Taiwan Mobile Co., Ltd.

Financial Statements for the
Years Ended December 31, 2007 and 2006 and
Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying balance sheets of Taiwan Mobile Co., Ltd. (the "Corporation") as of December 31, 2007 and 2006, and the related statements of income, changes in shareholders' equity and cash flows for the years 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 audits.

We conducted our audits 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Taiwan Mobile Co., Ltd. as of December 31, 2007 and 2006, and the results of its operations and its cash flows for the years 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.

As stated in Note 8 of the financial statements, to position as an integrated telecom and media player down the road differentiating from competition and build growth momentum exposure to higher margin lines of business, the Board of Directors of the Corporation's subsidiary, Taihsing International Telecommunications Co., Ltd. (TIT), resolved to acquire Taiwan Fixed Network Co., Ltd. (the former TFN) through a public tender offer on March 1, 2007, and approved to buy shares continuously from minorities on April 26, 2007, both at the price of NT$8.3 per share. On December 28, 2007, TFN merged into TIT (surviving company) by paying NT$8.3 per share cash to minorities, and the surviving company is renamed as TFN.

As stated in Note 3 to the financial statements, on January 1, 2006, the Corporation adopted the newly issued Statements of Financial Accounting Standards ("Statements" or SFAS) No. 34, "Accounting for Financial Instruments" and No. 36, "Disclosure and Presentation of Financial Instruments" and the related revisions of previously released Statements, which were amended to harmonize with SFAS Nos. 34 and 36.

We have also audited the accompanying schedules of significant accounts, provided for 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 to above.

We have also audited the consolidated balance sheets of the Corporation and its subsidiaries as of December 31, 2007 and 2006 and the related consolidated statements of income, changes in shareholders' equity, and cash flows for the years then ended. In our report dated January 11, 2008, we have issued a modified unqualified opinion on these consolidated financial statements.

January 11, 2008

Notice to Readers

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

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

TAIWAN MOBILE CO., LTD.

BALANCE SHEETS
DECEMBER 31, 2007 AND 2006
(In Thousands of New Taiwan Dollars, Except Par Value)

ASSETS	2007 Amount	2007 %	2006 Amount	2006 %
CURRENT ASSETS				
Cash and cash equivalents (Notes 2, 4 and 22)	$ 2,463,439	3	$ 8,202,463	7
Financial assets at fair value through profit or loss - current (Notes 2, 3 and 5)	-	-	11,109,207	10
Available-for-sale financial assets - current (Notes 2, 3 and 6)	177,112	-	162,893	-
Notes receivable	14,539	-	11,406	-
Accounts receivable - third parties (Notes 2 and 7)	5,369,871	7	5,067,754	4
Accounts receivable - related parties (Notes 2 and 22)	296,340	-	325,843	-
Other receivables - third parties	208,331	-	242,681	-
Other receivables - related parties (Note 22)	2,536,947	3	265,567	-
Inventories (Note 2)	82,222	-	31,232	-
Prepayments (Note 22)	556,365	1	564,446	1
Deferred income tax assets - current (Notes 2 and 18)	98,239	-	102,814	-
Pledged time deposits (Notes 22 and 23)	10,000	-	10,000	-
Other current assets	17,658	-	16,424	-
Total current assets	11,831,063	14	26,112,730	22
INVESTMENTS				
Investments accounted for using equity method (Notes 2, 8 and 17)	15,204,778	18	17,887,632	15
Financial assets carried at cost - non-current (Notes 2, 3 and 9)	71,596	-	3,733,104	3
Total investments	15,276,374	18	21,620,736	18
PROPERTY AND EQUIPMENT (Notes 2, 10 and 22)				
Cost				
Land	3,655,983	4	4,845,823	4
Buildings	2,181,890	3	2,753,923	2
Telecommunication equipment	52,622,256	63	68,261,533	58
Office equipment	113,782	-	106,305	-
Leased assets	1,276,190	2	1,276,190	1
Miscellaneous equipment	1,965,778	2	1,692,467	2
Total cost	61,815,879	74	78,936,241	67
Less accumulated depreciation	(21,412,695)	(26)	(25,013,172)	(21)
	40,403,184	48	53,923,069	46
Construction in progress and advance payments	2,165,454	3	3,301,755	3
Net property and equipment	42,568,638	51	57,224,824	49
INTANGIBLE ASSETS (Note 2)				
3G concession	8,224,800	10	8,972,509	8
Computer software cost	24,658	-	64,187	-
	8,249,458	10	9,036,696	8
OTHER ASSETS				
Assets leased to others (Notes 2 and 11)	2,382,275	3	698,751	1
Idle assets (Notes 2 and 11)	225,993	-	227,921	-
Refundable deposits	295,995	-	274,985	-
Deferred charges (Notes 2 and 12)	247,156	-	280,492	1
Deferred income tax assets - non-current (Notes 2 and 18)	2,876,719	4	1,446,184	1
Other (Notes 2 and 16)	48,786	-	48,125	-
Total other assets	6,076,924	7	2,976,458	3
TOTAL	$ 84,002,457	100	$ 116,971,444	100

LIABILITIES AND SHAREHOLDERS' EQUITY	2007 Amount	2007 %	2006 Amount	2006 %
CURRENT LIABILITIES				
Short-term bank loans (Note 13)	$ 14,000,000	17	$ -	-
Short-term notes and bills payable (Note 14)	1,594,753	2	-	-
Accounts payable (Note 22)	1,600,396	2	1,432,563	1
Income taxes payable (Notes 2 and 18)	846,535	1	2,106,039	2
Accrued expenses (Note 22)	4,593,124	5	3,765,661	3
Other payables (Notes 17 and 22)	15,568,725	19	3,519,371	3
Advance receipts	1,108,002	1	994,230	1
Current portion of long-term liabilities (Notes 2, 15 and 21)	2,500,000	3	3,814,448	3
Guarantee deposits	25,529	-	46,070	-
Other current liabilities (Note 22)	926,884	1	885,661	1
Total current liabilities	42,763,948	51	16,564,043	14
LONG-TERM LIABILITIES				
Hedging derivative financial liabilities (Notes 2, 3, 21 and 25)	51,665	-	291,046	-
Bonds payable (Notes 2, 15 and 21)	7,500,000	9	10,000,000	9
Total long-term liabilities	7,551,665	9	10,291,046	9
OTHER LIABILITIES				
Guarantee deposits	247,759	-	248,561	-
Deferred credits - gains on inter-affiliate accounts (Notes 2 and 8)	1,586,156	2	-	-
Total other liabilities	1,833,915	2	248,561	-
Total liabilities	52,149,528	62	27,103,650	23
SHAREHOLDERS' EQUITY (Notes 2, 3, 8 and 17)				
Capital stock - NT$10 par value				
Authorized: 6,000,000 thousand shares				
Issued and outstanding: 3,800,925 thousand shares in 2007 and 4,999,325 thousand shares in 2006	38,009,254	45	49,993,251	43
Capital surplus	8,785,159	11	8,748,571	7
Retained earnings				
Legal reserve	11,745,475	14	10,128,401	9
Special reserve	3,493,563	4	3,350,000	3
Unappropriated earnings	10,720,230	13	19,228,424	16
Other equity				
Cumulative translation adjustments	5,764	-	3,860	-
Net loss not recognized as pension cost	1,534	-	-	-
Unrealized losses of financial instruments	(64,043)	-	(147,423)	-
Treasury stock	(40,844,007)	(49)	(1,437,290)	(1)
Total shareholders' equity	31,852,929	38	89,867,794	77
TOTAL	$ 84,002,457	100	$ 116,971,444	100

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

(With Deloitte & Touche audit report dated January 11, 2008)

TAIWAN MOBILE CO., LTD.

STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2007 AND 2006
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2007		2006	
	Amount	%	Amount	%
OPERATING REVENUES (Notes 2 and 22)				
Telecommunications service revenue	$ 51,023,299	99	$ 47,692,697	100
Other revenue	261,557	1	198,592	-
Total operating revenues	51,284,856	100	47,891,289	100
OPERATING COSTS (Notes 2, 20 and 22)	22,370,161	44	20,426,896	43
GROSS PROFIT	28,914,695	56	27,464,393	57
OPERATING EXPENSES (Notes 2, 20 and 22)				
Marketing	8,958,751	17	9,054,285	19
Administrative	3,930,267	8	3,428,865	7
Total operating expenses	12,889,018	25	12,483,150	26
OPERATING INCOME	16,025,677	31	14,981,243	31
NON-OPERATING INCOME AND GAINS				
Investment income recognized under the equity method, net (Notes 2 and 8)	3,661,808	7	2,743,058	6
Interest income (Note 22)	339,060	1	158,282	-
Penalty income	173,290	-	170,667	-
Rental income (Note 22)	105,480	-	64,751	-
Valuation gain on financial assets, net (Note 2)	39,408	-	72,264	-
Foreign exchange gain, net (Note 2)	23,563	-	60,008	-
Dividend income	9,623	-	643,816	1
Gain on disposal of property and equipment (Note 2)	3,978	-	7,752	-
Gain on disposal of investments, net (Notes 2 and 6)	-	-	2,110,980	5
Other (Notes 2, 7 and 22)	182,290	1	324,406	1
Total non-operating income and gains	4,538,500	9	6,355,984	13
NON-OPERATING EXPENSES AND LOSSES				
Loss on disposal and retirement of property and equipment (Notes 2 and 22)	12,069,502	23	3,339,303	7
Interest expenses (Notes 2, 10, 13 and 14)	391,480	1	416,729	1
Other (Notes 2 and 11)	47,331	-	102,694	-
Total non-operating expenses and losses	12,508,313	24	3,858,726	8

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TAIWAN MOBILE CO., LTD.

STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2007 AND 2006
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2007 Amount	2007 %	2006 Amount	2006 %
INCOME BEFORE INCOME TAX	$ 8,055,864	16	$ 17,478,501	36
INCOME TAX EXPENSE (Notes 2 and 18)	1,442,867	3	1,307,795	3
INCOME AFTER INCOME TAX	6,612,997	13	16,170,706	33
CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES (Note 3)	-	-	35	-
NET INCOME	$ 6,612,997	13	$ 16,170,741	33

	2007 Before Income Tax	2007 After Income Tax	2006 Before Income Tax	2006 After Income Tax
EARNINGS PER SHARE (Note 19)				
Basic	$ 2.05	$ 1.68	$ 3.54	$ 3.28
Diluted	$ 2.05	$ 1.68	$ 3.53	$ 3.26

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

	2007	2006
NET INCOME BEFORE CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES	$ 6,612,997	$ 16,170,706
NET INCOME	$ 6,612,997	$ 16,170,741
EARNINGS PER SHARE		
Basic	$ 1.36	$ 3.28
Diluted	$ 1.36	$ 3.26

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

(With Deloitte & Touche audit report dated January 11, 2008) (Concluded)

TAIWAN MOBILE CO., LTD.

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2007 AND 2006
(In Thousands of New Taiwan Dollars)

	Capital Stock				Retained Earnings								
	Issued and Outstanding Capital Stock	Entitlement Certificates	Total	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated	Total	Cumulative Translation Adjustments	Net Loss Not Recognized As Pension Cost	Unrealized Losses on Financial Instruments	Treasury Stock	Total Shareholders' Equity
BALANCE, JANUARY 1, 2006	$ 49,492,065	$ 29,871	$ 49,521,936	$ 7,905,337	$ 8,504,731	$ 2,201,631	$ 19,175,425	$ 29,881,787	$ 3,240	$ -	$ -	$ (323,544)	$ 86,988,756
Appropriation of the 2005 earnings													
Legal reserve	-	-	-	-	1,623,670	-	(1,623,670)	-	-	-	-	-	-
Special reserve	-	-	-	-	-	1,150,000	(1,150,000)	-	-	-	-	-	-
Reversal of special reserve	-	-	-	-	-	(1,631)	1,631	-	-	-	-	-	-
Remuneration to directors and supervisors	-	-	-	-	-	-	(40,394)	(40,394)	-	-	-	-	(40,394)
Bonus to employees - cash	-	-	-	-	-	-	(403,940)	(403,940)	-	-	-	-	(403,940)
Cash dividends - NT$2.61677 per share	-	-	-	-	-	-	(12,843,997)	(12,843,997)	-	-	-	-	(12,843,997)
Balance after appropriation	49,492,065	29,871	49,521,936	7,905,337	10,128,401	3,350,000	3,115,055	16,593,456	3,240	-	-	(323,544)	73,700,425
Adjustment in equity of subsidiaries	-	-	-	-	-	-	-	-	620	-	-	-	620
Transfer of treasury stock to employees	-	-	-	-	-	-	(57,372)	(57,372)	-	-	-	704,624	647,252
Conversion of convertible bonds to capital stock and entitlement certificates	501,186	(29,871)	471,315	843,234	-	-	-	-	-	-	-	-	1,314,549
Buyback of issued shares	-	-	-	-	-	-	-	-	-	-	-	(1,818,370)	(1,818,370)
Net income in 2006	-	-	-	-	-	-	16,170,741	16,170,741	-	-	-	-	16,170,741
Effect of the first time adoption of newly issued SFAS No. 34	-	-	-	-	-	-	-	-	-	-	1,834,639	-	1,834,639
Unrealized losses on financial instruments, net	-	-	-	-	-	-	-	-	-	-	(1,982,062)	-	(1,982,062)
BALANCE, DECEMBER 31, 2006	49,993,251	-	49,993,251	8,748,571	10,128,401	3,350,000	19,228,424	32,706,825	3,860	-	(147,423)	(1,437,290)	89,867,794
Appropriation of the 2006 earnings													
Legal reserve	-	-	-	-	1,617,074	-	(1,617,074)	-	-	-	-	-	-
Special reserve	-	-	-	-	-	143,563	(143,563)	-	-	-	-	-	-
Remuneration to directors and supervisors	-	-	-	-	-	-	(43,231)	(43,231)	-	-	-	-	(43,231)
Bonus to employees - cash	-	-	-	-	-	-	(432,303)	(432,303)	-	-	-	-	(432,303)
Cash dividends - NT$2.58757 per share	-	-	-	-	-	-	(12,880,151)	(12,880,151)	-	-	-	-	(12,880,151)
Balance after appropriation	49,993,251	-	49,993,251	8,748,571	11,745,475	3,493,563	4,112,102	19,351,140	3,860	-	(147,423)	(1,437,290)	76,512,109
Adjustment in equity of subsidiaries	-	-	-	1,313	-	-	-	-	1,904	1,534	(113,063)	-	(108,312)
Unrealized gain on financial instruments, net	-	-	-	-	-	-	-	-	-	-	196,443	-	196,443
Transfer of treasury stock to employees	-	-	-	8,027	-	-	(4,869)	(4,869)	-	-	-	1,437,290	1,440,448
Conversion of convertible bonds to capital stock and entitlement certificates	16,003	-	16,003	27,248	-	-	-	-	-	-	-	-	43,251
Adjustments of treasury stock held by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(40,844,007)	(40,844,007)
Cash reduction (Note 17)	(12,000,000)	-	(12,000,000)	-	-	-	-	-	-	-	-	-	(12,000,000)
Net income in 2007	-	-	-	-	-	-	6,612,997	6,612,997	-	-	-	-	6,612,997
BALANCE, DECEMBER 31, 2007	$ 38,009,254	$ -	$ 38,009,254	$ 8,785,159	$ 11,745,475	$ 3,493,563	$ 10,720,230	$ 25,959,268	$ 5,764	$ 1,534	$ (64,043)	$ (40,844,007)	$ 31,852,929

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

(With Deloitte & Touche audit report dated January 11, 2008)

TAIWAN MOBILE CO., LTD.

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2007 AND 2006
(In Thousands of New Taiwan Dollars)

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 6,612,997	$ 16,170,741
Adjustments to reconcile net income to net cash provided by operating activities:		
Loss on disposal and retirement of property and equipment, net	12,065,524	3,331,551
Depreciation	6,287,945	5,495,382
Investment income recognized under the equity method, net	(3,661,808)	(2,743,058)
Cash dividends received from equity-method investees	1,979,210	125,204
Deferred income taxes	(1,485,805)	(922,397)
Amortization	891,669	909,016
Bad debts	806,142	962,389
Pension cost	(8,903)	(83,615)
(Recovery of) provision for loss on inventories	(8,276)	8,449
Accrued interest compensation	(2,297)	36,247
Gains on disposal of available-for-sale financial assets	-	(2,110,978)
Loss on buyback of bonds payable	-	59,982
Gains on disposal of idle assets, net	-	(9,681)
Impairment loss	-	2,005
Gains on disposal of long-term investments	-	(1)
Net changes in operating assets and liabilities		
Financial assets held for trading	11,109,207	(10,509,207)
Notes receivable	(3,133)	1,264
Accounts receivable - third parties	(1,126,076)	(1,044,819)
Accounts receivable - related parties	29,503	202,849
Other receivables - third parties	24,963	(73,492)
Other receivables - related parties	(16,380)	231,737
Inventories	(42,714)	(39,361)
Prepayments	8,081	(89,556)
Other current assets	(1,234)	(9,174)
Accounts payable	167,833	(45,845)
Income taxes payable	(1,259,504)	1,011,312
Accrued expenses	827,463	379,772
Other payables	806,919	247,195
Advance receipts	113,772	(24,255)
Other current liabilities	41,224	114,357
Net cash provided by operating activities	34,156,322	11,584,013
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in long-term investments accounted for using equity method	(34,758,230)	(500,000)
Acquisition of property and equipment	(6,109,099)	(7,355,072)
Proceeds from investee' capital reduction	3,458,463	1,119,715
Financing provided to investees	(2,255,000)	-
Increase in deferred charges	(70,671)	(149,625)
Increase in financial assets carried at cost-non-current	(39,436)	-

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TAIWAN MOBILE CO., LTD.

