

Ch. 4

Financial Information

Capital and Shares

History of Capitalization

As of January 31, 2007 Unit: shares / NT\$

Date	Par value (NT\$)	Authorized capital		Paid-in capital		Remarks	
		Shares	Amount (NT\$)	Shares	Amount (NT\$)	Source of capital (NT\$)	Effective date & cert. no.
Feb. 2006	10	6,000,000,000	60,000,000,000	4,951,549,833	49,515,498,330	CB conversion: NT\$29,344,340	N.A.
May 2006	10	6,000,000,000	60,000,000,000	4,961,829,892	49,618,298,920	CB conversion: NT\$102,800,590	N.A.
Aug. 2006	10	6,000,000,000	60,000,000,000	4,990,659,856	49,906,598,560	CB conversion: NT\$288,299,640	N.A.
Nov. 2006	10	6,000,000,000	60,000,000,000	4,998,375,937	49,983,759,370	CB conversion: NT\$77,160,810	N.A.

As of January 31, 2007 Unit: shares

	Authorized capital			Remarks
	Listed shares	Unissued	Total	
Common stock	4,998,375,937	1,001,624,063	6,000,000,000	Including 45,425,000 shares of treasury stock bought during April 2006 through June 2006

Shareholder Structure

As of July 20, 2006

	Government agencies	Financial institutions	Other institutions	Individuals	Foreign institutions & individuals	Total
No. of shareholders	2	13	228	55,399	513	56,155
Shareholding	5,841,000	385,675,715	2,146,132,974	636,544,637	1,801,461,462	4,975,655,788*
Holding percentage	0.12%	7.75%	43.13%	12.79%	36.21%	100.00%

* Adding 22,720,149 shares converted from CBs in 2006, TWM's total paid-in capital as of Jan. 31, 2007, was 4,998,375,937 shares.

Shareholding Distribution

Par value: NT\$10/share

As of July 20, 2006

Shareholding range	Number of shareholders	Total shares owned	Holding percentage
1 ~ 999	20,304	5,825,694	0.117%
1,000 ~ 5,000	24,734	57,544,086	1.157%
5,001 ~ 10,000	5,118	38,336,937	0.770%
10,001 ~ 15,000	1,930	23,370,520	0.470%
15,001 ~ 20,000	1,125	19,829,008	0.399%
20,001 ~ 30,000	983	23,988,342	0.482%
30,001 ~ 50,000	732	28,617,657	0.575%
50,001 ~ 100,000	417	29,294,710	0.589%
100,001 ~ 200,000	219	29,854,129	0.600%
200,001 ~ 400,000	143	39,790,787	0.800%
400,001 ~ 600,000	60	29,464,837	0.592%
600,001 ~ 800,000	50	34,427,951	0.692%
800,001 ~ 1,000,000	36	32,119,002	0.645%
1,000,001 above	304	4,583,192,128	92.112%
Total	56,155	4,975,655,788*	100.000%

* Adding 22,720,149 shares converted from CBs in 2006, TWM's total paid-in capital as of Jan. 31, 2007, was 4,998,375,937 shares.

Major Shareholders

As of July 20, 2006

Name	Total shares owned	Holding percentage
Taiwan Fixed Network Co., Ltd.	900,352,762	18.095%
TFN Investment Co., Ltd.	467,821,463	9.402%
Taiwan Hong-Yuan Investment Co., Ltd.	132,080,020	2.655%
Taiwan Post Co., Ltd.	131,131,865	2.635%
Fubon Securities Co., Ltd.	127,000,000	2.552%
Fubon Life Assurance Co., Ltd.	120,871,734	2.429%
Fubon Insurance Co., Ltd.	119,404,191	2.400%
Daniel Tsai	106,109,964	2.133%
Richard Tsai	106,105,964	2.133%
Templeton Asian Growth Fund	98,407,190	1.978%

