
Issued and outstanding: 4,999,757 thousand shares in 2007 and 4,955,602 thousand shares in 2006	49,997,573	40	49,556,024	41
Entitlement certificates	-	-	62,275	-
Capital surplus	8,756,090	7	8,080,161	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	23,033,286	19	22,280,328	18
Other equity				
Cumulative translation adjustments	8,488	-	2,838	-
Unrealized gain (losses) of financial instruments	(168,023)	-	1,911,950	1
Treasury stock	(1,402,946)	(1)	(323,544)	-
Total shareholders' equity	93,702,869	76	92,276,394	76
TOTAL	$ 122,886,179	100	$ 121,191,080	100

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

(With Deloitte & Touche review report dated April 17, 2007)

TAIWAN MOBILE CO., LTD.

STATEMENTS OF INCOME
THREE MONTHS ENDED MARCH 31, 2007 AND 2006
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)
(Reviewed, Not Audited)

	2007		2006	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUES (Notes 2 and 20)				
Telecommunications service revenue	$12,251,653	100	$11,670,120	100
Other revenue	55,491	-	45,646	-
Total operating revenues	12,307,144	100	11,715,766	100
OPERATING COSTS (Notes 2, 18 and 20)	5,330,993	43	4,817,833	41
GROSS PROFIT	6,976,151	57	6,897,933	59
OPERATING EXPENSES (Notes 2, 18 and 20)				
Marketing	2,019,771	17	2,527,253	22
Administrative	898,429	7	721,639	6
Total operating expenses	2,918,200	24	3,248,892	28
OPERATING INCOME	4,057,951	33	3,649,041	31
NON-OPERATING INCOME AND GAINS				
Equity in earnings of equity-method investees, net (Notes 2 and 8)	745,985	6	246,908	2
Penalty income	43,455	1	43,298	1
Interest income	38,149	-	42,367	-
Gain on disposal of investments, net (Note 2)	28,714	-	625,689	5
Rental income (Note 20)	26,142	-	16,096	-
Gain on disposal of property and equipment (Note 2)	3,799	-	-	-
Other	48,454	1	37,202	-
Total non-operating income and gains	934,698	8	1,011,560	8
NON-OPERATING EXPENSES AND LOSSES				
Loss on disposal and retirement of property and equipment (Note 2)	158,765	1	1,256,761	11
Interest expenses (Notes 2 and 10)	77,855	1	124,087	1
Other (Notes 2 and 11)	9,415	-	52,247	-
Total non-operating expenses and losses	246,035	2	1,433,095	12

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TAIWAN MOBILE CO., LTD.

STATEMENTS OF INCOME
THREE MONTHS ENDED MARCH 31, 2007 AND 2006
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)
(Reviewed, Not Audited)

	2007		2006	
	Amount	**%**	**Amount**	**%**
INCOME BEFORE INCOME TAX	$ 4,746,614	39	$ 3,227,506	27
INCOME TAX EXPENSE (Notes 2 and 16)	936,882	8	122,638	1
INCOME AFTER INCOME TAX	3,809,732	31	3,104,868	26
CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES (Note 3)	-	-	35	-
NET INCOME	$ 3,809,732	31	$ 3,104,903	26

	2007		2006	
	Before Income Tax	**After Income Tax**	**Before Income Tax**	**After Income Tax**
EARNINGS PER SHARE (Note 17)				
Basic	$ 0.96	$ 0.77	$ 0.65	$ 0.63
Diluted	$ 0.96	$ 0.77	$ 0.65	$ 0.62

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

(With Deloitte & Touche review report dated April 17, 2007) (Concluded)

TAIWAN MOBILE CO., LTD.

STATEMENTS OF CASH FLOWS
THREE MONTHS ENDED MARCH 31, 2007 AND 2006
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 3,809,732	$ 3,104,903
Adjustments to reconcile net income to net cash provided by operating activities:		
Cash dividends received from equity-method investees	1,979,210	-
Depreciation	1,476,698	1,309,717
Equity in earnings of equity-method investees, net	(745,985)	(246,908)
Deferred income taxes	341,198	(406,304)
Amortization	224,816	239,660
Bad debts	217,885	154,895
Loss on disposal of property and equipment, net	154,966	1,256,761
Reversal of allowance for loss on inventory	(7,018)	-
Accrued interest compensation	504	23,910
Gain on disposal of available-for-sale financial assets	-	(625,506)
Loss on buyback of bonds payable	-	44,419
Net changes in operating assets and liabilities		
Financial assets held for trading	3,198,592	600,000
Notes receivable	(908)	1,304
Accounts receivable - third parties	(80,862)	45,528
Accounts receivable - related parties	54,323	205,063
Other receivables - third parties	43,985	30,365
Other receivables - related parties	(21,047)	(382,223)
Inventories	(39,570)	-
Prepayments	65,773	130,559
Other current assets	7,215	(32,382)
Accounts payable	401,054	376,756
Income taxes payable	590,768	528,297
Accrued expenses	(278,599)	693,938
Other payables	257,594	87,369
Advance receipts	(105,573)	(293,591)
Other current liabilities	13,255	(165,656)
Net cash provided by operating activities	11,558,006	6,680,874
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in investments accounted for using equity method	(12,740,430)	-
Capital return of investees	3,458,463	-
Acquisition of property and equipment	(1,759,681)	(1,420,087)
Increase in deferred charges	(25,426)	(4,818)
Increase in refundable deposits	(12,122)	(6,340)

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TAIWAN MOBILE CO., LTD.

STATEMENTS OF CASH FLOWS
THREE MONTHS ENDED MARCH 31, 2007 AND 2006
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	2007	2006
Proceeds from disposal of property and equipment	$ 4,479	$ -
Decrease in other assets	71	125
Proceeds from disposal of available-for-sale financial assets	-	2,944,800
Net cash provided by (used in) investing activities	(11,074,646)	1,513,680
CASH FLOWS FROM FINANCING ACTIVITIES		
Transfer of treasury stock to employees	29,474	-
Increase (decrease) in guarantee deposits	(11,134)	6,257
Decrease in bonds payable	-	(1,500,000)
Buyback of bonds payable	-	(936,524)
Net cash provided by (used in) financing activities	18,340	(2,430,267)
NET INCREASE IN CASH AND CASH EQUIVALENTS	501,700	5,764,287
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	8,202,463	9,098,004
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 8,704,163	$ 14,862,291
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid	$ -	$ 79,670
Deduct: Interest capitalized	-	(2,911)
Interest paid - excluding interest capitalized	$ -	$ 76,759
Income taxes paid	$ 6,376	$ 645
NON-CASH INVESTING AND FINANCING ACTIVITIES		
Current portion of long-term liabilities	$ 3,803,112	$ 1,942,219
Conversion of convertible bonds to capital stock and entitlement certificates	$ 10,200	$ 230,200
CASH INVESTING AND FINANCING ACTIVITIES		
Acquisition of property and equipment	$ 1,414,943	$ 903,828
Add: Decrease in other payables	344,738	516,259
Cash paid for acquisition of property and equipment	$ 1,759,681	$ 1,420,087