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2007 AND 2006
(In Thousands of New Taiwan Dollars)

	2007	2006
Increase in refundable deposits	$ (21,010)	$ (13,862)
Proceeds from disposal of property and equipment	10,163	180,527
Decrease in other assets	295	(325)
Increase in computer software costs	(117)	(9,202)
Proceeds from disposal of available-for-sale financial assets	-	11,265,915
Proceeds from disposal of long-term investments	-	1,499,551
Proceeds from disposal of idle assets	-	44,633
Net cash provided by (used in) investing activities	(39,784,642)	6,082,255
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term bank loans	14,000,000	-
Cash dividends paid	(12,880,128)	(12,843,925)
Decrease in bonds payable	(3,768,900)	(2,753,300)
Increase in short-term notes and bills payable	1,594,753	-
Transfer of treasury stock to employees	1,440,448	647,252
Bonus to employees	(432,303)	(403,940)
Remuneration to directors and supervisors	(43,231)	(37,970)
Decrease in guarantee deposits	(21,343)	(9,190)
Buyback of treasury stock	-	(1,818,370)
Buyback of bonds payable	-	(1,341,076)
Decrease in other liabilities	-	(1,290)
Net cash used in financing activities	(110,704)	(18,561,809)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(5,739,024)	(895,541)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	8,202,463	9,098,004
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 2,463,439	$ 8,202,463
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid	415,329	$ 464,300
Less: Interest capitalized	(25,981)	(11,647)
Interest paid - excluding interest capitalized	$ 389,348	452,653
Income taxes paid	$ 3,562,111	$ 1,029,886
NON-CASH INVESTING AND FINANCING ACTIVITIES		
Current portion of long-term liabilities	$ 2,500,000	$ 3,814,448
Conversion of convertible bonds to capital stock and entitlement certificates	$ 43,251	$ 1,314,549
Reclassification of the corporation's shares held by its subsidiaries to treasury stock	$ 40,844,007	$ -
Refundable capital reduction	$ 12,000,000	$ -
Participation in subsidiary’s rights issue with TFN shares	$ 5,287,100	$ -

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TAIWAN MOBILE CO., LTD.

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2007 AND 2006
(In Thousands of New Taiwan Dollars)

	2007	2006
CASH INVESTING AND FINANCING ACTIVITIES		
Acquisition of property and equipment	$ 5,389,350	$ 7,529,952
Decrease (increase) in other payables	719,749	(174,880)
Cash paid for acquisition of property and equipment	$ 6,109,099	$ 7,355,072

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

(With Deloitte & Touche audit report dated January 11, 2008) (Concluded)

TAIWAN MOBILE CO., LTD.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2007 AND 2006
(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 (nation-wide GSM 1800; "GSM" means "global system for mobile communications") 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 December 31, 2007 and 2006, the Corporation had 2,528 and 2,146 employees, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements have been prepared in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, the Business Accounting Law, Guidelines Governing Business Accounting, and accounting principles generally accepted in the ROC. In conformity with these guidelines, the Law, and principles, the Corporation is required to make certain estimates and assumptions that could affect the amounts of allowance for doubtful accounts, provision for losses on decline in value of inventories, depreciation, pension, allowance for deferred income tax assets, impairment loss on assets, etc. Actual results may differ from these estimates.

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

The Corporation's significant accounting policies are summarized as follows:

Classification of Current and Non-current Assets and Liabilities

Current assets include cash and cash equivalents, assets held for trading and those expected to be converted to cash, sold or consumed within twelve months from the balance sheet date. Other assets such as property and equipment and intangible assets are classified as non-current. Current liabilities are obligations held for trading and those expected to be due within twelve months from the balance sheet date. All other liabilities are classified as non-current.

Cash Equivalents

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

Financial Instruments at Fair Value through Profit or Loss

Financial instruments at fair value through profit or loss include financial assets or liabilities held for trading and those designated on initial recognition to be measured at fair value with fair value changes recognized in profit or loss. On initial recognition, the financial instruments are recognized at fair value plus transaction costs and are subsequently measured at fair value with fair value changes recognized in profit or loss. The purchase or sale of the financial instruments is recognized and derecognized using trade date accounting.

The fair value of open-end mutual funds is based on the net asset value on the balance sheet date.

Available-for-sale Financial Assets

On initial recognition, available-for-sale financial assets are recognized at fair value plus transaction costs. When subsequently measured at fair value, the fair value changes are recognized directly in equity. The cumulative gain or loss that was recognized in equity is recognized in profit or loss when an available-for-sale financial asset is derecognized from the balance sheet. The purchase or sale of the financial instruments is recognized and derecognized using trade date accounting.

Cash dividends are recognized as dividend income on the ex-dividend date, but are accounted for as reductions to the original cost of investments if such dividends are declared on the earnings of investees attributable to periods prior to the purchase of investments. Stock dividends are not recognized as current income but are accounted for only as an increase in the number of shares held. The cost per share is re-calculated based on the new number of shares.

An impairment loss is recognized if there is objective evidence that a financial asset is impaired. If the amount of impairment loss decreases in the subsequent period, such decrease is recognized in equity.

The fair value of listed stocks is based on the closing price on the balance sheet date.

Allowance for Doubtful Accounts

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

Inventories

Inventories are stated at the lower of weighted-average cost or market value. Market value is evaluated on the basis of replacement cost or net realizable value.

Investments Accounted for Using Equity Method

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

Starting January 1, 2006, in accordance with the newly revised Statement of Financial Accounting Standards (SFAS), the cost of acquisition is subjected to an initial analysis, and goodwill represents the excess of the cost of acquisition over the fair value of the identifiable net assets value. Goodwill is no longer amortized but instead tested annually for impairment. An impairment test is also required if there is evidence indicating that goodwill might be impaired as a result of specific events or changes in economic environment. If the fair value of identifiable net assets acquired exceeds the cost of investments, the excess should be assigned to non-current assets (except for financial assets not under the equity method, assets for disposal, deferred income tax assets and prepaid pension costs or other retirement benefit costs). If these assets are all reduced to zero, the remaining excess should be recognized as extraordinary gain. Starting January 1, 2006, the unamortized balance of the excess of the acquisition cost of the long-term investment by the equity method over the equity in the investee's net assets value is also no longer amortized and applies the same accounting treatment as goodwill.

Gains or losses from the Corporation's sales to its subsidiaries are deferred and included in deferred income and recorded as other liabilities. Gains or losses on the sales 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. Gains or losses from transactions between two equity-method investees are deferred in proportion to the Corporation's equivalent stock ownership in the investees if the Corporation has controlling power over each investee.

If the investor does not have controlling power over the two equity-method investees that have transactions with each other, unrealized gains or losses on the transactions should be deferred in proportion to the product of the percentage of ownership in one investee multiplied by the ownership percentage in the other investee.

The cost and the resulting gain or loss of an investment sold is determined by the weighted-average method.

Financial Assets Carried at Cost

If there is no active market for an equity instrument and a reliable fair value can not be estimated, the equity instrument, including unlisted stocks and emerging stocks, etc, is measured at cost. The accounting for the dividends from financial asset carried at cost is the same as that for an available-for-sale financial asset. Impairment losses are recognized if a decrease in the fair value of the instruments can be objectively related to an event. Reversal of impairment losses is not allowed.

Property and Equipment and Assets Leased to Others

Property and equipment and assets leased to others are stated at cost less accumulated depreciation. Significant additions, renewals, betterments, and interest expenses incurred during the construction period are capitalized, while maintenance and repairs are expensed. Property and equipment covered by agreements qualifying as capital leases are carried at the lower of the present value of future minimum lease payments or the market value of the property on the starting dates of the leases.

Depreciation is calculated using the straight-line method over the estimated service lives, which range as follows: buildings - 50 to 55 years; telecommunication equipment - 3 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.

Intangible Assets

Franchise refers to the payment for the 3G mobile telecommunication service - License C. The 3G concession is recorded at acquisition cost and is amortized over 13 years and 9 months starting from launch of 3G services.

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

Idle Assets

Properties not currently used in operations are stated at the lower of book value or net realizable value, with the difference charged to current loss. Depreciation expense is computed using the straight-line method over the estimated useful lives of the assets.

Deferred Charges

Deferred charges, which included interior decoration and issuance costs of bonds are amortized by the straight-line method over 3 to 7 years or contract periods.

Asset Impairment

If the carrying value of assets (including property and equipment, intangible assets, idle assets, assets leased to others, investments accounted for using equity method and deferred charges) is more than their 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.

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.

Bonds Payable

Convertible bonds with redemption rights are classified as current or non-current according to the redemption dates. The redemption price in excess of the face value of the bonds is amortized using the interest method from the issuance date through the maturity date and accounted for as accrued interest compensation. The accrued interest compensation is provided as a valuation account of convertible bonds. The issuance costs are recognized as deferred charges. The issuance costs for the non-convertible bonds are amortized over the term of the bond, and those for the convertible bonds with redemption rights are amortized from the issuance date to the maturity date of redemption rights.

When bondholders exercise their conversion rights, the face value of the bonds and the related accrued interest compensation are both transferred to capital stock or entitlement certificates and capital surplus.

Income Taxes

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

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

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

Income tax of 10% on unappropriated earnings generated is expensed in the year when the shareholders resolve the retention of the earnings.

Income Basic Tax Act has taken effect from January 1, 2006. The amount of basic income shall be the sum of the taxable income as calculated in accordance with the Income Tax Act, plus deductions claimed in regard to investment tax credit granted under the provisions of other laws. The amount of basic tax shall be the amount of basic income multiplied by the tax rate (10%). Between the basic tax under the Income Basic Tax Act and the regular income tax calculated based on the Income Tax Act, the Corporation should pay whichever is the higher amount for the current income tax.

Treasury Stock

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

If the proceeds on the disposal of treasury stock exceed the carrying value of treasury stock, the excess is credited to capital surplus from treasury stock. If the proceeds are less than the carrying value of treasury stock, the difference is debited to capital surplus from treasury stock. If the balance of capital surplus from treasury stock is not sufficient to absorb the difference, the rest is recorded as a reduction of retained earnings.

Foreign-currency Transactions

Assets, liabilities, revenues or expenses denominated in foreign currencies as a result of foreign-currency transactions of non-derivative financial instruments are recorded in New Taiwan dollars at the exchange rates prevailing on the dates of transactions.

Monetary assets or liabilities denominated in foreign currencies are translated at the exchange rates prevailing on the balance sheet date, and the resulting exchange differences are included in profit or loss for the current period.

Non-monetary assets or liabilities carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date when the fair value was determined, and the resulting exchange differences are included in profit or loss for the current period except for the differences arising on the retranslation of non-monetary assets and liabilities in respect of which gains and losses are recognized directly in equity. For such non-monetary assets and liabilities, any exchange component of that gain or loss is also recognized directly in equity. Non-monetary assets or liabilities carried at cost that are denominated in foreign currencies are translated at the historical rates prevailing on the dates of transactions.

The above prevailing exchange rates are based on the average of bid and ask rates of major banks.

Revenue Recognition

Revenues are recognized when the service rendering process is completed or virtually completed, and earnings are realizable and measurable. Related costs of providing services are concurrently recognized as incurred.

Service revenues from wireless services and value-added services, net of any applicable discount, are billed at predetermined rates. Prepaid card services are recognized on the basis of minutes of usage.

Promotion Expenses

Commissions and cellular phone subsidy costs pertaining to the Corporation's promotions are recognized as marketing expenses on an accrual basis in the current period.

Hedging Derivative Financial Instruments

The interest rate swap contracts which the Corporation entered into to manage its exposure to the interest rate risk are designated as a cash flow hedge. The hedging instrument is measured at fair value, and the change of fair value is recognized directly in equity and will be recognized as profit or loss when the hedged forecast transaction affects profit or loss. If the cumulative net loss recognized in equity is regarded as irrecoverable, it is immediately recognized as a loss in the current period.

Reclassification

Certain accounts in the financial statements as of and for the year ended December 31, 2006 have been reclassified to conform to the presentation of financial statements as of and for the year ended December 31, 2007.

3. REASONS AND EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES

Effective January 1, 2006, the Corporation adopted newly issued SFAS No. 34, "Accounting for Financial Instruments," SFAS No. 36, "Disclosure and Presentation of Financial Instruments," and the revisions on the related SFASs.

Upon adoption of the newly issued and revised SFASs, the Corporation appropriately reclassified the financial assets and liabilities, including derivatives. The adjustments to the carrying values of the financial instruments at fair value through profit or loss were recorded in the cumulative effect of changes in accounting principles, and those of the available-for-sale financial assets measured at fair value and of the derivatives for cash flow hedge were recorded in equity.

The effect of the first time adoption of these SFASs is summarized as follows:

	Recognized as Cumulative Effect of Changes in Accounting Principles (Net of Tax)	Recognized in Equity (Net of Tax)
Financial assets at fair value through profit or loss	$ 35	$ -
Available-for-sale financial assets	-	2,082,823
Hedging derivative financial liabilities	-	(248,184)
	$ 35	$ 1,834,639

The changes in accounting policy resulted in a decrease in income after income tax of $35 thousand for the year ended December 31, 2006, but had no effect on net income and earnings per share (net of tax).

Starting on January 1, 2006, the Corporation adopted newly revised SFAS No. 1, "Conceptual Framework for Financial Accounting and Preparation of Financial Statements," SFAS No. 5, "Long-term Investments in Equity Securities," and SFAS No. 25, "Business Combinations - Accounting Treatment under Purchase Method." These revisions primarily included that goodwill is no longer amortized and that the difference between the cost of acquisition and the equity in the investee's net assets value is subjected to an initial analysis. If defined as goodwill, the difference is no longer amortized but instead tested annually for impairment. These adoptions had no effect on operating income and the cumulative effect of changes in accounting principle for the year ended December 31, 2006.

4. CASH AND CASH EQUIVALENTS

	December 31	
	2007	2006
Short-term notes and bills with repurchase rights	$ 1,771,757	$ 5,180,248
Cash in banks	428,407	680,131
Time deposits	237,820	2,306,051
Cash on hand	22,347	32,503
Revolving funds	3,108	3,530
	$ 2,463,439	$ 8,202,463

5. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS - CURRENT

Information on the financial assets held for trading is as follows:

	December 31	
	2007	2006
Financial assets held for trading		
Beneficiary certificates		
Open-end funds	$ -	$ 11,109,207

6. AVAILABLE-FOR-SALE FINANCIAL ASSETS - CURRENT

	December 31	
	2007	2006
Domestic listed stocks		
Chunghwa Telecom Co., Ltd.	$ 177,112	$ 162,893

For the year ended December 31, 2006, the Corporation recognized a gain of $2,110,978 thousand from selling 200,000 thousand shares of Chunghwa Telecom Co., Ltd.

7. ACCOUNTS RECEIVABLE - THIRD PARTIES

	December 31	
	2007	2006
Accounts receivable	$ 5,811,715	$ 5,529,384
Less allowance for doubtful accounts	(441,844)	(461,630)
	$ 5,369,871	$ 5,067,754

For the third quarter of 2006, the Corporation entered into an accounts receivable factoring contract with HC Asset Management Co., Ltd. The Corporation sold $5,743,279 thousand of the overdue accounts receivable, which had been written off, to HC Asset Management Co., Ltd. The aggregate selling price was $229,731 thousand. Under this contract, the Corporation would no longer assume the risk on this receivable.

8. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	December 31			
	2007		2006	
	Carrying Value	% of Owner-ship	Carrying Value	% of Owner-ship
TransAsia Telecommunications Inc. (TAT, formerly TAT International Telecommunications Co., Ltd.)	$ 11,330,665	100.00	$ 14,009,973	100.00
Taiwan Cellular Co., Ltd. (TCC, formerly Taihsing Den Syun Co., Ltd.)	3,791,398	100.00	3,877,659	100.00
Wealth Media Technology Co., Ltd.	82,715	100.00	-	-
	$ 15,204,778		$ 17,887,632	

a. TransAsia Telecommunications Inc.

On January 26, 2006, the Corporation established TAT International Telecommunications Co., Ltd. (TATIT) and acquired 100% equity in TATIT with 328,645 thousand shares of TransAsia Telecommunications Inc. (the former TAT). TATIT's Board of Directors proposed, on January 26, 2006, and decided, on June 15, 2006, to merge the former TAT with TATIT, with TATIT as the surviving company. TATIT thus assumed all the former TAT's rights and obligations and was renamed as TransAsia Telecommunications Inc. (TAT) on the record date, June 27, 2006. TAT mainly provides wireless services.

On February 27, 2007, TAT's Board of Directors decided to reduce TAT's capital by $3,458,463 thousand, resulting in the cancellation of 345,846 thousand shares and the return to investors of their cash investments. On the record date (March 5, 2007), the Corporation was entitled to receive $3,458,463 thousand based on its equity of 100% in TAT.

