

**Taiwan Mobile Co., Ltd.**

**Financial Statements for the  
Three Months Ended March 31, 2009 and 2008 and  
Independent Accountants' Review Report**

## **INDEPENDENT ACCOUNTANTS' REVIEW REPORT**

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

We have reviewed the accompanying balance sheets of Taiwan Mobile Co., Ltd. (the "Corporation") as of March 31, 2009 and 2008, and the related statements of income and cash flows for the three months then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to issue a report based on our reviews.

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

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

As stated in Note 3 of 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.

We have also reviewed the consolidated balance sheets of the Corporation and its subsidiaries as of March 31, 2009 and 2008 and the related consolidated statements of income and cash flows for the three months then ended, on which we have issued a review report dated April 13, 2009 with an unqualified review report and emphasis of a matter explanatory paragraph, respectively.

April 13, 2009

Notice to Readers

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

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

**TAIWAN MOBILE CO., LTD.**
**BALANCE SHEETS**
**MARCH 31, 2009 AND 2008**
**(In Thousands of New Taiwan Dollars, Except Par Value)**
**(Reviewed, Not Audited)**

ASSETS	2009		2008		LIABILITIES AND SHAREHOLDERS' EQUITY	2009		2008	
	Amount	%	Amount	%		Amount	%	Amount	%
<b>CURRENT ASSETS</b>					<b>CURRENT LIABILITIES</b>				
Cash and cash equivalents (Notes 2, 4 and 25)	\$ 2,352,889	3	\$ 2,833,559	3	Short-term borrowings (Note 14)	\$ 2,100,000	2	\$ 16,945,609	18
Available-for-sale financial assets - current (Notes 2 and 5)	168,176	-	214,771	-	Short-term notes and bills payable (Note 15)	-	-	4,292,812	4
Hedging derivative financial assets - current (Notes 2, 24 and 28)	76,397	-	-	-	Accounts payable (Note 25)	2,526,508	3	2,036,718	2
Notes receivable	12,090	-	14,153	-	Income taxes payable (Notes 2 and 21)	3,006,841	3	1,759,094	2
Accounts receivable - third parties (Notes 2 and 6)	5,443,831	6	5,074,021	6	Accrued expenses (Note 25)	4,284,326	5	4,266,818	4
Accounts receivable - related parties (Notes 2 and 25)	296,996	-	294,170	-	Other payables (Notes 2 and 25)	3,903,205	4	3,548,098	4
Other receivables - third parties	256,913	-	202,653	-	Advance receipts (Note 16)	1,073,293	1	727,388	1
Other receivables - related parties (Note 25)	7,587,065	9	3,835,666	4	Current portion of long-term liabilities (Note 17)	7,500,000	9	2,500,000	3
Inventories (Note 2)	274,270	-	110,852	-	Guarantee deposits - current	64,963	-	23,801	-
Prepayments (Notes 7 and 25)	521,750	1	424,911	1	Other current liabilities (Note 25)	679,882	1	916,741	1
Deferred income tax assets - current (Notes 2 and 21)	146,022	-	83,911	-					
Pledged time deposits (Notes 25 and 26)	10,000	-	10,000	-	Total current liabilities	25,139,018	28	37,017,079	39
Other current assets	3,552	-	37,624	-					
Total current assets	17,149,951	19	13,136,291	14	<b>LONG-TERM LIABILITIES</b>				
					Bonds payable (Note 17)	8,000,000	9	7,500,000	8
<b>INVESTMENTS</b>									
Investments accounted for using equity method (Notes 2 and 8)	10,624,887	12	25,202,627	27	<b>OTHER LIABILITIES</b>				
Hedging derivative financial assets - non-current (Notes 2, 24 and 28)	-	-	32,282	-	Guarantee deposits	248,576	-	253,760	-
Financial assets carried at cost - non-current (Notes 2 and 9)	60,064	-	71,596	-	Deferred credits - gains on intercompany accounts (Notes 2 and 8)	1,238,378	2	1,238,378	2
Total investments	10,684,951	12	25,306,505	27	Other (Note 2)	310,509	-	-	-
					Total other liabilities	1,797,463	2	1,492,138	2
<b>PROPERTY AND EQUIPMENT (Notes 2 and 10)</b>					Total liabilities	34,936,481	39	46,009,217	49
Cost									
Land	3,866,289	4	3,758,511	4	<b>SHAREHOLDERS' EQUITY (Notes 2 and 20)</b>				
Buildings	2,385,587	3	2,256,748	3	Capital stock - NT\$10 par value				
Telecommunication equipment	60,227,425	67	53,588,813	57	Authorized: 6,000,000 thousand shares				
Office equipment	66,546	-	111,664	-	Issued: 3,800,925 thousand shares	38,009,254	43	38,009,254	40
Leased assets	1,285,921	2	1,276,190	1	Capital surplus				
Miscellaneous equipment	1,944,017	2	2,021,490	2	From convertible bonds	8,775,819	10	8,775,819	9
Total cost	69,775,785	78	63,013,416	67	From treasury stock transactions	3,509,118	4	3,493,759	4
Less accumulated depreciation	(29,986,522)	(33)	(22,779,402)	(24)	From long-term investments	1,166	-	1,313	-
	39,789,263	45	40,234,014	43	From employees stock options	10,779	-	-	-
Construction in progress and prepayments for equipment	1,944,844	2	1,986,268	2	Retained earnings				
Net property and equipment	41,734,107	47	42,220,282	45	Legal reserve	12,406,775	14	11,745,475	12
					Special reserve	3,406,744	4	3,493,563	4
<b>INTANGIBLE ASSETS (Note 2)</b>					Unappropriated earnings	20,970,517	23	14,912,402	16
3G concession	7,290,164	8	8,037,873	8	Other equity				
Computer software cost	4,037	-	16,571	-	Cumulative translation adjustments	30,778	-	(14,606)	-
Goodwill (Note 11)	6,835,370	8	-	-	Net loss not recognized as pension cost	2,862	-	1,534	-
	14,129,571	16	8,054,444	8	Unrealized gains (losses) of financial instruments	(30,644)	-	34,609	-
					Treasury stock	(32,629,793)	(37)	(31,889,100)	(34)
<b>OTHER ASSETS</b>					Total shareholders' equity	54,463,375	61	48,564,022	51
Assets leased to others (Notes 2, 12 and 25)	2,283,986	3	2,213,102	3					
Idle assets (Notes 2 and 12)	153,814	-	225,511	-	<b>TOTAL</b>	<b>\$89,399,856</b>	<b>100</b>	<b>\$94,573,239</b>	<b>100</b>
Refundable deposits	324,399	-	305,310	-					
Deferred charges (Notes 2 and 13)	432,633	-	283,752	-					
Deferred income tax assets - non-current (Notes 2 and 21)	2,441,875	3	2,776,638	3					
Other (Notes 2, 19 and 25)	64,569	-	51,404	-					
Total other assets	5,701,276	6	5,855,717	6					
<b>TOTAL</b>	<b>\$89,399,856</b>	<b>100</b>	<b>\$94,573,239</b>	<b>100</b>					

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

(With Deloitte &amp; Touche review report dated April 13, 2009)

# TAIWAN MOBILE CO., LTD.

## STATEMENTS OF INCOME

THREE MONTHS ENDED MARCH 31, 2009 AND 2008

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

(Reviewed, Not Audited)

	2009		2008	
	Amount	%	Amount	%
OPERATING REVENUES (Notes 2 and 25)				
Telecommunication service revenue	\$ 13,622,130	96	\$ 13,002,427	99
Other revenue	<u>559,284</u>	<u>4</u>	<u>95,641</u>	<u>1</u>
Total operating revenues	14,181,414	100	13,098,068	100
OPERATING COSTS (Notes 2, 23 and 25)	<u>6,854,229</u>	<u>48</u>	<u>5,589,457</u>	<u>42</u>
GROSS PROFIT	<u>7,327,185</u>	<u>52</u>	<u>7,508,611</u>	<u>58</u>
OPERATING EXPENSES (Notes 2, 23 and 25)				
Marketing	2,313,983	16	2,413,121	19
Administrative	<u>953,726</u>	<u>7</u>	<u>822,792</u>	<u>6</u>
Total operating expenses	<u>3,267,709</u>	<u>23</u>	<u>3,235,913</u>	<u>25</u>
OPERATING INCOME	<u>4,059,476</u>	<u>29</u>	<u>4,272,698</u>	<u>33</u>
NON-OPERATING INCOME AND GAINS				
Investment income recognized under the equity method, net (Notes 2 and 8)	556,200	4	1,173,041	9
Income from penalty charge	62,712	1	49,500	1
Rental income (Notes 2 and 25)	49,321	-	30,310	-
Interest income (Notes 2 and 25)	13,209	-	29,894	-
Other (Note 2)	<u>42,365</u>	<u>-</u>	<u>41,888</u>	<u>-</u>
Total non-operating income and gains	<u>723,807</u>	<u>5</u>	<u>1,324,633</u>	<u>10</u>
NON-OPERATING EXPENSES AND LOSSES				
Loss on disposal and retirement of property and equipment (Note 2)	473,097	4	63,604	1
Interest expenses (Notes 2, 10, 25 and 28)	124,672	1	179,568	1
Other (Note 2)	<u>34,802</u>	<u>-</u>	<u>20,669</u>	<u>-</u>
Total non-operating expenses and losses	<u>632,571</u>	<u>5</u>	<u>263,841</u>	<u>2</u>
INCOME BEFORE INCOME TAX	4,150,712	29	5,333,490	41
INCOME TAX EXPENSE (Notes 2 and 21)	<u>896,207</u>	<u>6</u>	<u>1,141,318</u>	<u>9</u>
NET INCOME	<u>\$ 3,254,505</u>	<u>23</u>	<u>\$ 4,192,172</u>	<u>32</u>

(Continued)