Major Shareholders of TWM's Institutional Investors

Institutional investors	Major shareholders
Taiwan Fixed Network Co., Ltd.	Taiwan Mobile Co., Ltd., Acer Inc., Continental Engineering Co., Ltd., Fubon Insurance Co., Ltd., BenQ Corp., ASE Network Inc., Fubon Life Assurance Co., Ltd., EVA Airways Corp., Evergreen International Corp., China Development Industrial Bank
TFN Investment Co., Ltd.	Taiwan Fixed Network Co., Ltd.
Taiwan Hong-Yuan Investment Co., Ltd.	Taiwan Fixed Network Co., Ltd.
Taiwan Post Co., Ltd.	Ministry of Transportation and Communications
Fubon Securities Co., Ltd.	Fubon Financial Holding Co.
Fubon Life Assurance Co., Ltd.	Fubon Financial Holding Co.
Fubon Insurance Co., Ltd.	Fubon Financial Holding Co.

Shareholding Changes of Directors, Supervisors, Managers and Major Shareholders

Insignificant Changes in Shareholder Structure

For 2006 and up to the publication date for 2007, the Company's directors, supervisors and major shareholders that own more than 10% of Company's outstanding shares did not conduct any major share transfers or pledges. The Company has maintained a good relationship with its directors, supervisors and major sharehold-

ers. With maximizing shareholder value as its goal, the Company has strived to maintain a stable management in order to decrease shareholder risk. Below is a chart detailing net changes in shareholdings of directors, supervisors, managers and major shareholders.

Unit: Shares

Title	Name	2006		2007 (as of January 31)	
		Net change in shareholding	Net change in shares pledged	Net change in shareholding	Net change in shares pledged
Chairman	Richard Tsai, Representative of Fu-Chi Venture Corp.	0	0	0	0
Vice Chairman	Daniel Tsai, Representative of Fu-Chi Venture Corp.	0	0	0	0
Director	Nita Ing, Representative of Ching Shang Zhen Co., Ltd.	0	0	0	0
Director	Harvey Chang, Representative of Kuo-Ki Investment Co., Ltd.	0	0	0	0
Director	Pieere Chen, Representative of Taiwan Fixed Network Co., Ltd.	0	0	0	0
Director	Yu-Lon Chiao, Representative of Taiwan Fixed Network Co., Ltd.	0	0	0	0
Independent Director	Jack J.T. Huang	0	0	0	0
Independent Director	Wen-Li Yeh	0	0	0	0
Independent Director	J. Carl Hsu	0	0	0	0
Independent Director	Tsung-Ming Chung (Note)	0	0	0	0
Independent Supervisor	Tsung-Ming Chung (Note)	0	0	0	0
Supervisor	Victor Kung, Representative of Fu-Chi Venture Corp.	0	0	0	0
Supervisor	Polar Hsieh, Representative of Taiwan Fixed Network Co., Ltd.	0	0	0	0
President & Chief Executive Officer	Harvey Chang	924,000	0	1,796,000	0
Chief Business Officer	Benny Chen	(470,000)	0	270,000	0
Chief Financial Officer	Ruth Liaw	10,000	0	60,000	0
Chief Technology Officer	Frank Lin	34,000	0	68,000	0
Chief Strategy Officer	JC Dornig	0	0	41,000	0
Vice President	Techi Juan	(208,000)	0	90,000	0
Vice President	D.S. Chiou	(330,000)	0	105,000	0
Vice President	Jerry Chu	(9,000)	0	100,000	0
Vice President	Andrew Wong	(315,000)	0	105,000	0
Vice President	C.A. Chuang	(300,000)	0	140,000	0
Vice President	Sean Hsieh	(80,000)	0	105,000	0
Vice President	Egon Chen	(279,000)	0	105,000	0
Vice President	Chien Chen	(80,000)	0	96,000	0
Vice President	Ariel Hwang	(122,000)	0	105,000	0
Vice President	James Yang	(309,000)	0	95,000	0
Vice President	Charles Shen	(110,000)	0	55,000	0
Vice President	Jay Hong	(210,000)	0	115,000	0
Vice President	Jerry Feng	(8,000)	0	35,000	0
Vice President	James Chang	(340,000)	0	170,000	0
Vice President	Simon Wang	(395,000)	0	105,000	0
Vice President	HS Wang	(221,000)	(85,000)	82,000	0
Vice President	Jeff Ku	(120,000)	0	125,000	0
Vice President	Paul Huang	0	0	105,000	0
Vice President	Rosie Yu	0	0	70,000	0
Vice President	Daphne Yang	(55,000)	0	125,000	0

Note: Tsung-Ming Chung was elected as an Independent Director on June 15, 2006 and resigned from the position of Independent Supervisor on the same day.