To integrate enterprise resources and enhance the operating efficiency, TAT's Board of Directors decided on December 14, 2007 to merge Mobitai Communications (Mobitai) with TAT as the surviving company. Mobitai was a wireless operator, incorporated in November 2005. TAT assumed all of Mobitai's rights and obligations in this cash merger with purchase price of $2,562,000 thousand ($12.81 per share) on the record date of December 15, 2007.

b. Taiwan Cellular Co., Ltd. (formerly Taihsing Den Syun Co., Ltd.)

To integrate enterprise resources and enhance operating efficiency, The Board of Directors of Taihsing Den Syun Co., Ltd. (TDS) decided, on March 30, 2006, to merge Taiwan Cellular Co., Ltd. (the former TCC) for $1,527,583 thousand at $33.85 per share, with TDS as the surviving company. TCC, incorporated in November 1997, is engaged in general investing activities. The record date of the merger was May 1, 2006. TDS thus assumed all of TCC's rights and obligations and was renamed as Taiwan Cellular Co., Ltd. (TCC).

On March 30, 2006, TCC's Board of Directors decided to reduce TCC's capital by $1,119,715 thousand, resulting in the cancellation of 111,972 thousand shares and the return to investors of their cash investments. On the record date (June 1, 2006), the Corporation was entitled to receive $1,119,715 thousand based on its equity of 100% in TCC.

TCC's Board of Directors resolved the rights issue of 50,000 thousand shares at $10 dollars on October 26, 2006. On the record date (October 31, 2006), the Corporation subscribed for all the shares and TCC is still a wholly-owned subsidiary.

On March 1, 2007, TCC's Board of Directors resolved the rights issue of 18,028 thousand shares at $1,000 per share. On the record date (March 8, 2007), the Corporation subscribed for all the shares by cash of $12,740,430 thousand and the 637,000 thousand shares of Taiwan Fixed Network Co., Ltd. (TFN) value at $8.3 per share. After the capital injection, TCC is still a wholly-owned subsidiary of the Corporation.

TCC's Board of Directors resolved the rights issue of 21,931 thousand shares at $1,000 dollars on October 31, 2007. On the record date (December 26, 2007), the Corporation subscribed for all the shares and TCC is still a wholly-owned subsidiary.

TCC established wholly-owned Taihsing International Telecommunications Co., Ltd. (TIT) on January 30, 2007. On March 1, 2007, the Board of Directors of TIT resolved to issue 1,806,820 thousand shares with par value of $10 for capital injection. On the record date (March 15, 2007), TCC subscribed for all the shares by cash of $12,740,430 thousand and the 641,900 thousand shares of TFN valued at $8.3 per share. After the capital injection, TIT is still a wholly-owned subsidiary of TCC.

Based on the revised SFAS No.5 - "Long-term Investments in Equity Securities," unrealized gains (losses) on downstream transactions should be deferred. Thus, the spread between the original cost and the disposal price of the TFN shares on these transactions had been deferred. The amount recognized by the Corporation and TCC was deferred credits $1,586,156 thousand and deferred debits $2,194 thousand, respectively.

To position as an integrated telecom and media player down the road differentiating from competition and build growth momentum exposure to higher margin lines of business, the Board of Directors of TIT resolved to acquire TFN through a public tender offer on March 1, 2007, and approved to buy shares continuously from minorities on April 26, 2007, both at the price of $8.3 per share. TFN and its subsidiaries have become the subsidiaries of the Corporation since April 17, 2007. In addition, TIT's Board of Directors resolved on June 29, 2007 to fully merge TFN at $8.3 per share, with TIT as the surviving company. TIT thus assumed all the rights and obligations of TFN and was renamed as TFN on the record date, December 28, 2007.

As of December 31, 2007, TFN and its subsidiary held 1,368,250 thousand shares of the Corporation. Based on SFAS No. 30, "Treasury Stock", the Corporation's shares held by subsidiaries are treated as treasury stock. This accounting treatment increased the Corporation's treasury share account by $ 40,844,007 thousand. Please refer to note 17 for details.

TFN reclassified investments in the former TFN from "financial assets carried at cost" account to "investments accounted for using equity method" account effective on April 17, 2007. The investment income from the former TFN for the period from January 1, 2007 to April 16, 2007 should be therefore accrued retroactively. Given that the Corporation controlled the former TFN through TFN (100% owned by the Corporation) and the former TFN held over 20% stake in the Corporation, the Corporation and the former TFN recognized investment income from each other based on treasury stock method.

The subsidiary of the Corporation, Taiwan United Communication Co., Ltd. (TUC), bought Taiwan Telecommunication Network Services Co., Ltd. (TTN) to help businesses meet their needs for digital convergence. To integrate enterprise resources and enhance the operating efficiency, TUC's Board of Directors decided on November 30, 2007 to acquire 100% of TTN though share swap on December 31, 2007. TFN's Board of Directors resolved on December 31, 2007 to fully merge TUC at $1,384.3 per share, with TFN as the surviving company. On the record date of the merger was January 1, 2008. TFN assumed all the rights and obligations of TUC on the record date, June 27, 2006.

c. Wealth Media Technology Co., Ltd

To integrate enterprise resources, the Corporation established Wealth Media Technology Co., Ltd. (WMTC) on August 7, 2007. As of December 31, 2007, the Corporation owned 100% of WMTC with $87,000 thousand investment.

d. Equity in investees' net gains or losses

The carrying value of the investments under equity method and the related investment income or losses were determined on the basis of audited financial statements. The Corporation's investment income or losses were as follows:

	December 31	
	2007	**2006**
TAT	$ 1,881,453	$ 1,551,510
TCC (formerly TDS)	1,784,640	1,160,351
The former TCC (formerly Taihsing Den Den Co., Ltd.)	-	31,198
The former TAT	-	(1)
WMTC	(4,285)	-
	$ 3,661,808	$ 2,743,058

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

9. FINANCIAL ASSETS CARRIED AT COST - NON-CURRENT

	December 31	
	2007	**2006**
Domestic emerging stocks		
The former Taiwan Fixed Network Co., Ltd. (The former TFN)	$ -	$ 3,700,944
Foreign unlisted stocks		
Bridge Mobile Pte Ltd.	71,596	32,160
	$ 71,596	$ 3,733,104

Because there is no active market quotation and a reliable fair value can not be estimated, the above investments are measured at cost.

On March 1, 2007, the Board of Directors of the Corporation resolved to attend the capital injection of TCC with all its shares of the former TFN. Please refer to the description in note 8.

10. PROPERTY AND EQUIPMENT - ACCUMULATED DEPRECIATION

	December 31	
	2007	2006
Buildings	$ 263,553	$ 277,685
Telecommunication equipment	19,948,510	23,811,758
Office equipment	65,371	42,478
Leased assets	356,270	292,461
Miscellaneous equipment	778,991	588,790
	$ 21,412,695	$ 25,013,172

Interest expenses capitalized for the years ended December 31, 2007 and 2006 amounted to $25,981 thousand and $11,647 thousand, respectively, with interest rates ranging from 2.4%-3.0% and from 2.28%-3.12%, respectively.

11. ASSETS LEASED TO OTHERS AND IDLE ASSETS

	December 31	
	2007	2006
Assets leased to others		
Cost	$ 2,504,090	$ 744,476
Less accumulated depreciation	(111,224)	(35,134)
Less accumulated impairment	(10,591)	(10,591)
	$ 2,382,275	$ 698,751
Idle assets		
Cost	$ 643,893	$ 2,674,530
Less allowance for value decline	(187,424)	1,592,960
Less accumulated depreciation	(101,705)	(724,710)
Less accumulated impairment	(128,771)	(128,939)
	$ 225,993	$ 227,921

The impairment losses of idle property were determined based on their appraised values and net realizable value, respectively, and the Corporation recognized impairment losses of $2,005 thousand for the year ended December 31, 2006.

12. DEFERRED CHARGES

	December 31	
	2007	2006
Interior decoration	$ 236,055	$ 267,738
Other	11,101	12,754
	$ 247,156	$ 280,492

13. SHORT-TERM BANK LOANS

	December 31	
	2007	2006
Unsecured loans	$ 14,000,000	$ -
Interest rate	2.365%-2.6%	-

14. SHORT-TERM NOTES AND BILLS PAYABLE

	December 31	
	2007	2006
Commercial paper payable		
China Bills Finance Corporation	$ 850,000	$ -
International Bills Financial Corporation	750,000	
Less: Discount on short-term notes and bills payable	(5,247)	-
Net carrying value	$ 1,594,753	$ -
Interest rate	2.0%-2.121%	-

15. BONDS PAYABLE

	December 31			
	2007		2006	
	Current	Non-current	Current	Non-current
Domestic unsecured bonds	$ 2,500,000	$ 7,500,000	$ 3,750,000	$ 10,000,000
2nd domestic convertible bonds			55,900	-
Add accrued interest compensation			8,548	-
	$ 2,500,000	$ 7,500,000	$ 3,814,448	$ 10,000,000

a. Domestic secured bonds

On February 1, 2001, the Corporation issued $3,000,000 thousand of five-year domestic secured bonds, with each bond having a face value of $1,000 thousand with a coupon rate of 5.31% per annum. The bonds will be redeemed in the fourth and fifth years after the issuance date at $1,500,000 thousand for each of those years. Interest is payable annually. The bonds were repaid by the Corporation in February 2006.

b. Domestic unsecured bonds

On December 13, 2002, the Corporation issued $15,000,000 thousand of domestic unsecured bonds, with each bond having a face value of $5,000 thousand. The bonds have four different types based on terms and dates. Types I and II both consist of A to L tranches. Types III and IV both consist of A to M tranches. Types I and II are five-year bonds and Types III and IV are seven-year bond. The interest rates and payment terms are as follows:

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

Future repayments of corporate bonds are as follows:

Year	Amount
2008	$ 2,500,000
2009	7,500,000
	$ 10,000,000

c. 1st domestic convertible bonds

On August 25, 2001, the Corporation issued $10,000,000 thousand of five-year domestic unsecured convertible bonds, with each bond having a face value of $100 thousand and 0% interest. Within the conversion period, starting from 3 months after the issuance date to the 10th day before maturity, the bondholders may ask for bond conversion into common stocks or entitlement certificates of the Corporation. Cash is paid for those bonds that cannot be converted into one share. The conversion price is subject to adjustment based on the prescribed formula. The conversion price has been $22.2 per share since July 20, 2006. As of August 24, 2006, bonds amounting to $6,802,300 thousand had been converted to 226,716 thousand of common share. As of August 24 (due date), 2006, bonds amounting to $3,194,400 thousand were purchased and canceled by the Corporation, and the other $3,300 thousand was repaid by the Corporation on August 24, 2006.

If the closing price of the Corporation's share is above 50% of the conversion price for 30 consecutive trading days of the Taiwan Stock Exchange from 3 months after bond issuance to the 40th day before maturity, the Corporation has the option to convert the bonds to entitlement certificates at the conversion price or to redeem the bonds by cash at face value. If the total value of outstanding convertible bonds becomes less than 10% of the total principal, the Corporation also has the option, at any time, to convert the bonds to entitlement certificates at the conversion price or to redeem the bonds by cash at face value.

On the third year after the issuance date, the holders may redeem the bonds by cash at face value plus interest accrued, which is 113.3% of face value calculated based on an implied yield rate of 4.25%. Upon maturity, the Corporation has redeemed the bonds by cash at face value plus interest accrued, which is 124.62% of face value, calculated based on an implied yield rate of 4.5%.

d. 2nd domestic convertible bonds

On August 16, 2002, the Corporation issued $6,000,000 thousand of five-year domestic unsecured convertible bonds, with each bond having a face value of $100 thousand and 0% interest. Within the conversion period from 3 months after issuance date to the 10th day before maturity, the bondholders may have the bonds converted into common stocks of the Corporation. Cash is paid for bonds that cannot be converted into one share. The conversion price is subject to adjustment based on the prescribed formula. The conversion price has been $22.1 per share since July 24, 2007. As of August 15, 2007 (due date), bonds amounting to $5,436,400 thousand had been converted to 210,871 thousand of common shares. Bonds amounting to $544,700 thousand were purchased and canceled by the Corporation, and $18,900 thousand, the amount of the remaining bonds, was repaid by the Corporation on August 15, 2007.

If the closing price of the Corporation's share is above 50% of the conversion price for 30 consecutive trading days of the Taiwan Stock Exchange from 3 months after bond issuance to the 40th day before maturity, the Corporation has the option to convert the bonds to common stocks at conversion price or to redeem the bonds by cash at face value. If the total value of outstanding convertible bonds becomes less than 10% of the total principal, the Corporation also has the option - from 3 months after bond issuance to the 40th day before maturity - to convert the bonds to common stocks at the conversion price or to redeem the bonds by cash at face value.

On the third year after the issuance date, the holders may redeem the bonds by cash at face value plus interest accrued, which is 109.59% of face value, calculated based on an implied yield rate of 3.1%. Upon maturity, the Corporation has redeemed the bonds by cash at face value plus interest accrued, which is 117.63% of face value, calculated based on implied yield rate of 3.3%.

16. PENSION PLAN

The Labor Pension Act (LPA) became effective on July 1, 2005. Employees on board before June 30, 2005 may choose to continue to be subject to the pension plan under the Labor Standards Act (LSA) or be subject to the new pension plan under LPA, with their service years accumulated as of July 1, 2005 to be retained and subject to the pension plan under LSA. Starting from July 1, 2005, new employees may only choose to be subject to the new pension plan under LPA.

The new LPA provides for a defined contribution pension plan. Starting from July 1, 2005, the Corporation should contribute monthly an amount equal to 6% of the employees' monthly wages to the employees' individual pension accounts. The contributed amount was $94,309 thousand and $80,034 thousand for the years ended December 31, 2007 and 2006, respectively.

The LSA provides for a defined benefit pension plan. Benefits are based on the length of service and average basic pay of the six months before retirement. The Corporation contributes monthly an amount equal to 2% of the employees' monthly wages to a pension fund. The pension fund is managed by an independently administered pension fund committee and deposited in the committee's name in the Bank of Taiwan (formerly in the Central Trust of China, which was merged into the Bank of Taiwan in July 2007.) (Approved by Department of Labor, Taipei City Government on April 13, 2007, the Corporation suspended contributing from February 2007 to January 2008.)

Information on the defined benefit pension plan is summarized as follows:

a. Pension cost

	Years Ended December 31	
	2007	2006
Service cost	$ 2,172	$ 2,946
Interest cost	7,611	6,520
Projected return of pension assets	(10,312)	(6,785)
Amortization	(2,044)	(2,868)
Pension cost	$ (2,573)	$ (187)

b. Changes in the prepaid pension cost

	December 31	
	2007	2006
Benefit obligation		
Vested	$ -	$ -
Non-vested	(183,210)	(165,054)
Accumulated	(183,210)	(165,054)
Additional benefits based on future salaries	(130,004)	(111,718)
Projected benefit obligation	(313,214)	(276,772)
Fair value of plan assets	414,075	362,224
Funded status	100,861	85,452
Unrecognized net transition obligation	7,756	8,271
Unrecognized Prior Service Cost	443	-
Unrecognized net gain or loss	(99,065)	(92,526)
Prepaid pension cost	$ 9,995	$ 1,197

c. Vested benefit $ - $ -

d. Actuarial assumptions

	Years Ended December 31	
	2007	2006
Discount rate used in determining present values	2.75%	2.75%
Future salary increase rate	3.00%	2.50%
Expected rate of return on plan assets	2.75%	2.75%

17. SHAREHOLDERS' EQUITY

a. Capital surplus

Under the Company Act, capital surplus may only be used to offset a deficit. However, capital surplus generated from the excess of the issue price over the par value of capital stock, including the stock issued for new capital and the buyback of treasury stock, may be transferred to capital as stock dividends, and this transfer is restricted to a certain percentage of the capital surplus and may be made only within prescribed limits each time.

Capital surplus as of December 31, 2007 and 2006 were as follows:

	December 31	
	2007	2006
Premium of convertible bonds	$ 8,775,819	$ 8,748,571
Surplus from treasury stock transactions	8,027	-
Arising from long-term investments	1,313	-
	$ 8,785,159	$ 8,748,571

b. Appropriation of earnings and dividend policy

The Corporation's Articles of Incorporation provide that a 10% legal reserve should be set aside from the annual net income after the reduction of accumulated deficit. The remainder, less special reserve based on relevant laws or regulations or business requirements, should be distributed as follows:

1) Dividends and bonus to preferred shareholders

2) Remuneration to directors and supervisors - up to 0.3%

3) Bonus to employees - 1%-3%

4) Remainder, to be appropriated as dividends as determined in the shareholders' meeting.

The Corporation's dividend distribution is based on the availability of excess funds. That is, the Corporation first projects future capital needs through a capital budgeting process and then provides for the projected capital needs by using retained earnings. Any remainder is available for dividend distribution. However, the amount of stock dividends should not be more than 80% of the total dividends to be distributed in a single year. The final amount, type and percentage of the dividends are subject to the approval by the Board of Directors and shareholders based on actual earnings and capital requirements of the Corporation in a particular year.

A regulation issued by the Securities and Futures Bureau requires a special reserve be made from the unappropriated earnings, equivalent to the debit balance of any account shown in shareholders' equity. The special reserve appropriated will be reversed to the extent that the net debit balance reverses.

The appropriation of earnings should be resolved by the shareholders in the following year and given effect to in the financial statements of that year.