# TAIWAN MOBILE CO., LTD.

## STATEMENTS OF INCOME

THREE MONTHS ENDED MARCH 31, 2009 AND 2008

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

(Reviewed, Not Audited)

	2009		2008	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
EARNINGS PER SHARE (Note 22)				
Basic	\$ 1.40	\$ 1.10	\$ 1.83	\$ 1.44
Diluted	\$ 1.39	\$ 1.09	\$ 1.83	\$ 1.44

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

	2009	2008
NET INCOME	\$ 3,254,505	\$ 7,677,904
EARNINGS PER SHARE		
Basic	\$0.86	\$2.02
Diluted	\$0.86	\$2.02

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

(With Deloitte & Touche review report dated April 13, 2009)

(Concluded)

# TAIWAN MOBILE CO., LTD.

## STATEMENTS OF CASH FLOWS THREE MONTHS ENDED MARCH 31, 2009 AND 2008 (In Thousands of New Taiwan Dollars) (Reviewed, Not Audited)

	2009	2008
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ 3,254,505	\$ 4,192,172
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	1,742,116	1,407,993
Investment income recognized under the equity method, net	(556,200)	(1,173,041)
Loss on disposal and retirement of property and equipment, net	473,097	63,604
Amortization	214,077	215,227
Bad debts	154,991	137,415
Deferred income taxes	23,799	93,422
Pension cost	645	-
Cash dividends received from equity-method investees	-	3,245,715
Net changes in operating assets and liabilities		
Notes receivable	2,049	386
Accounts receivable - third parties	210,958	147,848
Accounts receivable - related parties	(77,355)	2,170
Other receivables - third parties	(5,579)	2,600
Other receivables - related parties	5,920	(298,719)
Inventories	35,629	(28,630)
Prepayments	106,587	131,454
Other current assets	4,329	(19,966)
Accounts payable	359,829	436,322
Income taxes payable	867,578	912,559
Accrued expenses	(401,875)	(326,306)
Other payables	(36,269)	1,815
Advance receipts	(288,118)	(380,614)
Other current liabilities	42,053	(10,142)
Net cash provided by operating activities	<u>6,132,766</u>	<u>8,753,284</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of property and equipment	(1,093,991)	(974,085)
Increase in deferred charges	(145,850)	(56,543)
Increase in refundable deposits	(6,831)	(9,315)
Proceeds from investees' capital reduction	5,356	2,688
Decrease in other assets	708	62
Increase in computer software costs	(285)	-
Financing provided to investees	-	(1,000,000)
Net cash used in investing activities	<u>(1,240,893)</u>	<u>(2,037,193)</u>

(Continued)

# TAIWAN MOBILE CO., LTD.

## STATEMENTS OF CASH FLOWS THREE MONTHS ENDED MARCH 31, 2009 AND 2008 (In Thousands of New Taiwan Dollars) (Reviewed, Not Audited)

	2009	2008
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Decrease in long-term borrowings	\$ (5,200,000)	\$ -
Increase in short-term borrowings	800,000	2,945,609
Transfer of treasury stock to employees	318,083	-
Increase (decrease) in guarantee deposits	(1,442)	4,273
Capital reduction	-	(11,993,912)
Increase in short-term notes and bills payable	<u>-</u>	<u>2,698,059</u>
Net cash used in financing activities	<u>(4,083,359)</u>	<u>(6,345,971)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	808,514	370,120
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	<u>1,544,375</u>	<u>2,463,439</u>
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	<u>\$ 2,352,889</u>	<u>\$ 2,833,559</u>
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
Interest paid	\$ 25,112	\$ 117,119
Less interest capitalized	<u>(4,116)</u>	<u>(2,641)</u>
Interest paid - excluding interest capitalized	<u>\$ 20,996</u>	<u>\$ 114,478</u>
Income tax paid	<u>\$ 126</u>	<u>\$ 3,870</u>
<b>NON-CASH INVESTING AND FINANCING ACTIVITIES</b>		
Current portion of long-term liabilities	<u>\$ 7,500,000</u>	<u>\$ 2,500,000</u>
Reclassification of the corporation's shares held by its subsidiaries to treasury stock	<u>\$31,889,100</u>	<u>\$31,889,100</u>
<b>CASH INVESTING AND FINANCING ACTIVITIES</b>		
Acquisition of property and equipment	\$ 925,199	\$ 953,852
Decrease in other payables	123,030	20,233
Decrease in other liabilities - other	<u>45,762</u>	<u>-</u>
Cash paid for acquisition of property and equipment	<u>\$ 1,093,991</u>	<u>\$ 974,085</u>

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

(With Deloitte & Touche review report dated April 13, 2009)

(Concluded)



# TAIWAN MOBILE CO., LTD.

## NOTES TO FINANCIAL STATEMENTS

THREE MONTHS ENDED MARCH 31, 2009 AND 2008

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

(Reviewed, Not Audited)

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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 issued by the Directorate General of Telecommunications (DGT) of the ROC. The license allows the Corporation to provide services for 15 years from 1997 onwards. It also entails the payment of an annual license fee consisting of 2% of total wireless communication service revenues. On March 24, 2005, the Corporation received the third generation (3G) concession operation license issued by the DGT. The 3G license allows the Corporation to provide services from the issuance date of the license to December 31, 2018.

As of March 31, 2009 and 2008, the Corporation had 2,508 and 2,552 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**

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

## **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 recorded at weight-average cost. Before January 1, 2009, inventories are stated at the lower of the cost or market value. Market value is evaluated on the basis of replacement cost or net realizable value. Effective from January 1, 2009, however, inventories are stated at the lower of cost or net realizable value. When comparing cost and net realizable value, inventories are evaluated by individual items, unless which can be identified into a same group.

## **Investments Accounted for Using Equity Method**

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

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 the equity method, assets for disposal, deferred income tax assets and prepaid pension costs or other retirement benefit costs). If these assets are all reduced to zero, the remaining excess should be recognized as extraordinary gain. Starting January 1, 2006, the unamortized balance of the excess of the acquisition cost of the long-term investment by the equity method over the equity in the investee's net assets value is also no longer amortized and applies the same accounting treatment as goodwill.

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

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

Property and equipment and assets leased to others are stated at cost less accumulated depreciation and accumulated impairment. Significant additions, renewals, betterments, and interest expenses incurred during the construction period are capitalized, while maintenance and repairs are expensed. Leased property and equipment from others 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.

For cost associated with dismantling and relocating fixed assets and restoring the leased premises housing our fixed assets to the previous state should be recognized as an addition to the fixed assets and accrued as a potential liability accordingly, according to the Accounting Research and Development Foundation (ARDF) issued the Interpretation No. 2008-340 in November 2008.

Depreciation is calculated using the straight-line method over the estimated service lives, which range as follows: buildings - 50 to 55 years; telecommunication equipment - 2 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.

### **Accounting for Leases**

In accordance with SFAS No. 2, "Accounting for Leases," a lease is identified as either an operating lease or a capital lease based on the lease contract terms, the collectability of the leasehold and the un-reimbursable costs to be incurred by the lessor.

The asset held under an operating lease is stated at cost, and depreciated on the straight-line basis over the estimated useful life. Receivables collected are periodically recognized as rental income during the lease contract.

At the inception date of a capital lease, total leasehold receivables shall be recognized as all rental receivables plus the pre-determined bargain purchase price offered to the lessee upon maturity or estimated residual value. For a financing-type of capital lease, leasehold receivables should be recognized as the sum of present value derived from each future rental receivable based on an implicit interest rate of the lease. The excess of total leasehold receivables over the present value of leasehold receivables should be deferred as unrealized interest income, and amortized as interest income by the effective interest method upon each collection.

## **Intangible Assets**

### **a. Franchise**

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 straight-line method over 13 years and 9 months starting from the launch of 3G services.

### **b. Computer software**

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

### **c. Goodwill**

In accordance with the newly revised SFAS, goodwill is no longer amortized. Please refer to the accounting policy of investments accounted for by the equity method.

## **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.

## **Asset Impairment**

If the carrying value of assets (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.

## **Share-based Compensation**

For the grant date of the employee stock options which falls on or after January 1, 2008 should apply SFAS No. 39 - "Accounting for Share-based Payment". The value of stock option granted, the product of the number of vested stock options multiplies by the fair value of the option on grant date, shall be expensed over the vesting period, and to increase "capital surplus - employee stock options" by the same amount accordingly.

## **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.

## **Income Taxes**

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

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

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

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

## **Treasury Stock**

The purchase of issued shares is accounted for by debiting treasury stock, which is a reduction of shareholders' equity. 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 three months ended March 31, 2008 have been reclassified to conform to the presentation of financial statements as of and for the three months ended March 31, 2009.

## **3. REASONS AND EFFECTS OF CHANGES IN ACCOUNTING PRINCIPLES**

### **Accounting for Bonuses to Employees, Directors and Supervisors**

In March 2007, the ARDF issued an interpretation that requires companies and their subsidiaries to recognize those bonuses to employees and remunerations to directors and supervisors as compensation 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 \$89,326 thousand in net income and a decrease in basic earnings per share of \$0.03 for the three months ended March 31, 2008.

