

Taiwan Mobile Co., Ltd.

**Financial Statements for the
Nine Months Ended September 30, 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 September 30, 2007 and 2006, and the related statements of income and cash flows for the nine 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.

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, Taihsing International Telecommunication Co., Ltd.'s Board of Directors, resolved on March 1, 2007 and April 26, 2007 to tender offer and continue acquiring Taiwan Fixed Network Co., Ltd. (TFN) at NT\$8.3 per share. As of September 30, 2007, 5,564,797 thousand shares had been acquired (86.22 percent of TFN's outstanding shares).

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.

October 12, 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

SEPTEMBER 30, 2007 AND 2006

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

(Reviewed, Not Audited)

ASSETS	2007		2006		LIABILITIES AND SHAREHOLDERS' EQUITY	2007		2006	
	Amount	%	Amount	%		Amount	%	Amount	%
CURRENT ASSETS					CURRENT LIABILITIES				
Cash and cash equivalents (Notes 2, 4 and 22)	\$ 3,130,517	4	\$ 6,211,726	6	Short-term bank loans (Note 13)	\$ 4,300,000	5	\$ -	-
Financial assets at fair value through profit or loss - current (Notes 2, 3 and 5)	-	-	8,223,454	7	Short-term notes and bills payable (Note 14)	1,998,970	2	-	-
Available-for-sale financial assets - current (Notes 2, 3 and 6)	180,365	-	147,571	-	Accounts payable (Note 22)	1,483,949	2	1,350,485	1
Notes receivable	14,629	-	15,161	-	Income taxes payable (Notes 2 and 18)	806,608	1	1,243,098	1
Accounts receivable - third parties (Notes 2 and 7)	5,383,149	6	5,148,721	5	Accrued expenses (Note 22)	4,120,381	5	3,721,956	3
Accounts receivable - related parties (Notes 2 and 22)	294,627	-	318,301	-	Other payables (Notes 2 and 22)	3,942,918	4	3,151,288	3
Other receivables - third parties	200,209	-	3,525,135	3	Advance receipts	799,739	1	608,567	1
Other receivables - related parties (Note 22)	402,282	1	264,792	-	Current portion of long-term liabilities (Notes 2, 15 and 21)	3,750,000	4	1,339,532	1
Inventory (Note 2)	52,670	-	32,612	-	Guarantee deposits	28,132	-	54,676	-
Prepayments (Note 22)	520,021	1	449,326	1	Other current liabilities (Note 22)	905,345	1	779,473	1
Deferred income tax assets - current (Notes 2 and 18)	103,596	-	89,436	-					
Pledged time deposits (Notes 22 and 23)	10,000	-	10,000	-	Total current liabilities	22,136,042	25	12,249,075	11
Other current assets	10,474	-	11,165	-					
Total current assets	10,302,539	12	24,447,400	22	LONG-TERM LIABILITIES				
LONG-TERM INVESTMENTS					Hedging derivative financial liabilities (Notes 2, 3, 21 and 25)	182,840	-	347,444	1
Investments accounted for using equity method (Notes 2 and 8)	10,723,160	12	16,767,345	15	Bonds payable (Notes 2, 15 and 21)	10,000,000	12	13,750,000	12
Financial assets carried at cost - non-current (Notes 2, 3 and 9)	52,052	-	3,733,104	3					
Total long-term investments	10,775,212	12	20,500,449	18	Total long-term liabilities	10,182,840	12	14,097,444	13
PROPERTY AND EQUIPMENT (Notes 2, 10 and 22)					OTHER LIABILITIES				
Cost					Accrued pension cost (Notes 2 and 16)	-	-	64,841	-
Land	3,655,983	4	3,790,822	4	Guarantee deposits	258,270	-	244,375	-
Buildings	2,181,890	3	2,242,539	2	Deferred credits - gains on inter-affiliate accounts (Notes 2 and 8)	1,586,156	2	-	-
Telecommunication equipment	71,195,218	81	68,940,206	61	Long-term investments credit balances (Notes 2 and 8)	2,664,615	3	-	-
Office equipment	114,366	-	100,270	-					
Leased assets	1,276,190	2	1,276,190	1	Total other liabilities	4,509,041	5	309,216	-
Miscellaneous equipment	2,150,212	2	1,317,318	1					
Total cost	80,573,859	92	77,667,345	69	Total liabilities	36,827,923	42	26,655,735	24
Less accumulated depreciation	28,890,798	33	24,571,412	22	SHAREHOLDERS' EQUITY (Notes 2, 3, 8 and 17)				
	51,683,061	59	53,095,933	47	Capital stock - NT\$10 par value				
Construction in progress and advance payments	2,540,038	3	3,011,104	3	Authorized: 6,000,000 thousand shares				
					Issued and outstanding: 5,000,925 thousand shares in 2007 and 4,998,376 thousand shares in 2006	50,009,254	57	49,983,759	44
Net property and equipment	54,223,099	62	56,107,037	50	Capital surplus	8,779,946	10	8,732,398	8
INTANGIBLE ASSETS (Note 2)					Retained earnings				
3G concession	8,411,727	9	9,159,436	8	Legal reserve	11,745,475	13	10,128,401	9
Computer software cost	34,526	-	77,782	-	Special reserve	3,493,563	4	3,350,000	3
					Unappropriated earnings	15,832,086	18	16,340,166	14
	8,446,253	9	9,237,218	8	Other equity				
OTHER ASSETS					Cumulative translation adjustments	5,427	-	6,783	-
Assets leased to others (Notes 2 and 11)	2,387,465	3	845,000	1	Unrealized losses of financial instruments	(316,677)	-	(202,955)	-
Idle assets (Notes 2 and 11)	226,475	-	228,403	-	Treasury stock	(38,491,844)	(44)	(2,079,542)	(2)
Refundable deposits	293,409	1	272,556	-					
Deferred charges (Notes 2 and 12)	256,198	-	201,651	-	Total shareholders' equity	51,057,230	58	86,259,010	76
Deferred income tax assets - non-current (Notes 2 and 18)	934,629	1	1,016,913	1					
Other (Note 16)	39,874	-	58,118	-	TOTAL	\$ 87,885,153	100	\$ 112,914,745	100
Total other assets	4,138,050	5	2,622,641	2					
TOTAL	\$ 87,885,153	100	\$ 112,914,745	100					

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

(With Deloitte & Touche review report dated October 12, 2007)

TAIWAN MOBILE CO., LTD.

STATEMENTS OF INCOME

NINE MONTHS ENDED SEPTEMBER 30, 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 22)				
Telecommunications service revenue	\$ 38,083,870	100	\$ 35,660,598	100
Other revenue	<u>186,798</u>	<u>-</u>	<u>148,305</u>	<u>-</u>
Total operating revenues	38,270,668	100	35,808,903	100
OPERATING COSTS (Notes 2, 20 and 22)	<u>16,559,858</u>	<u>43</u>	<u>15,103,685</u>	<u>42</u>
GROSS PROFIT	<u>21,710,810</u>	<u>57</u>	<u>20,705,218</u>	<u>58</u>
OPERATING EXPENSES (Notes 2, 20 and 22)				
Marketing	6,467,844	17	7,071,166	20
Administrative	<u>2,712,874</u>	<u>7</u>	<u>2,537,940</u>	<u>7</u>
Total operating expenses	<u>9,180,718</u>	<u>24</u>	<u>9,609,106</u>	<u>27</u>
OPERATING INCOME	<u>12,530,092</u>	<u>33</u>	<u>11,096,112</u>	<u>31</u>
NON-OPERATING INCOME AND GAINS				
Investment income recognized under the equity method, net (Notes 2 and 8)	3,135,725	8	2,117,760	6
Interest income (Note 22)	247,536	1	119,021	-
Penalty income	126,309	1	130,733	-
Rental income (Note 22)	79,348	-	47,505	-
Valuation gain on financial instruments, net (Note 2)	39,408	-	36,511	-
Foreign exchange gain, net (Note 2)	21,569	-	35,094	-
Dividend revenue (Note 2)	9,623	-	643,816	2
Gain on disposal of property and equipment (Note 2)	-	-	6,764	-
Gain on disposal of investments, net (Notes 2 and 6)	-	-	2,110,980	6
Other (Notes 2 and 7)	<u>96,818</u>	<u>-</u>	<u>299,018</u>	<u>1</u>
Total non-operating income and gains	<u>3,756,336</u>	<u>10</u>	<u>5,547,202</u>	<u>15</u>
NON-OPERATING EXPENSES AND LOSSES				
Loss on disposal and retirement of property and equipment (Note 2)	913,089	2	2,237,386	6
Interest expenses (Notes 2 and 10)	270,146	1	324,591	1
Other (Notes 2 and 11)	<u>30,528</u>	<u>-</u>	<u>88,471</u>	<u>-</u>
Total non-operating expenses and losses	<u>1,213,763</u>	<u>3</u>	<u>2,650,448</u>	<u>7</u>

(Continued)

TAIWAN MOBILE CO., LTD.

STATEMENTS OF INCOME

NINE MONTHS ENDED SEPTEMBER 30, 2007 AND 2006

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

(Reviewed, Not Audited)

	2007		2006	
	Amount	%	Amount	%
INCOME BEFORE INCOME TAX	\$ 15,072,665	40	\$ 13,992,866	39
INCOME TAX EXPENSE (Notes 2 and 18)	<u>3,347,812</u>	<u>9</u>	<u>766,875</u>	<u>2</u>
INCOME AFTER INCOME TAX	11,724,853	31	13,225,991	37
CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES (Note 3)	<u>-</u>	<u>-</u>	<u>35</u>	<u>-</u>
NET INCOME	<u>\$ 11,724,853</u>	<u>31</u>	<u>\$ 13,226,026</u>	<u>37</u>
	2007		2006	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
EARNINGS PER SHARE (Note 19)				
Basic	<u>\$ 3.65</u>	<u>\$ 2.84</u>	<u>\$ 2.84</u>	<u>\$ 2.68</u>
Diluted	<u>\$ 3.65</u>	<u>\$ 2.84</u>	<u>\$ 2.82</u>	<u>\$ 2.66</u>

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

	2007	2006
NET INCOME BEFORE CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES	<u>\$ 11,724,853</u>	<u>\$ 13,225,991</u>
NET INCOME	<u>\$ 11,724,853</u>	<u>\$ 13,226,026</u>
EARNINGS PER SHARE		
Basic	<u>\$ 2.36</u>	<u>\$ 2.68</u>
Diluted	<u>\$ 2.36</u>	<u>\$ 2.66</u>

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

(With Deloitte & Touche review report dated October 12, 2007)

(Concluded)

TAIWAN MOBILE CO., LTD.

STATEMENTS OF CASH FLOWS NINE MONTHS ENDED SEPTEMBER 30, 2007 AND 2006 (In Thousands of New Taiwan Dollars) (Reviewed, Not Audited)

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 11,724,853	\$ 13,226,026
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	4,622,575	4,029,642
Investment income recognized under the equity method, net	(3,135,725)	(2,117,760)
Cash dividends received from equity-method investees	1,979,210	125,204
Loss on disposal and retirement of property and equipment, net	913,089	2,230,622
Amortization	670,602	682,625
Bad debts	616,838	654,742
Deferred income taxes	483,722	(465,648)
Reversal of allowance for loss on inventory	(8,169)	-
Accrued interest compensation	(2,297)	35,666
Pension cost	(2,107)	(18,774)
Gains on disposal of available-for-sale financial assets	-	(2,110,978)
Loss on buyback of bonds payable	-	59,982
Gain on disposal of idle assets, net	-	(9,681)
Impairment loss	-	2,005
Gains on disposal of long-term investments	-	(1)
Net changes in operating assets and liabilities		
Financial assets held for trading	11,109,207	(7,623,454)
Notes receivable	(3,223)	(2,491)
Accounts receivable - third parties	(948,175)	(823,934)
Accounts receivable - related parties	41,923	210,390
Other receivables - third parties	42,073	(60,511)
Other receivables - related parties	(147,422)	232,512
Inventories	(13,270)	-
Prepayments	44,424	25,724
Other current assets	5,949	(47,206)
Accounts payable	51,386	(321,793)
Income taxes payable	(1,299,431)	148,371
Accrued expenses	354,721	336,067
Other payables	683,410	360,214
Advance receipts	(194,491)	(218,419)
Other current liabilities	<u>19,686</u>	<u>26,820</u>
Net cash provided by operating activities	<u>27,609,358</u>	<u>8,565,962</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in long-term investments accounted for using equity method	(12,742,430)	-
Financing provided to investee	(12,500,000)	-
Acquisition of property and equipment	(4,459,902)	(4,166,195)
Proceeds from investees' capital reduction	3,458,463	1,119,715
Increase in deferred charges	(55,105)	(47,556)

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TAIWAN MOBILE CO., LTD.

