

Taiwan Mobile Co., Ltd.
Financial Statements
June 30, 2010 and 2009
(With Independent Auditors' Report Thereon)

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying balance sheet of Taiwan Mobile Co., Ltd. (the Corporation) as of June 30, 2010, and the related statements of income, changes in shareholders' equity and cash flows for the six months then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of Taiwan Mobile Co., Ltd. as of June 30, 2009, and for the six months then ended, have been audited by other auditors, whose audit report dated July 17, 2009, expressed an unqualified opinion thereon.

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

In our opinion, the financial statements referred above present fairly, in all material respects, the financial position of Taiwan Mobile Co., Ltd. as of June 30, 2010, and the results of its operations and its cash flows for the six months then ended, in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, 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.

We have also reviewed the consolidated balance sheet of the Corporation and its subsidiaries as of June 30, 2010, and the related consolidated statements of income, changes in shareholders' equity, and cash flows for the six months then ended on which we have issued modified review report dated July 13, 2010, with prior period consolidated financial statements were reviewed by other auditors.

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

KPOMG
Taipei, Taiwan (the Republic of China)
July 13, 2010

Note to Readers

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

TAIWAN MOBILE CO., LTD.
BALANCE SHEETS
JUNE 30, 2010 AND 2009
(In Thousands of New Taiwan Dollars, Except Par Value)

| ASSETS | 2010 | | 2009 | | LIABILITIES AND SHAREHOLDERS' EQUITY | 2010 | | 2009 | |
|--|----------------------|------------|-------------------|------------|--|----------------------|------------|-------------------|------------|
| | Amount | % | Amount | % | | Amount | % | Amount | % |
| CURRENT ASSETS | | | | | CURRENT LIABILITIES | | | | |
| Cash and cash equivalents (Notes 2, 4(a) and 5) | \$ 4,182,487 | 5 | 3,897,194 | 4 | Short-term borrowings (Notes 4(j) and 5) | \$ - | - | 1,000,000 | 1 |
| Available-for-sale financial assets - current (Notes 2 and 4(b)) | 173,609 | - | 177,956 | - | Accounts payable | 2,235,602 | 3 | 1,996,806 | 2 |
| Hedging derivative financial assets - current (Notes 2, 4(r) and 11) | - | - | 53,923 | - | Income taxes payable (Notes 2 and 4(p)) | 1,116,757 | 1 | 1,826,604 | 2 |
| Notes receivable | 16,566 | - | 20,125 | - | Accrued expenses (Note 5) | 4,430,878 | 5 | 4,615,655 | 5 |
| Accounts receivable, net (Notes 2 and 4(c)) | 5,547,271 | 7 | 5,673,840 | 6 | Other payables (Notes 2 and 5) | 18,600,032 | 22 | 17,191,553 | 19 |
| Accounts receivable - related parties (Notes 2 and 5) | 36,927 | - | 14,960 | - | Advance receipts (Note 4(k)) | 1,640,340 | 2 | 808,182 | 1 |
| Other receivables | 162,195 | - | 235,623 | - | Current portion of long-term liabilities (Note 4(l)) | - | - | 7,500,000 | 8 |
| Other receivables - related parties (Note 5) | 8,005,000 | 10 | 7,621,675 | 9 | Guarantee deposits - current | 53,564 | 1 | 63,390 | - |
| Inventories (Note 2) | 790,182 | 1 | 241,110 | - | Other current liabilities (Note 5) | 429,503 | 1 | 399,532 | 1 |
| Prepayments (Notes 4(d) and 5) | 447,457 | 1 | 431,262 | 1 | Total current liabilities | 28,506,676 | 35 | 35,401,722 | 39 |
| Deferred income tax assets - current (Notes 2 and 4(p)) | 1,485 | - | 436,272 | 1 | | | | | |
| Pledged time deposits (Notes 5 and 6) | - | - | 10,000 | - | LONG-TERM LIABILITIES | | | | |
| Other current assets | 2,731 | - | 7,011 | - | Bonds payable (Note 4(l)) | 8,000,000 | 10 | 8,000,000 | 9 |
| Total current assets | 19,365,910 | 24 | 18,820,951 | 21 | | | | | |
| | | | | | OTHER LIABILITIES | | | | |
| INVESTMENTS | | | | | Guarantee deposits | 278,417 | - | 252,455 | - |
| Investments accounted for using the equity method (Notes 2 and 4(e)) | 9,054,570 | 11 | 11,431,651 | 13 | Deferred credits - gains on intercompany accounts (Notes 2 and 4(e)) | 1,238,378 | 2 | 1,238,378 | 1 |
| Prepayment for long-term investments (Notes 2 and 4(e)) | 49,900 | - | - | - | Other (Note 2) | 370,578 | - | 348,085 | 1 |
| Financial assets carried at cost - non-current (Notes 2 and 4(f)) | 50,324 | - | 50,324 | - | Total other liabilities | 1,887,373 | 2 | 1,838,918 | 2 |
| Total investments | 9,154,794 | 11 | 11,481,975 | 13 | | | | | |
| | | | | | Total liabilities | 38,394,049 | 47 | 45,240,640 | 50 |
| PROPERTY AND EQUIPMENT (Notes 2、4(g) and 5) | | | | | | | | | |
| Land | 3,869,238 | 5 | 3,866,289 | 4 | SHAREHOLDERS' EQUITY (Notes 2 and 4(o)) | | | | |
| Buildings | 2,390,305 | 3 | 2,385,587 | 3 | Capital stock - NT\$10.00 par value | | | | |
| Telecommunication equipment | 54,942,975 | 67 | 58,957,803 | 66 | Authorized: 6,000,000 thousand shares | | | | |
| Office equipment | 22,451 | - | 54,169 | - | Issued: 3,800,925 thousand shares | 38,009,254 | 46 | 38,009,254 | 42 |
| Leased assets | 1,285,920 | 1 | 1,285,920 | 2 | Capital surplus | | | | |
| Miscellaneous equipment | 2,501,806 | 3 | 2,431,640 | 2 | From convertible bonds | 8,775,819 | 11 | 8,775,819 | 10 |
| | 65,012,695 | 79 | 68,981,408 | 77 | From treasury stock transactions | 3,639,302 | 4 | 3,582,980 | 4 |
| Less accumulated depreciation | (30,199,962) | (37) | (30,211,345) | (34) | From long-term investments | 3,619 | - | 1,165 | - |
| Construction in progress and prepayments for equipment | 1,476,232 | 2 | 1,828,467 | 2 | Other | 12,840 | - | 12,840 | - |
| Net property and equipment | 36,288,965 | 44 | 40,598,530 | 45 | Retained earnings | | | | |
| | | | | | Legal reserve | 15,332,799 | 19 | 13,943,913 | 16 |
| INTANGIBLE ASSETS (Note 2) | | | | | Special reserve | 821,741 | 1 | 3,350,000 | 4 |
| 3G concession license | 6,355,527 | 8 | 7,103,236 | 8 | Unappropriated earnings | 9,261,760 | 11 | 9,126,789 | 10 |
| Computer software cost | 1,899 | - | 4,539 | - | Other equity | | | | |
| Goodwill (Note 4(h)) | 6,835,370 | 8 | 6,835,370 | 7 | Cumulative translation adjustments | 12,733 | - | 18,644 | - |
| Total intangible assets | 13,192,796 | 16 | 13,943,145 | 15 | Net loss not recognized as pension cost | (3,797) | - | 2,862 | - |
| | | | | | Unrealized gains on financial instruments | 62,130 | - | 53,559 | - |
| OTHER ASSETS | | | | | Treasury stock | (31,889,100) | (39) | (32,269,888) | (36) |
| Assets leased to others (Notes 2, 4(i) and 5) | 2,183,771 | 3 | 2,209,471 | 3 | Total shareholders' equity | 44,039,100 | 53 | 44,607,937 | 50 |
| Idle assets (Notes 2 and 4(i)) | 221,173 | - | 223,101 | - | Commitments and Contingencies (Note 7) | | | | |
| Refundable deposits | 309,778 | - | 322,553 | - | | | | | |
| Deferred charges (Notes 2) | 391,737 | - | 405,307 | 1 | | | | | |
| Deferred income tax assets - non-current (Notes 2 and 4(p)) | 1,285,760 | 2 | 1,783,120 | 2 | | | | | |
| Other (Notes 2 and 4(n)) | 38,465 | - | 60,424 | - | | | | | |
| Total other assets | 4,430,684 | 5 | 5,003,976 | 6 | | | | | |
| TOTAL | \$ 82,433,149 | 100 | 89,848,577 | 100 | TOTAL | \$ 82,433,149 | 100 | 89,848,577 | 100 |

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

TAIWAN MOBILE CO., LTD.
STATEMENTS OF INCOME
FOR THE SIX MONTHS ENDED JUNE 30, 2010 AND 2009
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

| | 2010 | | 2009 | |
|--|---------------------|---------------|-------------------|---------------|
| | Amount | % | Amount | % |
| OPERATING REVENUES (Notes 2 and 5) | | | | |
| Telecommunication service revenue | \$ 27,111,574 | 94 | 27,419,132 | 97 |
| Other revenue | 1,687,213 | 6 | 970,952 | 3 |
| Total operating revenues | <u>28,798,787</u> | <u>100</u> | <u>28,390,084</u> | <u>100</u> |
| OPERATING COSTS (Notes 2, 5 and 10) | <u>15,239,316</u> | <u>53</u> | <u>13,563,427</u> | <u>48</u> |
| GROSS PROFIT | <u>13,559,471</u> | <u>47</u> | <u>14,826,657</u> | <u>52</u> |
| OPERATING EXPENSES (Notes 2, 5 and 10) | | | | |
| Marketing | 4,100,902 | 14 | 4,529,540 | 16 |
| Administrative | 1,895,055 | 7 | 2,029,603 | 7 |
| Total operating expenses | <u>5,995,957</u> | <u>21</u> | <u>6,559,143</u> | <u>23</u> |
| OPERATING INCOME | <u>7,563,514</u> | <u>26</u> | <u>8,267,514</u> | <u>29</u> |
| NON-OPERATING INCOME AND GAINS | | | | |
| Investment income recognized under the equity method, net (Notes 2 and 4(e)) | 1,679,404 | 6 | 1,268,505 | 5 |
| Income from penalty charge | 133,468 | 1 | 124,625 | 1 |
| Rental income (Notes 2 and 5) | 95,032 | - | 97,965 | - |
| Interest income (Notes 5) | 10,788 | - | 28,016 | - |
| Other (Notes 2 and 4(c)) | 112,144 | - | 88,860 | - |
| Total non-operating income and gains | <u>2,030,836</u> | <u>7</u> | <u>1,607,971</u> | <u>6</u> |
| NON-OPERATING EXPENSES AND LOSSES | | | | |
| Loss on disposal and retirement of property and equipment (Note 2) | 1,004,679 | 3 | 837,120 | 3 |
| Interest expenses (Notes 2, 4(g), 5 and 11) | 143,772 | 1 | 238,309 | 1 |
| Impairment loss (Notes 2 and 4(f)) | - | - | 9,740 | - |
| Other (Note 2) | 56,704 | - | 65,606 | - |
| Total non-operating expenses and losses | <u>1,205,155</u> | <u>4</u> | <u>1,150,775</u> | <u>4</u> |
| INCOME BEFORE INCOME TAX | <u>8,389,195</u> | <u>29</u> | <u>8,724,710</u> | <u>31</u> |
| INCOME TAX EXPENSE (Notes 2 and 4(p)) | <u>1,394,190</u> | <u>5</u> | <u>1,864,676</u> | <u>7</u> |
| NET INCOME | <u>\$ 6,995,005</u> | <u>24</u> | <u>6,860,034</u> | <u>24</u> |
| | Before | After | Before | After |
| | Income | Income | Income | Income |
| | Tax | Tax | Tax | Tax |
| EARNINGS PER SHARE (Note 4(q)) | | | | |
| Basic | <u>\$ 2.81</u> | <u>2.34</u> | <u>2.94</u> | <u>2.31</u> |
| Diluted | <u>\$ 2.80</u> | <u>2.33</u> | <u>2.92</u> | <u>2.30</u> |
| Pro forma information if the Corporation's stocks held by its subsidiaries were treated as an investment instead of treasury stock (after income tax): | | | | |
| NET INCOME | <u>\$ 6,995,005</u> | | <u>6,860,034</u> | |
| EARNINGS PER SHARE AFTER INCOME TAX | | | | |
| Basic | <u>\$ 1.84</u> | | <u>1.81</u> | |
| Diluted | <u>\$ 1.84</u> | | <u>1.81</u> | |

