

## Ch. 8 Financial Report

### Financial Status

#### Balance sheet

The Company's condensed balance sheets for the past five years and explanation of significant changes are as follows:

##### 1. Current assets

In 2007, the Company liquidated its bond funds to meet its funding needs to acquire Taiwan Fixed Network Co., Ltd. (TFN) shares, resulting in a decrease in current assets.

##### 2. Funds and long-term investments

In 2007, the Company increased its investment in Taiwan Cellular Co., Ltd. (TCC) to acquire TFN shares. However, long-term investments were still lower than the previous year because TransAsia Telecommunications, Inc. (TAT), one of the Company's subsidiaries, had a capital reduction, and Company shares held by its subsidiaries were reclassified as treasury stock.

##### 3. Fixed assets

The disposal of obsolete 2G equipment resulted in a decline in fixed assets.

##### 4. Other assets

In 2007, other assets increased due to reclassification from fixed assets of one of the Company's office buildings being leased out and an increase in deferred tax assets related to timing difference in recognition assets write-off losses between financial accounting and tax accounting.

##### 5. Current liabilities

The Company raised bank loans to meet its funding needs to acquire TFN shares, resulting in increased current liabilities.

##### 6. Long-term liabilities

Repayment of long-term bank loans as well as settlement and conversion of convertible bonds contributed to the steady decline in long-term liabilities.

##### 7. Other liabilities

The Company invested in TCC, as mentioned in (2), with TFN shares valued at NT\$8.30, the same price as the public offering for TFN. In accordance with the Statements of Financial Accounting Standards (SFAS), the spread between the price of NT\$8.30 and the carrying cost has been deferred as unrealized gain and reclassified as other liabilities.

##### 8. Stockholders' equity

The conversion of convertible bonds increased capital and capital surplus, while a 24% capital reduction approved by the shareholders' meeting in 2007 decreased capital. The provision of special reserves leveled up unappropriated retained earnings along the years. The Company's shares held by subsidiaries were classified as treasury stock, decreasing shareholders' equity in 2007.

Unit: NT\$'000

		2003	2004	2005	2006	2007
Current assets		26,069,897	21,449,832	25,779,977	26,112,730	11,831,063
Funds and long-term investments		26,768,421	23,737,612	21,091,320	21,620,736	15,276,374
Fixed assets		62,505,230	60,190,612	57,638,728	57,224,824	42,568,638
Intangible assets		10,281,784	10,281,583	9,720,218	9,036,696	8,249,458
Other assets		4,693,947	5,594,292	3,139,195	2,976,458	6,076,924
Total assets		130,319,279	121,253,931	117,369,438	116,971,444	84,002,457
Current liabilities	Before appropriation	17,189,229	12,611,294	15,477,853	16,564,043	42,763,948
	After appropriation	28,692,202	25,185,664	28,766,184	29,919,728	(Note 1)
Long-term liabilities		43,808,584	27,486,226	14,584,125	10,291,046	7,551,665
Other liabilities		130,700	183,590	318,704	248,561	1,833,915
Total liabilities	Before appropriation	61,128,513	40,281,110	30,380,682	27,103,650	52,149,528
	After appropriation	72,631,486	52,855,480	43,669,013	40,459,335	(Note 1)
Capital stock		46,998,258	48,883,886	49,492,065	49,993,251	38,009,254
Capital surplus		3,366,010	7,258,873	7,905,337	8,748,571	8,785,159
Retained earnings	Before appropriation	21,317,020	26,393,440	29,881,787	32,706,825	25,959,268
	After appropriation	9,814,047	13,819,070	16,593,456	19,351,140	(Note 1)
Unrealized valuation loss on long-term investments		-	-	-	(147,423)	(64,043)
Translation adjustments		34,450	(1,631)	3,240	3,860	5,764
Net loss not recognized as pension cost						1,534
Total shareholders' equity	Before appropriation	69,190,766	80,972,821	86,988,756	89,867,794	31,852,929
	After appropriation	57,687,793	68,398,451	73,700,425	76,512,109	(Note 1)

Note1: 2007 earnings appropriation proposals have yet to be approved in the shareholders' meeting.

Note2: 2003-2007 financial information has been duly audited by independent auditors.

## Income Statement

The Company's condensed income statements for the past five years and explanation for significant changes are as follows:

### 1. Non-operating income

In 2004, non-operating income grew due to a dividend income of NT\$1.25bn from Chunghwa Telecom and gains of NT\$1.04bn from the disposal of CHT shares. In 2006, non-operating income rose on gains of NT\$2.1bn from the disposal of CHT shares.

### 2. Non-operating expense

Losses from asset write-off of obsolete telecom equipment following its technology upgrade and network integration were recognized in 2006 and 2007.