STATEMENTS OF CASH FLOWS NINE MONTHS ENDED SEPTEMBER 30, 2007 AND 2006 (In Thousands of New Taiwan Dollars) (Reviewed, Not Audited)

	2007	2006
Increase in financial assets carried at cost - non-current	\$ (19,892)	\$ -
Increase in refundable deposits	(18,424)	(11,433)
Proceeds from disposal of property and equipment	4,641	27,028
Decrease in other assets	223	695
Increase in computer software costs	(117)	(8,227)
Proceeds from disposal of available-for-sale financial assets	-	7,982,733
Proceeds from disposal of long-term investments	-	1,499,551
Proceeds from disposal of idle assets	-	44,633
	<u> </u>	<u> </u>
Net cash provided by (used in) investing activities	<u>(26,332,543)</u>	<u>6,440,944</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash dividends paid	(12,880,127)	(12,843,925)
Increase in short-term bank loans	4,300,000	-
Increase in short-term notes and bills payable	1,998,970	-
Transfer of treasury stock to employees	735,059	61,456
Bonus to employees	(432,303)	(403,940)
Remuneration to directors and supervisors	(43,231)	(37,970)
Decrease in bonds payable	(18,900)	(1,503,300)
Decrease in guarantee deposits	(8,229)	(4,770)
Buyback of treasury stock	-	(1,818,370)
Buyback of bonds payable	-	(1,341,076)
Decrease in other liabilities	-	(1,289)
	<u> </u>	<u> </u>
Net cash used in financing activities	<u>(6,348,761)</u>	<u>(17,893,184)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(5,071,946)	(2,886,278)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>8,202,463</u>	<u>9,098,004</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 3,130,517</u>	<u>\$ 6,211,726</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid	\$ 112,641	\$ 168,827
Less: interest capitalized	<u>(21,347)</u>	<u>(7,416)</u>
Interest paid - excluding interest capitalized	<u>\$ 91,294</u>	<u>\$ 161,411</u>
Income taxes paid	<u>\$ 3,536,990</u>	<u>\$ 1,023,419</u>
NON-CASH INVESTING AND FINANCING ACTIVITIES		
Current portion of long-term liabilities	<u>\$ 3,750,000</u>	<u>\$ 1,339,532</u>
Conversion of convertible bonds to capital stock and entitlement certificates to treasury stock	<u>\$ 43,251</u>	<u>\$ 1,288,885</u>
Reclassification of the corporation's shares held by its subsidiaries to treasury stock	<u>\$ 37,790,356</u>	<u>\$ -</u>

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TAIWAN MOBILE CO., LTD.

STATEMENTS OF CASH FLOWS NINE MONTHS ENDED SEPTEMBER 30, 2007 AND 2006 (In Thousands of New Taiwan Dollars) (Reviewed, Not Audited)

	2007	2006
CASH INVESTING AND FINANCING ACTIVITIES		
Acquisition of property and equipment	\$ 4,226,493	\$ 3,837,222
Less: Increase in other payables	<u>233,409</u>	<u>328,973</u>
Cash paid for acquisition of property and equipment	<u>\$ 4,459,902</u>	<u>\$ 4,166,195</u>
Sale of available-for-sale financial products - current	\$ -	\$ 11,265,915
Less: Increase in other receivable (excluding securities transaction tax)	<u>-</u>	<u>(3,283,182)</u>
Cash received from sale of available-for-sale financial products - current	<u>\$ -</u>	<u>\$ 7,982,733</u>

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

(With Deloitte & Touche review report dated October 12, 2007)

(Concluded)

TAIWAN MOBILE CO., LTD.

NOTES TO FINANCIAL STATEMENTS

NINE MONTHS ENDED SEPTEMBER 30, 2007 AND 2006

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

(Reviewed, Not Audited)

1. ORGANIZATION AND OPERATIONS

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

The Corporation's services are under the type I license (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 September 30, 2007 and 2006, the Corporation had 2,480 and 2,155 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:

Classification of Current and Non-current Assets and Liabilities

Current assets include cash and cash equivalents, assets held for trading and those expected to be converted to cash, sold or consumed within twelve months from the balance sheet date. Other assets such as property and equipment and intangible assets are classified as non-current. Current liabilities are obligations held for trading and those expected to be due within twelve months from the balance sheet date. All other liabilities are classified as non-current.

Cash Equivalents

Government bonds and short-term bills acquired with repurchase 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 lower of weighted-average cost or market value. Market value is 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 Using Equity Method

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

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. If the fair value of identifiable net assets acquired exceeds the cost of investments, the excess should be assigned to non-current assets proportionately to their respective fair values (except for financial assets not under the equity method, assets for disposal, deferred income tax assets and prepaid pension costs or other retirement benefit costs). If these assets are all reduced to zero, the remaining excess should be recognized as extraordinary gain. Starting January 1, 2006, the unamortized balance of the excess of the acquisition cost of the long-term investment by the equity method over the equity in the investee's net 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 recorded as other liabilities. Gains or losses on the sales to the Corporation by equity-method investees that are not majority owned are deferred in proportion to the Corporation's ownership percentages in the investees until these sales are realized through transactions with third parties. Gains or losses from transactions between two equity-method investees 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 the two equity-method investees that have transactions with each other, unrealized gains or losses on the transactions should be deferred in proportion to the product of the percentage of ownership in one investee multiplied by the ownership percentage in the other investee.

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

Franchise 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 launch of 3G services.

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

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 loss. 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 and issuance costs of bonds are amortized by the straight-line method over 5 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 more 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 and intra-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. The Corporation's shares held by its subsidiaries are treated as treasury stock and reclassified from investments accounted for using equity method to treasury stock.

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

Foreign-currency Transactions

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

Promotion Expenses

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

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 nine months ended September 30, 2006 have been reclassified to conform to the presentation of financial statements as of and for the nine months ended September 30, 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.

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	<u>-</u>	<u>(248,184)</u>
	<u>\$ 35</u>	<u>\$ 1,834,639</u>

The changes in accounting policy resulted in a decrease in income after income tax of \$35 thousand for the nine months ended September 30, 2006, but had no effect on net income and earnings per share (net of tax).

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 operating income and the cumulative effect of changes in accounting principle for the nine months ended September 30, 2006.

4. CASH AND CASH EQUIVALENTS

	<u>September 30</u>	
	2007	2006
Short-term notes and bills with repurchase rights	\$ 1,914,322	\$ 4,383,179
Time deposits	537,634	1,289,439
Cash in banks	650,007	505,812
Cash on hand	25,189	30,006
Revolving funds	<u>3,365</u>	<u>3,290</u>
	<u>\$ 3,130,517</u>	<u>\$ 6,211,726</u>

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

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

	<u>September 30</u>	
	2007	2006
<u>Financial assets held for trading</u>		
Beneficiary certificates		
Open-end funds	<u>\$ -</u>	<u>\$ 8,223,454</u>

6. AVAILABLE-FOR-SALE FINANCIAL ASSETS - CURRENT

	<u>September 30</u>	
	2007	2006
Domestic listed stocks		
Chunghwa Telecom Co., Ltd.	<u>\$ 180,365</u>	<u>\$ 147,571</u>

In the nine months ended September 30, 2006, the Corporation recognized a gain of \$2,110,978 thousand from selling 200,000 thousand shares of Chunghwa Telecom Co., Ltd.

7. ACCOUNTS RECEIVABLE - THIRD PARTIES

	<u>September 30</u>	
	2007	2006
Accounts receivable	\$ 5,827,041	\$ 5,565,686
Less allowance for doubtful accounts	<u>(443,892)</u>	<u>(416,965)</u>
	<u>\$ 5,383,149</u>	<u>\$ 5,148,721</u>

For the third quarter of 2006, the Corporation entered into an accounts receivable factoring contract with HC Asset Management Co., Ltd. The Corporation sold \$5,743,279 thousand of the overdue accounts receivable, which had been written off, to HC Asset Management Co., Ltd. The aggregate selling price was \$229,731 thousand. Under this contract, the Corporation would no longer assume the risk on this receivable.

8. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	September 30			
	2007		2006	
	Carrying Value	% of Ownership	Carrying Value	% of Ownership
TransAsia Telecommunications Inc. (TAT, formerly TAT International Telecommunications Co., Ltd.)	\$ 10,721,160	100	\$ 13,600,270	100.00
Taiwan Cellular Co., Ltd. (TCC, formerly Taihsing Den Syun Co., Ltd.)	-	-	3,167,075	100.00
Wealth Media Technology Co., Ltd.	<u>2,000</u>	100	<u>-</u>	-
	<u>\$ 10,723,160</u>		<u>\$ 16,767,345</u>	
Credit balance (recorded as other liabilities)				
Taiwan Cellular Co., Ltd. (TCC, formerly Taihsing Den Syun Co., Ltd.)	<u>\$ 2,664,615</u>	100	<u>\$ -</u>	-

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.)

To integrate enterprise resources and enhance operating efficiency, The Board of Directors of Taihsing Den Syun Co., Ltd. (TDS) 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.

TCC's Board of Directors resolved the rights issue of 50,000 thousand shares at \$10 dollars on October 26, 2006. On the record date (October 31, 2006), the Corporation subscribed for all the shares and TCC is still a wholly-owned subsidiary.

On March 1, 2007, TCC's Board of Directors resolved to issue 18,028 thousand new shares at \$1,000 per share. On the record date (March 8, 2007), the Corporation subscribed for all the shares by cash of \$12,740,430 thousand and the 637,000 thousand shares of Taiwan Fixed Network Co., Ltd. (TFN) value at NT\$8.3 each. After the capital injection, TCC is still a wholly-owned subsidiary of the Corporation.

TCC established wholly-owned Taihsing International Telecommunications Co., Ltd. (TIT) on January 30, 2007. On March 1, 2007, the Board of Directors of TIT resolved to issue 1,806,820 thousand shares with par value of \$10 for capital injection. On the record date (March 15, 2007), TCC subscribed for all the shares by cash of \$12,740,430 thousand and the 641,900 thousand shares of TFN valued at NT\$8.3 per share. After the capital injection, TIT is still a wholly-owned subsidiary of TCC.

Based on the revised SFAS 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. The amount recognized by the Corporation and TCC was deferred credits \$1,586,156 thousand and deferred debits \$2,194 thousand, respectively.

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, TIT's Board of Directors, resolved on March 1, 2007 and April 26, 2007 to tender offer and continue acquiring TFN at NT\$8.3 per share. As of September 30, 2007, 5,564,797 thousand shares had been acquired (86.22 percent of TFN's outstanding shares). Moreover, TIT's Board of Directors resolved, on June 29, 2007, to merge TFN at NT\$8.3 per share, with TIT as the surviving company and rename to Taiwan Fixed Network Co., Ltd. on the record date. The record date will be resolved after approval of the authorities.

As of September 30, 2007, TFN and its subsidiary held 1,368,250 thousand shares of the Corporation. Based on SFAS No. 30, "Treasury Stock", the Corporation's shares held by subsidiaries are treated as treasury stock. This accounting treatment increased the Corporation's treasury share account by \$37,790,356 thousand and reversed other receivable by \$12,500,000 thousand and long-term investment by \$25,290,356 thousand, leading to long-term investment credit balance of \$2,664,615 thousand. Please refer to note 17 for details.

TIT reclassified investments in TFN from "financial assets carried at cost" account to "investments accounted for using equity method" account effective on April 17, 2007. The investment income from TFN for the period from January 1 to April 16 should be therefore accrued retroactively. Given that the Corporation controlled TFN through TIT (100% owned by the Corporation) and TFN held over 20% stake in the Corporation, the Corporation and TFN recognized investment income from each other based on treasury stock method.

The subsidiary of the Corporation, Taiwan United Communication Co., Ltd. (TUC), bought Taiwan Telecommunication Network Services Co., Ltd. (TTN) to help businesses meet their needs for digital convergence. As of September 30, 2007, 52.35 percent of TTN's shares had been acquired.