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

TAIWAN MOBILE CO., LTD.
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE SIX MONTHS ENDED JUNE 30, 2010 AND 2009
(In Thousands of New Taiwan Dollars, Except Per Share Amounts)

| | Capital Stock | Capital Surplus | Retained Earnings | | | Total | Cumulative Translation Adjustments | Net Loss Not Recognized as Pension Cost | Unrealized Gain | Treasury Stock | Total Shareholders' Equity |
|---|----------------------|-------------------|-------------------|------------------|------------------|-------------------|------------------------------------|---|---------------------------------|---------------------|----------------------------|
| | | | Legal Reserve | Special Reserve | Unappropriated | | | | (Loss) on Financial Instruments | | |
| BALANCE, JANUARY 1, 2009 | \$ 38,009,254 | 12,297,839 | 12,406,775 | 3,406,744 | 17,716,013 | 33,529,532 | 17,840 | 2,862 | (5,897) | (32,948,832) | 50,902,598 |
| Appropriation of the 2008 earnings | | | | | | | | | | | |
| Legal reserve | - | - | 1,537,138 | - | (1,537,138) | - | - | - | - | - | - |
| Reversal of special reserve | - | - | - | (56,744) | 56,744 | - | - | - | - | - | - |
| Cash dividends - NT\$4.68704 per share | - | - | - | - | (13,968,864) | (13,968,864) | - | - | - | - | (13,968,864) |
| Balance after appropriation | 38,009,254 | 12,297,839 | 13,943,913 | 3,350,000 | 2,266,755 | 19,560,668 | 17,840 | 2,862 | (5,897) | (32,948,832) | 36,933,734 |
| Net income for the six months ended June 30, 2009 | - | - | - | - | 6,860,034 | 6,860,034 | - | - | - | - | 6,860,034 |
| Unrealized loss on financial instruments, net | - | - | - | - | - | - | - | - | (12,117) | - | (12,117) |
| Compensation cost recognized from employee stock options | - | 77,000 | - | - | - | - | - | - | - | - | 77,000 |
| Transfer of treasury stock to employees | - | (2,035) | - | - | - | - | - | - | - | 678,944 | 676,909 |
| Adjustment to change of equity in equity-method investments | - | - | - | - | - | - | 804 | - | 71,573 | - | 72,377 |
| BALANCE, JUNE 30, 2009 | \$ 38,009,254 | 12,372,804 | 13,943,913 | 3,350,000 | 9,126,789 | 26,420,702 | 18,644 | 2,862 | 53,559 | (32,269,888) | 44,607,937 |
| BALANCE, JANUARY 1, 2010 | \$ 38,009,254 | 12,431,704 | 13,943,913 | 3,350,000 | 16,155,617 | 33,449,530 | 12,011 | (3,797) | 63,624 | (31,889,100) | 52,073,226 |
| Appropriation of the 2009 earnings | | | | | | | | | | | |
| Legal reserve | - | - | 1,388,886 | - | (1,388,886) | - | - | - | - | - | - |
| Reversal of special reserve | - | - | - | (2,528,259) | 2,528,259 | - | - | - | - | - | - |
| Cash dividends - NT\$5.02783 per share | - | - | - | - | (15,028,235) | (15,028,235) | - | - | - | - | (15,028,235) |
| Balance after appropriation | 38,009,254 | 12,431,704 | 15,332,799 | 821,741 | 2,266,755 | 18,421,295 | 12,011 | (3,797) | 63,624 | (31,889,100) | 37,044,991 |
| Net income for the six months ended June 30, 2010 | - | - | - | - | 6,995,005 | 6,995,005 | - | - | - | - | 6,995,005 |
| Unrealized loss on financial instruments, net | - | - | - | - | - | - | - | - | (1,494) | - | (1,494) |
| Adjustment to change of equity in equity-method investments | - | (124) | - | - | - | - | 722 | - | - | - | 598 |
| BALANCE, JUNE 30, 2010 | \$ 38,009,254 | 12,431,580 | 15,332,799 | 821,741 | 9,261,760 | 25,416,300 | 12,733 | (3,797) | 62,130 | (31,889,100) | 44,039,100 |

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

TAIWAN MOBILE CO., LTD.
STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2010 AND 2009
(In Thousands of New Taiwan Dollars)

| | <u>2010</u> | <u>2009</u> |
|---|--------------------|--------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net income | \$ 6,995,005 | 6,860,034 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation | 3,603,996 | 3,484,195 |
| Investment income recognized under the equity method, net | (1,679,404) | (1,268,505) |
| Loss on disposal and retirement of property and equipment, net | 1,004,679 | 837,120 |
| Amortization | 438,314 | 432,217 |
| Deferred income taxes | 366,462 | 397,922 |
| Bad debts | 221,895 | 299,608 |
| Reversal of allowance for loss on inventories | 1,767 | (9,525) |
| Pension cost | 1,560 | 1,266 |
| Compensation cost recognized from employee stock options | - | 61,687 |
| Impairment loss | - | 9,740 |
| Change in operating assets and liabilities | | |
| Notes receivable | 207 | (5,986) |
| Accounts receivable | (225,869) | (177,112) |
| Accounts receivable - related parties | (14,259) | (9,491) |
| Other receivables | (4,267) | 47,087 |
| Other receivables - related parties | (12,744) | (28,690) |
| Inventories | (362,820) | 78,313 |
| Prepayments | 35,141 | 197,075 |
| Other current assets | (197) | 871 |
| Accounts payable | 179,846 | (263,721) |
| Income taxes payable | (361,596) | (312,659) |
| Accrued expenses | (118,329) | (28,212) |
| Other payables | 5,940 | (290,469) |
| Advance receipts | 444,508 | (553,229) |
| Other current liabilities | (25,154) | 27,521 |
| Net cash provided by operating activities | <u>10,494,681</u> | <u>9,787,057</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Acquisition of property and equipment | (1,989,495) | (2,440,227) |
| Increase in deferred charges | (50,536) | (148,504) |
| Increase in long-term investments accounted for using the equity method | (49,900) | - |
| Decrease in pledged time deposits | 10,000 | - |
| Decrease (increase) in refundable deposits | 3,136 | (4,985) |
| Proceeds from investees' capital reduction | 2,717 | 5,356 |
| Financing provided to investees | (2,000) | (32,000) |
| Proceeds from disposal of property and equipment | 420 | - |
| Decrease in other assets | 142 | 10,034 |
| Increase in computer software costs | - | (1,685) |
| Net cash used in investing activities | <u>(2,075,516)</u> | <u>(2,612,011)</u> |

(Continued)

TAIWAN MOBILE CO., LTD.
STATEMENTS OF CASH FLOWS (CONT'D)
FOR THE SIX MONTHS ENDED JUNE 30, 2010 AND 2009
(In Thousands of New Taiwan Dollars)

| | 2010 | 2009 |
|---|----------------------|-------------------|
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Decrease in short-term borrowings | (5,000,000) | (300,000) |
| Decrease in short-term notes and bills payable | (299,872) | - |
| Increase in guarantee deposits | 6,152 | 864 |
| Decrease in long-term borrowings | - | (5,200,000) |
| Transfer of treasury stock to employees | - | 676,909 |
| Net cash used in financing activities | (5,293,720) | (4,822,227) |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 3,125,445 | 2,352,819 |
| CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD | 1,057,042 | 1,544,375 |
| CASH AND CASH EQUIVALENTS, END OF PERIOD | \$ 4,182,487 | 3,897,194 |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION | | |
| Interest paid | \$ 5,954 | 102,534 |
| Less interest capitalized | 3,577 | 7,791 |
| Interest paid - excluding interest capitalized | \$ 2,377 | 94,743 |
| Income tax paid | \$ 1,325,724 | 2,133,930 |
| NON-CASH INVESTING AND FINANCING ACTIVITIES | | |
| Dividends receivable | \$ 2,383,941 | 5,525,230 |
| Receivables from subsidiary's capital reduction | \$ 3,500,000 | - |
| Current portion of long-term liabilities | \$ - | 7,500,000 |
| Dividends payable | \$ 15,028,235 | 13,968,864 |
| Reclassification of the corporation's shares held by its subsidiaries to treasury stock | \$ 31,889,100 | 31,889,100 |
| CASH INVESTING AND FINANCING ACTIVITIES | | |
| Acquisition of property and equipment | \$ 1,847,439 | 1,890,828 |
| Decrease in other payables | 159,239 | 541,213 |
| (Increase) decrease in other liabilities - other | (17,183) | 8,186 |
| Cash paid for acquisition of property and equipment | \$ 1,989,495 | 2,440,227 |

(Concluded)

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

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS
ENDED JUNE 30, 2010 AND 2009
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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 June 30, 2010 and 2009, the Corporation had 2,450 and 2,514 employees, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company's financial statements were compiled in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, the Business Entity Accounting Act, the Regulation on Business Entity Accounting Handling, and Republic of China generally accepted accounting principles. In conformity with the above, 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.

The financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of, the English and Chinese language financial statements, the Chinese version shall prevail.

The significant accounting policies and measurement basis are as follows:

TAIWAN MOBILE CO., LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

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

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 any 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.

TAIWAN MOBILE CO., LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

Allowance for Doubtful Accounts

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

Inventories

Inventories are recorded at weighted-average cost. Before January 1, 2009, inventories were stated at the lower of the cost or market value. Market value was 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.

Investments Accounted for Using the Equity Method

Long-term investments in which the Corporation owns 20% or more of an investee's outstanding voting shares or exercises significant influence on an investee are accounted for under 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 asset value. Goodwill is no longer amortized. If the fair value of identifiable net assets acquired exceeds the cost of investments, the excess should be assigned to non-current assets (except for financial assets not under equity method, assets for disposal, deferred income tax assets, and prepaid pension costs or other retirement benefit costs). If these assets are all reduced to zero, the remaining excess should be recognized as extraordinary gain. Starting January 1, 2006, the unamortized balance of the excess of the acquisition cost of the long-term investment by the equity method over the equity in the investee's net asset value is no longer amortized, and this accounting treatment also applies to 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 cost method.

TAIWAN MOBILE CO., LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

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

Property and Equipment, and Assets Leased to Others

Property and equipment, and assets leased to others are stated at cost less accumulated depreciation 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 the 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, based on the Interpretation No. 2008-340 issued by the Accounting Research and Development Foundation (ARDF) 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.

TAIWAN MOBILE CO., LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

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, mainly interior decoration costs, are amortized by the straight-line method over three to five 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 the 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.

TAIWAN MOBILE CO., LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

Share-based Compensation

Employee stock options granted on or after January 1, 2008, are accounted for under SFAS No 39, "Accounting for Share-based Payment." Under the statement, the value of the stock options granted, which is equal to the best available estimate of the number of stock options expected to vest multiplied by the grant-date fair value, is expensed on a straight-line basis over the vesting period with a corresponding adjustment to capital surplus-employee stock options.

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

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

Treasury Stock

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

TAIWAN MOBILE CO., LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

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 at the dates of transactions.

Monetary assets or liabilities denominated in foreign currencies are translated at the exchange rates prevailing at 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 at 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.

TAIWAN MOBILE CO., LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

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 or liabilities (hedged position).

Because the Corporation entered into interest rate swaps (IRS) contracts to hedge against cash flow risk from inverse floating interest rates of liabilities, it 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 any objective evidence that the net loss recognized in shareholders' equity is expected to be unrecoverable, the mentioned net loss should be reclassified as earnings as well.

3. EFFECTS OF CHANGES IN ACCOUNTING PRINCIPLES : None

4. SUMMARY OF MAJOR ACCOUNTS

a. Cash and cash equivalents

| | June 30 | |
|---|---------------------|------------------|
| | 2010 | 2009 |
| Short-term notes and bills with repurchase rights | \$ 2,058,997 | 2,279,476 |
| Government bonds with repurchase rights | 1,663,136 | 1,047,348 |
| Cash in banks | 333,367 | 460,184 |
| Time deposits | 81,015 | 80,717 |
| Cash on hand | 39,487 | 23,796 |
| Revolving funds | 6,485 | 5,673 |
| | \$ 4,182,487 | 3,897,194 |

TAIWAN MOBILE CO., LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

b. Available-for-sale financial assets – current

| | June 30 | |
|----------------------------|-------------------|----------------|
| | 2010 | 2009 |
| Domestic listed stocks | | |
| Chunghwa Telecom Co., Ltd. | \$ 173,609 | 177,956 |

c. Accounts receivable, net

| | June 30 | |
|--------------------------------------|---------------------|------------------|
| | 2010 | 2009 |
| Accounts receivable | \$ 5,921,936 | 6,102,269 |
| Less allowance for doubtful accounts | (374,665) | (428,429) |
| | \$ 5,547,271 | 5,673,840 |

For the first quarter of 2010, the Corporation entered into an accounts receivable factoring contract with HC First Asset Management Co., Ltd. The Corporation sold \$1,867,628 thousand of the overdue accounts receivable, which had been written off, to HC First Asset Management Co., Ltd. The aggregate selling price was \$27,268 thousand. Under this contract, the Corporation would no longer assume the risk on this receivable.

d. Prepayments

| | June 30 | |
|---------------------|-------------------|----------------|
| | 2010 | 2009 |
| Prepaid commissions | \$ 248,034 | 196,832 |
| Prepaid rents | 92,493 | 110,481 |
| Prepaid insurance | 17,162 | 18,640 |
| Other | 89,768 | 105,309 |
| | \$ 447,457 | 431,262 |

TAIWAN MOBILE CO., LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

e. Investments accounted for using the equity method

| | June 30 | | | |
|---|---------------------|---------------|-------------------|---------------|
| | 2010 | | 2009 | |
| | Carrying | % of | Carrying | % of |
| | Value | Owner- | Value | Owner- |
| | ship | ship | ship | ship |
| Taiwan Cellular Co., Ltd. (TCC) | \$ 8,658,520 | 100.0 | 11,002,308 | 100.0 |
| Taipei New Horizons Co., Ltd. (TNH) | 198,962 | 49.9 | 224,324 | 49.9 |
| Wealth Media Technology Co., Ltd. (WMT) | 197,088 | 100.0 | 205,019 | 100.0 |
| | 9,054,570 | | 11,431,651 | |
| Prepayment for long-term investments | | | | |
| Taipei New Horizons Co., Ltd. (TNH) | 49,900 | | - | |
| | \$ 9,104,470 | | 11,431,651 | |

(1) Taiwan Cellular Co., Ltd.