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

(With Deloitte & Touche review report dated April 17, 2007) (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; "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 March 31, 2007 and 2006, the Corporation had 2,136 and 2,118 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, the Business Accounting Law, Guidelines Governing Business Accounting, and accounting principles generally accepted in the ROC. In conformity with these guidelines, the Law, and principles, the Corporation is required to make certain estimates and assumptions that could affect the amounts of allowance for doubtful accounts, provision for losses on decline in value of inventories, depreciation, pension, allowance for deferred income tax assets, 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. Other assets such as property and equipment and intangible assets are classified as non-current. Current liabilities are obligations held for trading and those expected to be due within twelve months from the balance sheet date. All other liabilities are classified as non-current.

Cash Equivalents

Government bonds and short-term bills 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. The purchase or sale of the financial instruments is recognized and derecognized using trade date accounting.

The fair value of open-end mutual funds is based on the net assets value on the balance sheets date.

Available-for-sale Financial Assets

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

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

An impairment loss is recognized if there is 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.

Inventories

Inventories are stated at the weighted-average method and the lower of cost or market value. Market value are evaluated on the basis of replacement cost or net realizable value.

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 by the Equity Method

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

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 assets 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 assets 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 assets value is also no longer amortized and applies the same accounting treatment as goodwill.

Gains or losses from the Corporation's sales to its subsidiaries are deferred and included in deferred income and has been recorded as other liabilities. Gains or losses on the Corporation's equity accounted investee's sales to the Corporation 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 and Equipment and Assets Leased to Others

Property 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. Property 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 - 3 to 15 years; office equipment - 3 to 5 years; leased assets - 20 years; and miscellaneous equipment - 3 to 5 years.

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

Intangible Assets

Intangible assets refer to the 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.

Idle Assets

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

Deferred Charges

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

Asset Impairment

If the carrying value of assets (including property 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 not allowed.

Pension Costs

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

Bonds Payable

Convertible bonds with redemption rights 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.

Income Basic Tax Act has taken effect from January 1, 2006. The amount of basic income shall be the sum of the taxable income as calculated in accordance with the Income Tax Act, plus deductions claimed in regard to investment tax credit granted under the provisions of other laws. The amount of basic tax shall be the amount of basic income multiplied by the tax rate (10%). Between the basic tax under the Income Basic Tax Act and the regular income tax calculated based on the Income Tax Act, the Corporation should pay whichever is the higher amount for the current income tax.

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. Prepaid card service 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 three months ended March 31, 2006 have been reclassified to conform to the presentation of financial statements as of and for the three months ended March 31, 2007.

3. REASONS AND EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES

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 Principles (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 after income tax of $35 thousand for the three months ended March 31, 2006, but had no effect on net income and earnings per share (net of tax).

b. 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 assets 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 three months ended March 31, 2006.

4. CASH AND CASH EQUIVALENTS

	March 31	
	2007	2006
Short-term notes and bills with resale rights	$ 7,237,016	$ -
Time deposits	863,235	716,323
Checking and demand deposits	570,265	382,919
Cash on hand	30,077	27,433
Revolving funds	3,570	3,117
Government bonds with resale rights	-	13,732,499
	$ 8,704,163	$ 14,862,291

5. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS - CURRENT

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

	March 31	
	2007	2006
Financial assets held for trading		
Beneficiary certificates		
Open-end mutual funds	$ 7,910,615	$ -

6. AVAILABLE-FOR-SALE FINANCIAL ASSETS - CURRENT

	March 31	
	2007	2006
Domestic listed stocks		
Chunghwa Telecom Co., Ltd.	$ 172,301	$ 9,180,000

In the three months ended March 31, 2006, the Corporation recognized a gain of $625,506 thousand from selling 50,000 thousand shares of Chunghwa Telecom Co., Ltd.

7. ACCOUNTS RECEIVABLE - THIRD PARTIES

	March 31 2007	March 31 2006
Accounts receivable	$ 5,354,844	$ 5,144,423
Less allowance for doubtful accounts	(432,636)	(331,802)
	$ 4,922,208	$ 4,812,621

8. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	March 31			
	2007		2006	
	Carrying Value	% of Owner-ship	Carrying Value	% of Owner-ship
Taiwan Cellular Co., Ltd. (TCC, formerly Taihsing Den Syun Co., Ltd.)	$ 21,595,490	100.00	$ 3,828,336	100.00
TransAsia Telecommunications Inc. (TAT, formerly TAT International Telecommunications Co., Ltd.)	9,595,137	100.00	12,639,277	100.00
Taiwan Cellular Co., Ltd. (former TCC)	-	-	1,014,341	99.99
TransAsia Telecommunications Inc. (former TAT)	-	-	2	-
	$ 31,190,627		$ 17,481,956	

a. TransAsia Telecommunications Inc.

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.

On February 27, 2007, TAT's Board of Directors decided to reduce TAT's capital by $3,458,463 thousand, resulting in the cancellation of 345,846 thousand shares and the return to investors of their cash investments. On the record date (March 5, 2007), the Corporation was entitled to receive $3,458,463 thousand based on its equity of 100% in TAT.

b. Taiwan Cellular Co., Ltd. (formerly Taihsing Den Syun Co., Ltd.)

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 Inc. (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 board of directors of TCC resolved the stock issuance of 50,000 thousand shares with par value of $10 dollars each for cash injection on October 26, 2006. On the record date (October 31, 2006), the Corporation subscribed for all the shares and TCC was still wholly-owned subsidiary.

On March 1, 2007, the Board of Directors of TCC resolved to issue 18,028 thousand TCC shares with issue price of $1,000 for capital injection. On the record date (March 8, 2007), the Corporation subscribed for all the shares amounting to $12,740,430 thousand as well as the 637,000 thousand shares of Taiwan Fixed Network Co., Ltd. (TFN) at NT$8.3 each. After the capital injection, TCC was still a wholly-owned subsidiary of the Corporation.

TCC owned 100% of TIT's common shares. On March 1, 2007, the Board of Directors of Taihsing International Telecommunications Co., Ltd. (TIT) resolved to issue 1,806,820 thousand TIT shares with par value of $10 for capital injection. On the record date (March 15, 2007), TCC subscribed for all the shares amounting to $12,740,430 thousand as well as the 641,900 thousand shares of TFN at NT$8.3 each. After the capital injection, TIT was still a wholly-owned subsidiary of TCC.