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 and Mobitai Communications (Mobitai) for the nine months ended September 30, 2007 and 2006, and the financial statements of TFN, TFN Media Ltd. and its subsidiaries, and TTN for the nine months ended September 30, 2007 which were determined on the basis of 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 Corporation's investment income or losses were as follows:

	Nine Months Ended	
	September 30	
	2007	2006
TAT	\$ 1,604,746	\$ 1,141,808
TCC (formerly TDS)	1,530,979	944,755
The former TCC (formerly Taihsing Den Den Co., Ltd.)	-	31,198
The former TAT	<u>-</u>	<u>(1)</u>
	<u>\$ 3,135,725</u>	<u>\$ 2,117,760</u>

All the financial statements of subsidiaries have been consolidated into the consolidated financial statements of the Corporation.

9. FINANCIAL ASSETS CARRIED AT COST - NON-CURRENT

	September 30	
	2007	2006
Domestic emerging stocks		
Taiwan Fixed Network Co., Ltd.	\$ -	\$ 3,700,944
Foreign unlisted stocks		
Bridge Mobile Pte Ltd.	<u>52,052</u>	<u>32,160</u>
	<u>\$ 52,052</u>	<u>\$ 3,733,104</u>

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

	September 30	
	2007	2006
Buildings	\$ 252,232	\$ 265,782
Telecommunication equipment	27,347,708	23,468,727
Office equipment	59,797	44,178
Leased assets	340,317	276,508
Miscellaneous equipment	<u>890,744</u>	<u>516,217</u>
	<u>\$ 28,890,798</u>	<u>\$ 24,571,412</u>

Interest expenses capitalized for the nine months ended September 30, 2007 and 2006 amounted to \$21,347 thousand and \$7,416 thousand, respectively, with interest rates ranging from 2.4%-3% and from 2.28%-3.12%, respectively.

11. ASSETS LEASED TO OTHERS AND IDLE ASSETS

	<u>September 30</u>	
	<u>2007</u>	<u>2006</u>
Assets leased to others		
Cost	\$ 2,505,112	\$ 897,880
Less accumulated depreciation	(107,056)	(42,289)
Less accumulated impairment	<u>(10,591)</u>	<u>(10,591)</u>
	<u>\$ 2,387,465</u>	<u>\$ 845,000</u>
Idle assets		
Cost	\$ 1,647,101	\$ 2,871,178
Less allowance for value decline	(881,844)	(1,592,960)
Less accumulated depreciation	(410,011)	(767,052)
Less accumulated impairment	<u>(128,771)</u>	<u>(282,763)</u>
	<u>\$ 226,475</u>	<u>\$ 228,403</u>

The impairment losses of idle property were determined based on their appraised values and net realizable value, respectively, and the Corporation recognized impairment losses of \$2,005 thousand for the nine months ended September 30, 2006.

12. DEFERRED CHARGES

	<u>September 30</u>	
	<u>2007</u>	<u>2006</u>
Interior decoration	\$ 245,366	\$ 187,084
Other	<u>10,832</u>	<u>14,567</u>
	<u>\$ 256,198</u>	<u>\$ 201,651</u>

13. SHORT-TERM BANK LOANS

	<u>September 30</u>	
	<u>2007</u>	<u>2006</u>
Unsecured loans	<u>\$ 4,300,000</u>	<u>\$ -</u>
Interest rate	2.36%-2.50%	-

14. SHORT-TERM NOTES AND BILLS PAYABLE

	<u>September 30</u>	
	<u>2007</u>	<u>2006</u>
Commercial paper payable		
Shanghai Commercial and Savings Bank	\$ 2,000,000	\$ -
Less: Discount on short-term notes and bills payable	<u>(1,030)</u>	<u>-</u>
Net carrying value	<u>\$ 1,998,970</u>	<u>\$ -</u>
Interest rate	<u>\$ 2.012%</u>	<u>\$ -</u>

15. BONDS PAYABLE

	September 30			
	2007		2006	
	Current	Non-current	Current	Non-current
Domestic unsecured bonds	\$ 3,750,000	\$ 10,000,000	\$ 1,250,000	\$ 13,750,000
2nd domestic convertible bonds	-	-	78,300	-
Add accrued interest compensation	-	-	<u>11,232</u>	-
	<u>\$ 3,750,000</u>	<u>\$ 10,000,000</u>	<u>\$ 1,339,532</u>	<u>\$ 13,750,000</u>

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
	<u>\$ 15,000,000</u>		

Future repayments of corporate bonds are as follows:

Year	Amount
The fourth quarter, 2007	\$ 3,750,000
2008	2,500,000
2009	<u>7,500,000</u>
	<u>\$ 13,750,000</u>

c. 1st domestic convertible bonds

On August 25, 2001, the Corporation issued \$10,000,000 thousand of five-year domestic unsecured 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 has redeemed 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 unsecured 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\$22.1 per share since July 24, 2007. As of August 15, 2007 (due date), bonds amounting to \$5,436,400 thousand had been converted to 210,871 thousand of common shares. Bonds amounting to \$544,700 thousand were purchased and canceled by the Corporation, and \$18,900 thousand, the amount of the remaining bonds, was repaid by the Corporation on August 15, 2007.

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 has redeemed 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%.

16. 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 \$70,396 thousand and \$61,670 thousand for the nine months ended September 30, 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. The Corporation recognized a pension cost \$18,809 thousand for the nine months ended September 30, 2006 (approved by Department of Labor, Taipei City Government on April 13, 2007, the Corporation stops contributions from February 2007 to January 2008.)

17. SHAREHOLDERS' EQUITY

a. Capital surplus

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

Capital surplus as of September 30, 2007 and 2006 were as follows:

	<u>September 30</u>	
	<u>2007</u>	<u>2006</u>
Premium of convertible bonds	\$ 8,775,819	\$ 8,732,398
Surplus from treasury stock transactions	<u>4,127</u>	<u>-</u>
	<u>\$ 8,779,946</u>	<u>\$ 8,732,398</u>

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 will be reversed to the extent that the net debit balance reverses.

The appropriation of earnings should be resolved by the shareholders in the following year and given effect 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 and 2005 earnings appropriations resolved by the shareholders in their meetings on June 15, 2007 and June 15, 2006 were as follows:

	<u>Appropriation of Earnings</u>		<u>Dividend Per Share</u> (NT\$)	
	<u>For Fiscal Year 2006</u>	<u>For Fiscal Year 2005</u>	<u>For Fiscal Year 2006</u>	<u>For Fiscal Year 2005</u>
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	<u>12,880,151</u>	<u>12,843,997</u>	\$ 2.58757	\$ 2.61677
	<u>\$ 15,116,322</u>	<u>\$ 16,060,370</u>		

To increase ROE (Return of Equity) and maintain stable EPS (Earnings Per Share) and dividend, the Corporation's AGM (Annual General Shareholders' Meeting) resolved on June 15, 2007, a capital reduction of \$12,000,000 thousand, representing 24% of outstanding shares. A record date will be set followed by subsequent related procedures after the authority's approval.

c. Treasury stock

<u>Purpose of Buyback</u>	<u>(Shares in Thousands)</u>			
	<u>Beginning Shares</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Shares</u>
<u>Nine months ended September 30, 2007</u>				
To be transferred to employees	46,537	-	23,824	22,713
Shares held by subsidiaries	-	1,368,250	-	1,368,250
<u>Nine months ended September 30, 2006</u>				
To be transferred to employees	11,551	57,804	2,023	67,332

1) Transfer of stock to employees

For the nine months ended September 30, 2007, the Corporation transferred the bought-back treasury stocks through various tranches to employees of 23,824 thousand shares at NT\$28.17 and NT\$31.16 per share, respectively, resulting in a reduction of retained earnings, amounting to \$4,869 thousand and an increase on paid-in capital, amounting to \$4,127 thousand.

For the nine months ended September 30, 2006, the Corporation transferred the treasury stock through various tranches to employees of 2,023 thousand shares at NT\$30.47 per share, resulting in a reduction of retained earnings, amounting to \$916 thousand.

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

2) Shares held by subsidiaries

TFN and TFN Investment Co., Ltd., its subsidiary, have become the subsidiaries of the Corporation since April 17, 2007. On September 30, 2007, the carrying and market value of the treasury stocks which held by TFN and its subsidiary is \$60,203,010 thousand. The Corporation reclassified \$37,790,356 thousand from investments accounted for using equity method to treasury stock based on SFAS No. 30, "Treasury Stock". Although these shares are treated as treasury stock in the consolidated financial statement, the shareholders are entitled to excise their rights on these shares, except for participation in capital injection by cash. In addition, based on the ROC Company Act, the shareholders of treasury stocks can not exercise the voting right.

d. Unrealized losses on financial instruments

Unrealized gains or losses on financial instruments for the nine months ended September 30, 2007 and 2006 were summarized as follows:

	Nine Months Ended	
	September 30	
	2007	2006
Available-for-sale financial assets		
Balance, beginning of period	\$ 40,652	\$ -
Effect of the first time adoption of new issued SFAS No. 34	-	2,082,823
Fair value changes recognized directly in equity	17,472	53,486
Transfer to current gains or loss upon sales of financial assets	<u>-</u>	<u>(2,110,978)</u>
	<u>58,124</u>	<u>25,331</u>
Changes in unrealized gains (losses) of cash flow hedge		
Balance, beginning of period	(218,284)	-
Effect of the first time adoption of new issued SFAS No. 34	-	(248,184)
Fair value changes recognized directly in equity	<u>81,154</u>	<u>(12,399)</u>
	<u>(137,130)</u>	<u>(260,583)</u>
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	<u>(267,880)</u>	<u>32,297</u>
	<u>(237,671)</u>	<u>32,297</u>
Unrealized losses on financial instruments	<u>\$ (316,677)</u>	<u>\$ (202,955)</u>

18. INCOME TAX EXPENSE

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

	Nine Months Ended	
	September 30	
	2007	2006
Tax on pretax income at statutory tax rate (25%)	\$ 3,768,156	\$ 3,498,206
Add (deduct) tax effects of		
Permanent differences		
Investment income from domestic investees accounted for using equity method	(783,931)	(529,440)
Tax-exempt dividend revenue	(2,406)	(160,954)
Gain on disposal of marketable securities	(9,852)	(532,377)
Other	(16,584)	(12,279)
Temporary differences	(484,812)	17,283
Tax-exempt income	-	(290,732)
Income tax (10%) on unappropriated earnings	105,442	132,470
Investment tax credits	(261,558)	(930,081)
Deferred income tax	483,722	(465,648)
Prior year's adjustment	536,221	35,808
Tax on short-term bills	13,414	4,619
	<u> </u>	<u> </u>
Income tax expense	<u>\$ 3,347,812</u>	<u>\$ 766,875</u>

- b. Deferred income tax assets (liabilities) were as follows:

	September 30	
	2007	2006
Provision for doubtful accounts	\$ 744,738	\$ 672,935
Provision for impairment losses on idle assets	196,627	392,129
Unrealized loss on retirement of property and equipment	341,577	245,321
Unrealized loss on financial liabilities	45,710	86,861
Accrued interest compensation	-	2,808
Accrued pension cost	(273)	16,210
Other	8,345	-
	<u>1,336,724</u>	<u>1,416,264</u>
Less valuation allowance	<u>(298,499)</u>	<u>(309,915)</u>
	<u>\$ 1,038,225</u>	<u>\$ 1,106,349</u>
Deferred income tax assets		
Current	\$ 103,596	\$ 89,436
Non-current	<u>934,629</u>	<u>1,016,913</u>
	<u>\$ 1,038,225</u>	<u>\$ 1,106,349</u>

- c. Under Article 8 of the Statue for Upgrading Industries (SUI) before the SUI amendment in 1999, the Corporation is considered an important invested 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.

<u>Equipment Expansion Projects</u>	<u>Tax-Exempt Period</u>
Switches, BTS and related telecommunication equipment, acquired from September 30, 2000 to September 30, 2001	2002 to 2006

d. Integrated income tax information was as follows:

	<u>September 30</u>	
	<u>2007</u>	<u>2006</u>
Balance of imputation credit account (ICA)	\$ <u>795,755</u>	\$ <u>419,334</u>

As of September 30, 2007, there were no unappropriated earnings generated before January 1, 1998. The actual creditable ratio for the 2006 and 2005 earnings appropriation were 19.21% and 9.88%, respectively.