On December 24, 2009, TCC's Board of Directors resolved to:

- (a) Transfer \$2,300,417 thousand from capital surplus into capital, which increased its issued shares by 230,042 thousand on the record date December 25, 2009;
- (b) Reduce \$3,500,000 thousand of capital to shareholders through the cancellation of 350,000 thousand shares, on the record date of capital reduction (December 26, 2009), the Corporation, based on its 100% ownership in TCC, was entitled to receive \$3,500,000 thousand.

In 2007, 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 June 30, 2010, the amount of deferred credits recognized by the Corporation was \$1,238,378 thousand.

TAIWAN MOBILE CO., LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

As of June 30, 2010, TCC Investment Co., Ltd. (TCCI, 100%-owned by Taiwan Cellular Co., Ltd), TCCI Investment & Development Co., Ltd. (TID, 100%-owned by TCCI) and TFN Union Investment Co., Ltd. (TUI, 100%-owned by TFN), collectively held 811,918 thousand shares of the Corporation. Based on SFAS No. 30, "Accounting for Treasury Stock", the Corporations' shares held by subsidiaries are treated as treasury stock. This accounting treatment reduced the Corporation's long-term investment value by the same amount as treasury stock account value of \$31,889,100 thousand. Please refer to Note 4(o) for details.

(2) Taipei New Horizons Co., Ltd. (TNH)

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.

On January 25, 2010, TNH's Board of Directors resolved to increase TNH's capital by \$500,000 thousand, divided into 50,000 thousand shares with par value of \$10 per share, with record date of December 1, 2010. On June 1, 2010, the Corporation paid \$49,900 thousand for this capital increase and recorded such prepayment as prepaid investment.

(3) Wealth Media Technology Co., Ltd.

To expand its CATV business, the Corporation's 100%-owned subsidiary, WMT, plans to buy a 100% stake in Cheng Ting Co., Ltd. to acquire all the cable TV and content distribution business of Kbro Co., Ltd. The purchase will be settled using the Corporation's treasury shares (up to 15.5% of total outstanding shares), and the remainder in cash. Due to indirect government ownership, the Corporation's agreement signed with Carlyle has not yet been approved by the regulatory authority. The agreement expired on June 30, 2010.

(4) Equity in investees' net gains or losses

The financial statements used as basis for calculating the carrying values of equity-method investments, and the related income or losses were all unaudited, except these financial statements of TFN, Yeong Jia Leh Cable TV Co., Ltd., Mangrove Cable TV Co., Ltd., Phoenix Cable TV Co., Ltd., Globalview Cable TV Co., Ltd., Union Cable TV Co., Ltd., and Shin Ho Cable TV Co., Ltd. (liquidated on December 1, 2009), which are the subsidiaries of TCC, for the six months ended June 30, 2010 and 2009. The Corporation's management considered that, had these financial statements been audited, any adjustments would have been immaterial and would thus have had no material effects on the Corporation's financial statements.

TAIWAN MOBILE CO., LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

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

| | For the six months ended June 30 | |
|-----|---|------------------|
| | 2010 | 2009 |
| TCC | \$ 1,687,943 | 1,314,397 |
| TNH | (13,012) | (25,176) |
| WMT | 4,473 | (20,716) |
| | \$ 1,679,404 | 1,268,505 |

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

f. Financial assets carried at cost - non-current

| | June 30 | |
|-------------------------|------------------|---------------|
| | 2010 | 2009 |
| Foreign unlisted stocks | | |
| Bridge Mobile Pte Ltd. | \$ 50,324 | 50,324 |

Because there is no active market quotation and a reliable fair value cannot be estimated, the above investments are measured at cost. An impairment loss of \$9,740 thousand was recognized for the first half of 2009.

g. Property and equipment - accumulated depreciation

| | June 30 | |
|-----------------------------|----------------------|-------------------|
| | 2010 | 2009 |
| Buildings | \$ 418,671 | 368,367 |
| Telecommunication equipment | 27,976,083 | 28,236,539 |
| Office equipment | 15,045 | 34,243 |
| Leased assets | 518,031 | 452,879 |
| Miscellaneous equipment | 1,272,132 | 1,119,317 |
| | \$ 30,199,962 | 30,211,345 |

Capitalized interests for the six months ended June 30, 2010 and 2009, were \$3,577 thousand and \$7,791 thousand, respectively, with capitalization rates ranging from 2.04%-2.88% and 2.4%-2.76%, respectively.

TAIWAN MOBILE CO., LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

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 equipments. Because only an individual could be the owner of farmland according to the related regulations, its ownership is under the landholder through a fiduciary contract.

h. 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 engaged in mobile service, which was viewed as one cash-generating unit in 2009 and 2008. The critical assumptions to evaluate the recoverable amounts of operating assets and goodwill were as follows:

(1) 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.

(2) 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 2009 financial statements.

(3) Assumptions on discount rate

For the years ended December 31, 2009 and 2008, the Corporation used the discount rate of 8.50% and 7.48%, 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, 2009 and 2008.

TAIWAN MOBILE CO., LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

i. Assets leased to others and idle assets

| | June 30 | |
|----------------------------------|---------------------|------------------|
| | 2010 | 2009 |
| Assets leased to others | | |
| Cost | \$ 2,330,133 | 2,356,606 |
| Less accumulated depreciation | (135,771) | (136,544) |
| Less accumulated impairment | (10,591) | (10,591) |
| | \$ 2,183,771 | 2,209,471 |
| Idle assets | | |
| Cost | \$ 427,547 | 643,507 |
| Less allowance for value decline | (35,928) | (187,519) |
| Less accumulated depreciation | (44,017) | (104,538) |
| Less accumulated impairment | (126,429) | (128,349) |
| | \$ 221,173 | 223,101 |

j. Short-term borrowings

| | June 30 | |
|---|----------------|------------------|
| | 2010 | 2009 |
| Unsecured loans provided by related party | \$ - | 1,000,000 |
| Interest rate | - | 1.068%-2.417% |

k. Advance receipts

In accordance with NCC's policy, the Corporation entered into a contract with Mega International Commercial Bank Co., Ltd., which provided performance guarantee for advance receipts from prepaid card customers. The guaranteed advance receipts from prepaid card customers were \$838,836 thousand as of June 30, 2010.

l. Bonds payable

| | June 30 | | | |
|--------------------------|----------------|--------------------|------------------|--------------------|
| | 2010 | | 2009 | |
| | Current | Non-current | Current | Non-current |
| Domestic unsecured bonds | \$ - | 8,000,000 | 7,500,000 | 8,000,000 |

TAIWAN MOBILE CO., LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

(1) 1st domestic unsecured bonds

On December 13, 2002, the Corporation issued \$15,000,000 thousand of domestic unsecured bonds, each having a face value of \$5,000 thousand. There are four different types of bonds 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:

| | <u>Principal</u> | <u>Rate</u> | <u>Terms</u> |
|----------|-----------------------------|-------------------|--|
| 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><u>\$ 15,000,000</u></u> | | |

The last installments of the above-mentioned corporate bonds were repaid by the Corporation in December 2009.

(2) 2nd domestic unsecured bonds

On November 14, 2008, the Corporation issued \$8,000,000 thousand five-year domestic unsecured bonds, each having a face value of \$10,000 thousand and a coupon rate of 2.88% per annum, with 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:

| <u>Year</u> | <u>Amount</u> |
|-------------|----------------------------|
| 2012 | \$ 4,000,000 |
| 2013 | 4,000,000 |
| | <u><u>\$ 8,000,000</u></u> |

TAIWAN MOBILE CO., LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

m. 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. This joint credit facility covers a period of three years commencing from May 20, 2008. Based on the terms of this agreement, the credit line will be decreased by 50% after two years from the commencing date. As of May 20, 2010, the credit line has been reduced to \$6,750,000 thousand. Also, interests are payable monthly. Upon maturity, the loan is allowed to revolve within its credit limits. The contract requires the Corporation to maintain certain financial ratios 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 5 for further information.

n. 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 salaries to the employees' individual pension accounts. The contributed amount was \$53,350 thousand and \$54,459 thousand for the six months ended June 30, 2010 and 2009, 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 salaries 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 of Taipei City Government, the Corporation suspended contributing from February 2007 to January 2011.

TAIWAN MOBILE CO., LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

o. Shareholders' equity

(1) 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 paid-in capital and may be made only within prescribed limits each time. Also, the capital surplus from long-term investments may not be used for any other purposes.

(2) 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:

- (a) Dividends and bonus to preferred shareholders
- (b) Remuneration to directors and supervisors - up to 0.3%
- (c) Bonus to employees - 1%-3%
- (d) 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. The 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 working 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.

TAIWAN MOBILE CO., LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

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

For the six months ended June 30, 2010, the bonuses to employees and remuneration to directors and supervisors were accrued respectively based on 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 2011'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 2009 and 2008 earning appropriations resolved by the AGMs on June 18, 2010, and June 19, 2009, were as follows:

| | <u>Appropriation of Earnings</u> | | <u>Dividend Per Share</u> | |
|--------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|
| | <u>For Fiscal</u> <u>Year 2009</u> | <u>For Fiscal</u> <u>Year 2008</u> | <u>(NT\$)</u> | |
| | | | <u>For Fiscal</u> <u>Year 2009</u> | <u>For Fiscal</u> <u>Year 2008</u> |
| Appropriation of legal reserve | \$ 1,388,886 | 1,537,138 | | |
| Reversal of special reserve | (2,528,259) | (56,744) | | |
| Cash dividends | <u>15,028,235</u> | <u>13,968,864</u> | 5.02783 | 4.68704 |
| | <u>\$13,888,862</u> | <u>15,449,258</u> | | |

The shareholders on June 18, 2010, resolved to distribute 2009 bonus of \$374,826 thousand to employees and remuneration of \$37,483 thousand to directors and supervisors.

The shareholders on June 19, 2009, resolved 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 earnings, bonus to employees and remuneration to directors and supervisors proposed by Board of Directors and approved at AGM, is available on the Market Observation Post System website of the Taiwan Stock Exchange.

TAIWAN MOBILE CO., LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

(3) Treasury stock

| | (Shares in Thousands) | | | |
|---------------------------------------|-----------------------|----------|----------|------------------|
| Purpose of Buyback | Beginning Shares | Increase | Decrease | Ending Shares |
| <u>Six months ended June 30, 2010</u> | | | | |
| Shares held by subsidiaries | 811,918 | - | - | 811,918 |
| <u>Six months ended June 30, 2009</u> | | | | |
| To be transferred to employees | 24,193 | - | 15,501 | 8,692 |
| Shares held by subsidiaries | 811,918 | - | - | 811,918 |

(a) Transfer of stock to employees

For the six months ended June 30, 2009, the Corporation transferred 15,501 thousand shares bought back from the market to employees at NT\$43.8 per share, resulting in a reduction of \$2,035 thousand in capital surplus.

Under the Securities and Exchange Act, 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.

(b) Shares held by subsidiaries

As of June 30, 2010, the carrying and market value of the Corporation's stocks held by TCCI, TID, and TUI (all are the subsidiaries 100%-owned by the Corporation) were \$53,342,988 thousand. The Corporation reclassified \$31,889,100 thousand from investments, accounted for using the equity method to treasury stock based on SFAS No. 30, "Accounting for 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 the participation in capital injection by cash. In addition, based on the ROC Company Act, the shareholders of treasury stocks cannot exercise the voting right.