Stock Trade with Related Party: None

Stock Pledged with Related Party: None

Direct and Indirect Investments in Affiliated Companies

As of December 31, 2006

Unit: shares, %

Long-term investments	Investment by TWM		Direct & indirect investments by TWM's directors, supervisors and magnagers		Total investment	
	Shares	Holding (%)	Shares	Holding (%)	Shares	Holding (%)
TransAsia Telecommunications Inc.	1,245,846,289	100.00%	--	--	1,245,846,289	100.00%
Taiwan Cellular Co., Ltd.	325,000,000	100.00%	--	--	325,000,000	100.00%
Taiwan Fixed Network Co., Ltd. (Note 1)	637,000,000	9.87%	44,943,900	0.70%	681,943,900	10.57%
Bridge Mobile Pte Ltd.	1,000,000	12.50%	--	--	1,000,000	12.50%

Note 1: Based on TFN's book of stockholders' register on Sept. 6, 2006.

Share Price, Net Worth, Earnings, Dividends and Related Information

Unit: NT\$, shares in thousand

		2005	2006	As of Jan. 31, 2007 (Note 1)	
Share price (NT\$)	High	36.00	33.85	33.70	
	Low	26.20	28.00	31.80	
	Average	31.13	31.10	32.22	
Net worth per share (NT\$)	Before earnings appropriation	17.62	18.14	18.14	
	After earnings appropriation	14.93	(Note 2)	(Note 2)	
Earnings per share (NT\$)	Adjusted weighted avg. outstanding shares		4,898,251	4,933,714	4,933,714
	Earnings per share	Before adjustment	3.31	3.28	3.28
		After adjustment	3.31	(Note 2)	(Note 2)
Dividends per share (NT\$)	Cash dividends		2.62	(Note 2)	-
	Stock dividends	Retained earnings	-	(Note 2)	-
		Capital surplus	-	-	-
	Accumulated unpaid dividends		-	-	-
PE and dividend yield (Note 3)	Price earnings ratio (x)	Before adjustment	9.40	9.48	-
		After adjustment	9.40	(Note 2)	-
	Price to cash dividend (x)		11.88	-	-
	Cash dividend yield (%)		8.42%	-	-

Note 1: Net worth per share and earnings per share are based on the most recent audited financial statements. All others are as of January 31, 2007.

Note 2: The appropriation amount indicated above is based on resolutions approved at the annual shareholders' meetings in the subsequent year. The appropriation amount for 2006 has not yet been approved.

Note 3: Price earnings ratio = Average closing price / earnings per share

Price to cash dividend = Average closing price / cash dividend per share

Cash dividend yield = Cash dividend per share / Average closing price

Relationship among TWM's Top 10 Shareholders

Name (A)	Current shareholding		Spouse/minor's shareholding	
	Shares	%	Shares	%
Taiwan Fixed Network Chairman: Daniel Tsai	900,352,762	18.095	-	-
TFN Investment Chairman: Richard Tsai	467,821,463	9.402	-	-
Taiwan Hong-Yuan Investment Chairman: Richard Tsai	132,080,020	2.655	-	-
Fubon Securities Chairman: Kung-Liang Yeh	127,000,000	2.552	-	-
Fubon Life Assurance Chairman: Richard Tsai	120,871,734	2.429	-	-
Fubon Insurance Chairman: Tsan-Ming Shih	119,404,191	2.400	-	-
Daniel Tsai	106,109,964	2.133	8,155,618	0.164
Richard Tsai	106,105,964	2.133	8,895,965	0.179