The imputation credits allocated to the shareholders are based on the ICA balance as of the date of dividend distribution.

e. Income tax returns through 2005 had been examined by the tax authorities. However, the Corporation disagreed with the examination result of the income tax returns from 1999 to 2003, and filed requests for reexamination. And income tax returns from 2004 to 2005 are estimated to file an appeal for the reexamination in October 2007.

19. EARNINGS PER SHARE

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

(In New Taiwan Dollar)

	<u>Nine Months Ended September 30</u>			
	<u>2007</u>		<u>2006</u>	
	<u>Before Income Tax</u>	<u>After Income Tax</u>	<u>Before Income Tax</u>	<u>After Income Tax</u>
Basic EPS				
Income before cumulative effect of changes in accounting principles	\$ 3.65	\$ 2.84	\$ 2.84	\$ 2.68
Cumulative effect of changes in accounting principle	-	-	-	-
Net income	<u>\$ 3.65</u>	<u>\$ 2.84</u>	<u>\$ 2.84</u>	<u>\$ 2.68</u>
Diluted EPS				
Income before cumulative effect of changes in accounting principles	\$ 3.65	\$ 2.84	\$ 2.82	\$ 2.66
Cumulative effect of changes in accounting principle	-	-	-	-
Net income	<u>\$ 3.65</u>	<u>\$ 2.84</u>	<u>\$ 2.82</u>	<u>\$ 2.66</u>

	<u>Amounts (Numerator)</u>		<u>Shares (Denominator) (Thousands)</u>	<u>EPS (NT\$)</u>	
	<u>Before Income Tax</u>	<u>After Income Tax</u>		<u>Before Income Tax</u>	<u>After Income Tax</u>
<u>Nine months ended September 30, 2007</u>					
Basic EPS					
Income of common shareholders	\$ 15,072,665	\$ 11,724,853	4,130,643	\$ <u>3.65</u>	\$ <u>2.84</u>
Add effect of potentially dilutive convertible bonds 2nd convertible bonds (with implied yield rate of 3.3%)	<u>1,034</u>	<u>776</u>	<u>1,582</u>		
Diluted EPS					
Income of common shareholders with dilutive effect of potential common shares	<u>\$ 15,073,699</u>	<u>\$ 11,725,629</u>	<u>4,132,225</u>	<u>\$ 3.65</u>	<u>\$ 2.84</u>
<u>Nine months ended September 30, 2006</u>					
Basic EPS					
Income of common shareholders	\$ 13,992,901	\$ 13,226,026	4,933,838	\$ <u>2.84</u>	\$ <u>2.68</u>
Add effect of potentially dilutive convertible bonds 1st convertible bonds (with implied yield rate of 4.5%)	23,576	17,682	25,432		
2nd convertible bonds (with implied yield rate of 3.3%)	<u>12,902</u>	<u>9,677</u>	<u>19,571</u>		
Diluted EPS					
Income of common shareholders with dilutive effect of potential common shares	<u>\$ 14,029,379</u>	<u>\$ 13,253,385</u>	<u>4,978,841</u>	<u>\$ 2.82</u>	<u>\$ 2.66</u>

20. LABOR COST, DEPRECIATION AND AMORTIZATION EXPENSE

	<u>Nine Months Ended September 30</u>					
	<u>2007</u>			<u>2006</u>		
	<u>Classified as Operating Costs</u>	<u>Classified as Operating Expenses</u>	<u>Total</u>	<u>Classified as Operating Costs</u>	<u>Classified as Operating Expenses</u>	<u>Total</u>
Labor cost						
Salary	\$ 408,380	\$ 1,098,177	\$ 1,506,557	\$ 289,219	\$ 897,374	\$ 1,186,593
Labor and health insurance	23,741	55,869	79,610	17,644	49,758	67,402
Pension	17,723	39,820	57,543	16,218	43,684	59,902
Other	<u>22,417</u>	<u>52,086</u>	<u>74,503</u>	<u>17,873</u>	<u>64,345</u>	<u>82,218</u>
	<u>\$ 472,261</u>	<u>\$ 1,245,952</u>	<u>\$ 1,718,213</u>	<u>\$ 340,954</u>	<u>\$ 1,055,161</u>	<u>\$ 1,396,115</u>
Depreciation	\$ 4,223,864	\$ 384,780	\$ 4,608,644	\$ 3,753,074	\$ 268,850	\$ 4,021,924
Amortization	573,056	90,352	663,408	577,071	99,618	676,689

21. FINANCIAL INSTRUMENT TRANSACTIONS

a. Fair value information

	September 30			
	2007		2006	
	Carrying Value	Fair Value	Carrying Value	Fair Value
<u>Non-derivative financial instruments</u>				
Liabilities				
Bonds payable (including current portion)	\$ 13,750,000	\$ 13,670,537	\$ 15,089,532	\$ 15,011,291

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 be measured by net worth of investee or estimate of the book value.
- 3) Bonds payable - based on the over-the-counter quotations in September.
- 4) Derivative financial instruments - based on valuation results provided by banks. As of September 30, 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 guarantee deposits. Because of the short maturities of these instruments, the carrying values represent a reasonable basis to estimate fair values.

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

d. The financial assets exposed to fair value interest rate risk amounted to \$2,461,956 thousand and \$5,682,618 thousand as of September 30, 2007 and 2006, respectively, and the financial liabilities exposed to fair value interest rate risk amounted to \$12,548,970 thousand and \$7,589,532 thousand as of September 30, 2007 and 2006, respectively. The financial assets exposed to cash flow interest rate risk amounted to \$642,760 thousand and \$486,149 thousand as of September 30, 2007 and 2006, respectively, and the financial liabilities exposed to cash flow interest rate risk amounted to \$7,682,840 thousand and \$7,847,444 thousand as of September 30, 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 September 30, 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.

22. RELATED-PARTY TRANSACTIONS

a. The related parties and their relationships with the Corporation were as follows:

<u>Related Party</u>	<u>Relationship with the Corporation</u>
TransAsia Telecommunications Inc. (TAT; formerly TAT International Telecommunications Co., Ltd.)	Subsidiary
Taiwan Cellular Co., Ltd. (TCC; formerly Taihsing Den Syun Co., Ltd.)	Subsidiary
Wealth Media Technology Co., Ltd.	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)
Tai Yi Digital Broadcasting Co., Ltd.	Equity-method investee under control of TCC (formerly Taihsing Den Syun Co., Ltd.)

(Continued)

Related Party	Relationship with the Corporation
TWM Holding Co. Ltd. (formerly Simax Investment Holdings Ltd.)	Subsidiary
Taiwan Digital Communications Co., Ltd.	Subsidiary
Taiwan Teleservices & Technologies Co., Ltd. (TT&T)	Subsidiary
TT&T Casualty & Property Insurance Agency Co., Ltd.	Subsidiary
TT&T Life Insurance Agency Co., Ltd.	Subsidiary
Taiwan Super Basketball Co., Ltd.	Subsidiary
TT&T Holdings Co., Ltd.	Subsidiary
Xiamen Taifu Teleservices & Technologies Ltd.	Subsidiary
Taihsing International Telecommunications Co., Ltd. (TIT)	Subsidiary
Taiwan United Communication Co., Ltd. (TUC)	Subsidiary
Taiwan Telecommunication Network Services Co., Ltd. (TTN)	Subsidiary (change relationship on September 7, 2007)
TTN Holding Limited	Subsidiary (change relationship on September 7, 2007)
TTN International Limited	Subsidiary (change relationship on September 7, 2007)
VoPier Communications (Taiwan) Co., Ltd.	Subsidiary (change relationship on September 7, 2007)
VoPier Holding Co., Ltd.	Subsidiary (change relationship on September 7, 2007)
Taiwan Fixed Network Co., Ltd. (TFN)	Subsidiary (change relationship on April 17, 2007)
TFN Investment Co., Ltd.	Subsidiary (change relationship on April 17, 2007)
Reach & Range Inc.	Subsidiary (change relationship on April 17, 2007)
Win TV Broadcasting Co., Ltd.	Subsidiary (change relationship on April 17, 2007)
TFN Media Ltd.	Subsidiary (change relationship on April 17, 2007)
Fu Yang Multimedia Co., Ltd.	Subsidiary (change relationship on April 17, 2007)
Yeong Jialeh Cable TV Co., Ltd.	Subsidiary (change relationship on April 17, 2007)
Shin Ho Cable TV Co., Ltd.	Subsidiary (change relationship on April 17, 2007)
Mangrove Cable TV Corporation	Subsidiary (change relationship on April 17, 2007)
North Coast Cable TV Co., Ltd.	Subsidiary (change relationship on April 17, 2007)
Phoenix Cable TV Co., Ltd.	Subsidiary (change relationship on April 17, 2007)
Globalview Cable TV Co., Ltd.	Subsidiary (change relationship on April 17, 2007)
Union Cable TV Co., Ltd.	Subsidiary (change relationship on April 17, 2007)
TFN HK LIMITED	Subsidiary (change relationship on April 17, 2007)
Taiwan Mobile Foundation (TWM Foundation)	Over one third of the Foundation's issued fund came from the Corporation
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
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
Fubon Property Management Co., Ltd. (FPMC)	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)

(Continued)

<u>Related Party</u>	<u>Relationship with the Corporation</u>
TransAsia Telecommunications Inc. (the former TAT)	Subsidiary (merged into former TAT International on June 27, 2006)
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)
Dalian Xinkai Teleservices & Technologies Ltd.	Subsidiary (all shares were sold in July 2006)
Hong Yuan Investment Co., Ltd.	Subsidiary (merged into TFN Investment Co., Ltd. on June 5, 2007)
TFN US LTD.	Subsidiary (liquidated on June 8, 2007)
TFN Digital Co., Ltd.	Subsidiary (merged into TFN Investment Co., Ltd. on June 30, 2007)

(Concluded)

b. Significant transactions with related parties were summarized below:

1) Operating revenues

	<u>Nine Months Ended September 30</u>			
	<u>2007</u>		<u>2006</u>	
	Amount	% of Total Revenues	Amount	% of Total Revenues
TFN	\$ 1,183,132	3	\$ 1,056,665	3
TAT (including the former TAT)	445,300	1	605,198	2
Mobitai	194,818	1	187,809	1
TFCB	<u>11,569</u>	-	<u>13,176</u>	-
	<u>\$ 1,834,819</u>		<u>\$ 1,862,848</u>	

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

2) Operating costs

	<u>Nine Months Ended September 30</u>			
	<u>2007</u>		<u>2006</u>	
	Amount	% of Total Costs	Amount	% of Total Costs
TFN	\$ 647,843	4	\$ 646,847	4
TAT (including the former TAT)	220,942	1	284,164	2
Mobitai	151,399	1	119,131	1
Fubon Ins.	<u>65,689</u>	-	<u>67,557</u>	-
	<u>\$ 1,085,873</u>		<u>\$ 1,117,699</u>	

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

3) Property transactions

Acquisition of property and equipment

		<u>Nine Months Ended September 30, 2007</u>	
		Description	Amount
TFN	Telecommunication equipment, construction in progress, miscellaneous equipment and deferred charges		<u>\$ 13,172</u>
		<u>Nine Months Ended September 30, 2006</u>	
		Description	Amount
TT&T	Office equipment, miscellaneous equipment and deferred charges		<u>\$ 59,476</u>

4) Operating lease income

		<u>Nine Months Ended September 30</u>		
		Leased Sites/Equipment	2007	2006
TFN	Offices and BTS, etc.		<u>\$ 55,637</u>	<u>\$ 20,328</u>

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

5) Cash in banks

		<u>September 30</u>			
		<u>2007</u>		<u>2006</u>	
		Amount	%	Amount	%
a) Cash in banks					
	TFCB	<u>\$ 84,568</u>	3	<u>\$ 67,306</u>	1
b) Pledged time deposits					
	TFCB	<u>\$ 10,000</u>	100	<u>\$ 10,000</u>	100

6) Receivables and payables

a) Accounts receivable

TFN	\$ 214,724	4	\$ 260,617	5
TAT	60,805	1	42,582	1
Mobitai	15,950	-	9,287	-
Other	<u>3,148</u>	-	<u>5,815</u>	-
	<u>\$ 294,627</u>		<u>\$ 318,301</u>	

	September 30			
	2007		2006	
	Amount	%	Amount	%
b) Other receivables				
TIT	\$ 145,729	24	\$ -	-
TAT	120,068	20	142,073	4
Mobitai	97,282	16	116,413	3
TFN	36,641	6	1,256	-
Other	<u>2,562</u>		<u>5,050</u>	-
	<u>\$ 402,282</u>		<u>\$ 264,792</u>	

The Corporation loaned \$12,500,000 thousand to TIT. To conform the reclassification of the Corporation's stock held by its subsidiaries treated as treasury stocks, the credit balance of long-term investment account was off-set with the loan.