Unit: NT\$'000

	2003	2004	2005	2006	2007
Revenue	44,995,790	44,786,009	47,408,572	47,891,289	51,284,856
Gross profit	27,140,642	26,514,232	28,056,234	27,464,393	28,914,695
Operating income	15,201,619	16,295,485	17,170,785	14,981,243	16,025,677
Non-operating income	2,194,575	5,680,226	3,839,134	6,355,984	4,538,500
Non-operating expense	2,929,394	2,559,801	2,698,462	3,858,726	12,508,313
Pre-tax income	14,466,800	19,415,910	18,311,457	17,478,501	8,055,864
Net income	13,344,447	16,658,456	16,236,698	16,170,741	6,612,997
EPS (NT\$)	2.91	3.55	3.31	3.28	1.68

Note: 2003-2007 financial information has been duly audited by independent auditors.

## Financial analysis for the past five years

		2003	2004	2005	2006	2007
Financial structure	Debt to asset ratio	46.91%	33.22%	25.88%	23.17%	62.08%
	Long-term capital to fixed asset ratio	180.78%	180.19%	176.22%	175.03%	92.57%
Solvency	Current ratio	151.66%	170.08%	166.56%	157.65%	27.67%
	Quick ratio	147.86%	166.55%	163.49%	154.05%	26.17%
	Interest coverage ratio (x)	10.13	18.66	31.82	42.94	21.58
Operations	Accounts receivable turnover (x)	7.57	7.43	7.77	7.37	7.75
	Average collection days	48.22	49.13	46.98	49.59	47.10
	Inventory turnover (x)	-	-	-	2.53	2.02
	Accounts payable turnover (x)	12.16	12.81	13.57	14.03	14.75
	Average sales days	-	-	-	144.27	180.69
	Fixed asset turnover (x)	0.72	0.74	0.82	0.84	1.20
	Total asset turnover (x)	0.33	0.37	0.40	0.41	0.61
	Return on assets	10.64%	13.90%	13.98%	14.07%	6.87%
Profitability	Return on equity	20.00%	22.19%	19.33%	18.29%	10.87%
	% of paid-in capital					
	Operating income	32.35%	33.15%	34.67%	29.97%	42.16%
	Pre-tax income	30.78%	39.49%	36.98%	34.96%	21.19%
	Net income margin	29.66%	37.20%	34.25%	33.77%	12.89%
	EPS (NT\$)	2.91	3.55	3.31	3.28	1.68
Cash flow	Cash flow ratio	155.00%	179.26%	174.16%	69.93%	79.87%
	Cash flow adequacy ratio	107.95%	132.52%	162.30%	126.44%	148.13%
	Cash reinvestment rate	15.17%	9.89%	13.02%	-	24.93%
Leverage	Operating leverage	1.48	1.42	1.43	1.64	1.70
	Financial leverage	1.12	1.07	1.04	1.03	1.03
Others	EBITDA (NT\$'000)	20,060,377	21,192,488	22,576,687	21,385,641	23,205,291
	EBITDA margin	44.58%	47.32%	47.62%	44.65%	45.25%
	ARPU (NT\$)	582	693	846	831	826
	MOU (in thousand minutes)	11,612,586	11,720,178	12,213,446	12,903,920	13,554,863

Explanation for items with deviation exceeding 20% in 2007:

- (1) Aside from the classification of Company shares held by its subsidiaries as treasury shares, the Company liquidated its bond fund investment and secured bank loans to meet its financing need in acquiring TFN, resulting in a decline in total assets and an increase in current liabilities. The debt to asset ratio increased, while current ratio and quick ratio decreased accordingly.
- (2) The asset write-off of obsolete 2G telecom equipment leveled up disposal losses and decreased fixed assets. As a result, the return on assets, return on equity, ratio of pre-tax income as a % of paid-in capital, net income margin, EPS and interest coverage ratio declined while the fixed asset turnover rose.
- (3) A capital reduction of NT\$12bn raised the ratio of operating income as a % of paid-in capital.
- (4) The capital reduction resulted in a decline in shareholders' equity, while the classification of Company shares held by subsidiaries as treasury stock resulted in a drop in the long-term capital to fixed asset ratio.
- (5) Overall, the decrease in total assets increased the total asset turnover and cash reinvestment rates.
- (6) Continuous expansion in enterprise market and rising procurement of new model handsets weighed on inventory turnover and increased average sales days.

Formulas for the above table:

Financial Structure

- (1) Debt to Asset Ratio = Total Liabilities / Total Assets
- (2) Long-term Capital to Fixed Asset Ratio = (Shareholders' Equity + Long-term Liabilities) / Net Fixed Assets

Solvency

- (1) Current Ratio = Current Assets / Current Liabilities
- (2) Quick Ratio = (Current Assets – Inventory – Prepaid Expenses) / Current Liabilities
- (3) Interest Cover = Income before Interest and Tax / Interest Expense