Based on the revised Statement of Financial Accounting Standards No.5 - "Long-term Investments in Equity Securities," unrealized gains (losses) on downstream transactions should be deferred. Thus, the spread between the original cost and the disposal price of the TFN shares on these transactions had been deferred. As of March 31, 2007, the amount recognized by the Corporation and TCC was deferred credits $1,586,156 thousand and deferred debits $2,194 thousand, respectively.

c. Equity in investees' net gains or losses

The carrying value of the investments under equity method and the related investment income or losses were determined on the basis of unreviewed financial statements, except the financial statements of TAT, MBT and TIT for the three months ended March 31, 2007, which were determined on the basis of audited or reviewed financial statements (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 reviewed financial statements). The carrying value of the investments by equity method and the related investment income or losses for the three months ended March 31, 2006 were determined on the basis of reviewed financial statements. The Corporation's investment income or losses were as follows:

	Three Months Ended March 31	
	2007	**2006**
TAT	$ 478,723	$ 180,608
TCC (formerly TDS)	267,262	46,340
The former TCC (formerly Taihsing Den Den Co., Ltd.)	-	19,961
The former TAT	-	(1)
	$ 745,985	$ 246,908

9. FINANCIAL ASSETS CARRIED AT COST - NON-CURRENT

	March 31	
	2007	2006
Domestic emerging stocks		
Taiwan Fixed Network Co., Ltd.	$ -	$ 3,826,148
Foreign unlisted stocks		
Bridge Mobile Pte Ltd.	32,160	32,160
	$ 32,160	$ 3,858,308

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

On March 1, 2007, the Board of Directors of the Corporation resolved to attend the capital injection of TCC with all its TFN shares. Please refer to the description in note 8.

10. PROPERTY AND EQUIPMENT - ACCUMULATED DEPRECIATION

	March 31	
	2007	2006
Buildings	$ 229,616	$ 241,720
Telecommunication equipment	25,056,771	21,222,965
Office equipment	47,766	38,726
Leased assets	308,413	244,603
Miscellaneous equipment	681,216	427,067
	$ 26,323,782	$ 22,175,081

Interest expenses capitalized for the three months ended March 31, 2007 and 2006 amounted to $9,287 thousand and $2,911 thousand, respectively, with interest rates ranging from 2.40%-2.64% and from 2.76%-3.12%, respectively.

11. ASSETS LEASED TO OTHERS AND IDLE ASSETS

	March 31	
	2007	2006
Assets leased to others		
Cost	$ 2,495,102	$ 964,541
Less accumulated depreciation	(98,693)	(41,838)
Less accumulated impairment	(10,591)	(10,591)
	$ 2,385,818	$ 912,112
Idle assets		
Cost	$ 2,460,027	$ 2,777,429
Less accumulated depreciation	(671,536)	(729,945)
Less accumulated impairment	(1,561,052)	(1,786,055)
	$ 227,439	$ 261,429

12. DEFERRED CHARGES

	March 31 2007	March 31 2006
Interior decoration	$ 266,672	$ 140,068
Computer software	50,415	96,504
Other	11,894	58,182
	$ 328,981	$ 294,754

13. BONDS PAYABLE

	March 31 2007		March 31 2006	
	Current	Non-current	Current	Non-current
Domestic unsecured bonds	$ 3,750,000	$ 10,000,000	$ 1,250,000	$ 13,750,000
1st domestic unsecured convertible bonds	-	-	565,200	-
2nd domestic unsecured convertible bonds	45,700	-	-	647,200
Add accrued interest compensation	7,412	-	127,019	80,937
	$ 3,803,112	$ 10,000,000	$ 1,942,219	$ 14,478,137

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.

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 the 10th day 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$22.2 per share since July 20, 2006. As of August 24, 2006, bonds amounting to $6,802,300 thousand had been converted to 226,716 thousand of common share. As of August 24 (due date), 2006, bonds amounting to $3,194,400 thousand were purchased and canceled by the Corporation, and the other $3,300 thousand was repaid by the Corporation on August 24, 2006.

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 the 40th day 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$23.6 per share since July 20, 2006. As of March 31, 2007, bonds amounting to $5,409,600 thousand have been converted to $209,703 thousand of common shares. Bonds amounting to $544,700 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 the 40th day 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 second to fourth quarter, 2007	$ 3,750,000
2008	2,500,000
2009	7,500,000
	$ 13,750,000

14. 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 $22,592 thousand and $19,828 thousand for the three months ended March 31, 2007 and 2006, respectively.

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.

15. 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 2006 earnings appropriations proposed by the Board of Directors on January 25, 2007 and the 2005 earnings appropriations resolved by the shareholders in their meeting on June 15, 2006 were as follows:

	Appropriation of Earnings		**Dividend Per Share (NT$)**	
	For Fiscal Year 2006	**For Fiscal Year 2005**	**For Fiscal Year 2006**	**For Fiscal Year 2005**
Appropriation of legal reserve	$ 1,617,074	$ 1,623,670		
Appropriation of special reserve	143,563	1,150,000		
Reversal of special reserve	-	(1,631)		
Remuneration to directors and supervisors	43,231	40,394		
Cash bonus to employees	432,303	403,940		
Cash dividends	12,880,151	12,843,997	$2.6	$2.61677
	$ 15,116,322	$ 16,060,370		

The appropriation of the Corporation's 2006 earnings had not been approved by the shareholders meeting as of April 17, 2007, the independent auditors' report date. Information on the appropriation of 2006 earnings proposed by the Board of Directors and resolved by the shareholders can be accessed through the Market Observation Post System on the Taiwan Stock Exchange Corporation's website.

c. Treasury stock

(Shares in Thousands)

Purpose of Buyback	**Beginning Shares**	**Increase**	**Decrease**	**Ending Shares**
Three months ended March 31, 2007				
To be transferred to employees	46,537	-	1,112	45,425
Three months ended March 31, 2006				
To be transferred to employees	11,551	-	-	11,551

For the three months ended March 31, 2007, the Corporation transferred the treasury stock through various tranches to employees of 1,112 thousand shares at NT$28.17 per share, resulting in a reduction of retained earnings, amounting to $4,870 thousands.

