

**Taiwan Mobile Co., Ltd.**

**Financial Statements for the  
Six Months Ended June 30, 2008 and 2007 and  
Independent Auditors' Report**

## **INDEPENDENT AUDITORS' REPORT**

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

We have audited the accompanying balance sheets of Taiwan Mobile Co., Ltd. (the "Corporation") as of June 30, 2008 and 2007, and the related statements of income, changes in shareholders' equity and cash flows for the six months then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Taiwan Mobile Co., Ltd. as of June 30, 2008 and 2007, and the results of its operations and its cash flows for the years then ended, in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, requirements of the Business Accounting Law and Guidelines Governing Business Accounting relevant to financial accounting standards, and accounting principles generally accepted in the Republic of China.

As stated in Note 3 to the financial statements, in March 2007, the Accounting Research and Development Foundation issued an interpretation that requires companies to recognize employees bonuses and remuneration paid to directors and supervisors as expenses starting from January 1, 2008. The mentioned bonuses and remuneration were previously recorded as appropriations from earnings.

As stated in Note 7 to the financial statements, to position as an integrated telecom and media player down the road differentiating from competition and build growth momentum exposure to higher margin lines of business, the Board of Directors of the Corporation's subsidiary, Taihsing International Telecommunications Co., Ltd. (TIT), resolved to acquire Taiwan Fixed Network Co., Ltd. (the former TFN) through a public tender offer on March 1, 2007, and approved to buy shares continuously from minority interests on April 26, 2007, both at the price of NT\$8.3 per share. On December 28, 2007, TFN merged into TIT (surviving company) by paying NT\$8.3 per share cash to minorities, and the surviving company is renamed as TFN.

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

We have also audited the consolidated balance sheets of the Corporation and its subsidiaries as of June 30, 2008 and 2007 and the related consolidated statements of income, changes in shareholders' equity, and cash flows for the six months then ended. In our report dated July 11, 2008, we have issued a modified unqualified opinion on these consolidated financial statements.

July 11, 2008

Notice to Readers

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

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

**TAIWAN MOBILE CO., LTD.**
**BALANCE SHEETS**
**JUNE 30, 2008 AND 2007**
**(In Thousands of New Taiwan Dollars, Except Par Value)**

ASSETS	2008		2007		LIABILITIES AND SHAREHOLDERS' EQUITY	2008		2007	
	Amount	%	Amount	%		Amount	%	Amount	%
<b>CURRENT ASSETS</b>					<b>CURRENT LIABILITIES</b>				
Cash and cash equivalents (Notes 2, 4 and 22)	\$ 798,736	1	\$ 7,053,883	8	Short-term borrowing (Note 12)	\$ 11,245,609	12	\$ -	-
Available-for-sale financial assets - current (Notes 2 and 5)	211,008	-	168,538	-	Short-term notes and bills payable (Note 13)	996,918	1	-	-
Notes receivable	7,966	-	7,333	-	Accounts payable (Note 22)	1,636,025	2	1,390,164	1
Accounts receivable - third parties (Notes 2 and 6)	5,326,398	6	5,414,584	6	Income taxes payable (Notes 2 and 18)	1,775,744	2	1,451,582	2
Accounts receivable - related parties (Notes 2 and 22)	326,731	-	300,234	-	Accrued expenses (Note 22)	4,725,093	5	3,698,518	4
Other receivables - third parties	206,351	-	199,111	-	Other payables (Note 22)	11,455,134	13	17,678,907	19
Other receivables - related parties (Note 22)	2,309,438	3	307,054	-	Advance receipts	1,070,342	1	835,759	1
Inventories (Note 2)	140,156	-	65,398	-	Current portion of long-term liabilities (Notes 2, 14 and 21)	2,500,000	3	3,785,381	4
Prepayments (Note 22)	528,474	1	471,526	1	Guarantee deposits	24,375	-	31,271	-
Deferred income tax assets - current (Notes 2 and 18)	257,461	-	100,764	-	Other current liabilities (Note 22)	791,854	1	884,584	1
Pledged time deposits (Notes 22 and 23)	10,000	-	10,000	-					
Other current assets	11,945	-	8,707	-	Total current liabilities	36,221,094	40	29,756,166	32
Total current assets	10,134,664	11	14,107,132	15	<b>LONG-TERM LIABILITIES</b>				
<b>INVESTMENTS</b>					Bonds payable (Notes 2, 14 and 21)	7,500,000	8	10,000,000	11
Investments accounted for using equity method (Notes 2, 7 and 17)	25,569,757	28	10,303,770	11	Long-term borrowing (Note 15)	900,000	1	-	-
Hedging derivative financial assets - non-current (Notes 2, 21 and 25)	2,486	-	-	-	Hedging derivative financial liabilities (Notes 2, 21 and 25)	-	-	260,081	-
Financial assets carried at cost - non-current (Notes 2 and 8)	60,064	-	52,052	-					
Total investments	25,632,307	28	10,355,822	11	Total long-term liabilities	8,400,000	9	10,260,081	11
<b>PROPERTY AND EQUIPMENT (Notes 2, 9 and 22)</b>					<b>OTHER LIABILITIES</b>				
Cost					Guarantee deposits	251,902	-	260,285	-
Land	3,758,511	4	3,655,983	4	Deferred credits - gains on intercompany accounts (Notes 2 and 7)	1,238,378	2	1,586,156	2
Buildings	2,256,748	3	2,181,890	2	Long-term investment credit balances (Notes 2 and 7)	-	-	2,412,781	3
Telecommunication equipment	54,036,422	60	70,479,259	76					
Office equipment	111,944	-	110,222	-	Total other liabilities	1,490,280	2	4,259,222	5
Leased assets	1,276,190	1	1,276,190	2	Total liabilities	46,111,374	51	44,275,469	48
Miscellaneous equipment	2,086,663	2	1,957,581	2	<b>SHAREHOLDERS' EQUITY (Notes 2, 7 and 17)</b>				
Total cost	63,526,478	70	79,661,125	86	Capital stock - NT\$10.00 par value				
Less accumulated depreciation	(23,939,210)	(26)	(27,790,703)	(30)	Authorized: 6,000,000 thousand shares				
	39,587,268	44	51,870,422	56	Issued: 3,800,925 thousand shares and 5,000,414 thousand shares in 2008 and 2007	38,009,254	42	50,004,141	54
Construction in progress and advance payments	1,860,456	2	3,205,650	4	Capital surplus	12,270,891	13	8,771,786	9
Net property and equipment	41,447,724	46	55,076,072	60	Retained earnings				
<b>INTANGIBLE ASSETS (Note 2)</b>					Legal reserve	12,406,775	14	11,745,475	13
3G concession	7,850,945	9	8,598,655	9	Special reserve	3,406,744	4	3,493,563	4
Computer software cost	9,419	-	44,354	-	Unappropriated earnings	10,504,839	11	12,108,451	13
Total intangible assets	7,860,364	9	8,643,009	9	Other equity				
<b>OTHER ASSETS</b>					Cumulative translation adjustments	(11,671)	-	7,495	-
Assets leased to others (Notes 2, 10 and 22)	2,255,150	3	2,394,031	3	Net loss not recognized as pension cost	1,534	-	-	-
Idle assets (Notes 2 and 10)	178,873	-	226,957	-	Unrealized gains (losses) of financial instruments	21,664	-	(268,846)	-
Refundable deposits	301,059	-	283,618	1	Treasury stock	(31,889,100)	(35)	(37,746,803)	(41)
Deferred charges (Notes 2 and 11)	278,419	-	261,744	-	Total shareholders' equity	44,720,930	49	48,115,262	52
Deferred income tax assets - non-current (Notes 2 and 18)	2,687,775	3	997,432	1	<b>TOTAL</b>	<b>\$ 90,832,304</b>	<b>100</b>	<b>\$ 92,390,731</b>	<b>100</b>
Other (Notes 2 and 16)	55,969	-	44,914	-					
Total other assets	5,757,245	6	4,208,696	5					
<b>TOTAL</b>	<b>\$ 90,832,304</b>	<b>100</b>	<b>\$ 92,390,731</b>	<b>100</b>					

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

(With Deloitte &amp; Touche audit report dated July 11, 2008)

# TAIWAN MOBILE CO., LTD.

## STATEMENTS OF INCOME

SIX MONTHS ENDED JUNE 30, 2008 AND 2007

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

	2008		2007	
	Amount	%	Amount	%
OPERATING REVENUES (Notes 2 and 22)				
Telecommunication service revenue	\$26,087,982	99	\$24,917,794	100
Other revenue	<u>272,511</u>	<u>1</u>	<u>115,205</u>	<u>-</u>
Total operating revenues	26,360,493	100	25,032,999	100
OPERATING COSTS (Notes 2, 20 and 22)	<u>11,363,114</u>	<u>43</u>	<u>10,828,558</u>	<u>43</u>
GROSS PROFIT	<u>14,997,379</u>	<u>57</u>	<u>14,204,441</u>	<u>57</u>
OPERATING EXPENSES (Notes 2, 20 and 22)				
Marketing	4,729,037	18	4,131,202	17
Administrative	<u>1,721,122</u>	<u>7</u>	<u>1,797,358</u>	<u>7</u>
Total operating expenses	<u>6,450,159</u>	<u>25</u>	<u>5,928,560</u>	<u>24</u>
OPERATING INCOME	<u>8,547,220</u>	<u>32</u>	<u>8,275,881</u>	<u>33</u>
NON-OPERATING INCOME AND GAINS				
Investment income recognized under equity method, net (Notes 2 and 7)	2,339,070	9	2,105,469	9
Penalty income	95,232	1	87,453	-
Rental income (Note 22)	62,347	-	53,503	-
Interest income (Note 22)	57,666	-	136,250	1
Gain on disposal of property and equipment (Notes 2 and 20)	851	-	3,824	-
Valuation gain on financial assets, net (Note 2)	36	-	39,408	-
Other (Notes 2 and 6)	<u>94,408</u>	<u>-</u>	<u>79,795</u>	<u>-</u>
Total non-operating income and gains	<u>2,649,610</u>	<u>10</u>	<u>2,505,702</u>	<u>10</u>
NON-OPERATING EXPENSES AND LOSSES				
Interest expenses (Notes 2, 9 and 22)	355,304	1	158,227	1
Loss on disposal and retirement of property and equipment (Note 2)	338,353	1	244,928	1
Impairment loss (Notes 2 and 8)	11,532	-	-	-
Other (Note 2)	<u>30,919</u>	<u>-</u>	<u>19,176</u>	<u>-</u>
Total non-operating expenses and losses	<u>736,108</u>	<u>2</u>	<u>422,331</u>	<u>2</u>
INCOME BEFORE INCOME TAX	10,460,722	40	10,359,252	41
INCOME TAX EXPENSE (Notes 2 and 18)	<u>2,300,510</u>	<u>9</u>	<u>2,358,034</u>	<u>9</u>
NET INCOME	<u>\$ 8,160,212</u>	<u>31</u>	<u>\$ 8,001,218</u>	<u>32</u>

(Continued)

# TAIWAN MOBILE CO., LTD.

## STATEMENTS OF INCOME

SIX MONTHS ENDED JUNE 30, 2008 AND 2007

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

	2008		2007	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
EARNINGS PER SHARE (Note 19)				
Basic	<u>\$ 3.54</u>	<u>\$ 2.76</u>	<u>\$ 2.36</u>	<u>\$ 1.82</u>
Diluted	<u>\$ 3.54</u>	<u>\$ 2.76</u>	<u>\$ 2.36</u>	<u>\$ 1.82</u>

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

	2008	2007
	<u>\$11,645,944</u>	<u>\$ 8,001,218</u>
NET INCOME		
EARNINGS PER SHARE		
Basic	<u>\$ 3.06</u>	<u>\$ 1.61</u>
Diluted	<u>\$ 3.06</u>	<u>\$ 1.61</u>

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

(With Deloitte & Touche audit report dated July 11, 2008)

(Concluded)

**TAIWAN MOBILE CO., LTD.**

**STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY  
SIX MONTHS ENDED JUNE 30, 2008 AND 2007  
(In Thousands of New Taiwan Dollars, Except Per Share Amounts)**