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

The 2006 and 2005 earnings appropriations resolved by the shareholders in their meetings on June 15, 2007 and June 15, 2006 were as follows:

	Appropriation of Earnings		Dividend Per Share (NT$)	
	For Fiscal Year 2006	For Fiscal Year 2005	For Fiscal Year 2006	For Fiscal Year 2005
Appropriation of legal reserve	$ 1,617,074	$ 1,623,670		
Appropriation of special reserve	143,563	1,150,000		
Reversal of special reserve	-	(1,631)		
Remuneration to directors and supervisors	43,231	40,394		
Cash bonus to employees	432,303	403,940		
Cash dividends	12,880,151	12,843,997	$ 2.58757	$ 2.61677
	$ 15,116,322	$ 16,060,370		

Had the above bonus to employees and remuneration to directors and supervisors been charged against income in 2007 and 2006, the basic earnings per share in that year would have decreased from $3.28 to $3.18 and from $3.31 to $3.22, respectively.

The appropriation of the Corporation’s 2007 earnings had not been proposed by the Board of Directors as of January 11, 2008, the date of the accompanying independent auditors’ report. Information on the appropriation of 2007 earnings proposed by the Board of Directors and resolved by the shareholders can be accessed through the Market Observation Post System on the Taiwan Stock Exchange Corporation’s website.

c. Cash reduction

To increase ROE (Return of Equity) and maintain stable EPS (Earnings Per Share) and dividend, the Corporation’s AGM (Annual General Shareholders’ Meeting) resolved on June 15, 2007, a capital reduction of $12,000,000 thousand, representing 24% of outstanding shares. The authority approved the Corporation’s capital reduction on October 17, 2007. The Corporation’s Board of Directors set the record date on December 1, 2007 to return $12,000,000 thousand to investors, credited to the account of “other payables”.

d. Treasury stock

(Shares in Thousands)

Purpose of Buyback	Beginning Shares	Increase	Decrease	Ending Shares
Year ended December 31, 2007				
To be transferred to employees	46,537	-	46,537	-
Shares held by subsidiaries	-	1,368,250	-	1,368,250 (Note)
Year ended December 31, 2006				
To be transferred to employees	11,551	57,804	22,818	46,537

Note: Shares held before capital reduction.

1) Transfer of stock to employees

For the year ended December 31, 2007, the Corporation transferred the bought-back treasury stocks through various tranches to employees of 46,537 thousand shares at $28.17, $31.16 and $31.15 per share, respectively, resulting in a reduction of retained earnings, amounting to $4,869 thousand and an increase on paid-in capital, amounting to $8,027 thousand.

For the year ended December 31, 2006, the Corporation transferred the treasury stock through various tranches to employees of 22,818 thousand shares at $30.47 and $28.17 per share, resulting in a reduction of retained earnings, amounting to $57,372 thousand.

Under the Securities and Exchange Law, the buyback amount of treasury stock should not exceed 10% of total issued shares, and the buyback cost should not exceed the sum of the retained earnings, additional paid-in capital in excess of par value and realized capital surplus. In addition, the Corporation should not provide treasury stock as collateral and should not exercise shareholders' rights on those shares before transfer.

2) Shares held by subsidiaries

On December 31, 2007, TFN and TFN Investment Co., Ltd., its subsidiary, held the carrying and market value of the treasury stocks, amounting to $56,235,084 thousand. The Corporation reclassified $40,844,007 thousand from investments accounted for using equity method to treasury stock based on SFAS No. 30, "Treasury Stock". Although these shares are treated as treasury stock in the consolidated financial statement, the shareholders are entitled to excise their rights on these shares, except for participation in capital injection by cash. In addition, based on the ROC Company Act, the shareholders of treasury stocks can not exercise the voting right.

e. Unrealized losses on financial instruments

Unrealized gains or losses on financial instruments for the years ended December 31, 2007 and 2006 were summarized as follows:

	Years Ended December 31	
	2007	**2006**
Available-for-sale financial assets		
Balance, beginning of year	$ 40,652	$ -
Effect of the first time adoption of new issued SFAS No. 34	-	2,082,823
Fair value changes recognized directly in equity	16,908	68,807
Transfer to current gains or loss upon sales of financial assets	-	(2,110,978)
	57,560	40,652
Changes in unrealized gains (losses) of cash flow hedge		
Balance, beginning of year	(218,284)	-
Effect of the first time adoption of new issued SFAS No. 34	-	(248,184)
Fair value changes recognized directly in equity	179,535	29,900
	(38,749)	(218,284)
Recognition of investees' changes in unrealized gains or losses by the equity method		
Balance, beginning of year	30,209	-
Fair value changes recognized directly in equity	(113,063)	30,209
	(82,854)	30,209
Unrealized losses on financial instruments	$ (64,043)	$ (147,423)

18. INCOME TAX EXPENSE

a. The reconciliation of imputed income taxes on pretax income at statutory tax rate to income tax expense was as follows:

	Years Ended December 31	
	2007	2006
Tax on pretax income at statutory tax rate (25%)	$ 2,013,956	$ 4,369,615
Add (deduct) tax effects of		
Permanent differences		
Investment income from domestic investees accounted for using equity method	(915,452)	(685,764)
Tax-exempt dividend revenue	(2,406)	(160,954)
Gain on disposal of marketable securities	(9,852)	(532,377)
Other	(19,808)	(26,260)
Temporary differences	1,485,973	471,065
Tax-exempt income	-	(402,696)
Income tax (10%) on unappropriated earnings	105,442	132,470
Investment tax credits	(281,134)	(1,108,394)
Deferred income tax	(1,485,805)	(922,397)
Prior years' adjustment	535,754	164,071
Tax on short-term bills	16,199	9,416
Income tax expense	$ 1,442,867	$ 1,307,795

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

	December 31	
	2007	2006
Provision for doubtful accounts	$ 741,535	$ 719,412
Provision for impairment losses on idle assets	65,016	343,792
Unrealized loss on retirement of property and equipment	2,452,952	714,861
Unrealized loss on financial liabilities	12,916	72,761
Accrued interest compensation of bonds payables	-	2,137
Accrued pension cost	(790)	(273)
Other	3,096	2,112
	3,274,725	1,854,802
Less valuation allowance	(299,767)	(305,804)
	$ 2,974,958	$ 1,548,998
Deferred income tax assets		
Current	$ 98,239	$ 102,814
Non-current	2,876,719	1,446,184
	$ 2,974,958	$ 1,548,998

c. Under Article 8 of the Statue for Upgrading Industries (SUI) before the SUI amendment in 1999, the Corporation is considered an important invested enterprise. Thus, the Corporation's net operating income generated from the following expansion of its equipment is exempt from income tax for five years during the period specified, as approved by the Ministry of Finance.

Equipment Expansion Projects	Tax-Exempt Period
Switches, BTS and related telecommunication equipment, acquired from September 30, 2000 to September 30, 2001	2002 to 2006

d. Integrated income tax information was as follows:

	December 31	
	2007	2006
Balance of imputation credit account (ICA)	$ 2,329,511	$ 1,091,242

As of December 31, 2007, there were no unappropriated earnings generated before January 1, 1998. The estimated creditable ratio for the 2007 earnings appropriation and the actual creditable ratio for the 2006 earnings appropriation were 29.63% and 19.21%, respectively.

The imputation credits allocated to the shareholders are based on the ICA balance as of the date of dividend distribution. The estimated creditable ratio for the 2007 earnings appropriation may be adjusted when the imputation credits are distributed.

e. Income tax returns through 2005 had been examined by the tax authorities. However, the Corporation disagreed with the examination result of the income tax returns from 1999 to 2005, and filed requests for reexamination.

19. EARNINGS PER SHARE

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

(In New Taiwan Dollar)

	For the Years Ended December 31			
	2007		2006	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
Basic EPS				
Income before cumulative effect of changes in accounting principles	$ 2.05	$ 1.68	$ 3.54	$ 3.28
Cumulative effect of changes in accounting principle	-	-	-	-
Net income	$ 2.05	$ 1.68	$ 3.54	$ 3.28
Diluted EPS				
Income before cumulative effect of changes in accounting principles	$ 2.05	$ 1.68	$ 3.53	$ 3.26
Cumulative effect of changes in accounting principle	-	-	-	-
Net income	$ 2.05	$ 1.68	$ 3.53	$ 3.26

	Amounts (Numerator) Before Income Tax	Amounts (Numerator) After Income Tax	Shares (Denominator) (Thousands)	EPS (NT$) Before Income Tax	EPS (NT$) After Income Tax
For the year ended December 31, 2007					
Basic EPS					
Income of common shareholders	$ 8,055,864	$ 6,612,997	3,928,228	$ 2.05	$ 1.68
Add effect of potentially dilutive convertible bonds					
2nd convertible bonds (with implied yield rate of 3.3%)	1,034	776	1,183		
Diluted EPS					
Income of common shareholders with dilutive effect of potential common shares	$ 8,056,898	$ 6,613,773	3,929,411	$ 2.05	$ 1.68
For the year ended December 31, 2006					
Basic EPS					
Income of common shareholders	$ 17,478,536	$ 16,170,741	4,933,714	$ 3.54	$ 3.28
Add effect of potentially dilutive convertible bonds					
1st convertible bonds (with implied yield rate of 4.5%)	22,764	17,073	19,022		
2nd convertible bonds (with implied yield rate of 3.3%)	13,483	10,112	15,298		
Diluted EPS					
Income of common shareholders with dilutive effect of potential common shares	$ 17,514,783	$ 16,197,926	4,968,034	$ 3.53	$ 3.26

20. LABOR COST, DEPRECIATION AND AMORTIZATION EXPENSE

	For the Years Ended December 31					
	2007			2006		
	Classified as Operating Costs	Classified as Operating Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Total
Labor cost						
Salary	$ 572,841	$ 1,747,153	$ 2,319,994	$ 416,853	$ 1,205,679	$ 1,622,532
Labor and health insurance	33,609	75,370	108,979	25,649	69,301	94,950
Pension	23,223	50,340	73,563	23,769	61,048	84,817
Other	32,512	74,582	107,094	27,567	83,302	110,869
	$ 662,185	$ 1,947,445	$ 2,609,630	$ 493,838	$ 1,419,330	$ 1,913,168
Depreciation	$ 5,755,382	$ 513,982	$ 6,269,364	$ 5,104,861	$ 381,362	$ 5,486,223
Amortization	764,039	119,414	883,453	769,424	132,091	901,515

21. FINANCIAL INSTRUMENT TRANSACTIONS

a. Fair value information

	December 31			
	2007		2006	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Non-derivative financial instruments				
Liabilities				
Bonds payable (including current portion)	$ 10,000,000	$ 9,942,440	$ 13,814,448	$ 13,741,839

b. The methods and significant assumptions applied in determining fair values of financial instruments were as follows:

1) Financial assets at fair value through profit or loss and available-for-sale financial assets - based on quoted prices in an active market on the balance sheet date.

2) Because there is no active market and a reliable fair value could only be verified at a more than reasonable cost, the fair values of investments in unlisted stocks carried at cost or accounted for using equity method can be measured by net worth of investee or estimate of the book value.

3) Bonds payable - based on the over-the-counter quotations in December.

4) Derivative financial instruments - based on valuation results provided by banks. As of December 31, the financial instrument held by the Corporation turned into financial liability, evaluated by the bid price of counter party.

5) The above financial instruments do not include cash and cash equivalents, notes and accounts receivables, pledged time deposits, refundable deposits, short-term bank loans, short-term notes and bills payable, notes and accounts payable and guarantee deposits. Because of the short maturities of these instruments, the carrying values represent a reasonable basis to estimate fair values.

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

d. The financial assets exposed to fair value interest rate risk amounted to $2,019,577 thousand and $7,496,299 thousand as of December 31, 2007 and 2006, respectively, and the financial liabilities exposed to fair value interest rate risk amounted to $20,594,753 thousand and $6,314,448 thousand as of December 31, 2007 and 2006, respectively. The financial assets exposed to cash flow interest rate risk amounted to $422,189 thousand and $673,136 thousand as of December 31, 2007 and 2006, respectively, and the financial liabilities exposed to cash flow interest rate risk amounted to $5,051,665 thousand and $7,791,046 thousand as of December 31, 2007 and 2006, respectively.

e. Information on financial risks:

1) Market risk

The interest rate swap (IRS) contracts are used to hedge interest rate fluctuation on its liabilities with anti-floating interest rates. Since the interest receivable and payable are settled at net amounts on the settlement date. The market risk is immaterial.

2) Credit risk

Credit risk represents the potential impacts to financial assets that the Corporation might encounter if counter-parties or third parties breach the contracts. Factors that affect the impacts include credit risk concentration, components of financial instruments, contract amount and other receivables. The Corporation's evaluation of credit risk exposure as of December 31, 2007 and 2006 were both zero because all of counter-parties are reputable financial institutions with good credit ratings.

The Corporation's maximum credit risk exposure of each financial instrument is the same as its carrying value.

The credit risk amount listed above is an evaluation over the contracts with positive fair value at the balance sheet date and the contracts of off-balance-sheet commitments and guarantees. Significant concentration of credit risk exists when counter-parties in financial instrument transactions significantly concentrate on one individual, or when there are a number of counter-parties in financial instrument transactions, but these counter-parties are engaged in similar business activities and have similar economic characteristics so that their abilities to perform contractual obligations would be concurrently affected in similar economic changes or other situations. The characteristics of credit risk concentration include the nature of the debtors' operating activities. The Corporation does not rely significantly on single transaction and transact with single client or in the same region.

3) Liquidity risk

The Corporation entered into IRS transactions to hedge cash flow risks. Because the IRS contracts are settled at net amounts, the expected cash demand is insignificant. The Corporation has sufficient working capital to meet cash demand.

f. The purpose of derivative financial instruments held or issued and the strategies to meet the purpose

The Corporation uses IRS contracts to hedge fluctuation on its liabilities with anti-floating interest rates. The overall purpose of these contracts is to hedge the Corporation's exposure to cash flow risks. The Corporation uses interest rate swaps to hedge interest rate fluctuation risk and periodically evaluates the effectiveness of the hedging instruments.

22. RELATED-PARTY TRANSACTIONS

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

Related Party	Relationship with the Corporation
TransAsia Telecommunications Inc. (TAT; formerly TAT International Telecommunications Co., Ltd.)	Subsidiary
Taiwan Cellular Co., Ltd. (TCC; formerly Taihsing Den Syun Co., Ltd.)	Subsidiary
Wealth Media Technology Co., Ltd.	Subsidiary
Tai Fu Media Technology Co., Ltd.	Subsidiary
Global Wealth Media Technology Co., Ltd.	Subsidiary
Fu Sin Media Technology Co., Ltd.	Subsidiary
Fu Jia Leh Media Technology Co., Ltd.	Subsidiary
Tai Yi Digital Broadcasting Co., Ltd.	Equity-method investee under control of TCC

(Continued)

Related Party	Relationship with the Corporation
TWM Holding Co. Ltd. (formerly Simax Investment Holdings Ltd.)	Subsidiary
Taiwan Digital Communications Co., Ltd.	Subsidiary
Taiwan Teleservices & Technologies Co., Ltd. (TT&T)	Subsidiary
TT&T Casualty & Property Insurance Agency Co., Ltd.	Subsidiary
TT&T Life Insurance Agency Co., Ltd.	Subsidiary
Taiwan Super Basketball Co., Ltd.	Subsidiary
TT&T Holdings Co., Ltd.	Subsidiary
Xiamen Taifu Teleservices & Technologies Ltd.	Subsidiary
Taiwan Fixed Network Co., Ltd. (TFN)	Subsidiary
Taiwan United Communication Co., Ltd. (TUC)	Subsidiary
Taiwan Telecommunication Network Services Co., Ltd. (TTN)	Subsidiary (change relationship on September 7, 2007)
VoPier Communications (Taiwan) Co., Ltd.	Subsidiary (change relationship on September 7, 2007)
TFN Investment Co., Ltd.	Subsidiary (change relationship on April 17, 2007)
Reach & Range Inc.	Subsidiary (change relationship on April 17, 2007)
Win TV Broadcasting Co., Ltd.	Subsidiary (change relationship on April 17, 2007)
TFN Media Ltd. (TFNM)	Subsidiary (change relationship on April 17, 2007)
Yeong Jialeh Cable TV Co., Ltd.	Subsidiary (change relationship on April 17, 2007)
Shin Ho Cable TV Co., Ltd.	Subsidiary (change relationship on April 17, 2007)
Mangrove Cable TV Corporation	Subsidiary (change relationship on April 17, 2007)
North Coast Cable TV Co., Ltd.	Subsidiary (change relationship on April 17, 2007)
Phoenix Cable TV Co., Ltd.	Subsidiary (change relationship on April 17, 2007)
Globalview Cable TV Co., Ltd.	Subsidiary (change relationship on April 17, 2007)
Union Cable TV Co., Ltd.	Subsidiary (change relationship on April 17, 2007)
TFN HK LIMITED	Subsidiary (change relationship on April 17, 2007)
Taiwan Mobile Foundation (TWM Foundation)	Over one third of the Foundation's issued fund came from the Corporation
Fubon Life Assurance Co., Ltd.	Same chairman
Fubon Securities Investment Trust 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. (FSC)	Related party in substance
Fubon Insurance Co., Ltd. (Fubon Ins.)	Related party in substance
Fubon Property Management Co., Ltd. (FPMC)	Related party in substance
The former Mobitai Communications (the former Mobitai)	Subsidiary (merged into TYIT on January 1, 2006)
Taiwan Cellular Co., Ltd. (the former TCC)	Subsidiary (merged into TCC (formerly Taihsing Den Syun Co., Ltd.) on May 1, 2006)