TAIWAN MOBILE CO., LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

(4) Unrealized gain or loss on financial instruments

Unrealized gain or loss on financial instruments for the six months ended June 30, 2010 and 2009 was summarized as follows:

| | For the six months ended June 30 | |
|--|---|---------------|
| | 2010 | 2009 |
| Available-for-sale financial assets | | |
| Balance, beginning of period | \$ 63,624 | 54,455 |
| Fair value changes recognized directly in equity | (1,494) | 9,305 |
| | 62,130 | 63,760 |
| Changes in unrealized gains (losses) of cash flow hedge | | |
| Balance, beginning of period | - | 61,864 |
| Fair value changes recognized directly in equity | - | (21,422) |
| | - | 40,442 |
| Changes in unrealized gains (losses) recognized by the equity accounted investees | | |
| Balance, beginning of period | - | (122,216) |
| Fair value changes recognized directly in equity | - | 71,573 |
| | - | (50,643) |
| Unrealized gains on financial instruments | \$ 62,130 | 53,559 |

p. Income tax expense

(1) The reconciliation of imputed income taxes on pretax income at statutory tax rate to income tax expense was as follows:

| | For the six months ended June 30 | |
|--|---|------------------|
| | 2010 | 2009 |
| Tax on pretax income at statutory tax rate | \$ 1,426,143 | 2,181,167 |
| Add (deduct) tax effects of: | | |
| Permanent differences | | |
| Investment income from domestic investees accounted for using the equity method | (285,499) | (317,126) |
| Other | - | 1,940 |
| Temporary differences | (22,557) | (34,359) |
| Deferred income taxes | 366,462 | 397,922 |
| Prior years' adjustment | (90,064) | (362,565) |
| Investment tax credits | (295) | (407) |
| Tax on short-term bills | - | 196 |
| Others | - | (2,092) |
| Income tax expense | \$ 1,394,190 | 1,864,676 |

TAIWAN MOBILE CO., LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

In June, 2010, the Legislative Yuan passed the amendment of Article 5 of the Income Tax Act to reduce corporate statutory income tax rate from 20% to 17%, effective from 2010. The Corporation recalculated its deferred tax assets and liabilities in accordance with the amended Article and recorded the resulting difference as an income tax expense.

(2) Deferred income tax assets (liabilities) were as follows:

| | June 30 | |
|---|---------------------|------------------|
| | 2010 | 2009 |
| Unrealized loss on retirement of property and equipment | \$ 1,213,846 | 1,685,648 |
| Provision for doubtful accounts | 270,585 | 643,901 |
| Amortization of goodwill | (142,024) | (75,949) |
| Difference in the estimated lives of property and equipment | 94,744 | 39,927 |
| Provision for impairment losses on idle assets | 25,620 | 47,082 |
| Investment tax credits | - | 116,377 |
| Unrealized gain on financial instruments | - | (13,481) |
| Other | 19,918 | 6,042 |
| | 1,482,689 | 2,449,547 |
| Less valuation allowance | (195,444) | (230,155) |
| | \$ 1,287,245 | 2,219,392 |
| Deferred income tax assets | | |
| Current | \$ 1,485 | 436,272 |
| Non-current | 1,285,760 | 1,783,120 |
| | \$ 1,287,245 | 2,219,392 |

(3) Integrated income tax information was as follows:

| | June 30 | |
|--|---------------------|------------------|
| | 2010 | 2009 |
| Balance of imputation credit account (ICA) | \$ 5,355,775 | 6,610,390 |

As of June 30, 2010, there were no unappropriated earnings generated before January 1, 1998. The actual creditable ratios for the 2009 and 2008 earnings appropriation were 28.67% and 35.28%, respectively. The imputation credits allocated to the shareholders are based on the ICA balance as of the date of dividend distribution.

TAIWAN MOBILE CO., LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

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

| | Year |
|-----------------------|---------------------------------------|
| The Corporation | 2007 ; not applicable only to 2006 |
| TAT | 2007 |
| The former TAT | All applicable |
| Mobitai Communication | 2006 |

The Corporation's income tax returns for the years up to 2007 had been examined by the tax authorities, except for 2006. The Corporation filed for corrections of its 1999 through 2001 income tax returns. In addition, the Corporation disagreed with the results on the income tax returns of 2002 through 2005 and had filed requests for reexamination. The Corporation also disagreed with the results on the income tax returns of 2007, and plans to apply for a reexamination.

TAT's income tax returns as of 2007 had been examined by the tax authorities. TAT disagreed with the examination results of the income tax returns and had requested a reexamination of the 2006 and 2007 income tax returns.

The former TAT's income tax returns as of 2006 had been examined by the tax authorities. The former TAT disagreed with the examination results of the 2002 and 2003 income tax returns and had filed an appeal of retrial which is reviewed by the Supreme Court of the R.O.C. The former TAT also filed administrative proceedings for 2004 and 2005 income tax returns.

Mobitai's income tax returns as of 2006 had been examined by the tax authorities. Mobitai disagreed with the result on the income tax returns and plans to apply for a reexamination of the 2006 income tax return.

TAIWAN MOBILE CO., LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

q. Earnings per share

| | <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>Six months ended June 30, 2010</u> | | | | | |
| Basic EPS | | | | | |
| Income of common shareholders | \$ 8,389,195 | 6,995,005 | 2,989,008 | <u>2.81</u> | <u>2.34</u> |
| Plus effect of dilutive potentially common stock | | | | | |
| – Bonus to employees | - | - | 8,654 | | |
| Diluted EPS | | | | | |
| Income of common shareholders with dilutive effect of potential common shares | <u>\$ 8,389,195</u> | <u>6,995,005</u> | <u>2,997,662</u> | <u>2.80</u> | <u>2.33</u> |
| <u>Six months ended June 30, 2009</u> | | | | | |
| Basic EPS | | | | | |
| Income of common shareholders | \$ 8,724,710 | 6,860,034 | 2,972,478 | <u>2.94</u> | <u>2.31</u> |
| Plus effect of dilutive potentially common stock | | | | | |
| – Bonus to employees | - | - | 11,015 | | |
| Diluted EPS | | | | | |
| Income of common shareholders with dilutive effect of potential common shares | <u>\$ 8,724,710</u> | <u>6,860,034</u> | <u>2,983,493</u> | <u>2.92</u> | <u>2.30</u> |

The ARDF issued Interpretation No. 2007-052 that requires companies to recognize bonuses paid to employees and remunerations to directors and supervisors as compensation expenses beginning January 1, 2008. These bonuses and remunerations 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. In the calculation of diluted EPS, the number of outstanding shares is derived from dividing the entire amount of the bonus by the closing price of the shares at the balance sheet date. Such potential dilutive effect should be taken into consideration in the calculation of diluted EPS until the shareholders resolved the actual number of shares to be distributed to employees at the AGM of the following year.

TAIWAN MOBILE CO., LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

r. Financial instrument transactions

(1) Fair value information

| | June 30 | | | |
|--|-------------------|------------|-------------------|------------|
| | 2010 | | 2009 | |
| | Carrying Value | Fair Value | Carrying Value | Fair Value |
| <u>Non-derivative financial instruments</u> | | | | |
| Liabilities | | | | |
| Bonds payable (including current portion) \$ | 8,000,000 | 8,319,328 | 15,500,000 | 15,766,444 |

(2) The methods and significant assumptions applied in determining fair values of financial instruments were as follows:

- (a) Available-for-sale financial assets - based on quoted prices in an active market on the balance sheet date.
- (b) 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 the equity method and prepayment for long-term investments can be measured by net worth of investee or estimated book value.
- (c) Bonds payable - based on the over-the-counter quotations in June.
- (d) Derivative financial instruments - based on valuation results provided by Australia and New Zealand Banking Group Limited and Citibank Taiwan Limited. As of June 30, 2010, the financial instrument held by the Corporation was evaluated by the bid price of counter party.
- (e) The above financial instruments do not include cash and cash equivalents, notes and accounts receivables, pledged time deposits, refundable deposits, short-term borrowings, accounts payable and guarantee deposits. Because of the short maturities of these instruments, the carrying values represent a reasonable basis to estimate fair values.

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

TAIWAN MOBILE CO., LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

(4) The financial assets exposed to fair value interest rate risk amounted to \$5,805,148 thousand and \$5,449,541 thousand as of June 30, 2010 and 2009, respectively, and the financial liabilities exposed to fair value interest rate risk amounted to \$8,000,000 thousand and \$11,500,000 thousand as of June 30, 2010 and 2009, respectively. The financial assets exposed to cash flow interest rate risk amounted to \$324,578 thousand and \$507,670 thousand as of June 30, 2010 and 2009, respectively, and the financial liabilities exposed to cash flow interest rate risk amounted to \$0 thousand and \$5,000,000 thousand as of June 30, 2010 and 2009, respectively.

(5) Information on financial risks:

(a) Market risk

The Corporation did not enter into any financial derivatives transactions, which will have big exposure to exchange rate and interest rate risks.

(b) Credit risk

Credit risk represents the potential impacts to financial assets that the Corporation might encounter if counter-parties or third parties breach the contracts. Factors that affect the impacts include credit risk concentration, components of financial instruments, contract amount, and other receivables. The Corporation's evaluation of credit risk exposure as of June 30, 2010 and 2009, 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.

(c) 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.

TAIWAN MOBILE CO., LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

5. RELATED-PARTY TRANSACTIONS

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

| Related Party | Relationship with the Corporation |
|---|--|
| Taiwan Cellular Co., Ltd. (TCC) | 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. (TSBC) | Subsidiary |
| TT&T Holdings Co., Ltd. | Subsidiary |
| Xiamen Taifu Teleservices & Technologies Co., Ltd. | Subsidiary |
| Taiwan Fixed Network Co., Ltd. (TFN) | Subsidiary |
| Taiwan Digital Communications Co., Ltd. | Subsidiary |
| Taiwan Teleservices & Technologies Co., Ltd. (TT&T) | Subsidiary |
| TCC Investment Co., Ltd. (TCCI) | Subsidiary |
| TFN Union Investment Co., Ltd. (TUI) | Subsidiary |
| TCCI Investment and Development Co., Ltd. (TID) | Subsidiary |
| Win TV Broadcasting Co., Ltd. | Subsidiary |
| TFN Media Co., Ltd. (TFNM) | Subsidiary |
| Yeong Jia Leh Cable TV Co., Ltd. | Subsidiary |
| Mangrove Cable TV Co., Ltd. | Related party in substance |
| 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.) (TWMC) | Subsidiary |
| Taiwan Win TV Broadcasting Co., Ltd. | Subsidiary |
| Taiwan Kuro Times Co., Ltd. | Equity-method investee of subsidiary |
| Taiwan Mobile Foundation (TWM Foundation) | Over one third of the Foundation's issued fund came from the Corporation |
| Taipei New Horizons Co., Ltd. (TNH) | Equity-method investee |
| Fubon Life Assurance Co., Ltd. | Same chairman |
| Fubon Securities Investment Trust Co., Ltd. | Related party in substance |
| Fubon Marketing Co., Ltd. (formerly named Fubon Direct Marketing Consulting Co., Ltd.) | Related party in substance (renamed on April 13, 2009) |
| Fubon Financial Venture Capital Co., Ltd. | Related party in substance |

TAIWAN MOBILE CO., LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

| <u>Related Party</u> | <u>Relationship with the Corporation</u> |
|---|---|
| Fubon Multimedia Technology Co., Ltd. (FMT) | Related party in substance |
| Fubon Asset Management Co., Ltd. | Related party in substance |
| Chung Hsing Constructions Co., Ltd. | Related party in substance |
| Fubon Land Development Co., Ltd. | Related party in substance |
| Fubon Financial Holding Company | Related party in substance |
| Taipei Fubon Commercial Bank Co., Ltd. (TFCB) | Related party in substance |
| Fubon Securities Co., Ltd. | Related party in substance |
| Fubon Future Co., Ltd. | Related party in substance |
| Fubon Investment Services Co., Ltd. | Related party in substance |
| Fubon Insurance Co., Ltd. (Fubon Ins.) | Related party in substance |
| Fubon Property Management Co., Ltd. (FPM) | Related party in substance |
| Taiwan Sport Lottery Corporation (TSL) | Related party in substance |
| Tai Yi Digital Broadcasting Co., Ltd. | Equity-method investee of TCC (liquidated on February 28, 2009) |
| Reach & Range Inc. | Subsidiary (merged into TFN on May 1, 2009) |
| TFN Investment Co., Ltd. | Subsidiary (merged into TCCI on September 19, 2009) |
| Shin Ho Cable TV Co., Ltd. | Related party in substance (liquidated on December 1, 2009) |

b. Significant transactions with related parties were summarized below:

(1) Operating revenues

| | <u>For the six months ended June 30</u> | | | |
|-----|---|-----------------|------------------|-----------------|
| | <u>2010</u> | | <u>2009</u> | |
| | % of | | % of | |
| | Total | | Total | |
| | <u>Amount</u> | <u>Revenues</u> | <u>Amount</u> | <u>Revenues</u> |
| TFN | <u>\$ 1,110,767</u> | 4 | <u>1,158,723</u> | 4 |

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

TAIWAN MOBILE CO., LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

(2) Operating costs

| | For the six months ended June 30 | | | |
|------------|----------------------------------|----------------|----------------|----------------|
| | 2010 | | 2009 | |
| | | % of | | % of |
| | Amount | Total Costs | Amount | Total Costs |
| TFN | \$ 881,790 | 6 | 629,638 | 5 |
| Fubon Ins. | 22,198 | - | 26,752 | - |
| | \$ 903,988 | | 656,390 | |

