

2010

Taiwan Mobile Annual Report



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| Spokesperson | Name | Rosie Yu |
| | Title | Senior Vice President and Chief Financial Officer |
| | Telephone | (02) 6635-1880 |
| | Email | spokesman1@taiwanmobile.com |
| Deputy Spokesperson | Name | Josephine Juan |
| | Title | Director |
| | Telephone | (02) 6636-6970 |
| | Email | spokesman2@taiwanmobile.com |
| IR Contact | Email | ir@taiwanmobile.com |
| Stock Transfer Agent | Name | Fubon Securities Co., Ltd. |
| | Address | 2F, No. 17, Xuchang St., Zhongzheng Dist., Taipei |
| | Telephone | (02) 2361-1300 |
| | Website | www.fbs.com.tw |
| Taiwan Mobile Official Website | Website | www.taiwanmobile.com |
| Independent Auditor | KPMG | Simon Chen, CPA, and Janice Lai, CPA |
| | Address | 68F, No. 7, Xinyi Rd., Sec. 5, Taipei |
| | Telephone | (02) 8101-6666 |
| | Website | www.kpmg.com.tw |
| Listing of Foreign Securities | None | |

Company Store Location

| | Telephone | Address |
|------------------|----------------|---|
| Head Office | (02) 6638-6888 | 13F-1, No. 172-1, Jilong Rd., Daan Dist., Taipei |
| Taichung Branch | (04) 3600-8888 | 9F-1, No. 236, Wucyuan W. Rd., Sec. 2, Nantun Dist., Greater Taichung |
| Kaohsiung Branch | (07) 8600-999 | 13F, No. 300, Boai 1st Rd., Sanmin Dist., Greater Kaohsiung |

Taiwan Mobile Customer Service 0809-000-852

| Northern Taiwan | |
|--------------------------------------|--|
| Taipei Zhongxiao E. Service Center | Nos. 659, 661, Zhongxiao E. Rd., Sec. 5, Xinyi Dist., Taipei |
| Taipei Vieshow Service Center | No. 20, Songshou Rd., Xinyi Dist., Taipei |
| Xindian Qizhang Service Center | No. 165, Beixin Rd., Sec. 2, Xindian Dist., New Taipei City |
| Taipei Xizhi Service Center | No. 206, Zhongxing Rd., Xizhi Dist., New Taipei City |
| Xindian Zhongzheng II Service Center | No. 516-1, Zhongzheng Rd., Xindian Dist., New Taipei City |
| Hualien Jiuzhan Service Center | No. 155, Jhongshan St., Hualien City, Hualien County |
| Taipei Kunyang Service Center | No. 378, Zhongxiao E. Rd., Sec. 6, Nangang Dist., Taipei |
| Taipei Guangfu S. Service Center | No. 415-3, Guangfu S. Rd., Xinyi Dist., Taipei |
| Taipei Yongji Service Center | No. 84, Lane 30, Yongji Rd., Xinyi Dist., Taipei |
| Jingmei Wanglong Service Center | No. 266, Roosevelt Rd., Sec. 5, Wenshan Dist., Taipei |
| Hualien Jhongjheng Service Center | No. 395 Jhongjheng Rd., Hualien City, Hualien County |
| Taipei Wenlin Service Center | No. 678, Wenlin Rd., Shilin Dist., Taipei |
| Neihu Guangdian Service Center | No. 498, Ruiguang Rd., Neihu Dist., Taipei |
| Taipei Tianmu Service Center | No. 47, Tianmu W. Rd., Shilin Dist., Taipei |
| Danshui Zhongzheng Service Center | No. 46, Zhongzheng Rd., Danshui Dist., New Taipei City |
| Taipei Nanjing W. Service Center | No. 42, Nanjing W. Rd., Datong Dist., Taipei |
| Taipei Jiuquan Service Center | No. 100, Jiuquan St., Datong Dist., Taipei |
| Taipei Minguang W. Service Center | No. 141, Minguang W. Rd., Datong Dist., Taipei |
| Taipei Donghu Service Center | No. 129, Donghu Rd., Neihu Dist., Taipei |
| Shilin Zhongzheng Service Center | No. 327, Zhongzheng Rd., Shilin Dist., Taipei |
| Taipei Rihu Service Center | No. 141, Chenggong Rd., Sec. 4, Neihu Dist., Taipei |
| Danshui Zhongzheng E. Service Center | No. 49, Zhongzheng E. Rd., Danshui Dist., New Taipei City |
| Taipei Nongan Service Center | No. 19, Nongan Street, Zhongshan Dist., Taipei |
| Taipei Ximending Service Center | No. 54-1, Xining S. Rd., Wanhua Dist., Taipei |
| Taipei Zhanqian Service Center | No. 38, Zhongxiao W. Rd., Sec. 1, Zhongzheng Dist., Taipei |
| Taipei Changchun Service Center | No. 374, Changchun Rd., Zhongshan Dist., Taipei |
| Taipei Hengyang Service Center | No. 55B, Hengyang Rd., Zhongzheng Dist., Taipei |
| Taipei Nanchang Service Center | No. 107, Nanchang Rd., Sec. 1, Zhongzheng Dist., Taipei |
| Taipei Guanghua Service Center | No. 34, Bade Rd., Sec. 1, Zhongzheng Dist., Taipei |
| Taipei Minguang E. Service Center | No. 87, Minguang E. Rd., Sec. 2, Zhongshan Dist., Taipei |
| Taipei Jinan Service Center | No. 60-1, Jinan Rd., Sec. 2, Zhongzheng Dist., Taipei |
| Taipei Linsen N. Service Center | No. 87, Linsen N. Rd., Zhongshan Dist., Taipei |
| Taipei Linsen N. II Service Center | No. 263-1~2, Linsen N. Rd., Zhongshan Dist., Taipei |
| Jilong Yiyi Service Center | No. 38, Yiyi Rd., Jhongjheng Dist., Jilong City |
| Taipei Daan Service Center | No. 172-3, 172-4, Jilong Rd., Sec. 2, Daan Dist., Taipei |
| Taipei Dinghao Service Center | No. 71, Zhongxiao E. Rd., Sec. 4, Daan Dist., Taipei |
| Taipei Yongkang Service Center | No. 174, Xinyi Rd., Sec. 2, Daan Dist., Taipei |
| Taipei Gongguan Service Center | No. 289, Roosevelt Rd., Sec. 3, Daan Dist., Taipei |
| Taipei Heping E. Service Center | No. 232, Heping E. Rd., Sec. 1, Daan Dist., Taipei |
| Taipei Raohe Service Center | No. 697, Bade Rd., Sec. 4, Songshan Dist., Taipei |
| Taipei Tonghua Service Center | No. 113, Tonghua St., Daan Dist., Taipei |
| Taipei Fuxing S. Service Center | No. 179, Fuxing S. Rd., Sec. 2, Daan Dist., Taipei |
| Zhongxiao Zhengyi Service Center | No. 208, Zhongxiao E. Rd., Sec. 3, Daan Dist., Taipei |
| Taipei Minsheng E. II Service Center | No. 103, Minsheng E. Rd., Sec. 5, Songshan Dist., Taipei |

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| Taipei Bade Service Center | No. 34, Bade Rd., Sec. 3, Songshan Dist., Taipei |
| Luodong Singdong Service Center | No. 150, Singdong Rd., Luodong Township, Yilan County |
| Taipei Minsheng E. Service Center | No. 71, Minsheng E. Rd., Sec. 4, Songshan Dist., Taipei City |
| Yilan Jhongshan II Service Center | No. 37, Jhongshan Rd., Sec. 3, Yilan City, Yilan County |
| Taipei Muzha Service Center | No. 80, Muzha Rd., Sec. 3, Wenshan Dist., Taipei |
| Taipei Nanjing E. Service Center | No. 204, Nanjing E. Rd., Sec. 2, Zhongshan Dist., Taipei |
| Taipei Muxin Service Center | No. 163, Muxin Rd., Sec. 3, Wenshan Dist., Taipei |
| Taipei Fuxing N. Service Center | No. 333, Fuxing N. Rd., Songshan Dist., Taipei |
| Nanjing Sanmin Service Center | No. 84, Nanjing E. Rd., Sec. 5, Songshan Dist., Taipei |
| Taipei Zhengda Service Center | No. 103, Zhinan Rd., Sec. 2, Wenshan Dist., Taipei |
| Nanjing Dunhua Service Center | B1, No. 337, Nanjing E. Rd., Sec. 3, Songshan Dist., Taipei |
| Banqiao Minzu Service Center | No. 33, Minzu Rd., Banqiao Dist., New Taipei City |
| Sanchong Tiantai Service Center | No. 102, Chongxin Rd., Sec. 2, Sanchong Dist., New Taipei City |
| Tomson Service Center | 1F-2, No. 2, Lane 609, Chongxin Rd., Sec. 5, Sanchong Dist., New Taipei City |
| Banqiao Sinjhan Service Center | No. 112, Wenhua Rd., Sec. 1, Banqiao Dist., New Taipei City |
| Banqiao Jiangzicui Service Center | No. 320, Wenhua Rd., Sec. 2, Banqiao Dist., New Taipei City |
| Banqiao Guanqian E. Service Center | No. 9, Guanqian E. Rd., Banqiao Dist., New Taipei City |
| Banqiao Siwei Service Center | No. 233, Siwei Rd., Banqiao Dist., New Taipei City |
| Banqiao Fuzhong Service Center | No. 56, Fuzhong Rd., Banqiao Dist., New Taipei City |
| Banqiao Buqian Service Center | No. 243, Zhongshan Rd., Sec. 2, Banqiao Dist., New Taipei City |
| Chongyang Zhengyi Service Center | No. 325, Zhengyi N. Rd., Sanchong Dist., New Taipei City |
| Shulin Zhongshan Service Center | No. 65, Zhongshan Rd., Sec. 1, Shulin Dist., New Taipei City |
| Banqiao Juguang Service Center | No. 55, Juguang Rd., Banqiao Dist., New Taipei City |
| Yonghe Fuhe Service Center | No. 137, Fuhe Rd., Yonghe Dist., New Taipei City |
| Zhonghe Zhonghe Service Center | No. 304, Zhonghe Rd., Zhonghe Dist., New Taipei City |
| Zhonghe Nanshijiao Service Center | No. 2, Lane 64, Xingnan Rd., Sec. 1, Zhonghe Dist., New Taipei City |
| Yonghe Zhongzheng II Service Center | No. 320, Zhongzheng Rd., Yonghe Dist., New Taipei City |
| Zhonghe Liancheng Service Center | No. 267-1, Liancheng Rd., Zhonghe Dist., New Taipei City |
| Zhonghe Zhongshan Service Center | No. 44, Zhongshan Rd., Sec. 2, Zhonghe Dist., New Taipei City |
| Zhonghe Huanqiu Service Center | No. 143, Zhongshan Rd., Sec. 3, Zhonghe Dist., New Taipei City |
| Luzhou Zhonghua Service Center | No. 36, Zhonghua St., Luzhou Dist., New Taipei City |
| Yonghe Zhulin Service Center | No. 94, Zhulin Rd., Yonghe Dist., New Taipei City |
| Taipei Xinzhuang Service Center | No. 299, Zhongzheng Rd., Xinzhuang Dist., New Taipei City |
| Taipei Tucheng Service Center | No. 261, Yumin Rd., Tucheng Dist., New Taipei City |
| Xinzhuang Fuguo II Service Center | No. 41, Fuguo Rd., Xinzhuang Dist., New Taipei City |
| Xinzhuang Xingfu II Service Center | No. 690, Xingfu Rd., Xinzhuang Dist., New Taipei City |
| Taipei Sanxia Service Center | No. 39, Wenhua Rd., Sanxia Dist., New Taipei City |
| Xinzhuang Minan Service Center | No. 216, Minan Rd., Xinzhuang Dist., New Taipei City |
| Tucheng Jincheng Service Center | No. 167, Jincheng Rd., Sec. 3, Tucheng Dist., New Taipei City |
| Xinzhuang Zhonggang Service Center | No. 335, Zhonggang Rd., Xinzhuang Dist., New Taipei City |
| Tucheng Xuefu Service Center | No. 76, Xuefu Rd., Sec. 1, Tucheng Dist., New Taipei City |
| Sanchong Chongxin Service Center | No. 125, Chongxin Rd., Sec. 1, Sanchong Dist., New Taipei City |
| Taoyuan Chenggong Service Center | No. 86, Chenggong Rd., Sec. 2, Taoyuan City, Taoyuan County |
| Taoyuan Airport Terminal I Service Center | No. 15, Hangjhan S. Rd., Pusin Village, Dayuan Township, Taoyuan County (3F, Departure Hall) |
| Taoyuan Airport Terminal II Service Center | No. 9, Hangjhan S. Rd., Dayuan Township, Taoyuan County (3F, Departure Hall) |
| Jhongli Huanbei Service Center | No. 542, Huanbei Rd., Zhongli City, Taoyuan County |
| Taoyuan Bade Service Center | No. 807, Jieshou Rd., Sec. 1, Bade City, Taoyuan County |
| Taoyuan Damiao Service Center | No. 142, Jhongjheng Rd., Taoyuan City, Taoyuan County |
| Jhongli Sinsheng Service Center | No. 132, Sinsheng Rd., Zhongli City, Taoyuan County |
| Taoyuan Baoshan Service Center | No. 165, Baoshan St., Taoyuan City, Taoyuan County |
| Jhongli Jhancian II Service Center | No. 18, Jhongjheng Rd., Zhongli City, Taoyuan County |
| Jhongli Longdong Service Center | No. 330, Longdong Rd., Zhongli City, Taoyuan County |
| Taoyuan Lujhu Service Center | No. 49, Nanjhu Rd., Lujhu Township, Taoyuan County |
| Gueishan Jhongsing Service Center | No. 431-1, Jhongsing Rd., Gueishan Township, Taoyuan County |
| Taoyuan Taoying Service Center | No. 283, Taoying Rd., Taoyuan City, Taoyuan County |

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| Taoyuan Jhongjheng II Service Center | No. 675, Jhongjheng Rd., Taoyuan City, Taoyuan County |
| Hsinchu Jhongjheng Service Center | Nos. 9, 11, Jhongjheng Rd., Hsinchu City |
| Yangmei Dacheng Service Center | No. 32, Dacheng Rd., Yangmei Township, Taoyuan County |
| Jhubei Guangming Service Center | No. 95, Guangming 6th Rd., Jhubei City, Hsinchu County |
| Hsinchu Jhuke Service Center | No. 633, Guangfu Rd., Sec. 1, East Dist., Hsinchu City |
| Hsinchu Minsheng Service Center | No. 254, Minsheng Rd., East Dist., Hsinchu City |
| Hsinchu Nanda Service Center | No. 364, Nanda Rd., East Dist., Hsinchu City |
| Longtan Jhongjheng Service Center | No. 121, Jhongjheng Rd., Longtan Township, Taoyuan County |
| Jhudong Changchun Service Center | No. 116, Changchun Rd., Sec. 3, Jhudong Township, Hsinchu County |
| Hsinchu Jhongjheng II Service Center | No. 338, Jhongjheng Rd., North Dist., Hsinchu City |
| Sinfong Sinsing Service Center | No. 173, Sinsing Rd., Sinfong Township, Hsinchu County |
| Jhongli Jiansing Service Center | No. 151, Jiansing Rd., Zhongli City, Taoyuan County |
| Central Taiwan | |
| Jhunan Boai Service Center | No. 142, Boai St., Jhunan Township, Miaoli County |
| Miaoli Jhongjheng Service Center | No. 501, Jhongjheng Rd., Miaoli City, Miaoli County |
| Fongyuan Jhongjheng Service Center | No. 448, Jhongjheng Rd., Fongyuan Dist., Greater Taichung |
| Taichung Donghai Service Center | No. 20, Dongyuan Lane, Taichung Port Rd., Longjing Dist., Greater Taichung |
| Taichung Shalu Service Center | No. 124, Shatian Rd., Shalu Dist., Greater Taichung |
| Fongyuan Jhanqian Service Center | No. 2-1, Jhongjheng Rd., Fongyuan Dist., Greater Taichung |
| Toufen Jhongjheng II Service Center | No. 183, Jhongjheng Rd., Toufen Township, Miaoli County |
| Tanzih Shengli Service Center | No. 251, Shengli Rd., Tanzih Dist., Greater Taichung |
| Daya Minsheng Service Center | No. 147, Minsing St., Daya Dist., Greater Taichung |
| Miaoli Fuqian Service Center | No. 131, Fuqian Rd., Miaoli City, Miaoli County |
| Taichung Meicun Service Center | No. 43, Meicun Rd., Sec. 1, West Dist., Greater Taichung |
| Taichung Jhonggang Service Center | No. 7, Taichung Port Rd., Sec. 2, Situn Dist., Greater Taichung |
| Fongjia Fusing Service Center | No. 338, Fusing Rd., Situn Dist., Greater Taichung |
| Taichung Liming Service Center | No. 436, Liming Rd., Sec. 2, Nantun Dist., Greater Taichung |
| Taichung Dali Service Center | No. 361-1, Jhongsing Rd., Sec. 2, Dali Dist., Greater Taichung |
| Dali Tucheng Service Center | No. 486, Tucheng Rd., Dali Dist., Greater Taichung |
| Taichung Yongfu Service Center | No. 155-1, Yongfu Rd., Situn Dist., Greater Taichung |
| Taichung Situn Service Center | No. 28-1, Situn Rd., Sec. 2, Situn Dist., Greater Taichung |
| Taichung Henan Service Center | No. 300, Henan Rd., Sec. 2, Situn Dist., Greater Taichung |
| Taichung Hankou Service Center | No. 192, Hankou Rd., Sec. 3, North Dist., Greater Taichung |
| Taichung Wunsin Service Center | No. 151, Wunsin Rd., Sec. 4, Beitun Dist., Greater Taichung |
| Taichung Zihyou Service Center | No. 43, Zihyou Rd., Sec. 2, Central Dist., Greater Taichung |
| Taichung Meicun S. Service Center | No. 62, Meicun S. Rd., South Dist., Greater Taichung |
| Taiping Shusiao Service Center | No. 69, Shusiao Rd., Taiping Dist., Greater Taichung |
| Taichung Chongde Service Center | No. 3, Chongde Rd., Sec. 2, Beitun Dist., Greater Taichung |
| Taichung Syueshih Service Center | No. 157, Syueshih Rd., North Dist., Greater Taichung |
| Taichung Taichung Service Center | No. 74, 76, Taichung Rd., South Dist., Greater Taichung |
| Taichung Beitun Service Center | No. 178-7, Beitun Rd., Beitun Dist., Greater Taichung |
| Taiping Jhongsing Service Center | No. 88-5, Jhongsing Rd., Taiping Dist., Greater Taichung |
| Taichung Siangshang Service Center | No. 376, Xiangshang Rd., Sec. 1, West Dist., Greater Taichung |
| Changhua Jhongjheng Service Center | No. 1, Jhongjheng Rd., Sec. 1, Changhua City, Changhua County |
| Caotun Jhongjheng Service Center | No. 859, Jhongjheng Rd., Caotun Township, Nantou County |
| Douliou Jhenbei Service Center | Nos. 10, 12, Jhenbei Rd., Douliou City, Yunlin County |
| Nantou Fusing Service Center | No. 207, Fusing Rd., Nantou City, Nantou County |
| Changhua Sihua Service Center | No. 370, Sihua Rd., Sihua Township, Changhua County |
| Yunlin Huwei Service Center | No. 488-3, Linsen Rd., Sec. 1, Huwei Township, Yunlin County |
| Changhua Heping Service Center | No. 9, Heping Rd., Changhua City, Changhua County |
| Changhua Yuanlin Service Center | No. 4, Jhongshan S. Rd., Yuanlin Township, Changhua County |
| Changhua Siaoyang II Service Center | No. 52, Siaoyang Rd., Changhua City, Changhua County |
| Douliou Minsheng S. Service Center | No. 46, Minsheng S. Rd., Douliou City, Yunlin County |
| Douliou Zhanqian Service Center | No. 78-4, Minsheng Rd., Douliou City, Yunlin County |
| Southern Taiwan | |
| Chiayi Linsen Service Center | No. 185, Linsen W. Rd., West Dist., Chiayi City |
| Chiayi Cueiyang Service Center | No. 636, Cueiyang Rd., Chiayi City |

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| Tainan Yongkang Service Center | No. 663, Jhonghua Rd., Yongkang Dist., Greater Tainan |
| Tainan Rende Service Center | No. 495, Jhongshan Rd., Rende Dist., Greater Tainan |
| Tainan Sinying Service Center | No. 261, Minjih Rd., Sinying Dist., Greater Tainan |
| Chiayi Puzih Service Center | Nos. 28, 30, Wunhua S. Rd., Puzih City, Chiayi County |
| Yongkang Kunshan Service Center | No. 824, Dawan Rd., Yongkang Dist., Greater Tainan |
| Yongkang Jhongshan S. II Service Center | No. 28-1, Jhongshan S. Rd., Yongkang Dist., Greater Tainan |
| Yongkang Jhonghua II Service Center | No. 138-1, Jhonghua Rd., Yongkang Dist., Greater Tainan |
| Chiayi Minzu III Service Center | No. 186, Minzu Rd., East Dist., Chiayi City |
| Chiayi Jhongshan Service Center | No. 397, Jhongshan Rd., West Dist., Chiayi City |
| Tainan Jhonghua E. Service Center | No. 48, Jhonghua E. Rd., Sec. 3, East Dist., Greater Tainan |
| Tainan Minsheng Service Center | No. 279, Minsheng Road, Sec. 2, West Central Dist., Greater Tainan |
| Tainan Simen Service Center | No. 357, Simen Rd., Sec. 2, West Central Dist., Greater Tainan |
| Tainan Minzu Service Center | No. 55-1, Minzu Rd., Sec. 2, West Central Dist., Tainan |
| Tainan Haidian II Service Center | No. 163, Haidian Rd., Sec. 1, Annan District, Greater Tainan |
| Tainan Gongyuan Service Center | No. 591-44, Gongyuan Rd., North Dist., Greater Tainan |
| Tainan Jinhua II Service Center | No. 152, Jinhua Rd., Sec. 2, South Dist., Greater Tainan |
| Tainan Chongsyue Service Center | No. 119, Chongsyue Rd., East Dist., Greater Tainan |
| Tainan Chongde Service Center | No. 660, Chongde Rd., East Dist., Greater Tainan |
| Tainan Dongning Service Center | No. 260, Dongning Rd., East Dist., Greater Tainan |
| Tainan Dongmen Service Center | No. 123, Dongmen Rd., Sec. 2, East Dist., Greater Tainan |
| Kaohsiung Mingcheng Service Center | No. 288, Heti Rd., Sanmin Dist., Greater Kaohsiung |
| Kaohsiung Jyudan Service Center | No. 179, Sinjhuangzai Rd., Zuoying Dist., Greater Kaohsiung |
| Kaohsiung Rongzong Service Center | No. 1, Rongzong Rd., Zuoying Dist., Greater Kaohsiung |
| Gangshan Liouqiao E. Service Center | No. 32-5, Liouqiao E. Rd., Gangshan Dist., Greater Kaohsiung |
| Kaohsiung Zihyou Service Center | No. 123, Zihyou 1st Rd., Sanmin Dist., Greater Kaohsiung |
| Kaohsiung Nanzih Service Center | No. 250, Nanzih Rd., Nanzih Dist., Greater Kaohsiung |
| Kaohsiung Huarong Service Center | Nos. 339, 341, Huarong Rd., Gushan Dist., Greater Kaohsiung |
| Kaohsiung Zihyou II Service Center | No. 257, Zihyou 2nd Rd., Zuoying Dist., Greater Kaohsiung |
| Kaohsiung Zihyou III Service Center | No. 280, 282, Jiucheng Lane., Zuoying Dist., Greater Kaohsiung |
| Kaohsiung Guanghua Service Center | No. 148-27, Guanghua 1st Rd., Lingya Dist., Greater Kaohsiung |
| Kaohsiung Linsen Service Center | No. 243-2, Linsen 1st Rd., Sinsing Dist., Greater Kaohsiung |
| Kaohsiung Juemin Service Center | No. 152, Juemin Rd., Sanmin Dist., Greater Kaohsiung |
| Kaohsiung Lingya Service Center | No. 149, Guangzhou 1st St., Lingya Dist., Greater Kaohsiung |
| Kaohsiung Sanduo Service Center | No. 262, Sanduo 3rd Rd., Lingya Dist., Greater Kaohsiung |
| Kaohsiung Sansin Service Center | No. 279, Sanduo 1st Rd., Lingya Dist., Greater Kaohsiung |
| Kaohsiung Chenggong Service Center | No. 267-1, Chenggong 1st Rd., Lingya Dist., Greater Kaohsiung |
| Kaohsiung Rueilong Service Center | No. 564, Rueilong Rd., Cianjhen Dist., Greater Kaohsiung |
| Kaohsiung Dachang Service Center | No. 516, Dachang 2nd Rd., Sanmin Dist., Greater Kaohsiung |
| Kaohsiung Wumiao Service Center | No. 118-8, Wumiao Rd., Lingya Dist., Greater Kaohsiung |
| Kaohsiung Jiansing Service Center | No. 310, Jiansing Rd., Sanmin Dist., Greater Kaohsiung |
| Kaohsiung Fuguo Service Center | No. 99, Fuguo Rd., Zuoying Dist., Greater Kaohsiung |
| Pingtung Zihyou Service Center | No. 586-3, Zihyou Rd., Pingtung City, Pingtung County |
| Pingtung Minzu Service Center | No. 174, Minzu Rd., Pingtung City, Pingtung County |
| Kaohsiung Fongshan Service Center | No. 148-1~3, Zhongshan Rd., Fongshan Dist., Greater Kaohsiung |
| Fongshan Wujia Service Center | No. 563-1, Wujia 2nd Rd., Fongshan Dist., Greater Kaohsiung |
| Taitung Jhonghua Service Center | No. 518, Jhonghua Rd., Sec. 1, Taitung City, Taitung County |
| Pingtung Donggang Service Center | No. 73, Jhongshan Rd., Donggang Township, Pingtung County |
| Fongshan Cingnian II Service Center | No. 474, Cingnian Rd., Sec. 2, Fongshan Dist., Greater Kaohsiung |
| Fongshan Jhongshan Service Center | No. 81, Jhongshan Rd., Fongshan Dist., Greater Kaohsiung |
| Taitung Gengsheng Service Center | Nos. 119, 121, Gengsheng Rd., Taitung City, Taitung County |

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Letter to Shareholders

Dear Shareholders,

Private consumption saw a mild increase in 2010 as the macroeconomic recovery drove up employment and wages. Although mobile voice revenue came under pressure due to regulatory tariff cuts, Taiwan Mobile (“TWM” or “The Company”) continued to thrive by exploring other revenue streams, such as mobile internet, CATV broadband and digital TV services. This, coupled with sound operating expense control, allowed the Company to outperform the industry in terms of operating results.

Focus on expanding core business

In 2010, Taiwan Mobile posted consolidated revenue of NT\$70.15bn, up 2% from a year ago. The Company's consolidated EBITDA of NT\$27.46bn and net income of NT\$13.82bn, which translates into earnings per share of NT\$4.62, reached 101% and 103% of its annual targets respectively. The main drivers of the revenue growth were as follows:

1. Wireless value-added services

2010 saw the transformation of smartphones into mainstream products as telecom companies launched different models, operating systems and price points to fully address the varying needs of the mass market. TWM dominated the market by providing the widest selection of handset models. With more customers adding data services to their subscriptions or migrating to higher monthly data plans, TWM's mobile value-added service revenue grew 26% from a year ago, offsetting a decline in voice revenue. As a result, overall mobile service revenue recovered from its contraction in 2009.

2. Cable broadband services

The Company not only offered premium quality cable broadband services at a lower price, but also successfully bundled them with digital TV services. This helped boost cable broadband subscriber numbers by 20% and service revenue by 30%. The launch of TWM's “Connect TV service” -- which allows users to control and surf the internet by using their TV remote control – in the first quarter of 2011 will again put TWM ahead of the competition and create a new source of revenue.

Furthermore, the Company has completed an integrated platform – “4 screens and a cloud” – to launch digital convergence services in 1Q11. Users will be able to use a single account to access any digital content, including music, pictures, images and videos, via a variety of internet-connected devices, such as handsets, computers, tablet PCs and TVs, to enjoy a seamless full convergence experience.

Maximizing shareholders' value

1. Capital reduction

In October 2010, the board of the Company approved a capital reduction of NT\$3.8bn, translating into a cash return of NT\$1 per share to shareholders. Together with the projected cash dividend distribution for 2010, this would result in a cash yield of 7.5%, ensuring steady and healthy returns to shareholders.