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 three months ended March 31, 2007 and 2006 were summarized as follows:

	Three Months Ended March 31	
	2007	**2006**
Available-for-sale financial assets		
Balance, beginning of period	$ 40,652	$ -
Effect of the first time adoption of new issued SFASs	-	2,082,823
Fair value changes recognized directly in equity	9,408	764,800
Transfer to current gains or loss upon sales of financial assets	-	(625,506)
	50,060	2,222,117
Changes in unrealized gains (losses) of cash flow hedge		
Balance, beginning of period	(218,284)	-
Effect of the first time adoption of new issued SFASs	-	(248,184)
Fair value changes recognized directly in equity	7,467	(64,421)
	(210,817)	(312,605)
Recognition of investees' changes in unrealized gains or losses by the equity method		
Balance, beginning of period	30,209	-
Fair value changes recognized directly in equity	(37,475)	2,438
	(7,266)	2,438
Unrealized gain (losses) on financial instruments	$ (168,023)	$ 1,911,950

16. INCOME TAX EXPENSE

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

	Three Months Ended March 31	
	2007	**2006**
Tax on pretax income at statutory tax rate (25%)	$ 1,186,644	$ 806,866
Add (deduct) tax effects of		
Permanent differences		
Investment income from domestic investees accounted for under the equity method	(186,496)	(61,727)
Gain on disposal of marketable securities	(7,178)	(145,317)
Other	(7,841)	(21)

	Three Months Ended March 31	
	2007	2006
Temporary differences	$ (358,240)	$ 7,313
Tax-exempt income	-	(78,172)
Investment tax credits	(36,122)	-
Deferred income taxes	341,198	(406,304)
Tax on short-term bills	4,917	-
Income tax expense	$ 936,882	$ 122,638

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, BTS and related telecommunication equipment, acquired from September 30, 2000 to September 30, 2001	2002 to 2006

c. Deferred income tax assets as of March 31, 2007 and 2006 were as follows:

	March 31	
	2007	2006
Provision for doubtful accounts	$ 740,710	$ 617,933
Unrealized loss on retirement of property and equipment	375,141	245,321
Provision for impairment losses on idle assets	303,815	386,577
Unrealized loss on financial liabilities	70,272	104,202
Accrued interest compensation	1,853	51,989
Other	8,471	16,719
	1,500,262	1,422,741
Less valuation allowance	(294,951)	(358,395)
	$ 1,205,311	$ 1,064,346
Deferred income tax assets		
Current	$ 102,740	$ 69,016
Non-current	1,102,571	995,330
	$ 1,205,311	$ 1,064,346

d. Integrated income tax information was as follows:

Balance of imputation credit account (ICA)	$ 1,671,100	$ 1,532,129

As of March 31, 2007, there were no unappropriated earnings generated before January 1, 1998. The estimated creditable ratio for the 2006 earnings appropriation and the actual creditable ratio for the 2005 earnings appropriation were 19.64% and 9.88%, 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 2006 earnings appropriation may be adjusted when the imputation credits are distributed.

e. Income tax returns through 2001 had been examined by the tax authorities. However, the Corporation disagreed with the examination result of the income tax returns from 1999 to 2001, and filed requests for reexamination.

17. EARNINGS PER SHARE

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

(In New Taiwan Dollar)

	Three Months Ended March 31			
	2007		2006	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
Basic EPS				
Income before cumulative effect of changes in accounting principles	$ 0.96	$ 0.77	$ 0.65	$ 0.63
Cumulative effect of changes in accounting principle	-	-	-	-
Net income	$ 0.96	$ 0.77	$ 0.65	$ 0.63
Diluted EPS				
Income before cumulative effect of changes in accounting principles	$ 0.96	$ 0.77	$ 0.65	$ 0.62
Cumulative effect of changes in accounting principle	-	-	-	-
Net income	$ 0.96	$ 0.77	$ 0.65	$ 0.62

	Amounts (Numerator)		Shares (Denominator) (Thousands)	EPS (NT$)	
	Before Income Tax	After Income Tax		Before Income Tax	After Income Tax
Three months ended March 31, 2007					
Weighted-average number of outstanding shares			4,999,388		
Less buyback of issued shares			(45,450)		
Basic EPS					
Income of common shareholders	$ 4,746,614	$ 3,809,732	4,953,938	$ 0.96	$ 0.77
Add effect of potentially dilutive convertible bonds					
2nd convertible bonds (with implied yield rate of 3.3%)	504	378	2,306		
Diluted EPS					
Income of common shareholders with dilutive effect of potential common shares	$ 4,747,118	$ 3,810,110	4,956,244	$ 0.96	$ 0.77

(Continued)

Three months ended March 31, 2006	Amounts (Numerator) Before Income Tax	After Income Tax	Shares (Denominator) (Thousands)	EPS (NT$) Before Income Tax	After Income Tax
Weighted-average number of outstanding shares			4,954,893		
Less buyback of issued shares			(11,551)		
Basic EPS					
Income of common shareholders	$ 3,227,541	$ 3,104,903	4,943,342	$ 0.65	$ 0.63
Add effect of potentially dilutive convertible bonds					
1st convertible bonds (with implied yield rate of 4.5%)	17,443	13,083	56,574		
2nd convertible bonds (with implied yield rate of 3.3%)	6,467	4,850	29,521		
Diluted EPS					
Income of common shareholders with dilutive effect of potential common shares	$ 3,251,451	$ 3,122,836	5,029,437	$ 0.65	$ 0.62

(Concluded)

18. LABOR COST, DEPRECIATION AND AMORTIZATION EXPENSE

	Three Months Ended March 31					
	2007			2006		
	Classified as Operating Cost	Classified as Operating Expenses	Total	Classified as Operating Cost	Classified as Operating Expenses	Total
Labor cost						
Salary	$ 127,551	$ 357,094	$ 484,645	$ 73,913	$ 254,333	$ 328,246
Labor and health insurance	7,286	19,515	26,801	4,585	15,358	19,943
Pension	6,016	14,054	20,070	4,329	14,141	18,470
Other	6,832	15,483	22,315	4,429	14,621	19,050
	$ 147,685	$ 406,146	$ 553,831	$ 87,256	$ 298,453	$ 385,709
Depreciation	$ 1,349,854	$ 122,203	$ 1,472,057	$ 1,222,190	$ 85,713	$ 1,307,903
Amortization	191,371	31,047	222,418	192,714	44,142	236,856

19. FINANCIAL INSTRUMENT TRANSACTIONS

a. Fair value information

	March 31			
	2007		2006	
Non-derivative financial instruments	Carrying Value	Fair Value	Carrying Value	Fair Value
Liabilities				
Bonds payable (including current portion)	$ 13,803,112	$ 13,731,265	$ 16,420,356	$ 16,546,633

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 March.

   4) Derivative financial instruments - based on valuation results provided by banks. As of March 31, the financial instrument held by the Corporation turned into financial liability, evaluated by the bid price of counter party.

   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 refundable 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 $8,110,251 thousand and $14,458,822 thousand as of March 31, 2007 and 2006, respectively, and the financial liabilities exposed to fair value interest rate risk amounted to $6,303,112 thousand and $8,920,356 thousand as of March 31, 2007 and 2006, respectively. The financial assets exposed to cash flow interest rate risk amounted to $563,295 thousand and $356,009 thousand as of March 31, 2007 and 2006, respectively, and the financial liabilities exposed to cash flow interest rate risk amounted to $7,781,089 thousand and $7,916,807 thousand as of March 31, 2007 and 2006, 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 March 31, 2007 and 2006 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 working 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.