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

(3) Property transaction

| <u>Purchase of property</u> | For the six months ended June 30, 2010 | |
|-----------------------------|---|-----------------------------|
| | Description of property | Amount |
| | TWMC | Telecommunication equipment |

(4) Rental income

| | <u>Leased Property</u> | For the six months ended June 30 | |
|-----|------------------------|-------------------------------------|-----------------------|
| | | 2010 | 2009 |
| | | TFN | Offices and BTS, etc. |
| FMT | Office appliance, etc. | 17,279 | 16,165 |
| | | \$ 76,971 | 75,906 |

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

(5) Cash in banks

| | June 30 | | | |
|---------------------------|-------------------|---|---------------|-----|
| | 2010 | | 2009 | |
| | Amount | % | Amount | % |
| (a) Cash in banks | | | | |
| TFCB | \$ 101,965 | 2 | 75,248 | 2 |
| (b) Pledged time deposits | | | | |
| TFCB | \$ - | - | 10,000 | 100 |

TAIWAN MOBILE CO., LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

(6) Receivables and payables

| | June 30 | | | |
|-------------------------|---------------------|----|------------------|----|
| | 2010 | | 2009 | |
| | Amount | % | Amount | % |
| (a) Accounts receivable | | | | |
| TFN | \$ 30,964 | 1 | 10,556 | - |
| Other | 5,963 | - | 4,404 | - |
| | \$ 36,927 | | 14,960 | |
| (b) Other receivables | | | | |
| TCC(Note 1) | \$ 5,883,941 | 72 | 5,525,230 | 70 |
| TFNM(Note 2) | 2,003,882 | 25 | - | - |
| TFN | 61,087 | 1 | 47,275 | 1 |
| WMT(Note 2) | 47,070 | 1 | - | - |
| TFMT(Note 2) | - | - | 2,040,252 | 26 |
| Other | 9,020 | - | 8,918 | - |
| | \$ 8,005,000 | | 7,621,675 | |

Note 1: Including receivables from capital reduction and dividend receivable on June 30, 2010, and from dividend receivable on June 30, 2009.

Note 2: Financing to related parties was as follows:

| | For the six months ended June 30, 2010 | | | |
|------|--|--------------------|--------------------|--------------------|
| | Ending Balance | Maximum Balance | Interest Rate % | Interest Income |
| TFNM | \$ 2,000,000 | 2,00,000 | 0.838 | 8,311 |
| WMT | 47,000 | 59,000 | 0.838-0.851 | 204 |
| | \$ 2,047,000 | 2,059,000 | | 8,515 |

| | For the six months ended June 30, 2009 | | | |
|------|--|--------------------|--------------------|--------------------|
| | Ending Balance | Maximum Balance | Interest Rate % | Interest Income |
| TFMT | \$ 2,032,000 | 2,032,000 | 0.867-2.417 | 24,012 |

TAIWAN MOBILE CO., LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

| | June 30 | | | |
|---|-------------------|----------|----------------|----------|
| | 2010 | | 2009 | |
| | Amount | % | Amount | % |
| (c) Prepayments | | | | |
| Fubon Ins. | <u>\$ 22,363</u> | 5 | <u>23,892</u> | 6 |
| (d) Accrued expenses | | | | |
| TFN | \$ 175,912 | 4 | 207,783 | 5 |
| TT&T | 64,510 | 1 | 72,524 | 2 |
| TSBC | 9,000 | - | 10,000 | - |
| | <u>\$ 249,422</u> | | <u>290,307</u> | |
| (e) Other payables | | | | |
| TFN | <u>\$ 96,223</u> | 1 | <u>109,830</u> | 1 |
| (f) Other current liabilities - collections and temporary credits for the following | | | | |
| TFN | <u>\$ 89,237</u> | 21 | <u>82,440</u> | 21 |

(7) Other

| | For the six months ended | |
|--|---------------------------------|----------------|
| | June 30 | |
| | 2010 | 2009 |
| (a) Telecommunication service expenses | | |
| TFN | <u>\$ 39,101</u> | <u>37,730</u> |
| (b) Professional service fees | | |
| TT&T | <u>\$ 395,950</u> | <u>436,602</u> |
| (c) Advertisement expenses | | |
| TSBC | <u>\$ 18,000</u> | <u>20,000</u> |
| (d) Repairs and maintenance | | |
| FPM | <u>\$ 10,588</u> | <u>10,578</u> |
| (e) Other expense | | |
| FPM | <u>\$ 12,719</u> | <u>12,747</u> |

TAIWAN MOBILE CO., LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

(8) Financing from related parties was as follows:

| Related Party | For the six months ended June 30, 2009 | | | |
|---------------|--|--------------------|--------------------|---------------------|
| | Ending Balance | Maximum Balance | Interest Rate % | Interest Expense |
| TFN | \$ 1,000,000 | 1,600,000 | 1.068-2.417 | 15,744 |

(9) Endorsement/guarantee provided

(a) The Corporation provided \$21,500,000 thousand guarantee for TFN's bank loans. The Corporation also provided \$21,329,765 thousand in promissory notes outstanding for TFN's borrowings with banks. TFN has drawn down \$640,627 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. Based on the terms of the agreement, the credit line will be decreased by 50% after two years commencing from May 20, 2008. As of May 20, 2010, the credit line has been reduced to \$6,750,000 thousand. The Corporation provided a guarantee for TFN's bank loan. As of June 30, 2010, the Corporation and TFN had not made any drawdown on this loan.

(c) As of June 30, 2010, 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 from April 1, 2007.

(10) Other

For the six months ended June 30, 2010 and 2009, the Corporation provided services to companies below and fees received by the Corporation, which were recorded as deductions from related costs and expenses. The Corporation's service charges received were as follows:

| | For the six months ended June 30 | |
|-----|-------------------------------------|---------|
| | 2010 | 2009 |
| TFN | \$ 220,922 | 226,206 |

TAIWAN MOBILE CO., LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

6. ASSETS PLEDGED

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

| | June 30 | |
|---------------|----------------|---------------|
| | 2010 | 2009 |
| Time deposits | \$ - | 10,000 |

7. 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 Siemens Networks Taiwan Co., Ltd. for \$3,672,092 thousand in May 2009 and \$4,800,000 thousand in September 2006, respectively. As of June 30, 2010, the purchase amount was \$1,896,796 thousand and \$4,735,510 thousand, respectively.
- b. Future minimum rental payments as of June 30, 2010, for significant operating lease agreements, were summarized as follows:

| | Amount |
|-------------------------|---------------|
| The second half of 2010 | \$ 17,138 |
| 2011 | 26,268 |
| 2012 | 17,893 |
| 2013 | 8,976 |
| 2014 | 8,976 |

8. SIGNIFICANT CASUALTY LOSS: NONE

9. SIGNIFICANT SUBSEQUENT EVENTS: NONE

TAIWAN MOBILE CO., LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

10. OTHER

a. Labor cost, depreciation, and amortization expense

| | For the six months ended June 30 | | | | | |
|----------------------------|-------------------------------------|--|-----------|-------------------------------------|--|-----------|
| | 2010 | | | 2009 | | |
| | Classified as Operating Costs | Classified as Operating Expenses | Total | Classified as Operating Costs | Classified as Operating Expenses | Total |
| Labor cost | | | | | | |
| Salary | \$ 462,037 | 943,513 | 1,405,550 | 450,366 | 996,402 | 1,446,768 |
| Labor and health insurance | 26,251 | 46,420 | 72,671 | 25,484 | 46,484 | 71,968 |
| Pension | 18,440 | 31,246 | 49,686 | 18,293 | 32,463 | 50,756 |
| Other | 22,495 | 39,394 | 61,889 | 20,342 | 57,012 | 77,354 |
| Depreciation | 3,309,528 | 285,948 | 3,595,476 | 3,205,918 | 268,487 | 3,474,405 |
| Amortization | 378,550 | 59,341 | 437,891 | 380,525 | 51,025 | 431,550 |

b. Reclassification

Certain accounts in the financial statements as of and for the six months ended June 30, 2009, have been reclassified to conform to the presentation of financial statements as of and for the six months ended June 30, 2010.

11. ADDITIONAL DISCLOSURES

The 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).

TAIWAN MOBILE CO., LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

- 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 4. r for the related information.

| Financial Instrument | Term | Contract Amount | Due Date |
|------------------------------|---|------------------------|-----------------|
| 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 year ended 2009, the Corporation recognized gains of \$84,485 thousand, recorded as deduction 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.

12. SEGMENT INFORMATION

Financial information disclosure by industry segment is not required for interim report.

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES
FINANCING PROVIDED
FOR THE SIX MONTHS ENDED JUNE 30, 2010

TABLE 1
(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 | Lending Company's Lending Amount Limits |
|-----|---|--|-------------------------------------|--------------------------------|----------------|---------------|----------------------|---------------------|---|---------------------------------|------------|-------|--|---|
| | | | | | | | | | | | Item | Value | | |
| 0 | Taiwan Mobile Co., Ltd. (the "Corporation") | Wealth Media Technology Co., Ltd. | Other receivables | \$ 59,000 | \$ 47,000 | 0.838%-0.851% | Short-term financing | \$ - | Operation requirements | \$ - | - | - | \$ 17,615,640 (Note 1) | \$ 17,615,640 (Note 1) |
| | | TFN Media Co., Ltd. | Other receivables | 2,000,000 | 2,000,000 | 0.838% | Short-term financing | - | Operation requirements | - | - | - | 17,615,640 (Note 1) | 17,615,640 (Note 1) |
| 1 | Taiwan Cellular Co., Ltd. | TFN Media Co., Ltd. | Other receivables | 4,670,000 | 3,540,000 | 0.838%-0.847% | Short-term financing | - | Operation requirements | - | - | - | 21,561,347 (Note 1) | 21,561,347 (Note 1) |
| | | TCC Investment Co., Ltd. | Other receivables | 2,286,000 | 2,286,000 | 0.845%-0.854% | Short-term financing | - | Operation requirements | - | - | - | 21,561,347 (Note 1) | 21,561,347 (Note 1) |
| | | Win TV Broadcasting Co., Ltd. | Other receivables | 58,000 | 58,000 | 0.847% | Short-term financing | - | Operation requirements | - | - | - | 21,561,347 (Note 1) | 21,561,347 (Note 1) |
| 2 | Taiwan Fixed Network Co., Ltd. | Taiwan Cellular Co., Ltd. | Other receivables | 8,040,000 | 7,020,000 | 0.838%-0.847% | Short-term financing | - | Operation requirements | - | - | - | 14,205,093 (Note 1) | 14,205,093 (Note 1) |
| 3 | Union Cable TV Co., Ltd. | TFN Media Co., Ltd. | Other receivables - related parties | 742,000 | - | 0.838%-0.940% | Transactions | 280,135 | Business requirements | - | - | - | 13,500,000 (Note 2) | 13,500,000 (Note 2) |
| | | | | 560,000 | 430,000 | 0.851% | Short-term financing | - | Repayment of financing | - | - | - | 722,765 (Note 2) | 13,500,000 (Note 2) |
| 4 | Globalview Cable TV Co., Ltd. | TFN Media Co., Ltd. | Other receivables - related parties | 220,000 | 220,000 | 0.845%-0.940% | Transactions | 231,521 | Business requirements | - | - | - | 231,521 (Note 3) | 483,634 (Note 3) |
| 5 | Phoenix Cable TV Co., Ltd. | TFN Media Co., Ltd. | Other receivables - related parties | 760,000 | 490,000 | 0.838%-0.893% | Transactions | 580,245 | Business requirements | - | - | - | 12,000,000 (Note 4) | 12,000,000 (Note 4) |
| 6 | Yeong Jia Leh Cable TV Co., Ltd. | TFN Media Co., Ltd. | Other receivables - related parties | 410,000 | 285,000 | 0.893%-1.068% | Transactions | 513,338 | Business requirements | - | - | - | 24,000,000 (Note 4) | 24,000,000 (Note 4) |
| 7 | TFN Media Co., Ltd. | Win TV Broadcasting Co., Ltd. | Other receivables - related parties | 307,000 | - | 0.839%-0.845% | Transactions | 59,168 | Business requirements | - | - | - | 15,000,000 (Note 4) | 15,000,000 (Note 4) |
| 8 | Wealth Media Technology Co., Ltd. | Tai Fu Media Technology Co., Ltd. | Other receivables - related parties | 45,000 | 33,000 | 0.838% | Short-term financing | - | Repayment of financing | - | - | - | 78,835 (Note 1) | 78,835 (Note 1) |
| | | Global Wealth Media Technology Co., Ltd. | Other receivables - related parties | 4,000 | 4,000 | 0.851% | Short-term financing | - | Repayment of financing | - | - | - | 78,835 (Note 1) | 78,835 (Note 1) |
| 9 | Tai Fu Media Technology Co., Ltd. | Global Wealth Media Technology Co., Ltd. | Other receivables - related parties | 4,000 | - | 0.867% | Short-term financing | - | To meet its financing needs in acquiring minorities | - | - | - | 78,324 (Note 1) | 78,324 (Note 1) |

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 and short-term financing needs, the 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. A) 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. B) for short-term financing needs: the individual lending amount and the aggregate amount of loaning funds shall not exceed 40% of the financing company's net worth.