	September 30			
	2007		2006	
	Amount	%	Amount	%
c) Prepayments				
Fubon Ins.	<u>\$ 5,174</u>	1	<u>\$ 10,249</u>	2
d) Accounts payable				
TAT	<u>\$ 19,105</u>	1	<u>\$ 6,465</u>	-
e) Accrued expenses				
TFN	\$ 177,619	4	\$ 61,432	2
TT&T	156,856	4	190,630	5
TCC	<u>19,203</u>	-	<u>-</u>	-
	<u>\$ 353,678</u>		<u>\$ 252,062</u>	
f) Other payables				
TAT	\$ 173,612	4	\$ 301,604	10
Mobitai	94,835	2	159,750	5
TFN	<u>61,304</u>	2	<u>40,605</u>	1
	<u>\$ 329,751</u>		<u>\$ 501,959</u>	
g) Other current liabilities - collections and temporary credits for the following				
TFN	\$ 287,787	32	\$ 176,199	23
TAT	160,782	18	96,850	12
Mobitai	<u>84,963</u>	9	<u>69,462</u>	9
	<u>\$ 533,532</u>		<u>\$ 342,511</u>	

	Nine Months Ended	
	September 30	
	2007	2006
7) Telecommunication service expenses		
TFN	<u>\$ 63,323</u>	<u>\$ 41,497</u>
8) Professional service fees		
TT&T	<u>\$ 650,235</u>	<u>\$ 773,059</u>
9) Miscellaneous purchases		
TT&T	<u>\$ -</u>	<u>\$ 15,300</u>
10) Insurance expenses		
Fubon Ins.	<u>\$ 12,008</u>	<u>\$ 8,595</u>
11) Other expenses		
FPMC	\$ 14,136	\$ 15,407
TT&T	<u>-</u>	<u>24,109</u>
	<u>\$ 14,136</u>	<u>\$ 39,516</u>
12) Interest income		
TIT	<u>\$ 145,729</u>	<u>\$ -</u>
13) Donation		
TWM Foundation	<u>\$ 18,000</u>	<u>\$ 21,000</u>
14) Endorsement/guarantee provided		
The Corporation provides guarantee contracts for related party. Please see Note 24.		
15) Other		
a) As of September 30, 2007, TAT had provided the Corporation \$1,000,000 thousand as performance guarantee for customers when issuing prepaid card in accordance with new policy set by NCC on April 1, 2007.		
b) 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.		

- c) For the nine months ended September 30, 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:

	Nine Months Ended September 30	
	2007	2006
TAT (including the former TAT)	\$ 421,162	\$ 506,807
Mobitai	<u>235,651</u>	<u>285,277</u>
	<u>\$ 656,813</u>	<u>\$ 792,084</u>

23. ASSETS PLEDGED

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

	September 30	
	2007	2006
Time deposits	<u>\$ 10,000</u>	<u>\$ 10,000</u>

24. 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 September 30, 2007, payments of \$602,626 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 September 30, 2007, payments of \$4,543,357 thousand has been made.
- c. Unused letters of credit for acquisition of equipment were EUR49 thousand as of September 30, 2007.
- d. The Corporation provided a \$18,000,000 thousand guarantee for TIT's bank loan. As of September 30, 2007, TIT had drawn down a bank loan of \$17,280,000 thousand under this guarantee.
- e. As of September 30, 2007, the Corporation had provided TFN \$50,000 thousand as performance guarantee for customers for IDD calling card, in accordance with NCC's new policy effective on April 1, 2007.
- f. Future minimum rental payments as of September 30, 2007 for significant operating lease agreements were summarized as follows:

	Amount
The fourth quarter, 2007	\$ 12,093
2008	29,488
2009	11,197
2010	11,476
2011	11,642

25. ADDITIONAL DISCLOSURES

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

- a. Financing provided: Table 1 (attached)
- b. Endorsement/guarantee provided: Table 2 (attached)
- c. Marketable securities held: Table 3 (attached).
- d. Marketable securities acquired and disposed of at costs or prices of at least \$100 million or 20% of the paid-in capital: Table 4 (attached).
- e. Acquisition of individual real estate at costs of at least \$100 million or 20% of the paid-in capital: None.
- f. Disposal of individual real estate at prices of at least \$100 million or 20% of the paid-in capital: None.
- g. Total purchase from or sale to related parties amounting to at least \$100 million or 20% of the paid-in capital: Table 5 (attached).
- h. Receivables from related parties amounting to at least \$100 million or 20% of the paid-in capital: Table 6 (attached).
- i. Names, locations, and related information of investees on which the Corporation exercised significant influence: Table 7 (attached).
- j. Derivative transactions
 - 1) 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 21 for the related information.

Financial Instrument	Term	Contract Amount
Interest rate swap contracts	Anti-floating interest rate in exchange for fixed interest rate 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 nine months ended September 30, 2007 and 2006, the Corporation recognized losses of \$119,873 thousand and \$99,314 thousand, respectively, recorded as addition to interest expense.

- 2) TFN entered into IRS contracts in June 2005 to hedge interest floating rate fluctuations on syndicated loans, which are settled quarterly. The IRS contracts were all cleared on June 25, 2007, and the related information is as follows:

Financial Instrument	Term	Contract Amount
Interest rate swap contracts	Floating interest rate in exchange for fixed interest rate of 1.61%	\$ 500,000
	Floating interest rate in exchange for fixed interest rate of 1.60%	500,000
	Floating interest rate in exchange for fixed interest rate of 1.63%	500,000

TFN entered into IRS contracts to hedge anti-floating interest rate fluctuation. TFN recognized gains \$894 thousand in 2007.

k. Investment in Mainland China:

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

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

FINANCING PROVIDED
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2007
(In Thousands of New Taiwan Dollars)

No.	Financing Company	Counter-party	Financial Statement Account	Maximum Balance for the Period	Ending Balance	Interest Rate	Financing Purpose	Transaction Amounts	Reasons for Short-term Financing	Allowance for Doubtful Accounts	Collateral		Financing Limit for Each Borrowing Company (Note)	Financing Company's Financing Amount Limits (Note)
											Item	Value		
0	The Corporation	Taihsing International Telecommunications Co., Ltd.	Other receivables	\$ 12,500,000	\$ 12,500,000 (Note 1)	2.474%	Short-term financing	\$ -	To meet its financing needs in acquiring TFN	\$ -	-	-	\$ 20,422,892 (Note 2)	\$ 20,422,892 (Note 2)
0	The Corporation	Taiwan Fixed Network Co., Ltd.	Other receivables	3,500,000	-	2.94%	Short-term financing	-	To finance subsidiaries to pay off the syndicate loan.	-	-	-	1,034,640 (Note 2)	20,422,892 (Note 2)
1	Mobitai Communications	Taiwan Cellular Co., Ltd.	Other receivables	900,000	900,000	2.477%	Short-term financing	-	To finance subsidiaries to bid for WiMAX license	-	-	-	1,106,223 (Note 2)	1,106,223 (Note 2)
2	Union Cable TV Co., Ltd.	Fu Yang Multimedia Co., Ltd.	Other receivables - related parties	360,000	360,000	2.8937%-3.7947%	Transactions	28,800	-	-	-	-	13,500,000 (Note 3)	13,500,000 (Note 3)
3	North Coast Cable TV Co., Ltd.	Fu Yang Multimedia Co., Ltd.	Other receivables - related parties	140,000	140,000	2.8937%-3.7947%	Transactions	7,693	-	-	-	-	12,000,000 (Note 3)	12,000,000 (Note 3)
4	Mangrove Cable TV Corporation	Fu Yang Multimedia Co., Ltd.	Other receivables - related parties	43,000	43,000	2.8937%-3.7947%	Transactions	10,051	-	-	-	-	12,000,000 (Note 3)	12,000,000 (Note 3)
5	Globalview Cable TV Co., Ltd.	Fu Yang Multimedia Co., Ltd.	Other receivables - related parties	210,000	210,000	2.8937%-3.7947%	Transactions	25,325	-	-	-	-	12,000,000 (Note 3)	12,000,000 (Note 3)
6	Shin Ho Cable TV Co., Ltd.	Fu Yang Multimedia Co., Ltd.	Other receivables - related parties	107,700	107,700	2.8937%-3.7947%	Transactions	10,280	-	-	-	-	12,000,000 (Note 3)	12,000,000 (Note 3)
7	TFN Investment Co., Ltd.	Taiwan Fixed Network Co., Ltd.	Other receivables	1,200,000	1,200,000	2.501%	Short-term financing	-	To finance parent company to pay off the bank loan.	-	-	-	32,637,645 (Note 4)	27,223,322 (Note 4)

Note 1: To conform with the reclassification of the Corporation's stocks held by its subsidiaries as treasury stocks, the credit balance of long-term investment account was to reduce the loan of \$12,500,000 thousand to TIT. Therefore, the balance of book value is zero.

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

Note 3: Where funds are loaned for reasons of business dealings, the individual lending amount and the aggregate amount of loaning funds shall be both limited to the higher amount of the following items: 1) a multiple of the financing company's capital, or 2) the amount of business dealing.

Note 4: (a) The amount of financing provided, including transactions, business cooperation and short-term financing, should not exceed the higher amount between the net worth of the corporation or the amount of transactions plus business cooperation. (b) The limited amount of financing provided for short-term financing should not exceed 40% of the net worth of the financing company, and the amount financed to each counter-party should not exceed 40% of the net worth of the counter-party.

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

ENDORSEMENT/GUARANTEE PROVIDED
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2007
(In Thousands of New Taiwan Dollars)

No.	Endorsement/Guarantor (A)	Receiving Party		Maximum Guarantee/ Endorsement Amount Allowed for Receiving Party	Maximum Balance for the Period (Note 4)	Ending Balance (Note 4)	Value of Collaterals	Ratio of Accumulated Amount of Endorsement/ Guarantee to Net Equity of the Receiving Party (Note 4)	Maximum Total Guarantee/ Endorsement Allowed to Be Provided by the Guarantor/Endorser
		Name (B)	Nature of Relationship (B is A's)						
0	The Corporation	Taihsing International Telecommunications Co., Ltd.	(Note 1)	\$ 36,138,400 (Note 5)	\$ 18,000,000	\$ 18,000,000	\$ -	35.25%	\$ 51,057,230 (Note 5)
0	The Corporation	Taiwan Fixed Network Co., Ltd.	(Note 1)	46,181,166 (Note 5)	50,000	50,000	-	0.10%	51,057,230 (Note 5)
1	TransAsia Telecommunications Inc.	The Corporation	(Note 2)	18,000,000 (Note 6)	1,000,000	1,000,000	-	9.33%	10,721,160 (Note 6)
2	TFN Investment Co., Ltd.	WinTV Broadcasting Co., Ltd.	(Note 3)	27,223,322 (Note 8)	200,000	200,000	-	0.82%	27,223,322 (Note 8)
3	VoPier Communications (Taiwan) Co., Ltd.	Taiwan Telecommunication Network Services Co., Ltd.	(Note 2)	240,000 (Note 10)	262	262	-	1.99%	12,260 (Note 10)
4	TFN Media Ltd.	TFN Media Ltd.	(Note 1)	15,000,000 (Note 7)	7,000,000 (Note 9)	6,097,853 (Note 9)	6,544,499	221%	15,000,000 (Note 7)
5	Fu Yang Multimedia Co., Ltd.	Fu Yang Multimedia Co., Ltd.	(Note 1)	13,000,000 (Note 7)			366,097	90%	13,000,000 (Note 7)
6	Union Cable TV Co., Ltd.	Union Cable TV Co., Ltd.	(Note 1)	13,500,000 (Note 7)			192,658	347%	13,500,000 (Note 7)
7	North Coast Cable TV Co., Ltd.	North Coast Cable TV Co., Ltd.	(Note 1)	12,000,000 (Note 7)			36,043	2,670%	12,000,000 (Note 7)
8	Mangrove Cable TV Corporation	Mangrove Cable TV Corporation	(Note 1)	12,000,000 (Note 7)			51,897	2,719%	12,000,000 (Note 7)
9	Globalview Cable TV Co., Ltd.	Globalview Cable TV Co., Ltd.	(Note 1)	12,000,000 (Note 7)			259,601	996%	12,000,000 (Note 7)
10	Phoenix Cable TV Co., Ltd.	Phoenix Cable TV Co., Ltd.	(Note 1)	12,000,000 (Note 7)			398,207	722%	12,000,000 (Note 7)