2. World-class corporate governance

The Company's commitment over the years to corporate governance has made it a role model in protecting shareholders' interests and promoting financial transparency. TWM's compliance with global standards has earned it the trust of investors and numerous awards from various domestic and international ratings institutions in 2010. These include "Best Corporate Governance in Asia" from both *Corporate Governance Asia* and *Euromoney* magazines; "Best Financial Disclosure in Asia" and "Best Investor Relations, Taiwan" from IR Global Rankings; and an A+ rating and a top 10 ranking of listed companies in "Transparency and Information Disclosure" by the Securities and Futures Institute.

3. A role model for corporate social responsibility

TWM has also won recognition for employing its corporate and financial resources to assist non-profit organizations in promoting social welfare. These include receiving the "Excellence in Corporate Social Responsibility" award from *CommonWealth* magazine for the fourth consecutive year; the "Corporate Social Responsibility Award" from *GlobalViews Monthly* magazine for the third time; the "R.O.C. Enterprises Environmental Protection Award" from the Environmental Protection Administration of the Executive Yuan two years in a row; and the "WenXin Gold Award" for the third consecutive year from the Council of Cultural Affairs of the Executive Yuan.

4. Premium services and customer satisfaction

TWM's core value of "truly caring for the customer" and continuous product and service innovations helped it win *Reader's Digest's* "Trusted Brand Gold Award" for the seventh consecutive year, place first in *Next Magazine's* "Top Service Awards" in both the mobile/fixed-line communications and 3C store channels categories as well as receive the "Outstanding I.T. Applications/ Products Award" at the 2010 ICT Exhibition.

With the continuous launch of new and novel consumer electronics products and an expanding base of users, private consumption is expected to further pick up in 2011. However, challenges also abound, including mandatory mobile tariff reductions and the implementation of the regulation that returns price-setting rights for fixed-line to mobile calls to the fixed-line operators. TWM has already drafted countermeasures to explore other potential businesses on the "4 screens and a cloud" platform to ensure stable revenues and solid shareholders' returns.



Richard Tsai
Chairman

Chapter 1 Company Highlights

Vision

The Company's core vision is to provide customers with the best communication experience. Its aim is to become a leader in digital convergence, offering integrated information, telecommunication and media services to enhance the Company's value and maximize shareholders' interests.

Core Competency

The Company has established a cross-media platform integrating mobile communications, fixed-line, cable TV and broadband services. Through integration, the Company is able to provide seamless digital convergence services across "multiple screens and a cloud" to meet the demands of the consumer, household and corporate markets for excellent service and information security.

Excellent Brand Image

Along with the growth and development of global telecommunications, TWM expanded its footprint from mobile communications to cable TV and fixed-line services, becoming a leading player in the TIME (Telecommunications, Internet, Media and Entertainment) digital convergence era. The value of the Company's three brands – Taiwan Mobile, TWM Broadband and TWM Solutions – is built on its commitment to "Simplicity, Innovation, Passion and Integrity." These three brands work closely together to meet customers' diverse needs in today's digital world, seeking to create a simpler, more human-centric user experience.

Date of Incorporation

The Company was founded on February 25, 1997.

Milestones

1. The Company's merger and acquisition activities and status of affiliates

- 1) The Company had no merger and acquisition activities from 2010 up to the publication date in 2011.
- 2) Status of affiliates: Please refer to Chapter 7.

2. Status of the Company's reorganization: None

3. Significant changes in shareholding of directors, supervisors and major shareholders: Please refer to Chapter 2.

4. Changes in management control: None

5. Changes in operation or business scope: None

6. Other major items sufficient to influence shareholders' rights or the Company: None

| | | |
|-----------|------|---|
| December | 2010 | Integrated mobile phone, computer, tablet and TV technologies to launch “four screens and a cloud” convergence services. |
| October | 2010 | Cliff Lai and Vivien Hsu were appointed Co-Presidents at the 17 th meeting of the Fifth Board of Directors, effective January 1, 2011. |
| May | 2010 | TFN Media Co., Ltd., TWM’s affiliate, acquired a 45% stake in ezPeer of Taiwan Kuro Times Co., Ltd., a digital online music service provider, to provide customers with better value-added services in music. Afterwards, the stake was increased to 55% as of publication date. |
| August | 2009 | Launched a brand new “match” value-added service portal to lead customers into the mobile internet era. |
| July | 2009 | Launched “new TV” digital TV service. |
| January | 2009 | Founded Taipei New Horizons Co., Ltd. (TNH, 49.9% owned by the Company) with Fubon Land Development Co., Ltd. to develop a cultural park at the site of the old Songshan tobacco plant under a 50-year BOT contract with the Taipei City Government. |
| September | 2008 | Launched “New Line 299” rate plan, which offers mobile-to-fixed line rates that are lower than fixed-to-fixed line calls. |
| June | 2008 | Richard Tsai and Daniel Tsai were elected Chairman and Vice Chairman, respectively, at the first meeting of the 5 th Board of Directors. |
| April | 2008 | Acquired Hurray! Times Communications Co. from Hurray! Holdings in China to facilitate development of mobile content. |
| February | 2008 | Introduced three new brands – Taiwan Mobile, TWM Broadband and TWM Solution – to provide consumers, households and enterprises with integrated telecommunication services, including wireless communication, cable TV and fixed-line services. |
| December | 2007 | Company’s capital dropped to NT\$38bn after a capital reduction of NT\$12bn. |
| September | 2007 | Acquired the Videoland Hunters basketball team and renamed it Taiwan Mobile Cloud Leopards. |
| August | 2007 | Acquired a 45% stake in Taiwan Telecommunication Network Services Co., Ltd. (TTN), one of the top three internet service providers in Taiwan, to expand its footprint in the corporate market. Afterwards, acquired full ownership of TTN and merged it into Taiwan Fixed Network Co., Ltd. (TFN) in August 2008. |
| June | 2007 | Announced NT\$12bn capital reduction plan to raise its return on equity. |
| April | 2007 | Acquired an 84% stake in TFN, combining telecommunications and media businesses to enhance its competitiveness. Afterwards, acquired full ownership of TFN in December 2007. |
| January | 2007 | Launched 3.5G (HSDPA) service. |
| December | 2006 | Became the first in Taiwan to provide BlackBerry service, the world’s No.1 mobile email solution. |
| August | 2006 | Richard Tsai and Daniel Tsai were elected Chairman and Vice Chairman, respectively, at the 10th meeting of the Fourth Board of Directors. |

| | | |
|-----------|------|--|
| January | 2006 | Launched a revolutionary rate plan – My Zone – which allows customers to select one of five zones as their home zone and enjoy discounted rates when making off-net calls to people within this designated zone. |
| May | 2005 | Became the first in Taiwan to launch 3G services, heralding the start of a new era in mobile communications. |
| November | 2004 | Joined Bridge Mobile Alliance, the largest mobile alliance in Asia. |
| August | 2004 | Acquired a 67% stake in Mobitai Communications Co., Ltd. (Mobitai), increasing its subscriber base to 8.2 million. Afterwards, acquired full ownership of Mobitai in January 2006 and merged it into TAT in December 2007. |
| July | 2003 | Harvey Chang was appointed the President & CEO at the 15th meeting of the Third Board of Directors. |
| July | 2003 | Daniel Tsai and Richard Tsai were elected Chairman and Vice Chairman, respectively, at the second meeting of the Third Board of Managing Directors. |
| June | 2003 | Taiwan Telecom Group's operating model was discontinued. |
| August | 2002 | Moved from the OTC exchange to the Taiwan Stock Exchange's main board. |
| May | 2002 | C. S. Chen was appointed President at the second meeting of the Third Board of Directors. |
| May | 2002 | Set up Taiwan Telecom Group to centralize administration of Taiwan Cellular Corp., TFN and other affiliates. The group was headed by Chairman Jack T. Sun, Vice Chairman Richard Tsai, CEO Joseph Lee, COO S. T. Chang and CSO Ray-Ying Fan. |
| April | 2002 | Jack T. Sun and Joseph Lee were re-elected Chairman and Vice Chairman, respectively, at the first meeting of the Third Board of Directors. |
| February | 2002 | Granted 3G license. |
| July | 2001 | Teamed up with an affiliate to acquire a 95.62% stake of TransAsia Telecommunications (TAT), boosting its subscriber base to 6.42 million. Afterwards, acquired full ownership of TAT in June 2006 and merged it in September 2008. |
| November | 2000 | Ray-Ying Fan was appointed President at the eighth meeting of the Second Board of Directors. |
| September | 2000 | Became the first private telecom operator to start trading on Taiwan's Over-the-Counter market. |
| June | 1999 | Jack T. Sun and Joseph Lee were re-elected Chairman and Vice Chairman, respectively, at the first meeting of the Second Board of Directors. |
| January | 1998 | Started commercial services. |
| December | 1997 | Became the first nationwide private operator to obtain a GSM 1800 network operating license. |
| February | 1997 | The Company incorporated. |
| January | 1997 | Jack T. Sun and Joseph Lee were elected Chairman and Vice Chairman, respectively, while Lai-Ting Zou was appointed President at the first meeting of the First Board of Directors. |
| May | 1996 | Preparation for the Company's incorporation. |

Awards and Recognitions from 2010 up to the publication date in 2011

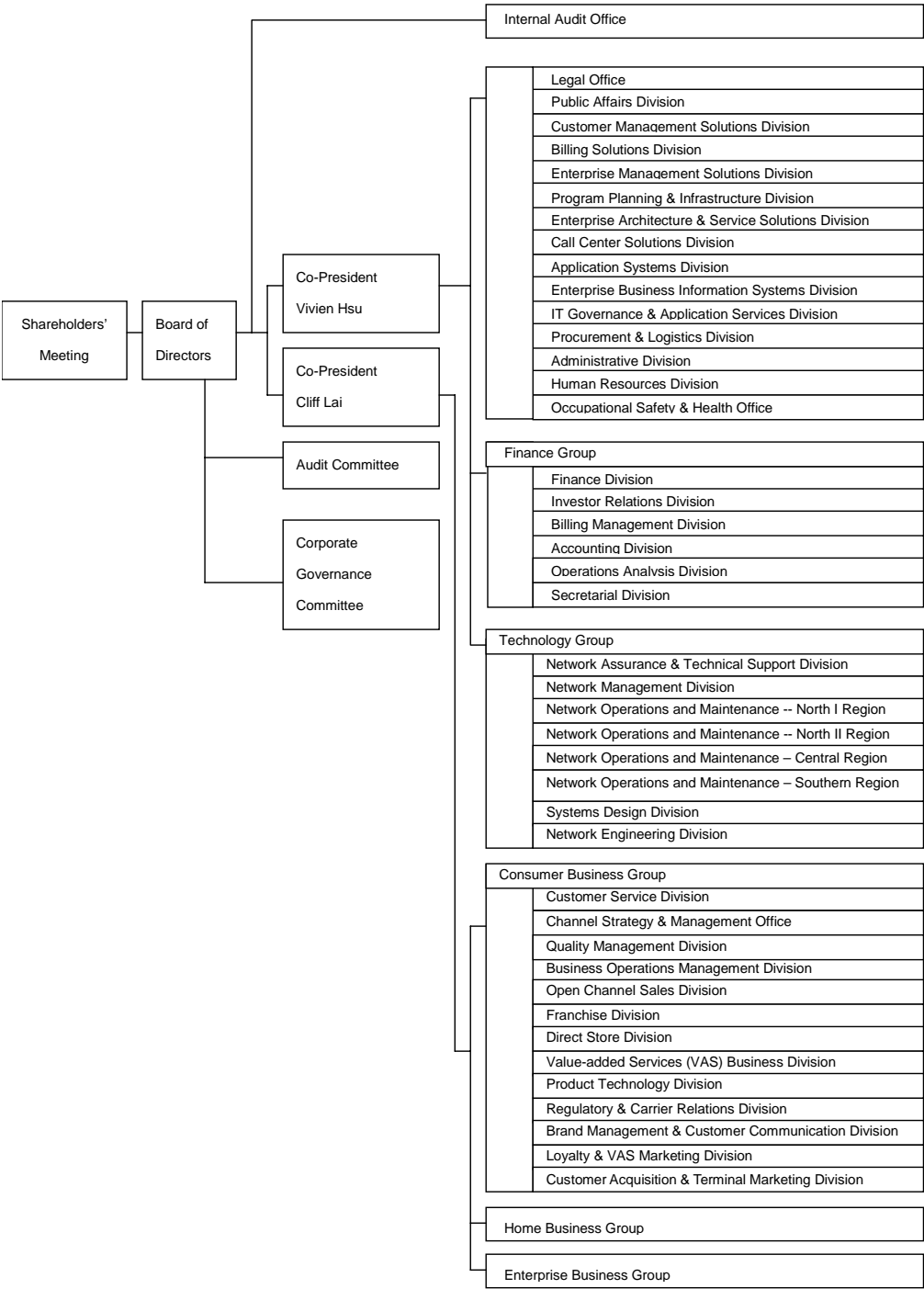
| | | |
|----------|------|---|
| January | 2011 | Ranked No.1 in the “Best Corporate Governance in Taiwan” survey by <i>Euromoney</i> , representing the fourth time TWM received <i>Euromoney</i> 's recognition in corporate governance practice. |
| December | 2010 | Awarded “Excellent Green Procurement Enterprise” by the Department of Environmental Protection of the Taipei City Government. |
| December | 2010 | TWM's “match” mobile application center received “Outstanding I.T. Applications/Products Award” in the 2010 ICT Exhibition. |
| November | 2010 | Received “Taiwan CSR Awards” from the Taiwan Institute for Sustainable Energy. |
| October | 2010 | Granted the “R.O.C. Enterprises Environmental Protection Award” by the Environmental Protection Administration of the Executive Yuan. TWM was the only enterprise in the service sector that was awarded this prize twice in a row. |
| October | 2010 | Awarded two Gold Prizes in <i>Next Magazine</i> 's “The 7 th Annual Top Service Awards” in both mobile & fixed-line communications and 3C store channels. TWM was the only double winner. |
| August | 2010 | Received an “A+” ranking and ranked as one of the top 10 listed companies in “Transparency and Information Disclosure” from Taiwan's Securities and Futures Institute for the 5 th consecutive year. |
| August | 2010 | TWM and the TWM Foundation both won “The 10 th Annual Arts & Business Awards – Golden Prize” by the Council of Cultural Affairs of the Executive Yuan. |
| August | 2010 | Awarded for “Excellence in Corporate Social Responsibility” by <i>CommonWealth Magazine</i> for the 4 th year in a row. |
| June | 2010 | Received the “Corporate Governance Asia Recognition Award” in the Asia-Pacific region by <i>Corporate Governance Asia</i> for the 4 th year in a row. |
| May | 2010 | Richard Tsai, the Chairman of Taiwan Mobile, was ranked No. 4 in the “Best Chairman Top 50 Survey”, the sole awardee in the telecom service industry, while Harvey Chang, the former President and CEO of Taiwan Mobile, was ranked ahead of telecom peers in the “Best President Top 100 Survey” held by <i>Global Views Monthly</i> . |
| April | 2010 | Received the “Trusted Brand Gold Award” by <i>Reader's Digest</i> for the 7 th consecutive year. |
| March | 2010 | TWM won 2 nd place for MVPN (Mobile Virtual Private Network) service in the “ICT Best Choice Survey” organized by the Institute for Information Industry. |
| March | 2010 | Granted “Corporate Social Responsibility Award” by <i>Global Views Monthly</i> 's 6 th annual awards. |
| March | 2010 | Received “Best Financial Disclosure in Asia-Pacific Region”, “Best Financial Disclosure in Greater China”, “Best Investor Relations Websites in Taiwan - Bronze Award”, “Best Investor Relations |

| | | |
|----------|------|--|
| | | Program in Taiwan”, and “Best Investor Relations Officer (Rosie Yu) in Taiwan” by IR Global Rakings (IRGR). In its first participation, Taiwan Mobile received the most awards. |
| February | 2010 | Received recognition from the National Communications Commission for providing relief aid during Typhoon Morakot, including offering telecommunications assistance and aiding those in need. |
| February | 2010 | Ranked No. 3 by <i>Euromoney</i> for “Best Corporate Governance” and “Most Convincing and Coherent Strategy” in Taiwan. |

Chapter 2 Organization and Corporate Governance

ORGANIZATION

Organization Chart



Divisional Scope of Responsibilities

| Division | | Scope of responsibilities |
|-------------------------|---|---|
| | Internal Audit Office | Audit of the Company and its subsidiaries Monitoring and examining the effectiveness and efficiency of the Company's internal control system |
| | Legal Office | Legal counsel, company litigation and legal document review |
| | Public Affairs Division | Promotion and management of corporate image Media communication, news agenda setting and crisis management Planning and execution of corporate social responsibility strategies Planning and maintenance of Company's official and internal as well as TWM Foundation's websites |
| | Customer Management Solutions Division | Front-end customer management solutions Channel services, commission, and performance solutions Order management system solutions Enterprise management information systems |
| | Billing Solutions Division | Billing systems operation and development |
| | Enterprise Management Solutions Division | Data warehouse, customer relations management and network management solutions |
| | Program Planning & Infrastructure Division | Systems and network infrastructure construction and operation management Security and internet data center (IDC) construction and operation |
| | Enterprise Architecture & Service Solutions Division | TWM's customer care application systems Enterprise resource planning (ERP) and human resources solutions |
| | Call Center Solutions Division | Call center infrastructure and operation management solutions |
| | Application Systems Division | Corporate external website and e-commerce systems Service-oriented architecture and enterprise service bus system (SOA/ESB) Fixed network application systems and IT infrastructure Integrated intranet working portal |
| | Enterprise Business Information Systems Division | Enterprise business sales and billing systems operation and development |
| | IT Government & Service Division | IT governance and enterprise architecture Software development process Technical project management Foundation architecture Common assets development and software/tools management |
| | Procurement & Logistics Division | Procurement policy and system planning Handling of procurement-related activities Suppliers evaluation and management Contract negotiation and signing |
| | Administrative Division | Office machinery and equipment management General and administrative affairs coordination Base station administration and related expense payments |
| | Human Resources Division | Staffing, compensation, training and employee relations coordination |
| | Occupational Safety & Health Office | Occupational safety and health management Site area safety management Environmental protection management Workplace health promotion |
| Finance Group | Finance Division | Treasury management Monitoring of investments and subsidiaries' business activities Finance-related project evaluation, planning and execution |
| | Investor Relations Division | Timely disclosure of the Company's operating and financial status, management strategy, future business plans and developments to investors Communication between the Company and investors |
| | Billing Management Division | Billing, receivables collection and settlement Credit check and risk management |
| | Accounting Division | Accounting-related affairs Tax planning and execution |
| | Operations Analysis Division | Divisional operating performance analysis, financial forecasting and annual budget review |
| | Secretarial Division | Board meeting facilitation and corporate share registrar management Company seal custodian Receipt/Transmission of corporate documents Corporate registration affairs |
| Technology Group | Network Assurance & Technical Support Division | Mobile network technical support Fixed network technical support IP-based network technical support Network quality assurance |
| | Network Management Division | 24-hour supervision of mobile and fixed system network operations and maintenance Technical support for network operations and customer issues Management of network quality and critical events |
| | Network Operations and Maintenance -- North I, North II, Central and Southern Regions | 2G/3G network construction, expansion, operation, maintenance and optimization, including core transmission and radio networks Fixed network construction, expansion, operation, maintenance and optimization |
| | Systems Design Division | Planning and design for core, radio, IP and transmission network system of mobile and fixed network Development of new technologies and verification testing of network elements |
| | Network Engineering Division | Mobile telecom and fixed network business infrastructure budget, control and management Supervision of outsourced engineering and construction projects Management of cables and conduits in government agencies Fixed network service management, project evaluation and coordination |
| Consumer Business Group | Customer Service Division | Customer service and call center management Telemarketing sales and retention |

| | | |
|---------------------------|--|---|
| | Quality Management Division | Cross-function business process improvement and management Customer service quality measurement and monitoring; hosting service quality committee Information security policy making and procedure maintenance; hosting information security management system committee |
| | Channel Strategy & Management Office | Channel strategy planning and performance management Sales planning and store management Training and point-of-sale system administration |
| | Business Operations Management Division | Front-end sales/service operation process planning and implementation Back-end resource management and channel performance award management Sales channel logistics and service fulfillment |
| | Open Channel Sales Division | Open channel development and business execution |
| | Franchise Division | Supervision of franchisees' product promotion, distribution and customer service |
| | Direct Store Division | Product sales and customer service at company stores |
| | Value-added Services (VAS) Business Division | Overall VAS business management and product quality assurance Business strategy setting, product planning, development and management Platform integration and device customization |
| | Product Technology Division | Technical consultation and solution analysis for VAS products and CPE technologies Solutions design, systems development and delivery for VAS products and marketing promotion VAS platform operation, administration and maintenance |
| | Regulatory & Carrier Relations Division | Regulatory matters, government relations and inter-carrier relations |
| | Brand Management & Customer Communication Division | Management of brand identity, strategic development, integrated marketing communication, and implementation of ad campaigns Execution of store signage/interior design and cost control Company websites integration and operation, e-marketing implementation, including online sales and services |
| | Loyalty & VAS Marketing Division | Planning and implementation of retention strategy Development and implementation of plans to raise customer loyalty, stimulate usage rate, and lower churn rate Launch of prepaid cards and value-added services marketing campaigns Customer behavior analysis and market surveys |
| | Customer Acquisition & Terminal Marketing Division | Strategy development and execution to attract new customers Strategy implementation to promote and develop customized and promotional handsets, smartphones, netbooks, data cards and accessories Rate plan design and marketing |
| Home Business Group | Household integrated and innovative digital convergence services, including video (CATV/DTV), broadband internet access (cable modem/FTTx), and wireless voice Implementation of integrated technology solutions for development of new products and VAS to increase video and broadband internet access penetration rate and overall revenue Expansion of two-way optical network to broaden coverage and ensure better internet access quality and stable cable signal | |
| Enterprise Business Group | Strategy development and business analysis Channel development, sales and customer loyalty management Enterprise ICT integration and bundled products, marketing campaign, operation and execution Enterprise customer services and billing matters Inter-carrier relations and international business (including international roaming) plan and implementation | |

Board of Directors and Executive Management

Board of Directors

The board of directors, acting on behalf of the Company's shareholders, is charged with the task of supervising the management team. The board, elected and approved during the AGM on June 13, 2008, includes four independent directors, which more than fulfill current regulations requiring public companies to have at least two independent directors. The Audit Committee, composed entirely of independent directors, replaced board supervisors. Information on the Company's Fifth Board of Directors is detailed below:

| Title | Name | Date elected | Term expires | Shareholding when elected | | Current shareholding | | Spouse/minor's shareholdings | | Education and experience | Current position(s) in the Company and other companies | Officer, director, or supervisor is a spouse or consanguineous within two degrees | | |
|---------------|--|--------------|--------------|---------------------------|-------|---------------------------|-----------------|------------------------------|-------|--|--|---|--------------|--------------|
| | | | | Shares | % | Shares | % | Shares | % | | | Title | Name | Relationship |
| Chairman | Fu-Chi Venture Corp. Representative: Richard Tsai | 2008.06.13 | 2011.06.12 | 4,849,515 | 0.128 | 6,387,515 *100,142,154 | 0.168 *2.635 | 5,651,663 | 0.149 | MBA, Stern School, New York University Chairman, Fubon Securities Co., Ltd. | Vice Chairman, Fubon Financial Holding Co., Ltd. Chairman, Fubon Life Insurance Co., Ltd. Vice Chairman, Taipei Fubon Commercial Bank Co., Ltd. Chairman, Taiwan Fixed Network Co., Ltd. | Vice Chairman | Daniel Tsai | Brother |
| Vice Chairman | Fu-Chi Venture Corp. Representative: Daniel Tsai | 2008.06.13 | 2011.06.12 | 4,849,515 | 0.128 | 6,387,515 *96,644,434 | 0.168 *2.543 | 5,088,967 | 0.134 | LL.B., National Taiwan University LL.M., Georgetown University Chairman, Fubon Insurance Co., Ltd. Chairman, Fubon Land Development Co., Ltd. | Chairman, Fubon Financial Holding Co., Ltd. Chairman, Taipei Fubon Commercial Bank Co., Ltd. | Chairman | Richard Tsai | Brother |
| Director | TCC Investment Co., Ltd. Representative: Cliff Lai (Note1) | 2009.09.19 | 2011.06.12 | 222,774,179 | 5.861 | 222,774,179 *11,611 | 5.861 *0.000 | - | - | EMBA, National Chengchi University MS in Electrical Engineering, North Carolina State University, USA Researcher, AT&T Laboratories Vice President, Tecom Co., Ltd. Vice President, Mobitai Communications Co., Ltd. President, Reach and Range, Inc. Senior Vice President, Taiwan Fixed Network Co., Ltd. CEO, Fu Yang Media Technology Co., Ltd. Senior Vice President and Chief Business Officer, Taiwan Mobile Co., Ltd. Senior Vice President and Chief Operating Officer of Consumer Business Group, Taiwan Mobile Co., Ltd. | Co-President, Taiwan Mobile Co., Ltd. Director, Taiwan Fixed Network Co., Ltd. Chairman, Taiwan Teleservices & Technologies Co., Ltd. Chairman and President, Taiwan Super Basketball Co., Ltd. Chairman, Win TV Broadcasting Co., Ltd. Director, Taiwan Cellular Co., Ltd. Director, Taipei New Horizons Co., Ltd. Director, TWM Communications (Beijing) Co., Ltd. Director, Taiwan Kuro Times Co., Ltd. Director and President, TFN Media Co., Ltd. Chairman, Union Cable TV Co., Ltd. Chairman, Yeong Jia Leh Cable TV Co., Ltd. Chairman, Phoenix Cable TV Co., Ltd. Chairman, Globalview Cable TV Co., Ltd. Director, Wealth Media Technology Co., Ltd. Director, Taiwan Internet Association (TWIA) Director, Taiwan Network Information Center (TWNIC) | - | - | - |
| Director | TCC Investment Co., Ltd. Representative: Vivien Hsu | 2009.09.19 | 2011.06.12 | 222,774,179 | 5.861 | 222,774,179 *None | 5.861 *None | - | - | MBA, University of New South Wales, Sydney, Australia MBA, National Chengchi University Executive Vice President and Chief Financial Officer, KG Telecom Co., Ltd. President and CEO, Lambda Net Co., Ltd. President and CEO, KGEx.com Co., Ltd. President and CEO, KG Satellite Communication Co., Ltd. Chief Financial Officer, Cathay Financial Holdings Co., Ltd. Senior Vice President and Chief Financial Officer, Taiwan Mobile Co., Ltd. Senior Vice President and Chief of Staff, Taiwan Mobile Co., Ltd. Chairman, Taiwan Tele-Shop Co., Ltd. Senior Consultant and Acting President, Taiwan Fixed Network Co., Ltd. | Co-President, Taiwan Mobile Co., Ltd. Director and President, Taipei New Horizons Co., Ltd. Director, Taiwan Fixed Network Co., Ltd. Director, Taiwan Teleservices & Technologies Co., Ltd. Director and President, Taiwan Cellular Co., Ltd. Director and President, TCC Investment Co., Ltd. Director and President, TFN Union Investment Co., Ltd. Director, Union Cable TV Co., Ltd. Director, Yeong Jia Leh Cable TV Co., Ltd. Director, Phoenix Cable TV Co., Ltd. Director, Globalview Cable TV Co., Ltd. Chairman and President, Wealth Media Technology Co., Ltd. Supervisor, Win TV Broadcasting Co., Ltd. Supervisor, Taiwan Kuro Times Co., Ltd. Supervisor, TFN Media Co., Ltd. | - | - | - |

| Title | Name | Date elected | Term expires | Shareholding when elected | | Current shareholding | | Spouse/minor's shareholdings | | Education and experience | Current position(s) in the Company and other companies | Officer, director, or supervisor is a spouse or consanguineous within two degrees | | |
|----------------------|--|--------------|--------------|---------------------------|-------|----------------------|----------------|------------------------------|---|---|---|---|------|--------------|
| | | | | Shares | % | Shares | % | Shares | % | | | Title | Name | Relationship |
| Director | Fu-Chi Venture Corp. Representative: Victor Kung | 2008.06.13 | 2011.06.12 | 4,849,515 | 0.128 | 6,387,515 *None | 0.168 *None | - | - | MA in Economics and MBA in Finance, New York University Executive Vice President, Walden International Investment Group Executive Director, Citicorp Capital Asia Ltd. Director of Direct Investments, AIG Investment Corp. | Director and President, Fubon Financial Holding Co., Ltd. Director, Fubon Insurance Co., Ltd. Director, Taipei Fubon Commercial Bank Co., Ltd. Director, Fubon Asset Management Co., Ltd. Director, Fubon Life Insurance Co., Ltd. Director, Fubon Bank (HK) Limited Vice Chairman, Haixia Capital Management Co., Ltd. Supervisor, Fubon Venture Capital Consulting Co., Ltd. Supervisor, Fubon Financial Holding Venture Capital Co., Ltd. Supervisor, Fubon Multimedia Technology Co., Ltd. | - | - | - |
| Independent Director | Jack J.T. Huang | 2008.06.13 | 2011.06.12 | - | - | - | - | - | - | LL.B., National Taiwan University LL.M., Northwestern University S.J.D., Harvard University | Partner-in-charge, Jones Day Taipei Director, Yulon Motor Co., Ltd. Independent Director, WPG Holdings Ltd. Independent Director, Systex Corp. Independent Director, Chinatrust Financial Holding Co., Ltd. | - | - | - |
| Independent Director | Tsung-Ming Chung | 2008.06.13 | 2011.06.12 | - | - | - | - | - | - | BBA, National Taiwan University MBA, National Chengchi University CPA, ROC CPA, Connecticut, USA Partner, T.N. Soong & Co. Instructor, Department of Accounting, National Chengchi University | Chairman and CEO, Dynapack Technology Corp. Independent Director, Chroma ATE, Inc. Director, Far Eastern International Commercial Bank Director, Unity Opto Technology Co., Ltd. | - | - | - |
| Independent Director | Wen-Li Yeh | 2008.06.13 | 2011.06.12 | - | - | - | - | - | - | Department of Architecture, Chung-Yuan Christian University MA and Ph.D. candidate, University of Paris EMBA Studies, University of California, Berkeley Planner, Council for Economic Planning and Development under the Executive Yuan Managing Director, United Pacific International Inc. President, United Communications Managing Director and Vice Chairman, United Advertising Co. Chairman, Carat-United Media Services (Taiwan) Ltd. Chairman, Aegis Media Taiwan | Chairman, Aegis Media Greater China | - | - | - |
| Independent Director | J. Carl Hsu | 2008.06.13 | 2011.06.12 | - | - | - | - | - | - | BSEE, National Taiwan University Ph.D. and MS in Computer Science, UCLA Senior Executive, AT&T, Bell Labs and Lucent Technologies Communications Software Group Professor, National Tsing Hua University in Taiwan, Peking University and others | Professor, Peking University and other universities Board member of Rogers Corp., USA | - | - | - |

* Personal shareholding

Note 1: TCC Investment Co., Ltd. appointed Cliff Lai as representative, taking over Harvey Chang's duties on November 30, 2010.