#### 4. CASH AND CASH EQUIVALENTS

	<u>March 31</u>	
	<u>2009</u>	<u>2008</u>
Short-term notes and bills with repurchase rights	\$ 1,100,097	\$ 1,983,144
Government bonds with repurchase rights	763,167	-
Cash in banks	392,452	656,705
Time deposits	68,047	167,609
Cash on hand	23,843	22,418
Revolving funds	<u>5,283</u>	<u>3,683</u>
	<u>\$ 2,352,889</u>	<u>\$ 2,833,559</u>

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

	<u>March 31</u>	
	<u>2009</u>	<u>2008</u>
Domestic listed stocks		
Chunghwa Telecom Co., Ltd.	<u>\$ 168,176</u>	<u>\$ 214,771</u>

#### 6. ACCOUNTS RECEIVABLE - THIRD PARTIES

	<u>March 31</u>	
	<u>2009</u>	<u>2008</u>
Accounts receivable	\$ 5,885,917	\$ 5,467,656
Less allowance for doubtful accounts	<u>(442,086)</u>	<u>(393,635)</u>
	<u>\$ 5,443,831</u>	<u>\$ 5,074,021</u>

For 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 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. PREPAYMENTS

	<u>March 31</u>	
	<u>2009</u>	<u>2008</u>
Prepaid commissions	\$ 253,923	\$ 157,995
Prepaid rents	126,295	135,372
Prepaid insurance	26,088	32,552
Others	<u>115,444</u>	<u>98,992</u>
	<u>\$ 521,750</u>	<u>\$ 424,911</u>

## 8. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	March 31			
	2009		2008	
	Carrying Value	% of Owner- ship	Carrying Value	% of Owner- ship
Taiwan Cellular Co., Ltd. (TCC)	\$ 10,173,232	100.0	\$ 15,118,096	100.0
Taipei New Horizons Co., Ltd. (TNH)	235,862	49.9	-	-
Wealth Media Technology Co., Ltd. (WMT)	215,793	100.0	70,973	100.0
TransAsia Telecommunications Inc. (TAT)	-		<u>10,013,558</u>	100.0
	<u>\$ 10,624,887</u>		<u>\$ 25,202,627</u>	

a. Taiwan Cellular Co., Ltd.

The Corporation invested Taiwan Fixed Network Co., Ltd. (TFN) indirectly through Taiwan Cellular Co. Ltd. (TCC) with shares of the former TFN as investment. Based on the revised SFAS No. 5, "Long-term Investments in Equity Securities," unrealized gains and losses on downstream transactions should be deferred. Thus, the difference between the original carrying cost and the investment price of the former TFN shares of this transaction should be treated as deferred gains. As of March 31, 2009, the amount of deferred credits recognized by the Corporation was \$1,238,378 thousand.

As of March 31, 2009, 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 20 for details.

b. Taipei New Horizons Co., Ltd.

TNH is established to invest in a property development project located in the old Songshan Tobacco Factory site. On January 15, 2009, TNH signed a 50-year BOT contract with Taipei City Government.

The Corporation established TNH on December 31, 2008 with initial investment of \$249,500 thousand, representing 49.9% ownership.

c. Wealth Media Technology Co., Ltd.

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 dates (April 1, 2008), the Corporation subscribed for all the shares and WMT is still a wholly-owned subsidiary of the Corporation.

d. TransAsia Telecommunications Inc.

On July 31, 2008, the Board of Directors of the Corporation resolved to merge TAT, with the Corporation as the surviving company. The record date of the merger was September 2, 2008. The Corporation assumed all the rights and obligations of TAT.



e. 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 unreviewed, except the financial statements of TFN (the subsidiary of TCC) for the three months ended March 31, 2009 and the financial statements of TAT and TFN for the three months ended March 31, 2008. The Corporation's management considered that, had these financial statements been reviewed, 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>Three Months Ended</b>	
	<b>March 31</b>	
	<b>2009</b>	<b>2008</b>
TCC	\$ 579,779	\$ 847,499
TNH	(13,638)	-
WMTC	(9,941)	(11,741)
TAT	-	337,283
	<u>\$ 556,200</u>	<u>\$ 1,173,041</u>

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

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

	<b>March 31</b>	
	<b>2009</b>	<b>2008</b>
Foreign unlisted stocks		
Bridge Mobile Pte Ltd.	<u>\$ 60,064</u>	<u>\$ 71,596</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 in 2008.

**10. PROPERTY AND EQUIPMENT - ACCUMULATED DEPRECIATION**

	<b>March 31</b>	
	<b>2009</b>	<b>2008</b>
Buildings	\$ 356,074	\$ 287,589
Telecommunication equipment	28,322,773	21,158,252
Office equipment	40,909	69,661
Leased assets	436,591	372,222
Miscellaneous equipment	<u>830,175</u>	<u>891,678</u>
	<u>\$ 29,986,522</u>	<u>\$ 22,779,402</u>

Capitalized interest for the first quarter March 31, 2009 and 2008 amounted to \$4,116 thousand and \$2,641 thousand, respectively, with capitalized rates ranging from 2.4%-2.64%.

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

## 11. GOODWILL

On September 2, 2008, the Corporation merged with TAT resulting in the recognition of goodwill at the book value of \$6,835,370 thousand.

In conformity with SFAS No. 35, "Accounting for Asset Impairment," the Corporation, TAT and Mobitai, all engaged in mobile service, were combined viewed as one cash-generating unit in 2007. The critical assumptions to evaluate the recoverable amounts of operating assets and goodwill were as follows:

a. Assumptions on operating revenues

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

b. Assumptions on operating costs and expenses

The estimates of commissions, customer retention costs, customer service costs and bill processing costs were based on the projected changes in subscriber numbers. The estimates of remaining costs and expenses were based on the proportion of the actual costs and expenses to operating revenues in the 2008 financial statements.

c. Assumptions on discount rate

For the years ended December 31, 2008 and 2007, the Corporation used the discount rate of 7.48% and 6.78%, respectively, in calculating the asset recoverable amounts.

Based on the key assumptions of the cash-generating unit, the Corporation's management believes that the carrying amounts of these assets for operating and goodwill will not exceed their recoverable amounts even if there are changes in the critical assumptions used to estimate recoverable amounts as long as these changes are reasonable for the years ended December 31, 2008 and 2007.

## 12. ASSETS LEASED TO OTHERS AND IDLE ASSETS

	<u>March 31</u>	
	<u>2009</u>	<u>2008</u>
Assets leased to others		
Cost	\$ 2,469,440	\$ 2,326,371
Less accumulated depreciation	(130,961)	(102,678)
Less accumulated impairment	<u>(54,493)</u>	<u>(10,591)</u>
	<u>\$ 2,283,986</u>	<u>\$ 2,213,102</u>
Idle assets		
Cost	\$ 531,007	\$ 643,781
Less allowance for value decline	(187,519)	(187,519)
Less accumulated depreciation	(105,227)	(102,187)
Less accumulated impairment	<u>(84,447)</u>	<u>(128,564)</u>
	<u>\$ 153,814</u>	<u>\$ 225,511</u>

### 13. DEFERRED CHARGES

	<u>March 31</u>	
	<u>2009</u>	<u>2008</u>
Interior decoration	\$ 392,883	\$ 253,248
Bond issuing cost	16,212	5,483
Arrangement fee for syndicated bank loans	14,425	20,250
Other	<u>9,113</u>	<u>4,771</u>
	<u>\$ 432,633</u>	<u>\$ 283,752</u>

### 14. SHORT-TERM BORROWINGS

	<u>March 31</u>	
	<u>2009</u>	<u>2008</u>
Unsecured loans provided by related party	\$ 1,600,000	\$ 45,609
Unsecured loans from financial institutions	<u>500,000</u>	<u>16,900,000</u>
	<u>\$ 2,100,000</u>	<u>\$ 16,945,609</u>
Interest rate	0.7%-2.417%	2.432%-2.62%

### 15. SHORT-TERM NOTES AND BILLS PAYABLE

	<u>March 31</u>	
	<u>2009</u>	<u>2008</u>
Commercial paper payable		
The Shanghai Commercial & Saving Bank, Ltd.	\$ -	\$ 2,000,000
China Bills Finance Corporation	-	850,000
International Bills Financial Corporation	-	850,000
Mega Bills Financial Corporation	<u>-</u>	<u>600,000</u>
	-	4,300,000
Less discount on short-term notes and bills payable	<u>-</u>	<u>(7,188)</u>
Net carrying value	<u>\$ -</u>	<u>\$ 4,292,812</u>
Interest rate	-	2.042%-2.26%
Period	-	2008.1.30- 2008.5.16

### 16. ADVANCE RECEIPTS

The Corporation entered into a contract with Mega International Commercial Bank Co., Ltd., which provided performance guarantee for advance receipts from prepaid card customers in accordance with NCC's new policy effective on April 1, 2007. The guaranteed advance receipts from prepaid card customers were \$699,431 thousand as of March 31, 2009.

## 17. BONDS PAYABLE

	March 31			
	2009		2008	
	Current	Non-current	Current	Non-current
Domestic unsecured bonds	<u>\$ 7,500,000</u>	<u>\$ 8,000,000</u>	<u>\$ 2,500,000</u>	<u>\$ 7,500,000</u>

### a. 1st 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:

	Principal	Rate	Terms
Type I	\$ 2,500,000	2.60%	Repayment of \$1,250,000 thousand each in the fourth and fifth years, interest payable annually
Type II	2,500,000	5.21%-6M LIBOR	Repayment on maturity date, interest payable semiannually
Type III	5,000,000	2.80%	Repayment of \$2,500,000 thousand each in the sixth and seventh years, interest payable annually
Type IV	5,000,000	5.75%-6M LIBOR	Repayment on maturity date, interest payable semiannually
	<u>\$ 15,000,000</u>		

### b. 2nd domestic unsecured bonds

On November 14, 2008, the Corporation issued \$8,000,000 thousand five-year domestic unsecured bonds, with each bond having a face value of \$10,000 thousand and a coupon rate of 2.88% per annum, simple interest due annually. Repayments will be made in the fourth and fifth year with equal installments, i.e. \$4,000,000 thousand, respectively.

Future repayments of the above-mentioned corporate bonds are as follows:

Year	Amount
From the second to fourth quarter, 2009	\$ 7,500,000
2012	4,000,000
2013	<u>4,000,000</u>
	<u>\$ 15,500,000</u>

## 18. LONG-TERM BORROWINGS

To provide 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 on February 21, 2008. 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. Upon maturity, the loan is allowed to revolve within its credit limits. 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 25 for further information.

## 19. 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 \$27,275 thousand and \$26,691 thousand for the three months ended March 31, 2009 and 2008, 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 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, January 22, 2008, and January 16, 2009, the Corporation suspended contributing from February 2007 to January 2010.