Operations

- (1) Accounts Receivable Turnover = Net Revenue / Average Accounts Receivable
- (2) Average Collection Days = 365 / AR Turnover Ratio
- (3) Inventory Turnover = COGS / Average Inventory
- (4) Accounts Payable Turnover = COGS / Average Accounts Payable
- (5) Average Sales Days = 365 / Inventory Turnover Ratio
- (6) Fixed Asset Turnover = Net Revenue / Net Fixed Assets
- (7) Total Asset Turnover = Net Revenue / Total Assets

Profitability

- (1) Return on Assets = (Net Income + Interest Expense \* (1 – Tax Rate)) / Average Assets
- (2) Return on Equity = Net Income / Average Equity
- (3) Net Income Margin = Net Income / Net Sales
- (4) EPS = (Net Income – Preferred Stock Dividend) / Weighted Average Outstanding Shares

Cash Flow

- (1) Cash Flow Ratio = Cash Flow from Operating Activities / Current Liabilities
- (2) Cash Flow Adequacy Ratio = Net Cash Flow from Operating Activities for the Past 5 Years / (Capital Expenditures + Increases in Inventory + Cash Dividend) for the Past 5 Years
- (3) Cash Reinvestment Rate = (Cash Flow from Operating Activities – Cash Dividends) / (Gross Fixed Assets + Long-term Investments + Other Assets + Working Capital) (If working capital value is negative, use 0 for that value)

Leverage

- (1) Operating Leverage = (Net Revenue – Variable Operating Costs and Expenses) / Operating Income
- (2) Financial Leverage = Operating Income / (Operating Income – Interest Expense)

Others

- (1) EBITDA = Operating Income + Depreciation & Amortization
- (2) EBITDA Margin = EBITDA/Net Revenue
- (3) ARPU = Net Telecom Service Revenue / Average Number of Subscribers
- (4) MOU = Outgoing & Incoming Minutes

## Financial and Operating Results Analysis

### Financial results

#### 1. Explanation of significant changes – i.e., at least a 10% change amounting to more than NT\$10 million – in the past two years' assets, liabilities and shareholders' equity:

- (1) Decline in current assets and rise in current liabilities were due to liquidation of bond fund investment and loans from banks for TFN acquisition.
- (2) Decline in fixed assets resulted from asset write-off of obsolete 2G telecom equipment.
- (3) Other assets increased due to reclassification from fixed assets of one of the Company's office buildings being leased out and a rise in deferred tax assets related to timing difference in recognition assets write-off losses between financial accounting and tax accounting.
- (4) Repayment of long-term bank loans as well as settlement and conversion of convertible bonds contributed to the steady decline in long-term liabilities.
- (5) Decrease in paid-in capital resulted from capital reduction of NT\$12bn.

### Balance Sheet (2007 versus 2006)

Unit: NT\$'000, %

	2007	2006	YoY change	
			Amount	%
Current assets	11,831,063	26,113,822	(14,281,667)	(54.69)
Fixed assets	42,568,638	57,224,824	(14,656,186)	(25.61)
Other assets	6,076,924	2,976,458	3,100,466	104.17
Total assets	84,002,457	116,971,444	(32,968,987)	(28.19)
Current liabilities	42,763,948	16,564,043	26,199,905	158.17
Long-term liabilities	7,551,665	10,291,046	(2,739,381)	(26.62)
Total liabilities	52,149,528	27,103,650	25,045,878	92.41
Paid-in capital	38,009,254	49,993,251	(11,983,997)	(23.97)
Capital surplus	8,785,159	8,748,571	36,588	0.42
Retained earnings	25,959,268	32,706,825	(6,747,557)	(20.63)
Total shareholders' equity	31,852,929	89,867,794	(58,014,865)	(64.56)

## 2. Impact of changes on financial results:

No significant impact

## 3. Preventive measures:

Not applicable

## Operating results

### 1. Explanation of significant changes in the past two years' revenue, operating income and income before tax:

- (1) Increase in non-operating income: Gains on disposal of CHT shares recognized in 2006.
- (2) Increase in non-operating expense: Unrealized losses from asset write-off of obsolete telecom equipment following its technology upgrade and network integration increased in 2007.

## Income Statement (2007 versus 2006)

Unit: NT\$'000, %

	2007	2006	YoY change	
			Amount	%
Revenue	51,284,856	47,891,289	3,393,567	7.09
Operating costs	(22,370,161)	(20,426,896)	1,943,265	9.51
Gross profit	28,914,695	27,464,393	1,450,302	5.28
Operating expense	(12,889,018)	(12,483,150)	405,868	3.25
Operating income	16,025,677	14,981,243	1,044,434	6.97
Non-operating income	4,538,500	6,355,984	(1,817,484)	(28.59)
Non-operating expense	(12,508,313)	(3,858,726)	8,649,587	224.16
Income before tax	8,055,864	17,478,501	(9,422,637)	(53.91)
Net income	6,612,997	16,170,741	(9,557,744)	(59.11)

## 2. Revenue outlook, key assumptions, potential impact on the Company's business and corresponding proposal:

The mobile market subscriber base is expected to grow in 2008, slightly surpassing figures in 2007, as new products and services are released by telecom operators. To realize the full

potential of this growth, the Company will focus on signing up new mid-to-high usage customers and continue developing attractive value-added services to lead the market in new subscriber gross additions. The Company has the edge in branding and handset procurement that will raise its cost and marketing efficiency and help in meeting its target.