	Capital Stock	Capital Surplus	Retained Earnings				Cumulative Translation Adjustments	Net Loss Not Recognized as Pension Cost	Unrealized Gain (Loss) on Financial Instruments	Treasury Stock	Total Shareholders' Equity
			Legal Reserve	Special Reserve	Unappropriated	Total					
BALANCE, JANUARY 1, 2008	\$ 38,009,254	\$ 8,785,159	\$ 11,745,475	\$ 3,493,563	\$ 10,720,230	\$ 25,959,268	\$ 5,764	\$ 1,534	\$ (64,043)	\$(40,844,007)	\$ 31,852,929
Appropriation of the 2007 earnings											
Legal reserve	-	-	661,300	-	(661,300)	-	-	-	-	-	-
Reversal of special reserve	-	-	-	(86,819)	86,819	-	-	-	-	-	-
Remuneration to directors and supervisors	-	-	-	-	(18,116)	(18,116)	-	-	-	-	(18,116)
Bonus to employees - cash	-	-	-	-	(181,155)	(181,155)	-	-	-	-	(181,155)
Cash dividends - NT\$2.54326 per share	-	-	-	-	(7,601,851)	(7,601,851)	-	-	-	-	(7,601,851)
Balance after appropriation	38,009,254	8,785,159	12,406,775	3,406,744	2,344,627	18,158,146	5,764	1,534	(64,043)	(40,844,007)	24,051,807
Net income for the six months ended June 30, 2008	-	-	-	-	8,160,212	8,160,212	-	-	-	-	8,160,212
Adjustment to change in equity-method investees' shareholders' equity	-	-	-	-	-	-	(17,435)	-	11,198	-	(6,237)
Disposal of the Corporation's shares held by subsidiaries	-	3,485,732	-	-	-	-	-	-	-	8,954,907	12,440,639
Unrealized gains is on financial instruments, net	-	-	-	-	-	-	-	-	74,509	-	74,509
<b>BALANCE, JUNE 30, 2008</b>	<b>\$ 38,009,254</b>	<b>\$ 12,270,891</b>	<b>\$ 12,406,775</b>	<b>\$ 3,406,744</b>	<b>\$ 10,504,839</b>	<b>\$ 26,318,358</b>	<b>\$(11,671)</b>	<b>\$ 1,534</b>	<b>\$ 21,664</b>	<b>\$(31,889,100)</b>	<b>\$ 44,720,930</b>
BALANCE, JANUARY 1, 2007	\$ 49,993,251	\$ 8,748,571	\$ 10,128,401	\$ 3,350,000	\$ 19,228,424	\$ 32,706,825	\$ 3,860	\$ -	\$(147,423)	\$ (1,437,290)	\$ 89,867,794
Appropriation of the 2006 earnings											
Legal reserve	-	-	1,617,074	-	(1,617,074)	-	-	-	-	-	-
Special reserve	-	-	-	143,563	(143,563)	-	-	-	-	-	-
Remuneration to directors and supervisors	-	-	-	-	(43,231)	(43,231)	-	-	-	-	(43,231)
Bonus to employees - cash	-	-	-	-	(432,303)	(432,303)	-	-	-	-	(432,303)
Cash dividends - NT\$2.58757 per share	-	-	-	-	(12,880,151)	(12,880,151)	-	-	-	-	(12,880,151)
Balance after appropriation	49,993,251	8,748,571	11,745,475	3,493,563	4,112,102	19,351,140	3,860	-	(147,423)	(1,437,290)	76,512,109
Net income for the six months ended June 30, 2007	-	-	-	-	8,001,218	8,001,218	-	-	-	-	8,001,218
Adjustment to change in equity-method investees' shareholders' equity	-	-	-	-	-	-	3,635	-	(150,290)	-	(146,655)
Transfer of treasury stock to employees	-	4,127	-	-	(4,869)	(4,869)	-	-	-	735,801	735,059
Conversion of convertible bonds to capital stock and entitlement certificates	10,890	19,088	-	-	-	-	-	-	-	-	29,978
Unrealized losses on financial instruments, net	-	-	-	-	-	-	-	-	28,867	-	28,867
Adjustments of treasury stock held by subsidiaries	-	-	-	-	-	-	-	-	-	(37,045,314)	(37,045,314)
<b>BALANCE, JUNE 30, 2007</b>	<b>\$ 50,004,141</b>	<b>\$ 8,771,786</b>	<b>\$ 11,745,475</b>	<b>\$ 3,493,563</b>	<b>\$ 12,108,451</b>	<b>\$ 27,347,489</b>	<b>\$ 7,495</b>	<b>\$ -</b>	<b>\$(268,846)</b>	<b>\$(37,746,803)</b>	<b>\$ 48,115,262</b>

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

(With Deloitte & Touche audit report dated July 11, 2008)

# TAIWAN MOBILE CO., LTD.

## STATEMENTS OF CASH FLOWS SIX MONTHS ENDED JUNE 30, 2008 AND 2007 (In Thousands of New Taiwan Dollars)

	2008	2007
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ 8,160,212	\$ 8,001,218
Adjustments to reconcile net income to net cash provided by operating activities:		
Cash dividends received from equity-method investees	3,245,715	1,979,210
Depreciation	2,863,904	3,019,232
Investment income recognized under equity method, net	(2,339,070)	(2,105,469)
Amortization	430,068	447,509
Loss on disposal and retirement of property and equipment, net	337,502	241,104
Bad debts	289,642	408,451
Deferred income taxes	16,184	443,061
Impairment loss	11,532	-
Pension cost	(1,116)	(2,107)
Reversal of allowance for loss on inventories	(167)	(8,052)
Accrued interest compensation	-	910
Net changes in operating assets and liabilities		
Financial assets held for trading	-	11,109,207
Notes receivable	6,573	4,073
Accounts receivable - third parties	(265,794)	(765,748)
Accounts receivable - related parties	(30,391)	36,315
Other receivables - third parties	(1,829)	43,449
Other receivables - related parties	(22,491)	(52,194)
Inventories	(57,767)	(26,114)
Prepayments	27,891	92,920
Other current assets	5,713	7,717
Accounts payable	35,629	(42,399)
Income taxes payable	929,209	(654,457)
Accrued expenses	131,969	(67,143)
Other payables	329,246	792,466
Advance receipts	(37,660)	(158,471)
Other current liabilities	(135,030)	(1,077)
Net cash provided by operating activities	<u>13,929,674</u>	<u>22,743,611</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of property and equipment	(2,139,294)	(2,782,491)
Repayment of financing from investees	1,250,000	-
Proceeds from investees' capital reduction	1,002,688	3,458,463
Financing provided to investees	(1,000,000)	(12,500,000)
Increase in long-term investments accounted for using equity method	(185,000)	(12,740,430)
Increase in deferred charges	(72,135)	(35,912)
Increase in refundable deposits	(5,064)	(8,632)

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# TAIWAN MOBILE CO., LTD.

## STATEMENTS OF CASH FLOWS SIX MONTHS ENDED JUNE 30, 2008 AND 2007 (In Thousands of New Taiwan Dollars)

	2008	2007
Proceeds from the disposal of property and equipment	\$ 1,302	\$ 4,578
Decrease in other assets	133	142
Increase in financial assets carried at cost - non-current	<u>-</u>	<u>(19,892)</u>
Net cash used in investing activities	<u>(1,147,370)</u>	<u>(24,624,174)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Capital reduction	(11,997,771)	-
Decrease in short-term borrowing	(2,754,391)	-
Increase in long-term borrowing	900,000	-
Decrease in short-term notes and bills payable	(597,835)	-
Increase (decrease) in guarantee deposits	2,990	(3,076)
Transfer of treasury stock to employees	<u>-</u>	<u>735,059</u>
Net cash (used in) provided by financing activities	<u>(14,447,007)</u>	<u>731,983</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,664,703)	(1,148,580)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>2,463,439</u>	<u>8,202,463</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 798,736</u>	<u>\$ 7,053,883</u>
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
Interest paid	\$ 288,718	\$ 89,116
Less: Capitalized interest	<u>6,321</u>	<u>16,928</u>
Interest paid - excluding capitalized interest	<u>\$ 282,397</u>	<u>\$ 72,188</u>
Income taxes paid	<u>\$ 1,017,652</u>	<u>\$ 2,069,430</u>
<b>NON-CASH INVESTING AND FINANCING ACTIVITIES</b>		
Current portion of long-term liabilities	<u>\$ 2,500,000</u>	<u>\$ 3,785,381</u>
Conversion of convertible bonds to capital stock and entitlement certificates	<u>\$ -</u>	<u>\$ 29,978</u>
Reclassification of the corporation's shares held by its subsidiaries to treasury stock	<u>\$31,889,100</u>	<u>\$37,045,314</u>
Participation in subsidiary's rights issue with TFN shares	<u>\$ -</u>	<u>\$ 5,287,100</u>
<b>CASH INVESTING AND FINANCING ACTIVITIES</b>		
Acquisition of property and equipment	\$ 1,907,652	\$ 2,809,641
Decrease (increase) in other payables	<u>231,642</u>	<u>(27,150)</u>
Cash paid for acquisition of property and equipment	<u>\$ 2,139,294</u>	<u>\$ 2,782,491</u>

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

(With Deloitte & Touche audit report dated July 11, 2008)

(Concluded)

# TAIWAN MOBILE CO., LTD.

## NOTES TO FINANCIAL STATEMENTS

SIX MONTHS ENDED JUNE 30, 2008 AND 2007

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

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### 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 June 30, 2008 and 2007, the Corporation had 2,526 and 2,147 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, bonus to employees, remuneration to directors and supervisors, 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**

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 asset value on the balance sheet date.

## **Available-for-sale Financial Assets**

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

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

An impairment loss is recognized if there is 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.

## **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 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. If the fair value of identifiable net assets acquired exceeds the cost of investments, the excess should be assigned to non-current assets (except for financial assets not under equity method, assets for disposal, deferred income tax assets and prepaid pension costs or other retirement benefit costs). If these assets are all reduced to zero, the remaining excess should be recognized as extraordinary gain. Starting January 1, 2006, the unamortized balance of the excess of the acquisition cost of the long-term investment by the equity method over the equity in the investee's net assets value is also no longer amortized and applies the same accounting treatment as goodwill.

Gains or losses from downstream transactions to its subsidiaries are deferred and included in deferred income (loss) and recorded as other liabilities (assets). Gains or losses on the upstream transactions to the Corporation by equity-method investees that are not majority owned are deferred in proportion to the Corporation's ownership percentages in the investees until these sales are realized through transactions with third parties.

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

### **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 assets carried at cost is the same as that for an available-for-sale financial assets. Impairment loss is recognized if a decrease in the fair value of the instruments can be objectively related to an event. Reversal of impairment loss is not allowed.

### **Property and Equipment and Assets Leased to Others**

Property and equipment and assets leased to others are stated at cost less accumulated depreciation. 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 refers to the payment for the 3G mobile telecommunication service - License C. The 3G concession is recorded at acquisition cost and is amortized by the straight-line method 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**

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

## **Deferred Charges**

Deferred charges, which include interior decoration costs, bond issuance costs, and arrangement fees for syndicated bank loans are amortized by the straight-line method over three to seven years or contract periods.

## **Asset Impairment**

If the carrying value of an asset (including property and equipment, intangible assets, idle assets, assets leased to others, investments accounted for using equity method and deferred charges) is more than its recoverable amount, which indicates that an impairment exists, an impairment loss should be recognized. Any subsequent reversal of the impairment loss for the increase in recoverable amount is recognized as income. The reversal of impairment loss on goodwill is not allowed.

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

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

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

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

## **Treasury Stock**

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

## **Revenue Recognition**

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

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

## **Promotion Expenses**

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

## **Hedging Derivative Financial Instruments**

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

## Hedge Accounting

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

The Corporation entered into interest rate swaps (IRS) contracts to hedge against cash flow risk from inverse floating interest rates of liabilities, thus was qualified to apply hedge accounting. The accounting treatment is as follows: Gain or loss from changes in the fair value of the derivatives, which is recognized in shareholder's equity, shall be reclassified in earnings, if gain or loss from the expected transaction of the hedged position occurs. When there is objective evidence that the net loss recognized in shareholders' equity is expected to be not recoverable, the mentioned net loss should be reclassified in earnings as well.

## Reclassification

Certain accounts in the financial statements as of and for the six months ended June 30, 2007 have been reclassified to conform to the presentation of financial statements as of and for the six months ended June 30, 2008.

### 3. EFFECTS OF CHANGES IN ACCOUNTING PRINCIPLES

In March 2007, the Accounting Research and Development Foundation issued an interpretation that requires companies and their subsidiaries to recognize those bonuses to employees and remunerations to directors and supervisors as expenses starting from January 1, 2008. The mentioned bonuses and remunerations were previously recorded as appropriations from earnings. The adoption of this interpretation resulted in a decrease of \$151,159 thousand in net income and a decrease in basic earnings per share of \$0.05 for the six months ended June 30, 2008.

### 4. CASH AND CASH EQUIVALENTS

	<u>June 30</u>	
	<u>2008</u>	<u>2007</u>
Cash in banks	\$ 414,260	\$ 514,828
Short-term notes and bills with repurchase rights	256,000	5,605,625
Time deposits	100,613	897,148
Cash on hand	24,140	32,662
Revolving funds	<u>3,723</u>	<u>3,620</u>
	<u>\$ 798,736</u>	<u>\$ 7,053,883</u>

### 5. AVAILABLE-FOR-SALE FINANCIAL ASSETS - CURRENT

	<u>June 30</u>	
	<u>2008</u>	<u>2007</u>
Domestic listed stocks		
Chunghwa Telecom Co., Ltd.	<u>\$ 211,008</u>	<u>\$ 168,538</u>

## 6. ACCOUNTS RECEIVABLE - THIRD PARTIES

	<u>June 30</u>	
	<u>2008</u>	<u>2007</u>
Accounts receivable	\$ 5,701,718	\$ 5,840,154
Less allowance for doubtful accounts	<u>(375,320)</u>	<u>(425,570)</u>
	<u>\$ 5,326,398</u>	<u>\$ 5,414,584</u>

In the first quarter of 2008, the Corporation entered into an accounts receivable factoring contract with HC Second Asset Management Co., Ltd. The Corporation sold \$1,122,544 thousand of the overdue accounts receivable, which had been written off, to HC Second Asset Management Co., Ltd. The aggregate selling price was \$15,358 thousand. Under this contract, the Corporation would no longer assume the risk on this receivable.

## 7. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	<u>June 30</u>			
	<u>2008</u>		<u>2007</u>	
	<u>Carrying Value</u>	<u>% of Ownership</u>	<u>Carrying Value</u>	<u>% of Ownership</u>
TransAsia Telecommunications Inc. (TAT)	\$ 10,395,663	100	\$ 10,303,770	100
Taiwan Cellular Co., Ltd. (TCC)	14,928,356	100	-	-
Wealth Media Technology Co., Ltd. (WMT)	<u>245,738</u>	100	<u>-</u>	-
	<u>\$ 25,569,757</u>		<u>\$ 10,303,770</u>	
Credit balance (recorded as other liabilities)				
Taiwan Cellular Co., Ltd. (TCC)	<u>\$ -</u>	-	<u>\$ 2,412,781</u>	100

### a. TransAsia Telecommunications Inc.

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 capital return to investors. On the record date, March 5, 2007, the Corporation was entitled to receive \$3,458,463 thousand based on its 100% holding in TAT.