Note 3: Where funds are loaned for reasons of business dealings and short-term financing needs, the amount of loaning funds shall be limited to the total amount of business dealing and 40% of the financing company's net worth. A) for reasons of business dealings: the individual lending amount and the aggregate amount of loaning funds shall not exceed the amount of business dealing. B) for short-term financing needs: the individual lending amount and the aggregate amount of loaning funds shall not exceed 40% of the financing company's net worth.

Note 4: 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
FOR THE SIX MONTHS ENDED JUNE 30, 2010

TABLE 2
(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) | \$ 42,000,000 (Note 3) | \$ 34,878,330 | \$ 28,129,765 | \$ - | 63.87% | \$ 44,039,100 |
| 1 | Taiwan Teleservices & Technologies Co., Ltd. | Taiwan Fixed Network Co., Ltd. | (Note 4) (Note 6) | 20,000 (Note 5)/ (Note 6) | 146 | 146 | - | 0.32% | 45,416 (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 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 the double of the investment amount in TT&T.

Note 6: Following the sale by TFN of its 100% shareholdings in TT&T on May 14, 2010, the endorsement/guarantee provided by TT&T is for transaction. The aggregate endorsement/guarantee amount shall not exceed the net worth of TT&T, and the individual endorsement/guarantee amount shall not exceed the amount of business dealing. The amount of business dealing is \$145,425 thousands.

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES
MARKETABLE SECURITIES HELD
JUNE 30, 2010

TABLE 3

(In Thousands of New Taiwan Dollars or stated otherwise)

| Investing Company (A) | Marketable Securities Invested (B) | Relationship with the Investing Company (B is A's) | Financial Statement Account | June 30, 2010 | | | | 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 | \$ 173,609 | 0.028 | \$ 173,609 (Note 5) | |
| | Bridge Mobile Pte Ltd. | - | Financial assets carried at cost - non-current | 2,200 | 50,324 | 10 | - (Note 3) | |
| | 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 | 197,088 | 100 | 197,088 | |
| | Taiwan Cellular Co., Ltd. | Subsidiary | Long-term investments - equity method | 30,000 | 8,658,520 (Note 4) | 100 | 53,903,367 | |
| | Taipei New Horizons Co., Ltd. | Equity-method investee | Long-term investments - equity method | 24,950 | 198,962 | 49.90 | 198,962 | |
| | | | Prepayment for long-term investments | - | 49,900 | - | - | |
| Wealth Media Technology Co., Ltd. | <u>Stock</u> Tai Fu Media Technology Co., Ltd. | Subsidiary | Long-term investments - equity method | 27,000 | 195,809 | 100 | 195,809 | |
| | Taiwan Win TV Broadcasting Co., Ltd. | Subsidiary | Long-term investments - equity method | 16 | 9,976 | 100 | 9,976 | |
| Tai Fu Media Technology Co., Ltd. | <u>Stock</u> Global Wealth Media Technology Co., Ltd. | Subsidiary | Long-term investments - equity method | 8,400 | 87,196 | 100 | 87,196 | |
| | Fu Jia Leh Media Technology Co., Ltd. | Subsidiary | Long-term investments - equity method | 100 | 790 | 100 | 790 | |
| | Fu Sin Media Technology Co., Ltd. | Subsidiary | Long-term investments - equity method | 13,500 | 138,817 | 100 | 138,817 | |
| | Global Forest Media Technology Co., Ltd. | Subsidiary | Long-term investments - equity method | 100 | 665 | 100 | 665 | |
| Global Wealth Media Technology Co., Ltd. | <u>Stock</u> Globalview Cable TV Co., Ltd. | Subsidiary | Long-term investments - equity method | 3,815 | 90,846 | 6.813 | 42,942 | |
| Fu Sin Media Technology Co., Ltd. | <u>Stock</u> Phoenix Cable TV Co., Ltd. | Subsidiary | Long-term investments - equity method | 2,272 | 129,920 | 3.34 | 29,640 | |
| Global Forest Media Technology Co., Ltd. | <u>Stock</u> Union Cable TV Co., Ltd. | Subsidiary | Long-term investments - equity method | 326 shares | 4 | 0.0002 | 4 | |
| 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 | 20,207 | 3 | - (Note 3) | |
| | Transportation High Tech Inc. | - | Financial assets carried at cost - non-current | 1,200 | - | 12 | - (Note 3) | |
| | WEB Point Co., Ltd. | - | Financial assets carried at cost - non-current | 803 | 6,773 (Note 2) | 3.17 | - (Note 3) | |
| | TWM Holding Co. Ltd. | Subsidiary | Long-term investments - equity method | 1 share | US\$ 7,566 | 100 | US\$ 7,566 | |

(Continued)

| Investing Company (A) | Marketable Securities Invested (B) | Relationship with the Investing Company (B is A's) | Financial Statement Account | June 30, 2009 | | | | Note |
|--|--|--|---|-----------------------------|----------------|----------------------------|--------------------------|------|
| | | | | Shares/Units (Thousands) | Carrying Value | Percentage of Ownership | Market Value (Note 1) | |
| | Taiwan Fixed Network Co., Ltd. | Subsidiary | Long-term investments - equity method | 2,100,000 | \$ 35,512,732 | 100 | \$ 35,512,732 | |
| | Taiwan Digital Communication Co., Ltd. | Subsidiary | Long-term investments - equity method | 1,200 | 10,833 | 100 | 10,833 | |
| | TCC Investment Co., Ltd. | Subsidiary | Long-term investments - equity method | 2,100 | 22,484,051 | 100 | 22,356,868 | |
| | Taiwan Teleservices & Technologies Co., Ltd. | Subsidiary | Long-term investments - equity method | 1,000 | 45,416 | 100 | 45,416 | |
| TWM Holding Co., Ltd. | <u>Stock</u> TWM Communications (Beijing) Ltd. | Subsidiary | Long-term investments - equity method | - | US\$ 3,023 | 100 | US\$ 2,133 | |
| Taiwan Teleservices & Technologies Co., Ltd. | <u>Stock</u> TT & T Holdings Co., Ltd. | Subsidiary | Long-term investments - equity method | 1,300 | US\$ 1,383 | 100 | US\$ 1,383 | |
| | Taiwan Super Basketball Co., Ltd. | Subsidiary | Long-term investments - equity method | 2,000 | 22,025 | 100 | 22,025 | |
| TT&T Holdings Co., Ltd. | <u>Stock</u> Xiamen Taifu Teleservices & Technologies Co., Ltd. | Subsidiary | Long-term investments - equity method | - | US\$ 1,371 | 100 | US\$ 1,371 | |
| TCC Investment Co., Ltd. | <u>Stock</u> Taiwan Mobile Co., Ltd. (the "Corporation") | The Corporation | Available-for-sale financial assets - non-current | 222,774 | 14,636,264 | 5.86 | 14,636,264 (Note 5) | |
| | Win TV Broadcasting Co., Ltd. | Subsidiary | Long-term investments - equity method | 18,177 | 236,478 | 100 | 228,861 | |
| | TFN Media Co., Ltd. | Subsidiary | Long-term investments - equity method | 230,526 | 1,608,244 | 100 | 3,516,207 | |
| | TCCI Investment and Development Co., Ltd. | Subsidiary | Long-term investments - equity method | 400 | 8,518,201 | 100 | 8,518,201 | |
| | Great Taipei Broadband Co., Ltd. | - | Financial assets carried at cost - non-current | 10,000 | 42,845 | 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 | 1.24 | - (Note 3) | |
| TCCI Investment and Development Co., Ltd. | <u>Stock</u> Taiwan Mobile Co., Ltd. (the "Corporation") | The Corporation | Available-for-sale financial assets - non-current | 132,849 | 8,728,158 | 3.50 | 8,728,158 (Note 5) | |
| TFN Media Co., Ltd. | <u>Stock</u> Yeong Jia Leh Cable TV Co., Ltd. | Subsidiary | Long-term investments - equity method | 33,940 | 2,174,840 | 100 | 650,360 | |

(Continued)

| Investing Company (A) | Marketable Securities Invested (B) | Relationship with the Investing Company (B is A's) | Financial Statement Account | June 30, 2009 | | | | Note |
|-----------------------------------|---|--|--|-----------------------------|----------------|----------------------------|--------------------------|------|
| | | | | Shares/Units (Thousands) | Carrying Value | Percentage of Ownership | Market Value (Note 1) | |
| | Mangrove Cable TV Co., Ltd. | Related party in substance | Long-term investments - equity method | 6,248 | \$ 546,477 | 29.53 | \$ 283,302 (Note 6) | |
| | Phoenix Cable TV Co., Ltd. | Subsidiary | Long-term investments - equity method | 65,818 | 3,083,208 | 96.66 | 858,702 | |
| | Union Cable TV Co., Ltd. | Subsidiary | Long-term investments - equity method | 170,441 | 2,011,423 | 99.99 | 1,806,676 | |
| | Globalview Cable TV Co., Ltd. | Subsidiary | Long-term investments - equity method | 51,733 | 1,204,780 | 92.38 | 582,260 | |
| | Taiwan Kuro Times Co., Ltd. | Equity-method investee | Long-term investments - equity method | 447 | 52,251 | 45 | 27,345 | |
| Taiwan Fixed Network Co., Ltd. | <u>Stock</u> TFN Union Investment Co., Ltd. | Subsidiary | Long-term investments - equity method | 400 | 29,257,564 | 100 | 29,257,564 | |
| | TFN HK LIMITED | Subsidiary | Long-term investments - equity method | 1,300 | HK\$ 981 | 100 | HK\$ 981 | |
| | Taiwan High Speed Rail Corporation | - | Financial assets carried at cost - non-current | 225,531 | 2,120,829 | 3.47 | - (Note 3) | |
| | New Century InfoComm Technology Co., Ltd. | - | Financial assets carried at cost - non-current | 21,890 | 187,042 | 0.84 | - (Note 3) | |
| TFN Union Investment Co., Ltd. | <u>Stock</u> Taiwan Mobile Co., Ltd. (the "Corporation") | The Corporation | Available-for-sale financial assets - non-current | 456,295 | 29,978,566 | 12 | 29,978,566 (Note 5) | |

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 July 13, 2010, the independent auditors' report date, the investee's net worth was not available.

Note 4: The Corporation's shares held by TCCI, TID and TUI (all are subsidiaries 100%-owned by TCC) are classified as treasury shares. Therefore, the Corporation's carrying cost of \$53,903,367 thousand on TCC shall be reduced by 1) downward adjusting \$31,889,100 thousand, the carrying value of total treasury shares on the Corporation's book, 2) excluding \$13,831,812 thousand unrealized gain from financial assets investment, 3) adding back \$475,907 thousand income tax expenses resulted from TFN and TFNI's disposal gain from the Corporation's shares, and 4) adding back recognition of upstream transactions loss of \$158 thousand.

Note 5: Based on the closing price on June 30, 2010.

Note 6 70.47% 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
FOR THE SIX MONTHS ENDED JUNE 30, 2010

TABLE 4
(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 | \$ (1,110,767) | (4) | Based on contract terms | - | - | \$ 378,345 | 6 | (Note 1) |
| | | | Purchase | 920,891 | (Note 2) | Based on contract terms | - | - | 197,790 | (Note 3) | |
| | Taiwan Teleservices & Technologies Co., Ltd. | Subsidiary | Purchase | 395,950 | (Note 4) | Based on contract terms | - | - | (64,510) | (Note 5) | |
| Taiwan Teleservices & Technologies Co., Ltd. | The Corporation | Ultimate parent | Sale | (396,037) | (85) | Based on contract terms | - | - | 64,525 | 85 | |
| Taiwan Fixed Network Co., Ltd. | The Corporation | Ultimate parent | Sale | (918,682) | (18) | Based on contract terms | - | - | 197,011 | 21 | |
| | | | Purchase | 1,112,064 | 33 | Based on contract terms | - | - | (377,788) | (47) | |
| TFN Media Co., Ltd. | Phoenix Cable TV Co., Ltd. | Subsidiary | Channel leasing fee | (242,270) | (18) | Based on contract terms | (Note 6) | (Note 6) | 731 | 1 | |
| | Yeong Jia Leh Cable TV Co., Ltd. | Subsidiary | Channel leasing fee | (219,340) | (16) | Based on contract terms | (Note 6) | (Note 6) | 1,248 | 1 | |
| | Union Cable TV Co., Ltd. | Subsidiary | Channel leasing fee | (113,775) | (9) | Based on contract terms | (Note 6) | (Note 6) | 444 | 0 | |
| Union Cable TV Co., Ltd. | TFN Media Co., Ltd. | Parent | Royalty of copyright | 113,775 | 62 | Based on contract terms | (Note 6) | (Note 6) | (444) | (2) | |
| Yeong Jia Leh Cable TV Co., Ltd. | TFN Media Co., Ltd. | Parent | Royalty of copyright | 219,340 | 61 | Based on contract terms | (Note 6) | (Note 6) | (1,248) | (5) | |
| Phoenix Cable TV Co., Ltd. | TFN Media Co., Ltd. | Parent | Royalty of copyright | 242,270 | 65 | Based on contract terms | (Note 6) | (Note 6) | (731) | (3) | |

Note 1: The \$378,345 thousand accounts receivable amount was expressed on a gross basis in accordance with sales amount. The net accounts receivable should be \$30,964 thousand after deducting accounts payable and accrued custodial receipts/payments totaled \$347,381 thousand.