20. 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
TWM Holding Co. Ltd. (formerly Simax Investment Holdings Ltd.)	Subsidiary
TT&T Holdings Co., Ltd.	Subsidiary
Taihsing International Telecommunications Co., Ltd. (TIT)	Subsidiary
Dalian Xinkai Teleservices & Technologies Ltd.	Subsidiary (all shares were sold in July 2006)

(Continued)

Related Party	Relationship with the Corporation
Xiamen Taifu Teleservices & Technologies Ltd.	Subsidiary
Taiwan Mobile 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 under control of TCC (formerly Taihsing Den Syun Co., Ltd.)
Fubon Life Assurance Co., Ltd.	Same chairman
Fubon Securities Investment Trust Co., Ltd.	Related party in substance
Chung Hsing Constructions Co., Ltd.	Related party in substance
Taiwan Fixed Network Co., Ltd. (TFN)	Related party in substance
Fubon Land Development Co., Ltd.	Related party in substance
Taipei Fubon Commercial Bank Co., Ltd. (TFCB)	Related party in substance
Fubon Securities Co., Ltd. (FSC)	Related party in substance
Fubon Insurance Co., Ltd. (Fubon Ins.)	Related party in substance
Mobitai Communications (the former Mobitai)	Subsidiary (merged into TYIT on January 1, 2006)
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 former TAT International on June 27, 2006)

(Concluded)

b. Significant transactions with related parties were summarized below:

1) Operating revenues

	Three Months Ended March 31			
	2007		2006	
	Amount	% of Total Revenues	Amount	% of Total Revenues
TFN	$ 358,199	3	$ 366,822	3
TAT	164,431	1	-	-
Mobitai	66,914	1	34,340	-
The former TAT	-	-	330,711	3
	$ 589,544		$ 731,873	

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

2) Operating costs

	Three Months Ended March 31			
	2007		2006	
	Amount	% of Total Costs	Amount	% of Total Costs
TFN	$ 204,629	4	$ 216,507	4
TAT	75,368	1	-	-
Mobitai	51,596	1	73,071	2
Fubon Ins.	21,983	-	22,194	-
The former TAT	-	-	146,451	3
	$ 353,576		$ 458,223	

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

3) Rental income

	Three Months Ended March 31		
	Leased Sites/Equipment	2007	2006
TFN	Ji-lung Road, Dunhua S. Road, Tai-Chung, Chung-Ho and Tang-Cherng offices, BTS, etc.	$ 18,724	$ 7,061

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

4) Cash in banks

	March 31			
	2007		2006	
	Amount	%	Amount	%
a) Cash in banks				
TFCB	$ 75,459	1	$ 148,488	1
b) Pledged time deposits				
TFCB	$ 10,000	100	$ 10,000	100

5) Receivables and payables

	March 31			
	2007		2006	
	Amount	%	Amount	%
a) Accounts receivable				
TFN	$ 195,569	4	$ 154,844	3
TAT	65,523	1	-	-
Mobitai	17,993	-	12,523	-
The former TAT	-	-	145,202	3
Other	3,142	-	11,059	-
	$ 282,227		$ 323,628	

	March 31			
	2007		2006	
	Amount	%	Amount	%
b) Other receivables				
TAT	$ 151,637	32	$ -	-
Mobitai	98,809	21	488,081	46
TFN	21,365	5	14,672	1
TFCB	2,921	1	10,666	1
The former TAT	-	-	385,889	36
The former TCC	-	-	18,684	2
Other	1,175	-	5,078	-
	$ 275,907		$ 923,070	
c) Prepayments				
Fubon Ins.	$ 48,748	10	$ 53,617	16
d) Accounts payable				
TAT	$ 19,380	1	$ -	-
TFN	11,233	-	-	-
Mobitai	1,005	-	45,526	2
The former TAT	-	-	16,029	1
	$ 31,618		$ 61,555	
e) Accrued expenses				
TT&T	$ 153,842	4	$ 289,741	7
TFN	63,931	2	68,485	2
Fubon Ins.	2,305	-	11,759	-
The former TCC	-	-	20,513	1
	$ 220,078		$ 390,498	
f) Other payables				
TAT	$ 335,397	10	$ -	-
Mobitai	166,694	5	135,888	5
TFN	48,872	1	83,635	3
The former TAT	-	-	219,813	8
	$ 550,963		$ 439,336	
g) Other current liabilities - collections and temporary credits for the following				
TAT	$ 203,829	23	$ -	-
Mobitai	102,507	11	71,335	12
TFN	28,389	3	27,357	5
The former TAT	-	-	93,463	16
	$ 334,725		$ 192,155	

	Three Months Ended March 31	
	2007	2006
6) Telecommunications service expenses		
TFN	$ 24,023	$ 11,103
7) Professional service fees		
TT&T	$ 219,296	$ 280,136

8) Other

a) The Corporation bought a real estate from TFN based on the need for base station. Only a natural person could be the owner of the farmland due to the related regulations. The Corporation bought the farmland located in Yang-Mei, Taoyuan for the amount of $12,000 thousand through setting up of a fiduciary contract with the landholder in December 2006 and is applying for the transfer of the ownership. The Corporation uses the land for operation purpose.

b) For the three months ended March 31, 2007 and 2006, the Corporation provided business services for service charges, which were recorded as deductions from related costs and expenses. The Corporation's service charges were as follows:

	Three Months Ended March 31	
	2007	2006
TAT	$ 146,958	$ -
Mobitai	81,995	94,534
The former TAT	-	169,812
	$ 228,953	$ 264,346

21. ASSETS PLEDGED

The assets pledged as collaterals for bank loans, bond issuance and credit line of deposit overdraft were as follows:

	March 31	
	2007	2006
Time deposits	$ 10,000	$ 10,000
Fixed assets, net carrying value	-	10,633,913
	$ 10,000	$ 10,643,913

22. COMMITMENTS AND CONTINGENT EVENTS

a. To enhance 3G mobile communications, expand network coverage and increase the service functions, the Corporation entered into a 3G expansion contract with Nokia for $4,800,000 thousand in September 2006. As of March 31, 2007, payments of $181,837 thousand has been made.

b. 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 March 31, 2007, payments of $3,777,626 thousand has been made.

c. Unused letters of credit for acquisition of equipment were EUR521 thousand as of March 31, 2007.

d. Future minimum rental payments as of March 31, 2007 for significant operating lease agreements were summarized as follows:

	Amount
From the second to fourth quarter, 2007	$ 19,709
2008	18,648
2009	2,911

23. SUBSEQUENT EVENTS

a. To position as an integrated telecom and media player down the road and differentiating from competition and build growth momentum through exposure to higher margin lines of business, the board of directors of the Corporation's subsidiary, TIT, resolved on March 1, 2007 and April 9, 2007 to acquire TFN through a public tender offer at NT$8.3 per share from March 2, 2007 to April 13, 2007. As of the end of the public tender offer period, 4,781,501 thousand shares had been acquired (74.09 percent of TFN's outstanding shares), and the transaction was settled on April 17, 2007.

b. On March 1, 2007, the Corporation's Board of Directors approved to loan $12,500,000 thousand and provide a $18,000,000 thousand guarantee to TIT to meet its financing need in acquiring TFN. On April 11, 2007, the Corporation loaned $12,500,000 thousand to TIT. As of April 17, 2007, TIT has obtained a bank loan of $14,190,000 thousand under this guarantee.