To integrate enterprise resources and enhance the operating efficiency, TAT's Board of Directors decided on September 4, 2007 to merge Mobitai Communications (Mobitai) with TAT as the surviving company. Mobitai was a wireless operator, incorporated in November 2005. TAT assumed all of Mobitai's rights and obligations in this cash merger with purchase price of \$2,562,000 thousand (\$12.81 per share) on the record date of December 15, 2007.

On September 4, 2007, the Board of Directors of the Corporation resolved to merge TAT, with the Corporation as the surviving company. The merger was approved by NCC on July 3, 2008, with the record date subject to the approval from the Corporation's Board of Directors.



b. Taiwan Cellular Co., Ltd.

On March 1, 2007, TCC's Board of Directors resolved the rights issue of 18,028 thousand 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 \$8.3 per share. After the capital injection, TCC is still a wholly-owned subsidiary of the Corporation.

TCC's Board of Directors resolved the rights issue of 21,931 thousand shares at \$1,000 dollars on October 31, 2007. On the record date (December 26, 2007), the Corporation subscribed for all the shares and TCC is still a wholly-owned subsidiary.

On April 18, 2008, TCC's Board of Directors decided to reduce its capital by \$1,000,000 thousand, resulting in the cancellation of 100,000 thousand shares and the cash return to investors. On the record date (May 1, 2008), the Corporation was entitled to receive \$1,000,000 thousand based on its 100% equity in TCC.

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 \$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. As of June 30, 2008, the amount recognized by the Corporation and TCC was deferred credits \$1,238,378 thousand and deferred debits \$1,713 thousand, respectively.

With the purpose of positioning and differentiating itself from the competition as an integrated telecom and media player down the road, and building growth momentum exposure to higher margin lines of business, the Board of Directors of TIT resolved to acquire TFN through a public tender offer on March 1, 2007, and approved to buy shares continuously from minority interests on April 26, 2007, both at the price of \$8.3 per share. TFN and its subsidiaries have become the subsidiaries of the Corporation since April 17, 2007. In addition, TIT's Board of Directors resolved on June 29, 2007 to fully merge TFN at \$8.3 per share, with TIT as the surviving company. TIT thus assumed all the rights and obligations of TFN and was renamed as TFN on the record date, December 28, 2007.

As of June 30, 2008, TFN and its subsidiary held 811,918 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 stock account by \$31,889,100 thousand. Please refer to note 17 for details.

TFN reclassified investments in the former 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 the former TFN for the period from January 1, 2007 to April 16, 2007 should be therefore accrued retroactively. Given that the Corporation controlled the former TFN through TFN (100% owned by the Corporation) and the former TFN held over 20% stake in the Corporation, the Corporation and the former TFN recognized investment income from each other based on treasury stock method. Moreover, the former TFN and its subsidiary became the subsidiaries of the Corporation, and reclassified investments in the Corporation from "investments accounted for using equity method" account to "available-for-sale financial assets - non-current" account effective on April 17, 2007.

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. To integrate enterprise resources and enhance the operating efficiency, TUC's Board of Directors decided on November 30, 2007 to acquire 100% of TTN through share swap on December 31, 2007. TFN's Board of Directors resolved on December 31, 2007 to fully merge TUC at \$1,384.3 per share, with TFN as the surviving company. The record date of the merger was January 1, 2008. TFN assumed all the rights and obligations of TUC.

On May 22, 2008, TFN's Board of Directors resolved to merge TTN, with TFN as the surviving company. The approval on the merger was received from NCC on July 11, 2008, with the record date subject to the approval from TFN's Board of Directors.

c. Wealth Media Technology Co., Ltd.

To integrate enterprise resources, the Corporation established Wealth Media Technology Co., Ltd. (WMT) on August 7, 2007. WMT's Board of Directors resolved the rights issue of 18,500 thousand shares at \$10 par value on March 28, 2008. On the record date (April 1, 2008), the Corporation subscribed for all the shares and WMT is still a wholly-owned subsidiary.

d. Equity in investees' net gains or losses

The financial statements used as basis for calculating the carrying values of equity-method investments and the related income or losses were all unaudited, except the financial statements of TAT and TFN for the six months ended June 30, 2008 and the financial statements of TAT, Mobitai and the former TFN for the six months ended June 30, 2007. The Corporation's management considered that, had these financial statements been audited, any adjustments would have been immaterial and would thus have had no material effects on the Corporation's financial statements.

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

	<b>Six Months Ended</b>	
	<b>June 30</b>	
	<b>2008</b>	<b>2007</b>
TAT	\$ 719,388	\$ 1,187,356
TCC	1,641,659	918,113
WMT	<u>(21,977)</u>	<u>-</u>
	<u>\$ 2,339,070</u>	<u>\$ 2,105,469</u>

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

**8. FINANCIAL ASSETS CARRIED AT COST - NON-CURRENT**

	<b>June 30</b>	
	<b>2008</b>	<b>2007</b>
Foreign unlisted stocks		
Bridge Mobile Pte Ltd.	<u>\$ 60,064</u>	<u>\$ 52,052</u>

Because there is no active market quotation and a reliable fair value can not be estimated, the above investments are measured at cost. An impairment loss of \$11,532 thousand was recognized due to a carrying value decrease in the investment during the first half of 2008.

## 9. PROPERTY AND EQUIPMENT - ACCUMULATED DEPRECIATION

	<b>June 30</b>	
	<b>2008</b>	<b>2007</b>
Buildings	\$ 299,303	\$ 240,910
Telecommunication equipment	22,167,905	26,393,269
Office equipment	75,230	53,722
Leased assets	388,175	324,366
Miscellaneous equipment	<u>1,008,597</u>	<u>778,436</u>
	<u>\$ 23,939,210</u>	<u>\$ 27,790,703</u>

Capitalized interests for the six months ended June 30, 2008 and 2007 were \$6,321 thousand and \$16,928 thousand, respectively, with capitalization rates ranging both from 2.40%-2.64%.

The Corporation bought farmland located in Yang-Mei, Taoyuan for the amount of \$12,000 thousand from the former TFN, based on the need for deploying telecom equipments. Because only an individual could be the owner of farmland according to related regulations, its ownership is under the landholder through a fiduciary contract.

## 10. ASSETS LEASED TO OTHERS AND IDLE ASSETS

	<b>June 30</b>	
	<b>2008</b>	<b>2007</b>
Assets leased to others		
Cost	\$ 2,398,710	\$ 2,507,510
Less accumulated depreciation	(111,045)	(102,888)
Less accumulated impairment	<u>(32,515)</u>	<u>(10,591)</u>
	<u>\$ 2,255,150</u>	<u>\$ 2,394,031</u>
Idle assets		
Cost	\$ 571,017	\$ 2,460,027
Less allowance for value decline	(187,519)	(1,432,190)
Less accumulated depreciation	(98,054)	(672,018)
Less accumulated impairment	<u>(106,571)</u>	<u>(128,862)</u>
	<u>\$ 178,873</u>	<u>\$ 226,957</u>

## 11. DEFERRED CHARGES

	<b>June 30</b>	
	<b>2008</b>	<b>2007</b>
Interior decoration costs	\$ 248,593	\$ 250,828
Arrangement fee for syndicated bank loans	19,492	-
Other	<u>10,334</u>	<u>10,916</u>
	<u>\$ 278,419</u>	<u>\$ 261,744</u>

## 12. SHORT-TERM BORROWING

	<u>June 30</u>	
	<u>2008</u>	<u>2007</u>
Unsecured loans from financial institutions	\$ 9,950,000	\$ -
Loan from related party	<u>1,295,609</u>	<u>-</u>
	<u>\$ 11,245,609</u>	<u>\$ -</u>
Interest rate	2.4%-2.62%	-

## 13. SHORT-TERM NOTES AND BILLS PAYABLE

	<u>June 30</u>	
	<u>2008</u>	<u>2007</u>
Commercial paper payable		
The Shanghai Commercial & Saving Bank, Ltd.	\$ 1,000,000	\$ -
Less: Discount on short-term notes and bills payable	<u>(3,082)</u>	<u>-</u>
Net carrying value	<u>\$ 996,918</u>	<u>\$ -</u>
Interest rate	2.5%	-
Period	2008.5.16- 2008.8.14	-

## 14. BONDS PAYABLE

	<u>June 30</u>			
	<u>2008</u>		<u>2007</u>	
	<u>Current</u>	<u>Non-current</u>	<u>Current</u>	<u>Non-current</u>
Domestic unsecured bonds	\$ 2,500,000	\$ 7,500,000	\$ 3,750,000	\$ 10,000,000
2nd domestic convertible bonds	-	-	30,200	-
Add accrued interest compensation	<u>-</u>	<u>-</u>	<u>5,181</u>	<u>-</u>
	<u>\$ 2,500,000</u>	<u>\$ 7,500,000</u>	<u>\$ 3,785,381</u>	<u>\$ 10,000,000</u>

a. 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 bonds. The interest rates and payment terms are as follows:

	<b>Principal</b>	<b>Rate</b>	<b>Terms</b>
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:

<b>Year</b>	<b>Amount</b>
The second half of 2008	\$ 2,500,000
2009	<u>7,500,000</u>
	<u>\$ 10,000,000</u>

b. 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 \$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%.

## 15. LONG-TERM BORROWING

	<u>June 30</u>	
	<u>2008</u>	<u>2007</u>
Unsecured loan	\$ 900,000	\$ -
Interest rate	2.7305%	-

On February 21, 2008, to replenish medium-term working capital, the Corporation and its subsidiary, TFN, entered into a syndicated loan with a joint credit line of \$13,500,000 thousand with 9 banks led by Chinatrust Commercial Bank. The tenor is three years starting from May 20, 2008. Based on contract term, interests are payable monthly and the principal is due upon maturity. The contract requires the Corporation to maintain certain financial ratio including debt ratios, interest coverage, and tangible net asset ratio based on semi-annual financials. The Corporation also bears the repayment liability with respect to TFN's borrowing. Please refer to Note 22 for further information.

## 16. PENSION PLAN

The Labor Pension Act (LPA) provides for a defined contribution pension plan. Starting from July 1, 2005, the Corporation should contribute monthly an amount equal to 6% of the employees' monthly wages to the employees' individual pension accounts. The contributed amount was \$54,043 thousand and \$45,199 thousand for the six months ended June 30, 2008 and 2007, respectively.

The Labor Standards Act (LSA) provides for a defined benefit pension plan. Benefits are based on the length of service and average basic pay of the six months before retirement. The Corporation contributes monthly an amount equal to 2% of the employees' monthly 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 Bank of Taiwan (formerly in the Central Trust of China, which was merged into the Bank of Taiwan in July 2007.) Approved by Department of Labor, Taipei City Government on April 13, 2007 and January 22, 2008, the Corporation suspended contributing from February 2007 to January 2009.

## 17. SHAREHOLDERS' EQUITY

### a. Capital surplus

Under the Company Law, capital surplus may only be used to offset a deficit. However, capital surplus generated from the excess of the issue price over the par value of capital stock, including the stock issued for new capital and the buyback of treasury stock, may be transferred to capital as stock dividends, and this transfer is restricted to a certain percentage of the capital and may be made only within prescribed limits each time. Also, the capital surplus from long-term investments may not be used for any purpose.

Capital surplus consisted of the following:

	<u>June 30</u>	
	<u>2008</u>	<u>2007</u>
From convertible bonds	\$ 8,775,819	\$ 8,767,659
From treasury stock transactions	3,493,759	4,127
From long-term investments	<u>1,313</u>	<u>-</u>
	<u>\$ 12,270,891</u>	<u>\$ 8,771,786</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 in the financial statements of that year.

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

For the six months ended June 30, 2008, the bonuses to employees and remuneration to directors and supervisors were accrued based on a respective 3% and 0.3% of net income (net of the bonus to employees and remuneration to directors and supervisors) after setting aside 10% net income as legal reserves. The significant difference between annual accruals and the amount approved by the Board shall be adjusted in the current year. If the board's approval differs from the amount ratified at the AGM (Annual General Shareholders' Meeting), the difference will be treated as changes in accounting estimate and will be recorded in the year of AGM's resolution. If bonus shares are resolved to be distributed to employees, the number of shares is determined by dividing the amount of bonus by the closing price (after considering the effect of cash and stock dividends) of the shares of the day preceding the shareholders' meeting.

The 2007 and 2006 earnings appropriations resolved by the AGMs on June 13, 2008 and June 15, 2007 were as follows:

	<u>Appropriation of Earnings</u>		<u>Dividend Per Share</u> (NT\$)	
	<u>For Fiscal</u> <u>Year 2007</u>	<u>For Fiscal</u> <u>Year 2006</u>	<u>For Fiscal</u> <u>Year 2007</u>	<u>For Fiscal</u> <u>Year 2006</u>
Appropriation of legal reserve	\$ 661,300	\$ 1,617,074		
Appropriation of special reserve	-	143,563		
Reversal of special reserve	(86,819)	-		
Remuneration to directors and supervisors	18,116	43,231		
Cash bonus to employees	181,155	432,303		
Cash dividends	<u>7,601,851</u>	<u>12,880,151</u>	\$2.54326	\$ 2.58757
	<u>\$ 8,375,603</u>	<u>\$ 15,116,322</u>		

c. Capital reduction by cash

To increase ROE (Return of Equity) and maintain stable EPS (Earnings Per Share) and dividend, the Corporation's AGM resolved on June 15, 2007, a capital reduction of \$12,000,000 thousand, representing 24% of outstanding shares. The Corporation's Board of Directors resolved the record date of December 1, 2007, and completed the procedure for registration changes, which is already approved by the authority. Trading suspension period started from February 1 to 19, 2008, and new shares resumed trading from February 20, 2008.

d. Treasury stock

	(Shares in Thousands)			
Purpose of Buyback	Beginning Shares	Increase	Decrease	Ending Shares
<u>Six months ended June 30, 2008</u>				
Shares held by subsidiaries	1,368,250 (Note)	-	556,332	811,918
<u>Six months ended June 30, 2007</u>				
To be transferred to employees	46,537	-	23,824	22,713
Shares held by subsidiaries	-	1,368,250	-	1,368,250

Note: Shares held before capital reduction.