## Consolidated Financial Analysis (2007 versus 2006)

		2007	2006
Financial structure (%)	Debt to asset ratio	66.94	24.09
	Long-term capital to fixed asset ratio	78.38	164.33
Solvency (%)	Current ratio	30.68	191.50
	Quick ratio	28.93	187.99
	Interest coverage ratio (x)	10.48	45.81
Operations	Accounts receivable turnover (x)	8.23	7.48
	Average collection days	44.35	48.80
	Inventory turnover (x)	2.23	2.72
	Accounts payable turnover (x)	11.92	13.39
	Average sales days	163.68	134.19
	Fixed asset turnover (x)	1.30	0.97
	Total asset turnover (x)	0.67	0.50
Profitability (%)	Return on assets	6.91	13.88
	Return on equity	11.07	18.25
	% of paid-in capital	56.08	38.67
	Operating income	23.55	37.82
	Pre-tax income	10.24	27.53
Cash flow (%)	Net profit margin	1.68	3.28
	EPS (NT\$)	70.80	75.16
	Cash flow ratio	173.78	139.76
	Cash flow adequacy ratio	35.98	0.58
Leverage	Cash reinvestment rate	1.74	1.60
	Operating leverage	1.05	1.02
	Financial leverage		

Explanation for items with deviation exceeding 20% in 2007:

- (1) Aside from the classification of Company shares held by its subsidiaries as treasury shares, the Company liquidated its bond fund investment and secured bank loans to meet its financing need in acquiring TFN, resulting in a decline in total assets and an increase in current liabilities. The debt to asset ratio increased, while the current ratio and quick ratio decreased accordingly.
- (2) The asset write-off of obsolete 2G telecom equipment leveled up disposal losses and decreased fixed assets. As a result, the return on assets, return on equity, ratio of pre-tax income as a % of paid-in capital, net income margin, EPS and interest coverage ratio declined while the fixed asset turnover rose.
- (3) A capital reduction of NT\$12bn raised the ratio of operating income as a % of paid-in capital.
- (4) The capital reduction resulted in a decline in shareholders' equity, while the classification of Company shares held by subsidiaries as treasury stock resulted in a drop in the long-term capital to fixed asset ratio.
- (5) The liquidation of bond fund investment raised cash inflows from operating activity and, accordingly, cash flow adequacy ratio.
- (6) In summary, the decrease in total assets increased the total assets turnover and cash reinvestment rates.

## Cash flow analysis

### 1. 2007 cash flow analysis:

- (1) Cash flow from operating activities: Cash inflow increased from 2006 due to the liquidation of bond fund investment.
- (2) Cash flow from investment activities: Cash inflow increased due to TFN acquisition.
- (3) Cash flow from financing activities: Cash outflow decreased due to short-term loans from banks for TFN acquisition.

### 2. Plans to improve negative liquidity: Not applicable

### 3. Projected cash flow for 2008:

- (1) Projected cash inflow from operating activities: Projected operating cash inflow in 2008 will be less than 2007 when it was boosted by liquidation of bond funds. Other than this, the projected cash inflow in 2008 from operating activities shall remain stable.



- (2) Projected cash outflow from investment activities: For capital expenditures.
- (3) Projected cash outflow from financing activities: For capital reduction, distribution of cash dividends, and repayment of long-term debts.

## Major capital expenditures and sources of capital analysis

Due to stable operations and cash flows, the Company was able to fund all major capital expenditures using internal capital; as such, no effect on the Company's financials.

### 4. Source of funding for negative cash flow in 2008: Not applicable

## Statement of Cash Flow (2007 versus 2006)

Unit: NT\$'000, %

	2007	2006	YoY Change	
			Amount	%
Cash inflow (outflow) from operating activities	34,156,322	11,584,013	22,572,309	194.86
Cash inflow (outflow) from investment activities	(39,784,642)	6,082,255	(45,866,897)	(754.11)
Cash inflow (outflow) from financing activities	(110,704)	(18,561,809)	18,451,105	99.40
Net cash	(5,739,024)	(895,541)	(4,843,483)	(540.84)

## 2008 Cash Flows Analysis

Unit: NT\$'000

Cash balance, beginning of the year (1)	Forecast net cash inflow from operations (2)	Total cash outflow from investment and financing activities (3)	Cash balance, end of the year (1) +(2) -(3)	Source of funding for negative cash balance	
				Cash inflow from investment activities	Cash inflow from financing activities
2,463,439	22,849,799	22,906,095	2,407,143	-	-

## Investments

Investment policies, profitability analyses, and improvement plans: See chart below.