1. Major shareholders of TWM's institutional investors

As of January 31, 2011

| Institutional investor | Major shareholders |
|--------------------------|--|
| Fu-Chi Venture Corp. | Richard Tsai (50.20%), Mei-Hui Ueng Tsai (49.75%), Cheng Ru Tsai (0.05%) |
| TCC Investment Co., Ltd. | Taiwan Cellular Co., Ltd. (100%) |

2. Major shareholders of companies mentioned on the right hand side of the table above

As of January 31, 2011

| Company | Major shareholders |
|---------------------------|--------------------------------|
| Taiwan Cellular Co., Ltd. | Taiwan Mobile Co., Ltd. (100%) |

3. Independence criteria of directors

As of January 31, 2011

| Name | Over five years of experience in business, finance, legal and/or other areas related to the Company's business | Independence criteria (Notes) | | | | | | | | | | No. of public companies in which he or she also serves as an independent director |
|------------------|--|-------------------------------|---|---|---|---|---|---|---|---|----|---|
| | | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | |
| Richard Tsai | V | | | | | | V | V | | V | | 0 |
| Daniel Tsai | V | | | | | | V | V | | V | | 0 |
| Cliff Lai | V | | | V | V | V | | V | V | V | | 0 |
| Vivien Hsu | V | | | V | V | | | V | V | V | | 0 |
| Victor Kung | V | V | | V | V | | V | V | V | V | | 0 |
| Jack J.T. Huang | V | V | V | V | V | V | V | V | V | V | V | 3 |
| Tsung-Ming Chung | V | V | V | V | V | V | V | V | V | V | V | 1 |
| Wen-Li Yeh | V | V | V | V | V | V | V | V | V | V | V | 0 |
| J. Carl Hsu | V | V | V | V | V | V | V | V | V | V | V | 0 |

"V" denotes meeting the conditions specified above

Criterion 1: Not an employee of the Company or its affiliated companies

Criterion 2: Not a director or supervisor of the Company's affiliated companies

Criterion 3: Neither a shareholder that directly or indirectly owns more than 1% of the Company's outstanding shares, nor one of the Company's top 10 individual shareholders

Criterion 4: Not a spouse or a relative within second degree by affinity, or within five degrees by consanguinity to any person specified in criteria 1 to 3

Criterion 5: Neither a director, supervisor, or employee of an entity that directly and/or indirectly holds more than 5% of the Company's shares, nor one of the Company's top five shareholders

Criterion 6: Not a director, supervisor, manager, or shareholder owning more than 5% of the outstanding shares of certain companies that have financial or business relationship with the Company

Criterion 7: Not an owner, partner, director, supervisor, manager, or spouse of any of the aforementioned, of any sole proprietorship, partnership, company, or institution that provided financial, commercial, legal consultation, and other services to the Company or its affiliates within the past year

Criterion 8: Not a spouse or relative within second degree by affinity to other directors

Criterion 9: Not in contravention of Article 30 of the Company Law

Criterion 10: Not an institutional shareholder or its representative pursuant to Article 27 of the Company Law

Management Team

| Title | Name | Effective date | Shareholding / % | Spouse/ minor's shareholding / % | Education and experience | Current position(s) in other companies | Manager, director, or supervisor is a spouse or consanguineous within two degrees | | |
|--------------|-----------|----------------|------------------|----------------------------------|--|--|---|------|--------------|
| | | | | | | | Title | Name | Relationship |
| Co-President | Cliff Lai | 2011.01.01 | 11,611 / 0.000 | - / - | EMBA, National Chengchi University MS in Electrical Engineering, North Carolina State University, USA Researcher, AT&T Laboratories Vice President, Tecom Co., Ltd. Vice President, Mobitai Communications Co., Ltd. President, Reach and Range, Inc. Senior Vice President, Taiwan Fixed Network Co., Ltd. CEO, Fu Yang Media Technology Co., Ltd. Senior Vice President and Chief Business Officer, Taiwan Mobile Co., Ltd. Senior Vice President and Chief Operating Officer of Consumer Business Group, Taiwan Mobile Co., Ltd. | Director, Taiwan Fixed Network Co., Ltd. Chairman, Taiwan Teleservices & Technologies Co., Ltd. Chairman and President, Taiwan Super Basketball Co., Ltd. Chairman, Win TV Broadcasting Co., Ltd Director, Taiwan Cellular Co., Ltd. Director, Taipei New Horizons Co., Ltd. Director, TWM Communications (Beijing) Co., Ltd. Director, Taiwan Kuro Times Co., Ltd. Director and President, TFN Media Co., Ltd. Chairman, Union Cable TV Co., Ltd. Chairman, Yeong Jia Leh Cable TV Co., Ltd. Chairman, Phoenix Cable TV Co., Ltd. Chairman, Globalview Cable TV Co., Ltd. Director, Wealth Media Technology Co., Ltd. Director, Taiwan Internet Association (TWIA) Director, Taiwan Network Information Center (TWNIC) | - | - | - |

| Title | Name | Effective date | Shareholding / % | Spouse/ minor's shareholding / % | Education and experience | Current position(s) in other companies | Manager, director, or supervisor is a spouse or consanguineous within two degrees | | |
|----------------|-------------|----------------|------------------|----------------------------------|--|---|---|------|--------------|
| | | | | | | | Title | Name | Relationship |
| Co-President | Vivien Hsu | 2011.01.01 | - / - | - / - | MBA, University of New South Wales, Sydney, Australia MBA, National Chengchi University Executive Vice President and Chief Financial Officer, KG Telecom Co., Ltd. President and CEO, Lambda Net Co., Ltd. President and CEO, KGEx.com Co., Ltd. President and CEO, KG Satellite Communication Co., Ltd. Chief Financial Officer, Cathay Financial Holdings Co., Ltd. Senior Vice President and Chief Financial Officer, Taiwan Mobile Co., Ltd. Senior Vice President and Chief of Staff, Taiwan Mobile Co., Ltd. Chairman, Taiwan Tele-Shop Co., Ltd. Senior Consultant and Acting President, Taiwan Fixed Network Co., Ltd. | Director and President, Taipei New Horizons Co., Ltd. Director, Taiwan Fixed Network Co., Ltd. Director, Taiwan Teleservices & Technologies Co., Ltd. Director and President, Taiwan Cellular Co., Ltd. Director and President, TCC Investment Co., Ltd. Director and President, TFN Union Investment Co., Ltd. Director, Union Cable TV Co., Ltd. Director, Yeong Jia Leh Cable TV Co., Ltd. Director, Phoenix Cable TV Co., Ltd. Director, Globalview Cable TV Co., Ltd. Chairman and President, Wealth Media Technology Co., Ltd. Supervisor, Win TV Broadcasting Co., Ltd. Supervisor, Taiwan Kuro Times Co., Ltd. Supervisor, TFN Media Co., Ltd. | - | - | - |
| Vice President | C.A. Chuang | 2003.12.01 | 5,927 / 0.000 | - / - | MBA, International Institute for Management Development, Switzerland MS in Industrial Education, National Taiwan Normal University Manager, Human Resources Department, China Steel Corp. Vice President, TransAsia Telecommunications Inc. | None | - | - | - |

| Title | Name | Effective date | Shareholding / % | Spouse/ minor's shareholding / % | Education and experience | Current position(s) in other companies | Manager, director, or supervisor is a spouse or consanguineous within two degrees | | |
|----------------|-------------|----------------|------------------|----------------------------------|--|---|---|------|--------------|
| | | | | | | | Title | Name | Relationship |
| Vice President | Ariel Hwang | 2004.03.01 | - / - | - / - | EMBA, National Taiwan University LL.M., National Taipei University LL.B., National Taiwan University Judge, Taoyuan District Court, Taiwan Judge, Banciao District Court, Taiwan Judge, Taipei District Court, Taiwan Judge, Taiwan High Court | Supervisor, Taipei New Horizons Co., Ltd. Supervisor, Union Cable TV Co., Ltd. Supervisor, Yeong Jia Leh Cable TV Co., Ltd. Supervisor, Phoenix Cable TV Co., Ltd. Supervisor, Global View Cable TV Co., Ltd. Supervisor, Wealth Media Technology Co., Ltd. Legal Consultant, Fubon Financial Holding Co., Ltd. Legal Consultant, Taiwan Fixed Network Co., Ltd. | - | - | - |
| Vice President | Jay Hong | 2004.05.06 | 70,000 / 0.002 | - / - | EMBA, National Sun Yat-Sen University Engineering Supervisor, Engineering Division, Nan Ya Plastics Corp. Director, Procurement Division, TransAsia Telecommunications Inc. Vice President, Customer Service Division, TransAsia Telecommunications Inc. Vice President, Direct Store Division, Taiwan Mobile Co., Ltd. President, Taiwan Teleservices & Technologies Co., Ltd. | None | - | - | - |
| Vice President | Andrew Wong | 2003.12.01 | 764 / 0.000 | - / - | MBA, George Washington University Manager, Johnson, Bassin & Shaw Manager, MCI Communications Vice President, Far EasTone Telecommunications Co., Ltd. | President, Taiwan Kuro Times Co., Ltd. | - | - | - |

| Title | Name | Effective date | Shareholding / % | Spouse/ minor's shareholding / % | Education and experience | Current position(s) in other companies | Manager, director, or supervisor is a spouse or consanguineous within two degrees | | |
|----------------|-------------|----------------|------------------|----------------------------------|--|--|---|------|--------------|
| | | | | | | | Title | Name | Relationship |
| Vice President | James Chang | 2004.09.17 | 181,205 / 0.005 | - / - | MS in Computer Science, University of Illinois at Chicago District Manager, AT&T Laboratories Senior Delivery Manager, IBM Global Services Senior Director, TBCommerce Network Corp. Director, AT&T Laboratories | None | - | - | - |
| Vice President | Daphne Yang | 2010.01.04 | - / - | - / - | M.A. in Theatre Production, University of Hull, UK Strategic Planning Manager, JWT Advertising Agency Strategic Planning Director/Business Development Director, D'Arcy Advertising Agency General Manager, Senses Strategic Network Vice President, Acquisition & Terminals Marketing Division, Taiwan Mobile Co., Ltd. President, Nanjing Xing-gi Real Estate Development Co., Ltd. | Director, Taiwan Super Basketball Co., Ltd. Director, Taiwan Kuro Times Co., Ltd. | - | - | - |

| Title | Name | Effective date | Shareholding / % | Spouse/ minor's shareholding / % | Education and experience | Current position(s) in other companies | Manager, director, or supervisor is a spouse or consanguineous within two degrees | | |
|---|-----------|----------------|------------------|---|---|--|---|------|--------------|
| | | | | | | | Title | Name | Relationship |
| Finance Group | | | | | | | | | |
| Senior Vice President and Chief Financial Officer | Rosie Yu | 2011.01.01 | - / - | - / - | BA, National Taiwan University Executive Vice President, China Securities Co., Ltd. General Manager, Citicorp International Securities Ltd., Taipei Branch General Manager, Credit Lyonnais Securities (Asia) Ltd., Taipei Branch President, Global Investment Holdings Co., Ltd. Chairman, Global Investment Advisory (HK) Ltd. | Director, Union Cable TV Co., Ltd. Director, Yeong Jia Leh Cable TV Co., Ltd. Director, Phoenix Cable TV Co., Ltd. Director, Globalview Cable TV Co., Ltd. Supervisor, Taiwan Cellular Co., Ltd. | - | - | - |
| Vice President | Ruth Liaw | 2006.05.15 | - / - | - / - | MBA, National Chengchi University Partner, Arthur Andersen & Co. Chief Financial Officer, Arima Computer Corp. | Director, Taiwan Cellular Co., Ltd. Supervisor, Taiwan Teleservices & Technologies Co., Ltd. Supervisor, TCC Investment Co., Ltd. Supervisor, TFN Union Investment Co., Ltd. Supervisor, Union Cable TV Co., Ltd. Supervisor, Yeong Jia Leh Cable TV Co., Ltd. Supervisor, Phoenix Cable TV Co., Ltd. Supervisor, Globalview Cable TV Co., Ltd. | - | - | - |

| Title | Name | Effective date | Shareholding / % | Spouse/ minor's shareholding / % | Education and experience | Current position(s) in other companies | Manager, director, or supervisor is a spouse or consanguineous within two degrees | | |
|--|------------|----------------|------------------|---|---|---|---|------|--------------|
| | | | | | | | Title | Name | Relationship |
| Technology Group | | | | | | | | | |
| Vice President and Acting Chief Technology Officer | HS Wang | 2011.01.01 | 241 / 0.000 | 702 / 0.000 | Ph.D. in Electrical and Computer Engineering, Rutgers, State University of New Jersey Lecturer/Assistant Professor, Information Engineering Department, Chinese University of Hong Kong Vice President, Mediatec Corp. Vice President, First International Telecom | Director, Taiwan Super Basketball Co., Ltd. Director, Union Cable TV Co., Ltd. Director, Yeong Jia Leh Cable TV Co., Ltd. Director, Phoenix Cable TV Co., Ltd. Director, Globalview Cable TV Co., Ltd. Director, Wealth Media Technology Co., Ltd. | - | - | - |
| Vice President | Techi Juan | 2002.05.21 | 103,960 / 0.003 | 1,017 / 0.000 | MS in Electronics Engineering, University of Missouri, Columbia Engineer, Lucent Technologies Telecommunications Taiwan Co., Ltd. Technical Manager, Asia Pacific Intellectual Property Association Senior Director, Taiwan Mobile Co., Ltd. | None | - | - | - |
| Vice President | Egon Chen | 2004.02.16 | 93,509 / 0.002 | - / - | BS in Electronics Engineering, Tamkang University Director, Suretone Telecom, Inc. Senior Director, Taiwan Fixed Network Co., Ltd. Vice President, Howin Technologies Corp. | None | - | - | - |
| Vice President | Chien Chen | 2004.02.16 | - / - | - / - | EMBA, National Taiwan University Manager, Siemens Telecommunication Systems Ltd. Director, Suretone Telecom, Inc. Vice President, Taiwan Fixed Network Co., Ltd. Vice President, Howin Technologies Corp. | None | - | - | - |

| Title | Name | Effective date | Shareholding / % | Spouse/ minor's shareholding / % | Education and experience | Current position(s) in other companies | Manager, director, or supervisor is a spouse or consanguineous within two degrees | | |
|---|-----------|----------------|------------------|---|--|--|---|------|--------------|
| | | | | | | | Title | Name | Relationship |
| Consumer Business Group | | | | | | | | | |
| Vice President and Deputy Chief Operating Officer | Jeff Ku | 2005.06.06 | 13,604 / 0.000 | - / - | EMBA, National Taiwan University MBA, University of Wollongong, Australia Director, Far EasTone Telecommunications Co., Ltd. Vice President, Taiwan High Speed Rail Corp. | Director, TWM Communications (Beijing) Co., Ltd. | - | - | - |
| Vice President | Jerry Chu | 2003.12.01 | 460,000 / 0.012 | - / - | MBA, University of Toronto, Canada LL.B., Department of Law, National Taiwan University Director, Finance Management Division, KG Telecommunications Co., Ltd. Director, Business Process Management Division, KG Telecommunications Co., Ltd. Director, Revenue Assurance Division, KG Telecommunications Co., Ltd. Vice President, Quality Director, Corporate Banking, Citibank, N.A., Taipei Branch Vice President, CitiService Head, Corporate Banking, Citibank, N.A., Taipei Branch Vice President, Senior Country Operations Officer, Operations and Technology Head, Global Transaction Service, Citibank, N.A., Taipei Branch | Director and President, Taiwan Teleservices & Technologies Co., Ltd. Supervisor, Taiwan Fixed Network Co., Ltd. | - | - | - |

| Title | Name | Effective date | Shareholding / % | Spouse/ minor's shareholding / % | Education and experience | Current position(s) in other companies | Manager, director, or supervisor is a spouse or consanguineous within two degrees | | |
|----------------|------------|----------------|------------------|----------------------------------|---|--|---|------|--------------|
| | | | | | | | Title | Name | Relationship |
| Vice President | Sean Hsieh | 2003.12.08 | 273,774 / 0.007 | - / - | BS in Business Administration and Sociology, Fu Jen Catholic University, University of Texas, Austin Account Supervisor, Bozell CCAA Group Account Director, Series DMB&B Communications Marketing and Sales Manager, PUMA North Asia Ltd., Taiwan Branch Marketing Director, TransAsia Telecommunications, Inc. Vice President, TransAsia Telecommunications, Inc. Vice President, Enterprise Solution and Channel Sales, Taiwan Mobile Co., Ltd. | None | | - | - |
| Vice President | Simon Wang | 2004.10.11 | 101,204 / 0.003 | - / - | EMBA, National Taiwan University BS in Telecommunications Engineering, National Chiao Tung University Manager, Technology & Quality Division, Philips Electronics Industry Co., Ltd. General Manager, Philips Optel Division Corp. General Manager, Fu Shing Can & Metal Manufacturing Co., Ltd. General Manager, ICAN Manufacturing Co., Ltd. Director, Teco Optical Electronics Co., Ltd. Factory Manager, Yeti Electronics Co., Ltd. Executive Vice President, TransAsia Telecommunications Inc. | None | - | - | - |

| Title | Name | Effective date | Shareholding / % | Spouse/ minor's shareholding / % | Education and experience | Current position(s) in other companies | Manager, director, or supervisor is a spouse or consanguineous within two degrees | | |
|----------------|------------|----------------|------------------|----------------------------------|---|--|---|------|--------------|
| | | | | | | | Title | Name | Relationship |
| Vice President | Paul Huang | 2008.01.21 | 221,487 / 0.006 | - / - | MS in Computer Science, Bradley University, USA Supervisor, Siemens Telecommunication Systems Ltd. Account and Project Manager, Nortel, Taiwan Branch Vice President, Business Development, Hong Kong Telecom, Taiwan Branch Vice President, Sales and Services, Far EastTone Telecommunications Co., Ltd. Vice President, Business and Operations, Far Eastern Electronic Toll Collection Co., Ltd. | None | - | - | - |

| Title | Name | Effective date | Shareholding / % | Spouse/ minor's shareholding / % | Education and experience | Current position(s) in other companies | Manager, director, or supervisor is a spouse or consanguineous within two degrees | | |
|---|----------------|----------------|------------------|---|---|--|---|------|--------------|
| | | | | | | | Title | Name | Relationship |
| Enterprise Business Group | | | | | | | | | |
| Senior Vice President and Chief Operating Officer | George C. Chou | 2007.11.26 | 231,955 / 0.006 | - / - | MS in Mathematics, Colorado State University, USA Business Development Manager, Siemens Telecommunication Systems Ltd. Special Assistant to the President, Siemens Telecommunication Systems Ltd. Managing Director, Siemens Nixdorf Information Systems Ltd., Taiwan Branch General Manager, PCCW (formerly Hong Kong Telecom) Director of Taiwan Operations, PCCW Vice Chairman and CEO, Taiwan Telecommunication Network Services Co., Ltd. CEO, Fu Yang Media Technology Co., Ltd. Senior Consultant, Taiwan Mobile Co., Ltd. Chairman, North Coast Cable TV Co., Ltd. Chairman, Yeong Jia Leh Cable TV Co., Ltd. Chairman, Union Cable TV Co., Ltd. Chairman, Phoenix CATV Co., Ltd. Chairman, Globalview CATV Co., Ltd. Chief Operating Officer, Taiwan Fixed Network Co., Ltd. | President, Taiwan Fixed Network Co., Ltd. Director, Taiwan Teleservices & Technologies Co., Ltd. Director, TWM Communications (Beijing) Co., Ltd. Director, Taiwan Acceptance Co., Ltd. | - | - | - |

| Title | Name | Effective date | Shareholding / % | Spouse/ minor's shareholding / % | Education and experience | Current position(s) in other companies | Manager, director, or supervisor is a spouse or consanguineous within two degrees | | |
|----------------|-------------|----------------|------------------|----------------------------------|--|--|---|------|--------------|
| | | | | | | | Title | Name | Relationship |
| Vice President | Joseph Yang | 2007.11.09 | 90,801 / 0.002 | - / - | BS in Transportation Management, National Chiao Tung University Advisory Systems Engineer, Systems Engineer, IBM Taiwan Technical Manager, Central and South Branch, IBM Taiwan Solution Director, Finance Industry, IBM Taiwan Sales Director, Finance Industry, IBM Taiwan Vice President for Sales, Eastern Broadband Telecom Chief Operating Officer, Eastern Broadband Telecom Senior Vice President, Asia Pacific Telecom Group Chief Marketing Officer, Asia Pacific Telecom Group Product Director, Asia Region, High Tech Computer | None | - | - | - |

Compensation to directors and management executives

1. Compensation to directors

| | | | | Unit: NT\$ | | | | |
|---|--|--------------|-------------|----------------------|----------------------|--------------------------|--------------|--------------------------|
| Title | | | | Chairman | Vice Chairman | Director | | Director |
| Name | | | | Fu-Chi Venture Corp. | Fu-Chi Venture Corp. | TCC Investment Co., Ltd. | | TCC Investment Co., Ltd. |
| Representative | | | | Richard Tsai | Daniel Tsai | Cliff Lai (Note 1) | Harvey Chang | Vivien Hsu |
| Director's compensation | Cash compensation (A) | Stand-alone | - | - | - | - | - | |
| | | Consolidated | - | - | - | - | - | |
| | Retirement pay (B) | Stand-alone | - | - | - | - | - | |
| | | Consolidated | - | - | - | - | - | |
| | Earnings paid as compensation to directors (C) | Stand-alone | 5,968,952 | 4,476,713 | 2,984,476 | | 2,984,476 | |
| | | Consolidated | 5,968,952 | 4,476,713 | 2,984,476 | | 2,984,476 | |
| | Professional fee (D) | Stand-alone | 180,000 | 100,000 | - | 120,000 | 100,000 | |
| | | Consolidated | 333,000 | 208,000 | 45,000 | 318,000 | 349,000 | |
| A+B+C+D as a % of net profit | | Stand-alone | 0.0445% | 0.0331% | 0.0225% | | 0.0223% | |
| | | Consolidated | 0.0456% | 0.0339% | 0.0242% | | 0.0241% | |
| Employee profit sharing | Performance-based salary (E) | Stand-alone | | | | | | |
| | | Consolidated | | | | | | |
| | Retirement pay of employees (F) | Stand-alone | | | | | | |
| | | Consolidated | | | | | | |
| | Earnings paid as bonus to employees (G) | Stand-alone | Cash bonus | | | | | |
| | | | Stock bonus | | | | | |
| | | Consolidated | Cash bonus | | | | | |
| | | | Stock bonus | | | | | |
| Employee stock option granted (H) | Stand-alone | | | | | | | |
| | Consolidated | | | | | | | |
| A+B+C+D+E+F+G+H as % of net profit | | Stand-alone | | | | | | |
| | | Consolidated | | | | | | |
| Compensation from investees other than subsidiaries | | | | - | - | - | 6,000 | 6,000 |
| Other allowances | | | | | | | | |

Note 1: TCC Investment Co., Ltd. appointed Cliff Lai as representative, taking over Harvey Chang's duties on November 30, 2010.