(Continued)

Related Party	Relationship with the Corporation
TransAsia Telecommunications Inc. (the former TAT)	Subsidiary (merged into former TAT International on June 27, 2006)
Howin Technologies Co., Ltd. (HTC)	Equity-method investee of TCC (formerly Taihsing Den Syun Co., Ltd.) and the former TAT (all shares were sold in June 2006)
Dalian Xinkai Teleservices & Technologies Ltd.	Subsidiary (all shares were sold in July 2006)
Hong Yuan Investment Co., Ltd.	Subsidiary (merged into TFN Investment Co., Ltd. on June 5, 2007)
TFN US LTD.	Subsidiary (liquidated on June 8, 2007)
TFN Digital Co., Ltd.	Subsidiary (merged into TFN Investment Co., Ltd. on June 30, 2007)
Fu Yang Multimedia Co., Ltd.	Subsidiary (change relationship on April 17, 2007 and merged into TFN Media Ltd. on December 1, 2007)
Mobitai Communications (Mobitai; formerly Tai Ya International Telecommunications Co., Ltd. (TYIT))	Subsidiary (merged with the former Mobitai on January 1, 2006 and was renamed Mobitai Communications; and merged into TAT on December 15, 2007)
The former Taiwan Fixed Network Co., Ltd. (The former TFN)	Subsidiary (change relationship on April 17, 2007 and merged into TFN on December 28, 2007)

(Concluded)

b. Significant transactions with related parties were summarized below:

1) Operating revenues

	For the Years Ended December 31			
	2007		2006	
	Amount	% of Total Revenues	Amount	% of Total Revenues
TFN (including the former TFN)	$ 1,638,666	3	$ 1,411,029	3
TAT (including the former TAT)	584,457	1	693,059	1
Mobitai	242,924	-	285,079	1
TFCB	15,154	-	19,771	-
	$ 2,481,201		$ 2,408,938	

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

2) Operating costs

	For the Years Ended December 31			
	2007		2006	
	Amount	% of Total Costs	Amount	% of Total Costs
TFN (including the former TFN)	$ 901,022	4	$ 868,958	4
TAT (including the former TAT)	295,200	1	341,755	2
Mobitai	185,391	1	193,763	1
Fubon Ins.	81,044	-	89,322	-
	$ 1,462,657		$ 1,493,798	

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 transactions

Acquisition of property and equipment

	Year Ended December 31, 2007	
	Description	Amount
The former TFN	Telecommunication equipment, construction in progress, miscellaneous equipment and deferred charges	$ 13,172

	Year Ended December 31, 2006	
	Description	Amount
The former TFN	Land and buildings	$ 1,565,000
TT&T	Office equipment, miscellaneous equipment and deferred charges	59,476
		$ 1,624,476

Disposal of property and equipment

	Year Ended December 31, 2006	
	Description	Amount
The former TFN	Land and buildings	$ 152,000

The above disposal was made at arm's length, and the transaction amount was based on the value obtained from an appraising firm. This disposal resulted in a loss of $3,848 thousand in 2006

4) Operating lease income

	Leased Sites/Equipment	For the Years Ended December 31 2007	2006
TFN (including the former TFN)	Offices and BTS, etc.	$ 73,769	$ 27,410

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

5) Cash in banks

	December 31			
	2007		2006	
	Amount	%	Amount	%
a) Cash in banks				
TFCB	$ 58,456	2	$ 58,493	1
b) Pledged time deposits				
TFCB	$ 10,000	100	$ 10,000	100

6) Receivables and payables

	December 31			
	2007		2006	
	Amount	%	Amount	%
a) Accounts receivable				
TFN	$ 218,970	4	$ -	-
TAT	73,498	1	80,210	1
The former TFN	-		222,747	4
Mobitai	-	-	19,190	1
Other	3,872	-	3,696	-
	$ 296,340		$ 325,843	
b) Other receivables				
Tai Fu Media Technology Co., Ltd. (Note)	$ 2,009,353	73	$	
TFN Media Ltd. (Note)	250,487	9	-	-
TAT	217,895	8	139,777	28
TFN	55,636	2	-	-
Mobitai	-	-	109,782	22
Other	3,576	-	16,008	3
	$ 2,536,947		$ 265,567	

Note: Financing to related parties was as follows:

	Year Ended December 31, 2007			
Related Party	Ending Balance	Maximum Balance	Interest Rate	Interest Income
Tai Fu Media Technology Co., Ltd.	$ 2,005,000	$ 2,005,000	2.554-2.568	$ 4,353
TFNM	250,000	250,000	2.538	487
The former TFN	-	3,500,000	2.94	4,793
TFN	-	12,500,000	2.474	213,510
	$ 2,255,000	$ 18,255,000		$ 223,143

	December 31			
	2007		2006	
	Amount	%	Amount	%
c) Prepayments				
Fubon Ins.	$ 48,864	9	$ 70,985	13
d) Accounts payable				
TAT	$ 19,609	1	$ 23,937	2

	December 31			
	2007		2006	
	Amount	%	Amount	%
e) Accrued expenses				
TT&T	$ 159,147	3	153,397	4
TFN	134,734	3	-	-
Taiwan Super Basketball Co., Ltd.	13,500	-	-	-
The former TFN	-	-	55,074	1
	$ 307,381		$ 208,471	
f) Other payables				
TAT	$ 251,648	2	$ 96,570	3
TFN	94,611	1	-	-
Mobitai		-	63,717	2
The former TFN	-	-	44,130	1
	$ 346,259		$ 204,417	
g) Other current liabilities - collections and temporary credits for the following				
TFN	$ 334,846	36	$ -	-
TAT	239,384	26	202,048	23
The former TFN	-	-	194,924	22
Mobitai	-	-	95,468	11
	$ 574,230		$ 492,440	

	Years Ended December 31	
	2007	2006
7) Telecommunication service expenses		
TFN (including the former TFN)	$ 85,676	$ 66,424
8) Professional service fees		
TT&T	$ 875,660	$ 992,514
9) Miscellaneous purchases		
TT&T	$ -	$ 15,300
10) Insurance expenses		
Fubon Ins.	$ 14,856	$ 10,391
11) Other expenses		
FPMC	$ 18,863	$ 21,985
TT&T	-	24,109
	$ 18,863	$ 46,094

	Years Ended December 31	
	2007	**2006**
12) Donation		
TWM Foundation	$ 18,000	$ 21,000
13) Repairs and Maintenance		
FPMC	$ 19,288	$ -
14) Advertisement expenses		
Taiwan Super Basketball Co., Ltd.	$ 13,500	$ -
15) Endorsement/guarantee provided		
Miscellaneous income		
TFN (including the former TFN)	$ 32,504	$ -

a) The Corporation provided a $18,000,000 thousand guarantee for TFN's bank loan. As of December 31, 2007, TFN had drawn down a bank loan of $5,340,000 thousand under this guarantee.

b) As of December 31, 2007, the Corporation had provided TFN $50,000 thousand as performance guarantee for customers for IDD calling card, in accordance with NCC's new policy effective on April 1, 2007.

16) Other

a) As of December 31, 2007, TAT had provided the Corporation $1,000,000 thousand as performance guarantee for customers when issuing prepaid card in accordance with new policy set by NCC on April 1, 2007.

b) The Corporation bought a real estate from the former TFN based on the need for base station. Only a natural person could be the owner of the farmland due to the related regulations. The Corporation bought the farmland located in Yang-Mei, Taoyuan for the amount of $12,000 thousand through setting up of a fiduciary contract with the landholder in December 2006 and is applying for the transfer of the ownership. The Corporation uses the land for operation purpose.

c) For the years ended December 31, 2007 and 2006, the Corporation provided business services for service charges, which were recorded as deductions from related costs and expenses. The Corporation's service charges were as follows:

	Years Ended December 31	
	2007	**2006**
TAT (including the former TAT)	$ 578,125	$ 665,927
Mobitai	296,343	$ 374,449
TFN(including the former TFN)	63,686	-
	$ 938,154	$ 1,040,376

23. ASSETS PLEDGED

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

	December 31	
	2007	2006
Time deposits	$ 10,000	$ 10,000

24. COMMITMENTS AND CONTINGENT EVENTS

a. To enhance 3G mobile communications, expand network coverage and increase the service functions, the Corporation entered into a 3G expansion contract with Nokia for $4,800,000 thousand in September 2006. As of December 31, 2007, the purchase amount was $1,127,795 thousand.

b. Unused letters of credit for acquisition of equipment were EUR22 thousand as of December 31, 2007.

c. Future minimum rental payments as of December 31, 2007 for significant operating lease agreements were summarized as follows:

	Amount
2008	$ 29,488
2009	11,197
2010	11,476
2011	11,642
2012	5,367

25. ADDITIONAL DISCLOSURES

Following were the additional disclosures required by the Securities and Futures Bureau for the Corporation and its investees:

a. Financing provided: Table 1 (attached)

b. Endorsement/guarantee provided: Table 2 (attached)

c. Marketable securities held: Table 3 (attached).

d. Marketable securities acquired and disposed of at costs or prices of at least $100 million or 20% of the paid-in capital: Table 4 (attached).

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 5 (attached).

h. Receivables from related parties amounting to at least $100 million or 20% of the paid-in capital: Table 6 (attached).

i. Names, locations, and related information of investees on which the Corporation exercised significant influence: Table 7 (attached).

j. Derivative transactions

1) The Corporation entered into interest rate swap (IRS) contracts in December 2002 to hedge fluctuation on anti-floating interest rates of bonds, which are settled semiannually. Please refer to Note 21 for the related information.

Financial Instrument	Term	Contract Amount
Interest rate swap contracts	Anti-floating interest rate in exchange for fixed interest rate of 2.25%	$ 2,500,000
	Anti-floating interest rate in exchange for fixed interest rate of 2.45%	5,000,000

The Corporation entered into IRS contracts to hedge anti-floating interest rate fluctuation. For the years ended December 31, 2007 and 2006, the Corporation recognized losses of $157,945 thousand and $141,434 thousand, respectively, recorded as addition to interest expense.

2) The former TFN entered into IRS contracts in June 2005 to hedge interest floating rate fluctuations on syndicated loans, which are settled quarterly. The IRS contracts were all cleared on June 25, 2007, and the related information is as follows:

Financial Instrument	Term	Contract Amount
Interest rate swap contracts	Floating interest rate in exchange for fixed interest rate of 1.61%	$ 500,000
	Floating interest rate in exchange for fixed interest rate of 1.60%	500,000
	Floating interest rate in exchange for fixed interest rate of 1.63%	500,000

The former TFN entered into IRS contracts to hedge floating interest rate fluctuation and recognized gains $894 thousand in 2007.

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 8 (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.

26. SEGMENT INFORMATION

a. Industry

The Corporation is primarily a wireless communication services provider.

b. Foreign operations

The Corporation has no revenue-generating unit that operates outside the ROC.

c. Foreign revenues

The Corporation has no foreign revenues.

d. Customers with revenues exceeding 10% of the total net operating revenues were as follows:

	2007		2006	
Company	**Amount**	**Percentage of Operating Revenue**	**Amount**	**Percentage of Operating Revenue**
Chunghwa Telecom Co., Ltd.	$ 9,194,171	18	$ 9,122,441	19

TABLE 1

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

FINANCING PROVIDED
YEAR ENDED DECEMBER 31, 2007
(In Thousands of New Taiwan Dollars)

No.	Financing Company	Counter-party	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		Financing Limit for Each Borrowing Company (Note)	Financing Company's Financing Amount Limits (Note)
											Item	Value		
0	The Corporation	The former Taiwan Fixed Network Co., Ltd.	Other receivables	$ 3,500,000	$ -	2.94%	Short-term financing	$ -	To finance subsidiaries to pay off the syndicate loan	$ -	-	-	$ 12,741,172 (Note 1)	$ 12,741,172 (Note 1)
		Taiwan Fixed Network Co., Ltd.	Other receivables	12,500,000	-	2.474%	Short-term financing	-	To meet its financing needs in acquiring the former TFN	-	-	-	12,741,172 (Note 1)	12,741,172 (Note 1)
		Tai Fu Media Technology Co., Ltd.	Other receivables	2,005,000	2,005,000	2.554%-2.568%	Short-term financing	-	To meet its financing needs in acquiring minorities	-	-	-	12,741,172 (Note 1)	12,741,172 (Note 1)
		TFN Media Ltd.	Other receivables	250,000	250,000	2.538%	Short-term financing	-	To meet its financing needs in acquiring minorities	-	-	-	1,500,000 (Note 1)	12,741,172 (Note 1)
1	TransAsia Telecommunications Inc. (Note 4)	Taiwan Cellular Co., Ltd. (formerly Taihsing Den Syun Co., Ltd.)	Other receivables	900,000	900,000	2.477%	Short-term financing	-	To meet its financing needs in setting up subsidiaries	-	-	-	- (Note 4)	4,532,266 (Note 1)
2	Taiwan Cellular Co., Ltd. (formerly Taihsing Den Syun Co., Ltd.)	Taiwan Fixed Network Co., Ltd.	Other receivables	2,500,000	2,500,000	2.558%	Short-term financing	-	To pay off bank loan	-	-	-	22,799,215 (Note 1)	22,799,215 (Note 1)
		TFN Media Ltd.	Other receivables	1,250,000	1,250,000	2.538%	Short-term financing	-	To meet its financing needs in acquiring minorities	-	-	-	1,500,000 (Note 1)	22,799,215 (Note 1)
3	TFN Investment Co., Ltd.	The former Taiwan Fixed Network Co., Ltd.	Other receivables	1,200,000	-	2.501%	Short-term financing	-	To finance parent company to pay off bank loan.	-	-	-	21,256,008 (Note 2)	27,223,560 (Note 2)
		TFN Media Ltd.	Other receivables	1,000,000	1,000,000	2.538%	Short-term financing	-	To meet its financing needs in acquiring minorities	-	-	-	1,267,798 (Note 2)	27,223,560 (Note 2)
4	Union Cable TV Co., Ltd.	TFN Media Ltd.	Other receivables - related parties	460,000	460,000	2.538%-3.7947%	Transactions	229,923	Business requirements	-	-	-	13,500,000 (Note 3)	13,500,000 (Note 3)
5	North Coast Cable TV Co., Ltd.	TFN Media Ltd.	Other receivables - related parties	140,000	140,000	2.538%-3.7947%	Transactions	60,910	Business requirements	-	-	-	12,000,000 (Note 3)	12,000,000 (Note 3)
6	Mangrove Cable TV Corporation	TFN Media Ltd.	Other receivables - related parties	43,000	43,000	2.538%-3.7947%	Transactions	13,401	Business requirements	-	-	-	12,000,000 (Note 3)	12,000,000 (Note 3)
7	Globalview Cable TV Co., Ltd.	TFN Media Ltd.	Other receivables - related parties	210,000	210,000	2.538%-3.7947%	Transactions	199,423	Business requirements	-	-	-	12,000,000 (Note 3)	12,000,000 (Note 3)
8	Shin Ho Cable TV Co., Ltd.	TFN Media Ltd.	Other receivables - related parties	207,700	207,700	2.538%-3.7947%	Transactions	13,707	Business requirements	-	-	-	12,000,000 (Note 3)	12,000,000 (Note 3)

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.

(Continued)

Note 2: (a) The amount of financing provided, including transactions, business cooperation and short-term financing, should not exceed the higher amount between the net worth of the corporation or the amount of transactions plus business cooperation. (b) The limited amount of financing provided for short-term financing should not exceed 40% of the net with of the financing company, and the amount financed to each counter-party should not exceed 40% of the net worth of the counter-party.

Note 3 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.

Note 4: Assumed all MBT's financing provided to others due to merger.

(Concluded)

TABLE 2

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

ENDORSEMENT/GUARANTEE PROVIDED
YEAR ENDED DECEMBER 31, 2007
(In Thousands of New Taiwan Dollars)

No.	Endorsement/Guarantor (A)	Receiving Party		Maximum Guarantee/ Endorsement Amount Allowed for Receiving Party	Maximum Balance for the Period (Note 4)	Ending Balance (Note 4)	Value of Collaterals	Ratio of Accumulated Amount of Endorsement/ Guarantee to Net Equity of the Receiving Party (Note 4)	Maximum Total Guarantee/ Endorsement Allowed to Be Provided by the Guarantor/Endorser
		Name (B)	Nature of Relationship (B is A's)						
0	The Corporation	Taiwan Fixed Network Co., Ltd.	(Note 1)	$ 80,000,000 (Note 5)	$ 18,050,000	$ 18,050,000	$ -	56.67%	$ 31,852,929 (Note 5)
1	TransAsia Telecommunications Inc.	The Corporation	(Note 2)	18,000,000 (Note 6)	1,000,000	1,000,000	-	8.83%	11,330,665 (Note 6)
2	TFN Investment Co., Ltd.	WinTV Broadcasting Co., Ltd.	(Note 3)	27,223,560 (Note 7)	50,000	50,000	-	0.18%	27,223,560 (Note 7)
3	VoPier Communications (Taiwan) Co., Ltd.	Taiwan Telecommunication Network Services Co., Ltd.	(Note 2)	240,000 (Note 8)	262	233	-	1.87%	12,447 (Note 8)
4	TFN Media Ltd.	TFN Media Ltd.	(Note 1)	15,000,000 (Note 9)	7,000,000 (Note 10)	-	- (Note 10)	-	15,000,000 (Note 9)
5	Union Cable TV Co., Ltd.	Union Cable TV Co., Ltd.	(Note 1)	1,350,000 (Note 9)				-	1,350,000 (Note 9)
6	North Coast Cable TV Co., Ltd.	North Coast Cable TV Co., Ltd.	(Note 1)	12,000,000 (Note 9)				-	12,000,000 (Note 9)
7	Mangrove Cable TV Corporation	Mangrove Cable TV Corporation	(Note 1)	12,000,000 (Note 9)				-	12,000,000 (Note 9)
8	Globalview Cable TV Co., Ltd.	Globalview Cable TV Co., Ltd.	(Note 1)	12,000,000 (Note 9)				-	12,000,000 (Note 9)
9	Phoenix Cable TV Co., Ltd.	Phoenix Cable TV Co., Ltd.	(Note 1)	12,000,000 (Note 9)				-	12,000,000 (Note 9)
10	Shin Ho Cable TV Co., Ltd.	Shin Ho Cable TV Co., Ltd.	(Note 1)	12,000,000 (Note 9)				-	12,000,000 (Note 9)
11	Yeong Jialeh Cable TV Co., Ltd.	Yeong Jialeh Cable TV Co., Ltd.	(Note 1)	24,000,000 (Note 9)				-	24,000,000 (Note 9)

(Continued)

Note 1: Direct/indirect subsidiary

Note 2: Parent company

Note 3: Direct subsidiary

Note 4: Maximum guarantee/endorsement amount for the period and the ending balance are the amount allowed, not actual appropriation.