Unit: NT\$'000

Explanation Item	Amount	Rationale	Main reasons for gains (losses)	Improvement plans	Other future investment plans
Taiwan Cellular Co., Ltd. (TCC)	39,958,330	To finance its acquisition of TFN through TCC and to meet the National Communication Commission's minimum capital requirement in accordance with "Regulations Governing Fixed Network Telecommunications Businesses"	TCC's profits mainly came from its subsidiaries' income.	--	--

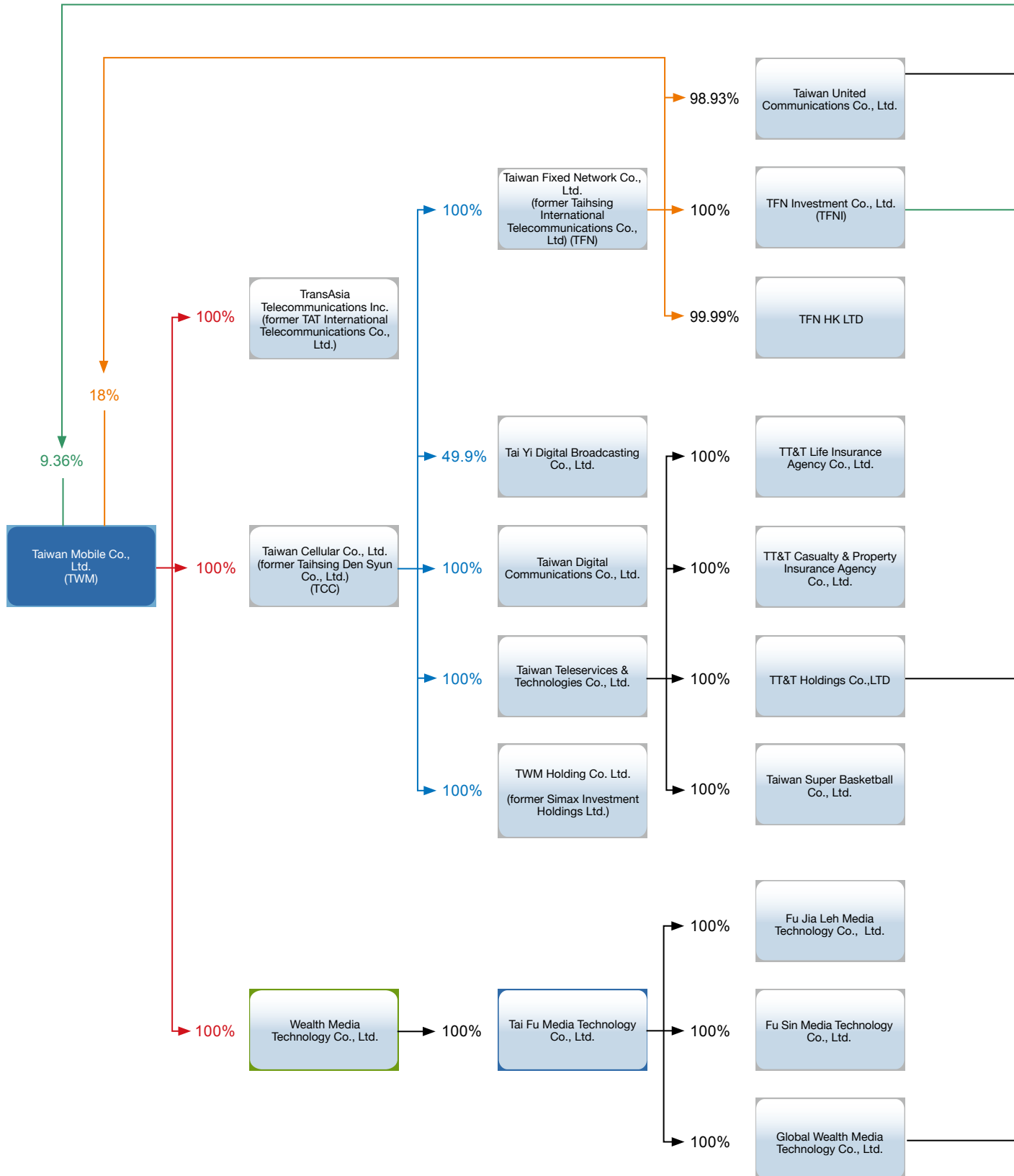
Note: Investments made in 2007 exceeded 5% of the Company's paid-in capital.