1) Transfer of stock to employees

For the six months ended June 30, 2007, the Corporation transferred the treasury stock through various tranches to employees of 23,824 thousand shares at \$28.17 and \$31.16 per share, resulting in a reduction of retained earnings by \$4,869 thousand and a increase of capital surplus by \$4,127 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

On June 30, 2008, TFN and TFN Investment Co., Ltd. (TFNI), its subsidiary, held the carrying and market value of the treasury stocks, amounting to \$45,873,345 thousand. The Corporation reclassified \$31,889,100 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 statements, 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 Law, the shareholders of treasury stocks can not exercise the voting right.

In the first quarter of 2008, TFN sold 300,000 thousand shares of the Corporation for \$13,509,828 thousand. Disposal gain from the sales resulted in an increase in capital surplus by \$3,485,732 thousand. In addition, the Corporation's shares held by subsidiaries were reduced by 256,332 thousand shares due to the Corporation's capital reduction.



e. Unrealized gain or loss on financial instruments

Unrealized gain or loss on financial instruments for the six months ended June 30, 2008 and 2007 was summarized as follows:

	<b>Six Months Ended June 30</b>	
	<b>2008</b>	<b>2007</b>
Available-for-sale financial assets		
Balance, beginning of year	\$ 57,560	\$ 40,652
Fair value changes recognized in equity	<u>33,896</u>	<u>5,645</u>
	<u>91,456</u>	<u>46,297</u>
Changes in unrealized gain (loss) of cash flow hedge		
Balance, beginning of year	(38,749)	(218,284)
Fair value changes recognized in equity	<u>40,613</u>	<u>23,222</u>
	<u>1,864</u>	<u>(195,062)</u>
Recognition of investees' changes in unrealized gains or loss by the equity method		
Balance, beginning of year	(82,854)	30,209
Fair value changes recognized in equity	<u>11,198</u>	<u>(150,290)</u>
	<u>(71,656)</u>	<u>(120,081)</u>
Unrealized gain (loss) on financial instruments	<u>\$ 21,664</u>	<u>\$ (268,846)</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:

	<b>Six Months Ended June 30</b>	
	<b>2008</b>	<b>2007</b>
Tax on pretax income at statutory tax rate (25%)	\$ 2,615,171	\$ 2,589,803
Add (deduct) tax effects of:		
Permanent differences		
Investment income from domestic investees accounted for using equity method	(584,768)	(526,367)
Gain on disposal of marketable securities	(9)	(23,286)
Other	(4,349)	5,733
Temporary differences	(192,030)	(444,777)
Income tax (10%) on unappropriated earnings	-	105,442
Investment tax credits	(54,265)	(252,589)
Deferred income taxes	16,184	443,061
Prior years' adjustment	500,980	451,943
Tax on short-term bills	<u>3,596</u>	<u>9,071</u>
Income tax expense	<u>\$ 2,300,510</u>	<u>\$ 2,358,034</u>

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

	<b>June 30</b>	
	<b>2008</b>	<b>2007</b>
Unrealized loss on retirement of property and equipment	\$ 2,301,241	\$ 281,070
Provision for doubtful accounts	703,390	745,887
Investment tax credits	177,715	-
Provision for impairment losses on idle assets	62,778	294,773
Accrued pension cost	(2,778)	(273)
Unrealized loss (gain) on financial instruments	(622)	65,020
Accrued interest compensation of bonds payables	-	1,295
Other	<u>4,800</u>	<u>8,154</u>
	3,246,524	1,395,926
Less valuation allowance	<u>(301,288)</u>	<u>(297,730)</u>
	<u>\$ 2,945,236</u>	<u>\$ 1,098,196</u>
Deferred income tax assets		
Current	\$ 257,461	\$ 100,764
Non-current	<u>2,687,775</u>	<u>997,432</u>
	<u>\$ 2,945,236</u>	<u>\$ 1,098,196</u>

c. As of June 30, 2008, the Corporation's investment tax credits consisted of the following:

<b>Regulatory Basis of Tax Credits</b>	<b>Item</b>	<b>Total Creditable Amount</b>	<b>Remaining Creditable Amount</b>	<b>Expiry Year</b>
Statute for Upgrading Industries	Purchase of machinery and equipment	<u>\$ 231,980</u>	<u>\$ 177,715</u>	2012

d. Integrated income tax information was as follows:

	<b>June 30</b>	
	<b>2008</b>	<b>2007</b>
Balance of imputation credit account (ICA)	<u>\$ 4,280,427</u>	<u>\$ 3,733,789</u>

As of June 30, 2008, there were no unappropriated earnings generated before January 1, 1998. The actual creditable ratio for the 2007 and 2006 earnings appropriation were 39.08% and 18.49%, respectively.

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 2005, and filed requests for reexamination.

## 19. EARNINGS PER SHARE

	<u>Amounts (Numerator)</u>		<u>Shares (Denominator) (Thousands)</u>	<u>EPS (NT\$)</u>	
	<u>Before</u>	<u>After</u>		<u>Before</u>	<u>After</u>
	<u>Income Tax</u>	<u>Income Tax</u>		<u>Income Tax</u>	<u>Income Tax</u>
<u>Six months ended June 30, 2008</u>					
Basic EPS					
Income of common shareholders	\$ 10,460,722	\$ 8,160,212	2,952,676	<u>\$ 3.54</u>	<u>\$ 2.76</u>
Add effect of dilutive potential common stock Bonus to employees	<u>-</u>	<u>-</u>	<u>3,322</u>		
Diluted EPS					
Income of common shareholders with dilutive effect of potential common shares	<u>\$ 10,460,722</u>	<u>\$ 8,160,212</u>	<u>2,955,998</u>	<u>\$ 3.54</u>	<u>\$ 2.76</u>
<u>Six months ended June 30, 2007</u>					
Basic EPS					
Income of common shareholders	\$ 10,359,252	\$ 8,001,218	4,395,383	<u>\$ 2.36</u>	<u>\$ 1.82</u>
Add effect of potentially dilutive convertible bonds 2nd convertible bonds (with implied yield rate of 3.3%)	<u>910</u>	<u>683</u>	<u>2,069</u>		
Diluted EPS					
Income of common shareholders with dilutive effect of potential common shares	<u>\$ 10,360,162</u>	<u>\$ 8,001,901</u>	<u>4,397,452</u>	<u>\$ 2.36</u>	<u>\$ 1.82</u>

The Corporation presumes that the bonus to employees will be settled in shares and the resulting potential shares will be included in the weighted average number of shares outstanding used in the calculation of diluted EPS, if the shares have a dilutive effect. The number of shares is estimated by dividing the amount of bonus by the closing price of the shares of the balance sheet date. The dilutive effect of the shares needs to be considered until the shareholders resolve the number of shares to be distributed to employees in their meeting in the following year.

## 20. LABOR COST, DEPRECIATION AND AMORTIZATION EXPENSE

	<u>Six Months Ended June 30</u>					
	<u>2008</u>			<u>2007</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	\$ 396,701	\$ 816,349	\$ 1,213,050	\$ 254,611	\$ 722,296	\$ 976,907
Labor and health insurance	20,564	40,716	61,280	14,755	38,968	53,723
Pension	14,985	29,168	44,153	11,092	26,132	37,224
Other	<u>18,575</u>	<u>35,893</u>	<u>54,468</u>	<u>14,326</u>	<u>33,176</u>	<u>47,502</u>
	<u>\$ 450,825</u>	<u>\$ 922,126</u>	<u>\$ 1,372,951</u>	<u>\$ 294,784</u>	<u>\$ 820,572</u>	<u>\$ 1,115,356</u>
Depreciation	\$ 2,618,536	\$ 237,645	\$ 2,856,181	\$ 2,761,583	\$ 248,369	\$ 3,009,952
Amortization	378,597	50,804	429,401	382,245	60,468	442,713

## 21. FINANCIAL INSTRUMENT TRANSACTIONS

### a. Fair value information

	June 30			
	2008		2007	
	Carrying Value	Fair Value	Carrying Value	Fair Value
<u>Non-derivative financial instruments</u>				
Liabilities				
Bonds payable (including current portion)	\$ 10,000,000	\$ 9,975,387	\$ 13,785,381	\$ 13,718,734

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

- 1) 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 estimated book value.
- 3) Bonds payable - based on the over-the-counter quotations in June.
- 4) Fair value of long-term loans - based on the present value of future cash flows discounted by the interest rates the Corporation may obtain for similar loans (e.g., similar maturities).
- 5) Derivative financial instruments - based on valuation results provided by banks. As of June 30, 2008, the financial instrument held by the Corporation turned into financial asset, evaluated by the bid price of counter party.
- 6) The above financial instruments do not include cash and cash equivalents, notes and accounts receivables, pledged time deposits, refundable deposits, short-term borrowing, short-term notes and bills payable, 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 or using valuation technique.

### d. The financial assets exposed to fair value interest rate risk amounted to \$336,613 thousand and \$6,512,773 thousand as of June 30, 2008 and 2007, respectively, and the financial liabilities exposed to fair value interest rate risk amounted to \$18,142,527 thousand and \$6,285,381 thousand as of June 30, 2008 and 2007, respectively. The financial assets exposed to cash flow interest rate risk amounted to \$409,331 thousand and \$508,681 thousand as of June 30, 2008 and 2007, respectively, and the financial liabilities exposed to cash flow interest rate risk amounted to \$5,000,000 thousand and \$7,760,081 thousand as of June 30, 2008 and 2007, respectively.

### e. Information on financial risks:

#### 1) Market risk

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

## 2) Credit risk

Credit risk represents the potential impacts to financial assets that the Corporation might encounter if counter-parties or third parties breach the contracts. Factors that affect the impacts include credit risk concentration, components of financial instruments, contract amount and other receivables. The Corporation's evaluation of credit risk exposure as of June 30, 2008 and 2007 were both zero because all counter-parties are reputable financial institutions with good credit ratings.

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

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 inverse 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:

<b>Related Party</b>	<b>Relationship with the Corporation</b>
TransAsia Telecommunications Inc. (TAT)	Subsidiary
Taiwan Cellular Co., Ltd. (TCC)	Subsidiary
Wealth Media Technology Co., Ltd.	Subsidiary
Tai Fu Media Technology Co., Ltd. (TFMT)	Subsidiary
Global Wealth Media Technology Co., Ltd.	Subsidiary
Fu Sin Media Technology Co., Ltd.	Subsidiary
Fu Jia Leh Media Technology Co., Ltd.	Subsidiary
Tai Yi Digital Broadcasting Co., Ltd.	Equity-method investee of TCC
TWM Holding Co., Ltd.	Subsidiary
Taiwan Teleservices & Technologies Co., Ltd. (TT&T)	Subsidiary

(Continued)

<b>Related Party</b>	<b>Relationship with the Corporation</b>
Taiwan Super Basketball Co., Ltd.	Subsidiary
TT&T Holdings Co., Ltd.	Subsidiary
Xiamen Taifu Teleservices & Technologies Ltd.	Subsidiary
Taiwan Fixed Network Co., Ltd. (TFN)	Subsidiary
Taiwan Digital Communications Co., Ltd.	Subsidiary
Taiwan Telecommunication Network Services Co., Ltd. (TTN)	Subsidiary (change relationship on September 7, 2007)
VoPier Communications (Taiwan) Co., Ltd.	Subsidiary (change relationship on September 7, 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 Co., Ltd. (TFNM)	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)
Hurray! Times Communications (Beijing) Ltd.	Subsidiary (change relationship on April 24, 2008)
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
Fubon Direct Marketing Consulting Co., Ltd. (FDMC)	Related party in substance
Fubon Financial Venture Capital Co., Ltd.	Related party in substance
Fubon Securities Investment Trust Co., Ltd.	Related party in substance
Fubon Multimedia Technology Co., Ltd. (FMT)	Related party in substance
Fubon Asset Management Co., Ltd.	Related party in substance
Chung Hsing Constructions Co., Ltd.	Related party in substance
Fubon Land Development Co., Ltd.	Related party in substance
Fubon Financial Holding Company	Related party in substance
Taipei Fubon Commercial Bank Co., Ltd. (TFCB)	Related party in substance
Fubon Securities Co., Ltd. (FSC)	Related party in substance
Fubon Future Co., Ltd.	Related party in substance
Fubon Investment Services Co., Ltd.	Related party in substance
Fubon Insurance Co., Ltd. (Fubon Ins.)	Related party in substance
Fubon Property Management Co., Ltd. (FPM)	Related party in substance
Taiwan Sport Lottery Corporation	Related party in substance
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)
Fu Yang Multimedia Co., Ltd.	Subsidiary (change relationship on April 17, 2007 and merged into TFN Media Co., Ltd. on December 1, 2007)

(Continued)

<u>Related Party</u>	<u>Relationship with the Corporation</u>
Mobitai Communications (Mobitai)	Subsidiary (merged into TAT on December 15, 2007)
The former Taiwan Fixed Network Co., Ltd. (The former TFN)	Subsidiary (change relationship on April 17, 2007 and merged into TFN on December 28, 2007)
Taiwan United Communication Co., Ltd. (TUC)	Subsidiary (merged into TFN on January 1, 2008)
TT&T Casualty & Property Insurance Agency Co., Ltd.	Subsidiary (liquidated on March 15, 2008)
TT&T Life Insurance Agency Co., Ltd.	Subsidiary (liquidated on May 15, 2008)