(Continued)

No.	Endorsement/Guarantor (A)	Receiving Party		Maximum Guarantee/ Endorsement Amount Allowed for Receiving Party	Maximum Balance for the Period (Note 4)	Ending Balance (Note 4)	Value of Collaterals	Ratio of Accumulated Amount of Endorsement/ Guarantee to Net Equity of the Receiving Party (Note 4)	Maximum Total Guarantee/ Endorsement Allowed to Be Provided by the Guarantor/Endorser
		Name (B)	Nature of Relationship (B is A's)						
11	Shin Ho Cable TV Co., Ltd.	Shin Ho Cable TV Co., Ltd.	(Note 1)	\$ 12,000,000 (Note 7)			\$ 12,537	2,721%	\$ 12,000,000 (Note 7)
12	Yeong Jialeh Cable TV Co., Ltd.	Yeong Jialeh Cable TV Co., Ltd.	(Note 1)	24,000,000 (Note 7)			407,851	1,300%	24,000,000 (Note 7)

Note 1: Direct/indirect subsidiary

Note 2: Parent company

Note 3: Direct subsidiary

Note 4: Maximum guarantee/endorsement amount for the period and the ending balance are the amount allowed, not actual appropriation.

Note 5: The Corporation limits the endorsement/guarantee amount for the company that directly or indirectly entitled the whole percentage of voting rights within net value of the Corporation, and the endorsement/guarantee amount for each counter-party.

Note 6: The Corporation limits the endorsement/guarantee amount for directly or indirectly entitled the whole percentage of TAT within the net value of TAT, and the endorsement/guarantee amount should not exceed double TAT's investment amount.

Note 7: The individual lending amount and the aggregate amount of loaning funds shall be both limited to the higher amount of the following items: 1) a multiple of the financing company's capital, or 2) the amount of business dealing.

Note 8: The individual lending amount and the aggregate amount of loaning funds to subsidiaries shall be both limited to the higher amount of the following items: 1) the financing company's net worth, or 2) the amount of business dealing.

Note 9: TFNM, FYM, UCTV, NCCTV, MCTV, GCTV, PCTV, SHCTV and YJCTV are sureties for each other to obtain a syndicate loan from Chinatrust Commercial Bank and other financial institutions. The credit line was \$7,000,000 thousand. Those nine companies are jointly liable for this loan. As of September 30, 2007, the Corporation had drawn down a bank loan of \$4,918,931 thousand under this credit line.

Note 10: TTN wholly owns VoPier Communications. The total guarantee/endorsement amount for VoPier's to provide shall not exceed its net worth. The guarantee/endorsement amount to each shareholder provided by VoPier limits to 2 times of its stake.

(Concluded)

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 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	September 30, 2007				Note
				Shares/Units (Thousands)	Carrying Value	Percentage of Ownership	Market Value or Net Assets Value (Note 1)	
Taiwan Mobile Co., Ltd.	<u>Stock</u> Chunghwa Telecom Co., Ltd.	-	Available-for-sale financial assets - current	2,957	\$ 180,365	0.028%	\$ 180,365 (Note 2)	
	Bridge Mobile Pte Ltd.	-	Financial assets carried at cost - non-current	1,600	52,052	10.81%	42,629	
	TransAsia Telecommunications Inc.	Subsidiary	Long-term investments - equity method	900,000	10,721,160	100.00%	10,721,160	
	Taiwan Cellular Co., Ltd.	Subsidiary	Long-term investments - equity method	343,028	-	100.00%	22,625,741	
	Wealth Media Technology Co., Ltd.	Subsidiary	Long-term investments - equity method	200	(Note 3) 2,000	100.00%	2,000	
Taiwan Cellular Co., Ltd.	<u>Stock</u> Arcoa Communication Co., Ltd.	-	Financial assets carried at cost - non-current	6,998	67,731	5.21%	- (Note 4)	
	Parawin Venture Capital Corp.	-	Financial assets carried at cost - non-current	3,000	22,202	3.00%	- (Note 4)	
	Transportation High Tech Inc.	-	Financial assets carried at cost - non-current	1,200	-	12.00%	- (Note 4)	
	WEB Point Co., Ltd.	-	Financial assets carried at cost - non-current	803	6,773	3.17%	- (Note 4)	
	Sunnet Technologies Co., Ltd.	-	Financial assets carried at cost - non-current	375	2,583	1.51%	1,835 (Note 6)	
	Mobitai Communications	Subsidiary	Long-term investments - equity method	200,000	2,765,568	100.00%	2,765,558	
	Taiwan Teleservices & Technologies Co., Ltd.	Subsidiary	Long-term investments - equity method	30,000	225,088	100.00%	225,088	
	Tai Yi Digital Broadcasting Co., Ltd.	Subsidiary	Long-term investments - equity method	2,495	23,850	49.90%	23,850	
	TWM Holding Co. Ltd.	Subsidiary	Long-term investments - equity method	1 share	US\$ 8,898	100.00%	US\$ 8,898	
	Taihsing International Telecommunications Co., Ltd.	Subsidiary	Long-term investments - equity method	1,806,920	18,548,977	100.00%	18,548,977	
TWM Holding Co. Ltd.	<u>ADS</u> Hurray! Holding Co., Ltd.	-	Available-for-sale financial assets - current	1,080	US\$ 5,572	4.97%	US\$ 5,572 (Note 2)	
	<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	3,000	100.00%	3,000	
	TT&T Casualty & Property Insurance Agency Co., Ltd.	Subsidiary	Long-term investments - equity method	300	2,670	100.00%	2,670	

(Continued)

Holding Company Name	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	September 30, 2007				Note
				Shares/Units (Thousands)	Carrying Value	Percentage of Ownership	Market Value or Net Assets Value (Note 1)	
TT&T Holdings Co., Ltd.	TT & T Holdings Co., Ltd.	Subsidiary	Long-term investments - equity method	1,300	US\$ 1,292	100.00%	US\$ 1,292	
	Taiwan Super Basketball Co., Ltd.	Subsidiary	Long-term investments - equity method	2,000	20,000	100.00%	20,000	
Taihsing International Telecommunications Co., Ltd.	<u>Stock</u> Xiamen Taifu Teleservices & Technologies Ltd.	Subsidiary	Long-term investments - equity method	-	US\$ 1,287	100.00%	US\$ 1,287	
Taiwan United Communication Co., Ltd.	<u>Stock</u> Taiwan United Communication Co., Ltd.	Subsidiary	Long-term investments - equity method	1,190	1,511,566	100.00%	1,511,566	
	Taiwan Fixed Network Co., Ltd.	Subsidiary	Long-term investments - equity method	5,564,797	46,969,745	86.22%	70,350,443 (Note 9)	
Taiwan United Communication Co., Ltd.	<u>Stock</u> Taiwan Telecommunication Network Services Co., Ltd.	Subsidiary	Long-term investments - equity method	56,904	788,586	52.35%	507,339	
Taiwan Fixed Network Co., Ltd.	<u>Stock</u> Taiwan Mobile Co., Ltd.	The Corporation	Available-for-sale financial assets - non-current	900,353	39,615,522	18.00%	39,615,522 (Note 2)	
TFN Investment Co., Ltd.	TFN Investment Co., Ltd.	Subsidiary	Long-term investments - equity method	2,061,939	27,223,241	100.00%	27,223,322	
	TFN HK Limited	Subsidiary	Long-term investments - equity method	1,299	3,290	99.99%	3,290	
	Taiwan High Speed Rail Corporation	-	Financial assets carried at cost - non-current	225,531	2,255,310	4.44%	397,847 (Note 6)	
TFN Investment Co., Ltd.	<u>Beneficiary certificates</u> ING Taiwan Income Fund	-	Available-for-sale financial assets - current	16,745	268,261	-	268,261 (Note 7)	
TFN Investment Co., Ltd.	<u>Stock</u> Taiwan Mobile Co., Ltd.	The Corporation	Available-for-sale financial assets - non-current	467,897	20,587,488	9.40%	20,587,488 (Note 2)	
	Reach & Range Inc.	Subsidiary	Long-term investments - equity method	2,400	32,204	100.00%	25,132	
	WinTV Broadcasting Co., Ltd.	Subsidiary	Long-term investments - equity method	59,100	306,633	98.50%	303,852	
	TFN Media Ltd.	Subsidiary	Long-term investments - equity method	214,518	2,742,131	93.06%	2,742,178	
	Fu Yang Multimedia Co., Ltd.	Subsidiary	Long-term investments - equity method	187,424	3,048,674	29.40%	2,055,023	
	Great Taipei Broadband Co., Ltd.	-	Financial assets carried at cost - non-current	10,000	52,562	6.67%	51,489 (Note 6)	
	Sun Net Technology Co., Ltd.	-	Financial assets carried at cost - non-current	1,840	9,237	7.40%	8,994 (Note 6)	
	Fubon Financial Holding Company	Related parties	Available-for-sale financial assets - current	74,914	2,112,569	0.97%	2,112,569 (Note 2)	

(Continued)

Holding Company Name	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	September 30, 2007				Note
				Shares/Units (Thousands)	Carrying Value	Percentage of Ownership	Market Value or Net Assets Value (Note 1)	
	<u>Preferred stock</u> Taiwan High Speed Rail Corporation - Unlisted Convertible Preferred Stock - series A	-	Bonds measured at amortized cost-non - current	50,000	\$ 500,000	0.92%	\$ -	
TFN Media Ltd.	<u>Stock</u> Fu Yang Multimedia Co., Ltd.	Subsidiary	Long-term investments - equity method	450,073	6,544,499	70.60%	4,934,855	Total pledge
Fu Yang Multimedia Co., Ltd.	<u>Stock</u> Yeong Jialeh Cable TV Co., Ltd.	Subsidiary	Long-term investments - equity method	33,940	2,033,464	100.00%	509,088	Total pledge
	Shin Ho Cable TV Co., Ltd.	Subsidiary	Long-term investments - equity method	20,000	720,996	100.00%	234,133 (Note 8)	Total pledge
	Mangrove Cable TV Corporation	Subsidiary	Long-term investments - equity method	21,160	500,208	100.00%	237,043 (Note 8)	Total pledge
	North Coast Cable TV Co., Ltd.	Subsidiary	Long-term investments - equity method	21,160	523,634	100.00%	231,800	Total pledge
	Phoenix Cable TV Co., Ltd.	Subsidiary	Long-term investments - equity method	47,663	2,036,349	70.00%	623,280	Total pledge
	Union Cable TV Co., Ltd.	Subsidiary	Long-term investments - equity method	170,441	1,985,632	99.99%	1,781,005	Total pledge
	Globalview Cable TV Co., Ltd.	Subsidiary	Long-term investments - equity method	51,733	1,207,706	92.38%	585,233	Total pledge
Taiwan Telecommunication Network Services Co., Ltd.	<u>Stock</u> VoPier Communications (Taiwan) Co., Ltd.	Subsidiary	Long-term investments - equity method	12,000	12,260	100.00%	12,260	
	<u>Preferred Stock</u> New Century InfoComm Technology Co., Ltd.	-	Financial assets carried at cost - non-current	40,000	332,400	0.80%	- (Notes 4 and 9)	
	<u>Beneficiary certificates</u> Fuh-Hwa Bond Fund	-	Financial assets at fair value through profit or loss - current	2,272	30,645	-	30,645 (Note 7)	
	Fuh-Hwa Yuli Bond Fund	-	Financial assets at fair value through profit or loss - current	4,043	50,775	-	50,775 (Note 7)	
	ING Taiwan Income Fund	-	Financial assets at fair value through profit or loss - current	2,556	40,950	-	40,950 (Note 7)	
VoPier Communications (Taiwan) Co., Ltd.	<u>Beneficiary certificates</u> CAPITAL Income Fund	-	Financial assets at fair value through profit or loss - current	71	1,068	-	1,068 (Note 7)	
	IBT 1699 Bond Fund	-	Financial assets at fair value through profit or loss - current	210	2,638	-	2,638 (Note 7)	
	E. Sun ERA Bond Fund	-	Financial assets at fair value through profit or loss - current	145	1,591	-	1,591 (Note 7)	
	Fuh-Hwa Bond Fund	-	Financial assets at fair value through profit or loss - current	278	3,755	-	3,755 (Note 7)	

(Continued)

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

Note 2: Based on the closing price on September 30, 2007.