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: Table 1 (attached)

c. Marketable securities held: Table 2 (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 3 (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: Table None.

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

h. Receivables from related parties amounting to at least $100 million or 20% of the paid-in capital: Table 5 (attached).

i. Names, locations, and related information of investees on which the Corporation exercised significant influence: Table 6 (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 19 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 three months ended March 31, 2007 and 2006, the Corporation recognized losses of $39,396 thousand and $27,595 thousand, respectively, recorded as addition to interest expense.

k. Investment in Mainland China:

1) The name of the investee company in Mainland China, the main businesses and products, issued capital, method of investment, information on inflow or outflow of capital, ownership, investment gain or loss, ending balance, amount received as earnings distributions from the investment, and the limitation on investment: Table 7 (attached).

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

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

ENDORSEMENT/GUARANTEE PROVIDED
MARCH 31, 2007
(In Thousands of New Taiwan Dollars or U.S. Dollars)

No.	Endorsement/Guarantor	Receiving Party		Maximum Guarantee/ Endorsement Amount Allowed for Receiving Party (Note 3)	Maximum Balance for the Period (Note 2)	Ending Balance (Note 2)	Value of Collateral Property, Plant, and Equipment	Ratio of Accumulated Amount of Collateral to Net Equity of the Latest Financial Statement (Note 2)	Maximum Total Guarantee/ Endorsement Allowed to Be Provided by the Guarantor/Endorser (Note 3)
		Name	Nature of Relationship						
0	The Corporation	Taihsing International Telecommunications Co., Ltd.	(Note 1)	$ 18,069,200	$ 18,000,000	$ 18,000,000	$ -	19.21%	$ 93,702,869

Note 1: An investee in which the Corporation holds directly and indirectly over 50% of the equity interest.

Note 2: Maximum guarantee/endorsement amount for the period and the ending balance are the amount allowed, not actual appropriation.

Note 3: Under the Regulation No. 12 of the “Procedures for Endorsement/Guarantee and Lending of Funds,” the Corporation limits the endorsement/guarantee amount for each subsidiary within the net value of the Corporation, and the endorsement/guarantee amount for each counter-party should not exceed the amount of the Corporation’s investment in the counter-party.

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
MARCH 31, 2007
(In Thousands of New Taiwan Dollars or U.S. Dollars)

Holding Company Name	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	March 31, 2007 Shares/Units (Thousands)	Carrying Value	Percentage of Ownership	Market Value or Net Assets Value (Note 1)	Note
Taiwan Mobile Co., Ltd.	Beneficiary certificate							
	Fuh-Hwa Bond Fund	-	Financial assets at fair value through profit or loss - current	45,175	$ 604,360	-	$ 604,360 (Note 2)	
	ING Taiwan Income Fund	-	Financial assets at fair value through profit or loss - current	25,387	403,453	-	403,453 (Note 2)	
	ING Taiwan Bond Fund	-	Financial assets at fair value through profit or loss - current	106,743	1,614,420	-	1,614,420 (Note 2)	
	AIG Taiwan Bond Fund	-	Financial assets at fair value through profit or loss - current	74,772	956,726	-	956,726 (Note 2)	
	Dresdner Bond Dam Fund	-	Financial assets at fair value through profit or loss - current	130,038	1,512,200	-	1,512,200 (Note 2)	
	Fubon Jin-Ju-I Fund	-	Financial assets at fair value through profit or loss - current	81,999	1,006,620	-	1,006,620 (Note 2)	
	NITC Bond Fund	-	Financial assets at fair value through profit or loss - current	9,151	1,511,156	-	1,511,156 (Note 2)	
	JF (Taiwan) Bond Fund	-	Financial assets at fair value through profit or loss - current	19,702	301,680	-	301,680 (Note 2)	
	Stock							
	Chunghwa Telecom Co., Ltd.	-	Available-for-sale financial assets - current	2,688	172,301	0.028	172,301 (Note 3)	
	Bridge Mobile Pte Ltd.	-	Financial assets carried at cost - non-current	1,000	32,160	12.5	21,438	
	TransAsia Telecommunications Inc.	Subsidiary	Long-term investments - equity method	900,000	9,595,173	100	9,607,268	
	Taiwan Cellular Co., Ltd. (formerly Taihsing Den Syun Co., Ltd.)	Subsidiary	Long-term investments - equity method	343,028	21,595,490	100	21,602,477	
Taiwan Cellular Co., Ltd. (formerly Taihsing Den Syun Co., Ltd.)	Stock							
	Arcoa Communication Co., Ltd.	-	Financial assets carried at cost - non-current	6,998	67,731	5.21	- (Note 4)	
	Parawin Venture Capital Corp.	-	Financial assets carried at cost - non-current	3,000	25,144	3	- (Note 4)	
	Transportation High Tech Inc.	-	Financial assets carried at cost - non-current	1,200	- (Note 5)	12	- (Note 4)	
	WEB Point Co., Ltd.	-	Financial assets carried at cost - non-current	803	7,084	3.17	- (Note 4)	

(Continued)