Unit: NT\$

| Title | | | | Director | Independent Director | Independent Director | Independent Director | Independent Director | Total | |
|---|--|--------------|-------------|----------------------|----------------------|----------------------|----------------------|----------------------|-------------|------------|
| Name | | | | Fu-Chi Venture Corp. | Jack J.T. Huang | Tsung-Ming Chung | Wen-Li Yeh | J. Carl Hsu | | |
| Representative | | | | Victor Kung | | | | | | |
| Director's compensation | Cash compensation (A) | Stand-alone | | - | - | - | - | - | - | |
| | | Consolidated | | - | - | - | - | - | - | |
| | Retirement pay (B) | Stand-alone | | - | - | - | - | - | - | |
| | | Consolidated | | - | - | - | - | - | - | |
| | Earnings paid as compensation to directors (C) | Stand-alone | | 2,984,476 | 4,476,713 | 4,476,713 | 4,476,713 | 4,476,713 | 37,305,945 | |
| | | Consolidated | | 2,984,476 | 4,476,713 | 4,476,713 | 4,476,713 | 4,476,713 | 37,305,945 | |
| | Professional fee (D) | Stand-alone | | 120,000 | 390,000 | 430,000 | 340,000 | 340,000 | 2,120,000 | |
| | | Consolidated | | 120,000 | 390,000 | 430,000 | 340,000 | 340,000 | 2,873,000 | |
| A+B+C+D as a % of net profit | | Stand-alone | | 0.0225% | 0.0352% | 0.0355% | 0.0348% | 0.0348% | 0.2852% | |
| | | Consolidated | | 0.0225% | 0.0352% | 0.0355% | 0.0349% | 0.0349% | 0.2908% | |
| Employee profit sharing | Performance-based salary (E) | Stand-alone | | | | | | | 145,744,993 | |
| | | Consolidated | | | | | | | 145,761,593 | |
| | Retirement pay of employees (F) | Stand-alone | | | | | | | 324,000 | |
| | | Consolidated | | | | | | | 324,000 | |
| | Earnings paid as bonus to employees (G) | Stand-alone | Cash bonus | | | | | | | 29,489,176 |
| | | | Stock bonus | | | | | | | - |
| | | Consolidated | Cash bonus | | | | | | | 29,489,176 |
| | | | Stock bonus | | | | | | | - |
| Employee stock option granted (H) | Stand-alone | | | | | | | - | | |
| | Consolidated | | | | | | | - | | |
| A+B+C+D+E+F+G+H as a % of net profit | | Stand-alone | | | | | | | 1.5554% | |
| | | Consolidated | | | | | | | 1.5614% | |
| Compensation from investees other than subsidiaries | | | | - | - | - | - | - | 12,000 | |
| Other allowances | | | | | | | | | 2,510,176 | |

2. Range of compensation to directors

Since 1) no net loss was reported for two consecutive years, 2) none of the directors' holdings fell below requirements for three consecutive months in the most recent year, and 3) no director or supervisor having an average ratio of share pledging over 50% in any three months for the most recent year, the Company discloses compensation to directors by range of compensation:

| Range of compensation to directors | Name of directors | | | |
|------------------------------------|---|---|--|--|
| | Director's compensation | | Director's compensation + employee profit sharing | |
| | On a stand-alone basis | On a consolidated basis | On a stand-alone basis | On a consolidated basis |
| NT\$0~NT\$1,999,999 | Richard Tsai, Daniel Tsai, Harvey Chang, Cliff Lai, Vivien Hsu, Victor Kung | Richard Tsai, Daniel Tsai, Harvey Chang, Cliff Lai, Vivien Hsu, Victor Kung | Victor Kung | Victor Kung |
| NT\$2,000,000~NT\$4,999,999 | Jack J.T.Huang, Tsung-Ming Chung, Wen-Li Yeh, J. Carl Hsu | Jack J.T. Huang, Tsung-Ming Chung, Wen-Li Yeh, J. Carl Hsu | Jack J.T. Huang, Tsung-Ming Chung, Wen-Li Yeh, J. Carl Hsu | Jack J.T. Huang, Tsung-Ming Chung, Wen-Li Yeh, J. Carl Hsu |
| NT\$5,000,000~NT\$9,999,999 | TCC Investment Co., Ltd. | TCC Investment Co., Ltd. | TCC Investment Co., Ltd. | TCC Investment Co., Ltd. |
| NT\$10,000,000~NT\$14,999,999 | Fu-Chi Venture Corp. | Fu-Chi Venture Corp. | Fu-Chi Venture Corp., Cliff Lai, Vivien Hsu | Fu-Chi Venture Corp., Cliff Lai, Vivien Hsu |
| NT\$15,000,000~NT\$29,999,999 | - | - | Richard Tsai, Daniel Tsai | Richard Tsai, Daniel Tsai |
| NT\$30,000,000~NT\$49,999,999 | - | - | - | - |
| NT\$50,000,000~NT\$99,999,999 | - | - | - | - |
| NT\$100,000,000 and above | - | - | Harvey Chang | Harvey Chang |
| Number of total | 12 | 12 | 12 | 12 |

3. Compensation to supervisors:

Not applicable

4. Compensation to management executives

Unit: NT\$

| Title and name | Co-President, Cliff Lai; Co-President, Vivien Hsu; Chief Operating Officer of the Enterprise Business Group, George C. Chou; Chief Financial Officer, Rosie Yu; Acting Chief Technology Officer, H.S. Wang; Vice President, C.A. Chuang; Vice President, Ariel Hwang; Vice President, Jay Hong; Vice President, Daphne Yang; Vice President, Andrew Wong; Vice President, James Chang; Vice President, Ruth Liaw; Vice President, Tech Juan; Vice President, Egon Chen; Vice President, Chien Chen; Deputy Chief Operating Officer of the Consumer Business Group, Jeff Ku; Vice President, Sean Hsieh; Vice President, Jerry Chu; Vice President, Paul Huang; Vice President, Simon Wang; Vice President, Joseph Yang | Executives who have resigned or transferred to affiliated companies | Total |
|--|--|---|------------|
| Salary (A) | Stand-alone | 91,532,332 | 71,868,603 |
| | Consolidated | 91,532,332 | 71,868,603 |
| Pension (B) (Note 1) | Stand-alone | 2,153,745 | 213,900 |
| | Consolidated | 2,153,745 | 213,900 |
| Performance-based salary (C) | Stand-alone | 54,787,157 | 21,838,334 |
| | Consolidated | 56,353,032 | 22,893,934 |
| Employee profit sharing (D) | Stand-alone | Cash | 39,336,616 |
| | | Stock | 24,866,845 |
| | Consolidated | Cash | 39,336,616 |
| | | Stock | 24,866,845 |
| A+B+C+D as a % of net profit | Stand-alone | 1.36% | 0.86% |
| | Consolidated | 1.37% | 0.87% |
| Employee stock options | Stand-alone | - | - |
| | Consolidated | - | - |
| Compensation from investees other than subsidiaries | | - | - |
| Other allowances | Stand-alone | 1,526,264 | 983,912 |
| | Consolidated | 2,270,162 | 1,713,382 |

Note 1: The Company's contribution to employee's pension account, not actual amount paid.

Note 2: Names of managers and their employee bonus distribution were the same as the table above.

5. Range of compensation to management executives

| Range of compensation to executives | Name of management executives | |
|-------------------------------------|---|---|
| | 2010 | |
| | On a stand-alone basis | On a consolidated basis |
| NT\$0~NT\$1,999,999 | - | - |
| NT\$2,000,000~NT\$4,999,999 | Vice President, Daphne Yang | Vice President, Daphne Yang |
| NT\$5,000,000~NT\$9,999,999 | Chief Financial Officer, Rosie Yu; Acting Chief Technology Officer, H.S. Wang; Vice President, C.A. Chuang; Vice President, Ariel Hwang; Vice President, Jay Hong; Vice President, Andrew Wong; Vice President, Ruth Liaw; Vice President, Tech Juan; Vice President, Egon Chen; Vice President, Chien Chen; Deputy Chief Operating Officer of the Consumer Business Group, Jeff Ku; Vice President, Sean Hsieh; Vice President, Jerry Chu; Vice President, Paul Huang; Vice President, Simon Wang; Vice President, Joseph Yang | Chief Financial Officer, Rosie Yu; Acting Chief Technology Officer, H.S. Wang; Vice President, C.A. Chuang; Vice President, Ariel Hwang; Vice President, Jay Hong; Vice President, Andrew Wong; Vice President, Ruth Liaw; Vice President, Tech Juan; Vice President, Egon Chen; Vice President, Chien Chen; Deputy Chief Operating Officer of the Consumer Business Group, Jeff Ku; Vice President, Sean Hsieh; Vice President, Jerry Chu; Vice President, Paul Huang; Vice President, Simon Wang; Vice President, Joseph Yang |
| NT\$10,000,000~NT\$14,999,999 | Co-President, Cliff Lai; Co-President, Vivien Hsu; Chief Operating Officer of the Enterprise Business Group, George C. Chou; Former Chief Technology Officer and Chief Operating Officer of the Home Business Group, James Jeng; Vice President, James Chang | Co-President, Cliff Lai; Co-President, Vivien Hsu; Chief Operating Officer of the Enterprise Business Group, George C. Chou; Former Chief Technology Officer and Chief Operating Officer of the Home Business Group, James Jeng; Vice President, James Chang |
| NT\$15,000,000~NT\$29,999,999 | - | - |
| NT\$30,000,000~NT\$49,999,999 | - | - |
| NT\$50,000,000~NT\$99,999,999 | - | - |
| NT\$100,000,000 and above | Former President and Chief Executive Officer, Harvey Chang | Former President and Chief Executive Officer, Harvey Chang |
| Total | 23 | 23 |

6. Information of names of managers and their employee bonus distribution was disclosed in Table 4.

Compensation to directors and management executives as a percentage of net income over the past two years and guiding principles

1. Compensation to directors

Unit: NT\$

| Type | Year | Compensation to directors | As a % of net profit | Net profit |
|-------------------------|------|---------------------------|----------------------|----------------|
| On a stand-alone basis | 2009 | 150,669,456 | 1.0848% | 13,888,862,693 |
| | 2010 | 214,984,114 | 1.5554% | 13,822,185,662 |
| On a consolidated basis | 2009 | 152,591,867 | 1.0985% | 13,890,516,183 |
| | 2010 | 215,753,714 | 1.5614% | 13,817,777,608 |

Guiding principles for compensation to directors

Remuneration policies, standards and package

- (1) The Board is authorized to decide the remuneration for the Chairman and Vice Chairman, but it should not be higher than the remuneration payable to the CEO of the Company.
- (2) Directors are paid according to the resolution on earnings distribution approved at the annual general shareholders' meeting. Remuneration or other equivalent allowance for directors and supervisors are based on their involvement in the Company's operations and contribution to the Company, the "Rules for Setting Director's Remuneration" and industry norms.
- (3) Transportation allowances are paid quarterly based on attendance in board meetings and for services rendered as members of the Corporate Governance Committee and Audit Committee.

Procedure for setting remuneration

- (1) In accordance with the Company's Articles of Incorporation, compensation to directors and supervisors shall not exceed 0.3% of the Company's annual net income after deducting previous years' losses, appropriating 10% thereof for legal reserves, and setting aside special reserves.
- (2) Transportation allowances are determined in accordance with the "Rules for Setting Director's Remuneration."

Performance factor

Compensation to each director or supervisor is assessed based on his/her contribution to the operations of the Company and the Board. The Corporate Governance Committee and the Board review the compensation mechanism periodically, taking issues of environmental protection, labor health and safety, and corporate social responsibility into consideration.

2. Compensation to management executives

Unit: NT\$

| Type | Year | Compensation to management executives | As a % of net profit | Net profit |
|-------------------------|------|---------------------------------------|----------------------|----------------|
| On a stand-alone basis | 2009 | 267,370,076 | 1.9251% | 13,888,862,693 |
| | 2010 | 306,597,532 | 2.2182% | 13,822,185,662 |
| On a consolidated basis | 2009 | 279,175,395 | 2.0098% | 13,890,516,183 |
| | 2010 | 309,219,007 | 2.2378% | 13,817,777,608 |

Guiding principles for compensation to management executives

Remuneration policies, standards and package

- (1) Compensation to the president and vice presidents comprises a fixed monthly salary and performance bonus.
- (2) Performance bonuses are determined based on the president's or the vice president's contribution to the Company and the results of an annual performance appraisal.

Procedure for setting remuneration

- (1) In accordance with the Company's Articles of Incorporation, performance bonuses paid to the president and vice presidents shall be set between 1% and 3% of the Company's annual net income after deducting previous years' losses, appropriating 10% thereof for legal reserves, and setting aside special reserves.
- (2) Year-end bonuses are set based on the Company's performance and the annual budget approved by the Board and the Chairman.

Performance factor

- (1) Performance bonuses comprise around 50% of the remuneration and are determined based on the president's or the vice president's contribution to the Company's operations. The Company shall review the compensation mechanism periodically, taking future operating risks, environmental protection, and corporate social responsibilities into consideration.
- (2) The Human Resources Department is tasked with preparing the annual compensation for the president and vice presidents and submitting a report to the independent directors of the Corporate Governance Committee.

CORPORATE GOVERNANCE

Board of Directors attendance

1. The Board of Directors convened six times in 2010

| Title | Name | Attendance in person | By proxy | Attendance ratio | Remarks |
|----------------------|--|----------------------|----------|------------------|---|
| Chairman | Fu-Chi Venture Corp. Representative: Richard Tsai | 6 | 0 | 100% | |
| Vice Chairman | Fu-Chi Venture Corp. Representative: Daniel Tsai | 5 | 1 | 83% | |
| Director | TCC Investment Co., Ltd. Representative: Cliff Lai (Note 1) | NA | NA | NA | All six board meetings were held before Cliff Lai's appointment as representative on November 30, 2010. |
| Director | TCC Investment Co., Ltd. Representative: Vivien Hsu | 5 | 1 | 83% | |
| Director | Fu-Chi Venture Corp. Representative: Victor Kung | 6 | 0 | 100% | |
| Independent Director | Jack J.T. Huang | 5 | 1 | 83% | |
| Independent Director | Tsung-Ming Chung | 6 | 0 | 100% | |
| Independent Director | Wen-Li Yeh | 5 | 1 | 83% | |
| Independent Director | J. Carl Hsu | 5 | 1 | 83% | |
| Director | TCC Investment Co., Ltd. Representative: Harvey Chang (Note 1) | 6 | 0 | 100% | Harvey Chang resigned as representative on November 30, 2010. |

Note 1: TCC Investment Co., Ltd. appointed Cliff Lai as representative to take over Harvey Chang's duties on November 30, 2010.

2. **Any objections or issues raised by independent directors against resolutions passed by the Board of Directors pursuant to Article 14-3 of the Securities and Exchange Act:** None
3. **Any conflict of interests among directors:** None
4. **Other BOD objectives:**
 - (1) Performance evaluation: The "Rules and Procedures on Evaluating the Board of Directors' Performance" was approved at the 11th meeting of the Fourth Board of Directors on October 26, 2006, under which the Corporate Governance Committee evaluates the board's performance and submits a report on proposed improvements. All members participated in the 2010 Board of Directors' performance self-evaluation at the board's 18th meeting on January 27, 2011.
 - (2) Training programs for directors and supervisors: The Company has since 2008 conducted regular in-house seminars to facilitate interactions between the lecturer and directors and meet the required training hours.
 - (3) Information transparency: Committed to upholding transparency in operations and protecting shareholders' interests, the Company discloses resolutions by the Board of Directors in a timely and consistent manner. In accordance with Interpretation No. 0970032392, promulgated by the Taiwan Stock Exchange on November 19, 2008, the Company approved the "Regulations on Dealing with Internal Material Information" on January 22, 2009, and disseminated them to employees, managers and directors on April 9, 2009, to ensure that they promote information transparency and timely disclosure.

Audit Committee attendance

Pursuant to the Securities and Exchange Act, shareholders approved the establishment of an Audit Committee consisting of independent directors to take over the responsibilities of supervisors during its annual meeting in June, 2008. The committee's operation is bound by the "Audit Committee Charter" and its main responsibility is to assist the board in overseeing the following:

- (1) Integrity of the Company's financial statements
- (2) Independent auditors' appointment (termination) and integrity/performance
- (3) Internal risk controls
- (4) Company's compliance with legal and regulatory requirements
- (5) Company's existing and potential risks

1. The Audit Committee convened six times in 2010

| Title | Name | Attendance in person | By proxy | Attendance ratio | Remarks |
|----------------------|------------------|----------------------|----------|------------------|------------------------------|
| Independent Director | Tsung-Ming Chung | 6 | - | 100% | Appointed committee chairman |
| Independent Director | Jack J.T. Huang | 6 | - | 100% | |
| Independent Director | Wen-Li Yeh | 6 | - | 100% | |
| Independent Director | J. Carl Hsu | 6 | - | 100% | |

2. **Any objections or issues raised by the Audit Committee against resolutions, pursuant to Article 14-5 of the Securities and Exchange Act, that were approved by over two-thirds of the directors:** None
3. **Any conflict of interests among independent directors:** None
4. **Communication between Independent Directors and the Internal Audit Chief Officer and CPAs:**
 - (1) In addition to presenting monthly reports to independent directors, the Internal Audit Chief submits regular reports on the progress of its audit program at the quarterly Audit Committee meetings.

- (2) The CPAs present audit reports and findings to independent directors during the committee's quarterly meeting.
- (3) The Internal Audit Chief and CPAs also communicate with independent directors directly as needed.

Corporate governance practices

| Item | | Current practice |
|--|--|---|
| Shareholding structure and shareholders' interests | Handling of shareholders' suggestions and disputes | The spokesperson or Secretarial Division handles all non-legal issues; the legal division handles all legal issues. |
| | Identification of major shareholders and investors with controlling interests | The Secretarial Division provides a list of shareholders. |
| | Risk control mechanisms and firewalls between the Company and its subsidiaries | The Company has established "Rules and Procedures on Conducting Transactions between Group Companies and Related Parties" and "Rules and Procedures on Monitoring Subsidiaries" as risk control mechanisms. |
| Board of directors and its responsibilities | Independent directors | The Company's board includes four independent directors. |
| | Periodic review of CPA's independence | The Audit Committee conducts periodic (every year) reviews on CPA's independence and service fees and requires a statement of independence from the CPA. |
| Communication channels with shareholders | | The spokesperson and spokesperson's mailbox serve as the main communication channel between the Company and shareholders. |
| Information disclosure | Disclosure of financial, operational and corporate governance information | Disclosure of financial-related and corporate governance information is posted periodically on the Company's website. |
| | Other ways of disclosing information | The Company has set up an English website, designated personnel to gather and disclose Company information, and appointed a spokesperson. A designated department, Investor Relations Division, was set up to enhance information disclosure. |
| Functional committees | | The Corporate Governance Committee oversees the functions of committees dealing with nominations of board directors and compensation. |

Corporate governance principles

- Timely disclosure of material information
- Checks and balances between the board and management
- Fair representation of independent board members
- Audit Committee ensures fair and independent financial oversight
- Corporate Governance Committee ensures sound corporate governance practices and systems be in place
- Adoption of a cash dividend policy based on a high earnings payout ratio
- Distribution of all employee bonuses in the form of cash

Implementation of corporate governance principles

The Company has implemented a number of rules and procedures to enhance its corporate governance practices. It has revised the Rules and Procedures Governing Shareholders' Meetings, Rules and Procedures on Conducting Transactions between Group Companies and Related Parties, Corporate Governance Committee Charter, the Audit Committee Charter, Rules and Procedures Governing Board of Directors' Meetings, Regulations Governing Internal Material Information, Code of Ethics, Ethical Corporate Management Best Practice Principles and Corporate Social Responsibility Policy. With these changes, not only does the Company's corporate governance mechanism comply with Taiwan's Securities and Exchange Act, but it also adheres to the highest international standards.

Additional information

1. Employee rights

The Company safeguards employee rights in accordance with the Labor Standards Act and Company policy.

2. Employee care

The Company provides different communication channels to facilitate communication within the Company. These include holding regular employee and managerial meetings, a President's Mailbox for employees to submit suggestions for improvement and conducting surveys to collect employees' views and opinions.

3. Investor relations

The Company posts financial, operational and material information on the Company website and the market observation post system (MOPS) in a timely manner to keep investors abreast of Company developments and strategies and maximize shareholders' interests.

4. Supplier relations

The Company holds procurement bids based on the "Procedures Governing Procurement," and suppliers deliver products in accordance with the contract.

5. Stakeholders' rights

To protect the interests of stakeholders, the Company has established various free and open communication channels to promote trust and corporate social responsibility.

6. Corporate governance related training program for management

| Training program | Organizer | Date | Hours | Participants |
|---|---|------------|-------|---|
| Business risk management | TWM PR Div. BSI (British Standard Institute) | 2010/01/22 | 3 | Harvey Chang, Vivien Hsu, Cliff Lai, James Jeng, Tech Juan, Simon Wang, Andrew Wong, Jeff Ku, Jay Hong, C.A. Chuang, Ruth Liaw, Jerry Chu, James Chang, Sean Hsieh |
| Finance course for non-financial managers | TWM HR Div. | 2010/01/29 | 7 | Tech Juan, Egon Chen, Chien Chen |
| Forum on the impact of environmental developments on telecoms companies | TWM HR Div. | 2010/07/12 | 2.5 | James Jeng, James Chang, Tech Juan, Egon Chen, Chien Chen, Simon Wang, Paul Huang, Joseph Yang |
| Copyright Workshop: Copy right or wrong? | TWM HR Div. | 2010/07/16 | 3 | Ruth Liaw |
| How to handle personal information in compliance with the Personal Information Protection Act | Computer Audit Association | 2010/08/05 | 6 | Jay Hong |
| Code of Ethics | TWM HR Div. | 2010/08/11 | 0.5 | Harvey Chang, Vivien Hsu, Cliff Lai, James Jeng, Paul Huang, Simon Wang, Tech Juan, HS Wang, Egon Chen, Chien Chen, Ariel Hwang, Sean Hsieh, Andrew Wong, C.A. Chuang, James Chang, Joseph Yang, Daphne Yang, Jay Hong, Ruth Liaw, Jerry Chu, Jeff Ku, Rosie Yu, George C. Chou |

7. Training program for directors

| Title | Name | Date of training | | Organization | Training program | Hours (Note1) |
|--|--------------|------------------|------------|----------------------------------|--|------------------|
| | | From | To | | | |
| Representative of Institutional Director | Richard Tsai | 2010/04/30 | 2010/04/30 | Corporate Governance Association | Management policy review after the financial crisis | 3.0 |
| | | 2010/12/16 | 2010/12/16 | Corporate Governance Association | Dynamic competition and sustainability of Chinese corporates | 3.0 |
| Representative of Institutional Director | Daniel Tsai | 2010/12/16 | 2010/12/16 | Corporate Governance Association | Dynamic competition and sustainability of Chinese corporates | 3.0 |

| Title | Name | Date of training | | Organization | Training program | Hours (Note1) |
|--|--------------------------|------------------|------------|----------------------------------|---|------------------|
| | | From | To | | | |
| Representative of Institutional Director | Harvey Chang (Note 2) | 2010/02/24 | 2010/02/24 | Corporate Governance Association | Why market liberalization is important | 1.0 |
| | | 2010/04/30 | 2010/04/30 | Corporate Governance Association | Management policy review after the financial crisis | 3.0 |
| | | 2010/05/06 | 2010/05/06 | Corporate Governance Association | What does the directors and officers liability insurance cover? | 1.0 |
| | | 2010/07/01 | 2010/07/01 | Corporate Governance Association | Risk control and prevention for directors | 1.0 |
| | | 2010/09/03 | 2010/09/03 | Corporate Governance Association | Taiwan's post-ECFA economic policy | 1.0 |
| | | 2010/11/01 | 2010/11/01 | Corporate Governance Association | CG Watch 2010, with a Special Focus on Taiwan | 1.0 |
| Representative of Institutional Director | Vivien Hsu | 2010/02/24 | 2010/02/24 | Corporate Governance Association | Why market liberalization is important | 1.0 |
| | | 2010/04/30 | 2010/04/30 | Corporate Governance Association | Management policy review after financial crisis | 3.0 |
| | | 2010/05/06 | 2010/05/06 | Corporate Governance Association | What does the directors and officers liability insurance cover? | 1.0 |
| | | 2010/07/01 | 2010/07/01 | Corporate Governance Association | Risk control and prevention for directors | 1.0 |
| | | 2010/09/03 | 2010/09/03 | Corporate Governance Association | Taiwan's post-ECFA economic policy | 1.0 |
| | | 2010/11/01 | 2010/11/01 | Corporate Governance Association | CG Watch 2010, with a Special Focus on Taiwan | 1.0 |
| Independent Director | Victor Kung | 2010/12/16 | 2010/12/16 | Corporate Governance Association | Dynamic competition and sustainability of Chinese corporates | 3.0 |
| Independent Director | Jack J.T. Huang | 2010/04/30 | 2010/04/30 | Corporate Governance Association | Management policy review after financial | 3.0 |

| Title | Name | Date of training | | Organization | Training program | Hours (Note1) |
|----------------------|------------------|------------------|------------|----------------------------------|--|------------------|
| | | From | To | | | |
| | | | | | crisis | |
| | | 2010/08/23 | 2010/08/23 | Corporate Governance Association | Responsibilities of a director as defined by corporate governance policy | 3.0 |
| | | 2010/09/03 | 2010/09/03 | Corporate Governance Association | Taiwan's post-ECFA economic policy | 1.0 |
| Independent Director | Tsung-Ming Chung | 2010/04/30 | 2010/04/30 | Corporate Governance Association | Management policy review after financial crisis | 3.0 |
| Independent Director | Wen-Li Yeh | 2010/04/30 | 2010/04/30 | Corporate Governance Association | Management policy review after financial crisis | 3.0 |
| Independent Director | J. Carl Hsu | 2010/04/30 | 2010/04/30 | Corporate Governance Association | Management policy review after financial crisis | 3.0 |

Note 1: The training requirements listed above have been fulfilled.

Note 2: TCC Investment Co., Ltd. appointed Cliff Lai as representative to take over Harvey Chang's duties on November 30, 2010.

8. Risk management

Risk management policies

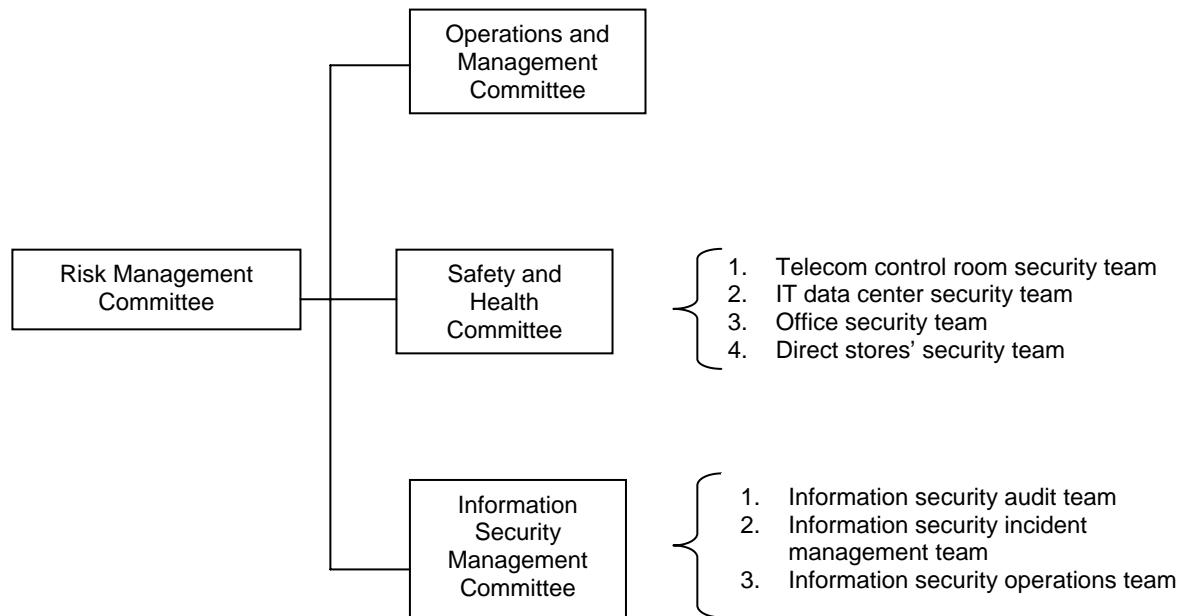
- (1) Promote a risk management-based business model
- (2) Establish a risk management mechanism that can effectively cite, evaluate, supervise and control risk
- (3) Create a company-wide risk management structure that can limit risk to an acceptable level
- (4) Introduce best risk management practices and continue to seek improvements

Risk management structure

The Company's risk management structure is made up of three committees, which function as follows:

- (1) Operations and Management Committee: Conduct periodic review of each business group's operating target and performance to meet the Company's guidance and budget.
- (2) Safety and Health Committee: Tasked with supervising and reducing potential risks to workers' safety and health.
- (3) Information Security Management Committee: Supervise important information assets for confidentiality, integrity, availability, and regulatory compliance in order to control and reduce operational risks to an effective and reasonable level.

Risk Management Committee



Risk management operation mechanism

(1) Three levels of control mechanism

First level: Risk factors are analyzed and assigned to responsible units for monitoring to ensure timely and effective detection. These units shall ensure, on a daily basis, that risks are kept under acceptable levels. Should there be any changes in condition or other factors, the concerned unit shall report these to the Company for the appropriate course of action.

Second level: Examining committees composed of unit chief officers or executive vice presidents shall undertake necessary measures when faced with material changes in risk.

Highest level: The Board of Directors is the highest supervisory and decision-making body responsible for confirming material risk assessment, designating action to control these risks and keep track of their execution. Additionally, the Internal Audit Office monitors and confirms that risk controls are properly executed on a daily basis and reports any discrepancy to the chief officer of the responsible unit.

(2) Risk factors and management structure

| | Important risk factors | Responsible unit | Examining committee | Decision-making and supervision |
|----|--|--|--|--|
| 1 | Operating risk: telecom equipment shutdown and information system failure | Technology unit / IT | Technology management meeting IT management meeting | Board of Directors: The highest decision-making body Internal Audit Office: Examine, monitor, track and report risk factors |
| 2 | Changes related to technology and industry | Systems Design Division | Technology management meeting | |
| 3 | Risks related to information security | Quality Management Division | Information Security Management Committee | |
| 4 | Market risk A. Competition B. New products C. Channel management | A. Marketing unit B. Marketing unit C. Business Operations Management Division | CBG management meeting | |
| 5 | Government policies and regulatory compliance | Regulatory & Carrier Relations Division | | |
| 6 | Corporate image | Public Affairs Division | | |
| 7 | M&A and investments | Presidential Office | | |
| 8 | Employee safety | Occupational Safety and Health Office and Administrative Division | Safety and Health Committee | |
| 9 | Employee behavior, code and ethics | Human Resources Division | Human Affairs Appraisal Committee | |
| 10 | Volatility of interest rates, exchange rates and financial risks | Finance Division | Audit Committee | |
| 11 | Financing and endorsement/guarantee provided to others, derivatives transaction and working capital management | Finance Division | Audit Committee | |
| 12 | Financial report disclosure | Accounting Division | Audit Committee | |
| 13 | Litigious and non-litigious matters | Legal Office | Legal Office, Internal Audit Office | |
| 14 | Changes in shareholding of directors/supervisors and major shareholders | Secretarial Division | Legal Office, Internal Audit Office | |
| 15 | Board meeting facilitation | Secretarial Division | Legal Office, Internal Audit Office | |

9. Implementation of customer policy

With the mission of “creating the best user experience,” the Company is continuously striving to improve its products, services and operations to win customers’ trust and raise the quality of customer care.