(Concluded)

b. Significant transactions with related parties were summarized below:

1) Operating revenues

	<u>Six Months Ended June 30</u>			
	<u>2008</u>		<u>2007</u>	
	Amount	% of Total Revenues	Amount	% of Total Revenues
TFN (including the former TFN)	\$ 987,996	4	\$ 746,516	3
TAT	351,481	1	308,752	1
Mobitai	-	-	131,428	1
	<u>\$ 1,339,477</u>		<u>\$ 1,186,696</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>Six Months Ended June 30</u>			
	<u>2008</u>		<u>2007</u>	
	Amount	% of Total Costs	Amount	% of Total Costs
TFN (including the former TFN)	\$ 457,377	4	\$ 423,319	4
TAT	197,067	2	149,768	1
Fubon Ins.	31,595	-	43,828	-
Mobitai	-	-	103,407	1
	<u>\$ 686,039</u>		<u>\$ 720,322</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>Six Months Ended June 30, 2007</u>		
Description	Amount	
The former TFN	Miscellaneous equipment and deferred charges	<u>\$ 10,476</u>

4) Operating lease income

	Leased Property	Six Months Ended June 30	
		2008	2007
TFN (including the former TFN)	Offices and BTS, etc.	\$ 27,508	\$ 37,719
FMT	Office appliance, etc.	<u>13,732</u>	<u>-</u>
		<u>\$ 41,240</u>	<u>\$ 37,719</u>

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

5) Cash in banks

	June 30			
	2008		2007	
	Amount	%	Amount	%
a) Cash in banks				
TFCB	<u>\$ 85,420</u>	11	<u>\$ 105,006</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	\$ 219,493	4	\$ -	-
TAT	101,393	2	66,024	1
The former TFN	-	-	213,354	4
Mobitai	-	-	17,055	-
Other	<u>5,845</u>	-	<u>3,801</u>	-
	<u>\$ 326,731</u>		<u>\$ 300,234</u>	
b) Other receivables (Note)				
TFMT	\$ 2,009,634	80	\$ -	-
TAT	179,603	7	122,733	24
TFN	102,207	4	67,781	13
FMT	13,732	1	-	-
Mobitai	-	-	97,624	19
The former TFN	-	-	12,656	3
Other	<u>4,262</u>	-	<u>6,260</u>	1
	<u>\$ 2,309,438</u>		<u>\$ 307,054</u>	



Note: Financing to related parties was as follows:

Related Party	Six Months Ended June 30, 2008			
	Ending Balance	Maximum Balance	Interest Rate %	Interest Income
TFMT	\$ 2,005,000	\$ 2,005,000	2.554-2.568	\$ 25,534
TFNM	<u>-</u>	<u>1,250,000</u>	2.538-2.548	<u>10,793</u>
	<u>\$ 2,005,000</u>	<u>\$ 3,255,000</u>		<u>\$ 36,327</u>
Related Party	Six Months Ended June 30, 2007			
	Ending Balance	Maximum Balance	Interest Rate %	Interest Income
TFN	<u>\$ -</u>	<u>\$ 12,500,000</u>	2.474	<u>\$ 67,781</u>
c) Prepayments	June 30			
	2008		2007	
	Amount	%	Amount	%
Fubon Ins.	<u>\$ 22,439</u>	4	<u>\$ 29,579</u>	6
d) Accounts payable				
TFN	\$ 22,747	1	\$ -	-
TAT	<u>19,662</u>	1	<u>20,257</u>	1
	<u>\$ 42,409</u>		<u>\$ 20,257</u>	
e) Accrued expenses				
TFN	\$ 214,266	5	\$ -	-
TT&T	151,622	3	146,588	4
The former TFN	-	-	108,264	3
TCC	<u>-</u>	-	<u>13,782</u>	-
	<u>\$ 365,888</u>		<u>\$ 268,634</u>	
f) Other payables				
TAT	\$ 202,316	2	\$ 286,917	2
TFN	96,010	1	-	-
Mobitai	-	-	139,578	1
The former TFN	<u>-</u>	-	<u>52,592</u>	-
	<u>\$ 298,326</u>		<u>\$ 479,087</u>	

	<b>June 30</b>			
	<b>2008</b>		<b>2007</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
g) Other current liabilities - collections and temporary credits for the following				
TFN	\$ 358,944	45	\$ -	-
TAT	133,154	17	182,887	21
The former TFN	-	-	229,665	26
Mobitai	-	-	<u>96,603</u>	11
	<u>\$ 492,098</u>		<u>\$ 509,155</u>	

	<b>Six Months Ended</b>	
	<b>June 30</b>	
	<b>2008</b>	<b>2007</b>
7) Telecommunication service expenses		
TFN (including the former TFN)	<u>\$ 42,421</u>	<u>\$ 38,614</u>
8) Professional service fees		
TT&T	<u>\$ 450,861</u>	<u>\$ 430,908</u>

9) Financing from related parties was as follows:

<b>Related Party</b>	<b>Six Months Ended June 30, 2008</b>			
	<b>Ending Balance</b>	<b>Maximum Balance</b>	<b>Interest Rate %</b>	<b>Interest Expense</b>
TAT	<u>\$ 1,295,609</u>	<u>\$ 1,700,000</u>	2.572-2.599	<u>\$ 8,507</u>

10) Endorsement/guarantee provided

- a) The Corporation provided \$18,000,000 thousand guarantee for TFN's bank loan. As of June 30, 2008, TFN had not made any drawdown on this loan. The Corporation also provide TFN \$6,523,280 thousand in promissory notes outstanding for its borrowings with banks.
- b) The Corporation and its subsidiary, TFN, obtained \$13,500,000 thousand of syndicated loan from 9 banks led by Chinatrust Commercial Bank. The Corporation provided a guarantee for TFN's bank loan. As of June 30, 2008, TFN had not made any drawdown on this loan.
- c) As of June 30, 2008, the Corporation had provided TFN \$50,000 thousand as performance guarantee for IDD calling card service in accordance with NCC's new policy effective on April 1, 2007.

11) Other

- a) As of June 30, 2008, TAT had provided the Corporation \$1,000,000 thousand as performance guarantee for prepaid card service in accordance with NCC's new policy effective on April 1, 2007.

- b) For the six months ended June 30, 2008 and 2007, the Corporation provided services to companies below and fees received by the Corporation, which were recorded as deductions from related costs and expenses. The Corporation's service charges received were as follows:

	<b>Six Months Ended June 30</b>	
	<b>2008</b>	<b>2007</b>
TAT	\$ 382,642	\$ 286,439
TFN	165,152	-
Mobitai	<u>-</u>	<u>159,460</u>
	<u>\$ 547,794</u>	<u>\$ 445,899</u>

### 23. ASSETS PLEDGED

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

	<b>June 30</b>	
	<b>2008</b>	<b>2007</b>
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 June 30, 2008, the purchase amount was \$1,760,385 thousand.
- b. Future minimum rental payments as of June 30, 2008 for significant operating lease agreements were summarized as follows:

	<b>Amount</b>
The second half of 2008	\$ 27,720
2009	32,514
2010	27,976
2011	11,642
2012	5,367

### 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 inverse floating interest rates of bonds, which are settled semiannually. Please refer to Note 21 for the related information.

<b>Financial Instrument</b>	<b>Term</b>	<b>Contract Amount</b>	<b>Due Date</b>
Interest rate swap contracts	Inverse floating interest rate in exchange for fixed interest rate of 2.25%	\$ 2,500,000	December, 2007
	Inverse floating interest rate in exchange for fixed interest rate of 2.45%	5,000,000	December, 2009

The Corporation entered into IRS contracts to hedge inverse floating interest rate fluctuation. For the six months ended June 30, 2008 and 2007, the Corporation recognized losses of \$34,986 thousand and \$79,271 thousand, respectively, recorded as addition to interest expense.

- 2) The former 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:

<b>Financial Instrument</b>	<b>Term</b>	<b>Contract Amount</b>
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

The former TFN entered into IRS contracts to hedge floating interest rate fluctuation and 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  
SIX MONTHS ENDED JUNE 30, 2008  
(In Thousands of New Taiwan Dollars)

No.	Lending Company	Borrowing Company	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		Lending Limit for Each Borrowing Company (Note)	Lending Company's Lending Amount Limits (Note)
											Item	Value		
0	Taiwan Mobile Co., Ltd. (the "Corporation")	Tai Fu Media Technology Co., Ltd. TFN Media Co., Ltd.	Other receivables	\$ 2,005,000	\$ 2,005,000	2.554%- 2.568%	Short-term financing	\$ -	To meet its financing needs in acquiring minorities	\$ -	-	-	\$ 17,888,372 (Note 1)	\$ 17,888,372 (Note 1)
			Other receivables	1,250,000	-	2.538%- 2.548%	Short-term financing	-	To meet its financing needs in acquiring minorities	-	-	-	17,888,372 (Note 1)	17,888,372 (Note 1)
1	TransAsia Telecommunications Inc.	Taiwan Cellular Co., Ltd. The Corporation	Other receivables	900,000	-	2.477%	Short-term financing	-	To meet its financing needs in setting up subsidiaries	-	-	-	- (Note 3)	4,158,265 (Note 1)
			Other receivables	1,700,000	1,295,609	2.572%- 2.599%	Short-term financing	-	Operating capital	-	-	-	4,158,265 (Note 1)	4,158,265 (Note 1)
2	Taiwan Cellular Co., Ltd.	Taiwan Fixed Network Co., Ltd. TFN Media Co., Ltd.	Other receivables	2,500,000	-	2.558%	Short-term financing	-	To pay off bank loan	-	-	-	23,380,667 (Note 1)	23,380,667 (Note 1)
			Other receivables	1,250,000	1,250,000	2.538%	Short-term financing	-	To meet its financing needs in acquiring minorities	-	-	-	23,380,667 (Note 1)	23,380,667 (Note 1)
3	TFN Investment Co., Ltd.	TFN Media Co., Ltd. TFN Media Co., Ltd.	Other receivables	1,000,000	1,000,000	2.538%	Short-term financing	-	To meet its financing needs in acquiring minorities	-	-	-	11,058,060 (Note 1)	11,058,060 (Note 1)
			Other receivables	3,000,000	2,900,000	2.602%	Short-term financing	-	Operating capital	-	-	-	11,058,060 (Note 1)	11,058,060 (Note 1)
4	Taiwan Fixed Network Co., Ltd.	TFN Investment Co., Ltd. TFN Media Co., Ltd.	Other receivables	1,150,000	-	2.56%	Short-term financing	-	Operating capital	-	-	-	22,582,997 (Note 1)	22,582,997 (Note 1)
			Other receivables	900,000	900,000	2.574%- 2.581%	Short-term financing	-	Operating capital	-	-	-	22,582,997 (Note 1)	22,582,997 (Note 1)
5	Union Cable TV Co., Ltd.	TFN Media Co., Ltd.	Other receivables - related parties	560,000	460,000	2.538%- 2.594%	Transactions	132,938	Business requirements	-	-	-	13,500,000 (Note 2)	13,500,000 (Note 2)
6	North Coast Cable TV Co., Ltd.	TFN Media Co., Ltd.	Other receivables - related parties	205,000	205,000	2.538%- 2.594%	Transactions	7,239	Business requirements	-	-	-	12,000,000 (Note 2)	12,000,000 (Note 2)
7	Mangrove Cable TV Corporation	TFN Media Co., Ltd.	Other receivables - related parties	98,000	68,000	2.538%- 2.594%	Transactions	10,838	Business requirements	-	-	-	12,000,000 (Note 2)	12,000,000 (Note 2)
8	Globalview Cable TV Co., Ltd.	TFN Media Co., Ltd.	Other receivables - related parties	400,000	320,000	2.538%- 2.594%	Transactions	102,875	Business requirements	-	-	-	12,000,000 (Note 2)	12,000,000 (Note 2)
9	Phoenix Cable TV Co., Ltd.	TFN Media Co., Ltd.	Other receivables - related parties	500,000	330,000	2.594%	Transactions	271,592	Business requirements	-	-	-	12,000,000 (Note 2)	12,000,000 (Note 2)
10	Shin Ho Cable TV Co., Ltd.	TFN Media Co., Ltd.	Other receivables - related parties	247,700	207,700	2.538%- 2.594%	Transactions	4,467	Business requirements	-	-	-	12,000,000 (Note 2)	12,000,000 (Note 2)
11	Yeong Jialeh Cable TV Co., Ltd.	TFN Media Co., Ltd.	Other receivables - related parties	180,000	30,000	2.594%	Transactions	200,436	Business requirements	-	-	-	24,000,000 (Note 2)	24,000,000 (Note 2)

(Continued)

Note 1: 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 2: 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 3 Assumed all MBT's financing provided to others due to merger.

(Concluded)

**TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES**

**ENDORSEMENT/GUARANTEE PROVIDED  
SIX MONTHS ENDED JUNE 30, 2008  
(In Thousands of New Taiwan Dollars)**

No.	Endorsement/Guarantor (A)	Receiving Party		Maximum Guarantee/ Endorsement Amount Can Be Provided to Each Receiving Party	Maximum Balance for the Period (Note 4)	Ending Balance (Note 4)	Value of Collaterals	Ratio of Accumulated Endorsement/ Guarantee to Net Worth of the Guarantor (Note 4)	Maximum Guarantee/ Endorsement Can Be Provided by the Guarantor/Endorser
		Name (B)	Nature of Relationship (B is A's)						
0	The Corporation	Taiwan Fixed Network Co., Ltd. (TFN)	(Note 1)	\$ 80,000,000 (Note 5)	\$ 20,077,360	\$ 20,073,280	\$ -	44.89%	\$ 44,720,930
1	TransAsia Telecommunications Inc. (TAT)	The Corporation	(Note 2)	18,000,000 (Note 6)	1,000,000	1,000,000	-	9.62%	10,395,663 (Note 6)
2	TFN Investment Co., Ltd. (TFNI)	WinTV Broadcasting Co., Ltd.	(Note 3)	591,000 (Note 7)	50,000	50,000	-	0.18%	27,645,150 (Note 7)
3	VoPier Communications (Taiwan) Co., Ltd. (VoPier)	Taiwan Telecommunication Network Services Co., Ltd. (TTN)	(Note 2)	235,106 (Note 8)	223	175	-	0.98%	17,816 (Note 8)

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: For over 50% direct/indirect owned subsidiaries, the aggregate endorsement/guarantee amount provided shall not exceed the net worth of the Corporation, and the upper-limit to each subsidiary shall be the amount of investment from the Corporation. But for 100% direct/indirect owned subsidiaries, the upper-limit mentioned above could be raised to double of the investment amount.