Note 2: Included operating costs and operating expenses.

Note 3: Included accounts payable and accrued expenses.

Note 4: Recognized as operating expenses.

Note 5: Recognized as accrued expenses.

Note 6: No comparables on such kind of transactions.

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES
RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL
JUNE 30, 2010

TABLE 5
(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 \$ 378,345 Other receivables 61,087 | 5.95 | \$ - | - | \$ - | \$ - | | | | |
| | TFN Media Co., Ltd. | Subsidiary | Other receivables 2,003,882 | | | | | | - | - | 13,043 | - |
| | Taiwan Cellular Co., Ltd. | Subsidiary | Other receivables 3,500,000 | | | | | | - | - | - | - |
| Taiwan Cellular Co., Ltd. | TFN Media Co., Ltd. | Subsidiary | Other receivables 3,545,622 | | - | - | 170,055 | - | | | | |
| | TCC Investment Co., Ltd. | Subsidiary | Other receivables 2,290,545 | | | | | | - | - | 459,128 | - |
| Taiwan Teleservices & Technologies Co., Ltd. | The Corporation | Ultimate parent | Accounts receivable 64,525 | 12.15 | - | - | 15 | - | | | | |
| Taiwan Fixed Network Co., Ltd. | The Corporation | Ultimate parent | Accounts receivable 197,011 Other receivables 194,009 | 7.48 | - | - | 9,378 70,462 | - | | | | |
| | Taiwan Cellular Co., Ltd. | Parent | Other receivables 7,032,445 | | | | | | - | - | 120,035 | - |
| Phoenix Cable TV Co., Ltd. | TFN Media Co., Ltd. | Parent | Accounts receivable 25,705 | 4.6 | - | - | - | - | | | | |
| | | | Other receivables 490,545 | | | | | | - | - | - | - |
| Union Cable TV Co., Ltd. | TFN Media Co., Ltd. | Parent | Accounts receivable 15,412 | 3.82 | - | - | - | - | | | | |
| | | | Other receivables 430,193 | | | | | | - | - | - | - |
| Globalview Cable TV Co., Ltd. | TFN Media Co., Ltd. | Parent | Accounts receivable 10,617 | 4.09 | - | - | - | - | | | | |
| | | | Other receivables 220,210 | | | | | | - | - | - | - |
| Yeong Jia Leh Cable TV Co., Ltd. | TFN Media Co., Ltd. | Parent | Accounts receivable 24,929 | 4.41 | - | - | - | - | | | | |
| | | | Other receivables 285,613 | | | | | | - | - | - | - |

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES
NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
FOR THE SIX MONTHS ENDED JUNE 30, 2010

TABLE 6

(In Thousands of New Taiwan Dollars or stated otherwise)

| Investor | Investee | Location | Main Businesses and Products | Investment Amount | | Balance as of June 30, 2010 | | | Net Income (Loss) of the Investee | Investment Income (Loss) | Note |
|--|--|----------------------------------|--|--------------------|--------------------|-----------------------------|-------------------------|--------------------------------|-----------------------------------|--------------------------|------|
| | | | | June 30, 2010 | December 31, 2009 | Shares (Thousands) | Percentage of Ownership | Carrying Value | | | |
| Taiwan Mobile Co., Ltd. (the "Corporation") | Taiwan Cellular Co., Ltd. | Taipei, Taiwan | Telecom engineering and IT service | \$ 37,558,330 | \$ 37,558,330 | 30,000 | 100 | \$ 8,658,520 | \$ 1,680,256 | \$ 1,687,943 | |
| | Taipei New Horizons Co., Ltd. Wealth Media Technology Co., Ltd. | Taipei, Taiwan Taipei, Taiwan | Real Estate Rental and Sale Investment | 249,500 272,000 | 249,500 272,000 | 24,950 27,200 | 49.90 100 | (Note 1) 198,962 197,088 | (26,076) 4,473 | (13,012) 4,473 | |
| Wealth Media Technology Co., Ltd. | Tai Fu Media Technology Co., Ltd. | Taipei, Taiwan | Investment | 270,000 | 270,000 | 27,000 | 100 | 195,809 | 4,631 | NA | |
| | Taiwan Win TV Broadcasting Co., Ltd. | Taipei, Taiwan | Investment | 10,000 | - | 16 | 100 | 9,976 | (24) | NA | |
| Tai Fu Media Technology Co., Ltd. | Global Wealth Media Technology Co., Ltd. | Taipei County, Taiwan | Investment | 84,000 | 84,000 | 8,400 | 100 | 87,196 | 2,433 | NA | |
| | Fu Jia Leh Media Technology Co., Ltd. | Taipei, Taiwan | Investment | 1,700 | 1,700 | 100 | 100 | 790 | (179) | NA | |
| | Fu Sin Media Technology Co., Ltd. | Taipei, Taiwan | Investment | 135,000 | 135,000 | 13,500 | 100 | 138,817 | 2,807 | NA | |
| | Global Forest Media Technology Co., Ltd. | Taipei, Taiwan | Investment | 1,000 | 1,000 | 100 | 100 | 665 | (116) | NA | |
| Global Wealth Media Technology Co., Ltd. | Globalview Cable TV Co., Ltd. | Taipei County, Taiwan | Cable TV service provider | 91,691 | 90,099 | 3,815 | 6.813 | 90,846 | 39,082 | 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 | 129,920 | 89,729 | NA | |
| Global Forest Media Technology Co., Ltd. | Union Cable TV Co., Ltd. | Yilan County, Taiwan | Cable TV service provider | 4 | - | 326 shares | 0.0002 | 4 | 71,115 | NA | |
| Taiwan Cellular Co., Ltd. | TWM Holding Co. Ltd. | British Virgin Islands | Investment | US\$ 10,800 | US\$ 10,800 | 1 share | 100 | US\$ 7,566 | US\$ (862) | NA | |
| | Taiwan Fixed Network Co., Ltd. | Taipei, Taiwan | Fixed line service provider | 21,000,000 | 21,000,000 | 2,100,000 | 100 | 35,512,732 | 922,962 | NA | |
| | Taiwan Digital Communication Co., Ltd. | Taipei, Taiwan | Telecom engineering and IT service | 12,000 | 12,000 | 1,200 | 100 | 10,833 | (117) | NA | |
| | TCC Investment Co., Ltd. | Taipei, Taiwan | Investment | 20,451,000 | 20,451,000 | 2,100 | 100 | 22,484,051 | 787,354 | NA | |
| | Taiwan Teleservices & Technologies Co., Ltd. (Note 3) | Taipei, Taiwan | Call center service and ISR (international simple resales) | 10,000 | 10,000 | 1,000 | 100 | 45,416 | 3,652 | NA | |
| TWM Holding Co. Ltd. | TWM Communications (Beijing) Ltd. | Beijing, China | Mobile application development and design | US\$ 4,936 | US\$ 4,936 | - | 100 | US\$ 3,023 | US\$ (861) | NA | |
| Taiwan Teleservices & Technologies Co., Ltd. | TT&T Holdings Co., Ltd. | Samoa | Investment | US\$ 1,300 | US\$ 1,300 | 1,300 | 100 | US\$ 1,383 | US\$ (33) | NA | |
| | Taiwan Super Basketball Co., Ltd. | Taipei, Taiwan | Basketball team management | 20,000 | 20,000 | 2,000 | 100 | 22,025 | 2,015 | NA | |
| TT&T Holdings Co., Ltd. | Xiamen Taifu Teleservices & Technologies Co., Ltd. | Xiamen, China | Call center service | US\$ 1,300 | US\$ 1,300 | - | 100 | US\$ 1,371 | US\$ (40) | NA | |
| TCC Investment Co., Ltd. | Win TV Broadcasting Co., Ltd. | Taipei, Taiwan | TV program provider | 188,047 | 179,047 | 18,177 | 100 | 236,478 | 39,791 | NA | |
| | TFN Media Co., Ltd. | Taipei, Taiwan | Cable broadband and value added service provider | 2,035,714 | 2,035,714 | 230,526 | 100 | 1,608,244 | 824,501 | NA | |
| | TCCI Investment and Development Co., Ltd. | Taipei, Taiwan | Investment | 6,629,149 | 6,629,149 | 400 | 100 | 8,518,201 | - | NA | |
| TFN Media Co., Ltd. | Yeong Jia Leh Cable TV Co., Ltd. | Taipei County, Taiwan | Cable TV service provider | 1,616,824 | 1,616,824 | 33,940 | 100 | 2,174,840 | 63,019 | NA | |
| | Mangrove Cable TV Co., Ltd. | Taipei County, Taiwan | Cable TV service provider | 397,703 | 397,703 | 6,248 | 29.53 | 546,477 | 43,048 | NA | |
| | Phoenix Cable TV Co., Ltd. | Kaohsiung County, Taiwan | Cable TV service provider | 2,294,967 | 2,294,967 | 65,818 | 96.66 | 3,083,208 | 89,729 | NA | |
| | Union Cable TV Co., Ltd. | Yilan County, Taiwan | Cable TV service provider | 1,904,436 | 1,904,440 | 170,441 | 99.99 | 2,011,423 | 71,115 | NA | |
| | Globalview Cable TV Co., Ltd. | Taipei County, Taiwan | Cable TV service provider | 841,413 | 841,413 | 51,733 | 92.38 | 1,204,780 | 39,082 | NA | |
| | Taiwan Kuro Times Co., Ltd. | Taipei, Taiwan | Advertising service | 53,100 | - | 447 | 45.00 | 52,251 | (591) | NA | |
| | | | | | | | (Note 2) | | | | |
| Taiwan Fixed Network Co., Ltd. | TFN Union Investment Co., Ltd. | Taipei, Taiwan | Investment | 22,769,109 | 22,769,109 | 400 | 100 | 29,257,564 | - | NA | |
| | TFN HK LIMITED | Hong Kong | Telecommunications service provider | HK\$ 1,300 | HK\$ 1,300 | 1,300 | 100 | HK\$ 981 | HK\$ 176 | NA | |

Note 1: The Corporation's shares held by TCCI, TID and TUI (all are subsidiaries 100%-owned by TCC) are classified as treasury shares. Therefore, the Corporation's carrying cost of \$53,903,367 thousand on TCC shall be reduced by 1) downward adjusting \$31,889,100 thousand, the carrying value of total treasury shares on the Corporation's book, 2) excluding \$13,831,812 thousand unrealized gain from financial assets investment, 3) adding back \$475,907 thousand income tax expenses resulted from TFN and TFNI's disposal gain from the Corporation's shares, and 4) adding back recognition of upstream transactions loss of \$158 thousand.

Note 2: 70.47% shares are held under trustee accounts.

Note 3: On May 14, 2010, TFN sold to TCC its 100% shareholdings in TT&T.

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES
NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
FOR THE SIX MONTHS ENDED JUNE 30, 2010

TABLE 7
(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, 2010 | Investment Flows | | Accumulated Outflow of Investment from Taiwan as of June 30, 2010 | % Ownership of Direct or Indirect Investment | Investment Gain (Loss) (Note 3) | Carrying Value as of June 30, 2010 | Accumulated Inward Remittance of Earnings as of June 30, 2010 |
|--|---|---------------------------------|---|---|------------------|--------|---|---|---------------------------------|------------------------------------|---|
| | | | | | Outflow | Inflow | | | | | |
| Xiamen Taifu Teleservices & Technologies Co., Ltd. | Call center service | US\$ 1,300 (NT\$ 41,963) | Indirect investment in Mainland China through a third place by the Corporation's subsidiary, Taiwan Teleservices & Technologies Co., Ltd. | US\$ 1,300 (NT\$ 41,963) | \$ - | \$ - | US\$ 1,300 (NT\$ 41,963) | 100% ownership of indirect investment by the Corporation's subsidiary | (US\$ 40) (NT\$ (1,291)) | US\$ 1,371 (NT\$ 44,255) | \$ - |
| TWM Communications (Beijing) Ltd. | Mobile application development and design | US\$ 3,000 (NT\$ 96,837) | Indirect investment in Mainland China through a third place by the Corporation's subsidiary, Taiwan Cellular Co., Ltd. | US\$ 4,872 (NT\$ 157,263) | - | - | US\$ 4,872 (NT\$ 157,263) | 100% ownership of indirect investment by the Corporation's subsidiary | (US\$ 861) (NT\$ (27,792)) | US\$ 3,023 (NT\$ 97,579) | - |

| Accumulated Investment in Mainland China as of June 30, 2010 | Investment Amounts Authorized by Investment Commission, MOEA (Note 2) | Upper Limit on Investment Authorized by Investment Commission, MOEA (Note 2) |
|--|---|--|
| US\$1,300 (NT\$41,963) | US\$1,300 (NT\$41,963) | \$80,000 |
| US\$4,872 (NT\$157,263) | US\$4,872 (NT\$157,263) | \$53,903,367 |

Note 1: The above amounts were translated into New Taiwan dollars at the exchange rate of US\$1 = NT\$32.279, and RMB1 = NT\$4.7533 as of June 30, 2010.