10. The Company has purchased liability insurance for its directors and supervisors.

11. Employees’ certifications relating to financial transparency

- (1) Certified Internal Auditor (CIA): One employee in the Operation Analysis Division; eight in the Internal Audit Office.
- (2) First-level examiner of internal controls (Securities and Futures Institute): Five in Secretarial Division.
- (3) Qualified Internal Auditor (QIA): One employee in the Operation Analysis Division; eight in the Internal Audit Office; one in Accounting Division.
- (4) Certified Public Accountant (CPA): One employee in the Office of the CFO; three in Operation Analysis Division; two in the Accounting Division; one in Finance Division.

12. Any internal evaluation or third party assessment reports on corporate governance. If yes, specify results, major flaws or recommendations for improvements: None

Corporate Governance Committee operations

The Corporate Governance Committee is composed entirely of independent board directors and its operation is bound by the “Corporate Governance Committee Charter.” It also serves as a nomination and compensation panel. Additionally, a compensation panel will be established in the future.

The Corporate Governance Committee convened five times in 2010

| Title | Name | Attendance in person | By proxy | Attendance ratio | Remarks |
|----------------------|------------------|----------------------|----------|------------------|------------------------------|
| Independent Director | Jack J.T. Huang | 5 | - | 100% | Appointed committee chairman |
| Independent Director | Tsung-Ming Chung | 5 | - | 100% | |
| Independent Director | Wen-Li Yeh | 5 | - | 100% | |
| Independent Director | J. Carl Hsu | 5 | - | 100% | |

Corporate social responsibility (CSR)

| Item | Current Practices | | | | | | | | | |
|--|---|--|------|------|-----------------------------|-----------------------------|-----------------------------|-----------------------------------|--|--|
| Corporate governance 1. Establishing a CSR policy or system and review mechanism 2. Setting up a unit to carry out this policy or system 3. Holding regular training programs on business ethics for directors, managers and employees and establishing a reward-and-punishment system | 1. TWM launched its CSR Policy in January 2011. 2. In 2007, TWM established a Social Responsibility Department under the Public Relations Division to draft and carry out CSR initiatives. With designated personnel and a separate budget, the department provides planning, execution and coordination across different divisions, and reports to the board of Taiwan Mobile Foundation and TWM's Corporate Governance Committee on an annual basis. 3. In addition to regular training programs on business ethics, the Company has formulated a Code of Ethics that all directors, managers and employees are expected to follow and support. Employees can access the Code of Ethics via TWM's e-Learning website starting from August 2010. An intranet hotline has been set up for employees to report any violation of the Code of Ethics. Violators shall be punished in accordance with Company regulations. | | | | | | | | | |
| Environmental sustainability 1. Promoting advanced and efficient use of renewable resources to reduce their impact on the environment 2. Establishing an environmental management system in line with the nature of the Company's business operations 3. Setting up a framework and allocating staff to promote environmental conservation 4. Adopting measures to reduce greenhouse gas emissions and minimize their impact on the environment | 1. The Company has continuously worked to improve the efficient use of resources, including paper, water, energy, cables and battery modules. 2. TWM established an Environmental Sustainability Implementation Committee. A unit under the Office of the President, it reports directly to the President. 3. Special staff in the Administrative and Public Affairs divisions have been assigned to push the Company's environmental conservation program. 4. TWM has made use of its operating management practices and communications technology to reduce energy consumption and greenhouse gas emissions. These measures include: <ul style="list-style-type: none">● IDC (Internet Data Center) energy saving program● Base station equipment upgrading● Energy management program for TWM's office buildings and direct stores● Telepresence service● Green applications service <table><tr><td></td><td>2009</td><td>2010</td></tr><tr><td>Energy consumption (direct)</td><td>21,258,000.2 million joules</td><td>20,243,000.3 million joules</td></tr><tr><td>Greenhouse gas emissions (direct)</td><td>1,417.8 tonnes carbon dioxide equivalent</td><td>1,350.2 tonnes carbon dioxide equivalent</td></tr></table> | | 2009 | 2010 | Energy consumption (direct) | 21,258,000.2 million joules | 20,243,000.3 million joules | Greenhouse gas emissions (direct) | 1,417.8 tonnes carbon dioxide equivalent | 1,350.2 tonnes carbon dioxide equivalent |
| | 2009 | 2010 | | | | | | | | |
| Energy consumption (direct) | 21,258,000.2 million joules | 20,243,000.3 million joules | | | | | | | | |
| Greenhouse gas emissions (direct) | 1,417.8 tonnes carbon dioxide equivalent | 1,350.2 tonnes carbon dioxide equivalent | | | | | | | | |

| Item | Current Practices |
|--|--|
| <p>Commitment to corporate social responsibility</p> <ol style="list-style-type: none"> 1. Building a system to safeguard workers' rights in accordance with labor laws 2. Providing employees with a safe and healthy working environment as well as regular training on safety and health education 3. Drawing up a policy on protecting consumers' rights and providing a transparent and effective mechanism for filing and processing complaints about products and services 4. Working with vendors to promote corporate social responsibility. 5. Promoting community development projects and philanthropic work through commercial activities, donations, volunteer work or other services. | <ol style="list-style-type: none"> 1. TWM's Code of Ethics serves as a guideline for employees. The company has also established a performance-based reward system to motivate employees. 2. The Company aims to provide a safe and healthy working environment for employees and has implemented related measures to promote employee health and mental well-being. It also conducts periodic evaluations of the working environment and programs on promoting workers' safety and health education. Related information on employee safety and health are posted on the Company's intranet. 3. To raise customer satisfaction in line with TWM's "customer first" policy, the Company has built a network of more than 600 stores/outlets across Taiwan, a 24/7 hotline and a user-friendly website to deal with customer complaints, which are processed and handled by designated agents in line with standard operating procedures. A dedicated unit monitors and conducts periodic reviews of measures to promote customer satisfaction. 4. TWM believes that ethics serves as the moral foundation of a well-managed enterprise. To promote a fair and just system, the Company set up an open procurement system to select suppliers and required that all suppliers comply with TWM's Environmental and Occupational Health & Safety Policy. Furthermore, TWM provides first bargaining rights to green-product suppliers to encourage others to likewise produce environmentally friendly products. 5. TWM leverages its core competence in telecommunications, network and digital convergence to generate wider benefits for society. <p>a. Promoting digital competitiveness and expanding applications</p> <ul style="list-style-type: none"> ● TWM built broadband services in remote areas like Nantou County's Sinyi Township and Hsinchu County's Jianshih Township in 2010. It has collaborated with local nonprofit organizations (NPOs) to set up 11 e-training centers. ● TWM introduced the "5180 Mobile Donation Hotline", a small donation platform, to provide a fund-raising channel for some 50 NPOs. ● TWM introduced the "909 Mobile Phone Audio Guide," which employs mobile communications technology and cloud database to promote art and culture. ● TWM initiated the "myfone Mobile Composition Award" to promote new type of literature and music composition creativity. Over 40,000 participants registered in the contest, hitting a record high of its kind. This award gives prizes for the best "SMS literature" and "original musical ringtones". ● TWM has published e-educational materials focusing on cultural, environment and network safety and conducted online researches with NPOs to better understand teenage behavior. |

| Item | Current Practices |
|---|---|
| | <p>b. Concern for the underprivileged</p> <ul style="list-style-type: none"> ● TWM sponsors tutorial sessions for some 200 children from underprivileged families every year. ● TWM works with the Canlove Social Services Association to provide professional counseling services to people suffering from depression and to promote suicide prevention awareness. There were more than 40,000 participants working in the events in 2010. ● TWM sponsors an NGO that provides classes on “emotion management” and “suicide prevention” to junior high school students. A total of 140,000 students have been involved in this program. <p>c. Cultural promotion</p> <p>To promote cultural literacy, TWM has since 2005 held 25 large outdoor concerts throughout Taiwan with more than 300,000 people attending these events.</p> <p>d. Corporate volunteers</p> <p>TWM drafted and implemented its “Corporate Volunteer Guidelines” to encourage employees to take an active role in fulfilling their social responsibilities. Volunteers can take two paid days off a year to participate in community service activities. Transportation allowances and insurance, as well as comprehensive training, are provided. To date, 560 participants have joined in such activities.</p> |
| <p>Information disclosure</p> <ol style="list-style-type: none"> 1. Disclosing relevant and reliable information on corporate social responsibility. 2. Process for preparing and disclosing CSR information | <ol style="list-style-type: none"> 1. All information and data contained in the CSR reports are compiled internally and verified by an external party to ensure their reliability and accuracy. All information (subject and content) are deemed to be materially important and designed to meet stakeholders’ expectations. 2. TWM released its first CSR report in 2007. A second report, released in 2009, complies with the GRI G3 and the AA1000 assurance standards on CSR disclosure practices. |

The Company's CSR policy and practices fully comply with the "Corporate Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies."

Additional information on CSR-related matters:

Information on the Company's policy and practices can be found on the Company website, corporate social responsibility reports and press releases.

Has the Company issued CSR reports that have been verified by an independent third-party assurance organization?

In 2009, TWM's CSR report was verified by an independent third-party organization, the British Standards Institute, in accordance with its AA1000 assurance standards and GRI guidelines.

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Honest and ethical conduct

Integrity lies at the core of TWM's corporate culture, and employees are enjoined to act and perform their duties in an honest and ethical manner to fulfill their social responsibility to investors, consumers and the community. If an employee becomes aware of any conduct or activity that may violate the Company's "Code of Ethics," said employee is duty-bound to promptly report the matter via the Company's intranet. TWM has also invested in liability insurance for all employees, with the insured value rising along with the risks associated with an employee's work.

Corporate governance rules and procedures

Please refer to current corporate governance practices

Additional information on corporate governance operations: None

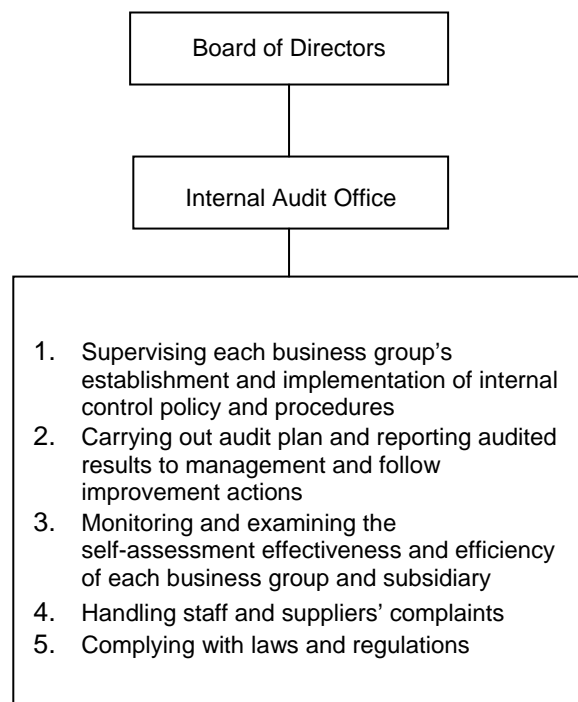
Internal control system

1. Internal control mechanism

The Company's Internal Audit Office is an independent unit that reports directly to the Board of Directors. The Internal Audit Office is responsible for the examination and assessment of the internal controls of the Company's financial, sales, operations and management departments. All departments, including those of the subsidiaries, are subject to its audit.

Regular internal audits are executed according to the annual audit plan. Special audit projects are implemented as needed. These audits enhance internal control and provide timely recommendations for future improvements. In accordance with corporate governance, audit reports are regularly submitted to and reviewed by the Chairman as well as the Audit Committee.

The Internal Audit Office also examines the mechanisms and results of self-evaluations by departments and subsidiaries to ensure strict implementation. In addition, it generates and consolidates related inspection reports for the CEO and the Board of Directors to evaluate the overall efficiency of existing internal control systems before generating an internal control system statement.



2. Report from CPA after examining the internal control system: None

3. Internal control statement

Taiwan Mobile Co., Ltd.
Internal Control Statement

Date: January 27, 2011

Taiwan Mobile (TWM) states the following with regard to its internal control system for the year 2010:

1. TWM is fully aware that establishing, operating, and maintaining an internal control system are the responsibilities of its Board of Directors and management. TWM has established such a system to provide reasonable assurance in achieving objectives related to the effectiveness and efficiency of operations (including profits, performance, and safeguarding of assets), reliability of financial reporting, and compliance with applicable laws and regulations.
2. An internal control system has inherent limitations. An effective internal control system, no matter how perfectly designed, can provide only a reasonable assurance in the accomplishment of the three goals mentioned above. Furthermore, the effectiveness of an internal control system may change along with changes in environment or circumstances. The internal control system of the Company contains self-monitoring mechanisms, and the Company takes corrective actions as soon as a deficiency is identified.
3. TWM evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the "Regulations Governing the Establishment of Internal Control Systems" by Public Companies promulgated by the Securities and Futures Bureau, the Financial Supervisory Commission, and the Executive Yuan (herein referred to as "Regulations"). The internal control system evaluation criteria stated in the Regulations classify internal control into five key elements based on the process of management control: 1. Control environment, 2. Risk assessment and response, 3. Control activities, 4. Information and communications, 5. Monitoring. Please refer to the Regulations for details on these five key elements.
4. TWM has evaluated the design and operating effectiveness of its internal control system according to the aforesaid criteria.
5. Based on the findings of the evaluation mentioned in the third paragraph, TWM believes that as of Dec.31, 2010, its internal control system (including its supervision of subsidiaries), which encompasses internal controls for the knowledge of the degree of achieving operational effectiveness and efficiency objectives, reliability of financial reporting, and compliance with applicable laws and regulations, was effectively designed and operating and reasonably assured the achievement of the above-stated objectives.
6. This statement will form a major part of the Company's Annual Report and Prospectus and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171 and 174 of the Securities and Exchange Act.
7. This statement has been passed by the TWM Board of Directors' Meeting on January 27, 2011, where all of the nine attending directors did not express any dissenting opinion and affirmed the content of the same.

Taiwan Mobile Co., Ltd.



Richard Tsai
Chairman



Cliff Lai
Co-President



Vivien Hsu
Co-President

Violation of regulations and internal policies: None

Major resolutions at the shareholders' meeting and board meetings

1. Major resolutions at the 2010 shareholders' meeting

Issues discussed and approved:

- (1) 2009 business and financial reports
- (2) 2009 earnings distribution proposal
- (3) Removal of non-competition restrictions on Institutional Directors
- (4) Amendments to the "Rules and Procedures on Lending and Making Endorsements/Guarantees"
- (5) Amendments to the "Rules and Procedures on Acquisition or Disposal of Assets"

Resolutions made in the 2010 general shareholders' meeting were all duly executed.

2. Major resolutions by the board (between 2010 and the publication date)

- (1) Approved Q1 2010 stand-alone and consolidated financial forecasts
- (2) Approved 2010 capital expenditure plans for network optimization and 3G implementation
- (3) Approved the removal of non-competition restrictions on Company management
- (4) Approved the holding of the 2010 general shareholders' meeting
- (5) Approved 2009 profit distribution proposal
- (6) Approved change in CPA
- (7) Approved Q2 2010 stand-alone and consolidated financial forecasts
- (8) Set record date for 2009 cash dividend distribution
- (9) Approved a loan to Taiwan Cellular Co., Ltd.
- (10) Approved a loan to TFN Media Co., Ltd.
- (11) Approved Q3 2010 stand-alone and consolidated financial forecasts
- (12) Approved Harvey Chang's resignation as President and Chief Executive Officer
- (13) Approved cash capital reduction proposal
- (14) Approved the appointment of two new Co-Presidents
- (15) Approved Q4 2010 stand-alone and consolidated financial forecasts
- (16) Approved 2011 stand-alone and consolidated financial forecasts
- (17) Approved 2011 capital expenditure plans for network optimization and 3G implementation
- (18) Approved the holding of the 2011 general shareholders' meeting
- (19) Approved the removal of non-competition restrictions on Company management
- (20) Approved plans to carry out 3G network expansion

The above information is posted on <http://mops.twse.com.tw>.

Major disputes between directors and supervisors over board meeting resolutions from 2010 up to the publication date in 2011: None

Resigned/discharged officers responsible for financial reports

As of January 31, 2011

| Title | Name | Start of tenure | Resignation date | Reasons |
|--|--------------|-----------------|------------------|---|
| President & Chief Executive Officer | Harvey Chang | 2003/09/08 | 2010/12/31 | Resigned after expiration of employment contract |

Certified Public Accountant (CPA) Information

1. CPA service fees

Unit: NT\$'000

| Accounting firm | Name of CPA | | Audit fee | Non-audit fee | | Total | Period covered by CPA's audit | Remarks |
|----------------------|---------------|------------|--------------|-------------------------|-------|-------|---------------------------------------|--|
| | | | | Company registration | Other | | | |
| Deloitte & Touche | Peter Fan | S.C. Huang | 1,120 | - | 110 | 1,230 | 1st quarter of 2010 | Fees for other non-audit services were mainly for tax-related consultation |
| KPMG | Simon Chen | Janice Lai | 7,000 | - | 550 | 7,550 | 2nd quarter to 4th quarter of 2010 | Fees for other non-audit services were mainly for tax-related consultation |

Note: The Company changed the CPA firm since the 2nd quarter of 2010 in order to find services better meet the current operational requirements of the Company.

Unit: NT\$'000

| Range of CPA service fee | Audit fee | Non-audit fee | Total |
|-----------------------------|-----------|---------------|-------|
| NT\$0~NT\$1,999,999 | - | ✓ | ✓ |
| NT\$2,000,000~NT\$3,999,999 | - | - | - |
| NT\$4,000,000~NT\$5,999,999 | - | - | - |
| NT\$6,000,000~NT\$7,999,999 | - | - | - |
| NT\$8,000,000~NT\$9,999,999 | ✓ | - | ✓ |
| NT\$10,000,000 and above | - | - | - |

2. Other information

- (1) If non-audit fees paid to CPAs, their accounting firm and its affiliates are more than one-fourth of audit fees, specify the amount of audit and non-audit fees as well as the scope of non-audit services :

Not applicable.

- (2) For CPA changes, if the audit fee in the first year is lower than that of the prior year , specify the audit fee before and after the change and the reasons :

The Company decided to change the CPA firm on April 29, 2010 to find services better meet the current operational requirements of the Company. The audit fees before and after the change was made were NT\$9,220 thousand and NT\$8,120 thousand, respectively, representing a decline of NT\$1,100 thousand, or 11.93%.

(3) If audit fees dropped by more than 15%, specify the amount and percentage of decline and reasons:

Not applicable.

3. Information on CPA changes

Former CPA

| | | | |
|--|---|-----|-------------------------------------|
| Date of change | April 29, 2010 | | |
| Reason for change | To find services better meet the current operational requirements of the Company | | |
| Specify whether services/engagement were terminated/refused | Party | | |
| | Conditions | CPA | Company |
| | Termination | | V |
| | Refusal of new mandate | | |
| Has any audit opinion, other than an unqualified opinion, been issued in the past two years? If yes, cite reasons. | A modified unqualified opinion was issued in 2008 to add a paragraph explaining a change in the accounting principle of expensing employee bonuses. | | |
| Disagreement with securities issuer | Yes | | Accounting principles and practices |
| | | | Disclosure of financial statements |
| | | | Audit scope or procedures |
| | | | Others |
| | | | |
| | No | V | |
| | Description: None | | |
| Other disclosure items | None | | |

Current CPA

| | |
|--|------------------------|
| Name of company | KPMG |
| Name of CPA | Simon Chen, Janice Lai |
| Date of engagement | May 20, 2010 |
| Results of consultations with the CPA on accounting measures and principles that might influence his/her opinion prior to his/her engagement | None |
| Has the incumbent CPA issued any dissenting opinion on opinions issued by the previous CPA? | None |

4. Company Chairman, President or finance/accounting manager held positions in the Company's audit firm or its affiliates within the past one year: None

Changes in shareholdings of directors, supervisors, managers and major shareholders

1. Insignificant changes in shareholder structure

Unit: Shares

| Title | Name | 2010 | | 2011 (as of January 31) | |
|--|--|----------------------------|------------------------------|---|------------------------------|
| | | Net change in shareholding | Net change in shares pledged | Net change in shareholding ¹ | Net change in shares pledged |
| Chairman | Fu-Chi Venture Corp. Representative: Richard Tsai | 0 | 0 | 0 | 0 |
| Vice Chairman | Fu-Chi Venture Corp. Representative: Daniel Tsai | | | | |
| Director | Fu-Chi Venture Corp. Representative: Victor Kung | | | | |
| Director | TCC Investment Co., Ltd. Representative: Cliff Lai (Note 1) | 0 | 0 | 0 | 0 |
| Director | TCC Investment Co., Ltd. Representative: Vivien Hsu | | | | |
| Independent Director | Jack J.T. Huang | 0 | 0 | 0 | 0 |
| Independent Director | Tsung-Ming Chung | 0 | 0 | 0 | 0 |
| Independent Director | Wen-Li Yeh | 0 | 0 | 0 | 0 |
| Independent Director | J. Carl Hsu | 0 | 0 | 0 | 0 |
| Major Shareholder (shareholding of more | TFN Union Investment Co., Ltd. | 0 | 0 | 0 | 0 |

| Title | Name | 2010 | | 2011 (as of January 31) | |
|--|-----------------------|----------------------------|------------------------------|---|------------------------------|
| | | Net change in shareholding | Net change in shares pledged | Net change in shareholding ¹ | Net change in shares pledged |
| than 10%) | | | | | |
| Co-President | Cliff Lai | (213,000) | 0 | 0 | 0 |
| Co-President | Vivien Hsu | 0 | 0 | 0 | 0 |
| SVP and Chief Operating Officer of Enterprise Business Group | George C. Chou | (19,000) | 0 | 0 | 0 |
| SVP and Chief Financial Officer | Rosie Yu | 0 | 0 | 0 | 0 |
| Vice President and acting Chief Technology Officer | HS Wang | (60,000) | 0 | 0 | 0 |
| Vice President | C.A. Chuang | (20,000) | 0 | 0 | 0 |
| Vice President | Ariel Hwang | 0 | 0 | 0 | 0 |
| Vice President | Jay Hong | (50,000) | 0 | 0 | 0 |
| Vice President | Andrew Wong | (31,000) | 0 | 0 | 0 |
| Vice President | James Chang | (10,000) | 0 | 0 | 0 |
| Vice President | Daphne Yang | 0 | 0 | 0 | 0 |
| Vice President | Ruth Liaw | (56,000) | 0 | 0 | 0 |
| Vice President | Techi Juan | 0 | 0 | 0 | 0 |
| Vice President | Egon Chen | (30,000) | 0 | 0 | 0 |
| Vice President | Chien Chen | (6,000) | 0 | 0 | 0 |
| Vice President and Deputy COO | Jeff Ku | (115,000) | 0 | 0 | 0 |
| Vice President | Jerry Chu | 0 | 0 | 0 | 0 |
| Vice President | Sean Hsieh | (40,000) | 0 | 0 | 0 |
| Vice President | Simon Wang | 0 | 0 | 0 | 0 |
| Vice President | Paul Huang | 0 | 0 | 0 | 0 |
| Vice President | Joseph Yang | 0 | 0 | 0 | 0 |
| President and Chief Executive Officer | Harvey Chang (Note 2) | (1,500,000) | 0 | NA | NA |
| SVP, CTO and COO of Home Business Group | James Jeng (Note 3) | (69,000) | 0 | NA | NA |

Note 1: TCC Investment Co., Ltd. appointed Cliff Lai as representative to take over Harvey Chang's duties on November 30, 2010.

Note 2: Harvey Chang resigned on December 31, 2010.

Note 3: James Jeng resigned on December 23, 2010.

2. Shareholding transferred with related party

| Name | Reason | Transaction date | Counter Party | Relationship | # of Shares | Trading price (NT\$) |
|--------------------------|---|------------------|-----------------------------|------------------|-------------|----------------------|
| Harvey Chang (Note 1) | Participation of Yu-Wei 's capital increase | 2010.02.10 | Yu-Wei Investment Co., Ltd. | Designated party | 1,500,000 | 61.00 |

Note 1: TCC Investment Co., Ltd. appointed Cliff Lai as representative to take over Harvey Chang's duties on November 30, 2010.