Note 6: The endorsement/guarantee amount provided by TAT to its parent company, the Corporation, shall be limited within the net worth of TAT, and not over double of the investment amount from the Corporation.

Note 7: For over 50% direct/indirect owned subsidiaries, the aggregate endorsement/guarantee amount provided shall not exceed the net worth of TFNI, and the upper-limit to each subsidiary shall be the amount of investment from TFNI.

Note 8: The endorsement/guarantee amount provided by VoPier to its parent company, TTN, shall be limited within the net worth of VoPier, and not over double of the investment amount from TTN.



## TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

## MARKETABLE SECURITIES HELD

JUNE 30, 2008

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

Investing Company (A)	Marketable Securities Invested (B)	Relationship with the Investing Company (B is A's)	Financial Statement Account	June 30, 2008				Note
				Shares/Units (Thousands)	Carrying Value	Percentage of Ownership	Market Value (Note 1)	
Taiwan Mobile Co., Ltd.	<u>Stock</u> Chunghwa Telecom Co., Ltd.	-	Available-for-sale financial assets - current	2,688	\$ 211,008	0.028	\$ 211,008 (Note 2)	
	Bridge Mobile Pte Ltd.	-	Financial assets carried at cost - non-current	2,200	60,064	10.00	54,128	
	TransAsia Telecommunications Inc.	Subsidiary	Long-term investments - equity method	933,000	10,395,663	100.00	10,395,663	
	Wealth Media Technology Co., Ltd.	Subsidiary	Long-term investments - equity method	27,200	245,738	100.00	245,738	
	Taiwan Cellular Co., Ltd.	Subsidiary	Long-term investments - equity method	264,958	14,928,356 (Note 3)	100.00	58,451,666	
TransAsia Telecommunications Inc.	<u>Stock</u> Yes Mobile Holdings Company	-	Financial assets carried at cost - non-current	74	- (Note 5)	0.19	- (Note 4)	
Wealth Media Technology Co., Ltd.	<u>Stock</u> Tai Fu Media Technology Co., Ltd.	Subsidiary	Long-term investments - equity method	27,000	244,057	100.00	244,057	
Tai Fu Media Technology Co., Ltd.	<u>Stock</u> Global Wealth Media Technology Co., Ltd.	Subsidiary	Long-term investments - equity method	8,400	86,343	100.00	86,343	
	Fu Jia Leh Media Technology Co., Ltd.	Subsidiary	Long-term investments - equity method	117,100	2,001,135	100.00	2,001,135	
	Fu Sin Media Technology Co., Ltd.	Subsidiary	Long-term investments - equity method	13,500	136,472	100.00	136,472	
Global Wealth Media Technology Co., Ltd.	<u>Stock</u> Globalview Cable TV Co., Ltd.	Subsidiary	Long-term investments - equity method	3,460	81,477	6.179	38,150	
Fu Sin Media Technology Co., Ltd.	<u>Stock</u> Phoenix Cable TV Co., Ltd.	Subsidiary	Long-term investments - equity method	2,272	129,215	3.34	28,935	
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	- (Note 5)	12.00	- (Note 4)	
	WEB Point Co., Ltd.	-	Financial assets carried at cost - non-current	803	6,773	3.17	- (Note 4)	
	Taiwan Teleservices & Technologies Co., Ltd.	Subsidiary	Long-term investments - equity method	30,000	277,579	100.00	277,579	
	Tai Yi Digital Broadcasting Co., Ltd.	Subsidiary	Long-term investments - equity method	2,495	23,207	49.90	23,207	

(Continued)

Investing Company (A)	Marketable Securities Invested (B)	Relationship with the Investing Company (B is A's)	Financial Statement Account	June 30, 2008				Note
				Shares/Units (Thousands)	Carrying Value	Percentage of Ownership	Market Value (Note 1)	
Taiwan Teleservices & Technologies Co., Ltd.	TWM Holding Co., Ltd.	Subsidiary	Long-term investments - equity method	1 share	US\$ 8,379	100.00	US\$ 8,379	
	Taiwan Fixed Network Co., Ltd.	Subsidiary	Long-term investments - equity method	4,000,000	56,457,492	100.00	56,457,492	
	Taiwan Digital Communication Co., Ltd.	Subsidiary	Long-term investments - equity method	1,200	11,082	100.00	11,082	
TT&T Holdings Co., Ltd.	<u>Stock</u> TT&T Holdings Co., Ltd.	Subsidiary	Long-term investments - equity method	1,300	US\$ 1,389	100.00	US\$ 1,389	
	Taiwan Super Basketball Co., Ltd.	Subsidiary	Long-term investments - equity method	2,000	6,723	100.00	6,723	
TWM Holding Co., Ltd.	<u>Stock</u> Xiamen Taifu Teleservices & Technologies Ltd.	Subsidiary	Long-term investments - equity method	-	US\$ 1,384	100.00	US\$ 1,384	
Taiwan Fixed Network Co., Ltd.	<u>ADS</u> Hurray! Holding Co., Ltd.	-	Available-for-sale financial assets - current	1,080	US\$ 3,413	4.97	US\$ 3,413 (Note 2)	
Taiwan Fixed Network Co., Ltd.	<u>Stock</u> Hurray! Times Communications, Beijing	Subsidiary	Long-term investments - equity method	-	US\$ 4,852	100.00	US\$ 3,892	
TFN Investment Co., Ltd.	Taiwan Mobile Co., Ltd.	Ultimate parent	Available-for-sale financial assets - non-current	456,295	25,780,654	12.00	25,780,654 (Note 2)	
	TFN Investment Co., Ltd.	Subsidiary	Long-term investments - equity method	2,061,939	25,214,136	100.00	27,645,150	
	TFN HK Limited	Subsidiary	Long-term investments - equity method	1,300	2,795	100.00	2,795	
	Taiwan Telecommunication Network Service Co., Ltd.	Subsidiary	Long-term investments - equity method	62,216	1,551,034	99.53	1,020,767	
Taiwan High Speed Rail Corporation	-	-	Financial assets carried at cost - non-current	225,531	2,120,829	3.89	- (Note 4)	
TFN Investment Co., Ltd.	<u>Stock</u> Taiwan Mobile Co., Ltd.	Ultimate parent	Available-for-sale financial assets - non-current	355,623	20,092,691	9.36	20,092,691 (Note 2)	
	Reach & Range Inc.	Subsidiary	Long-term investments - equity method	2,400	34,034	100.00	26,963	
	WinTV Broadcasting Co., Ltd.	Subsidiary	Long-term investments - equity method	25,214	222,751	98.50	219,933	
	TFN Media Co., Ltd.	Subsidiary	Long-term investments - equity method	230,526	3,159,436	100.00	2,850,474	
	Great Taipei Broadband Co., Ltd.	-	Financial assets carried at cost - non-current	10,000	50,528	6.67	- (Note 4)	
	<u>Preferred stock</u> Taiwan High Speed Rail Corporation - Unlisted Convertible Preferred Stock - series A	-	Bonds measured at amortized cost - non-current	50,000	500,000	1.06	-	
TFN Media Co., Ltd.	<u>Stock</u> Yeong Jialeh Cable TV Co., Ltd.	Subsidiary	Long-term investments - equity method	33,940	2,022,934	100.00	498,454	Note 6
	Shin Ho Cable TV Co., Ltd.	Subsidiary	Long-term investments - equity method	20,000	702,559	100.00	215,670	
	Mangrove Cable TV Corporation	Subsidiary	Long-term investments - equity method	21,160	524,544	100.00	261,368	

(Continued)

Investing Company (A)	Marketable Securities Invested (B)	Relationship with the Investing Company (B is A's)	Financial Statement Account	June 30, 2008				Note
				Shares/Units (Thousands)	Carrying Value	Percentage of Ownership	Market Value (Note 1)	
Taiwan Telecommunication Network Services Co., Ltd.	North Coast Cable TV Co., Ltd.	Subsidiary	Long-term investments - equity method	21,160	\$ 216,645	100.00	\$ 216,645	
	Phoenix Cable TV Co., Ltd.	Subsidiary	Long-term investments - equity method	65,818	3,062,845	96.66	838,293	
	Union Cable TV Co., Ltd.	Subsidiary	Long-term investments - equity method	170,441	1,974,494	99.99	1,769,746	
	Globalview Cable TV Co., Ltd.	Subsidiary	Long-term investments - equity method	51,733	1,192,927	92.38	570,407	
	<u>Stock</u> VoPier Communications (Taiwan) Co., Ltd.	Subsidiary	Long-term investments - equity method	1,000	17,816	100.00	17,816	
	<u>Preferred stock</u> New Century InfoComm Technology Co., Ltd.	-	Financial assets carried at cost - non-current	33,684	239,817	0.84	- (Note 4)	

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

Note 2: Based on the closing price on June 30, 2008.

Note 3: Taiwan Mobile shares held indirectly by Taiwan Fixed Network Co., Ltd. (TFN) and its subsidiary are classified as treasury shares. Therefore, TWM's carrying cost of TFN and its subsidiary was reduced by adjusting the latter's net worth by \$31,889,100 thousand and another \$11,634,210 thousand unrealized gain from financial assets investment from \$58,451,666 thousand.

Note 4: As of July 11, 2008, the independent auditors' report date, the investee's net worth was not available.

Note 5: Impairment loss recognized in 2004 reduced the value to zero.

Note 6: Some shares are held under trustee accounts.

(Concluded)

## TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED OR DISPOSED AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
SIX MONTHS ENDED JUNE 30, 2008  
(In Thousands of New Taiwan Dollars)

Company Name	Marketable Securities	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance (Note 1)	
					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> Fubon Chi-Hsiang Fund	Financial assets at fair value through profit or loss - current	-	-	-	\$ -	13,497	\$ 200,000	13,497	\$ 200,036	\$ 200,036	\$ -	-	\$ -
	<u>Stock</u> Wealth Media Technology Co., Ltd.	Long-term investments-equity method	-	-	8,700	82,715	18,500	185,000	-	-	-	-	27,200	245,738 (Note 2)
TransAsia Telecommunications Inc.	<u>Beneficiary certificate</u> Fubon Chi-Hsiang Fund	Financial assets at fair value through profit or loss - current	-	-	-	-	13,497	200,000	13,497	200,036	200,036	-	-	-
Wealth Media Technology Co., Ltd.	<u>Stock</u> Tai Fu Media Technology Co., Ltd.	Long-term investments - equity method	-	-	8,500	80,876	18,500	185,000	-	-	-	-	27,000	244,057 (Note 3)
Tai Fu Media Technology Co., Ltd.	<u>Stock</u> Fu Sin Media Technology Co., Ltd.	Long-term investments - equity method	-	-	100	900	13,400	134,000	-	-	-	-	13,500	136,472 (Note 4)
Fu Sin Media Technology Co., Ltd.	<u>Stock</u> Phoenix Cable TV Co., Ltd.	Long-term investments - equity method	-	-	-	-	2,272	133,358	-	-	-	-	2,272	129,215 (Note 5)
TWM Holding Co., Ltd.	<u>Stock</u> Hurray! Times Communications, Beijing	Long-term investments - equity method	-	-	-	-	-	US\$ 5,005	-	-	-	-	-	US\$ 4,852 (Note 6)
Taiwan Fixed Network Co., Ltd.	<u>Stock</u> Taiwan Mobile Co., Ltd.	Available-for-sale financial assets - non-current	-	-	900,353	37,004,498	-	-	300,000	13,509,678	10,022,678	3,487,150	456,295 (Note 7)	25,780,654 (Note 7)
TFN Investment Co., Ltd.	<u>Stock</u> Fubon Financial Holding Company	Available-for-sale financial assets - current	-	-	62,023	1,786,256	-	-	62,023	2,089,511	1,628,197	461,314	-	-
	<u>Stock</u> TFN Media Co., Ltd.	Long-term investments - equity method	-	-	214,518	2,951,824	16,008	535,714	-	-	-	-	230,526	3,159,436 (Note 8)
TFN Media Co., Ltd.	<u>Stock</u> Phoenix Cable TV Co., Ltd.	Long-term investments - equity method	-	-	47,663	2,069,063	18,155	1,065,710	-	-	-	-	65,818	3,062,845 (Note 9)

Note 1: The amount of beginning and ending balance included the revaluation gain or loss on financial assets.

Note 2: The amount included the investment loss of \$21,977 thousand.

Note 3: The amount included the investment loss of \$21,819 thousand.

Note 4: The amount included the investment income of \$1,572 thousand.

Note 5: The amount included the cash dividends of \$5,854 thousand and the investment income of \$1,711 thousand.

Note 6: The amount included the investment loss of US\$230 thousand and the recognition of cumulative translation of US\$77 thousand.

Note 7: The shares were reduced by 144,058 shares due to capital reduction. The amount included \$720,267 thousand cash return from capital reduction and \$1,921,433 thousand revaluation gain on financial assets.