Note 5: The Corporation limits the endorsement/guarantee amount for the company that directly or indirectly entitled the whole percentage of voting rights within net value of the Corporation, and the endorsement/guarantee amount for each counter-party.

Note 6: The Corporation limits the endorsement/guarantee amount for directly or indirectly entitled the whole percentage of TAT within the net value of TAT, and the endorsement/guarantee amount should not exceed double TAT's investment amount.

Note 7: The individual lending amount and the aggregate amount of loaning funds to subsidiaries shall be both limited to the higher amount of the following items: 1) the financing company's net worth, or 2) the amount of business dealing.

Note 8: TTN wholly owns VoPier Communications. The total guarantee/endorsement amount for VoPier's to provide shall not exceed its net worth. The guarantee/endorsement amount to each shareholder provided by VoPier limits to 2 times of its stake.

Note 9: 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.

Note 10: TFNM, FYM, UCTV, NCCTV, MCTV, GCTV, PCTV, SHCTV and YJCTV are sureties for each other to obtain a syndicate loan from Chinatrust Commercial Bank and other financial institutions. The credit line was $7,000,000 thousand. Those nine companies are jointly liable for this loan. As of December 31, 2007, those companies had paid off all the syndicate loan. The $833,968 thousand of collaterals were redeemed from bank on January 7, 2008.

(Concluded)

TABLE 3

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
YEAR ENDED DECEMBER 31, 2007
(In Thousands of New Taiwan Dollars or U.S. Dollars)

Holding Company Name	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	December 31, 2007				Note
				Shares/Units (Thousands)	Carrying Value	Percentage of Ownership	Market Value or Net Assets Value (Note 1)	
Taiwan Mobile Co., Ltd.	Stock							
	Chunghwa Telecom Co., Ltd.	-	Available-for-sale financial assets - current	2,957 (Note 9)	$ 177,112	0.028%	$ 177,112 (Note 2)	
	Bridge Mobile Pte Ltd.	-	Financial assets carried at cost - non-current	2,200	71,596	10.00%	61,225	
	TransAsia Telecommunications Inc.	Subsidiary	Long-term investments - equity method	900,000	11,330,665	100.00%	11,330,665	
	Wealth Media Technology Co., Ltd.	Subsidiary	Long-term investments - equity method	8,700	82,715	100.00%	82,715	
	Taiwan Cellular Co., Ltd. (formerly Taihsing Den Syun Co., Ltd.)	Subsidiary	Long-term investments - equity method	364,958	3,791,398 (Note 3)	100.00%	56,998,037	
TransAsia Telecommunications Inc.	Stock							
	Yes Mobile Holdings Company	-	Financial assets carried at cost - non-current	74	- (Note 5)	0.19%	- (Note 4)	
Wealth Media Technology Co., Ltd.	Stock							
	Tai Fu Media Technology Co., Ltd.	Subsidiary	Long-term investments - equity method	8,500	80,876	100.00%	80,876	
Tai Fu Media Technology Co., Ltd.	Stock							
	Global Wealth Media Technology Co., Ltd.	Subsidiary	Long-term investments - equity method	8,400	84,975	100.00%	84,975	
	Fu Jia Leh Media Technology Co., Ltd.	Subsidiary	Long-term investments - equity method	117,100	2,001,211	100.00%	2,001,211	
	Fu Sin Media Technology Co., Ltd.	Subsidiary	Long-term investments - equity method	100	900	100.00%	900	
Global Wealth Media Technology Co., Ltd.	Stock							
	Globalview Cable TV Co., Ltd.	Subsidiary	Long-term investments - equity method	3,460	84,039	6.18%	40,715	
Taiwan Cellular Co., Ltd. (formerly Taihsing Den Syun Co., Ltd.)	Stock							
	Arcoa Communication Co., Ltd.	-	Financial assets carried at cost - non-current	6,998	67,731	5.21%	- (Note 4)	
	Parawin Venture Capital Corp.	-	Financial assets carried at cost - non-current	3,000	22,202	3.00%	- (Note 4)	
	Transportation High Tech Inc.	-	Financial assets carried at cost - non-current	1,200	- (Note 5)	12.00%	- (Note 4)	
	WEB Point Co., Ltd.	-	Financial assets carried at cost - non-current	803	6,773	3.17%	- (Note 4)	
	Taiwan Teleservices & Technologies Co., Ltd.	Subsidiary	Long-term investments - equity method	30,000	249,986	100.00%	249,986	
	Tai Yi Digital Broadcasting Co., Ltd.	Subsidiary	Long-term investments - equity method	2,495	23,507	49.90%	23,507	
	TWM Holding Co. Ltd.	Subsidiary	Long-term investments - equity method	1 share	US$ 7,650	100.00%	US$ 7,650	
	Taiwan Fixed Network Co., Ltd.	Subsidiary	Long-term investments - equity method	4,000,000	53,140,019	100.00%	53,140,019	
	Taiwan Digital Communication Co., Ltd.	Subsidiary	Long-term investments - equity method	1,200	11,172	100.00%	11,172	

(Continued)

Holding Company Name	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	December 31, 2007				Note
				Shares/Units (Thousands)	Carrying Value	Percentage of Ownership	Market Value or Net Assets Value (Note 1)	
Taiwan Teleservices & Technologies Co., Ltd.	Stock							
	TT&T Life Insurance Agency Co., Ltd.	Subsidiary	Long-term investments - equity method	300	$ 3,009	100.00%	$ 3,009	
	TT&T Casualty & Property Insurance Agency Co., Ltd.	Subsidiary	Long-term investments - equity method	300	2,672	100.00%	2,672	
	TT & T Holdings Co., Ltd.	Subsidiary	Long-term investments - equity method	1,300	US$ 1,316	100.00%	US$ 1,316	
	Taiwan Super Basketball Co., Ltd.	Subsidiary	Long-term investments - equity method	2,000	20,046	100.00%	20,046	
TT&T Holdings Co., Ltd.	Stock							
	Xiamen Taifu Teleservices & Technologies Ltd.	Subsidiary	Long-term investments - equity method	-	US$ 1,312	100.00%	US$ 1,312	
TWM Holding Co. Ltd.	ADS							
	Hurray! Holding Co., Ltd.	-	Available-for-sale financial assets - current	1,080	US$ 4,309	4.97%	US$ 4,309 (Note 2)	
Taiwan Fixed Network Co., Ltd.	Stock							
	Taiwan Mobile Co., Ltd.	The Corporation	Available-for-sale financial assets - non-current	900,353 (Note 9)	37,004,498	18.00%	37,004,498 (Note 2)	
	TFN Investment Co., Ltd.	Subsidiary	Long-term investments - equity method	2,061,939	24,215,585	100.00%	27,223,560	
	Taiwan United Communication Co., Ltd.	Subsidiary	Long-term investments - equity method	1,190	1,507,621	98.93%	1,507,621	
	TFN HK Limited	Subsidiary	Long-term investments - equity method	1,299	3,075	99.99%	3,075	
	Taiwan High Speed Rail Corporation	-	Financial assets carried at cost - non-current	225,531	2,120,829	3.97%	241,036 (Note 8)	
TFN Investment Co., Ltd.	Stock							
	Taiwan Mobile Co., Ltd.	The Corporation	Available-for-sale financial assets - non-current	467,897 (Note 9)	19,230,586	9.36%	19,230,586 (Note 2)	
	Reach & Range Inc.	Subsidiary	Long-term investments - equity method	2,400	32,355	100.00%	25,284	
	WinTV Broadcasting Co., Ltd.	Subsidiary	Long-term investments - equity method	59,100	254,942	98.50%	252,141	
	TFN Media Ltd.	Subsidiary	Long-term investments - equity method	214,518	2,951,824	93.06%	2,949,532	
	Great Taipei Broadband Co., Ltd.	-	Financial assets carried at cost - non-current	10,000	50,528	6.67%	50,528 (Note 8)	
	Fubon Financial Holding Company	Related parties	Available-for-sale financial assets - current	62,023	1,786,256	0.80%	1,786,256 (Note 2)	
	Preferred stock							
	Taiwan High Speed Rail Corporation - Unlisted Convertible Preferred Stock - series A	-	Bonds measured at amortized cost-non - current	50,000	500,000	1.03%	-	
TFN Media Ltd.	Stock							
	Yeong Jialeh Cable TV Co., Ltd.	Subsidiary	Long-term investments - equity method	33,940	2,078,790	100.00%	554,455	
	Shin Ho Cable TV Co., Ltd.	Subsidiary	Long-term investments - equity method	20,000	729,647	100.00%	242,792 (Note 7)	

(Continued)

Holding Company Name	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	December 31, 2007				Note
				Shares/Units (Thousands)	Carrying Value	Percentage of Ownership	Market Value or Net Assets Value (Note 1)	
	Mangrove Cable TV Corporation	Subsidiary	Long-term investments - equity method	21,160	$ 518,552	100.00%	$ 255,405 (Note 7)	
	North Coast Cable TV Co., Ltd.	Subsidiary	Long-term investments - equity method	21,160	518,645	100.00%	226,805	
	Phoenix Cable TV Co., Ltd.	Subsidiary	Long-term investments - equity method	47,663	2,069,063	70.00%	656,023	
	Union Cable TV Co., Ltd.	Subsidiary	Long-term investments - equity method	170,441	2,014,883	99.99%	1,810,283	
	Globalview Cable TV Co., Ltd.	Subsidiary	Long-term investments - equity method	51,733	1,231,162	92.38%	608,710	
Taiwan United Communication Co., Ltd.	Stock							
	Taiwan Telecommunication Network Services Co., Ltd.	Subsidiary	Long-term investments - equity method	108,193	1,493,729	99.53%	942,065	
Taiwan Telecommunication Network Services Co., Ltd.	Stock							
	VoPier Communications (Taiwan) Co., Ltd.	Subsidiary	Long-term investments - equity method	12,000	12,447	100.00%	12,447	
	Preferred stock							
	New Century InfoComm Technology Co., Ltd.	-	Financial assets carried at cost - non-current	33,684	239,817	0.84%	- (Note 4)	
	Beneficiary certificates							
	Fuh-Hwa Bond Fund	-	Financial assets at fair value through profit or loss - current	2,272	30,775	-	30,775 (Note 6)	
	Fuh-Hwa Yuli Bond Fund	-	Financial assets at fair value through profit or loss - current	4,043	50,988	-	50,988 (Note 6)	
	ING Taiwan Income Fund	-	Financial assets at fair value through profit or loss - current	2,556	41,120	-	41,120 (Note 6)	
VoPier Communications (Taiwan) Co., Ltd.	Beneficiary certificates							
	CAPITAL Income Fund	-	Financial assets at fair value through profit or loss - current	71	1,072	-	1,072 (Note 6)	
	IBT 1699 Bond Fund	-	Financial assets at fair value through profit or loss - current	210	2,649	-	2,649 (Note 6)	
	E. Sun ERA Bond Fund	-	Financial assets at fair value through profit or loss - current	145	1,598	-	1,598 (Note 6)	
	Fuh-Hwa Bond Fund	-	Financial assets at fair value through profit or loss - current	278	3,771	-	3,771 (Note 6)	

Note 1: Based on the investee's net value as shown in its latest financial statements

Note 2: Based on the closing price on December 31, 2007.

Note 3: Taiwan Mobile shares held indirectly by Taiwan Cellular Co., Ltd. (TCC) are classified as treasury shares. Therefore, TWM's carrying cost of TCC was reduced from NT$56,998,037 thousand by NT$ 40,844,007 thousand and another NT$12,362,632 thousand unrealized gain.

Note 4: As of December 31, 2007, the independent auditors' report date, the investee's net value was not available.

Note 5: Impairment loss recognized in 2004 reduced the value to zero.

(Continued)

Note 6: Based on the net assets value of the fund on December 31, 2007.

Note 7: Partial shares are held under trustee accounts.

Note 8: Calculation was based on unaudited financial statements.

Note 9: Shares held before capital reduction.

(Concluded)

TABLE 4

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED OR DISPOSED AMOUNTING TO AT LEAST $100 MILLION OR 20% OF THE PAID-IN CAPITAL
YEAR ENDED DECEMBER 31, 2007
(In Thousands of New Taiwan Dollars)

Company Name	Marketable Securities Type and Issuer	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance (Note 1)	
					Shares/Units (Thousands)	Amount	Shares/Units (Thousands)	Amount	Shares/Units (Thousands)	Amount	Carrying Value	Gain (Loss) on Disposal	Shares/Units (Thousands)	Amount
Taiwan Mobile Co., Ltd.	Beneficiary certificate													
	Fuhwa Bond Fund	Financial assets at fair value through profit or loss - current	-	-	45,175	$ 602,192	-	$ -	45,175	$ 604,649	$ 604,649	$ -	-	$ -
	ING Taiwan Income Fund	Financial assets at fair value through profit or loss - current	-	-	25,387	401,917	-	-	25,387	403,656	403,656	-	-	-
	ING Taiwan Bond Fund	Financial assets at fair value through profit or loss - current	-	-	126,959	1,913,171	-	-	126,959	1,920,610	1,920,610	-	-	-
	ING Taiwan Select Bond Fund	Financial assets at fair value through profit or loss - current	-	-	35,432	401,565	-	-	35,432	401,827	401,827	-	-	-
	AIG Taiwan Bond Fund	Financial assets at fair value through profit or loss - current	-	-	153,928	1,962,733	-	-	153,928	1,968,901	1,968,901	-	-	-
	Dresdner Bond Dam Fund	Financial assets at fair value through profit or loss - current	-	-	130,038	1,506,803	-	-	130,038	1,512,928	1,512,928	-	-	-
	Fubon Jin-Ju-I Fund	Financial assets at fair value through profit or loss - current	-	-	81,999	1,002,954	-	-	81,999	1,007,112	1,007,112	-	-	-
	NITC Bond Fund	Financial assets at fair value through profit or loss - current	-	-	17,122	2,817,260	-	-	17,122	2,826,608	2,826,608	-	-	-
	Prudential Financial Bond Fund	Financial assets at fair value through profit or loss - current	-	-	13,686	200,015	-	-	13,686	200,500	200,500	-	-	-
	JF (Taiwan) Bond Fund	Financial assets at fair value through profit or loss - current	-	-	19,702	300,597	-	-	19,702	301,824	301,824	-	-	-
	Stock													
	Taiwan Cellular Co., Ltd. (formerly Taihsing Den Syun Co., Ltd.)	Long-term investments - equity method	-	-	325,000	3,877,659	39,958	39,958,330	-	-	-	-	364,958	3,791,398 (Note 2)
	The Former Taiwan Fixed Network Co., Ltd.	Financial assets carried at cost - non-current	Taiwan Cellular Co., Ltd. (formerly Taihsing Den Syun Co., Ltd.)	Subsidiary	637,000	3,700,944	-	-	637,000	5,287,100	3,700,944	- (Note 3)	-	-
TransAsia Telecommunications Inc.	Beneficiary certificate													
	ING Taiwan Bond Fund	Financial assets at fair value through profit or loss - current	-	-	46,758	704,606	-	-	46,758	706,382	706,382	-	-	-
	AIG Taiwan Bond Fund	Financial assets at fair value through profit or loss - current	-	-	71,000	905,330	-	-	71,000	907,488	907,488	-	-	-
	Prudential Financial Bond Fund	Financial assets at fair value through profit or loss - current	-	-	37,966	554,861	-	-	37,966	556,205	556,205	-	-	-
	JF (Taiwan) Bond Fund	Financial assets at fair value through profit or loss - current	-	-	42,808	653,130	-	-	42,808	654,757	654,757	-	-	-
	Fubon Jin-Ju-I Fund	Financial assets at fair value through profit or loss - current	-	-	12,267	150,035	24,522	300,000	36,789	451,112	451,112	-	-	-
	Stock													
	Mobitai Communications	Long-term investments-equity method.	Taiwan Cellular Co., Ltd. (formerly Taihsing Den Syun Co., Ltd.)	Related party	-	-	200,000	-	200,000	-	- (Note 7)	- (Note 7)	-	-
Tai Fu Media Technology Co., Ltd.	Stock													
	Fu Jia Leh Media Technology Co., Ltd	Long-term investments - equity method	-	-	-	-	117,100	2,001,700	-	-	-	-	117,100	2,001,211 (Note 10)
Taiwan Cellular Co., Ltd. (formerly Taihsing Den Syun Co., Ltd.)	Stock													
	Taiwan Fixed Network Co., Ltd.	Long-term investments - equity method	-	-	-	-	4,000,000	40,000,000	-	-	-	-	4,000,000	53,140,019 (Note 4)
	The former Taiwan Fixed Network Co., Ltd.	Financial assets carried at cost - non-current	Taiwan Mobile Co., Ltd.	Parent	4,900	42,864	637,000	5,287,100	641,900	5,327,770	5,329,964	- (Note 5)	-	-
	Taiwan Digital Communications Co., Ltd.	Long-term investments - equity method	-	-	-	-	26,000	260,000	-	-	-	-	1,200	11,172 (Note 6)
Taiwan Fixed Network Co., Ltd.	Stock													
	The former Taiwan Fixed Network Co., Ltd.	Long-term investments - equity method			-	-	5,624,640	46,677,052	5,624,640	-	46,677,052	- (Note 8)	-	-