## 20. SHAREHOLDERS' EQUITY

### a. Capital surplus

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

### 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 three months ended March 31, 2009, the bonuses to employees and remuneration to directors and supervisors were accrued based on 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 reserve. The significant difference between annual accruals and the amount approved by the Board of Directors shall be adjusted in the current year. If the Board of Director's approval differs from the amount ratified at the annual general shareholders' meeting (AGM), the difference will be treated as changes in accounting estimation and will be adjusted in 2010's P&L. If employee bonuses are paid in the form of company shares, the number of employee bonus shares shall be derived from dividing the approved bonus amount by its closing price one day prior to the AGM, adjusted for cash and/or stock dividends if any.

The 2008 earnings appropriations proposed by the Board of Directors on March 5, 2009 and the 2007 earnings appropriations resolved by the shareholders in their meetings on June 13, 2008 were as follows:

	<u>Appropriation of Earnings</u>		<u>Dividend Per Share</u> <u>(NT\$)</u>	
	<u>For Fiscal</u> <u>Year 2008</u>	<u>For Fiscal</u> <u>Year 2007</u>	<u>For Fiscal</u> <u>Year 2008</u>	<u>For Fiscal</u> <u>Year 2007</u>
Appropriation of legal reserve	\$ 1,537,139	\$ 661,300		
Reversal of special reserve	(56,745)	(86,819)		
Remuneration to directors and supervisors	-	18,116		
Cash bonus to employees	-	181,155		
Cash dividends	<u>13,968,864</u>	<u>7,601,851</u>	\$4.7	\$2.54326
	<u>\$ 15,449,258</u>	<u>\$ 8,375,603</u>		

The Board of Directors on March 5, 2009 proposed to distribute 2008 bonus of \$414,697 thousand to employees and remuneration of \$41,470 thousand to directors and supervisors.

Information on the appropriation of the 2008 earnings bonus and remuneration to employees, directors and supervisors proposed by the Board of Directors and to be approved at 2009 AGM is available on the Market Observation Post System website of the Taiwan Stock Exchange.

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>Three months ended March 31, 2009</u>				
To be transferred to employees	24,193	-	7,284	16,909
Shares held by subsidiaries	811,918	-	-	811,918
<u>Three months ended March 31, 2008</u>				
Shares held by subsidiaries	1,368,250 (Note)	-	556,332	811,918

Note: Shares held before capital reduction.

1) Transfer of stock to employees

For the three months ended March 31, 2009, the Corporation transferred 7,284 thousand shares bought back from the market to employees at NT\$43.8 per share, resulting in a reduction of \$957 thousand in capital surplus.

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

As of March 31, 2009, the carrying and market value of the Corporation's stocks held by TFN and TFN Investment Co., Ltd. (TFNI), the Corporation's subsidiary, both amounted to \$39,905,750 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 exercise their rights on these shares, except for participation in capital injection by cash. In addition, based on the ROC Company Act, the shareholders of treasury stocks can not exercise the voting right.

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 gains (losses) on financial instruments

Unrealized gains or losses on financial instruments for the three months ended March 31, 2009 and 2008 were summarized as follows:

	<b>Three Months Ended March 31</b>	
	<b>2009</b>	<b>2008</b>
Available-for-sale financial assets		
Balance, beginning of year	\$ 54,455	\$ 57,560
Fair value changes recognized directly in equity	(476)	37,659
	<u>53,979</u>	<u>95,219</u>
Changes in unrealized gains (losses) of cash flow hedge		
Balance, beginning of year	61,864	(38,749)
Fair value changes recognized directly in equity	(4,566)	62,961
	<u>57,298</u>	<u>24,212</u>
Changes in unrealized gains (losses) recognized by equity accounted investees		
Balance, beginning of year	(122,216)	(82,854)
Fair value changes recognized directly in equity	(19,705)	(1,968)
	<u>(141,921)</u>	<u>(84,822)</u>
Unrealized gains (losses) on financial instruments	<u>\$ (30,644)</u>	<u>\$ 34,609</u>

## 21. 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>Three Months Ended March 31</b>	
	<b>2009</b>	<b>2008</b>
Tax on pretax income at statutory tax rate (25%)	\$ 1,037,668	\$ 1,333,363
Add (deduct) tax effects of:		
Permanent differences		
Investment income from domestic investees accounted for using equity method	(139,050)	(293,260)
Other	(85)	(2,154)
Temporary differences	(29,803)	(92,406)
Investment tax credits	-	(32,774)
Deferred income tax	23,799	93,422
Prior years' adjustment	4,703	133,324
Tax on short-term bills	67	1,803
Others	(1,092)	-
Income tax expense	<u>\$ 896,207</u>	<u>\$ 1,141,318</u>



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

	<u>March 31</u>	
	<b>2009</b>	<b>2008</b>
Unrealized loss on retirement of property and equipment	\$ 2,101,603	\$ 2,380,997
Provision for doubtful accounts	723,094	725,314
Amortization of goodwill	(66,455)	-
Provision for impairment losses on idle assets	59,403	63,897
Investment tax credits	34,285	-
Unrealized gain on financial liabilities	(19,099)	(8,071)
Other	<u>36,724</u>	<u>(805)</u>
	2,869,555	3,161,332
Less valuation allowance	<u>(281,658)</u>	<u>(300,783)</u>
	<u>\$ 2,587,897</u>	<u>\$ 2,860,549</u>
Deferred income tax assets		
Current	\$ 146,022	\$ 83,911
Non-current	<u>2,441,875</u>	<u>2,776,638</u>
	<u>\$ 2,587,897</u>	<u>\$ 2,860,549</u>

c. As of March 31, 2009, the Corporation's investment tax credits consisted of the following:

Regulatory Basis of Tax Credits	Item	Total Creditable Amount	Remaining Creditable Amount	Expiry Year
Statute for Upgrading Industries	Purchase of machinery and equipment	<u>\$ 34,285</u>	<u>\$ 34,285</u>	2013

d. Integrated income tax information was as follows:

	<u>March 31</u>	
	<b>2009</b>	<b>2008</b>
Balance of imputation credit account (ICA)	<u>\$ 2,798,438</u>	<u>\$ 3,171,889</u>

As of March 31, 2009, there were no unappropriated earnings generated before January 1, 1998. The estimated creditable ratio for the 2008 earnings appropriation and the actual creditable ratio for the 2007 earnings appropriation were 35.28% and 38.96%, respectively.

The imputation credits allocated to the shareholders are based on the ICA balance as of the date of dividend distribution. The estimated creditable ratio for the 2008 earnings appropriation may be adjusted when the imputation credits are distributed.

e. The latest years through which income tax returns had been examined and cleared by the tax authorities were as follows:

	<b>Year</b>
The Corporation	2005
TAT	2006
The former TAT	2006
Mobitai	2005

Income tax returns as of 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.

The former TAT's income tax returns as of 2006 had been examined by the tax authorities. However, the former TAT disagreed with the examination result on the income tax returns and filed administrative proceedings for 2002 to 2003 which was conducted by the Supreme Court of the R.O.C. and petition for reexamination of 2004 and 2005's income tax return.

## 22. EARNINGS PER SHARE

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

	<u>Amounts (Numerator)</u>		<u>Shares (Denominator) (Thousands)</u>	<u>EPS (NT\$)</u>	
	<u>Before Income Tax</u>	<u>After Income Tax</u>		<u>Before Income Tax</u>	<u>After Income Tax</u>
<u>Three months ended March 31, 2009</u>					
Basic EPS					
Income of common shareholders	\$ 4,150,712	\$ 3,254,505	2,971,128	<u>\$ 1.40</u>	<u>\$ 1.10</u>
Add effect of potentially dilutive common stocks bonus to employees			<u>10,272</u>		
Diluted EPS					
Income of common shareholders with dilutive effect of potential common shares	<u>\$ 4,150,712</u>	<u>\$ 3,254,505</u>	<u>2,981,400</u>	<u>\$ 1.39</u>	<u>\$ 1.09</u>
<u>Three months ended March 31, 2008</u>					
Basic EPS					
Income of common shareholders	\$ 5,333,490	\$ 4,192,172	2,916,344	<u>\$ 1.83</u>	<u>\$ 1.44</u>
Add effect of potentially dilutive common stocks bonus to employees			<u>1,896</u>		
Diluted EPS					
Income of common shareholders with dilutive effect of potential common shares	<u>\$ 5,333,490</u>	<u>\$ 4,192,172</u>	<u>2,918,240</u>	<u>\$ 1.83</u>	<u>\$ 1.44</u>

The ARDF issued Interpretation No. 2007-052 that requires companies to recognize bonuses paid to employees, directors and supervisors as compensation expenses beginning January 1, 2008. These bonuses were previously recorded as appropriations from earnings. If the Corporation may settle the bonus to employees by cash or shares, the Corporation should presume that the entire amount of the bonus will be settled in shares and the potential share dilutions should be included in the weighted average number of shares outstanding used in the calculation of diluted EPS, if the shares have a dilutive effect.