3. Stock pledged with related party: None

Direct and indirect investments in affiliated companies

As of December 31, 2010

Unit: shares, %

| Long-term investments | Investment by TWM | | Direct and indirect investment by TWM's directors, supervisors and management | | Total investment | |
|-----------------------------------|-------------------|-------------|---|-------------|------------------|-------------|
| | Shares | Holding (%) | Shares | Holding (%) | Shares | Holding (%) |
| Taiwan Cellular Co., Ltd. | 30,000,000 | 100.00 | — | — | 30,000,000 | 100.00 |
| Wealth Media Technology Co., Ltd. | 37,200,000 | 100.00 | — | — | 37,200,000 | 100.00 |
| Taipei New Horizons Co., Ltd. | 44,910,000 | 49.90 | — | — | 44,910,000 | 49.90 |
| Bridge Mobile Pte. Ltd. | 2,200,000 | 10.00 | — | — | 2,200,000 | 10.00 |

Relationship between TWM's top 10 shareholders

As of July 11, 2010

| Name (A) | Current shareholding | | Spouse's/minor's shareholding | | Name and relationship between TWM's shareholders as defined in the Statement of Financial Accounting Standards No. 6 | |
|--------------------------------|----------------------|---------|-------------------------------|---|--|--|
| | Shares | % | Shares | % | Name (B) | Relationship |
| TFN Union Investment Co., Ltd. | 456,294,760 | 12.005% | – | – | TCC Investment Co., Ltd. Ming Dong Co., Ltd. Fubon Life Assurance Co., Ltd. TCCI Investment & Development Co., Ltd. Dao Ying Co., Ltd. Fubon Securities Co., Ltd. Wan-Tsai Tsai Daniel Tsai Richard Tsai | A and B have the same chairman B's chairman is a relative within two degrees of A's chairman A and B have the same chairman A and B have the same chairman B's chairman is a relative within two degrees of A's chairman Related party B is a relative within two degrees of A's chairman B is a director at A B is A's chairman |
| Chairman: Richard Tsai | | | | | TFN Union Investment Co., Ltd. TCC Investment Co., Ltd. Ming Dong Co., Ltd. Fubon Life Assurance Co., Ltd. TCCI Investment & Development Co., Ltd. Dao Ying Co., Ltd. Fubon Securities Co., Ltd. Wan-Tsai Tsai Daniel Tsai | A is B's chairman A is B's chairman B's chairman is A's relative within two degrees A is B's chairman A is B's chairman B's chairman is A's relative within two degrees Related party B is A's relative within two degrees B is A's relative within two degrees |
| TCC Investment Co., Ltd. | 222,774,179 | 5.861% | – | – | TFN Union Investment Co., Ltd. Ming Dong Co., Ltd. Fubon Life Assurance Co., Ltd. TCCI Investment & Development Co., Ltd. Dao Ying Co., Ltd. Fubon Securities Co., Ltd. Wan-Tsai Tsai Daniel Tsai Richard Tsai | A and B have the same chairman B's chairman is a relative within two degrees of A's chairman A and B have the same chairman A and B have the same chairman B's chairman is a relative within two degrees of A's chairman Related party B is a relative within two degrees of A's chairman B is a director at A B is A's chairman |
| Chairman: Richard Tsai | | | | | TFN Union Investment Co., Ltd. TCC Investment Co., Ltd. Ming Dong Co., Ltd. Fubon Life Assurance Co., Ltd. TCCI Investment & Development Co., Ltd. Dao Ying Co., Ltd. Fubon Securities Co., Ltd. | A is B's chairman A is B's chairman B's chairman is A's relative within two degrees A is B's chairman A is B's chairman B's chairman is A's relative within two degrees Related party |

| Name (A) | Current shareholding | | Spouse's/minor's shareholding | | Name and relationship between TWM's shareholders as defined in the Statement of Financial Accounting Standards No. 6 | |
|---------------------------------|----------------------|--------|-------------------------------|----|---|--|
| | Shares | % | Shares | % | Name (B) | Relationship |
| | | | | | Wan-Tsai Tsai Daniel Tsai | B is A's relative within two degrees B is A's relative within two degrees |
| Ming Dong Co., Ltd. | 191,624,725 | 5.042% | – | – | TFN Union Investment Co., Ltd. TCC Investment Co., Ltd. Fubon Life Assurance Co., Ltd. TCCI Investment & Development Co., Ltd. Dao Ying Co., Ltd. Fubon Securities Co., Ltd. Wan-Tsai Tsai Daniel Tsai Richard Tsai | B's chairman is a relative within two degrees of A's chairman B's chairman is a relative within two degrees of A's chairman B's chairman is a relative within two degrees of A's chairman B's chairman is a relative within two degrees of A's chairman A and B have the same chairman Related party B is A's chairman B is a director at A B is a director at A |
| Chairman: Wan-Tsai Tsai | | | | | TFN Union Investment Co., Ltd. TCC Investment Co., Ltd. Ming Dong Co., Ltd. Fubon Life Assurance Co., Ltd. TCCI Investment & Development Co., Ltd. Dao Ying Co., Ltd. Fubon Securities Co., Ltd. Daniel Tsai Richard Tsai | B's chairman is A's relative within two degrees B's chairman is A's relative within two degrees A is B's chairman B's chairman is A's relative within two degrees B's chairman is A's relative within two degrees A is B's chairman Related party B is A's relative within two degrees B is A's relative within two degrees |
| Cathay Life Insurance Co., Ltd. | 170,869,000 | 4.495% | – | – | -- | -- |
| Chairman: Hong-Tu Tsai | | | | | -- | -- |
| Fubon Life Assurance Co., Ltd. | 137,546,000 | 3.619% | -- | -- | TFN Union Investment Co., Ltd. TCC Investment Co., Ltd. Ming Dong Co., Ltd. TCCI Investment & Development Co., Ltd. Dao Ying Co., Ltd. Fubon Securities Co., Ltd. Wan-Tsai Tsai Daniel Tsai Richard Tsai | A and B have the same chairman A and B have the same chairman B's chairman is a relative within two degrees of A's chairman A and B have the same chairman B's chairman is a relative within two degrees of A's chairman A and B are subsidiaries of Fubon Financial Holding Co., Ltd. A's chairman is B's relative within two degrees A's chairman is B's relative within two degrees B is A's chairman |
| Chairman: Richard Tsai | | | | | TFN Union Investment Co., Ltd. TCC Investment Co., Ltd. Ming Dong Co., Ltd. Fubon Life Assurance Co., Ltd. | A is B's chairman A is B's chairman B's chairman is A's relative within two degrees A is B's chairman |

| Name (A) | Current shareholding | | Spouse's/minor's shareholding | | Name and relationship between TWM's shareholders as defined in the Statement of Financial Accounting Standards No. 6 | |
|---|----------------------|--------|-------------------------------|---|--|--|
| | Shares | % | Shares | % | Name (B) | Relationship |
| | | | | | TCCI Investment & Development Co., Ltd. Dao Ying Co., Ltd. Fubon Securities Co., Ltd. Wan-Tsai Tsai Daniel Tsai | A is B's chairman B's chairman is A's relative within two degrees Related party B is A's relative within two degrees B is A's relative within two degrees |
| TCCI Investment & Development Co., Ltd. | 132,848,672 | 3.495% | – | – | TFN Union Investment Co., Ltd. TCC Investment Co., Ltd. Ming Dong Co., Ltd. Fubon Life Assurance Co., Ltd. Dao Ying Co., Ltd. Fubon Securities Co., Ltd. Wan-Tsai Tsai Daniel Tsai Richard Tsai | A and B have the same chairman A and B have the same chairman B's chairman is a relative within two degrees of A's chairman A and B have the same chairman B's chairman is a relative within two degrees of A's chairman Related party B is a relative within two degrees of A's chairman B is a director at A B is A's chairman |
| Chairman: Richard Tsai | | | | | TFN Union Investment Co., Ltd. TCC Investment Co., Ltd. Ming Dong Co., Ltd. Fubon Life Assurance Co., Ltd. TCCI Investment & Development Co., Ltd. Dao Ying Co., Ltd. Fubon Securities Co., Ltd. Wan-Tsai Tsai Daniel Tsai | A is B's chairman A is B's chairman B's chairman is A's relative within two degrees A is B's chairman A is B's chairman B's chairman is A's relative within two degrees Related party B is A's relative within two degrees B is A's relative within two degrees |
| Dao Ying Co., Ltd. | 116,616,380 | 3.068% | – | – | TFN Union Investment Co., Ltd. TCC Investment Co., Ltd. Ming Dong Co., Ltd. Fubon Life Assurance Co., Ltd. TCCI Investment & Development Co., Ltd. Fubon Securities Co., Ltd. Wan-Tsai Tsai Daniel Tsai Richard Tsai | B's chairman is a relative within two degrees of A's chairman B's chairman is a relative within two degrees of A's chairman A and B have the same chairman B's chairman is a relative within two degrees of A's chairman B's chairman is a relative within two degrees of A's chairman Related party B is A's chairman B is a director at A B is a director at A |
| Chairman: Wan-Tsai Tsai | | | | | TFN Union Investment Co., Ltd. TCC Investment Co., Ltd. Ming Dong Co., Ltd. Fubon Life Assurance Co., Ltd. | B's chairman is A's relative within two degrees B's chairman is A's relative within two degrees A is B's chairman B's chairman is A's relative within two degrees |

| Name (A) | Current shareholding | | Spouse's/minor's shareholding | | Name and relationship between TWM's shareholders as defined in the Statement of Financial Accounting Standards No. 6 | |
|----------------------------|----------------------|--------|-------------------------------|--------|--|---|
| | Shares | % | Shares | % | Name (B) | Relationship |
| | | | | | TCCI Investment & Development Co., Ltd. Dao Ying Co., Ltd. Fubon Securities Co., Ltd. Daniel Tsai Richard Tsai | B's chairman is A's relative within two degrees A is B's chairman Related party B is A's relative within two degrees B is A's relative within two degrees |
| Daniel Tsai | 96,644,434 | 2.543% | 8,646,863 | 0.227% | TFN Union Investment Co., Ltd TCC Investment Co., Ltd. Ming Dong Co., Ltd. Fubon Life Assurance Co., Ltd. TCCI Investment & Development Co., Ltd. Dao Ying Co., Ltd. Fubon Securities Co., Ltd. Wan-Tsai Tsai Richard Tsai | B's chairman is A's relative within two degrees B's chairman is A's relative within two degrees B's chairman is A's relative within two degrees B's chairman is A's relative within two degrees B's chairman is A's relative within two degrees B's chairman is A's relative within two degrees Related party B is A's relative within two degrees B is A's relative within two degrees |
| Fubon Securities Co., Ltd. | 93,806,640 | 2.468% | -- | -- | TFN Union Investment Co., Ltd TCC Investment Co., Ltd. Ming Dong Co., Ltd. Fubon Life Assurance Co., Ltd. TCCI Investment & Development Co., Ltd. Dao Ying Co., Ltd. Wan-Tsai Tsai Daniel Tsai Richard Tsai | Related party Related party Related party A and B are subsidiaries of Fubon Financial Holding Co., Ltd. Related party Related party Related party Related party Related party |
| Chairman: Gordon Yeh | | | | | -- | -- |
| Richard Tsai | 91,466,154 | 2.406% | 5,651,663 | 0.149% | TFN Union Investment Co., Ltd TCC Investment Co., Ltd. Ming Dong Co., Ltd. Fubon Life Assurance Co., Ltd. TCCI Investment & Development Co., Ltd. Dao Ying Co., Ltd. Fubon Securities Co., Ltd. Wan-Tsai Tsai Daniel Tsai | A is B's chairman A is B's chairman B's chairman is A's relative within two degrees A is B's chairman A is B's chairman B's chairman is A's relative within two degrees Related party B is A's relative within two degrees B is A's relative within two degrees |

Chapter 3 Financial Information

Capital and shares

Source of capital

As of January 31, 2011

Unit: shares / NT\$

| Date | Par value (NT\$) | Authorized capital | | Paid-in capital | | Remarks | | |
|-----------|------------------|--------------------|----------------|-----------------|----------------|---|-------------------------|--|
| | | Shares | Amount (NT\$) | Shares | Amount (NT\$) | Source of capital (NT\$) | In form other than cash | Cert. no. & effective date |
| Dec. 2007 | 10 | 6,000,000,000 | 60,000,000,000 | 3,800,925,363 | 38,009,253,630 | Cash capital reduction: NT\$ 12,000,000,000 | -- | Authority approval No. 0960049978 on Oct. 17, 2007 |

As of January 31, 2011

Unit: shares

| | Authorized capital | | | Remarks |
|--------------|--------------------|-----------------|---------------|---------|
| | Listed shares | Unissued shares | Total | |
| Common stock | 3,800,925,363 | 2,199,074,637 | 6,000,000,000 | None |

Shareholder structure

As of July 11, 2010

| | Government agencies | Financial institutions | Other institutions | Individuals | Foreign institutions & individuals | Total |
|------------------------|---------------------|------------------------|--------------------|-------------|------------------------------------|---------------|
| No. of shareholders | 7 | 23 | 293 | 42,259 | 568 | 43,150 |
| Total shares owned | 110,379,500 | 514,790,886 | 1,498,823,523 | 456,879,423 | 1,220,052,031 | 3,800,925,363 |
| Holding percentage (%) | 2.90 | 13.54 | 39.44 | 12.02 | 32.10 | 100.00 |

Shareholding distribution

As of July 11, 2010

Par value: NT\$10/share

| Shareholding range | No. of shareholders | Total shares owned | Holding percentage |
|---------------------|---------------------|--------------------|--------------------|
| 1 ~ 999 | 16,464 | 5,609,826 | 0.148% |
| 1,000 ~ 5,000 | 19,484 | 41,764,003 | 1.099% |
| 5,001 ~ 10,000 | 3,493 | 26,769,202 | 0.704% |
| 10,001 ~ 15,000 | 1,030 | 12,831,567 | 0.338% |
| 15,001 ~ 20,000 | 678 | 12,207,463 | 0.321% |
| 20,001 ~ 30,000 | 537 | 13,534,209 | 0.356% |
| 30,001 ~ 50,000 | 428 | 17,091,639 | 0.450% |
| 50,001 ~ 100,000 | 334 | 23,621,019 | 0.621% |
| 100,001 ~ 200,000 | 174 | 25,040,350 | 0.659% |
| 200,001 ~ 400,000 | 140 | 39,803,495 | 1.047% |
| 400,001 ~ 600,000 | 58 | 28,183,493 | 0.741% |
| 600,001 ~ 800,000 | 46 | 31,723,301 | 0.835% |
| 800,001 ~ 1,000,000 | 38 | 33,722,662 | 0.887% |
| 1,000,001 and above | 246 | 3,489,023,134 | 91.794% |
| Total | 43,150 | 3,800,925,363 | 100.000% |

Major shareholders

As of July 11, 2010

| Name | Total shares owned | Holding percentage |
|---|--------------------|--------------------|
| TFN Union Investment Co., Ltd. | 456,294,760 | 12.005% |
| TCC Investment Co., Ltd. | 222,774,179 | 5.861% |
| Ming Dong Co., Ltd. | 191,624,725 | 5.042% |
| Cathay Life Insurance Co., Ltd. | 170,869,000 | 4.495% |
| Fubon Life Assurance Co., Ltd. | 137,546,000 | 3.619% |
| TCCI Investment & Development Co., Ltd. | 132,848,672 | 3.495% |
| Dao Ying Co., Ltd. | 116,616,380 | 3.068% |
| Daniel Tsai | 96,644,434 | 2.543% |
| Fubon Securities Co., Ltd. | 93,806,640 | 2.468% |
| Richard Tsai | 91,466,154 | 2.406% |

Major shareholders of TWM's institutional investors

| Institutional investors | Major shareholders |
|---|---|
| TFN Union Investment Co., Ltd. | Taiwan Fixed Network Co., Ltd. (100%) |
| TCC Investment Co., Ltd. | Taiwan Cellular Co., Ltd. (100%) |
| Ming Dong Co., Ltd. | Fubon Land Development Co., Ltd. (16.36%), Fubon Construction Co., Ltd. (13.89%), Fu-Chi Investment Co., Ltd. (12.63%), Ru Chi Investment Co., Ltd. (12.63%), Dao Chi Co., Ltd. (12.63%), Chung Shing Development Co., Ltd. (11.76%), Dao Ying Co., Ltd. (9.6%), Fubon Charity Foundation (3.43%), Fubon Cultural & Education Foundation (2.53%), Daniel Tsai (1.31%) |
| Cathay Life Insurance Co., Ltd. | Cathay Financial Holdings Co., Ltd. (100%) |
| Fubon Life Assurance Co., Ltd. | Fubon Financial Holding Co., Ltd. (100%) |
| TCCI Investment & Development Co., Ltd. | TCC Investment Co., Ltd. (100%) |
| Dao Ying Co., Ltd. | Fubon Land Development Co., Ltd. (17.69%), Fubon Construction Co., Ltd. (17.67%), Fu-Chi Investment Co., Ltd. (13.13%), Ru Chi Investment Co., Ltd. (13.13%), Dao Chi Co., Ltd. (13.13%), Ming Dong Co., Ltd. (9.60%), Chung Shing Development Co., Ltd. (8.84%), Fubon Charity Foundation (1.01%), Wan-Tsai Tsai (1.01%), Shiang-Shun Yang Tsai (1.01%) |
| Fubon Securities Co., Ltd. | Fubon Financial Holding Co., Ltd. (100%) |

Share price, net worth, earnings, dividends and related information

Unit: NT\$, '000 shares

| | | | 2009 | 2010 | As of Jan. 31, 2011 |
|-------------------------------|--|-------------------|-----------|-----------|------------------------|
| Share price (NT\$) | High | | 62.50 | 70.00 | 69.90 |
| | Low | | 44.25 | 58.50 | 67.50 |
| | Average | | 53.44 | 63.22 | 68.20 |
| Net worth per share (NT\$) | Before earnings appropriation | | 17.42 | 17.02 | - |
| | After earnings appropriation | | 12.39 | Note 1 | - |
| Earnings per share (NT\$) | Adjusted weighted average outstanding shares | | 2,979,311 | 2,989,008 | 2,989,008 |
| | Earnings per share | | 4.66 | 4.62 | - |
| Dividends per share (NT\$) | Cash dividends | | 5.02783 | Note 1 | - |
| | Stock dividends | Retained earnings | - | Note 1 | - |
| | | Capital surplus | - | - | - |
| | Accumulated unpaid dividends | | - | - | - |
| PE and dividend yield | Price earnings ratio (x) | | 11.47 | 13.68 | - |

| | | 2009 | 2010 | As of Jan. 31, 2011 |
|--|----------------------------|-------|------|------------------------|
| | Price to cash dividend (x) | 10.63 | - | - |
| | Cash dividend yield (%) | 9.41 | - | - |

Note 1: The appropriation amount indicated above is based on resolutions approved at the annual shareholders' meetings in the subsequent year. The appropriation amount for 2010 has not yet been announced.

Note 2: Price earnings ratio = Average closing price / earnings per share
Price to cash dividend = Average closing price / cash dividend per share
Cash dividend yield = Cash dividend per share / average closing price

Dividend policy

1. Dividend policy under Articles of Incorporation

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

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

The BOD has not yet approved the proposal for dividend allocation of 2010 earnings as of the publication date.

Impact of stock dividend distribution on business performance and EPS

The BOD has not yet approved the proposal for dividend allocation of 2010 earnings as of the publication date.

Employee bonus and compensation to directors and supervisors

1. Earnings distribution plan according to the Company's Articles of Incorporation

According to the Company's Articles of Incorporation, annual net income after deducting previous years' losses, appropriating 10% thereof for legal reserves, and setting aside special reserves, shall be distributed in the following order:

- 1) Dividends and bonuses to preferred stockholders;
- 2) Maximum of 0.3% as compensation to directors;
- 3) 1% to 3% as bonuses to employees;
- 4) Remainder thereafter to be set aside for stock/ cash dividends to shareholders as determined in the annual shareholders' meeting.

The board of directors is empowered to decide the allocation of stock bonuses to employees. Recipients are to include qualified employees of subsidiaries. Compensation to specific directors (including independent directors) is calculated based on their respective involvement in the Company's operations and contribution to the Company.

2. Accounting treatment for the deviation between estimated and actual distribution amount of employee bonuses and compensation to directors and supervisors

Should there be a significant adjustment on the distribution amount approved by the BOD from the previous accrued estimation after year-end, the accrued amount should be revised accordingly. But should there be another change in the amount approved at the annual shareholders' meeting, the adjustment should be treated as a "change in accounting estimation," i.e. the difference from the BOD resolution should be booked in the year the AGM was held.

3. 2010 proposal on employee bonuses and compensation to directors and supervisors adopted by the board of directors

The BOD has not yet approved the proposal for dividend allocation of 2010 earnings as of the publication date.

4. Earnings distributed as employee bonus and compensation to directors and supervisors in the previous year

An employee cash bonus of NT\$374,825,512 and compensation to directors of NT\$37,482,551, as approved in the 2010 board of directors' and shareholders' meetings, were duly paid in 2010.

Share buyback

None

Corporate bond issuance

Corporate bonds

As of January 31, 2011

| Issuance | | Second unsecured corporate bonds |
|--|--|---|
| Issue date | | November 14, 2008 |
| Denomination | | NT\$10,000,000 |
| Issuance and listing | | Not applicable |
| Issue price | | 100% |
| Total amount | | NT\$8,000,000,000 |
| Coupon | | 2.88% p.a. |
| Term | | 5 years, maturing on Nov. 14, 2013 |
| Guarantor | | None |
| Trustee | | Hua Nan Bank, Trust Division |
| Underwriter | | None |
| Legal counsel | | Jim Chen, Attorney |
| Auditor | | Vita Kuo, CPA Deloitte & Touche |
| Repayment | | Repayment of 50% of the principal in the 4 th year and the remaining 50% in the 5 th year |
| Outstanding balance | | NT\$8,000,000,000 |
| Early repayment clause | | None |
| Covenants | | None |
| Credit rating agency, rating date, company credit rating | | Taiwan Rating Corp., 2008.09.15, twAA Taiwan Rating Corp., 2009.06.10, twAA Taiwan Rating Corp., 2010.05.31, twAA |
| Ancillary rights | Amount converted/ exchanged into common shares, ADRs or other securities | Not applicable |
| | Rules governing issuance or conversion (exchanged or subscription) | Not applicable |
| Dilution and other effects on shareholders' equity | | Not applicable |
| Custodian | | Not applicable |

Convertible bond information: None

Exchangeable bond: None

Shelf registration issuance: None

Bond with warrant: None

Preferred shares: None

Depository receipt issuance: None

Employee stock options: None

Shares issued for merger and acquisition: None

Use of proceeds from rights issue: None

Chapter 4 Operating Strategy

Macro Environment

Consumer spending on communication and broadcasting related services is largely influenced by the macroeconomic environment. As the economy recovered, corporate earnings rose last year, boosting employment and wages. This in turn lifted consumer confidence and, as a result, private consumption growth further picked up from 1.08% in 2009 to 3.43% in 2010, according to the Directorate-General of Budget, Accounting and Statistics (DGBAS). For 2011, the DGBAS expects rapid advances in consumer electronics and an expanding consumer base to stimulate and lift private consumption by 3.51% YoY.

Overall Operating Results

In 2010, the Company's consolidated revenue rose 2% YoY, as revenue from its three major divisions – Consumer Business Group (CBG), Home Business Group (HBG) and Enterprise Business Group (EBG) – rose across the board. While operating and administrative expenses decreased, consolidated EBITDA declined 6% due to increased handset subsidies to support the Company's smartphone campaigns. Given lower tax expenses resulting from the cut in the corporate statutory tax rate to 17%, 2010 net income remained flat compared with a year ago.

Performance by division

Unit: NT\$m

| | CBG | HBG | EBG |
|-------------------------|--|---|---|
| Brand name | Taiwan Mobile | TWM Broadband | TWM Solution |
| Services | <ul style="list-style-type: none">● Voice and data mobile services for consumers● Mobile to international direct dialing (IDD) services | <ul style="list-style-type: none">● Pay TV services● Cable broadband services● Others | <ul style="list-style-type: none">● Voice and data mobile services for enterprises● Fixed-line services● International simple resale (ISR) services |
| 2010 revenue | 55,025 | 5,699 | 9,495 |
| As a % of group revenue | 78% | 8% | 14% |
| 2010 EBITDA | 22,289 | 2,795 | 2,332 |
| As a % of group EBITDA | 81% | 10% | 9% |

| | Mobile business | Cable business | Fixed-line business |
|-----------------|--|---|--|
| Market position | One of the top three mobile operators, with a market share of around 30% in terms of mobile revenue and subscriber numbers | Fourth-largest multisystem operator (MSO), covering about 11% of the households in Taiwan | A market share of around 3% for ADSL/FTTx business. Second-largest internet service provider (ISP), with a market share of 6% (including 137K cable broadband subscribers from its cable business) |
| Subscriber base | <ul style="list-style-type: none"> ● 6,399K mobile subscribers | <ul style="list-style-type: none"> ● 566K CATV subscribers ● 137K cable broadband subscribers | <ul style="list-style-type: none"> ● Around 170K ADSL/FTTx internet access users |

Operating Results Review

Consumer Business Group

For 2010, mandatory tariff cuts introduced by the National Communications Commission (NCC) weighed on mobile voice revenue. However, mobile data revenue rose 26% from a year ago, aided by aggressive smartphone campaigns and an expanding mobile internet business, which mitigated the adverse impact of the regulatory cuts. As a result, mobile service revenue YoY growth turned positive in 4Q 2010 and CBG's revenue rose 2% from a year earlier.

Home Business Group

HBG's 2010 revenue rose 7% from a year ago due to revenue growth from its pay TV (including analog and digital channels) and cable broadband businesses. Growth is attributed to an expanding subscriber base, additional revenue stream from digital TV services, increasing channel leasing and higher adoption rate for high-speed cable broadband services. EBITDA climbed 12% YoY due to expanding economies of scale and contribution to group EBITDA rose to 10%, from 8% in 2009.

Enterprise Business Group

EBG's 2010 revenue grew 2% YoY, as the economic recovery boosted corporate demand for mobile services, fixed-line voice, leased lines and internet-related services. Coupled with operating expense controls, EBG's EBITDA rose 11% YoY.

Scope of Business

Business overview

Consumer Business Group

1. Products and services

The Consumer Business Group (CBG) is mainly engaged in providing mobile communication services to individual users. The Company offers a wide range of products, including SIM cards for postpaid subscribers as well as SIM and reloadable cards for prepaid subscribers that can be used for making/ receiving calls and other services such as voice, data, short messaging service (SMS), multimedia and video messaging.

| Target customers | Service category | Description | Highlights |
|----------------------|------------------|---------------------------------------|---|
| Individual consumers | Mobile | Voice | Basic telecommunication voice services, including calling and receiving calls from fixed line and mobile phones |
| | | Data | Value-added services, including voice mail, call forwarding, call waiting, conferencing, SMS, roaming, call barring, video calls, multimedia and content services (e.g., ringtones, games, screensavers, MP3, video clips, video streaming), and internet access using GPRS/3G/HSDPA transmission |
| | IDD | International direct dialing services | |

2. Revenue breakdown by service

Unit: NT\$m

| Item \ Year | 2010 | |
|--------------------------|--------|------|
| | Amount | % |
| Telecom service | 51,576 | 94% |
| Handset sales and others | 3,449 | 6% |
| Total | 55,025 | 100% |

3. New products and services

- (1) Voice services: Continue rolling out innovative rate plans to better meet customers' different calling patterns, personal demands.
- (2) Value-added services: Focus on mainstream smart devices, develop a diverse range of services and content to enrich the app store and provide customers with a more pleasant user experience.

4. Operating status

(1) Postpaid products and services

To offset the impact of the NCC's mandatory tariff cut on revenues, the Company focused on improving the percentage of mid-to-high rate plan subscribers and sales of smart devices to raise its average revenue per user (ARPU). By the end of 2010, mid-to-high rate plan users as a percentage of total subscribers had increased 4 pts.

The Company also has excellent loyalty programs in place to secure its customer base and minimize churn rates. With the aid of business intelligence tools and its direct marketing network, the Company used market segmentation to target and provide customers with services that better match their needs. For instance, for high ARPU customer, the Company has an exclusive program called "my VIP." It also offers a credit card program that allows customers to earn rebates based on their phone bills.

(2) Prepaid products and services

In 2010, the Company gave users a new choice for prepaid services with its "Flat-rate prepaid card," which offers a flat rate for on-net and off-net mobile calls and mobile to fixed-line calls. This helped boost the Company's number of prepaid subscribers by 6% in 2010.

The Company also aggressively promoted value-added services (VAS) usage to raise its penetration rate. Selected VAS services were offered for free as a promotion for recharge cards and prepaid cards. Non-SMS VAS revenue for prepaid business rose nearly 10% in 2010.

(3) Value-added services

The Company saw a significant increase in VAS revenue in 2010. In particular, revenue from mobile internet access rose 67%, thanks to high-quality mobile internet services and flexible data rate plans, as well as the popularity of customized handsets, 3.5G data cards and netbooks. These helped attract a large number of mobile internet users and also encouraged existing subscribers to use VAS.

In 2010, the Company introduced a large number of innovative and popular VAS products, including: "match Market," an app store for major smartphone platforms such as Android, iPhone, Windows Mobile, Blackberry and Symbian; "MoFun," designed to enrich users' lifestyle by allowing them to use their smartphones to access the latest information on MoFun's channels, including news, entertainment and financial information; "Phone Guard," a software that provides data backup (including SMS, MMS, calendar and contacts) and other functions such as find handset, lock & alarm, warning message, data purge and restore; "myBook store," a 24-hour online bookstore where users can easily make a purchase in two easy clicks; and other services such as buying movie tickets at 20 cinemas islandwide or joining popular online games.

Home Business Group

1. Products and services

TFN Media (TFNM), a subsidiary of the Company, holds a cable television system operator's license and a Type II telecommunications enterprise license. TFNM runs its business under the brand name TWM Broadband. Its main products and services cover analog cable TV services, digital cable TV services and cable broadband services. Its subsidiary, Win TV Broadcasting, a TV production company, operates a family channel – Momo. It also holds the Taiwan distribution rights for a large number of outstanding domestic and international TV channels, and is able to provide subscribers with a comprehensive range of digital audiovisual entertainment services.

| Service category | Products / Services | Description |
|---------------------------|---|--|
| Pay TV | Analog cable TV | Uses high bandwidth coaxial cable to transmit a wide range of TV channels and programs to home TVs. |
| | Digital cable TV | <p>1. TWM Broadband's CATV networks transmit domestic and international digital TV channels to subscribers' homes; subscribers can use the set-top box and smart card provided by TWM Broadband to view high-definition digital video content.</p> <p>2. Broadband Internet access allows subscribers to make use of TWM Broadband's internet TV service. Subscribers can access the internet using their TV and remote control to view a wide range of multimedia entertainment content and enjoy "4 screens and a cloud" digital convergence services.</p> |
| Broadband internet access | Cable fiber-optic broadband internet access | Provides high-speed Internet access service via a hybrid fiber/coaxial (HFC) network deployed by the CATV system operator in combination with new-generation DOCSIS 3.0 broadband internet access technology. |
| Content distribution | Analog and digital TV channels | Distributes high-quality domestic and international TV channels, provides both analog TV and "new TV" digital CATV services, and sells rights to broadcast channels to other CATV system operators and video service platforms. |

2. Revenue breakdown by service

Unit: NT\$mn

| Item \ Year | 2010 | |
|------------------------------------|--------|------|
| | Amount | % |
| Pay TV service | 4,103 | 72% |
| Cable internet service | 770 | 14% |
| TV content distribution and others | 826 | 14% |
| Total | 5,699 | 100% |

3. New products and services

- (1) Offer analog and digital versions of the same channel:

TWM Broadband is planning to undertake digitization of its wide range of analog CATV channels. These channels will gradually be brought onto TWM Broadband's digital TV service platform to provide subscribers with a seamless digital viewing experience, strengthen subscriber viewing habits, and enhance the digital TV service penetration rate.

- (2) High-speed fiber-optic internet access service:

TWM Broadband provides high-speed, stable, reasonably priced, high-bandwidth fiber-optic broadband internet access. It integrates TWM Broadband's wealth of digital TV channel content and internet TV value-added services to enable subscribers to enjoy both high-speed internet access and high-definition video as well as a range of other multimedia application services. This service is expected to attract a large number of new subscribers.