(Continued)

Company Name	Marketable Securities Type and Issuer	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance (Note 1)	
					Shares/Units (Thousands)	Amount	Shares/Units (Thousands)	Amount	Shares/Units (Thousands)	Amount	Carrying Value	Gain (Loss) on Disposal	Shares/Units (Thousands)	Amount
	Taiwan United Communication Co., Ltd.	Long-term investments - equity method				$ -	1,190	$ 1,509,887	-	$ -	$ -	$ -	1,190	$ 1,507,621 (Note 9)
	Beneficiary certificate													
	Fubon Jin-Ju-I Fund	Available-for-sale financial assets - current	-	-	57,696	705,702	-	-	57,696	710,087	697,743	12,344	-	-
	Fubon Chi-Hsiang Fund	Available-for-sale financial assets - current	-	-	32,588	474,301	-	-	32,588	477,065	460,272	16,793	-	-
	ING Taiwan Income Fund	Available-for-sale financial assets - current	-	-	31,345	496,241	-	-	31,345	499,590	482,440	17,150	-	-
	ING Taiwan Bond Fund	Available-for-sale financial assets- current	-	-	28,577	430,627	-	-	28,577	433,302	428,521	4,781	-	-
	NITC Bond Fund	Available-for-sale financial assets - current	-	-	2,303	378,968	-	-	2,303	381,266	376,422	4,844	-	-
	Fuhwa Apex Bond Fund	Available-for-sale financial assets - current	-	-	10,426	123,066	-	-	10,426	123,396	123,031	365	-	-
	JF (Taiwan) Bond Fund	Available-for-sale financial assets - current	-	-	13,110	200,016	-	-	13,110	201,238	200,000	1,238	-	-
	Capital Income Fund	Available-for-sale financial assets - current	-	-	13,432	200,009	-	-	13,432	201,269	200,000	1,269	-	-
	Prudential Financial Bond Fund	Available-for-sale financial assets - current	-	-	6,842	100,000	-	-	6,842	100,602	100,000	602	-	-
	Fuhwa Advantage Bond Fund	Available-for-sale financial assets - current	-	-	11,510	120,005	-	-	11,510	120,322	120,000	322	-	-
	Fuhwa Bond Fund	Available-for-sale financial assets - current	-	-	-	-	19,009	243,719	19,009	244,487	243,719	768	-	-
TFN Investment Co., Ltd.	Beneficiary certificate													
	ING Taiwan Bond Fund	Available-for-sale financial assets - current	-	-	26,669	401,881	46,329	700,000	72,998	1,107,087	1,100,000	7,087	-	-
	ING Taiwan Income Fund	Available-for-sale financial assets - current	-	-	9,837	155,733	23,108	368,000	32,945	526,976	523,000	3,976	-	-
	JF (Taiwan) Bond Fund	Available-for-sale financial assets - current	-	-	6,624	101,072	13,095	200,000	19,719	302,760	300,529	2,231	-	-
	JF (Taiwan) First Bond Fund	Available-for-sale financial assets - current	-	-	-	-	14,192	200,000	14,192	200,663	200,000	663	-	-
	Capital Income Fund	Available-for-sale financial assets - current	-	-	-	-	56,930	850,000	56,930	853,129	850,000	3,129	-	-
	NITC Bond Fund	Available-for-sale financial assets - current	-	-	61	10,083	1,031	170,000	1,092	180,849	179,834	1,015	-	-
	NITC Taiwan Bond Fund	Available-for-sale financial assets - current	-	-	-	-	38,924	550,000	38,924	551,907	550,000	1,907	-	-
	Fubon Chi-Hsiang Fund	Available-for-sale financial assets - current	-	-	12,322	179,343	-	-	12,322	180,423	178,086	2,337	-	-
	Fubon Jin-Ju-I Fund	Available-for-sale financial assets - current	-	-	28,751	351,658	84,371	1,034,237	113,122	1,392,522	1,384,237	8,285	-	-
	Pca Well Pool Fund	Available-for-sale financial assets - current	-	-	-	-	23,896	300,000	23,896	301,054	300,000	1,054	-	-
	Upamc James Bond Fund	Available-for-sale financial assets - current	-	-	-	-	16,160	250,000	16,160	250,827	250,000	827	-	-
	Fuhwa Bond Fund	Available-for-sale financial assets - current	-	-	-	-	23,399	300,000	23,399	301,006	300,000	1,006	-	-
	Stock													
	Fubon Financial Holding Company	Available-for-sale financial assets - current	-	-	53,293	1,625,432	34,645	1,032,419	25,915	835,250	680,310	154,940	62,023	1,786,256
Taiwan United Communication Co., Ltd.	Stock													
	Taiwan Telecommunication Network Services Co., Ltd.	Long-term investments - equity method	-	-	-	-	108,193	1,497,701	-	-	-	-	108,193	1,493,729 (Note 11)
Globalview Cable TV Co., Ltd.	Beneficiary certificate													
	IBT Ta Chong Bond Fund	Available-for-sale financial assets - current	-	-	7,679	100,003	-	-	7,679	100,700	100,000	700	-	-
Shin Ho Cable TV Co., Ltd.	Beneficiary certificate													
	Fubon Jin-Ju-I Fund	Available-for-sale financial assets - current	-	-	5,724	70,009	-	-	5,724	70,523	70,000	523	-	-

(Continued)

Note 1: The amount of beginning and ending fund balance that belongs to marketable securities included the revaluation gain on financial assets.

Note 2: The amount included (a) the cash dividend adjustment of $544,114 thousand; (b) the investment income adjustment of $1,784,640 thousand; (c) the recognition of cumulative translation adjustments of $1,904 thousand; (d) unrealized loss of $113,063 thousand on financial asset; (e)capital surplus $331,485 thousand; and (f)net loss not recognized as pension cost 1,534 thousand. Moreover, the Corporation's shares held by its subsidiaries are treated as treasury stock and reclassified from investments accounted for using equity method to treasury stock, amount to $40,844,007 thousand.

Note 3: For its reorganization, the Corporation resolved to inject capital into Taiwan Cellular Co., Ltd. (formerly Taihsing Den Syun Co., Ltd.) with all its shares of Taiwan Fixed Network Co., Ltd（The former TFN). The difference between the original cost and the disposal price of the former TFN shares, $1,586,156 thousand, was recognized by the Corporation as deferred credits. There was no gain or loss on this transaction.

Note 4: The amount included (a) the investment income adjustment of $809,140 thousand; (b) the recognition of cumulative translation adjustment of $751 thousand; (c) unrealize loss of $12,327,281 thousand on financial assets; (d)capital surplus $1,313 thousand; and (e)net loss not recognized as pension cost $1,534 thousand.

Note 5: For its reorganization, TCC resolved to inject capital into Taihsing International Telecommunications Co., Ltd. with all its shares of Taiwan Fixed Network Co., Ltd（The former TFN）. The difference between the original cost and the disposal price of the former TFN shares, $2,194 thousand, was recognized by TCC as deferred debits. There was no gain or loss on this share transaction.

Note 6: The amount included the capital reduction adjustment of $248,000 thousand and the investment loss adjustment of $828 thousand.

Note 7: For its recognization, Mobitai Communications merged into TAT. There was no gain or loss on this share transaction.

Note 8: For its recognization, the former TFN merged into TFN. There was no gain or loss on this share transaction.

Note 9: The amount included (a) the investment loss adjustment of $3,579 thousand; and (b) capital surplus $1,313 thousand.

Note 10: The amount included the investment loss adjustment of $489 thousand.

Note 11:The amount included (a) the investment income adjustment of $8,955 thousand; and (b) the difference between the cost of acquisition and the equity in the investee's net asset value, amount to $12,927 thousand.

(Concluded)

TABLE 5

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
DECEMBER 31, 2007
(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Transaction Details				Other Transaction		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.	TransAsia Telecommunications Inc.	Subsidiary	Sale	$ (584,457)	1	Based on contract terms	-	-	$ 73,498	1	
			Purchase	295,200	1	Based on contract terms	-	-	(19,609)	1	
	Taiwan Fixed Network Co., Ltd. (including the former Taiwan Fixed Network Co., Ltd.)	Subsidiary	Sale	(1,638,666)	3	Based on contract terms	-	-	218,970	4	
			Purchase	901,022	4	Based on contract terms	-	-	-	-	
	Mobitai Communications	Subsidiary	Sale	(242,924)	-	Based on contract terms	-	-	-	-	
			Purchase	185,391	1	Based on contract terms	-	-	-	-	
	Taiwan Teleservices & Technologies Co., Ltd.	Subsidiary	Purchase	875,660	(Note 1)	Based on contract terms	-	-	(159,147)	-	(Note 2)
TransAsia Telecommunications Inc.	The Corporation	Parent	Sale	(295,200)	5	Based on contract terms	-	-	19,754	3	
			Purchase	584,457	21	Based on contract terms	-	-	(75,158)	20	
Mobitai Communications	The Corporation	Ultimate parent	Sale	(185,009)	6	Based on contract terms	-	-			
			Purchase	242,924	15	Based on contract terms	-	-			
Taiwan Teleservices & Technologies Co., Ltd.	The Corporation	Ultimate parent	Sale	(875,715)	95	Based on contract terms	-	-	158,849	93	
Taiwan Fixed Network Co., Ltd. (Including the former Taiwan Fixed Network Co., Ltd.)	The Corporation	Ultimate parent	Sale	(979,542)	12	Based on contract terms	-	-	351,873	37	(Note 3)
			Purchase	1,593,670	24	Based on contract terms	-	-	(1,013)	-	
TFN Media Ltd.	Yeong Jialeh Cable TV Co., Ltd.	Subsidiary	Sale	(282,163)	19	Based on contract terms	-	-	24,689	16	
	Phoenix Cable TV Co., Ltd.	Subsidiary	Sale	(427,388)	29	Based on contract terms	-	-	37,396	25	
	Union Cable TV Co., Ltd.	Subsidiary	Sale	(191,523)	13	Based on contract terms	-	-	16,758	11	
	Globalview Cable TV Co., Ltd.	Subsidiary	Sale	(165,656)	11	Based on contract terms	-	-	14,495	10	
Yeong Jialeh Cable TV Co., Ltd.	TFN Media Ltd.	Parent	Royalty	282,163	61	Based on contract terms	(Note 4)	(Note 4)	(24,689)	76	
Union Cable TV Co., Ltd.	TFN Media Ltd.	Parent	Royalty	191,523	53	Based on contract terms	(Note 4)	(Note 4)	(16,758)	47	
Globalview Cable TV Co., Ltd.	TFN Media Ltd.	Parent	Royalty	165,656	62	Based on contract terms	(Note 4)	(Note 4)	(14,495)	55	
Phoenix Cable TV Co., Ltd.	TFN Media Ltd.	Parent	Royalty	427,388	65	Based on contract terms	(Note 4)	(Note 4)	(37,396)	62	

(Continued)

Note 1: Recognized as operating expenses.

Note 2: Recognized as accrued expenses.

Note 3: Shown as TFN's ending balance.

Note 4: No comparables on such kind of transactions.

(Concluded)

TABLE 6

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST $100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2007
(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Ending Balance		Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Bad Debts
						Amount	Action Taken		
Taiwan Mobile Co., Ltd.	TransAsia Telecommunications Inc.	Subsidiary	Accounts receivable	$ 73,498	7.6	$ -	-	$ -	$ -
			Other receivables	217,895		-	-	-	-
	Taiwan Fixed Network Co., Ltd.	Subsidiary	Accounts receivable	218,970	7.42 (Note 1)	-	-	-	-
			Other receivables	55,636		-	-	6,181	-
	Tai Fu Media Technology Co., Ltd.	Subsidiary	Other receivables	2,009,353		-	-	-	-
	TFN Media Ltd.	Subsidiary	Other receivables	250,487		-	-	-	-
TransAsia Telecommunications Inc.	The Corporation	Parent	Accounts receivable	19,754	13.51	-	-	-	-
			Other receivables	491,482		-	-	-	-
	Taiwan Cellular Co., Ltd. (formerly Taihsing Den Syun Co., Ltd.)	Related party	Other receivables	902,871		-	-	-	-
Taiwan Cellular Co., Ltd. (formerly Taihsing Den Syun Co., Ltd.)	Taiwan Fixed Network Co., Ltd.	Subsidiary	Other receivables	2,501,051		-	-	-	-
	TFN Media Ltd.	Subsidiary	Other receivables	1,252,434		-	-	-	-
Taiwan Teleservices & Technologies Co., Ltd.	The Corporation	Ultimate parent	Accounts receivable	158,849	5.62	-	-	-	-
			Other receivables	303		-	-	-	-
Taiwan Fixed Network Co., Ltd.	The Corporation	Ultimate parent	Accounts receivable	351,873	3.06 (Note 1)	-	-	70,497	-
TFN Investment Co., Ltd.	TFN Media Ltd.	Subsidiary	Other receivables	1,000,000	-	-	-	-	-
North Coast Cable TV Co., Ltd.	TFN Media Ltd.	Parent	Accounts receivables	442	-	-	-	-	-
			Other receivables	144,388					
Shin Ho Cable TV C., Ltd.	TFN Media Ltd.	Parent	Accounts receivables	671	-	-	-	-	-
			Other receivables	211,705	-				
Union Cable TV Co., Ltd.	TFN Media Ltd.	Parent	Accounts receivable	6,549	-	-	-	-	-
			Other receivables	467,239		-	-	-	-
Globalview Cable TV Co., Ltd.	TFN Media Ltd.	Parent	Accounts receivable	1,831	-	-	-	-	-
			Other receivables	215,688		-	-	-	-

Note 1: Including accounts receivable of the former TFN.