## 23. LABOR COST, DEPRECIATION AND AMORTIZATION EXPENSE

	Three Months Ended March 31					
	2009			2008		
	Classified as Operating Costs	Classified as Operating Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Total
Labor cost						
Salary	\$ 210,858	\$ 428,695	\$ 639,553	\$ 195,006	\$ 378,915	\$ 573,921
Labor and health insurance	12,839	23,789	36,628	10,299	20,658	30,957
Pension	9,236	16,649	25,885	7,638	15,077	22,715
Other	9,949	17,639	27,588	9,271	17,624	26,895
	<u>\$ 242,882</u>	<u>\$ 486,772</u>	<u>\$ 729,654</u>	<u>\$ 222,214</u>	<u>\$ 432,274</u>	<u>\$ 654,488</u>
Depreciation	\$ 1,602,324	\$ 134,913	\$ 1,737,237	\$ 1,287,438	\$ 117,090	\$ 1,404,528
Amortization	189,081	24,663	213,744	189,497	25,397	214,894

## 24. FINANCIAL INSTRUMENT TRANSACTIONS

### a. Fair value information

	March 31			
	2009		2008	
	Carrying Value	Fair Value	Carrying Value	Fair Value
<u>Non-derivative financial instruments</u>				
Liabilities				
Bonds payable (including current portion)	\$ 15,500,000	\$ 15,802,233	\$ 10,000,000	\$ 9,946,414

### 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 estimate of the book value.
- 3) Bonds payable - based on the over-the-counter quotations in March.
- 4) Derivative financial instruments - based on valuation results provided by banks. As of March 31, 2009, the financial instrument held by the Corporation turned into financial assets, evaluated by the bid price of counter party.
- 5) The above financial instruments do not include cash and cash equivalents, notes and accounts receivable, pledged time deposits, refundable deposits, short-term bank loans, short-term notes and bills payable, accounts payable and guarantee deposits. Because of the short maturities of these instruments, the carrying values represent a reasonable basis to estimate fair values.

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

d. The financial assets exposed to fair value interest rate risk amounted to \$1,941,311 thousand and \$2,160,753 thousand as of March 31, 2009 and 2008, respectively, and the financial liabilities exposed to fair value interest rate risk amounted to \$12,600,000 thousand and \$26,238,421 thousand as of March 31, 2009 and 2008, respectively. The financial assets exposed to cash flow interest rate risk amounted to \$461,232 thousand and \$681,867 thousand as of March 31, 2009 and 2008, respectively, and the financial liabilities exposed to cash flow interest rate risk amounted to \$5,000,000 thousand and \$5,000,000 thousand as of March 31, 2009 and 2008, 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 March 31, 2009 and 2008 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's operating funds are deemed sufficient to meet the cash flow demand, therefore, liquidity risk is not considered to be significant.

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 IRS to hedge interest rate fluctuation risk and periodically evaluates the effectiveness of the hedging instruments.

## 25. RELATED-PARTY TRANSACTIONS

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

<u>Related Party</u>	<u>Relationship with the Corporation</u>
Taiwan Cellular Co., Ltd. (TCC)	Subsidiary
Wealth Media Technology Co., Ltd. (WMT)	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
Global Forest Media Technology Co., Ltd.	Subsidiary
TWM Holding Co. Ltd.	Subsidiary
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 Teleservices & Technologies Co., Ltd. (TT&T)	Subsidiary (the former VoPier Communications (Taiwan) Co., Ltd., as a subsidiary from September 7, 2007, merged the former TT&T and renamed as TT&T on September 1, 2008.)
TFN Investment Co., Ltd.	Subsidiary
Reach & Range Inc.	Subsidiary
Win TV Broadcasting Co., Ltd.	Subsidiary
TFN Media Co., Ltd. (TFNM)	Subsidiary
Yeong Jialeh Cable TV Co., Ltd.	Subsidiary
Shin Ho Cable TV Co., Ltd.	Subsidiary
Mangrove Cable TV Corporation	Subsidiary
Phoenix Cable TV Co., Ltd.	Subsidiary
Globalview Cable TV Co., Ltd.	Subsidiary
Union Cable TV Co., Ltd.	Subsidiary
TFN HK LIMITED	Subsidiary
TWM Communications (Beijing) Ltd. (formerly named 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
Taipei New Horizons Co., Ltd.	Equity-method investee
Fubon Life Assurance Co., Ltd.	Same chairman
Fubon Securities Investment Trust Co., Ltd.	Related party in substance
Fubon Direct Marketing Consulting Co., Ltd.	Related party in substance
Fubon Financial Venture Capital Co., Ltd.	Related party in substance
Fubon Multimedia Technology Co., Ltd.	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.	Related party in substance
Fubon Future Co., Ltd.	Related party in substance
Fubon Investment Services Co., Ltd.	Related party in substance

(Continued)

<u>Related Party</u>	<u>Relationship with the Corporation</u>
Fubon Insurance Co., Ltd. (Fubon Ins.)	Related party in substance
Fubon Property Management Co., Ltd.	Related party in substance
Taiwan Sport Lottery Corporation (TSL)	Related party in substance
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)
Taiwan Telecommunication Network Services Co., Ltd. (TTN)	Subsidiary (merged into TFN on August 1, 2008)
Taiwan Teleservices & Technologies Co., Ltd. (the former TT&T)	Subsidiary (merged into TT&T on September 1, 2008)
TransAsia Telecommunications Inc. (TAT)	Subsidiary (merged into the Corporation on September 2, 2008)
North Coast Cable TV Co., Ltd.	Subsidiary (liquidated on October 1, 2008)
Tai Yi Digital Broadcasting Co., Ltd.	Equity-method investee of TCC (liquidated on February 28, 2009)

(Concluded)

b. Significant transactions with related parties were summarized below:

1) Operating revenues

	<u>Three Months Ended March 31</u>			
	<u>2009</u>		<u>2008</u>	
	Amount	% of Total Revenues	Amount	% of Total Revenues
TFN	\$ 596,946	4	\$ 481,177	4
TAT	-	-	<u>178,617</u>	1
	<u>\$ 596,946</u>		<u>\$ 659,794</u>	

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

2) Operating costs

	<u>Three Months Ended March 31</u>			
	<u>2009</u>		<u>2008</u>	
	Amount	% of Total Costs	Amount	% of Total Costs
TFN	\$ 306,518	4	\$ 224,842	4
Fubon Ins.	13,488	-	15,151	-
TAT	-	-	<u>101,970</u>	2
	<u>\$ 320,006</u>		<u>\$ 341,963</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) Operating lease income

	Leased Sites/Equipment	Three Months Ended March 31	
		2009	2008
TFN	Offices and BTS, etc.	\$ 29,887	\$ 14,105

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

4) Cash in banks

	March 31			
	2009		2008	
	Amount	%	Amount	%
a) Cash in banks				
TFCB	\$ 121,004	5	\$ 264,845	9
b) Pledged time deposits				
TFCB	\$ 10,000	100	\$ 10,000	100

5) Receivables and payables

	March 31			
	2009		2008	
	Amount	%	Amount	%
a) Accounts receivable				
TFN	\$ 289,226	5	\$ 219,313	4
TAT	-	-	69,962	1
Other (Note)	7,770	-	4,895	-
	\$ 296,996		\$ 294,170	

Note: Leasehold receivables from TSL were as follows:

	Current Portion	Maturities of over One Year (Classified under Other Assets)	Total
<u>March 31, 2009</u>			
Leasehold receivables	\$ 2,995	\$ 9,983	\$ 12,978
Less unrealized interest income	(491)	(728)	(1,219)
	\$ 2,504	\$ 9,255	\$ 11,759

	<b>March 31</b>			
	<b>2009</b>		<b>2008</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
b) Other receivables				
TCC	\$ 5,525,231	70	\$ -	-
TFMT (Note)	2,019,998	26	2,022,120	50
TFN	32,732	-	136,491	3
TFNM (Note)	1,099	-	1,259,187	31
TAT	-	-	406,614	10
Other	8,005	-	11,254	-
	<u>\$ 7,587,065</u>		<u>\$ 3,835,666</u>	

Note: Financing to related parties was as follows:

<b>Related Party</b>	<b>Three Months Ended March 31, 2009</b>			
	<b>Ending Balance</b>	<b>Maximum Balance</b>	<b>Interest Rate %</b>	<b>Interest Income</b>
TFMT	<u>\$ 2,000,000</u>	<u>\$ 2,000,000</u>	2.417	<u>\$ 11,919</u>

<b>Related Party</b>	<b>Three Months Ended March 31, 2008</b>			
	<b>Ending Balance</b>	<b>Maximum Balance</b>	<b>Interest Rate %</b>	<b>Interest Income</b>
TFMT	\$ 2,005,000	\$ 2,005,000	2.554-2.568	\$ 12,767
TFNM	<u>1,250,000</u>	<u>1,250,000</u>	2.538-2.548	<u>5,910</u>
	<u>\$ 3,255,000</u>	<u>\$ 3,255,000</u>		<u>\$ 18,677</u>

	<b>March 31</b>			
	<b>2009</b>		<b>2008</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
c) Prepayments				
Fubon Ins.	<u>\$ 31,604</u>	6	<u>\$ 33,598</u>	8
d) Accounts payable				
TFN	\$ -	-	\$ 40,923	2
TAT	<u>-</u>	-	<u>20,335</u>	1
	<u>\$ -</u>		<u>\$ 61,258</u>	
e) Accrued expenses				
TFN	\$ 204,796	5	\$ 97,207	2
TT&T	75,926	2	162,405	4
Taiwan Super Basketball Co., Ltd.	<u>15,000</u>	-	<u>-</u>	-
	<u>\$ 295,722</u>		<u>\$ 259,612</u>	



	<b>March 31</b>			
	<b>2009</b>		<b>2008</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
f) Other payables				
TFN	\$ 95,020	2	\$ 87,755	2
TAT	<u>-</u>	-	<u>239,391</u>	7
	<u>\$ 95,020</u>		<u>\$ 327,146</u>	
g) Other current liabilities - collections and temporary credits for the following				
TFN	\$ 365,737	54	\$ 346,345	38
TAT	<u>-</u>	-	<u>154,661</u>	17
	<u>\$ 365,737</u>		<u>\$ 501,006</u>	

	<b>Three Months Ended March 31</b>	
	<b>2009</b>	<b>2008</b>
6) Telecommunication service expenses		
TFN	<u>\$ 18,003</u>	<u>\$ 23,673</u>
7) Professional service fees		
TT&T (including the former TT&T)	<u>\$ 222,970</u>	<u>\$ 232,362</u>
8) Advertisement expenses		
Taiwan Super Basketball Co., Ltd.	<u>\$ 10,000</u>	<u>\$ -</u>

9) Financing from related parties was as follows:

<b>Related Party</b>	<b>Three Months Ended March 31, 2009</b>			
	<b>Ending Balance</b>	<b>Maximum Balance</b>	<b>Interest Rate</b>	<b>Interest Expense</b>
TFN	<u>\$ 1,600,000</u>	<u>\$ 1,600,000</u>	1.068-2.417	<u>\$ 7,755</u>
<b>Related Party</b>	<b>Three Months Ended March 31, 2008</b>			
	<b>Ending Balance</b>	<b>Maximum Balance</b>	<b>Interest Rate</b>	<b>Interest Expense</b>
TAT	<u>\$ 45,609</u>	<u>\$ 1,700,000</u>	2.572	<u>\$ 3,324</u>

10) Endorsement/guarantee provided

- a) The Corporation provided \$18,000,000 thousand guarantee for TFN's bank loans. The Corporation also provided \$11,070,825 thousand in promissory notes outstanding for TFN's borrowings with banks. TFN has drawn down \$61,052 thousand from banks within the guarantee amount.