- (3) Digital TV value-added services:

TWM Broadband integrates its broadband internet access service and digital cable TV platform to launch "Connected TV" service. Subscribers will be able to view popular video content, play a range of TV games suitable for the whole family, experience digital learning, and enjoy a wealth of other educational and leisure content available with this "New TV" digital TV service.

- (4) Innovative digital convergence services:

TWM Broadband is negotiating with a number of content and service providers to make their content and services available on TWM Broadband's online platform. At the same time, TWM Broadband is continuing to monitor new trends and developments in the global digital convergence services industry, making use of the Company's extensive mobile communications, fixed-line network services and cable TV service resources to develop a cross-platform "4 screens and a cloud" service (the four screens refer to the mobile phone screen, PC screen, TV and other handheld device/tablet PC screen) that enables subscribers to enjoy a wide range of entertainment, music, video and photo content any time, any place.

Enterprise Business Group

1. Products and services

The Enterprise Business Group (EBG) offers enterprise customers integrated ICT (Information and Communication Technology) solutions and mobile/fixed network services under the brand name "TWM Solution."

| Service category | Description |
|--------------------|--|
| Fixed-line voice | EBG provides integrated voice solutions, including Enterprise E phone, PBX E phone (VoIP service), local calls, long-distance calls, international calls, Centrex, 080 domestic toll-free service, audio conference, intelligent network services (e.g., 0209 services) and ISR, enabling users to save on calling costs. TWM Solution continues to develop advanced technologies to enhance reliability and provide instant response to ensure customer satisfaction. |
| Fixed-line data | EBG offers different types of circuits for information transmission, including leased line, Metro Ethernet, IP virtual private network (VPN), IPLC and ADSL VPN. These circuits and bandwidth for data transmission among terminals enable users to build a communications network and expand their business opportunities. |
| Internet | EBG offers internet access via leased line, Metro Ethernet, ADSL, FTTx and dial-up. The Company also provides internet data center (IDC) services, including co-location, web hosting, super mail and domain name registration. EBG's IDC services not only cover carrier-level facilities, but also management/maintenance services for customers. |
| Mobile | EBG offers regular voice services, mobile VPN, intelligent transportation system (ITS), BlackBerry enterprise solution, mobile audio conference and MVPN data service. |
| System integration | EBG provides video conference services, information security services (Security Operation Center), network manager and sales, implementation and maintenance services for PBX, VoIP customer premises equipment (CPE), wide area network (WAN) and local area network (LAN) CPE. |

2. Revenue breakdown by service

Unit: NT\$mn

| Item \ Year | 2010 | |
|--------------------|--------|------|
| | Amount | % |
| Mobile service | 3,978 | 42% |
| Fixed-line service | 3,468 | 37% |
| ISR and others | 2,049 | 21% |
| Total | 9,495 | 100% |

3. New products and services

- (1) My DJ: Offers a database of over 18,000 copyrighted songs.
- (2) Information security manager: New functions include scanning for potential flaws in webpage application codex (ex. SQL injection) to avoid information leaks and guard against social network engineering attacks.
- (3) Mobile backup service for local calls: When the local call channel is busy or breaks down, this service automatically redirects incoming calls to MVPN numbers that the customer has assigned in advance.
- (4) Cloud services-digital copyright management: Controls access to digital files and can be used to track data leakage.
- (5) Cloud services-video conference: Provides video-conference functions, sparing customers the burden of installing hardware to support such services.
- (6) Green energy conservation: Monitors and analyzes power usage patterns and recommends measures to

conserve energy.

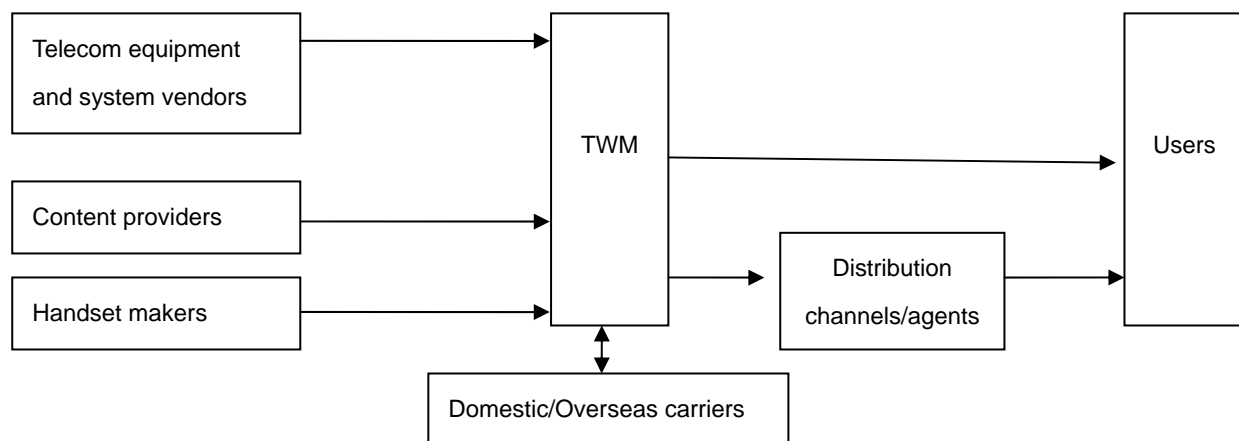
Industry Overview

Consumer Business Group

1. Industry status and development

The three leading players continue to dominate Taiwan's mobile telecommunications market. However, the smaller operators are gradually growing their market share by offering free on-net calls and other deals, resulting in intensified competition. The National Communications Commission (NCC) has introduced mandatory mobile tariff cuts, including 3G services, for three years from 2010, which would weigh on the revenue of mobile operators.

2. Industry value chain



3. Product development trends and competition landscape

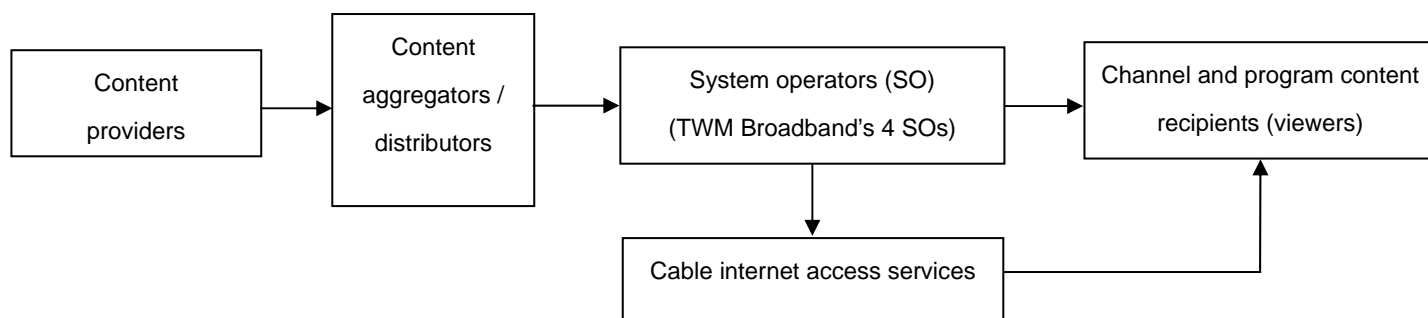
The operators are seeking to expand the mobile broadband market. A variety of new rate plans for data services, combined with new terminal devices and new VAS, have been introduced to stimulate subscriber take-up. This will be an important driver of revenue growth in the future. As for the prepaid segment, competition is intensifying due to continuous low-priced promotions from other existing operators and new entrants.

Home Business Group

1. Industry status and development

Due to changes in the domestic CATV industry and mass media development, cable TV services have grown in popularity, turning it into a mainstream video platform in recent years. At the same time, with the rising trend toward digital convergence, telecom companies' IPTV (MOD), wireless and digital TV and other new forms of media such as internet and mobile phones have added to the intense industry competition. The cable industry is facing a new wave of digitization. Only by continuously providing convenient and innovative value-added cable services and actively supporting the government's efforts to promote digitization can a company maintain its leading position in the video market. Meanwhile, the broadband business is moving toward cooperations with fixed-line telecommunication operators with the aim of providing consumers with high-speed internet access and better quality services to carve out a niche in this market.

2. Industry value chain



TWM Broadband is positioned within the segment of the industry value chain that is closest to cable TV subscribers; it has the advantage of controlling “last mile” access to customers. TWM Broadband has been actively building a cable TV multimedia service environment that integrates the upstream, midstream and downstream segments of the industry, striving to realize its vision of digitization that would offer almost unlimited business opportunities.

3. Product development trends and competition landscape

As the broadband internet access penetration rate has risen, competition in the broadband services market has grown steadily more intense. Faced with a saturated market and falling subscriber growth rates, competition in the broadband services industry is shifting away from one based on prices to bandwidth and service quality. Leading broadband operators around the world are starting to focus on high-bandwidth services and integrated, value-added services. For example, PCCW in Hong Kong, AT&T (the US' largest telecommunications service provider) and Comcast (the US' No. 1 CATV service provider) have all rolled out high-speed internet services. In Taiwan, while fixed-line network operators and CATV system operators continue to engage in price competition, they are also working to increase their bandwidth and network quality, as well as introducing more diverse value-added services, with the twin aims of encouraging existing subscribers to upgrade and attracting new subscribers.

Given the spectacular development of digital cable TV over the past few years, the maturing of broadband fiber-optic network technology, and the gradual trend toward convergence between TV (and other video media) and broadband networks, major telecommunications service providers worldwide have been rolling out cross-platform audiovisual services, video on demand (VoD), “Connected TV,” and other innovative services, offering consumers a brand-new viewing experience and a whole new form of home entertainment.

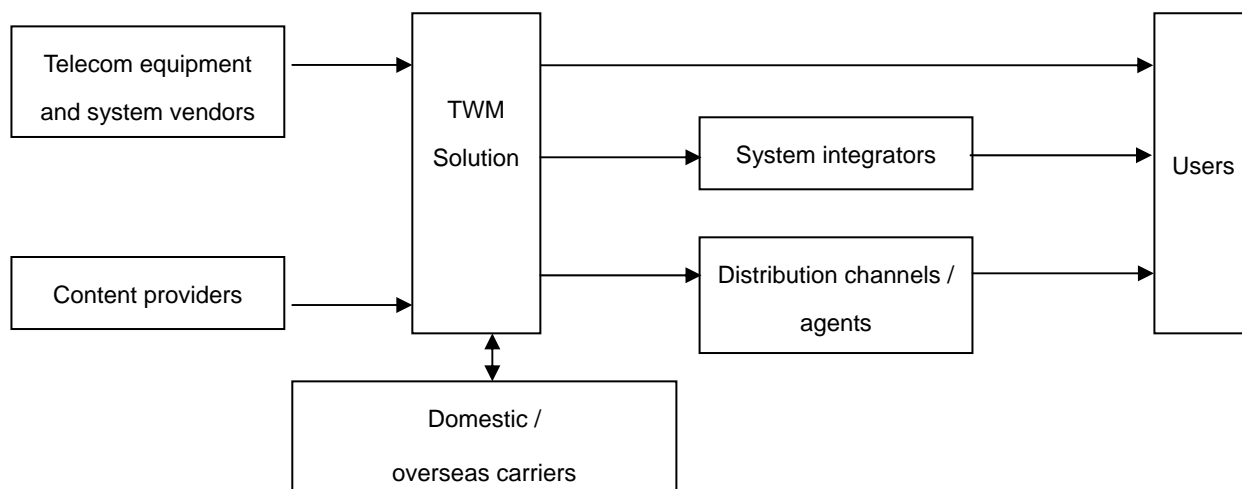
While continuing to introduce high-definition channel content and popular digital video programs, TWM Broadband has also gradually been expanding into the media and entertainment content businesses, leading the way in the industry by integrating the “Connected TV” with “4 screens and a cloud” services to plan the rollout of a new home entertainment experience.

Enterprise Business Group

1. Industry status and development

As of October 2010, there were 83 Type I telecommunication providers, including four fixed-line operators, six mobile operators and 62 circuit leasing operators; and 476 Type II telecommunication providers, including ISRs (International Simple Resale), internet service providers (ISP), VoIP and other value-added service providers. All these have resulted in keen competition.

2. Industry value chain



3. Product development trends and competition landscape

Taiwan Fixed Network (TFN), Chunghwa Telecom (CHT), NCIC (Sparq) and Asia-Pacific Telecom (APT) are the four fixed network service providers in Taiwan. Based on the NCC's 2010 data, CHT's share of the local network, long-distance network and international network service markets in terms of revenue were 97.76%, 63.25% and 55.95%, respectively, making it a virtual monopoly. xDSL is the most popular type of broadband internet access in Taiwan, with an increasing number of users choosing higher bandwidths ($\geq 8\text{M}$). Since CHT has the "last mile" advantage, other ISPs find it hard to effectively compete with CHT. Revenue from data circuit and internet access/value-added services is expected to rise slightly in the future, while revenue from fixed voice services is likely to slowly decline.

Research and Development Expenditure

Investment in research and development and its ratio as a percentage of total revenue are shown in the table below. For 2011, the Company plans to spend NT\$678mn on the research and development of more advanced technologies designed to increase customer satisfaction, which in turn should boost value-added service revenue and overall operations growth.

| Year | 2009 | 2010 | 2011 (As of Jan. 31) |
|-------------------------|---------|---------|-------------------------|
| R&D expense (NT\$'000) | 594,509 | 641,928 | 43,723 |
| As a % of total revenue | 1.04% | 1.10% | 0.86% |

Major Research and Development Achievements

| Project name | Description |
|---|--|
| IP video service network architecture proof of concept (PoC) | Proof of concept (PoC) prototype of an IP-based video service network architecture that supports web-based video conference and the capability to integrate with IMS. |
| 3G Probe-based WiFi hot spot notification system | Develop a 3G Probe-based system that notifies users via SMS that a WiFi hotspot is in the vicinity. |
| Enterprise resource planning (ERP) integration | Develop an enterprise resource planning system for CBG, EGB and HBG to integrate their corporate finance, accounting, inventory, purchasing, human resources and other related processes and use the same platform to raise management efficiency. |
| Enhanced sales support system | Strengthen the sales support system to improve sales channels' efficiency. This includes customized instant messaging for sales agents, a marketing database, myfone e-paper, online polls, store equipment/ renovation reporting system, sales and store performance evaluation, inquiry and feedback , mobile handset/ 3C product ordering system and mobile handset pre-order system. |
| Service-oriented architecture (SOA) enabling | Establish an SOA-based infrastructure and service-oriented modeling methodology for rapid development of features and functions that are flexible, reusable and less costly to maintain. |
| TWM brand website system | A TWM brand portal was set up to serve as the overall entry for CBG, EBG and HBG. Products, services and other related information are placed together for better content management. |
| OA virtualization project | Establish an OA solution to dynamically generate resources to serve multiple business requirements. By reducing the total number of stand-alone servers, it can increase hardware utilization and fault tolerance, save space and reduce energy consumption. |
| Customer contact history system (CCHS) | Build an integrated customer contact history platform to support all business lines. The objective is to provide customer centric and integrated customer contact history data for triple/quad play. It should also provide a scalable and extendable infrastructure to fulfill future business needs. |
| Analysis of URL destination of mobile internet subscriber | Collect internet web access logs of mobile subscribers into a data warehouse. Analyze logs of the most frequently websites, including the number of visits and other data, to plan and design more value-added services. |
| Front-end event-based marketing (F/E EBM) - potential sales index | Use data mining to forecast the probability of success in marketing select products to target users (PSI). Store clerks can use this index as a sales lead to achieve higher success rates. |
| match Market | Launched TWM application store for major smartphone platforms such as Android, iPhone, Windows Mobile, Blackberry and Symbian. |

| Project name | Description |
|--------------------------|--|
| MoFun | Customers can use their smartphones to access the latest information on MoFun's channels, including news, entertainment and financial information. |
| Phone Guard | Software provides data backup (including SMS/ MMS/ calendar/ contacts) and other functions such as find handset, lock&alarm, warning message, data purge and restore. |
| myBook | Launched e-book services for TWM subscribers, allowing users to purchase and read digital content (books, magazines, newspapers) using different digital reading devices (e.g. smartphones, tablet computers). The ebooks are protected using a digital rights management mechanism. |
| Call information Manager | This service integrates functions such as caller identification, call filter and voice mail into one smartphone application. Subscribers can easily access voice mail or set a caller block list. |

Sales development plans

Consumer Business Group

1. Short-term plan

Besides encouraging existing subscribers to upgrade to 3G services, the Company will also seek to boost mobile broadband and mobile internet access penetration rates through new innovative services. At the same time, network quality will be maintained and further optimized. New, high-quality, affordable smartphones will be introduced for customers to embrace an all mobile lifestyle.

2. Long-term plan

The Company aims to integrate the mobile phone, TV, tablet and computer platform to provide subscribers with a variety of digital convergence services. The focus will be on the following:

- (1) Establishing a “quadruple-play” platform that integrates mobile communications, fixed-line, broadband internet access and cable TV services to give the Company a lead over its competitors in offering digital convergence services in Taiwan.
- (2) Leveraging machine-to-machine (M2M) technology into our product and services to integrate mobile handsets, high-quality mobile networks and cloud computing technology to expand our service range and support the development of innovative, profitable business models.

Home Business Group

1. Short-term plan

- (1) TWM Broadband will continue to expand its network infrastructure in those regions where it is already operating cable TV systems, providing residential subscribers with CATV and fiber-optic internet access services.
- (2) TWM Broadband will continue to level up the penetration rate of cable internet in 2011 to raise the percentage of high-speed service users and increase the number of “new TV” digital TV service subscribers.

2. Long-term plan

In March 2011, TWM Broadband will launch its “Connected TV” service – the first of its kind not only in Taiwan but in the wider Asia region – integrating mobile phones, PCs, handheld devices and TV to create a “4 screens and a cloud” converged digital service. Through the implementation of its long-term product and service development plan, TWM Broadband aims to give families and individual subscribers a seamless digital convergence experience, establishing a new milestone in the evolution of cable TV.

Enterprise Business Group

1. Short-term plan

In 2011, the Company will continue developing integrated telecom applications, mobile backup service for local calls (Primary Rate Interface), MyDJ (provides copyright music for public use), Infrastructure as a Service (IaaS), and advanced information security services. It will also push MVPN services through TWM channels to help corporate users reduce expenses and enhance operating efficiency.

2. Long-term plan

EBG’s vision is to expand its enterprise services from network-centric to ICT-centric solutions and services by implementing the following:

- (1) Speed up revenue growth of select products by providing enterprises with end-to-end managed services and a security operating center service.
- (2) Raise the productivity of key accounts, develop network-centric enterprise solutions, and expand small-and-medium enterprise segment by improving service quality.
- (3) Improve the international business division’s operating efficiency by increasing direct peering coverage, managing quality and reducing international IP cost.
- (4) Provide cloud services based on the IaaS core and start developing cloud computing-related services to help users reduce IT operating cost.

Customer satisfaction

To create the best experience for customers, TWM conducts annual customer satisfaction surveys by telephone to understand customer needs and expectations. Customers are asked to evaluate call quality, rates, bills, customer hotline service, store service, value-added services, and website among others. The findings from these polls are used as a reference to set new objectives and improve service quality.

| Customer satisfaction key indicators | 2008 | 2009 | 2010 |
|--|-------------|-------------|-------------|
| Overall satisfaction | 3.8 | 3.6 | 3.7 |
| Call quality | 3.9 | 3.7 | 3.7 |
| Customer hotline service | 4.5 | 4.2 | 4.3 |
| Store service | 4.1 | 4.0 | 4.1 |
| Note: Customer satisfaction is rated based on the following scores: Very satisfied (5), Satisfied (4), Neither satisfied nor dissatisfied (3), Dissatisfied (2) and Very dissatisfied (1). | | | |

Market and Sales Overview

Market analysis

Consumer Business Group

1. Main products and service areas

The Company provides mobile services nationwide, covering Taiwan and the outlying islands of Kinmen and Matsu.

2. Market status

By the end of 2010, the penetration rate for mobile subscribers had reached 116%. To attract users, smaller operators offered free on-net calls and other promotional deals, resulting in intense competition in the post-paid voice market. The rapid innovations in mobile devices and the rising demand for mobile internet and value-added services further encouraged newcomers to tap into this market.

3. Competitive advantages

(1) Better customer mix

In 2010, the Company succeeded in improving its subscriber base structure. The percentage of low usage subscribers fell by 4 pts from a year ago, while the percentage of mid-to-high usage subscribers continued to rise.

(2) Market leader in wireless broadband

In 2005, the Company became the first mobile communications operator in Taiwan to launch 3G services, and in 2007, it rolled out Taiwan's first 3.5G service. Subscribers enjoy flexible rate plans, high-quality mobile handsets, and a wide range of value-added services. By the end of 2010, the Company had a 3G subscriber base of 4.4 million users, who contributed more significantly to value-added service ARPU than 2G subscribers and have become the main driver of VAS revenue growth.

4. Opportunities and challenges

Positive factors

- (1) With faster data transmission speeds, lower prices for smart devices and data rate plans and the emergence of new, varied applications, mobile internet access is rapidly spreading from business people and professionals to ordinary consumers, contributing to the rapid growth in non-voice revenue.
- (2) With information technology, communications and media trends converging, mobile communications operators have an important role to play in the supply chain, providing consumers with multimedia content through wireless transmission.
- (3) Many innovative technologies and business models have been extended to the mobile internet.

Negative factors

- (1) The NCC's mandatory tariff cuts have added a degree of uncertainty to the outlook for future earnings growth.
- (2) In 2009, WiMAX services started to roll out in Taiwan. With its high bandwidth, WiMAX is expected to stimulate increased demand for wireless internet access, creating new challenges for existing players.

Countermeasures

- (1) In 2010, the Company rolled out its 3.5G network to provide high-speed internet access, as well as closely monitored the development of long-term evolution (LTE) technology.
- (2) The Company will draft appropriate strategies in response to government policy changes and new laws and regulations.
- (3) The Company will introduce innovative value-added services for smartphones to stimulate data service revenue growth and offset the impact of falling voice revenue.

Home Business Group

1. Main products and service areas

TWM Broadband provides cable TV, digital cable TV, and fiber-optic broadband internet access services. Its main service areas are New Taipei City's Xinzhuang and Xizhi districts, Yilan County and Greater Kaohsiung's Fongshan District.

2. Market status

- (1) Cable TV

The cable TV penetration rate has been rising steadily over the years, reaching 64.06% of households as of 4Q 2010, according to NCC data. Watching cable TV shows has become a major leisure activity for Taiwanese – one that is relatively unaffected by fluctuations in the economy, ensuring stable market demand.

(2) Digital cable TV

Digitization is an important trend in the cable TV business and, based on the Executive Yuan's National Digitization Plan, analog terrestrial TV broadcasting will cease in 2012. The outlook for digital cable TV and related value-added services is bright, with strong potential for the development of new application services that integrate cable TV with entertainment, IT, content delivery, network interconnection, online gaming, online video and music services, lifestyle information and e-learning among others. Add in the growing demand for personalized digital audiovisual entertainment services, business opportunities in this area appear to be unlimited.

(3) Broadband internet access

Statistics compiled by the Taiwan Network Information Center as of Q4 2010 showed that nearly 5.85 million households in Taiwan were using broadband internet access and that the broadband penetration rate had risen to 69%. The overall trend in the broadband internet access industry is toward high-bandwidth services.

3. Competitive advantages

(1) Ongoing implementation of broadband network service optimization quality indicators:

TWM Broadband has been implementing a quality assurance management (QAM) initiative and working to optimize network bandwidth management in order to provide subscribers with high-quality broadband internet access service and create a better user experience. This initiative has helped reduce overall bandwidth usage costs for Taiwan Mobile Group as a whole, while at the same time enhancing TWM Broadband's competitiveness in the broadband access market and the digital convergence services market.

(2) Continued enhancement of TWM Broadband's strength in fiber-optic broadband cable networks:

TWM Broadband has spent several hundred million NT dollars to deploy a dense, ring-type fiber-optic backbone network and provide back-up systems for its bi-directional network. This guards against the risk of transmission quality being affected by cable breaks caused by external factors, and thus ensures stable network quality. By replacing traditional copper cable with fiber-optic cable and deploying advanced DOCSIS 3.0 network technology, TWM Broadband is able to provide high speed (100MB or higher), stable internet access service which, unlike ADSL, is free from range constraints. As subscriber numbers grow, TWM Broadband will continue to roll out an even denser network of fiber-optic nodes to meet subscribers' bandwidth requirements, while at the same time ensuring that internet access speeds will not be affected by the increase in traffic.

The upgrading of TWM Broadband's network to a bi-directional fiber-optic cable network has numerous advantages in terms of internet access speed (bandwidth), network quality and cost among others. With just one single cable connection, a household can have access to cable TV, ultra-high-speed internet access, digital TV channels, Connected TV and a wide range of other interactive digital entertainment services.

(3) Stimulating digital TV subscriber growth through the introduction of Connected TV digital TV service:

TWM Broadband has established a digital convergence platform to facilitate the coordinated launch of Connected TV digital TV services and "4 screens and a cloud" digital convergence services integrating mobile

phones, PCs, handheld devices and TV sets. This will introduce users to more interactive content and more exclusive and popular video clips in addition to digital cable TV programs. With interesting and diverse audiovisual entertainment, the number of digital TV viewers expects to rise as well as the satisfaction and loyalty of the customers.

- (4) Integrating the resources of the Taiwan Mobile Group to develop new innovative digital convergence products and services:

TWM Broadband's resources cover mobile communications, fixed network, CATV, ISP and channel content. The integration of these resources, together with the Taiwan Mobile Group's extensive technical support, as well as sales and marketing resources, forms the core of TWM Broadband's competitive advantage in the consumer market.

4. Opportunities and challenges

Positive factors

- (1) Regional operations and rich program content

Cable TV system operators continue to operate by region, with the CATV penetration rate reaching over 60%, according to NCC data. A survey by the Market Intelligence Center on consumer preferences with regards to residential digital TV services shows that Taiwanese households enjoy the wide selection of channels that cable TV provides and the content that they offer.

Among TWM Broadband's competitors, CHT offers a video-on-demand (VoD) service called MOD. With most of the content obtained from overseas distributors, it does not provide the breadth of content that cable TV offers. As Taiwanese consumers tend to prefer locally developed content, CHT has yet to see significant growth in its MOD subscriber numbers. Given a low penetration rate, MOD currently poses no serious threat to CATV operators. However, TWM Broadband will continue to monitor CHT's strategies in digital convergence and developing digital content.

- (2) New innovative digital cable TV services to facilitate digitization

Impressed by the potential business opportunities that the convergence of the internet and television is creating, telecommunications service providers, CATV operators, ISPs and TV manufacturers throughout the world are working on developing on Connected TV platforms. Connected TV has become a major new global trend.

TWM Broadband has extensive experience in providing broadband internet access and digital TV services. Currently, TWM Broadband is focusing on the development of Connected TV functions and services, seeking to bring more local digital content providers and diversified, real-time online content onto its platform, so that consumers can make use of TWM Broadband's Connected TV portal to easily and conveniently access a wide range of audiovisual content, including movies, music, games, lifestyle information and e-learning content.

- (3) High-bandwidth services for consumers to enjoy multimedia audiovisual services through the integration of

home PC and TV:

Consumers today want to be able to download, upload and share large quantities of high-definition video and audio content; as such, high-bandwidth (10M or higher) services have become the mainstream. Besides providing stable, high-speed fiber-optic Internet access, TWM Broadband is also preparing to roll out digital convergence and Connected TV services that can be accessed by the members of a household using their TV and computers to experience a wide range of digital audiovisual entertainment application services. This is expected to increase the contribution that residential customers make toward TWM Broadband's overall sales revenue.

Negative factors

- (1). There is still a risk that local governments might lower the cap on cable TV fees during their annual review.
- (2) The CATV market is already saturated, and subscriber growth has slowed dramatically. It remains to be seen whether the recent establishment of four new special municipalities – New Taipei City, Greater Taichung, Greater Kaohsiung and Greater Tainan – will lead to an adjustment of cable TV system operation zone boundaries.
- (3) The NCC has yet to clarify its digitization strategy. Media reports have said the commission wants cable TV system operators to loan at least two set-top box devices to each subscriber for free. Developments relating to the NCC's digitalization strategy and relevant laws and regulations need careful monitoring.