Note 3: A book value of \$22,625,741 thousand and a loan of \$12,500,000 thousand to TIT has been reclassified to treasury stock. The debit amount has been recognized upon other liabilities - long-term investments credit balance, amounting to \$2,664,615 thousand.

Note 4: As of September 30, 2007, the independent auditors' report date, the investee's net value was unavailable.

Note 5: Deducted impairment loss recognized in 2004.

Note 6: Calculation was based on unaudited financial statements.

Note 7: Based on the net assets value of the fund on September 30, 2007.

Note 8: Partial shares are held as trusts.

Note 9: Partial shares are held as pledge.

(Concluded)

TABLE 4

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED OR DISPOSED AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL
NINE MONTHS ENDED SEPTEMBER 30, 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.	<u>Beneficiary certificate</u> Fuhwa Bond Fund	Financial assets at fair value through profit or loss - current	-	-	45,175	\$ 602,192	-	\$ -	45,175	\$ 604,649	\$ 604,649	\$ -	-	\$ -
	ING Taiwan Income Fund	Financial assets at fair value through profit or loss - current	-	-	25,387	401,917	-	-	25,387	403,656	403,656	-	-	-
	ING Taiwan Bond Fund	Financial assets at fair value through profit or loss - current	-	-	126,959	1,913,171	-	-	126,959	1,920,610	1,920,610	-	-	-
	ING Taiwan Select Bond Fund	Financial assets at fair value through profit or loss - current	-	-	35,432	401,565	-	-	35,432	401,827	401,827	-	-	-
	AIG Taiwan Bond Fund	Financial assets at fair value through profit or loss - current	-	-	153,928	1,962,733	-	-	153,928	1,968,901	1,968,901	-	-	-
	Dresdner Bond Dam Fund	Financial assets at fair value through profit or loss - current	-	-	130,038	1,506,803	-	-	130,038	1,512,928	1,512,928	-	-	-
	Fubon Jin-Ju-I Fund	Financial assets at fair value through profit or loss - current	-	-	81,999	1,002,954	-	-	81,999	1,007,112	1,007,112	-	-	-
	NITC Bond Fund	Financial assets at fair value through profit or loss - current	-	-	17,122	2,817,260	-	-	17,122	2,826,608	2,826,608	-	-	-
	Prudential Financial Bond Fund	Financial assets at fair value through profit or loss - current	-	-	13,686	200,015	-	-	13,686	200,500	200,500	-	-	-
	JF (Taiwan) Bond Fund	Financial assets at fair value through profit or loss - current	-	-	19,702	300,597	-	-	19,702	301,824	301,824	-	-	-
	<u>Stock</u> 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	-
	Taiwan Fixed Network Co., Ltd.	Financial assets carried at cost - non-current	Taiwan Cellular Co., Ltd.	Subsidiary	637,000	3,700,944	-	-	637,000	5,287,100	3,700,944	-	-	(Note 2)
TransAsia Telecommunications Inc.	<u>Beneficiary certificate</u> ING Taiwan Bond Fund	Financial assets at fair value through profit or loss - current	-	-	46,758	704,606	-	-	46,758	706,382	706,382	-	-	-
	AIG Taiwan Bond Fund	Financial assets at fair value through profit or loss - current	-	-	71,000	905,330	-	-	71,000	907,488	907,488	-	-	-
	Prudential Financial Bond Fund	Financial assets at fair value through profit or loss - current	-	-	37,966	554,861	-	-	37,966	556,205	556,205	-	-	-
	JF (Taiwan) Bond Fund	Financial assets at fair value through profit or loss - current	-	-	42,808	653,130	-	-	42,808	654,757	654,757	-	-	-
	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	451,112	-	-	-
Taiwan Cellular Co., Ltd. (formerly Taihsing Den Syun Co., Ltd.)	<u>Stock</u> Taihsing International Telecommunications Co., Ltd.	Long-term investments - equity method	-	-	-	-	1,806,920	18,069,200	-	-	-	-	1,806,920	18,548,977 (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	5,327,770	5,329,964	-	-	(Note 5)
	Taiwan Digital Communications Co., Ltd.	Long-term investments - equity method	-	-	-	-	26,000	260,000	-	-	-	-	1,200	11,221 (Note 6)
Taihsing International Telecommunications Co., Ltd.	<u>Stock</u> Taiwan Fixed Network Co., Ltd.	Long-term investments - equity method	Taiwan Cellular Co., Ltd.	Parent	-	-	5,564,797	46,181,166	-	-	-	-	5,564,797	46,969,745 (Note 7)
Taiwan United Communication Co., Ltd.	<u>Stock</u> Taiwan Telecommunication Network Services Co., Ltd.	Long-term investments - equity method	-	-	-	-	56,904	787,720	-	-	-	-	56,904	788,586 (Note 8)

(Continued)

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 Fixed Network Co., Ltd.	<u>Beneficiary certificate</u> Fubon Jin-Ju-I Fund	Available-for-sale financial assets - current	-	-	57,696	\$ 705,702	-	\$ -	57,696	\$ 710,087	\$ 697,743	\$ 12,344	-	\$ -	
	Fubon Chi-Hsiang Fund	Available-for-sale financial assets - current	-	-	32,588	474,301	-	-	32,588	477,065	460,272	16,793	-	-	
	ING Taiwan Income Fund	Available-for-sale financial assets - current	-	-	31,345	496,241	-	-	31,345	499,590	482,440	17,150	-	-	
	NITC Bond Fund	Available-for-sale financial assets - current	-	-	2,303	378,968	-	-	2,303	381,266	376,422	4,844	-	-	
	ING Taiwan Bond Fund	Available-for-sale financial assets - current	-	-	28,577	430,627	-	-	28,577	433,302	428,521	4,781	-	-	
	Fuhwa Apex Bond Fund	Available-for-sale financial assets - current	-	-	10,426	123,066	-	-	10,426	123,396	123,031	365	-	-	
	JF (Taiwan) Bond Fund	Available-for-sale financial assets - current	-	-	13,110	200,016	-	-	13,110	201,238	200,000	1,238	-	-	
	Capital Income Fund	Available-for-sale financial assets - current	-	-	13,432	200,009	-	-	13,432	201,269	200,000	1,269	-	-	
	Prudential Financial Bond Fund	Available-for-sale financial assets - current	-	-	6,842	100,000	-	-	6,842	100,602	100,000	602	-	-	
	Fuhwa Advantage Bond Fund	Available-for-sale financial assets - current	-	-	11,510	120,005	-	-	11,510	120,322	120,000	322	-	-	
	Fuhwa Advantage Bond Fund	Available-for-sale financial assets - current	-	-	-	-	19,009	243,719	19,009	244,487	243,719	768	-	-	
	TFN Investment Co., Ltd.	<u>Beneficiary certificate</u> ING Taiwan Bond Fund	Available-for-sale financial assets - current	-	-	26,669	401,881	46,329	700,000	72,998	1,107,087	1,100,000	7,087	-	-
		ING Taiwan Income Fund	Available-for-sale financial assets - current	-	-	9,837	155,733	23,108	368,000	16,200	258,180	257,227	953	16,745	268,261
JF (Taiwan) Bond Fund		Available-for-sale financial assets - current	-	-	6,624	101,072	13,095	200,000	19,719	302,760	300,529	2,231	-	-	
JF (Taiwan) First Bond Fund		Available-for-sale financial assets - current	-	-	-	-	14,192	200,000	14,192	200,663	200,000	663	-	-	
Capital Income Fund		Available-for-sale financial assets - current	-	-	-	-	56,930	850,000	56,930	853,129	850,000	3,129	-	-	
NITC Bond Fund		Available-for-sale financial assets - current	-	-	61	10,083	1,031	170,000	1,092	180,849	179,834	1,015	-	-	
NITC Taiwan Bond Fund		Available-for-sale financial assets - current	-	-	-	-	38,924	550,000	38,924	551,907	550,000	1,907	-	-	
Fubon Chi-Hsiang Fund		Available-for-sale financial assets - current	-	-	12,322	179,343	-	-	12,322	180,423	178,086	2,337	-	-	
Fubon Jin-Ju-I Fund		Available-for-sale financial assets - current	-	-	28,751	351,658	84,371	1,034,267	113,122	1,392,522	1,384,237	8,285	-	-	
Pca Well Pool Fund		Available-for-sale financial assets - current	-	-	-	-	23,896	300,000	23,896	301,054	300,000	1,054	-	-	
Upamc James Bond Fund		Available-for-sale financial assets - current	-	-	-	-	16,160	250,000	16,160	250,827	250,000	827	-	-	
Fuhwa Bond Fund		Available-for-sale financial assets - current	-	-	-	-	23,399	300,000	23,399	301,006	300,000	1,006	-	-	
<u>Stock</u> Fubon Financial Holding Company		Available-for-sale financial assets - current	-	-	53,293	1,625,432	34,645	1,032,419	13,024	430,950	341,900	89,050	74,914	2,112,569	
Globalview Cable TV Co., Ltd.		<u>Beneficiary certificate</u> IBT Ta Chong Bond Fund	Available-for-sale financial assets - current	-	-	7,679	100,003	-	-	7,679	100,700	100,000	700	-	-
Shin Ho Cable TV Co., Ltd.		<u>Beneficiary certificate</u> Fubon Jin-Ju-I Fund	Available-for-sale financial assets - current	-	-	5,724	70,009	-	-	5,724	70,523	70,000	523	-	-

(Continued)

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 \$1,530,979 thousand; (c) the recognition of cumulative translation adjustments of \$1,567 thousand; and (d) unrealized loss of \$267,880 thousand on financial asset. Moreover, a book value of \$22,625,741 thousand and a loan of \$12,500,000 thousand to TTT has been reclassified to treasury stock. The debit amount has been recognized upon other liabilities, amounting to \$2,664,615 thousand.

Note 3: For its reorganization, the Corporation resolved to inject capital into Taiwan Cellular Co., Ltd. with all its shares of Taiwan Fixed Network Co., Ltd. The difference 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 (a) the investment income adjustment of \$710,244 thousand; (b) the recognition of cumulative translation adjustment of \$748 thousand and (c) unrealize loss of \$231,215 thousand on financial assets.

Note 5: For its reorganization, TCC resolved to inject capital into Taihsing International Telecommunications Co., Ltd. with all its shares of Taiwan Fixed Network Co., Ltd. The difference 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.

Note 6: The amount included the capital reduction adjustment of \$248,000 thousand and the investment loss adjustment of \$779 thousand.

Note 7: The amount included (a) the investment income adjustment of \$564,816 thousand; (b) the difference between the cost of acquisition and the equity in the investee's net asset value, amount to \$454,230; (c) the recognition of cumulative translation adjustment of \$748 thousand and (d) unrealized loss of \$231,215 thousand on financial assets.

Note 8: The amount included the investment income adjustment of \$866 thousand.