Note 8: The amount included the cash dividends of \$675,846 thousand and the investment income of \$347,744 thousand.

Note 9: The amount included the cash dividends of \$169,589 thousand and the investment income of \$97,661 thousand.

**TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES**

**TOTAL PURCHASE FROM OR SALE TO RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
SIX MONTHS ENDED JUNE 30, 2008  
(In Thousands of New Taiwan Dollars)**

Company Name (A)	Related Party (B)	Nature of Relationship (B is A's)	Transaction Details				Transactions with Terms Different from Others		Notes/Accounts Payable or Receivable		Note
			Purchase/ Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
Taiwan Mobile Co., Ltd. (the "Corporation")	TransAsia Telecommunications Inc.	Subsidiary	Sale	\$ (351,481)	(1)	Based on contract terms	-	-	\$ 101,393	2	(Note 2)
			Purchase	197,067	2	Based on contract terms	-	-	(19,662)	(1)	
	Taiwan Fixed Network Co., Ltd.	Subsidiary	Sale	(987,996)	(4)	Based on contract terms	-	-	219,493	4	
			Purchase	457,377	4	Based on contract terms	-	-	(22,747)	(1)	
	Taiwan Teleservices & Technologies Co., Ltd.	Subsidiary	Purchase	450,861	(Note 1)	Based on contract terms	-	-	(151,622)	-	
TransAsia Telecommunications Inc.	The Corporation	Parent	Sale	(197,067)	(6)	Based on contract terms	-	-	19,662	3	
			Purchase	351,481	20	Based on contract terms	-	-	(104,474)	(30)	
Taiwan Teleservices & Technologies Co., Ltd.	The Corporation	Ultimate parent	Sale	(450,894)	(97)	Based on contract terms	-	-	151,178	96	
Taiwan Fixed Network Co., Ltd.	The Corporation	Ultimate parent	Sale	(497,329)	(11)	Based on contract terms	-	-	213,566	24	
			Purchase	984,791	32	Based on contract terms	-	-	(6,282)	(1)	
TFN Media Co., Ltd.	Phoenix Cable TV Co., Ltd.	Subsidiary	Sale	(216,843)	(21)	Based on contract terms	(Note 3)	(Note 3)	108,422	29	
	Yeong Jialeh Cable TV Co., Ltd.	Subsidiary	Sale	(162,662)	(15)	Based on contract terms	(Note 3)	(Note 3)	81,331	22	
Yeong Jialeh Cable TV Co., Ltd.	TFN Media Co., Ltd.	Parent	Royalty	162,662	61	Based on contract terms	(Note 3)	(Note 3)	(81,331)	(82)	
Phoenix Cable TV Co., Ltd.	TFN Media Co., Ltd.	Parent	Royalty	216,843	64	Based on contract terms	(Note 3)	(Note 3)	(108,422)	(84)	
Mangrove Cable TV Corporation	Dai-Ka Ltd.	Related party in substance	Royalty	53,344	62	Based on contract terms	(Note 3)	(Note 3)	(26,672)	(83)	

Note 1: Recognized as operating expenses.

Note 2: Recognized as accrued expenses.

Note 3: No comparables on such kind of transactions.

## TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

## RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL

JUNE 30, 2008

(In Thousands of New Taiwan Dollars)

Company Name (A)	Related Party (B)	Nature of Relationship (B is A's)	Ending Balance	Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
Taiwan Mobile Co., Ltd. (the "Corporation")	TransAsia Telecommunications Inc.	Subsidiary	Accounts receivable \$ 101,393	8.04	\$ -	-	\$ -	\$ -
			Other receivables 179,603		-	-	656	-
	Taiwan Fixed Network Co., Ltd.	Subsidiary	Accounts receivable 219,493	9.01	-	-	21	-
			Other receivables 102,207		-	-	4,356	-
	Tai Fu Media Technology Co., Ltd.	Subsidiary	Other receivables 2,009,634		-	-	-	-
TransAsia Telecommunications Inc.	The Corporation	Parent	Accounts receivable 19,662	20.00	-	-	-	-
			Other receivables 1,638,006		-	-	-	-
Taiwan Cellular Co., Ltd.	TFN Media Co., Ltd.	Subsidiary	Other receivables 1,252,608		-	-	-	-
Taiwan Teleservices & Technologies Co., Ltd.	The Corporation	Ultimate parent	Accounts receivable 151,178	5.82	-	-	75,364	-
			Other receivables 449		-	-	380	-
Taiwan Fixed Network Co., Ltd.	The Corporation	Ultimate parent	Accounts receivable 213,566	3.52	-	-	201,123	-
			Other receivables 203,467		-	-	1,825	-
			TFN Media Co., Ltd.		Subsidiary	Accounts receivable 7,358	4.14	-
			Other receivables 900,755		-	-	-	-
TFN Investment Co., Ltd.	TFN Media Co., Ltd.	Subsidiary	Other receivables 3,920,899		-	-	-	-
TFN Media Co., Ltd.	Phoenix Cable TV Co., Ltd.	Subsidiary	Accounts receivable 119,090		-	-	-	-
North Coast Cable TV Co., Ltd.	TFN Media Co., Ltd.	Parent	Other receivables 206,942		-	-	-	-
Shin Ho Cable TV Co., Ltd.	TFN Media Co., Ltd.	Parent	Accounts receivable 29		-	-	-	-
			Other receivables 210,335		-	-	-	-
Phoenix Cable TV Co., Ltd.	TFN Media Co., Ltd.	Parent	Accounts receivable 2,767		-	-	-	-
			Other receivables 330,929		-	-	-	-
Union Cable TV Co., Ltd.	TFN Media Co., Ltd.	Parent	Accounts receivable 5,108		-	-	-	-
			Other receivables 465,859		-	-	-	-
Globalview Cable TV Co., Ltd.	TFN Media Co., Ltd.	Parent	Accounts receivable 427		-	-	-	-
			Other receivables 323,625		-	-	-	-
Mangrove Cable TV Corporation	TFN Media Co., Ltd.	Parent	Accounts receivable 286		-	-	-	-
			Other receivables 68,646		-	-	-	-

## TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE  
SIX MONTHS ENDED JUNE 30, 2008  
(In Thousands of New Taiwan Dollars or U.S. Dollars)

Investor	Investee	Location	Main Businesses and Products	Investment Amount		Balance as of June 30, 2008			Net Income (Loss) of the Investee	Investment Income (Loss)	Note
				June 30, 2008	December 31, 2007	Shares (Thousands)	Percentage of Ownership	Carrying Value			
Taiwan Mobile Co., Ltd.	Taiwan Cellular Co., Ltd.	Taipei, Taiwan	Telecom engineering and IT service	\$ 42,208,330	\$ 43,208,330	264,958	100.00	\$ 14,928,356 (Note 1)	\$ 4,779,772	\$ 1,641,659	
	TransAsia Telecommunications Inc. Wealth Media Technology Co., Ltd.	Taipei, Taiwan Taipei, Taiwan	Telecom service provider Investment	9,000,000 272,000	9,000,000 87,000	933,000 27,200	100.00 100.00	10,395,663 245,738	719,554 (21,977)	719,388 (21,977)	
Wealth Media Technology Co., Ltd.	Tai Fu Media Technology Co., Ltd.	Taipei, Taiwan	Investment	270,000	85,000	27,000	100.00	244,057	(21,819)	NA	
Tai Fu Media Technology Co., Ltd.	Global Wealth Media Technology Co., Ltd.	Taipei Country, Taiwan	Investment	84,000	84,000	8,400	100.00	86,343	2,245	NA	
	Fu Jia Leh Media Technology Co., Ltd.	Taipei, Taiwan	Investment	2,001,700	2,001,700	117,100	100.00	2,001,135	(76)	NA	
	Fu Sin Media Technology Co., Ltd.	Taipei, Taiwan	Investment	135,000	1,000	13,500	100.00	136,472	1,572	NA	
Global Wealth Media Technology Co., Ltd.	Globalview Cable TV Co., Ltd.	Sijhih Township	Cable TV service provider	82,882	82,882	3,460	6.179	81,477	37,463	NA	
Fu Sin Media Technology Co., Ltd.	Phoenix Cable TV Co., Ltd.	Kaohsiung County	Cable TV service provider	133,358	-	2,272	3.34	129,215	105,671	NA	
Taiwan Cellular Co., Ltd.	Taiwan Teleservices & Technologies Co., Ltd.	Taipei, Taiwan	Call center service	5,294	5,294	30,000	100.00	277,579	27,786	NA	
	Tai Yi Digital Broadcasting Co., Ltd.	Taipei, Taiwan	Broadcasting business and agency of telecom service subscription	24,950	24,950	2,495	49.9	23,207	(602)	NA	
	TWM Holding Co., Ltd.	British Virgin Islands	Investment	US\$ 10,800	US\$ 9,000	1 share	100.00	US\$ 8,379	US\$ (251)	NA	
	Taiwan Fixed Network Co., Ltd. Taiwan Digital Communications Co., Ltd.	Taipei, Taiwan Taipei, Taiwan	Fixed line service provider Equipment installation and IT service	40,000,000 12,000	40,000,000 12,000	4,000,000 1,200	100.00 100.00	56,457,492 11,082	4,738,969 (90)	NA NA	
Taiwan Teleservices & Technologies Co., Ltd.	TT&T Holdings Co., Ltd.	Samoa	Investment	US\$ 1,300	US\$ 1,300	1,300	100.00	US\$ 1,389	US\$ (12)	NA	
	Taiwan Super Basketball Co., Ltd.	Taipei, Taiwan	Basketball team management	20,000	20,000	2,000	100.00	6,723	(13,282)	NA	
TT&T Holdings Co., Ltd.	Xiamen Taifu Teleservices & Technologies Ltd.	Xiamen	Call center service	US\$ 1,300	US\$ 1,300	-	100.00	US\$ 1,384	US\$ (13)	NA	
TWM Holding Co., Ltd.	Hurray! Times Communications, Beijing	Beijing	Mobile application development and design	US\$ 5,005	-	-	100.00	US\$ 4,852	US\$ (48)	NA	
Taiwan Fixed Network Co., Ltd.	TFN Investment Co., Ltd.	Taipei, Taiwan	Investment	17,897,639	17,897,639	2,061,939	100.00	25,214,136	774,112	NA	
	Taiwan Telecommunication Network Services Co., Ltd.	Taipei, Taiwan	Internet service provider	1,497,701	1,497,701	62,216	99.53	1,551,034	83,522	NA	
	TFN HK Limited	Hong Kong	Telecommunications service provider	5,816	5,816	1,300	100.00	2,795	(81)	NA	
TFN Investment Co., Ltd.	Reach & Range Inc.	Taipei, Taiwan	Telecommunications equipment installment and IT service provider	31,764	31,764	2,400	100.00	34,034	2,599	NA	
	WinTV Broadcasting Co., Ltd.	Taipei, Taiwan	TV program producer	591,000	591,000	25,214	98.50	222,751	(32,698)	NA	
	TFN Media Co., Ltd.	Taipei, Taiwan	Cable broadband and value added service provider	2,035,714	1,500,000	230,526	100.00	3,159,436	356,892	NA	
Taiwan Telecommunication Network Services Co., Ltd.	VoPier Communications (Taiwan) Co., Ltd.	Taipei, Taiwan	ISR (international simple resales) and international prepaid card service provider	117,553	120,000	1,000	100.00	17,816	7,816	NA	
TFN Media Co., Ltd.	Yeong Jialeh Cable TV Co., Ltd.	Sinjhuangshih Township	Cable TV service provider	1,616,824	1,616,824	33,940	100.00	2,022,934	89,450	NA	
	Shin Ho Cable TV Co., Ltd.	Sinjhuangshih Township	Cable TV service provider	661,781	661,781	20,000	100.00	702,559	5,827	NA	
	Mangrove Cable TV Corporation	Danshueijhen Township	Cable TV service provider	397,703	397,703	21,160 (Note 2)	100.00 (Note 2)	524,544	33,252	NA	
	North Coast Cable TV Co., Ltd.	Danshueijhen Township	Cable TV service provider	399,193	399,103	21,160	100.00	216,645	(7,986)	NA	
	Phoenix Cable TV Co., Ltd.	Kaohsiung County	Cable TV service provider	2,294,967	1,229,257	65,818	96.66	3,062,845	105,671	NA	
	Union Cable TV Co., Ltd. Globalview Cable TV Co., Ltd.	Yilan County Sijhih Township	Cable TV service provider Cable TV service provider	1,904,440 841,413	1,904,440 841,413	170,441 51,733	99.99 92.38	1,974,494 1,192,927	54,758 37,463	NA NA	

Note 1: Taiwan Mobile shares held indirectly by Taiwan Fixed Network Co., Ltd. (TFN) and its subsidiary are classified as treasury shares. Therefore, TWM's carrying cost of TFN and its subsidiary was reduced by adjusting the latter's net worth by \$31,889,100 thousand and another \$11,634,210 thousand unrealized gain from financial assets investment from \$58,451,666 thousand.

Note 2: Some shares are held under trustee accounts.

## TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

## INVESTMENT IN MAINLAND CHINA

SIX MONTHS ENDED JUNE 30, 2008

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

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2008	Investment Flows		Accumulated Outflow of Investment from Taiwan as of June 30, 2008	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 3)	Carrying Value as of June 30, 2008	Accumulated Inward Remittance of Earnings as of June 30, 2008
					Outflow	Inflow					
Xiamen Taifu Teleservices & Technologies Ltd.	Call center service	US\$ 1,300 (NT\$ 39,504)	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\$ 39,504)	\$ -	\$ -	US\$ 1,300 (NT\$ 39,504)	100% ownership of indirect investment by the Corporation's subsidiary	US\$ (13) (NT\$ (403))	US\$ 1,384 (NT\$ 42,057)	\$ -
Hurray! Times Communications (Beijing) Ltd.	Mobile application development and design	US\$ 3,000 (NT\$ 91,164)	Indirect investment in the Company in Mainland China through a third place by the Corporation's subsidiary, Taiwan Cellular Co., Ltd.	-	US\$ 4,283 (NT\$130,152)	-	US\$ 4,283 (NT\$130,152)	100% ownership of indirect investment by the Corporation's subsidiary	US\$ (230) (NT\$ (7,134))	US\$ 4,852 (NT\$147,443)	-

Accumulated Investment in Mainland China as of June 30, 2008	Investment Amounts Authorized by Investment Commission, MOEA (Note 2)	Upper Limit on Investment Authorized by Investment Commission, MOEA (Note 2)
US\$1,300 (NT\$39,504)	US\$1,300 (NT\$39,504)	\$111,032
US\$4,283 (NT\$130,152)	US\$5,300 (NT\$161,056)	\$13,196,333

Note 1: The above amounts were translated into New Taiwan dollars at the exchange rate of US\$1=NT\$30.388 and RMB1=NT\$4.4303 as of June 30, 2008.

Note 2: The indirect investment made by Taiwan Teleservices & Technologies Co., Ltd. and Taiwan Cellular Co., Ltd., both are subsidiaries of the Corporation.

Note 3: Calculation was based on unaudited financial statements.



**SCHEDULE 1****TAIWAN MOBILE CO., LTD.****CASH AND CASH EQUIVALENTS****JUNE 30, 2008****(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

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<b>Item</b>	<b>Due Date</b>	<b>Amount</b>
Short-term bills with repurchase rights	2008.7.3	\$ <u>256,000</u>
Cash in banks		
Foreign-currency deposits		
EUR57,532.04 (exchange rate at EUR1=NT\$47.91)		2,756
US\$751,880.48 (exchange rate at US\$1=NT\$30.388)		22,848
Checking deposits		7,415
Demand deposits		<u>381,241</u>
		<u>414,260</u>
Time deposits		
NTD		3,000
US\$2,240,626.72 (exchange rate at US\$1=NT\$30.388)	2008.7.23	68,088
EUR616,258.89 (exchange rate at EUR1=NT\$47.91)	2008.7.8	<u>29,525</u>
		<u>100,613</u>
Cash on hand		<u>24,140</u>
Revolving funds		<u>3,723</u>
		<u>\$ 798,736</u>

**SCHEDULE 2****TAIWAN MOBILE CO., LTD.****ACCOUNTS RECEIVABLE****JUNE 30, 2008****(In Thousands of New Taiwan Dollars)**

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<b>Client</b>	<b>Amount</b>
Related parties	
Taiwan Fixed Network Co., Ltd.	\$ 219,493
TransAsia Telecommunications Inc.	101,393
Other	<u>5,845</u>
	<u>326,731</u>
Third parties	
Chunghwa Telecom Co., Ltd.	759,035
Other (Note)	<u>4,942,683</u>
	5,701,718
Less: Allowance for doubtful accounts	<u>(375,320)</u>
	<u>5,326,398</u>
	<u>\$ 5,653,129</u>

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

TAIWAN MOBILE CO., LTD.

CHANGES IN INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD  
SIX MONTHS ENDED JUNE 30, 2008  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

	Par Value	Beginning Balance		Increase		Decrease		Adjustments	Ending Balance			Market Price or Net Asset Value (Noted 4 and 5)
		Thousand Shares	Amount	Thousand Shares	Amount (Note 1)	Thousand Shares	Amount (Note 2)	on Equity Method (Note 3)	Thousand Shares	% of Ownership	Amount	
TransAsia Telecommunications Inc.	NT\$10	900,000	\$ 11,330,665	33,000	\$ -	-	\$ 1,654,390	\$ 719,388	933,000	100.00	\$ 10,395,663	\$ 10,395,663
Taiwan Cellular Co., Ltd.	NT\$10	364,958	3,791,398	-	12,092,861	100,000	2,591,325	1,635,422	264,958	100.00	14,928,356	58,451,666
Wealth Media Technology Co., Ltd.	NT\$10	8,700	82,715	18,500	185,000	-	-	(21,977)	27,200	100.00	245,738	245,738
Total			<u>\$ 15,204,778</u>		<u>\$ 12,277,861</u>		<u>\$ 4,245,715</u>	<u>\$ 2,332,833</u>			<u>\$ 25,569,757</u>	

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

a. Reclassification of gain on disposal of the Corporation's shares held by a subsidiary to capital surplus.	\$ 3,137,954
b. Adjustment on disposal of the Corporation's shares held by a subsidiary	8,954,907
c. Capital injection of Wealth Media Technology Co., Ltd.	185,000
	<u>\$ 12,277,861</u>

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

a. Distributing of cash dividends by TransAsia Telecommunications Inc.	\$ 1,654,390
b. Distributing of cash dividends by Taiwan Cellular Co., Ltd.	1,591,325
c. Capital reduction of Taiwan Cellular Co., Ltd.	\$ 1,000,000
	<u>\$ 4,245,715</u>

Note 3: Other adjustment from evaluation included the following:

a. Recognized investment income from investees.	\$ 2,339,070
b. Recognized changes in cumulative translation adjustment of investees.	(17,435)
c. Recognized changes in revaluation gain on financial assets of investees.	11,198
	<u>\$ 2,332,833</u>

Note 4: The net asset value of TransAsia Telecommunications Inc. was calculated based on audited financial statements as of June 30, 2008.

Note 5: The net asset values of Taiwan Cellular Corporation and Wealth Media Technology Co., Ltd. were calculated based on unaudited financial statements as of June 30, 2008.

Note 6: None of the above investments were provided as collateral.

**TAIWAN MOBILE CO., LTD.**

**CHANGES IN PROPERTY AND EQUIPMENT  
SIX MONTHS ENDED JUNE 30, 2008  
(In Thousands of New Taiwan Dollars)**

	Beginning Balance	Changes for the Period			Ending Balance
		Increase	Decrease	Reclassification	
Cost					
Land	\$ 3,655,983	\$ -	\$ -	\$ 102,528	\$ 3,758,511
Buildings	2,181,890	-	-	74,858	2,256,748
Telecommunication equipment	52,622,256	-	676,628	2,090,794	54,036,422
Office equipment	113,782	750	2,588	-	111,944
Leased assets	1,276,190	-	-	-	1,276,190
Miscellaneous equipment	<u>1,965,778</u>	<u>47,665</u>	<u>219</u>	<u>73,439</u>	<u>2,086,663</u>
	<u>61,815,879</u>	<u>\$ 48,415</u>	<u>\$ 679,435</u>	<u>\$ 2,341,619</u>	<u>63,526,478</u>
Accumulated depreciation					
Buildings	263,553	\$ 24,220	\$ -	\$ 11,530	299,303
Telecommunication equipment	19,948,510	2,558,063	338,668	-	22,167,905
Office equipment	65,371	12,192	2,333	-	75,230
Leased assets	356,270	31,905	-	-	388,175
Miscellaneous equipment	<u>778,991</u>	<u>229,801</u>	<u>195</u>	<u>-</u>	<u>1,008,597</u>
	<u>21,412,695</u>	<u>\$ 2,856,181</u>	<u>\$ 341,196</u>	<u>\$ 11,530</u>	<u>23,939,210</u>
Construction in progress and advance payments	<u>2,165,454</u>	<u>\$ 1,859,237</u>	<u>\$ 2</u>	<u>\$ (2,164,233)</u>	<u>1,860,456</u>
Net property and equipment	<u>\$ 42,456,638</u>				<u>\$ 41,447,724</u>

Note 1: The total insurance for property and equipment and assets leased to others amounted to \$33,016,779 thousand.

Note 2: The increase of the construction in progress and advance payments included capitalized interests amounting to \$6,321 thousand.

**SCHEDULE 5****TAIWAN MOBILE CO., LTD.****NON-OPERATING ASSETS****JUNE 30, 2008****(In Thousands of New Taiwan Dollars)**

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	<b>Cost</b>	<b>Accumulated Depreciation</b>	<b>Net Carrying Value</b>
Assets leased to others			
Land	\$ 1,606,242	\$ -	\$ 1,606,242
Buildings	<u>789,653</u>	<u>111,045</u>	<u>678,608</u>
	<u>\$ 2,395,895</u>	<u>\$ 111,045</u>	2,284,850
Deferred charges, net			
Civil work of network cabling			<u>2,815</u>
			2,287,665
Less accumulated impairment			<u>(32,515)</u>
			<u>\$ 2,255,150</u>
Idle assets			
Land	\$ 192,077	\$ -	192,077
Buildings	111,220	19,920	91,300
Telecommunication equipment	265,618	78,099	187,519
Miscellaneous equipment	<u>183</u>	<u>35</u>	<u>148</u>
	<u>\$ 569,098</u>	<u>\$ 98,054</u>	471,044
Deferred charges, net			<u>1,919</u>
			472,963
Less allowance for losses			(187,519)
Less accumulated impairment			<u>(106,571)</u>
			<u>\$ 178,873</u>

**TAIWAN MOBILE CO., LTD.**

**SHORT-TERM BANK LOANS**

**JUNE 30, 2008**

**(In Thousands of New Taiwan Dollars)**

<b>Bond Type and Creditor</b>	<b>Amount</b>	<b>Financing Period</b>	<b>Interest Rate</b>	<b>Credit Agreement</b>	<b>Mortgage or Guarantee</b>
Loan in credit					
First Bank	\$ 800,000	April 18, 2008 - July 17, 2008	2.62	\$ 2,000,000	None
E.Sun Bank	1,000,000	May 16, 2008 - August 14, 2008	2.50	2,000,000	None
Bank of Taiwan	5,650,000	April 18, 2008 - September 18, 2008	2.5539-2.596	10,000,000	None
Hua Nan Bank	200,000	May 23, 2008 - August 14, 2008	2.568	3,000,000	None
ABN AMRO Bank	2,000,000	June 27, 2008 - September 25, 2008	2.42	3,500,000	None
Bank SinoPac	<u>300,000</u>	June 27, 2008 - September 25, 2008	2.4	<u>1,000,000</u>	None
	9,950,000			21,500,000	
Other					
TAT	<u>1,295,609</u>		2.572-2.599	-	None
	<u>\$ 11,245,609</u>			<u>\$ 21,500,000</u>	

**SCHEDULE 7**

**TAIWAN MOBILE CO., LTD.**

**ACCOUNTS PAYABLE**

**JUNE 30, 2008**

**(In Thousands of New Taiwan Dollars)**

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<b>Suppliers</b>	<b>Amount</b>
National communication commission	\$ 1,342,196
Other (Note)	<u>293,829</u>
	<u>\$ 1,636,025</u>

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

**TAIWAN MOBILE CO., LTD.**

**ACCRUED EXPENSES**

**JUNE 30, 2008**

**(In Thousands of New Taiwan Dollars)**

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<b>Nature</b>	<b>Amount</b>
Salaries and bonuses	\$ 1,526,177
Commissions	1,035,175
Repair and maintenance expenses	698,262
Professional service fees	346,409
Advertising	97,796
interest	90,175
Other (Note)	<u>931,099</u>
	<u>\$ 4,725,093</u>

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



**SCHEDULE 9**

**TAIWAN MOBILE CO., LTD.**

**OTHER PAYABLE**

**JUNE 30, 2008**

**(In Thousands of New Taiwan Dollars)**

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<b>Item</b>	<b>Amount</b>
Dividends payable	\$ 7,602,440
Payables for equipment and constructions	1,255,916
Payables for employee bonuses	190,204
Value-added tax	166,760
Other	<u>2,239,814</u>
	<u>\$ 11,455,134</u>

**TAIWAN MOBILE CO., LTD.**

**OPERATING REVENUES  
SIX MONTHS ENDED JUNE 30, 2008  
(In Thousands of New Taiwan Dollars)**

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<b>Item</b>	<b>Amount</b>
Telecom service revenues	
Network interconnection (Note 1)	\$ 7,609,577
Airtime usage	9,091,138
Monthly access fee and activation fee	<u>9,387,267</u>
	26,087,982
Other operating revenues (Note 2)	<u>272,511</u>
	<u>\$ 26,360,493</u>

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

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

**TAIWAN MOBILE CO., LTD.**

**OPERATING COSTS  
SIX MONTHS ENDED JUNE 30, 2008  
(In Thousands of New Taiwan Dollars)**

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<b>Item</b>	<b>Amount</b>
Telecom service costs	
Network interconnection (Note 1)	\$ 4,495,169
Depreciation	2,618,536
Concession fee (2G&3G)	895,780
Rents	728,697
Monthly leased-line charges	616,982
Maintenance materials and constructions	438,710
Frequency usage fee	200,934
Other (Note 2)	<u>1,368,306</u>
	<u>\$ 11,363,114</u>

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

Note 2: Including expenses for maintaining telecommunication network and equipment and cost of handsets sold.

**TAIWAN MOBILE CO., LTD.****OPERATING EXPENSES  
SIX MONTHS ENDED JUNE 30, 2008  
(In Thousands of New Taiwan Dollars)**

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<b>Item</b>	<b>Marketing</b>	<b>Administrative</b>	<b>Total</b>
Commissions	\$ 3,310,108	\$ -	\$ 3,310,108
Salaries and pension	405,884	439,633	845,517
Professional service fees	415,089	124,857	539,946
Bad debts	-	288,521	288,521
Service charges	19,001	252,073	271,074
Depreciation	31,035	206,611	237,646
Advertising	158,414	5,661	164,075
Other (Note)	<u>389,506</u>	<u>403,766</u>	<u>793,272</u>
	<u>\$ 4,729,037</u>	<u>\$ 1,721,122</u>	<u>\$ 6,450,159</u>

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