Holding Company Name	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	March 31, 2007				Note
				Shares/Units (Thousands)	Carrying Value	Percentage of Ownership	Market Value or Net Assets Value (Note 1)	
	Sunnet Technologies Co., Ltd.	-	Financial assets carried at cost - non-current	375	$ 3,265	1.51	$ - (Note 4)	
	Mobitai Communications	Subsidiary	Long-term investments - equity method	200,000	2,279,766	100	2,286,126	
	Taiwan Teleservices & Technologies Co., Ltd.	Subsidiary	Long-term investments - equity method	70,000	563,121	100	563,121	
	Tai Yi Digital Broadcasting Co., Ltd.	Subsidiary	Long-term investments - equity method	2,495	24,347	49.9	24,347	
	TWM Holding Co. Ltd.	Subsidiary	Long-term investments - equity method	1 share	US$ 8,848	100	US$ 8,848	
	Taihsing International Telecommunications Co., Ltd.	Subsidiary	Long-term investments - equity method	1,806,920	18,063,154	100	18,063,154	
TWM Holding Co. Ltd.	<u>ADS</u>							
	Hurray! Holding Co., Ltd.	-	Available-for-sale financial assets - current	1,080	US$ 5,551	5.02	US$ 5,551 (Note 3)	
Mobitai Communications	<u>Stock</u>							
	Yes Mobile Holdings Company	-	Financial assets carried at cost - non-current	74	- (Note 5)	0.19	- (Note 4)	
Taiwan Teleservices & Technologies Co., Ltd.	<u>Stock</u>							
	TT&T Life Insurance Agency Co., Ltd.	Subsidiary	Long-term investments - equity method	300	$ 3,013	100	$ 3,013	
	TT&T Casualty & Property Insurance Agency Co., Ltd.	Subsidiary	Long-term investments - equity method	300	2,703	100	2,703	
	TT & T Holdings Co., Ltd.	Subsidiary	Long-term investments - equity method	1,300	US$ 1,275	100	US$ 1,275	
TT&T Holdings Co., Ltd.	<u>Stock</u>							
	Xiamen Taifu Teleservices & Technologies Ltd.	Subsidiary	Long-term investments - equity method	-	US$ 1,270	100	US$ 1,270	
Taihsing International Telecommunications Co., Ltd.	<u>Stock</u>							
	Taiwan Fixed Network Co., Ltd.	Related party in substance	Financial assets carried at cost - non-current	641,900	5,327,770	9.95	6,834,174	

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

Note 2: Based on the net assets value of the fund on March 31, 2007.

Note 3: Based on the closing price on March 31, 2007.

Note 4: As of April 17, 2007, the independent auditors’ report date, the investee’s net value was unavailable.

Note 5: Deducted impairment loss recognized in 2004.

(Concluded)

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
THREE MONTHS ENDED MARCH 31, 2007
(In Thousands of New Taiwan Dollars)

Company Name	Marketable Securities Type and Issuer	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Shares/Units (Thousands)	Amount	Shares/Units (Thousands)	Amount	Shares/Units (Thousands)	Amount	Carrying Value	Gain (Loss) on Disposal	Shares/Units (Thousands)	Amount
Taiwan Mobile Co., Ltd.	Beneficiary certificate													
	ING Taiwan Bond Fund	Financial assets at fair value through profit or loss - current	-	-	126,959	$ 1,913,171	-	$ -	20,216	$ 305,401	$ 301,965	$ 3,436	106,743	$ 1,614,420
	ING Taiwan Select Bond Fund	Financial assets at fair value through profit or loss - current	-	-	35,432	401,565	-	-	35,432	401,827	400,000	1,827	-	-
	AIG Taiwan Bond Fund	Financial assets at fair value through profit or loss - current	-	-	153,928	1,962,733	-	-	79,156	1,011,718	1,001,767	9,951	74,772	956,726
	NITC Bond Fund	Financial assets at fair value through profit or loss - current	-	-	17,122	2,817,260	-	-	7,971	1,314,738	1,301,738	13,000	9,151	1,511,156
	Prudential Financial Bond Fund	Financial assets at fair value through profit or loss - current	-	-	13,686	200,015	-	-	13,686	200,500	200,000	500	-	-
	Stock													
	Taiwan Cellular Co., Ltd. (formerly Taihsing Den Syun Co., Ltd.)	Long-term investments - equity method	-	-	325,000	3,877,659	18,028	18,027,530	-	-	-	-	343,028	21,595,490 (Note 2)
	Taiwan Fixed Network Co., Ltd.	Financial assets carried at cost - non-current	Taiwan Cellular Co., Ltd.	Subsidiary	637,000	3,700,944	-	-	637,000	8.3	3,700,944	- (Note 3)	-	-
TransAsia Telecommunications Inc.	Beneficiary certificate													
	ING Taiwan Bond Fund	Financial assets at fair value through profit or loss - current	-	-	46,758	704,606	-	-	46,758	706,382	700,000	6,382	-	-
	AIG Taiwan Bond Fund	Financial assets at fair value through profit or loss - current	-	-	71,000	905,330	-	-	71,000	907,488	900,000	7,488	-	-
	Prudential Financial Bond Fund	Financial assets at fair value through profit or loss - current	-	-	37,966	554,861	-	-	37,966	556,205	551,563	4,642	-	-
	JF (Taiwan) Bond Fund	Financial assets at fair value through profit or loss - current	-	-	42,808	653,130	-	-	42,808	654,757	650,000	4,757	-	-
	Fubon Jin-Ju-I Fund	Financial assets at fair value through profit or loss - current	-	-	12,267	150,035	24,522	300,000	36,789	451,112	450,000	1,112	-	-
Taiwan Cellular Co., Ltd. (formerly Taihsing Den Syun Co., Ltd.)	Stock													
	Taihsing International Telecommunications Co., Ltd	Long-term investments - equity method	-	-	-	-	1,806,920	18,069,200	-	-	-	-	1,806,920	18,063,154 (Note 4)
	Taiwan Fixed Network Co., Ltd.	Financial assets carried at cost - non-current	Taiwan Mobile Co., Ltd	Parent	4,900	42,864	637,000	5,287,100	641,900	8.3	5,329,964	- (Note 5)	-	-
Taihsing International Telecommunications Co., Ltd	Stock													
	Taiwan Fixed Network Co., Ltd.	Financial assets carried at cost - non-current	Taiwan Cellular Co., Ltd.	Parent	-	-	641,900	5,327,770	-	-	-	-	641,900	5,327,770

Note 1: The amount of beginning and ending fund balance that belongs to marketable securities included the revaluation gain on financial assets.

Note 2: The amount included (a) the cash dividend adjustment of $544,114 thousand; (b) the investment income adjustment of $267,262 thousand; (c) the recognition of cumulative translation adjustments of $4,628 thousand and (d) unrealized loss of $37,475 thousand on financial asset.

Note 3: For its reorganization, the Corporation resolved to attend the capital injection of Taiwan Cellular Co., Ltd. with all its shares of Taiwan Fixed Network Co., Ltd. The spread between the original cost and the disposal price of the TFN shares, $1,586,156 thousand, was recognized by the Corporation as deferred credits. There was no gain or loss on this transaction.

Note 4: The amount included the investment loss adjustment of $6,046 thousand.

Note 5: For its reorganization, TCC resolved to attend the capital injection of Taihsing International Telecommunications Co., Ltd. with all its shares of Taiwan Fixed Network Co., Ltd. The spread between the original cost and the disposal price of the TFN shares, $2,194 thousand, was recognized by TCC as deferred debits. There was no gain or loss on this share transaction.