- 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 March 31, 2009, TFN had not made any drawdown on this loan.
- c) As of March 31, 2009, the Corporation had provided TFN with \$50,000 thousand as performance guarantee for IDD calling card service issued by July 31, 2008 in accordance with NCC's new policy effective on April 1, 2007.

11) Other

In the three months ended March 31, 2009 and 2008, the Corporation provided services to companies named below, and fees received by the Corporation were recorded as deductions from related costs and expenses. The Corporation's service charges were as follows:

	<b>Three Months Ended</b>	
	<b>March 31</b>	
	<b>2009</b>	<b>2008</b>
TFN	\$ 92,776	\$ 74,772
TAT	-	221,243
TTN	-	9,285
	<u>\$ 92,776</u>	<u>\$ 305,300</u>

**26. ASSETS PLEDGED**

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

	<b>March 31</b>	
	<b>2009</b>	<b>2008</b>
Time deposits	<u>\$ 10,000</u>	<u>\$ 10,000</u>

**27. COMMITMENTS AND CONTINGENT EVENTS**

- a. To enhance 3G mobile communications, expand network coverage and increase the service functions, the Corporation entered into a 3G expansion contract with Nokia for \$4,800,000 thousand in September 2006. As of March 31, 2009, the purchase amount was \$3,584,686 thousand.
- b. Future minimum rental payments as of March 31, 2009 for significant operating lease agreements were summarized as follows:

	<b>Amount</b>
From the second to the fourth quarter, 2009	\$ 30,150
2010	27,976
2011	11,642
2012	5,367

## 28. 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: None.
- 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 4 (attached).
- h. Receivables from related parties amounting to at least \$100 million or 20% of the paid-in capital: Table 5 (attached).
- i. Names, locations, and related information of investees on which the Corporation exercised significant influence: Table 6 (attached).
- j. Derivative transactions

The Corporation entered into interest rate swap (IRS) contracts in December 2002 to hedge fluctuation on inverse floating interest rates of bonds, which are settled semiannually. Please refer to Note 24 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 2.45%	\$ 5,000,000	December 2009

The Corporation entered into IRS contracts to hedge inverse floating interest rate fluctuation. For the three months ended March 31, 2009 and 2008, the Corporation recognized gains of \$16,126 thousand and losses of \$18,585 thousand, respectively, recorded as deduction and addition to interest expense.

- k. Investment in Mainland China:
  - 1) The name of the investee company in Mainland China, the main businesses and products, issued capital, method of investment, information on inflow or outflow of capital, ownership, investment gain or loss, ending balance, amount received as earnings distributions from the investment, and the limitation on investment: Table 7 (attached).
  - 2) Significant direct or indirect transactions with the investee company, its prices and terms of payment, unrealized gain or loss, and other related information which is helpful to understand the impact of investment in Mainland China on financial reports: None.

## TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

FINANCING PROVIDED  
THREE MONTHS ENDED MARCH 31, 2009  
(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.	Other receivables	\$ 2,000,000	\$ 2,000,000	2.417%	Short-term financing.	\$ -	To meet its financing needs in acquiring minorities	\$ -	-	-	\$ 21,785,350 (Note 1)	\$ 21,785,350 (Note 1)
1	Taiwan Cellular Co., Ltd.	TFN Media Co., Ltd.	Other receivables	250,000	250,000	2.417%	Short-term financing.	-	To meet its financing needs in acquiring minorities	-	-	-	19,328,840 (Note 1)	19,328,840 (Note 1)
2	Taiwan Fixed Network Co., Ltd.	TFN Media Co., Ltd.	Other receivables	1,050,000	850,000	2.574%-2.581%	Short-term financing.	-	Operation requirements	-	-	-	21,219,277 (Note 1)	21,219,277 (Note 1)
		The Corporation	Other receivables	1,600,000	1,600,000	1.068%-2.417%	Short-term financing.	-	Operation requirements	-	-	-	21,219,277 (Note 1)	21,219,277 (Note 1)
3	TFN Investment Co., Ltd.	TFN Media Co., Ltd.	Other receivables	1,000,000	1,000,000	2.417%	Short-term financing.	-	To meet its financing needs in acquiring minorities	-	-	-	9,994,761 (Note 1)	9,994,761 (Note 1)
		TFN Media Co., Ltd.	Other receivables	2,900,000	2,900,000	0.929%-2.602%	Short-term financing.	-	Operation requirements	-	-	-	9,994,761 (Note 1)	9,994,761 (Note 1)
4	Union Cable TV Co., Ltd.	TFN Media Co., Ltd.	Other receivables - related parties	540,000	540,000	0.940%-2.604%	Transactions	67,050	Business requirements	-	-	-	13,500,000 (Note 2)	13,500,000 (Note 2)
5	Mangrove Cable TV Corporation	TFN Media Co., Ltd.	Other receivables - related parties	138,000	138,000	0.940%-2.594%	Transactions	6,868	Business requirements	-	-	-	12,000,000 (Note 2)	12,000,000 (Note 2)
6	Globalview Cable TV Co., Ltd.	TFN Media Co., Ltd.	Other receivables - related parties	350,000	350,000	0.940%-2.604%	Transactions	54,663	Business requirements	-	-	-	12,000,000 (Note 2)	12,000,000 (Note 2)
7	Phoenix Cable TV Co., Ltd.	TFN Media Co., Ltd.	Other receivables - related parties	600,000	600,000	1.068%-2.594%	Transactions	139,720	Business requirements	-	-	-	12,000,000 (Note 2)	12,000,000 (Note 2)
8	Shin Ho Cable TV Co., Ltd.	TFN Media Co., Ltd.	Other receivables - related parties	207,700	207,700	2.168%-2.604%	Transactions	412	Business requirements	-	-	-	12,000,000 (Note 2)	12,000,000 (Note 2)
9	Yeong Jialeh Cable TV Co., Ltd.	TFN Media Co., Ltd.	Other receivables - related parties	230,000	230,000	1.068%-2.594%	Transactions	117,233	Business requirements	-	-	-	24,000,000 (Note 2)	24,000,000 (Note 2)

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.

## TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

ENDORSEMENT/GUARANTEE PROVIDED  
THREE MONTHS ENDED MARCH 31, 2009  
(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 1)	Ending Balance (Note 1)	Value of Collaterals	Ratio of Accumulated Endorsement/ Guarantee to Net Worth of the Guarantor (Note 1)	Maximum Guarantee/ Endorsement Can Be Provided by the Guarantor/Endorser
		Name (B)	Nature of Relationship (B is A's)						
0	Taiwan Mobile Co., Ltd. (the "Corporation")	Taiwan Fixed Network Co., Ltd.	(Note 2)	\$ 80,000,000 (Note 3)	\$ 24,763,000	\$ 24,620,825	\$ -	45.21%	\$ 54,463,375
1	Taiwan Teleservices & Technologies Co., Ltd.	Taiwan Fixed Network Co., Ltd.	(Note 4)	20,000 (Note 5)	146	146	-	0.32%	45,392 (Note 5)

Note 1: Maximum guarantee/endorsement amount for the period and the ending balance are the amount allowed, not actual appropriation.

Note 2: Direct/indirect subsidiary

Note 3: For over 100% 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 double of the investment amount.

Note 4: Parent company

Note 5: TT&T is directly and indirectly 100% owned by TFN. The endorsement/guarantee amount provided by TT&T, shall be limited within the net worth of TT&T, and not over double of the investment amount in TT&T.

## TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

## MARKETABLE SECURITIES HELD

MARCH 31, 2009

(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	March 31, 2009				Note
				Shares/Units (Thousands)	Carrying Value	Percentage of Ownership	Market Value (Note 1)	
Taiwan Mobile Co., Ltd. (the "Corporation")	<u>Stock</u> Chunghwa Telecom Co., Ltd.	-	Available-for-sale financial assets - current	2,717	\$ 168,176	0.028	\$ 168,176 (Note 5)	
	Bridge Mobile Pte Ltd.	-	Financial assets carried at cost - non-current	2,200	60,064	10.00	57,392	
	Yes Mobile Holdings Company	-	Financial assets carried at cost - non-current	74	-	0.19	- (Note 3)	
	Wealth Media Technology Co., Ltd.	Subsidiary	Long-term investments - equity method	27,200	215,793	100.00	215,793	
	Taiwan Cellular Co., Ltd.	Subsidiary	Long-term investments - equity method	149,958	10,173,232	100.00	48,322,100 (Note 4)	
	Taipei New Horizons Co., Ltd.	Equity-method investee	Long-term investments - equity method	24,950	235,862	49.90	235,862	
Wealth Media Technology Co., Ltd.	<u>Stock</u> Tai Fu Media Technology Co., Ltd.	Subsidiary	Long-term investments - equity method	27,000	214,172	100.00	214,172	
Tai Fu Media Technology Co., Ltd.	<u>Stock</u> Global Wealth Media Technology Co., Ltd.	Subsidiary	Long-term investments - equity method	8,400	85,419	100.00	85,419	
	Fu Jia Leh Media Technology Co., Ltd.	Subsidiary	Long-term investments - equity method	117,100	2,001,118	100.00	2,001,118	
	Fu Sin Media Technology Co., Ltd.	Subsidiary	Long-term investments - equity method	13,500	136,839	100.00	136,839	
	Global Forest Media Technology Co., Ltd.	Subsidiary	Long-term investments - equity method	100	843	100.00	843	
Global Wealth Media Technology Co., Ltd.	<u>Stock</u> Globalview Cable TV Co., Ltd.	Subsidiary	Long-term investments - equity method	3,460	84,415	6.179	41,088	
Fu Sin Media Technology Co., Ltd.	<u>Stock</u> Phoenix Cable TV Co., Ltd.	Subsidiary	Long-term investments - equity method	2,272	133,947	3.34	33,667	
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 3)	
	Parawin Venture Capital Corp.	-	Financial assets carried at cost - non-current	3,000	22,202	3.00	- (Note 3)	
	Transportation High Tech Inc.	-	Financial assets carried at cost - non-current	1,200	-	12.00	- (Note 3)	
	WEB Point Co., Ltd.	-	Financial assets carried at cost - non-current	803	6,773	3.17	- (Note 3)	
	TWM Holding Co. Ltd.	Subsidiary	Long-term investments - equity method	1 share	US\$ 5,841	100.00	US\$ 5,841	
	Taiwan Fixed Network Co., Ltd.	Subsidiary	Long-term investments - equity method	4,000,000	53,048,193	100.00	53,048,193	
	Taiwan Digital Communication Co., Ltd.	Subsidiary	Long-term investments - equity method	1,200	11,032	100.00	11,032	

(Continued)

Investing Company (A)	Marketable Securities Invested (B)	Relationship with the Investing Company (B is A's)	Financial Statement Account	March 31, 2009				Note
				Shares/Units (Thousands)	Carrying Value	Percentage of Ownership	Market Value (Note 1)	
TWM Holding Co., Ltd.	<u>ADS</u> Hurray! Holding Co., Ltd.	-	Available-for-sale financial assets - current	1,080	US\$ 1,598	4.94	US\$ 1,598 (Note 5)	
	<u>Stock</u> TWM Communications (Beijing) Ltd.	Subsidiary	Long-term investments - equity method	-	US\$ 4,010	100.00	US\$ 3,120	
Taiwan Fixed Network Co., Ltd.	<u>Stock</u> Taiwan Mobile Co., Ltd. (the "Corporation")	Parent company	Available-for-sale financial assets - non-current	456,295	\$ 22,426,887	12.00	\$ 22,426,887 (Note 5)	
	TFN Investment Co., Ltd.	Subsidiary	Long-term investments - equity method	2,061,939	22,453,589	100.00	24,986,903	
	TFN HK LIMITED	Subsidiary	Long-term investments - equity method	1,300	3,213	100.00	3,213	
	Taiwan Teleservices & Technologies Co., Ltd.	Subsidiary	Long-term investments - equity method	1,000	45,392	100.00	45,392	
	Taiwan High Speed Rail Corporation	-	Financial assets carried at cost - non-current	225,531	2,120,829	3.82	- (Note 3)	
	<u>Preferred stock</u> New Century InfoComm Technology Co., Ltd.	-	Financial assets carried at cost - non-current	33,684	187,042	0.84	- (Note 3)	
Taiwan Teleservices & Technologies Co., Ltd.	<u>Stock</u> TT & T Holdings Co., Ltd.	Subsidiary	Long-term investments - equity method	1,300	US\$ 1,354	100.00	US\$ 1,354	
	Taiwan Super Basketball Co., Ltd.	Subsidiary	Long-term investments - equity method	2,000	19,106	100.00	19,106	
TT&T Holdings Co., Ltd.	<u>Stock</u> Xiamen Taifu Teleservices & Technologies Ltd.	Subsidiary	Long-term investments - equity method	-	US\$ 1,354	100.00	US\$ 1,354	
TFN Investment Co., Ltd.	<u>Stock</u> Taiwan Mobile Co., Ltd. (the "Corporation")	Parent company	Available-for-sale financial assets - non-current	355,623	17,478,863	9.36	17,478,863 (Note 5)	
	Reach & Range Inc.	Subsidiary	Long-term investments - equity method	2,400	33,500	100.00	26,429	
	WinTV Broadcasting Co., Ltd.	Subsidiary	Long-term investments - equity method	25,214	186,177	98.50	183,359	
	TFN Media Co., Ltd.	Subsidiary	Long-term investments - equity method	230,526	3,209,382	100.00	2,900,420	
	Great Taipei Broadband Co., Ltd.	-	Financial assets carried at cost - non-current	10,000	50,528	6.67	- (Note 3)	
	<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	1.08	- (Note 3)	
WinTV Broadcasting Co., Ltd.	<u>Mutual funds</u> Fubon Taiwan CSR Fund	-	Financial assets at fair value through profit or loss - current	1,000	9,990	-	9,990 (Note 6)	

(Continued)

Investing Company (A)	Marketable Securities Invested (B)	Relationship with the Investing Company (B is A's)	Financial Statement Account	March 31, 2009				Note
				Shares/Units (Thousands)	Carrying Value	Percentage of Ownership	Market Value (Note 1)	
TFN Media Co., Ltd.	<u>Stock</u>							
	Yeong Jialeh Cable TV Co., Ltd.	Subsidiary	Long-term investments - equity method	33,940	\$ 2,154,807	100.00	\$ 630,327	
	Shin Ho Cable TV Co., Ltd.	Subsidiary	Long-term investments - equity method	20,000	695,607	100.00	208,718	
							(Note 7)	
	Mangrove Cable TV Corporation	Subsidiary	Long-term investments - equity method	21,160	566,826	100.00	303,651	
							(Note 7)	
	Phoenix Cable TV Co., Ltd.	Subsidiary	Long-term investments - equity method	65,818	3,199,862	96.66	975,357	
	Union Cable TV Co., Ltd.	Subsidiary	Long-term investments - equity method	170,441	2,051,663	99.99	1,846,915	
	Globalview Cable TV Co., Ltd.	Subsidiary	Long-term investments - equity method	51,733	1,236,852	92.38	614,332	

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

Note 2: Impairment loss recognized in 2004 reduced the value to zero.

Note 3: As of April 13, 2009, the independent auditors' report date, the investee's net worth was not available.

Note 4: Taiwan Mobile shares held indirectly by TFN and TFNI (both are subsidiaries of TCC) are classified as treasury shares. Therefore, TWM's carrying cost of \$48,322,100 thousand on TCC shall be reduced by downward adjusting the latter's net worth by \$31,889,100 thousand, excluding \$6,263,375 thousand unrealized gain from financial assets investment, and adding back recognition of upstream transactions gains of \$3,607 thousand.

Note 5: Based on the closing price on March 31, 2009.

Note 6: Based on the net present value of the fund on March 31, 2009.

Note 7: Some shares are held under trustee accounts.

(Concluded)



## TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

TOTAL PURCHASE FROM OR SALE TO RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
THREE MONTHS ENDED MARCH 31, 2009  
(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")	Taiwan Fixed Network Co., Ltd.	Subsidiary	Sale	\$ (596,946)	(4)	Based on contract terms	-	-	\$ 289,226	5	
	Taiwan Teleservices & Technologies Co., Ltd.	Subsidiary	Purchase	306,518	4	Based on contract terms	-	-	-	-	
Purchase			222,970	(Note 1)	Based on contract terms	-	-	(75,926)	(Note 2)		
Taiwan Fixed Network Co., Ltd.	The Corporation	Ultimate parent	Sale	(323,460)	(13)	Based on contract terms	-	-	182,935	19	
			Purchase	594,784	31	Based on contract terms	-	-	(20,679)	(2)	
Taiwan Teleservices & Technologies Co., Ltd.	The Corporation	Ultimate parent	Sale	(223,030)	(85)	Based on contract terms	-	-	75,944	84	
TFN Media Co., Ltd.	Phoenix Cable TV Co., Ltd.	Subsidiary	Channel leasing fee	(115,081)	(19)	Based on contract terms	(Note 3)	(Note 3)	115,081	24	
Yeong Jialeh Cable TV Co., Ltd.	TFN Media Co., Ltd.	Parent	Royalty of copyright	96,739	62	Based on contract terms	(Note 3)	(Note 3)	(96,739)	(88)	
Phoenix Cable TV Co., Ltd.	TFN Media Co., Ltd.	Parent	Royalty of copyright	115,081	64	Based on contract terms	(Note 3)	(Note 3)	(115,081)	(95)	