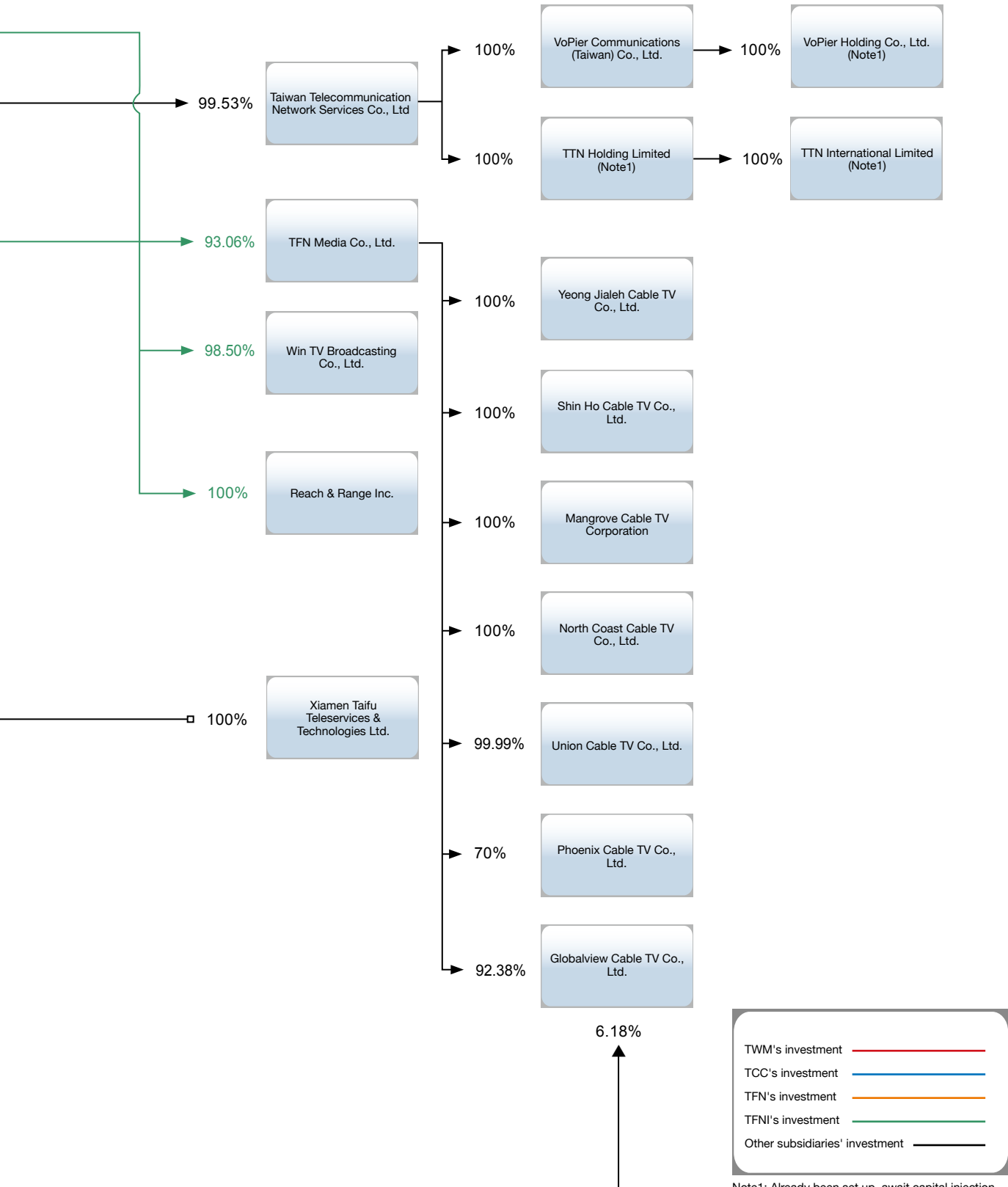
## Financial turnover difficulties for the Company and its affiliates: None