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 unaudited financial statements.

TAIWAN MOBILE CO., LTD.
CASH AND CASH EQUIVALENTS
JUNE 30, 2010
(In Thousands of New Taiwan Dollars)

| Item | Due Date | Amount |
|---|-----------|----------------------------|
| Short-term bills with repurchase rights | 2010.7.15 | \$ 2,058,997 |
| Government bonds with repurchase rights | 2010.7.14 | <u>1,663,136</u> |
| Cash in banks | | |
| Foreign-currency deposits | | |
| EUR1,562.92 (exchange rate at EUR1=NT\$39.674) | | 62 |
| US\$1,469,304.47(exchange rate at US\$1=NT\$32.279) | | 47,428 |
| Checking deposits | | 8,789 |
| Demand deposits | | <u>277,088</u> |
| | | <u>333,367</u> |
| Time deposits | | |
| US\$2,200,028 (exchange rate at US\$1=NT\$32.279) | | 71,015 |
| NTD | | <u>10,000</u> |
| | | <u>81,015</u> |
| Cash on hand | | <u>39,487</u> |
| Revolving funds | | <u>6,485</u> |
| | | <u><u>\$ 4,182,487</u></u> |

TAIWAN MOBILE CO., LTD.
ACCOUNTS RECEIVABLE
JUNE 30, 2010
(In Thousands of New Taiwan Dollars)

| Client | Amount |
|--------------------------------------|---------------------|
| Related parties | |
| Taiwan Fixed Network Co., Ltd. | \$ 30,964 |
| Other (Note) | 5,963 |
| | 36,927 |
| Third parties | |
| Chunghwa Telecom Co., Ltd. | 672,626 |
| Other (Note) | 5,249,310 |
| | 5,921,936 |
| Less allowance for doubtful accounts | (374,665) |
| | 5,547,271 |
| | \$ 5,584,198 |

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

TAIWAN MOBILE CO., LTD.
OTHERS RECEIVABLES
JUNE 30, 2010
(In Thousands of New Taiwan Dollars)

| <u>Item</u> | <u>Amount</u> |
|-----------------------------------|----------------------------|
| Capital reduction receivable | \$ 3,500,000 |
| Dividends receivable | 2,383,941 |
| Receivable for financing provided | 2,047,000 |
| Other (Note) | 236,254 |
| | <u><u>\$ 8,167,195</u></u> |

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

TAIWAN MOBILE CO., LTD.
CHANGES IN INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD
FOR THE SIX MONTHS ENDED JUNE 30, 2010
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| | Par Value | Beginning Balance | | Increase | | Decrease | | Adjustments on Equity Method (Note 2) | Ending Balance | | | Market Price or Net Asset Value (Notes 3 and 4) |
|-----------------------------------|-----------|-------------------|---------------------|-----------------|----------|-----------------|------------------|---------------------------------------|-----------------|----------------|------------------|---|
| | | Thousand Shares | Amount | Thousand Shares | Amount | Thousand Shares | Amount (Note 1) | | Thousand Shares | % of Ownership | Amount | |
| | | | | | | | | | | | | |
| Taiwan Cellular Co., Ltd. | NT\$10 | 30,000 | \$ 9,353,920 | - | - | - | 2,383,941 | 1,688,541 | 30,000 | 100.0 | 8,658,520 | 53,903,367 |
| Taipei New Horizons Co., Ltd. | NT\$10 | 24,950 | 211,974 | - | - | - | - | (13,012) | 24,950 | 49.9 | 198,962 | 248,862 |
| Wealth Media Technology Co., Ltd. | NT\$10 | 27,200 | 192,615 | - | - | - | - | 4,473 | 27,200 | 100.0 | 197,088 | 197,088 |
| Total | | | \$ 9,758,509 | | - | | 2,383,941 | 1,680,002 | | | 9,054,570 | |

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

| | |
|---|---------------------|
| Distributing of cash dividends by Taiwan Cellular Co., Ltd. | <u>\$ 2,383,941</u> |
|---|---------------------|

Note 2: Other adjustment from evaluation included the following:

| | |
|---|---------------------|
| a. Recognized investment income from investees | \$ 1,679,404 |
| b. Recognized changes in cumulative translation adjustment of investees | 722 |
| c. Recognized changes in paid-in capital of investees | (124) |
| | <u>\$ 1,680,002</u> |

Note 3: The net asset value of Taiwan Cellular Co., Ltd., Taipei New Horizons Co., Ltd. and Wealth Media Technology Co., Ltd. were calculated based on unaudited financial statements as of June 30, 2010.

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

TAIWAN MOBILE CO., LTD.
CHANGES IN PROPERTY AND EQUIPMENT
FOR THE SIX MONTHS ENDED JUNE 30, 2010
(In Thousands of New Taiwan Dollars)

| | Beginning Balance | Changes for the Period | | | Ending Balance |
|--|----------------------------|------------------------|------------------|--------------------|--------------------------|
| | | Increase | Decrease | Reclassification | |
| Cost | | | | | |
| Land | \$ 3,866,289 | - | - | 2,949 | 3,869,238 |
| Buildings | 2,385,587 | - | - | 4,718 | 2,390,305 |
| Telecommunication equipment | 58,134,357 | 28,121 | 4,642,962 | 1,423,459 | 54,942,975 |
| Office equipment | 32,600 | - | 11,246 | 1,097 | 22,451 |
| Leased assets | 1,285,920 | - | - | - | 1,285,920 |
| Miscellaneous equipment | 2,142,596 | 543 | 179,523 | 538,190 | 2,501,806 |
| | <u>67,847,349</u> | <u>28,664</u> | <u>4,833,731</u> | <u>1,970,413</u> | <u>65,012,695</u> |
| Accumulated depreciation | | | | | |
| Buildings | 392,953 | 24,591 | - | 1,127 | 418,671 |
| Telecommunication equipment | 28,637,272 | 3,247,547 | 3,660,876 | (247,860) | 27,976,083 |
| Office equipment | 21,298 | 2,637 | 8,890 | - | 15,045 |
| Leased assets | 485,455 | 32,576 | - | - | 518,031 |
| Miscellaneous equipment | 897,906 | 288,125 | 161,759 | 247,860 | 1,272,132 |
| | <u>30,434,884</u> | <u>3,595,476</u> | <u>3,831,525</u> | <u>1,127</u> | <u>30,199,962</u> |
| Construction in progress and advance payments | <u>1,620,547</u> | <u>1,818,775</u> | <u>345</u> | <u>(1,962,745)</u> | <u>1,476,232</u> |
| Net property and equipment | <u>\$39,033,012</u> | | | | <u>36,288,965</u> |

Note 1: The total insurance for property, equipment, and assets leased to others amounted to \$27,629,785 thousand.

Note 2: The increase of the construction in progress and advance payments included capitalized interests amounting to \$3,577 thousand.

TAIWAN MOBILE CO., LTD.

NON-OPERATING ASSETS

JUNE 30, 2010

(In Thousands of New Taiwan Dollars)

| | <u>Cost</u> | <u>Accumulated Depreciation</u> | <u>Net Carrying Value</u> |
|-----------------------------|---------------------|-------------------------------------|-------------------------------|
| Assets leased to others | | | |
| Land | \$ 1,569,409 | - | 1,569,409 |
| Buildings | 760,334 | 135,771 | 624,563 |
| | <u>\$ 2,329,743</u> | <u>135,771</u> | 2,193,972 |
| Deferred charges, net | | | 390 |
| | | | 2,194,362 |
| Less accumulated impairment | | | (10,591) |
| | | | <u>\$ 2,183,771</u> |
| Idle assets | | | |
| Land | \$ 238,960 | 28,368 | 210,592 |
| Buildings | 137,009 | 15,649 | 121,360 |
| Telecommunication equipment | 51,578 | - | 51,578 |
| | <u>\$ 427,547</u> | <u>44,017</u> | 383,530 |
| Less allowance for losses | | | (35,928) |
| Less accumulated impairment | | | (126,429) |
| | | | <u>\$ 221,173</u> |

TAIWAN MOBILE CO., LTD.
ACCOUNTS PAYABLE
JUNE 30, 2010
(In Thousands of New Taiwan Dollars)

| Suppliers | Amount |
|-----------------------------------|---------------------|
| National Communication Commission | \$ 1,603,315 |
| Other (Note) | 632,287 |
| | <u>\$ 2,235,602</u> |

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

SCHEDULE 8

TAIWAN MOBILE CO., LTD.
ACCRUED EXPENSES
JUNE 30, 2010
(In Thousands of New Taiwan Dollars)

| <u>Nature</u> | <u>Amount</u> |
|--|---------------------|
| Salaries and bonuses | \$ 919,580 |
| Commissions | 687,118 |
| Bonus to directors, supervisors, and employees | 608,219 |
| Professional service fees | 327,027 |
| Interest expenses | 270,315 |
| Repair and maintenance expenses | 260,108 |
| Radio base stations related expenses | 258,093 |
| Other (Note) | 1,100,418 |
| | <u>\$ 4,430,878</u> |

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

SCHEDULE 9

TAIWAN MOBILE CO., LTD.
OTHER PAYABLE
JUNE 30, 2010
(In Thousands of New Taiwan Dollars)

| <u>Item</u> | <u>Amount</u> |
|---|----------------------|
| Dividends payable | \$ 15,028,895 |
| Payable for equipment and constructions | 1,253,660 |
| Other | 2,317,477 |
| | <u>\$ 18,600,032</u> |

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

TAIWAN MOBILE CO., LTD.
OPERATING REVENUES
FOR THE SIX MONTHS ENDED JUNE 30, 2010
(In Thousands of New Taiwan Dollars)

| Item | Amount |
|---------------------------------------|-----------------------------|
| Telecom service revenues | |
| Interconnection revenue (Note 1) | \$ 7,357,203 |
| Airtime usage | 9,529,724 |
| Monthly access fee and activation fee | 10,224,647 |
| | <u>27,111,574</u> |
| Other operating revenues (Note 2) | 1,687,213 |
| | <u><u>\$ 28,798,787</u></u> |

Note 1: This includes the revenues from other telecommunication operators' use of the Corporation's networks and IDD delivery revenues.

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

TAIWAN MOBILE CO., LTD.
OPERATING COSTS
FOR THE SIX MONTHS ENDED JUNE 30, 2010
(In Thousands of New Taiwan Dollars)

| Item | Amount |
|---|----------------------|
| Telecom service costs | |
| Interconnection cost (Note 1) | \$ 4,405,640 |
| Depreciation | 3,309,528 |
| Cost of goods sold | 3,048,996 |
| Leased-line charges | 1,040,025 |
| Rents | 809,769 |
| 2G concession fee and 3G license amortization | 769,128 |
| Maintenance materials and constructions | 443,320 |
| Administrative and utilities expense of radio base stations | 426,211 |
| Frequency usage fee | 268,473 |
| Other (Note 2) | 718,226 |
| | \$ 15,239,316 |

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

Note 2: This includes expenses for maintaining telecommunication network and equipment.

TAIWAN MOBILE CO., LTD.
OPERATING EXPENSES
FOR THE SIX MONTHS ENDED JUNE 30, 2010
(In Thousands of New Taiwan Dollars)

| <u>Item</u> | <u>Marketing</u> | <u>Administrative</u> | <u>Total</u> |
|---------------------------|----------------------------|-------------------------|-------------------------|
| Commissions | \$ 2,422,517 | - | 2,422,517 |
| Salaries and pension | 410,997 | 582,994 | 993,991 |
| Professional service fees | 534,482 | 106,978 | 641,460 |
| Service charges | 67,440 | 246,088 | 313,528 |
| Depreciation | 6,876 | 279,072 | 285,948 |
| Advertising | 209,907 | 21,060 | 230,967 |
| Bad debts | - | 220,086 | 220,086 |
| Maintenance | 20,501 | 105,765 | 126,266 |
| Other (Note) | 428,182 | 333,012 | 761,194 |
| | <u>\$ 4,100,902</u> | <u>1,895,055</u> | <u>5,995,957</u> |

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