As of July 20, 2006

Name and relationship among TWM's shareholders as defined in the Statement of Financial Accounting Standards No. 6	
Name (B)	B is A's:
TFN Investment	Long-term equity investee
Taiwan Hong-Yuan Investment	Long-term equity investee
Fubon Securities	Related party
Fubon Life Assurance	B's chairman is a relative within two degrees of A's chairman
Fubon Insurance	Related party
Daniel Tsai	Chairman
Richard Tsai	Director
Taiwan Fixed Network	Parent company
Taiwan Hong-Yuan Investment	A and B are subsidiaries of Taiwan Fixed Network Co., Ltd.
Fubon Securities	Related party
Fubon Life Assurance	A and B have the same chairman
Fubon Insurance	Related party
Daniel Tsai	Director
Richard Tsai	Chairman
Taiwan Fixed Network	Parent company
TFN Investment	A and B are subsidiaries of Taiwan Fixed Network Co., Ltd.
Fubon Securities	Related party
Fubon Life Assurance	A and B have the same chairman
Fubon Insurance	Related party
Daniel Tsai	Director
Richard Tsai	Chairman
Taiwan Fixed Network	Related party
TFN Investment	Related party
Taiwan Hong-Yuan Investment	Related party
Fubon Life Assurance	A and B are subsidiaries of Fubon Financial Holding Co.
Fubon Insurance	A and B are subsidiaries of Fubon Financial Holding Co.
Daniel Tsai	Related party
Richard Tsai	Related party
Taiwan Fixed Network	B's chairman is a relative within two degrees of A's chairman
TFN Investment	A and B have the same chairman
Taiwan Hong-Yuan Investment	A and B have the same chairman
Fubon Securities	A and B are subsidiaries of Fubon Financial Holding Co.
Fubon Insurance	A and B are subsidiaries of Fubon Financial Holding Co.
Daniel Tsai	B is a relative within two degrees of A's chairman
Richard Tsai	Chairman
Taiwan Fixed Network	Related party
TFN Investment	Related party
Taiwan Hong-Yuan Investment	Related party
Fubon Securities	A and B are subsidiaries of Fubon Financial Holding Co.
Fubon Life Assurance	A and B are subsidiaries of Fubon Financial Holding Co.
Daniel Tsai	Director
Richard Tsai	Related party
Taiwan Fixed Network	B's chairman is A
TFN Investment	B's chairman is a relative within two degrees of A
Taiwan Hong-Yuan Investment	B's chairman is a relative within two degrees of A
Fubon Securities	Related party
Fubon Life Assurance	B's chairman is a relative within two degree of A
Fubon Insurance	B's Director is A
Richard Tsai	B is a relative within two degrees of A
Taiwan Fixed Network	B's chairman is a relative within two degrees of A
TFN Investment	B's chairman is A
Taiwan Hong-Yuan Investment	B's chairman is A
Fubon Securities	Related party
Fubon Life Assurance	B's chairman is A
Fubon Insurance	Related party
Daniel Tsai	B is a relative within two degrees of A

Dividend Policy

1. Dividend policy under Articles of Incorporation:

Stock dividends should not exceed 80% of total dividends distributed in a single year and should take into account the Company's major capital expenditure plans for the year. The dividend payout proposed by the board of directors has to be approved at the annual shareholders' meeting.

2. Proposed dividend allocation for approval at the annual shareholders' meeting:

Cash dividend of NT\$12,880,151,229

Impact of stock dividend distribution on business performance and EPS

Not applicable. The board of directors proposes to distribute only cash dividends this year.

Share Buyback

As of January 31, 2007

Unit: NT\$, shares, %

Share buyback	3rd	4th
Purpose	Transfer to employees	Transfer to employees
Buyback period	2005.10.07 ~ 2005.11.09	2006.04.28 ~ 2006.06.27
Buyback price range	NT\$26.66-NT\$29.73	NT\$29.93-NT\$32.98
Total number of shares bought back	11,551,000	57,804,000
Buyback amount (NT\$)	NT\$319,789,909	NT\$1,818,370,677
Number of shares canceled/transferred	11,551,000	12,379,000
Treasury stock balance (shares)	0	45,425,000
As % of the Company's total issued shares (Note 1)	0%	0.909%

Note 1: Total issued shares are 4,998,375,937, including 45,425,000 shares of treasury stock.