## Affiliates

### 1. Investment Holding Structure

As of December 31, 2007





Note1: Already been set up, await capital injection

## 2. Affiliates' Profile

Unit: NT\$'000

Name	Date of incorporation	Address	Paid-in capital	Main business
TransAsia Telecommunications, Inc.	2006.02.08	13F-1, No. 172-1, Jilung Rd., Sec. 2, Taipei	9,000,000	Telecom service provider
Taiwan Cellular Co., Ltd.	2005.09.20	13F-1, No. 172-1, Jilung Rd., Sec. 2, Taipei	3,649,583	Telecom engineering and IT service
Tai Yi Digital Broadcasting Co., Ltd.	2006.01.03	13F-1, No. 172-1, Jilung Rd., Sec. 2, Taipei	50,000	Broadcasting business and telecom service subscription agency
TWM Holding Co., Ltd.	2006.06.09	c/o Arias, Fabrega & Fabrega Trust Co., BVI Ltd, 325 Waterfront Drive, Road Town, Tortola, British Virgin Islands	US\$1	Investment
Taiwan Digital Communications Co., Ltd.	2007.06.06	13F-1, No. 172-1, Jilung Rd., Sec. 2, Taipei	12,000	Telecom engineering and IT service
Taiwan Teleservices & Technologies Co., Ltd.	2001.09.05	15F-1, No. 172-1, Jilung Rd., Sec. 2, Taipei	300,000	Call center service
TT&T Life Insurance Agency Co., Ltd.	2004.12.16	15F-1, No. 172-1, Jilung Rd., Sec. 2, Taipei	3,000	Insurance agency
TT&T Casualty & Property Insurance Agency Co., Ltd.	2005.03.22	15F-1, No. 172-1, Jilung Rd., Sec. 2, Taipei	3,000	Insurance agency
Taiwan Super Basketball Co., Ltd.	2007.09.07	15F-1, No. 172-1, Jilung Rd., Sec. 2, Taipei	20,000	Basketball team management
TT&T Holdings Co., Ltd.	2004.10.18	TrustNet Chambers, P.O. Box 1225, Apia, Samoa	US\$1,300	Investment
Xiamen Taifu Teleservices & Technologies Co., Ltd.	2005.04.05	3F-B, No.2, Xiamen Software Park, Xiamen City, PRC	US\$1,300	Call center service
Taiwan Fixed Network Co., Ltd.	2007.01.30	13F-1, No. 172-1, Jilung Rd., Sec. 2, Taipei	40,000,000	Fixed line service provider
Taiwan United Communications Co., Ltd.	2007.04.14	13F-1, No. 172-1, Jilung Rd., Sec. 2, Taipei	12,028	Telecom engineering and IT service
Taiwan Telecommunication Network Services Co., Ltd.	1989.11.01	1F, No. 91, Songren Rd., Xinyi District, Taipei	1,087,000	Internet service provider
VoPier Communications (Taiwan) Co., Ltd.	2001.06.08	1F, No. 91, Songren Rd., Xinyi District, Taipei	120,000	ISR and international prepaid card service provider
TFN Investment Co., Ltd.	2001.12.20	13F-1, No.172-1, Jilung Rd., Sec. 2, Taipei	20,619,388	Investment

Name	Date of incorporation	Address	Paid-in capital	Main business
Reach & Range, Inc.	1995.12.04	13F-1, No. 172-1, Jilung Rd., Sec. 2, Taipei	24,000	Telecommunication equipment installation and IT service provider
Win TV Broadcasting Co., Ltd.	2005.10.17	9F, No. 206, Dunhua S. Rd., Sec. 2, Da-an District, Taipei	600,000	TV program provider
TFN HK LIMITED	2003.05.14	Unit 507, 5/F, Tower 1, Silvercord, 30 Canton Road, Tsimshatsui, Kowloon, Hong Kong	HKD1,300	Telecom service provider
TFN Media Co., Ltd.	2005.01.21	6F, No. 206, Dunhua S. Rd., Sec. 2, Da-an District, Taipei	2,305,263	Cable broadband and value-added service provider
Yeong Jialeh Cable TV Co., Ltd.	1994.09.26	10F, No. 651-5, Jhongjheng Rd., Sinjhuang City, Taipei County	339,400	Cable TV service provider
Shin Ho Cable TV Co., Ltd.	1996.09.25	6, No. 651-8, Jhongjheng Rd., Sinjhuang City, Taipei County	200,000	Cable TV service provider
Mangrove Cable TV Corp.	1996.01.23	5F, No. 33, Lane 3, Jhongjheng E. Rd., Sec. 1, Danshuei Township, Taipei County	211,600	Cable TV service provider
North Coast Cable TV Co., Ltd.	1996.09.06	1F, No.2, Lane 389, Jhongshan Rd., Meitian Village, Jinshan Township, Taipei County	211,600	Cable TV service provider
Phoenix Cable TV Co., Ltd.	1996.08.22	No. 312, Fongping 1st Rd., Daliao Township, Kaohsiung County	680,902	Cable TV service provider
Globalview Cable TV Co., Ltd.	1995.11.25	No. 206, Sec. 2, Datong Rd., Sijhih City, Taipei County	560,000	Cable TV service provider
Union Cable TV Co., Ltd.	2005.02.04	No. 28-23, Donggang Rd., Yilan City, Yilan County	1,704,633	Cable TV service provider
Wealth Media Technology Co., Ltd.	2007.08.07	13F-1, No. 172-1, Jilung Rd., Sec. 2, Taipei	87,000	Investment
Tai Fu Media Technology Co., Ltd.	2007.10.15	13F-1, No. 172-1, Jilung Rd., Sec. 2, Taipei	85,000	Investment
Global Wealth Media Technology Co., Ltd.	2007.10.23	1F, No. 206, Datong Rd., Sec. 2, Sijhih City, Taipei County	84,000	Investment
Fu Jia Leh Media Technology Co., Ltd.	2007.11.20	13F-1, No. 172-1, Jilung Rd., Sec. 2, Taipei	1,171,000	Investment
Fu Sin Media Technology Co., Ltd.	2007.11.20	13F-1, No. 172-1, Jilung Rd., Sec. 2, Taipei	1,000	Investment

