



Letter to Shareholders

Dear Shareholders,

Affected by weaker private consumption, the mobile service industry showed no growth in 2006. Continuous investment into 3G infrastructure also weighed on the cost of mobile operators. Despite these challenges, Taiwan Mobile (“TWM” or “the Company”) managed to outpace the industry, posting stable revenues and expanding its market share.

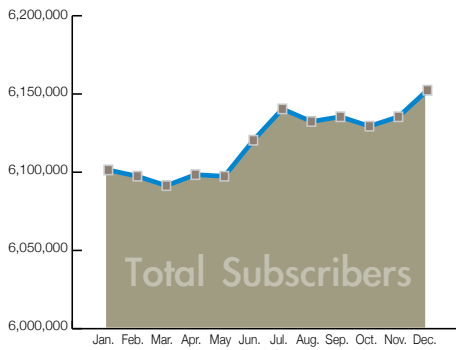
Taiwan Mobile’s consolidated revenue – including its 100%-owned subsidiaries Mobitai Communications and TransAsia Telecommunications – reached NT\$58.9 bn, achieving 99% of its target for 2006. Its operating income of NT\$19.3 bn and net income of NT\$16.2 bn, or EPS of NT\$3.30, also met its full-year profit target.

The Company’s stable performance in 2006 was a product of the following efforts:

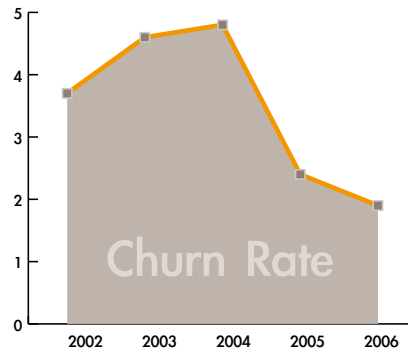
Increasing brand value built on a customer-centric philosophy

Instead of engaging in pricing or product promotion competition, the Company sought to win the hearts of customers by offering the best mobile experience. Last year saw the launch of a company-wide initiative dubbed ECE, to represent the Company’s goal of Excelling in providing Customers with the best Experience. ECE calls for TWM staffers to focus on customer needs and demands in all aspects – from planning to design and distribution of all TWM products and services. This initiative resulted in improved customer loyalty, as evidenced by the fall in the Company’s churn rate in 2006. The Company’s new customer-centric rate plan

Unit:subscriber



Unit:%

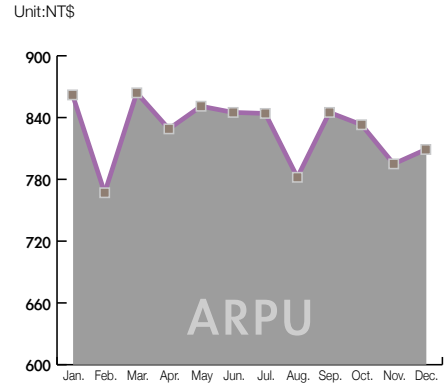
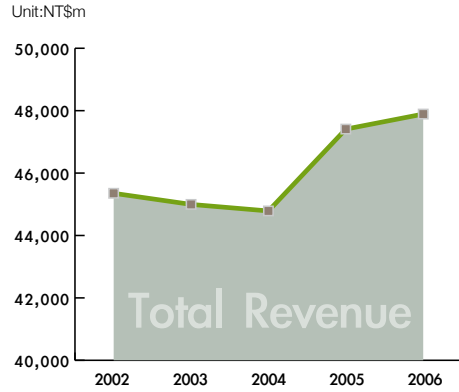


“my Zone” proved to be a hit and contributed to its expanding market share. To provide better mobile enterprise solutions for the business elite and corporate clients, the Company also introduced the globally popular mobile email service, “BlackBerry.” Continuous deployment of 3G and HS-DPA (3.5G) technology and introduction of new services further contributed to enhancing mobile broadband experience for customers. All these should continue to serve as catalysts for future revenue growth.

Enhancing company value and shareholders’ interests

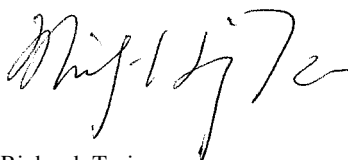
Other than delivering stable operations, the Company also focused on maximizing shareholders’ interest by simplifying its capital structure, enhancing corporate governance and distributing high cash dividends in 2006.


- 1) The Company disposed of its non-core investment in Chunghwa Telecom which netted a gain of NT\$2.1bn.
- 2) The Company won recognition for its achievements in corporate governance, including the “Best Corporate Governance in Taiwan” by Euromoney, and the “Best Managed Company,” “Best Corporate Governance” and “Best Commitment to Strong Dividends” by *Finance Asia’s* “Taiwan Best Managed Companies Poll.” It also received the CG6001 and CG6002 certification two years in a row from the Corporate Governance Association.



3) The Company continued to maintain a high cash dividend yield which was above the Asian tele-com and Taiwan market averages.

Looking ahead, the company will continue to focus on creating the best mobile experience and life-style for our customers, seeking to differentiate our products, services, marketing and distribution from the competition. The company will also explore any growth-contributing strategy and investment opportunity to expand its telecommunications footprint.

Chairman 
Richard Tsai

President 
Harvey Chang