Corporate Bond Issuance

Corporate Bonds

As of January 31, 2007

Issuance	First secured corporate bonds	First unsecured corporate bonds
Issue date	February 1, 2001	December 13, 2002
Denomination	NT\$1,000,000	NT\$5,000,000
Issuance and listing	Not applicable	Not applicable
Issue price	100%	100%
Total amount	NT\$3,000,000,000	NT\$15,000,000,000
Coupon	5.31% p.a.	IA ~ IL: 2.60% p.a. IIA ~ IIL: 5.21% p.a. minus floating rate but not lower than 0% IIIA ~ IIIM: 2.80% p.a. IVA ~ IVM: 5.75% p.a. minus floating rate but not lower than 0% The floating rate is based on the USD 6-month LIBOR rate quoted on page 3750 of Hong Kong Bridge Telerate at 11 a.m. London time
Term	5 years, 12 separate series: A~L, maturing from Feb. 1-16, 2006	5 years, maturing from Dec. 13-30, 2007 7 years, maturing from Dec. 13-31, 2009
Guarantor	Syndicated by ICBC and 15 other banks	None
Trustee	Bank SinoPac, Trust Division	Bank SinoPac, Trust Division
Underwriter	None	None
Legal counsel	None	None
Auditor	Arthur Lee, CPA, and Jason Hsia, CPA, Deloitte & Touche	Peter Lin, CPA, and Morris Yang, CPA, Deloitte & Touche
Repayment	Repayment of half of the principal at the end of the 4th year and the remaining half at the end of the 5th year	IA ~ IL: repayment of 50% of the principal at the end of 4th year and the remaining 50% at the end of the 5th year IIA ~ IIL: repayment in full upon maturity IIIA ~ IIIM: repayment of 50% of the principal at the end of 6th year and the remaining 50% at the end of the 7th year IVA ~ IVM: repayment in full upon maturity
Outstanding balance	NT\$ 0	NT\$13,750,000,000
Early repayment clause	None	None
Covenants	<ol style="list-style-type: none"> During the effective period of the syndicated credit agreement, the current ratio at the end of each year must be maintained at greater than 100%. During the effective period of the syndicated credit agreement, the debt to equity ratio at the end of each year must be maintained at less than 100%. Starting in 2001, the long-term solvency ratio must be must be least 150% 	None
Credit rating agency, rating date, company credit rating	Not applicable	Taiwan Rating Co., Ltd, 2002.11.20, twAA- Taiwan Rating Co., Ltd, 2003.03.18, twA+ Taiwan Rating Co., Ltd, 2004.12.22, twAA Taiwan Rating Co., Ltd, 2006.03.01, twAA+
Ancillary rights	<p>Amount converted/ exchanged into common shares, ADRs or other securities</p> <p>Rules governing issuance or conversion (exchanged or subscription)</p>	<p>Not applicable</p> <p>Not applicable</p>
Dilution and other effects on shareholders' equity	Not applicable	Not applicable
Custodian	Not applicable	Not applicable