### 3. Affiliates' Operating Highlights

Unit: NT\$'000

Company Name	Paid-in capital	Total assets	Total liabilities	Net worth	Operating revenue	Operating income	Net income	EPS (NT\$)
TransAsia Telecommunications Inc.	9,000,000	12,510,875	1,180,209	11,330,666	6,039,709	2,217,323	1,838,396	1.92
Taiwan Cellular Co., Ltd.	3,649,583	57,913,360	915,323	56,998,037	-	(4,200)	1,768,315	5.2
Tai Yi Digital Broadcasting Co., Ltd	50,000	47,318	210	47,108	-	(2,403)	(1,810)	(0.36)
TWM Holding Co., Ltd.	0.032	248,716	99	248,617	-	(2,841)	2,115	2,115,277
Taiwan Digital Communications Co., Ltd.	12,000	11,232	60	11,172	-	(901)	(828)	(0.08)
Taiwan Teleservices & Technologies Co., Ltd.	300,000	545,621	295,635	249,986	925,311	110,944	106,713	2.29
TT&T Life Insurance Agency Co., Ltd.	3,000	3,009	-	3,009	-	(35)	(4)	-
TT&T Casualty & Property Insurance Agency Co., Ltd.	3,000	2,672	-	2,672	-	(34)	(31)	(0.01)
Taiwan Super Basketball Co., Ltd.	20,000	30,163	10,117	20,046	15,605	49	46	0.02
TT&T Holdings Co., Ltd.	42,249	49,365	6,594	42,771	10,682	486	(1,426)	(1.10)
Xiamen Taifu Teleservices & Technologies Ltd.	42,249	52,027	9,377	42,650	55,176	2,495	(1,393)	NA
Taiwan Fixed Network Co., Ltd.	40,000,000	70,791,675	17,651,655	53,140,020	54,531	(16,218)	809,140	0.51
Taiwan United Communications Co., Ltd.	12,028	1,524,978	1,051	1,523,927	-	(1,428)	(3,677)	(0.58)
Taiwan Telecommunication Network Services Co., Ltd	1,087,000	1,193,621	251,556	942,065	1,051,731	25,288	(6,077)	(0.06)
VoPier Communications (Taiwan) Co., Ltd.	120,000	12,527	80	12,447	-	(1,179)	(706)	(0.06)
TFN Investment Co., Ltd.	20,619,388	30,248,113	3,024,553	27,223,560	1,230,215	1,106,639	1,093,693	0.55

Company Name	Paid-in capital	Total assets	Total liabilities	Net worth	Operating revenue	Operating income	Net income	EPS (NT\$)
Reach & Range Inc.	24,000	40,050	14,766	25,284	41,309	(1,936)	1,022	0.26
Win TV Broadcasting Co., Ltd.	600,000	320,663	64,683	255,980	120,783	(121,127)	(142,674)	(2.48)
TFN HK LIMITED	5,416	3,967	892	3,075	2,890	(583)	(489)	(0.38)
TFN Media Co., Ltd.	2,305,263	12,336,955	9,167,460	3,169,495	1,451,146	475,984	751,015	3.26
Yeong Jialeh Cable TV Co., Ltd.	339,400	830,505	276,049	554,456	833,272	217,424	161,612	4.76
Shin Ho Cable TV Co., Ltd.	200,000	300,327	57,535	242,792	176,871	41,571	36,609	1.83
Mangrove Cable TV Corporation	211,600	362,283	106,878	255,405	230,609	61,939	30,321	1.43
North Coast Cable TV Co., Ltd.	211,600	257,258	30,453	226,805	120,693	1,144	2,416	0.11
Phoenix Cable TV Co., Ltd.	680,902	1,160,865	223,689	937,176	1,093,066	273,215	195,131	2.87
Globalview Cable TV Co., Ltd.	560,000	820,377	161,457	658,920	458,455	104,923	87,701	1.57
Union Cable TV Co., Ltd.	1,704,633	2,019,864	209,400	1,810,464	595,610	140,905	106,163	0.62
Wealth Media Technology Co., Ltd.	87,000	82,769	54	82,715	-	(162)	(4,285)	(0.96)
Tai Fu Media Technology Co., Ltd.	85,000	2,090,329	2,009,453	80,876	-	(159)	(4,124)	(0.49)
Global Wealth Media Technology Co., Ltd.	84,000	85,173	198	84,975	-	(184)	975	0.12
Fu Jia Leh Media Technology Co., Ltd.	1,171,000	2,001,428	217	2,001,211	-	(510)	(489)	(0.01)
Fu Sin Media Technology Co., Ltd.	1,000	1,000	100	900	-	(100)	(100)	(1.00)

## Supervisor's Report

February 9, 2008

The Board of Directors of Taiwan Mobile Co., Ltd. has submitted to the undersigned, the Company's 2007 business reports, financial statements, and proposal for profit distribution. The CPAs of Deloitte & Touche were retained to audit the financial statements and have submitted a report relating thereto. I, the undersigned, having further examined said business reports, statements, and proposal, attest to the correctness and accuracy of their contents. In accordance with Article 219 of the Company Act, I hereby submit this report.

Supervisor  
Victor Kung  
Fu-Chi Venture Corp.