(Concluded)

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
 NINE MONTHS ENDED SEPTEMBER 30, 2007
 (In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Transaction Details				Other 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	\$ (445,300)	1	Based on contract terms	-	-	\$ 60,805	1	
			Purchase	220,942	1	Based on contract terms	-	-	(19,105)	1	
	Taiwan Fixed Network Co., Ltd.	Subsidiary	Sale	(1,183,132)	3	Based on contract terms	-	-	214,724	4	
			Purchase	647,843	4	Based on contract terms	-	-	-	-	
	Mobitai Communications	Subsidiary	Sale	(194,818)	1	Based on contract terms	-	-	15,950	-	
			Purchase	151,399	1	Based on contract terms	-	-	(941)	-	
Taiwan Teleservices & Technologies Co., Ltd.	Subsidiary	Purchase	650,235	(Note 1)	Based on contract terms	-	-	(156,856)	(Note 2)		
TransAsia Telecommunications Inc.	The Corporation	Parent	Sale	(220,942)	5	Based on contract terms	-	-	19,105	3	
			Purchase	445,300	21	Based on contract terms	-	-	(62,484)	26	
Mobitai Communications	The Corporation	Ultimate parent	Sale	(151,089)	6	Based on contract terms	-	-	2,621	1	
			Purchase	194,818	15	Based on contract terms	-	-	(16,267)	10	
Taiwan Teleservices & Technologies Co., Ltd.	The Corporation	Ultimate parent	Sale	(650,275)	95	Based on contract terms	-	-	156,562	94	
Taiwan Fixed Network Co., Ltd.	The Corporation	Ultimate parent	Sale	(705,299)	12	Based on contract terms	-	-	319,629	33	
			Purchase	1,166,040	23	Based on contract terms	-	-	(1,136)	-	
TFN Media Ltd.	Yeong Jialeh Cable TV Co., Ltd.	Subsidiary	Sale	(211,622)	20	Based on contract terms	-	-	23,514	18	
	Phoenix Cable TV Co., Ltd.	Subsidiary	Sale	(320,541)	31	Based on contract terms	-	-	35,616	28	
	Union Cable TV Co., Ltd.	Subsidiary	Sale	(143,642)	14	Based on contract terms	-	-	15,960	12	
	Globalview Cable TV Co., Ltd.	Subsidiary	Sale	(124,242)	12	Based on contract terms	-	-	13,805	11	
Yeong Jialeh Cable TV Co., Ltd.	TFN Media Ltd.	Parent	Royalty	211,622	61	Based on contract terms	(Note 3)	(Note 3)	(23,514)	30	
Union Cable TV Co., Ltd.	TFN Media Ltd.	Parent	Royalty	143,642	52	Based on contract terms	(Note 3)	(Note 3)	(15,960)	74	
Globalview Cable TV Co., Ltd.	TFN Media Ltd.	Parent	Royalty	124,242	61	Based on contract terms	(Note 3)	(Note 3)	(13,805)	12	
Phoenix Cable TV Co., Ltd.	TFN Media Ltd.	Parent	Royalty	320,541	65	Based on contract terms	(Note 3)	(Note 3)	(35,616)	38	

Note 1: Recognized as operating expenses

Note 2: Recognized as accrued expenses

Note 3: No comparables on such kind of transactions

TABLE 6

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL
NINE MONTHS ENDED SEPTEMBER 30, 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	\$ 60,805	8.42	\$ -	-	\$ -	\$ -
			Other receivables	120,068		-	-	-	-
	Mobitai Communications	Subsidiary	Accounts receivable	15,950	11.33	-	-	-	-
			Other receivables	97,282		-	-	-	-
Taiwan Fixed Network Co., Ltd.	Subsidiary	Accounts receivable	214,724	7.21	-	-	-	-	
		Other receivables	36,641		-	-	-	-	
	Taihsing International Telecommunications Co., Ltd.	Subsidiary	Other receivables	145,729	-	-	-	-	
TransAsia Telecommunications Inc.	The Corporation	Parent	Accounts receivable	19,105	13.69	-	-	-	-
			Other receivables	334,394		-	-	-	-
Mobitai Communications	The Corporation	Ultimate parent	Accounts receivable	2,621	59.89	-	-	-	-
			Other receivables	179,799		-	-	-	-
Taiwan Teleservices & Technologies Co., Ltd.	The Corporation	Ultimate parent	Accounts receivable	156,562	5.61	-	-	-	-
			Other receivables	299		-	-	-	-
Taiwan Fixed Network Co., Ltd.	The Corporation	Ultimate parent	Accounts receivable	319,629	3.25	-	-	511	-
			Other receivables	2,305		-	-	-	-
TFN Investment Co., Ltd.	Taiwan Fixed Network Co., Ltd.	Parent	Other receivables	1,200,000	-	-	-	-	
North Coast Cable TV Co., Ltd.	Fu Yang Multimedia Co., Ltd.	Parent	Other receivables	147,314	-	-	-	-	
Globalview Cable TV Co., Ltd.	Fu Yang Multimedia Co., Ltd.	Parent	Accounts receivable	1,463	-	-	-	-	-
			Other receivables	226,251		-	-	-	-
Shin Ho Cable TV C., Ltd.	Fu Yang Multimedia Co., Ltd.	Parent	Other receivables	116,220	-	-	-	-	
Union Cable TV Co., Ltd.	Fu Yang Multimedia Co., Ltd.	Parent	Accounts receivable	1,640	-	-	-	-	-
			Other receivables	367,448		-	-	-	-

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
NINE MONTHS ENDED SEPTEMBER 30, 2007
(In Thousands of New Taiwan Dollars or U.S. Dollars)

Investor	Investee	Location	Main Businesses and Products	Original Investment Amount		Balance as of September 30, 2007			Net Income (Loss) of the Investee	Investment Income (Loss)	Note
				September 30, 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	\$ -	\$ 1,514,653	\$ 1,530,979	
	TransAsia Telecommunications Inc.	Taipei, Taiwan	Wireless service provider	9,000,000	12,458,463	900,000	100	(Note 1) 10,721,160	1,561,689	1,604,746	
	Wealth Media Technology Co., Ltd.	Taipei, Taiwan	Investment	2,000	-	200	100	2,000	-	-	
Taiwan Cellular Co., Ltd. (formerly Taihsing Den Syun Co., Ltd.)	Mobitai Communications	Taipei, Taiwan	Wireless service provider	2,000,000	2,000,000	200,000	100	2,765,558	714,201	NA	
	Taiwan Teleservices & Technologies Co., Ltd.	Taipei, Taiwan	Call center service	5,294	405,294	30,000	100	225,088	82,885	NA	
	Tai Yi Digital Broadcasting Co., Ltd.	Taipei, Taiwan	Broadcasts business and cell phone number agency	24,950	24,950	2,495	49.9	23,850	(1,123)	NA	
	TWM Holding Co. Ltd.	British Virgin Islands	Investment	US\$ 9,000	US\$ 9,000	1 share	100	US\$ 8,898	US\$ 49	NA	
	Taihsing International Telecommunications Co., Ltd.	Taipei, Taiwan	Investment	18,069,200	-	1,806,920	100	18,548,977	710,244	NA	
Taihsing International Telecommunications Co., Ltd.	Taiwan Digital Communications Co., Ltd.	Taipei, Taiwan	Equipment installation and IT service	12,000	-	1,200	100	11,221	(779)	NA	
	Taiwan United Communication Co., Ltd.	Taipei, Taiwan	Equipment installation and IT service	1,509,887	-	1,190	100	1,511,566	1,679	NA	
Taiwan United Communication Co., Ltd.	Taiwan Fixed Network Co., Ltd.	Taipei, Taiwan	Fixed network service	46,181,166	-	5,564,797	86.22	46,969,745	1,617,798	NA	
	Taiwan Telecommunication Network Services Co., Ltd.	Taipei, Taiwan	Telecommunications	787,720	-	56,904	52.35	788,586	13,976	NA	
Taiwan Telecommunication Network Services Co., Ltd.	VoPier Communications (Taiwan) Co., Ltd.	Taipei, Taiwan	International simple resale and prepaid card	120,000	120,000	12,000	100	12,260	(894)	NA	
Taiwan Teleservices & Technologies Co., Ltd.	TT&T Life Insurance Agency Co., Ltd.	Taipei, Taiwan	Insurance agent	3,000	3,000	300	100	3,000	(13)	NA	
	TT&T Casualty & Property Insurance Agency Co., Ltd.	Taipei, Taiwan	Insurance agent	3,000	3,000	300	100	2,670	(33)	NA	
	TT&T Holdings Co., Ltd.	Samoa	Investment	US\$ 1,300	US\$ 1,300	1,300	100	US\$ 1,292	US\$ (31)	NA	
	Taiwan Super Basketball Co., Ltd.			20,000	-	2,000	100	20,000	-	NA	
TT&T Holdings Co., Ltd.	Xiamen Taifu Teleservices & Technologies Ltd.	Xiamen	Call center service	US\$ 1,300	US\$ 1,300	-	100	US\$ 1,278	US\$ (32)	NA	
Taiwan Fixed Network Co., Ltd.	TFN Investment Co., Ltd.	Taipei, Taiwan	Investment	17,897,639	17,500,000	2,061,939	100	27,223,241	893,074	NA	
	TFN HK Limited	Hong Kong	Telecommunications	5,816	5,816	1,299	99.99	3,290	(273)	NA	
TFN Investment Co., Ltd.	Reach & Range Inc.	Taipei, Taiwan	Service, telecommunication equipment installment and IT service	31,764	60,258	2,400	100	32,204	871	NA	
	Fu Yang Multimedia Co., Ltd.	Taipei, Taiwan	Management, IT service, advertisement and other service	2,761,748	2,446,410	187,424	29.4	3,048,674	545,770	NA	
	TFN Media Ltd.	Taipei, Taiwan	Type II telecommunication services	1,500,000	-	214,518	93.06	2,742,131	565,278	NA	
	WinTV Broadcasting Co., Ltd.	Taipei, Taiwan	Broadcasts business	591,000	-	59,100	98.5	306,633	(90,175)	NA	
TFN Media Ltd.	Fu Yang Multimedia Co., Ltd.	Taipei, Taiwan	Management, IT service, advertisement and other service	5,668,820	5,668,820	450,073	70.6	6,544,499	545,770	NA	
Fu Yang Multimedia Co., Ltd.	Yeong Jialeh Cable TV Co., Ltd.	Sinhuangshih Township	Cable television system	1,616,824	1,616,824	33,940	100	2,033,464	116,245	NA	
	Shin Ho Cable TV Co., Ltd.	Sinhuangshih Township	Cable television system	661,781	661,781	20,000	100	720,996	27,950	NA	
	Mangrove Cable TV Corporation	Danshueijhen Township	Cable television system	397,703	397,703	21,160	100	500,208	11,738	NA	
	North Coast Cable TV Co., Ltd.	Danshueijhen Township	Cable television system	399,193	399,193	21,160	100	523,634	7,690	NA	
	Phoenix Cable TV Co., Ltd.	Kaohsiung County	Cable television system	1,229,257	1,229,257	47,663	70	2,036,349	148,356	NA	
Globalview Cable TV Co., Ltd.	Sijih Township	Cable television system	841,413	841,413	51,733	92.38	1,207,706	62,287	NA		
	Yilan City	Cable television system	1,904,440	1,904,440	170,441	99.99	1,985,632	76,882	NA		

Note 1: A book value of \$22,625,741 thousand investment and a loan of \$12,500,000 thousand to TIT has been reclassified to treasury stock. The credit balance of long-term investment account has been reclassified as other liabilities, amounting to \$2,664,615 thousand.

Note 2: Partial shares are held as trusts.

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

INVESTMENT IN MAINLAND CHINA
NINE MONTHS ENDED SEPTEMBER 30, 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 September 30, 2006	Investment Flows		Accumulated Outflow of Investment from Taiwan as of September 30, 2007	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Value as of September 30, 2007	Accumulated Inward Remittance of Earnings as of September 30, 2007
					Outflow	Inflow					
Xiamen Taifu Teleservices & Technologies Ltd.	Call center service	US\$ 1,300 (NT\$ 42,354)	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\$ 42,354)	\$ -	\$ -	US\$ 1,300 (NT\$ 42,354)	100% ownership of indirect investment by the Corporation's subsidiary	(US\$ 32) (NT\$ 1,041)	US\$ 1,287 (NT\$ 41,932)	\$ -

Accumulated Investment in Mainland China as of September 30, 2007	Investment Amounts Authorized by Investment Commission, MOEA (Note 2)	Upper Limit on Investment Authorized by Investment Commission, MOEA (Note 2)
US\$1,300 (NT\$42,354)	US\$1,300 (NT\$42,354)	\$90,035

Note 1: The above amounts were translated into New Taiwan dollars at the exchange rate of US\$1=NT\$32.58 and RMB1=NT\$4.3378 as of September 30, 2007.

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