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
DECEMBER 31, 2007
(In Thousands of New Taiwan Dollars or U.S. Dollars)

Investor	Investee	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2007			Net Income (Loss) of the Investee	Investment Income (Loss)	Note
				December 31, 2007	January 1, 2007	Shares (Thousands)	Percentage of Ownership	Carrying Value			
Taiwan Mobile Co., Ltd.	Taiwan Cellular Co., Ltd. (formerly Taihsing Den Syun Co., Ltd.)	Taipei, Taiwan	Equipment installation and IT service	$ 43,208,330	$ 3,250,000	364,958	100	$ 3,791,398 (Note 1)	$ 1,768,315	$ 1,784,640	
	TransAsia Telecommunications Inc.	Taipei, Taiwan	Wireless service provider	9,000,000	12,458,463	900,000	100	11,330,665	1,838,396	1,881,453	
	Wealth Media Technology Co., Ltd.	Taipei, Taiwan	Investment	87,000	-	8,700	100	82,715	(4,285)	(4,285)	
Wealth Media Technology Co., Ltd.	Tai Fu Media Technology Co., Ltd.	Taipei, Taiwan	Investment	85,000	-	8,500	100	80,876	(4,124)	NA	
Tai Fu Media Technology Co., Ltd.	Global Wealth Media Technology Co., Ltd.	Taipei Country, Taiwan	Investment	84,000	-	8,400	100	84,975	975	NA	
	Fu Jia Leh Media Technology Co., Ltd.	Taipei, Taiwan	Investment	2,001,700	-	117,100	100	2,001,211	(489)	NA	
	Fu Sin Media Technology Co., Ltd.	Taipei, Taiwan	Investment	1,000	-	100	100	900	(100)	NA	
Global Wealth Media Technology Co., Ltd.	Globalview Cable TV Co., Ltd.	Sijhih Township	Cable television system	82,882	-	3,460	6.18	84,039	87,701	NA	
Taiwan Cellular Co., Ltd. (formerly Taihsing Den Syun Co., Ltd.)	Taiwan Teleservices & Technologies Co., Ltd.	Taipei, Taiwan	Call center service	5,294	405,294	30,000	100	249,986	106,713	NA	
	Tai Yi Digital Broadcasting Co., Ltd.	Taipei, Taiwan	Broadcasts business and cell phone number agency	24,950	24,950	2,495	49.9	23,507	(1,810)	NA	
	TWM Holding Co. Ltd.	British Virgin Islands	Investment	US$ 9,000	US$ 9,000	1 share	100	US$ 7,650	US$ 64	NA	
	Taiwan Fixed Network Co., Ltd	Taipei, Taiwan	Fixed network service	40,000,000	-	4,000,000	100	53,140,019	809,140	NA	
	Taiwan Digital Communications Co., Ltd.	Taipei, Taiwan	Equipment installation and IT service	12,000	-	1,200	100	11,172	(828)	NA	
Taiwan Teleservices & Technologies Co., Ltd.	TT&T Life Insurance Agency Co., Ltd.	Taipei, Taiwan	Insurance agent	3,000	3,000	300	100	3,009	(4)	NA	
	TT&T Casualty & Property Insurance Agency Co., Ltd.	Taipei, Taiwan	Insurance agent	3,000	3,000	300	100	2,672	(31)	NA	
	TT&T Holdings Co., Ltd.	Samoa	Investment	US$ 1,300	US$ 1,300	1,300	100	US$ 1,316	US$ (43)	NA	
	Taiwan Super Basketball Co., Ltd.	Taipei, Taiwan	Basketball team management and relative business	20,000	-	2,000	100	20,046	46	NA	
TT&T Holdings Co., Ltd.	Xiamen Taifu Teleservices & Technologies Ltd.	Xiamen	Call center service	US$ 1,300	US$ 1,300	-	100	US$ 1,312	US$ (42)	NA	
Taiwan Fixed Network Co., Ltd.	TFN Investment Co., Ltd.	Taipei, Taiwan	Investment	17,897,639	17,500,000	2,061,939	100	24,215,585	1,093,693	NA	
	Taiwan United Communication Co., Ltd.	Taipei, Taiwan	Equipment installation and IT service	1,509,887	-	1,190	98.93	1,507,621	(3,677)	NA	
	TFN HK Limited	Hong Kong	Telecommunications	5,816	5,816	1,299	99.99	3,075	(489)	NA	
TFN Investment Co., Ltd.	Reach & Range Inc.	Taipei, Taiwan	Service, telecommunication equipment installment and IT service	31,764	60,258	2,400	100	32,355	1,022	NA	
	WinTV Broadcasting Co., Ltd.	Taipei, Taiwan	Broadcasts business	591,000	-	59,100	98.5	254,942	(142,674)	NA	
	TFN Media Ltd.	Taipei, Taiwan	Type II telecommunication services	1,500,000	-	214,518	93.06	2,951,824	751,015	NA	
Taiwan United Communication Co., Ltd.	Taiwan Telecommunication Network Services Co., Ltd.	Taipei, Taiwan	Telecommunications	1,497,701	-	108,193	99.53	1,493,729	(6,077)	NA	
Taiwan Telecommunication Network Services Co., Ltd.	VoPier Communications (Taiwan) Co., Ltd.	Taipei, Taiwan	International simple resales and prepaid card	120,000	120,000	12,000	100	12,477	(706)	NA	
TFN Media Ltd	Globalview Cable TV Co., Ltd.	Sijhih Township	Cable television system	841,413	841,413	51,733	92.38	1,231,162	87,701	NA	
	Yeong Jialeh Cable TV Co., Ltd.	Sinjhuangshih Township	Cable television system	1,616,824	1,616,824	33,940	100	2,078,790	161,612	NA	
	Shin Ho Cable TV Co., Ltd.	Sinjhuangshih Township	Cable television system	661,781	661,781	20,000 (Note 2)	100 (Note 2)	729,647	36,609	NA	
	Mangrove Cable TV Corporation	Danshueijhen Township	Cable television system	397,703	397,703	21,160 (Note 2)	100 (Note 2)	518,552	30,321	NA	
	North Coast Cable TV Co., Ltd.	Danshueijhen Township	Cable television system	399,193	399,193	21,160	100	518,645	2,416	NA	
	Phoenix Cable TV Co., Ltd.	Kaohsiung County	Cable television system	1,229,257	1,229,257	47,663	70	2,069,063	195,131	NA	
	Union Cable TV Co., Ltd.	Yilan City	Cable television system	1,904,440	1,904,440	170,441	99.99	2,014,883	106,163	NA	

Note 1: Taiwan Mobile shares held indirectly by Taiwan Cellular Co., Ltd. (TCC) are classified as treasury shares. Therefore, TWM's carrying cost of TCC was reduced from NT$56,998,037 thousand by NT$ 40,844,007 thousand and another NT$12,362,632 thousand unrealized gain.

Note 2: Partial shares are held under trustee accounts.

TABLE 8

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

INVESTMENT IN MAINLAND CHINA
DECEMBER 31, 2007
(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 December 31, 2006	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2007	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Value as of December 31, 2007	Accumulated Inward Remittance of Earnings as of December 31, 2007
					Outflow	Inflow					
Xiamen Taifu Teleservices & Technologies Ltd.	Call center service	US$ 1,300 (NT$ 42,249)	Indirect investment in the Company in Mainland China through a third place by the Corporation's subsidiary, Taiwan Teleservices & Technologies Co., Ltd.	US$ 1,300 (NT$ 42,249)	$ -	$ -	US$ 1,300 (NT$ 42,249)	100% ownership of indirect investment by the Corporation's subsidiary	(US$ 42) (NT$ 1,378)	US$ 1,312 (NT$ 42,650)	$ -

Accumulated Investment in Mainland China as of December 31, 2007	Investment Amounts Authorized by Investment Commission, MOEA (Note 2)	Upper Limit on Investment Authorized by Investment Commission, MOEA (Note 2)
US$1,300 (NT$42,249)	US$1,300 (NT$42,249)	$99,994

Note 1: The above amounts were translated into New Taiwan dollars at the exchange rate of US$1=NT$32.499 and RMB1=NT$4.4491 as of December 31, 2007.

Note 2: The indirect investment made by Taiwan Teleservices & Technologies Co., Ltd., a subsidiary of the Corporation.

SCHEDULE 1

TAIWAN MOBILE CO., LTD.

CASH AND CASH EQUIVALENTS
DECEMBER 31, 2007
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Item	Due Date	Amount
Short-term bills with repurchase rights	January 14, 2008	$ 1,771,757
Cash in banks		
Foreign-currency deposits		
(EUR313,864.57, exchange rate at EUR1=NT$47.666)		14,961
(US$998,008.76, exchange rate at US$1=NT$32.499)		32,434
Checking deposits		6,218
Demand deposits		374,794
		428,407
Time deposits		
NTD deposit	July 6, 2008	3,000
(US$3,643,180.20, exchange rate at US$1=NT$ 32.499)	January 8, 2008	118,400
(EUR2,442,408.44, exchange rate at EUR1=NT$ 47.666)	January 23, 2008	116,420
		237,820
Cash on hand		22,347
Revolving funds		3,108
		$ 2,463,439

SCHEDULE 2

TAIWAN MOBILE CO., LTD.

ACCOUNTS RECEIVABLE
DECEMBER 31, 2007
(In Thousands of New Taiwan Dollars)

Client	Amount
Related parties	
Taiwan Fixed Network Co., Ltd.	$ 218,970
TransAsia Telecommunications Inc.	73,498
Other	3,872
	296,340
Third parties	
Chunghwa Telecom Co., Ltd.	780,232
Other (Note)	5,031,483
	5,811,715
Less allowance for doubtful accounts	(441,844)
	5,369,871
	$ 5,666,211

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

TAIWAN MOBILE CO., LTD.

CHANGES IN INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD
YEAR ENDED DECEMBER 31, 2007
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

		Beginning Balance		Increase		Decrease		Adjustments on Equity	Ending Balance			Market Price
	Par Value	Thousand Shares	Amount	Thousand Shares	Amount	Thousand Shares	Amount (Note 1)	Method (Note 2)	Thousand Shares	% of Ownership	Amount	or Net Asset Value (Note 3)
TransAsia Telecommunications Inc.	NT$10	1,245,846	$ 14,009,973	-	$ -	345,846	$ 4,893,559	$ 2,214,251	900,000	100.00	$ 11,330,665	$ 11,330,665
Taiwan Cellular Co., Ltd. (formerly Taihsing Den Syun Co., Ltd.)	NT$10	325,000	3,877,659	39,958	39,958,330	-	41,388,121	1,343,530	364,958	100.00	3,791,398	3,791,398
Wealth Media Technology Co., Ltd.	NT$10	-	-	8,700	87,000	-	-	(4,285)	8,700	100.00	82,715	82,715
Total			$ 17,887,632		$ 40,045,330		$ 46,281,680	$ 3,553,496			$ 15,204,778	

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

a. Capital reduction of TransAsia Telecommunications Inc.	$ 3,458,463
b. Distributing cash dividends from TransAsia Telecommunications Inc.	1,435,096
c. Distributing cash dividends from Taiwan Cellular Co., Ltd.	544,114
d. Reclassified to treasury stock	40,884,007
	$ 46,281,680

Note 2: Adjustments on equity method included the following:

a. Investment income recognized based on investees' financial statements	$ 3,661,808
b. Cumulative translation adjustments	1,904
c. Changes in unrealized gains of financial instruments	(113,063)
d. Capital surplus arising from long-term investment	1,313
e. Net loss not recognized as pension cost	1,534
	$ 3,553,496

Note 3: The net asset value of investees was calculated based on audited financial statements as of December 31, 2007.

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

SCHEDULE 4

TAIWAN MOBILE CO., LTD.

CHANGES IN PROPERTY AND EQUIPMENT
YEAR ENDED DECEMBER 31, 2007
(In Thousands of New Taiwan Dollars)

	Beginning Balance	Changes for the Period			Ending Balance
		Increase	Decrease	Reclassification	
Cost					
Land	$ 4,845,823	$ -	$ -	$ (1,189,840)	$ 3,655,983
Buildings	2,753,923	-	-	(572,033)	2,181,890
Telecommunication equipment	68,261,533	-	21,577,335	5,938,058	52,622,256
Office equipment	106,305	4,189	2,957	6,245	113,782
Leased assets	1,276,190	-	-	-	1,276,190
Miscellaneous equipment	1,692,467	233,751	303,325	342,885	1,965,778
	78,936,241	$ 237,940	$ 21,883,617	$ 4,525,315	61,815,879
Accumulated depreciation					
Buildings	277,685	$ 45,305	$ -	$ (59,437)	263,553
Telecommunication equipment	23,811,758	5,708,580	9,571,828	-	19,948,510
Office equipment	42,478	24,661	1,768	-	65,371
Leased assets	292,461	63,809	-	-	356,270
Miscellaneous equipment	588,790	427,009	236,808	-	778,991
	25,013,172	$ 6,269,364	$ 9,810,404	$ (59,437)	21,412,695
Construction in progress and advance payments	3,301,755	$ 5,151,410	$ 277	$ (6,287,434)	2,165,454
Net property and equipment	$ 57,224,824				$ 42,568,638

Note 1: The total insurance for property and equipment and assets leased to others amounted to $ 32,654,541 thousand.

Note 2: The increase of the construction in progress and advance payments included capitalized interests amounting to $25,981 thousand.

SCHEDULE 5

TAIWAN MOBILE CO., LTD.

NON-OPERATING ASSETS
DECEMBER 31, 2007
(In Thousands of New Taiwan Dollars)

	Cost	Accumulated Depreciation	Net Carrying Value
Assets leased to others			
Land	$ 1,661,886	$ -	$ 1,661,886
Buildings	838,721	111,224	727,497
	$ 2,500,607	$ 111,224	2,389,383
Deferred charges, net			
Interior decoration, etc.			3,483
			2,392,866
Less accumulated impairment			(10,591)
			$ 2,382,275
Idle assets			
Land	$ 238,960	$ -	238,960
Buildings	137,010	23,548	113,462
Telecommunication equipment	265,618	78,099	187,519
Miscellaneous equipment	386	58	328
	$ 641,974	$ 101,705	540,269
Deferred charges, net			1,919
			542,188
Less allowance for losses			(187,424)
Less accumulated impairment			(128,771)
			$ 225,993

SCHEDULE 6

TAIWAN MOBILE CO., LTD.

SHORT-TERM BANK LOANS
DECEMBER 31, 2007
(In Thousands of New Taiwan Dollars)

Bond Type and Creditor	Amount	Financing Period	Interest Rate	Credit Agreement	Mortgage or Guarantee
Loan in credit					
First Bank	$ 2,000,000	December 7, 2007 - February 19, 2008	2.365-2.459	$ 2,000,000	None
E.Sun Bank	600,000	December 25,2007 - February 22, 2008	2.50	2,000,000	None
Taiwan Business Bank	500,000	December 7, 2007 - February 19, 2008	2.45-2.51	500,000	None
Bank of Taiwan	5,500,000	December 7, 2007 - March 24, 2008	2.46-2.5592	6,000,000	None
Land Bank	500,000	December 12, 2007 - January 30, 2008	2.395	2,000,000	None
Taiwan Cooperation Bank	200,000	December 17, 2007 - January 30, 2008	2.52	2,200,000	None
Mizuho Corporate Bank	3,000,000	December 25, 2007 - March 24, 2008	2.528	3,000,000	None
Hua Nan Bank	1,100,000	December 25, 2007 - February 22, 2008	2.49	3,000,000	None
Chang Hwa Bank	600,000	December 7, 2007 - March 24, 2008	2.58-2.60	1,000,000	None
	$ 14,000,000			$ 21,700,000	

SCHEDULE 7

TAIWAN MOBILE CO., LTD.

SHORT-TERM NOTES AND BILLS PAYABLE
DECEMBER 31, 2007
(In Thousands of New Taiwan Dollars)

Bond Type	Trustee	Issuing Period	Interest Rate	Amount: Issuance Amount	Amount: Unamortized Discounts	Amount: Carrying Value
Commercial paper						
	China Bills Finance Corporation	November 12, 2007 - February 19, 2008	2.0%-2.05%	$ 850,000	$ (2,721)	$ 847,279
	International Bills financial Corporation	December 7, 2007 - February 19, 2008	2.121%	750,000	(2,526)	747,474
				$ 1,600,000	$ (5,247)	$ 1,594,753

SCHEDULE 8

TAIWAN MOBILE CO., LTD.

ACCOUNTS PAYABLE
DECEMBER 31, 2007
(In Thousands of New Taiwan Dollars)

Suppliers	Amount
National Communication Commission	$ 1,315,145
Other (Note)	285,251
	$ 1,600,396

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

SCHEDULE 9

TAIWAN MOBILE CO., LTD.

ACCRUED EXPENSES
DECEMBER 31, 2007
(In Thousands of New Taiwan Dollars)

Nature	Amount
Salaries and bonuses	$ 1,581,207
Commissions	1,036,220
Repair and maintenance expenses	596,570
Professional service fees	359,819
Advertising	125,920
Other (Note)	893,388
	$ 4,593,124

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

SCHEDULE 10

TAIWAN MOBILE CO., LTD.

OTHER PAYABLE
DECEMBER 31, 2007
(In Thousands of New Taiwan Dollars)

Item	Amount
Payables for capital reduction	$ 12,000,000
Payables for equipment and constructions	1,489,616
Value-added tax payables	142,430
Other (Note)	1,936,679
	$ 15,568,725

SCHEDULE 11

TAIWAN MOBILE CO., LTD.

BONDS PAYABLE
DECEMBER 31, 2007
(In Thousands of New Taiwan Dollars)

Bond Type	Trustee	Date of Issuance	Payment Terms	Interest Rate	Issuance Amount	Repayment	Current Portion	Non-current Portion	Balance
1st domestic unsecured bonds	Bank SinoPac, Trust Division	December 13, 2002	Note 15	Note 15	$ 15,000,000	$ 5,000,000	$ 2,500,000	$ 7,500,000	$ 10,000,000

SCHEDULE 12

TAIWAN MOBILE CO., LTD.

OPERATING REVENUES
YEAR ENDED DECEMBER 31, 2007
(In Thousands of New Taiwan Dollars)

Item	Amount
Telecom service revenues	
Network interconnection (Note 1)	$ 15,506,218
Airtime usage	16,955,533
Monthly access fee and activation fee	18,561,548
	51,023,299
Other operating revenues (Note 2)	261,557
	$ 51,284,856

Note 1: Including revenues from other telecommunication operator's use of the Corporation's networks and IDD delivery revenues.

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

SCHEDULE 13

TAIWAN MOBILE CO., LTD.

OPERATING COSTS
YEAR ENDED DECEMBER 31, 2007
(In Thousands of New Taiwan Dollars)

Item	Amount
Telecom service costs	
Network interconnection (Note 1)	$ 8,907,967
Depreciation	5,755,382
Concession fee (2G&3G)	1,768,227
Monthly leased-line charges	1,259,745
Rents	1,381,271
Frequency usage fee	401,867
Maintenance materials and constructions	934,577
Other (Note 2)	1,961,125
	$ 22,370,161

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

Note 2: Including expenses for maintaining telecommunication network and equipment.

SCHEDULE 14

TAIWAN MOBILE CO., LTD.

OPERATING EXPENSES
YEAR ENDED DECEMBER 31, 2007
(In Thousands of New Taiwan Dollars)

Item	Marketing	Administrative	Total
Commissions	$ 6,289,368	$ -	$ 6,289,368
Salaries and pension	687,795	1,109,698	1,797,493
Professional service fees	794,161	285,853	1,080,014
Bad debts	-	804,775	804,775
Service charges	28,990	464,759	493,749
Depreciation	78,683	435,299	513,982
Advertising	308,822	24,664	333,486
Other (Note)	770,932	805,219	1,576,151
	$ 8,958,751	$ 3,930,267	$ 12,889,018

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