Issuance	First unsecured convertible bonds	Second unsecured convertible bonds
Issue date	August 25, 2001	August 16, 2002
Denomination	NT\$100,000	NT\$100,000
Issuance and listing	Not applicable	Not applicable
Issuing price	100%	100%
Total amount	NT\$10,000,000,000	NT\$6,000,000,000
Coupon	Zero coupon	Zero coupon
Tenure	5 years, redemption date is Aug. 24, 2006	5 years, redemption date is Aug. 15, 2007
Guarantor	None	None
Trustee	Bank SinoPac, Trust Division	Bank SinoPac, Trust Division
Underwriter	Fubon Securities Co., Ltd.	Fubon Securities Co., Ltd.
Legal counsel	Esq. Tsai-Sheng Lin	Esq. Tsai-Sheng Lin
Auditor	Arthur Lee, CPA, and Jason Hsia, CPA, Deloitte & Touche	Jason Hsia, CPA, and Morris Yang, CPA, Deloitte & Touche
Repayment	Except for early conversions to common shares pursuant to articles 10 and 18 of the rule governing the issuance of convertible bonds, or redemptions by the Company pursuant to Article 18 of the rule, or bondholders selling the bond back to the issuing company pursuant to Article 19 of the rule, repayment is due in full by cash payment upon maturity.	Except for early conversions to common shares pursuant to articles 10 and 17 of the rule governing the issuance of convertible bonds, or redemptions by the Company pursuant to Article 17 of the rule, or bondholders selling the bond back to the issuing company pursuant to Article 18 of the rule, repayment of face value plus interest compensation is due in full by cash payment upon maturity.
Outstanding balance	NT\$ 0	NT\$55,800,000
Redemption or early repayment clause	After the third month of the issuance to 40 days before maturity, in the event the closing price of the Company's common share exceeds 50% of the current conversion price for 30 consecutive business days, and the convertible bonds' outstanding balance is lower than 10% of the total issuance amount, the Company may opt for compulsory conversion or redemption to convert the bonds to entitlement certificates at the current conversion price or redeem the bonds in cash at par value from the bondholder.	After the third month of the issuance to 40 days before maturity, in the event the closing price of the Company's common share exceeds 50% of the current conversion price for 30 consecutive business days, and the convertible bonds' outstanding balance is lower than 10% of the total issuance amount, the Company may opt for compulsory conversion or redemption to convert the bonds to common shares at the current conversion price or redeem the bonds in cash at par value from the bondholder.
Covenants	For covenants pertaining to cash dividend distribution and preferred shares issuance, please refer to articles 7 and 26 of the rule for issuance and conversion of this unsecured convertible bond.	For covenants pertaining to cash dividend distribution and preferred shares issuance, please refer to articles 7 and 25 of the rule for issuance and conversion of this unsecured convertible bond.
Credit rating agency, rating date, company credit rating	Not applicable	Not applicable
Ancillary Rights	Amount converted/ exchanged into common shares, ADRs or other securities Rules governing issuance or conversion (exchanged or subscription)	Amount converted/ exchanged into common shares, ADRs or other securities Rules governing issuance or conversion (exchanged or subscription)
	NT\$10,000,000,000 (Total CB buyback amounted to NT\$3,194,400,000 as of Aug. 24, 2006)	NT\$5,944,100,000 (Total CB buyback amounted to NT\$544,700,000 as of publication date)
	For anti-dilution criteria and price resetting conditions, please refer to Article 9 of the rule for conversion of this unsecured convertible bond.	For anti-dilution criteria and price resetting conditions, please refer to Article 9 of the rule for conversion of this unsecured convertible bond.
Dilution and other effects on shareholders' interest	Not applicable	As of January 31, 2007, the effect of dilution on outstanding CBs is 0.05%; no major impact on shareholders' interest
Custodian	Not applicable	Not applicable

Convertible Bond Information

As of January 31, 2007

Unit: NT\$

Issuance	First unsecured convertible bonds		Second unsecured convertible bonds			
	2005	2006* (as of Aug. 24)	2005	2006	2007 (as of Jan. 31)	
Market price (denomination of the bond)	High	142.10	138.00	138.00	139.50	0
	Low	120.20	121.50	120.00	110.70	0
	Average	133.36	127.74	130.21	126.32	0
Conversion price (NT\$)	24.3 / 23.3	23.3 / 22.2	25.7 / 24.7	24.7 / 23.6	23.6	
Issue date and conversion price (NT\$) on issue date	2001.08.25 39.00	2001.08.25 39.00	2002.08.16 41.20	2002.08.16 41.20	2002.08.16 41.20	
Method of conversion	Issue new shares	Issue new shares	Issue new shares	Issue new shares	Issue new shares	

*First unsecured convertible bond issue matured on Aug. 24, 2006

Exchangeable Bond: None

Shelf Registration Issuance: None

Bond with Warrant: None

Other Significant Issues

Mergers and Acquisitions: None

TWM Shares Held / Disposed by Subsidiaries: None

Other Issuance:

Other Significant Events Affecting Shareholder' Equity or Stock Prices: None

1. Preferred Shares: None
2. Depositary Receipt Issuance: None
3. Employee Stock Options: None
4. Private Placement of Company Shares: None