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

MARCH 31, 2009

(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")	Taiwan Fixed Network Co., Ltd.	Subsidiary	Accounts receivable \$ 289,226	9.49	\$ -	-	\$ 60	\$ -
			Other receivables 32,732		-	-	2,451	-
	Tai Fu Media Technology Co., Ltd.	Subsidiary	Other receivables 2,019,998		-	-	-	-
Taiwan Cellular Co., Ltd.	TFN Media Co., Ltd.	Subsidiary	Other receivables 252,500		-	-	-	-
Taiwan Fixed Network Co., Ltd.	The Corporation	Ultimate parent	Accounts receivable 182,935	6.31	-	-	85,903	-
			Other receivables 1,812,688		-	-	69,511	-
	TFN Media Co., Ltd.	Subsidiary	Accounts receivable 13,632		6.57	-	-	-
		Other receivables 856,969	-	-		-	-	
Taiwan Teleservices & Technologies Co., Ltd.	The Corporation	Ultimate parent	Accounts receivable 75,944	11.46	-	-	-	-
TFN Investment Co., Ltd.	TFN Media Co., Ltd.	Subsidiary	Other receivables 3,911,844		-	-	-	-
TFN Media Co., Ltd.	Phoenix Cable TV Co., Ltd.	Subsidiary	Accounts receivable 141,511	5.08	-	-	-	-
	Yeong Jialeh Cable TV Co., Ltd.	Subsidiary	Accounts receivable 120,438	5.23	-	-	-	-
Shin Ho Cable TV Co., Ltd.	TFN Media Co., Ltd.	Parent	Accounts receivable 414	4.10	-	-	-	-
			Other receivables 208,923		-	-	-	-
Phoenix Cable TV Co., Ltd.	TFN Media Co., Ltd.	Parent	Accounts receivable 11,565	6.28	-	-	-	-
			Other receivables 603,457		-	-	-	-
Union Cable TV Co., Ltd.	TFN Media Co., Ltd.	Parent	Accounts receivable 7,883	4.91	-	-	-	-
			Other receivables 543,342		-	-	-	-
Globalview Cable TV Co., Ltd.	TFN Media Co., Ltd.	Parent	Accounts receivable 3,834	6.46	-	-	-	-
			Other receivables 351,806		-	-	-	-
Mangrove Cable TV Corporation	TFN Media Co., Ltd.	Parent	Accounts receivable 3,006	6.59	-	-	-	-
			Other receivables 138,884		-	-	-	-
Yeong Jialeh Cable TV Co., Ltd.	TFN Media Co., Ltd.	Parent	Accounts receivable 8,948	6.53	-	-	-	-
			Other receivables 230,957		-	-	-	-

## TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE  
THREE MONTHS ENDED MARCH 31, 2009  
(In Thousands of New Taiwan Dollars or U.S. Dollars)

Investor	Investee	Location	Main Businesses and Products	Investment Amount		Balance as of March 31, 2009			Net Income (Loss) of the Investee	Investment Income (Loss)	Note
				March 31, 2009	December 31, 2008	Shares (Thousands)	Percentage of Ownership	Carrying Value			
Taiwan Mobile Co., Ltd. (the "Corporation")	Taiwan Cellular Co., Ltd.	Taipei, Taiwan	Telecom engineering and IT service	\$ 41,058,330	\$ 41,058,330	149,958	100.00	\$ 10,173,232 (Note 1)	\$ 578,368	\$ 579,779	
	Taipei New Horizons Co., Ltd.	Taipei, Taiwan	Real Estate Rental and Sale	249,500	249,500	24,950	49.90	235,862	(27,330)	(13,638)	
	Wealth Media Technology Co., Ltd.	Taipei, Taiwan	Investment	272,000	272,000	27,200	100.00	215,793	(9,941)	(9,941)	
Wealth Media Technology Co., Ltd.	Tai Fu Media Technology Co., Ltd.	Taipei, Taiwan	Investment	270,000	270,000	27,000	100.00	214,172	(9,876)	NA	
Tai Fu Media Technology Co., Ltd.	Global Wealth Media Technology Co., Ltd.	Taipei County, Taiwan	Investment	84,000	84,000	8,400	100.00	85,419	902	NA	
	Fu Jia Leh Media Technology Co., Ltd.	Taipei, Taiwan	Investment	2,001,700	2,001,700	117,100	100.00	2,001,118	(82)	NA	
	Fu Sin Media Technology Co., Ltd.	Taipei, Taiwan	Investment	135,000	135,000	13,500	100.00	136,839	1,367	NA	
	Global Forest Media Technology Co., Ltd.	Taipei, Taiwan	Investment	1,000	1,000	100	100.00	843	(82)	NA	
Global Wealth Media Technology Co., Ltd.	Globalview Cable TV Co., Ltd.	Taipei County, Taiwan	Cable TV service provider	82,882	82,882	3,460	6.179	84,415	15,296	NA	
Fu Sin Media Technology Co., Ltd.	Phoenix Cable TV Co., Ltd.	Kaohsiung County, Taiwan	Cable TV service provider	133,358	133,358	2,272	3.34	133,947	43,784	NA	
Taiwan Cellular Co., Ltd.	TWM Holding Co. Ltd.	British Virgin Islands	Investment	US\$ 10,800	US\$ 10,800	1 share	100.00	US\$ 5,841	US\$ 206	NA	
	Taiwan Fixed Network Co., Ltd.	Taipei, Taiwan	Fixed line service provider	40,000,000	40,000,000	4,000,000	100.00	53,048,193	570,172	NA	
	Taiwan Digital Communication Co., Ltd.	Taipei, Taiwan	Telecom engineering and IT service	12,000	12,000	1,200	100.00	11,032	(49)	NA	
TWM Holding Co. Ltd.	TWM Communications (Beijing) Ltd.	Beijing, China	Telecom product innovation and design	US\$ 4,936	US\$ 5,005	-	100.00	US\$ 4,010	US\$ 165	NA	
Taiwan Fixed Network Co., Ltd.	TFN Investment Co., Ltd.	Taipei, Taiwan	Investment	19,669,138	19,669,138	2,061,939	100.00	22,453,589	330,931	NA	
	TFN HK LIMITED	Hong Kong	Telecommunications service provider	5,816	5,816	1,300	100.00	3,213	149	NA	
	Taiwan Teleservices & Technologies Co., Ltd.	Taipei, Taiwan	Call center service and ISR (international simple resales)	10,000	10,000	1,000	100.00	45,392	13,861	NA	
Taiwan Teleservices & Technologies Co., Ltd.	TT&T Holdings Co., Ltd.	Samoa	Investment	US\$ 1,300	US\$ 1,300	1,300	100.00	US\$ 1,354	US\$ (8)	NA	
	Taiwan Super Basketball Co., Ltd.	Taipei, Taiwan	Basketball team management	20,000	20,000	2,000	100.00	19,106	(902)	NA	
TT&T Holdings Co., Ltd.	Xiamen Taifu Teleservices & Technologies Ltd.	Xiamen, China	Call center service	US\$ 1,300	US\$ 1,300	-	100.00	US\$ 1,354	US\$ (8)	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	33,500	(42)	NA	
	WinTV Broadcasting Co., Ltd.	Taipei, Taiwan	TV program provider	252,141	252,141	25,214	98.50	186,177	4,377	NA	
	TFN Media Co., Ltd.	Taipei, Taiwan	Cable broadband and value added service provider	2,035,714	2,035,714	230,526	100.00	3,209,382	311,627	NA	
TFN Media Co., Ltd.	Yeong Jialeh Cable TV Co., Ltd.	Taipei County, Taiwan	Cable TV service provider	1,616,824	1,616,824	33,940	100.00	2,154,807	41,367	NA	
	Shin Ho Cable TV Co., Ltd.	Taipei County, Taiwan	Cable TV service provider	661,781	661,781	20,000	100.00	695,607	158	NA	
	Mangrove Cable TV Corporation	Taipei County, Taiwan	Cable TV service provider	397,703	397,703	21,160	100.00	566,826	9,547	NA	
	Phoenix Cable TV Co., Ltd.	Kaohsiung County, Taiwan	Cable TV service provider	2,294,967	2,294,967	65,818	96.66	3,199,862	43,784	NA	
	Union Cable TV Co., Ltd.	Yilan County, Taiwan	Cable TV service provider	1,904,440	1,904,440	170,441	99.99	2,051,663	28,435	NA	
	Globalview Cable TV Co., Ltd.	Taipei County, Taiwan	Cable TV service provider	841,413	841,413	51,733	92.38	1,236,852	15,296	NA	

Note 1: Taiwan Mobile shares held indirectly by TFN and TFNI (both are subsidiaries of TCC) are classified as treasury shares. Therefore, TWM's carrying cost of \$48,322,100 thousand on TCC shall be reduced by downward adjusting the latter's net worth by \$31,889,100 thousand, excluding \$6,263,375 thousand unrealized gain from financial assets investment, and adding back recognition of upstream transactions gains of \$3,607 thousand.

Note 2: Some shares are held under trustee accounts.

## TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

INVESTMENT IN MAINLAND CHINA  
THREE MONTHS ENDED MARCH 31, 2009  
(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, 2009	Investment Flows		Accumulated Outflow of Investment from Taiwan as of March 31, 2009	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 3)	Carrying Value as of March 31, 2009	Accumulated Inward Remittance of Earnings as of March 31, 2009
					Outflow	Inflow					
Xiamen Taifu Teleservices & Technologies Ltd	Call center service	US\$ 1,300 (NT\$ 44,220)	Indirect investment in the Companies in Mainland China through a third place by the Corporation's subsidiary, Taiwan Teleservices & Technologies Co., Ltd.	US\$ 1,300 (NT\$ 44,220)	\$ -	\$ -	US\$ 1,300 (NT\$ 44,220)	100% ownership of indirect investment by the Corporation's subsidiary	US\$ (8) (NT\$ (272))	US\$ 1,354 (NT\$ 46,056)	\$ -
TWM Communications (Beijing) Ltd.	Telecom product innovation and design	US\$ 3,000 (NT\$ 102,045)	Indirect investment in the Companies in Mainland China through a third place by the Corporation's subsidiary, Taiwan Cellular Co., Ltd.	US\$ 4,617 (NT\$ 157,047)	US\$ 255 (NT\$ 8,674)	-	US\$ 4,872 (NT\$ 165,721)	100% ownership of indirect investment by the Corporation's subsidiary	US\$ 165 (NT\$ 5,612)	US\$ 4,010 (NT\$ 136,400)	-

Accumulated Investment in Mainland China as of March 31, 2009	Investment Amounts Authorized by Investment Commission, MOEA (Note 2)	Upper Limit on Investment Authorized by Investment Commission, MOEA (Note 2)
US\$1,300 (NT\$44,220)	US\$1,300 (NT\$44,220)	\$80,000
US\$4,872 (NT\$165,721)	US\$5,300 (NT\$180,280)	\$48,322,100

Note 1: The above amounts were translated into New Taiwan dollars at the exchange rate of US\$1=NT\$34.015 and RMB1=NT\$4.9759 as of March 31, 2009.

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

Note 3: Calculation was based on unreviewed financial statements.