(Concluded)

TABLE 4

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
THREE MONTHS ENDED MARCH 31, 2007
(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Payable or Receivable		Note
			Purchase/ Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
Taiwan Mobile Co., Ltd.	TransAsia Telecommunications Inc.	Subsidiary	Sale	$ (164,431)	1	Based on contract terms	-	-	$ 65,523	1	
	Taiwan Fixed Network Co., Ltd.	Related party in substance	Sale	(358,199)	3	Based on contract terms	-	-	195,569	4	
	Taiwan Fixed Network Co., Ltd.	Related party in substance	Purchase	204,629	4	Based on contract terms	-	-	(11,233)	1	
	Taiwan Teleservices & Technologies Co., Ltd.	Subsidiary	Purchase	219,296	(Note 1)	Based on contract terms	-	-	(153,842)	(Note 2)	
TransAsia Telecommunications Inc.	The Corporation	Parent	Purchase	164,431	22	Based on contract terms	-	-	(67,265)	20	
Taiwan Teleservices & Technologies Co., Ltd.	The Corporation	Ultimate parent	Sale	(219,306)	94	Based on contract terms	-	-	153,877	89	

Note 1: Recognized as operating expenses.

Note 2: Recognized as accrued expenses.

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST $100 MILLION OR 20% OF THE PAID-IN CAPITAL
THREE MONTHS ENDED MARCH 31, 2007
(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		
Taiwan Mobile Co., Ltd.	TransAsia Telecommunications Inc.	Subsidiary	Accounts receivable	$ 65,523	9.03	$ -	-	$ -	$ -
			Other receivables	151,637		-	-	10,921	-
	Mobitai Communications	Subsidiary	Accounts receivable	17,993	11.18	-	-	-	-
			Other receivables	98,809		-	-	-	-
	Taiwan Fixed Network Co., Ltd.	Related party in substance	Accounts receivable	195,569	6.85	-	-	-	-
			Other receivables	21,365		-	-	-	-
TransAsia Telecommunications Inc.	The Corporation	Parent	Accounts receivable	19,380	13.92	-	-	-	-
			Other receivables	538,702		-	-	191,431	-
Mobitai Communications	The Corporation	Ultimate parent	Accounts receivable	5,334	10.93	-	-	784	-
			Other receivables	268,992		-	-	110,838	-
Taiwan Teleservices & Technologies Co., Ltd.	The Corporation	Ultimate parent	Accounts receivable	153,333	4.03	-	-	-	-
			Other receivables	544		-	-	-	-

TABLE 6

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
THREE MONTHS ENDED MARCH 31, 2007
(In Thousands of New Taiwan Dollars or U.S. Dollars)

Investor	Investee	Location	Main Businesses and Products	Original Investment Amount		Balance as of March 31, 2007			Net Income (Loss) of the Investee	Investment Income (Loss)	Note
				March 31, 2007	January 1, 2007	Shares (Thousands)	Percentage of Ownership	Carrying Value			
Taiwan Mobile Co., Ltd.	Taiwan Cellular Co., Ltd. (formerly Taihsing Den Syun Co., Ltd.)	Taipei, Taiwan	Equipment installation and IT service	$ 21,277,530	$ 3,250,000	343,028	100.0	$ 21,595,490	$ 257,924	$ 267,262	
	TransAsia Telecommunications Inc.	Taipei, Taiwan	Wireless service provider	9,000,000	12,458,463	900,000	100.0	9,595,137	447,797	478,723	
Taiwan Cellular Co., Ltd. (formerly Taihsing Den Syun Co., Ltd.)	Taiwan Teleservices & Technologies Co., Ltd.	Taipei, Taiwan	Call center service	91,277	91,277	70,000	100.0	563,121	21,511	NA	
	Mobitai Communications	Taipei, Taiwan	Wireless service provider	2,000,000	2,000,000	200,000	100.0	2,279,766	234,770	NA	
	Tai Yi Digital Broadcasting Co., Ltd.	Taipei, Taiwan	Broadcasts business and cell phone number agency	24,950	24,950	2,495	49.9	24,347	(128)	NA	
	TWM Holding Co. Ltd.	British Virgin Islands	Investment	US$ 9,000	US$ 9,000	1 share	100.0	US$ 8,848	US$ 20	NA	
	Taihsing International Telecommunications Co., Ltd.	Taipei, Taiwan	Investment	18,069,200	-	1,806,920	100.0	18,063,154	(6,046)	NA	
Taiwan Teleservices & Technologies Co., Ltd.	TT&T Life Insurance Agency Co., Ltd.	Taipei, Taiwan	Insurance agent	3,000	3,000	300	100.0	3,013	-	NA	
	TT&T Casualty & Property Insurance Agency Co., Ltd.	Taipei, Taiwan	Insurance agent	3,000	3,000	300	100.0	2,703	-	NA	
	TT&T Holdings Co., Ltd.	Samoa	Investment	US$ 1,300	US$ 1,300	1,300	100.0	US$ 1,275	US$ (12)	NA	
TT&T Holdings Co., Ltd.	Xiamen Taifu Teleservices & Technologies Ltd.	Xiamen	Call center service	US$ 1,300	US$ 1,300	-	100.0	US$ 1,270	US$ (12)	NA	

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

INVESTMENT IN MAINLAND CHINA
THREE MONTHS ENDED MARCH 31, 2007
(In Thousands of New Taiwan Dollars or U.S. Dollars)

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type	Accumulated Outflow of Investment from Taiwan as of March 31, 2006	Investment Flows		Accumulated Outflow of Investment from Taiwan as of March 31, 2007	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Value as of March 31, 2007	Accumulated Inward Remittance of Earnings as of March 31, 2007
					Outflow	Inflow					
Xiamen Taifu Teleservices & Technologies Ltd.	Call center service	US$ 1,300 (NT$ 42,983)	Indirect investment in the Company in Mainland China through a third place by the Corporation's subsidiary, Taiwan Teleservices & Technologies Co., Ltd.	US$ 1,300 (NT$ 42,983)	$ -	$ -	US$ 1,300 (NT$ 42,983)	100% ownership of indirect investment by the Corporation's subsidiary	(US$ 12) (NT$ 382)	US$ 1,270 (NT$ 41,996)	-

Accumulated Investment in Mainland China as of March 31, 2007	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment Authorized by Investment Commission, MOEA
US$1,300 (NT$42,983)	US$1,300 (NT$42,983) (Note 2)	$225,248 (Note 2)

Note 1: The above amounts were translated into New Taiwan Dollars at the exchange rate of US$1=NT$33.064 as of March 31, 2007.

Note 2: The indirect investment made by Taiwan Teleservices & Technologies Co., Ltd., a subsidiary of the Corporation.