Countermeasures

- (1). TWM Broadband has been able to utilize the extensive resources of its parent company (in terms of technology, marketing, sales, distribution, etc.) to develop high-bandwidth internet access services and to undertake converged service cross-marketing of the Taiwan Mobile Group's telecommunications, information and media content services. TWM Broadband's aim is to provide a "one-stop shopping" service that meets all of its customers' needs. In the future, TWM Broadband will continue to increase the number of its cable TV, broadband internet access and digital TV subscribers and their contributions to the revenue.
- (2) TWM Broadband will keep monitoring developments in the local as well as global digital content industry. TWM Broadband will be using its digital cable TV platform to cultivate Taiwan's cultural and creative industries, enrich Taiwan's digital channel and Connected TV content, and stimulate the development of digital content and innovative Connected TV services that are tailored to meet the needs of the local market.
- (3) TWM Broadband will continue to build good relations with local government authorities and communities. Assisted by the resources of the Taiwan Mobile Group – such as the Taiwan Mobile Foundation – it sponsors local artistic, cultural and charitable activities, while also subsidizing the cost of network deployment in remote areas, working to bridge the digital divide, and fulfilling its responsibilities as a good corporate citizen, thereby strengthening TWM Broadband's corporate image of "Basing our growth on the local community and giving back to the local community."

- (4) TWM Broadband will closely monitor changes in the regulatory authorities' policies relating to digitization and new developments in the formulation of relevant laws and regulations. TWM Broadband will engage in communication and lobbying where necessary and will formulate any necessary response and measures in advance.

Enterprise Business Group

1. Main products and service areas

EBG mainly offers its products and services in Taiwan, but also provides international services in 253 countries. By the end of 2010, the company's roaming services covered the following: GSM: 147 countries, 291 networks; 3G: 52 countries, 106 networks; GPRS: 113 countries, 223 networks.

2. Market status

EBG offers enterprise customers voice, internet and data services. Given the rising demand for ICT solutions and services, IP-based applications have become more popular, resulting in mild growth for the domestic telecommunications market.

- (1) Voice service: Because of the rise of VoIP and mobile telecom services, revenue from traditional telecom services has been dropping. In contrast, subscribers to and revenue from Enterprise E phone (VoIP) service are expected to keep on increasing.
- (2) Data service: Rising demand for enterprise data access will result in steady growth in IP VPN and Metro Ethernet revenue.
- (3) Internet service: As internet content services boom, FTTx is taking the place of ADSL. Moreover, 3G/3.5G mobile broadband businesses are expected to expand. Therefore, revenue from internet services should post stable growth.
- (4) Mobile service: As demand for mobile office increases, data revenue from smartphones, tablet PCs and 3.5G data cards is expected to continue increasing. Since enterprise users need to access information on intranet via their smart devices, mobile voice revenue from enterprise should benefit from the rise of mobile internet and BlackBerry services.
- (5) System integration service: With the demand for enterprise data and internet services increasing, the Company expects a steady rise in subscriber numbers and revenue from network devices, data/voice integration, network management and network value-added services.

3. Competitive advantages

- (1) Premium brand equity: The Company insists on providing customer-centric quality services to its customers. TWM Solution is well connected with the Enterprise Business Unit of Taiwan Mobile and has gained the recognition of major enterprises.
- (2) Professional management team and efficient support group: The Company leads the competition in achieving synergies from the integration of group resources, including mobile telephony, fixed network and cable TV network, with integrated back-office functions to support its frontline operations and provide

enterprise customers with exclusive integrated information and communication technology for business expansion.

- (3) Effective sales teams and channels: Expand services through direct sales teams and retail chains across the nation.
- (4) Expanding resources from international alliances: The Company is the sole Taiwanese member of the Bridge Alliance, the largest mobile alliance in Asia Pacific with a combined customer base of about 340 million.

4. Opportunities and challenges

Positive factors

Future convergence products will be aimed at consolidating intranet, broadband management and information security into a one-stop shop for customers. The Company has the advantage of possessing resources for both mobile and fixed-line services. Enterprises trading in the Greater China area will boost demand for integrated telecommunications and network efficiency.

Negative factors

The local loop bottleneck is a major obstacle to fixed-line operators' business expansion, as market leader Chunghwa Telecom continues to dominate with its last mile advantage. The NCC is pushing for rationalization of telecom tariffs and has demanded telecom operators lower retail rates gradually, adding to operation difficulties.

Countermeasures

EBG aims to raise ARPU by targeting high-usage customers and providing them with services such as "Information and Communications Integrated Solution"; establish long-term partnerships with customers to enhance customer loyalty; develop cloud applications and power-saving solutions that meet customers' varying needs; focus on IP VPN and Metro Ethernet solutions to provide information security services and CPE maintenance services and "Network Manager" (automatic network management service), as well as trouble shooting and immediate status response; and adjust the strategies for international/ domestic IP and international undersea cable implementation to reduce costs and enhance network quality.

Main features and production process of major products: Not applicable as the Company is not a manufacturer.

Supply of raw materials: Not applicable as the Company is not a manufacturer.

Major suppliers and customers in the most two recent years

Major suppliers

Unit: NT\$'000

| | 2009 | | | | 2010 | | | |
|---|---------------------------|------------|----------------------|------------------------|-----------------------------|------------|----------------------|------------------------|
| | Company | Amount | % of operating costs | Nature of relationship | Company | Amount | % of operating costs | Nature of relationship |
| 1 | Chunghwa Telecom | 5,032,712 | 19 | Third party | Chunghwa Telecom | 4,842,460 | 15 | Third party |
| 2 | Taiwan Fixed Network | 1,390,303 | 5 | Subsidiary | Taiwan Fixed Network | 2,015,734 | 6 | Subsidiary |
| 3 | Fubon Insurance Co., Ltd. | 51,412 | - | Related party | Fubon Insurance Co., Ltd. | 43,889 | - | Related party |
| 4 | | | | | Taiwan Kuro Times Co., Ltd. | 11,920 | - | Subsidiary |
| | Others | 20,691,498 | 76 | | Others | 25,894,709 | 79 | |
| | Total | 27,165,925 | 100 | | Total | 32,808,712 | 100 | |

Major customers

Unit: NT\$'000

| | 2009 | | | | 2010 | | | |
|---|--|------------|-------------------------|------------------------|--|------------|-------------------------|------------------------|
| | Company | Amount | % of operating revenues | Nature of relationship | Company | Amount | % of operating revenues | Nature of relationship |
| 1 | Chunghwa Telecom | 8,730,057 | 15 | Third party | Chunghwa Telecom | 8,226,198 | 14 | Third party |
| 2 | Taiwan Fixed Network | 2,276,319 | 4 | Subsidiary | Taiwan Fixed Network | 2,216,854 | 4 | Subsidiary |
| 3 | Taipei Fubon Commercial Bank Co., Ltd. | 9,796 | - | Related party | Taipei Fubon Commercial Bank Co., Ltd. | 11,732 | - | Related party |
| | Others | 45,999,280 | 81 | | Others | 48,092,501 | 82 | |
| | Total | 57,015,452 | 100 | | Total | 58,547,285 | 100 | |

Reasons for variation

The Company's operating cost for leasing lines from Taiwan Fixed Network increased from 2009 as the group continued to work on integrating its resources.

Production volume for the most two recent years: NA

Sales volume for the most two recent years

| | 2009 | | | | 2010 | | | |
|-----------------|----------------------------|--------------------|----------------------------|--------------------|----------------------------|--------------------|----------------------------|--------------------|
| | Domestic | | Overseas | | Domestic | | Overseas | |
| | Average No. of subscribers | Revenue (NT\$'000) | Average No. of subscribers | Revenue (NT\$'000) | Average No. of subscribers | Revenue (NT\$'000) | Average No. of subscribers | Revenue (NT\$'000) |
| Telecom service | 6,373,580 | 55,159,348 | -- | -- | 6,389,361 | 55,001,883 | -- | -- |

Note: Average number of subscribers = (sum of monthly average number of subscribers) / 12

Human Resources

Employee statistics for the past two years until the publication date

| Year | | 2009 | 2010 | 2011 (as of Jan. 31) |
|--------------------------|------------|--------|--------|-------------------------|
| Number of employees | Male | 1,458 | 1,481 | 1,475 |
| | Female | 1,038 | 1,067 | 1,066 |
| | Total | 2,496 | 2,548 | 2,541 |
| Average age | | 36.7 | 36.8 | 37.0 |
| Average years of service | | 6.8 | 7.0 | 7.1 |
| Education level | Ph.D. | 0.36% | 0.35% | 0.35% |
| | Master | 19.99% | 20.05% | 20.07% |
| | University | 50.76% | 51.14% | 51.12% |
| | College | 26.89% | 25.67% | 25.58% |
| | Others | 2.00% | 2.79% | 2.87% |

Note: The numbers above were based on Taiwan Mobile alone.

Employee statistics by division

As of Jan. 31, 2011

| Division | Number | Percentage (%) |
|----------------------------------|--------|----------------|
| Corporate Support | 564 | 22.20% |
| Finance | 197 | 7.75% |
| Technology | 829 | 32.62% |
| Consumer Business Group (Note) | 950 | 37.39% |
| Enterprise Business Group (Note) | 1 | 0.04% |
| Home Business Group (Note) | 0 | 0.00% |
| Total | 2,541 | 100% |

Note: The Consumer Business Group does not include the 797 employees from TT&T. The Enterprise Business Group does not include the 386 employees from TFN. The Home Business Group does not include 140 employees from TFNM and 347 employees from the four CATV subsidiaries.

Environmental Protection Expenditure

Loss or penalty due to environmental pollution in the past two years until the publication date: None

Countermeasures:

The Company has taken into consideration any potential risks or violation of environmental regulations in formulating its environmental management system. TWM also closely monitors developments in the government's environmental policies or regulations to be able to design precautionary measures. The Company does not expect any expenditure relating to environmental pollution in the future.

The Company is committed to protecting the environment and has adopted various measures such as promoting "green" procurement, establishing energy-efficient base stations and IDCs, minimizing the use of paper in offices and stores, recycling waste cable, batteries and handsets, and encouraging users to switch to e-billing and online services. TWM is the recipient of the R.O.C. Enterprise Environmental Protection (EEP) Award for two years in a row – 2009 and 2010 – from the Environmental Protection Administration of Executive Yuan.

Employee Relations

Employee behavior/ ethical standards

The Company has established policies and rules as a guide for employee conduct, rights, responsibilities, and ethical standards.

Delegation of authority

1. Authorization guidelines and limitations: Aimed at streamlining business processes, strengthening distribution of responsibility as well as detailing management authority at each job level.
2. Empowerment and delegation rules: Designed to ensure smooth and normal business operations.
3. Job ranking, title and organizational structure policy: Formulated to correspond to employees' career plan.

Work regulations

The Company's work regulations clearly define the rules and responsibility of management and labor. The Company's modern management approach has effectively promoted cooperation among employees and benefited the Company.

Divisional responsibilities

The Company's major divisions are separated by functions. Each division is tasked with specific job responsibilities and this separation of functions has strengthened the core competency of the Company.

Reward and punishment policies

The Company has drawn up a number of policies on rewards and punishments to encourage employees who have made special contributions to the Company as well as discourage employees from behaving in a manner deemed damaging to the Company. These policies are stated in Article 14 and Articles 47 to 58 in the Company's "Work Regulations."

Employee assessment policy

Supervisors provide feedback, assistance and map out individual development plans based on employee performance.

Attendance and leave policy

Enforcement of this policy – designed to serve as a guideline for employees – helps enhance work quality.

Business confidentiality policy

To safeguard the Company's competitive advantages, employees are required to sign a "Confidentiality and Intellectual Property Rights Statement" and "Employment Contract" in order to protect the Company against potential damage from the disclosure of trade secrets. The Company provides employees with the required information and training courses to strengthen their understanding of information security.

Sexual harassment prevention and handling procedures

The Company's "Work Regulations" include rules designed to prevent sexual harassment in the workplace and promote gender equality. The Company disseminates information on laws and procedures for filing complaints of sexual harassment on the intranet to serve as a guideline for employees.

Code of Conduct

The Company has a Code of Conduct that all directors, managers and employees are expected to adhere to and

advocate in accordance with the highest ethical standards.

Employee benefits program

1. All employees are entitled to labor insurance, national health insurance, and group insurance coverage starting from the first day of work.
2. The Company has an employee treasury stock subscription plan, an annual bonus plan, and an employee profit-sharing plan. As a further incentive, the Company has transferred treasury shares representing 4.69% of total outstanding shares to employees at cost.
3. An Employees' Welfare Committee was established in July 1998 to handle and implement employee benefits programs. The committee is in charge of a number of benefits designed to raise employees' quality of life and promote physical and mental well-being including club activities, company outings, family day, and benefits for special occasions such as weddings, festivals and funerals. The Company appropriates around NT\$70mn to the Welfare Committee annually.

Employee training and education program

1. Training expense in 2010 totaled NT\$19,328,797 (including travel expense), 64,885 training hours, with 9,829 participants.
2. Orientation for new employees includes introduction into the corporate culture, company organization, telecommunications market, IT and network systems, labor safety, as well as information security training.
3. Core competency development: Focus on basic competencies including problem solving, decision-making, communication, project management, basic legal knowledge of the telecommunications market, team building and service skills.
4. Management training and development: Separate training programs for entry-level management, middle management and senior management. Training courses include performance management, leadership, motivation skills, strategy management, project management, team dynamics skills and organizational development skills.
5. The Company sends large numbers of employees to local and international telecommunication conferences, management forums, consulting seminars, and vendor training programs every year. These activities have a profound effect on upgrading the Company's technologies, developing new products, introducing new and innovative ideas, and improving managerial skills.
6. To help employees develop their expertise in telecommunication technologies and business administration, the Company has a scholarship program designed to provide employees with on the-job training.
7. The Company sponsors external training courses for all employees annually. Employees can select courses that combine their personal interests and job needs to reap the maximum benefits from these training sessions.

Retirement plan and implementation

1. The Company has specific Employee Retirement Guidelines.
2. The Company has set up a Labor Pension Supervisory Committee, which was approved by the Taipei City Government in February 1998.
3. The Company implemented the New Labor Pension System in July 2005.
4. In accordance with No. 18 of the Financial Accounting Standards of the ROC, the Company retains the services of an actuary to assess and calculate the labor pension reserve and provide a detailed report.

Employee safety and sanitary policy

To fulfill the Company's social responsibility in providing its employees with a safe, healthy and comfortable working environment, the Company endeavors to:

1. Abide by and comply with regulations on environmental protection, safety and sanitation.
2. Be on constant lookout for potential hazards in the work environment to minimize accidents.
3. Promote health education, conduct physical examinations, and implement health management programs.
4. Promote and instill energy-saving consciousness to help reduce waste of resources.

The Company's employee safety and sanitary policy is posted on the intranet and is summarized as follows:

1. A unit dedicated to conducting environmental inspections and carrying out employee sanitary training courses was established in accordance with regulations.
2. A Health and Safety Committee was set up to draft a plan to prevent job injuries, ensure compliance and review related rules on employee health and sanitary improvement solutions through periodic meetings.
3. Full-time professional nursing personnel are employed to conduct health examinations for employees, track the progress of staff who fail to pass their health examination, and hold talks on how to promote health. Staffers who are able to administer first aid treatment have been placed in each work area.
4. Fire/ flood protection exercises are performed periodically to reduce risks of employee injury and property loss from natural disasters.
5. Guards and security systems have been placed at all main base stations and work offices to secure staff, property and information security.
6. Energy-saving policies have been set to reduce carbon emissions.

Labor negotiations and protection of employee benefits

The Company, working under the management and labor as one concept and belief that a win-win situation can be achieved when the two sides work together, has followed relevant labor laws and regulations, held quarterly management/ labor forums to facilitate communication, and promoted employee benefits to build a harmonious and satisfactory management/ labor relationship.

Losses caused by labor disputes in the recent year: None, and expects none in the future as well.

Number of disabilities due to on-the-job injuries/fatalities in the recent year up to publication date

| Year | 2009 | 2010 |
|---------------------------------------|------|------|
| Number of disabilities | 1 | 1 |
| Disabling Frequency Rate (FR, Note 1) | 0.34 | 0.19 |
| Disabling Severity Rate (SR, Note 2) | 2 | 4 |

Note 1: The number of injuries resulting in fatalities and permanent total disabilities cases per million hours worked.

Note 2: The number of workday lost due to fatalities, permanent total disabilities per million hours worked.

Major Contracts

| Nature | Counterpart | Contract period | Description | Restriction clauses |
|-------------------------|---|-----------------------------------|--|---------------------|
| Sale & distribution | Synnex Technology International Corp | 2005.02.01~2006.01.31 (Note 1) | Synnex is authorized to distribute TWM's mobile phone services | Non-disclosure |
| | Aurora Telecom Corp | 2010.07.01~2011.06.30 | Aurora is authorized to distribute TWM's mobile phone services | Non-disclosure |
| | Tsann Kuen Enterprise Co., Ltd. | 2010.09.01~2011.09.01 | Tsann Kuen is authorized to distribute TWM's mobile phone services | Non-disclosure |
| Network interconnection | Chunghwa Telecom Co., Ltd. | 2005.01.01~2005.12.31 (Note 2) | Network interconnection contract | Non-disclosure |
| | New Century InfoComm Tech Co., Ltd. | 2005.05.01~2006.04.30 (Note 2) | Network interconnection contract | Non-disclosure |
| | Taiwan Fixed Network Co., Ltd. | 2007.07.01~2008.06.30 (Note 2) | Network interconnection contract | Non-disclosure |
| | Asia Pacific Telecom Co., Ltd. | 2005.10.15~2006.10.14 (Note 2) | Network interconnection contract | Non-disclosure |
| | VIBO Telecom Inc. | 2006.01.16~2007.01.15 (Note 3) | Voice and short message service contract | Non-disclosure |
| | Asia Pacific Broadband Wireless Communications Inc. | 2003.07.23~2004.07.22 (Note 3) | Voice and short message service contract | Non-disclosure |
| | Far EasTone Telecommunications Co., Ltd. | 2004.02.10~2005.02.09 (Note 3) | Voice and short message service contract | Non-disclosure |
| | KG Telecommunications Co., Ltd. | 2004.03.01~2005.02.28 (Note 3) | Voice and short message service contract | Non-disclosure |
| | First International Telecom Corp. | 2005.05.01~2006.04.30 (Note 3) | Voice and short message service contract | Non-disclosure |

| Nature | Counterpart | Contract period | Description | Restriction clauses |
|-------------------------------|---|-----------------------------------|--|---|
| Handset purchase | Synnex Technology International Corp | 2008.01.01~2008.12.31 (Note 1) | TWM accepts Synnex's consignment to sell handsets and related products | Non-disclosure |
| Purchase and merger agreement | <ul style="list-style-type: none"> • PX Capital Partners B.V. • Wealth Media Technology Co., Ltd. • Cheng Ting Co., Ltd. • Wei Mao Co., Ltd. • Taiwan Fixed Network Co., Ltd. • TCC Investment Co., Ltd. • TFN Union Investment Co., Ltd. (TUI) • TCCI Investment & Development Co., Ltd. (TID) | 2009.09.16~2010.06.30 | <ul style="list-style-type: none"> • Wealth Media, the wholly owned subsidiary of TWM, agrees to purchase the outstanding ordinary shares of Cheng Ting held by PX Capital. • TUI, TID and Wei Mao agree to merge with each other whereby Wei Mao will be the surviving company. | Non-disclosure |
| Syndicated loan | Chinatrust Commercial Bank and 8 other banks | 2008.02.21~2011.05.20 | Syndicated loan of NT\$13.5 billion | Certain restrictions on debt ratios, interest coverage ratio, tangible equity |
| Corporate bond offering | Chinatrust Securities and 9 other security companies | 2008.11.14~2013.11.14 | The total amount of the second unsecured ordinary corporate bond issue is NT\$8bn | Non-disclosure |
| Equipment purchase | Nokia Siemens Networks Taiwan Co., Ltd. | 2006.09.26~2010.09.25 | 3G equipment and service supply contract amounting to NT\$4.8bn | Non-disclosure |
| | Nokia Siemens Networks Taiwan Co., Ltd. | 2009.04.01~2010.12.31 | 3G equipment supply contract amounting to NT\$3.217bn | Non-disclosure |
| Customer service | Taiwan Teleservices & Technologies Co., Ltd. (TT&T) | 2006.01.01~2010.12.31 | TT&T accepts TWM's consignment to handle customer services and product sales | Non-disclosure |

Note 1: If both parties fail to sign a new contract before the current contract expires, the current contract will remain valid.

Note 2: When the network interconnection contract expires, should the two parties not be able to conclude their negotiations within three months after their commencement, the process shall be as follows:

- (1) If the two parties concur to continue their negotiations, the contract terms will be the same as the originally negotiated terms or such other terms agreed by both parties, until a new agreement is reached.

- (2) Either party can appeal to the NCC for a ruling. Prior to the date of such a ruling, the contract terms shall be the same as those originally negotiated. Following the ruling, the new contract terms will be formed based on the ruling.

Note 3: Negotiations for next year's contract shall commence three months prior to the expiry date of the original agreement. If the negotiation is not finalized prior to the said expiry date, the parties agree to perform their obligations based on the original agreement until such time when the negotiation is finalized by the parties.

Chapter 5 Financial Highlights

Condensed Balance Sheets and Income Statements for the Past Five Years

Condensed balance sheet

Unit: NT\$'000

| | | 2006 | 2007 | 2008 | 2009 | 2010 |
|--|----------------------|-------------|------------|------------|------------|------------|
| Current assets | | 26,112,730 | 11,831,063 | 11,055,600 | 13,530,729 | 23,819,685 |
| Funds and long-term investments | | 21,620,736 | 15,276,374 | 15,660,750 | 9,808,833 | 11,359,143 |
| Fixed assets | | 57,224,824 | 42,568,638 | 43,018,691 | 39,033,012 | 35,014,385 |
| Intangible assets | | 9,036,696 | 8,249,458 | 14,317,314 | 13,567,671 | 12,818,208 |
| Other assets | | 2,976,458 | 6,076,924 | 5,608,974 | 4,823,691 | 4,144,036 |
| Total assets | | 116,971,444 | 84,002,457 | 89,661,329 | 80,763,936 | 87,155,457 |
| Current liabilities | Before appropriation | 16,564,043 | 42,763,948 | 23,717,197 | 18,833,732 | 25,621,285 |
| | After appropriation | 29,919,728 | 50,565,070 | 37,686,061 | 33,861,967 | (Note1) |
| Long-term liabilities | | 10,291,046 | 7,551,665 | 13,200,000 | 8,000,000 | 8,800,000 |
| Other liabilities | | 248,561 | 1,833,915 | 1,841,534 | 1,856,978 | 1,864,617 |
| Total liabilities | Before appropriation | 27,103,650 | 52,149,528 | 38,758,731 | 28,690,710 | 36,285,902 |
| | After appropriation | 40,459,335 | 59,950,650 | 52,727,595 | 43,718,945 | (Note1) |
| Capital stock | | 49,993,251 | 38,009,254 | 38,009,254 | 38,009,254 | 38,009,254 |
| Capital surplus | | 8,748,571 | 8,785,159 | 12,297,839 | 12,431,704 | 12,432,489 |
| Retained earnings | Before appropriation | 32,706,825 | 25,959,268 | 33,529,532 | 33,449,530 | 33,243,481 |
| | After appropriation | 19,351,140 | 18,158,146 | 19,560,668 | 18,421,295 | (Note1) |
| Unrealized valuation loss on financial instruments | | (147,423) | (64,043) | (5,897) | 63,624 | 89,842 |
| Translation adjustments | | 3,860 | 5,764 | 17,840 | 12,011 | (5,716) |
| Net loss not recognized as pension cost | | - | 1,534 | 2,862 | (3,797) | (10,685) |
| Total shareholders' equity | Before appropriation | 89,867,794 | 31,852,929 | 50,902,598 | 52,073,226 | 50,869,555 |
| | After appropriation | 76,512,109 | 24,051,807 | 36,933,734 | 37,044,991 | (Note1) |

Note 1: 2010 earnings appropriation proposals are pending approval at the shareholders' meeting.

Note 2: 2006-2010 financial data have been duly audited by independent auditors.

Explanations of significant changes in the Company's condensed balance sheets for the past five years are as follows:

1. Current assets

In 2007, the Company liquidated its bond funds to meet funding needs for acquiring Taiwan Fixed Network Co., Ltd. (TFN) shares, resulting in a decrease in current assets. In 2009, the Company upstreamed cash from the subsidiary, Taiwan Cellular Co., Ltd. (TCC), resulting in an increase in current assets. In 2010, current assets were higher due to increased inventory for handset campaigns and a rise in receivables from subsidiaries, which resulted from the subsidiaries borrowing funds through the parent company due to its lower funding cost with the banks.

2. Funds and long-term investments

In 2007, the Company increased its investment in TCC to acquire TFN shares. The long-term investments were, however, lower than the previous year as the Company shares held by its subsidiaries were reclassified as treasury stock. Furthermore, TransAsia Telecommunications, Inc. (TAT) and TCC had capital reductions in 2007 and 2009, respectively, resulting in decreased long-term investments.

3. Fixed assets

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

4. Intangible assets

In 2008, intangible assets increased as the Company merged with TAT International (which was acquired at a premium) and inherited the goodwill.

5. Other assets

In 2007, other assets increased due to reclassification from fixed assets of one of the Company's office buildings

being leased out, and an increase in deferred tax assets related to a temporary difference between financial accounting and tax accounting in the recognition of asset write-off losses.

The 2009 amendment of Article 5 of the Income Tax Act provides for the corporate statutory tax rate to be reduced from 25% to 20% effective 2010; as such, deferred income tax assets were revised downward accordingly. On June 15, 2010, further amendment of Article 5 of the Income Tax Act to reduce the corporate statutory income tax rate from 20% to 17% resulted in the downward revision of deferred tax assets accordingly.

6. Current liabilities

The Company's raising of bank loans to meet its funding needs for acquiring TFN shares, together with payables arising from capital reduction, resulted in increased current liabilities in 2007. Current liabilities decreased due to bank loan repayment and settlement of capital reduction in 2008. The repayment of corporate bond-current portion resulted in the decrease of current liabilities in 2009. In 2010, current liabilities increased due to higher short-term borrowings and advance receipts.

7. Long-term liabilities

In 2008, issuance of the second unsecured corporate bonds and an increase in syndicated loans resulted in increased long-term liabilities. In 2009, long-term liabilities decreased, however, as the Company repaid its syndicated loans.

8. Other liabilities

In 2007, the Company injected capital into TCC, which further invested in Taihsing International Telecommunications Co., Ltd. (TIT), using cash and TFN shares. The spread between the original cost and the disposal price of the TFN shares on these transactions had been deferred and classified under other liabilities.

9. Shareholders' equity

A 24% capital reduction approved during the shareholders' meeting in 2007 decreased capital. The Company's shares held by subsidiaries were classified as treasury stock, decreasing shareholders' equity. In 2008, the sale of 300,000 Company shares by its subsidiary decreased treasury shares, while the disposal gain increased capital surplus and shareholders' equity accordingly.

Condensed income statement

Unit: NT\$'000

| | 2006 | 2007 | 2008 | 2009 | 2010 |
|-----------------------|------------|------------|------------|------------|------------|
| Revenue | 47,891,289 | 51,284,856 | 54,311,605 | 57,015,452 | 58,547,285 |
| Gross profit | 27,464,393 | 28,908,257 | 30,204,806 | 29,849,527 | 25,738,573 |
| Operating income | 14,981,243 | 16,025,677 | 16,861,395 | 16,632,797 | 13,700,566 |
| Non-operating income | 6,355,984 | 4,538,500 | 4,791,141 | 3,730,713 | 4,465,716 |
| Non-operating expense | 3,858,726 | 12,508,313 | 1,875,439 | 2,231,019 | 1,768,138 |
| Pre-tax income | 17,478,501 | 8,055,864 | 19,777,097 | 18,132,491 | 16,398,144 |
| Net income | 16,170,741 | 6,612,997 | 15,371,386 | 13,888,862 | 13,822,186 |
| EPS (NT\$) | 3.28 | 1.68 | 5.18 | 4.66 | 4.62 |

Note: 2006-2010 financial data have been duly audited by independent auditors.

Explanations of significant changes in the Company's condensed income statements for the past five years are as follows:

1. Operating income

Increased sales of and subsidies for smart devices to promote data services resulted in higher operating costs and lower operating income in 2010.

2. Non-operating income

In 2006, non-operating income rose on gains of NT\$2.1bn from the disposal of CHT shares. In 2009, non-operating income decreased due to lower investment income from the subsidiary, TAT, which was merged into the Company in Sep. 2008. In 2010, non-operating income increased due to higher investment income resulting from the growth of Pay TV service and broadband internet access from TFN Media Co., Ltd.

3. Non-operating expense

Significant losses from asset write-off of obsolete telecom equipment following its technology upgrade and network integration were recognized in 2007. The repayment of corporate bonds at the end of 2009 resulted in lower interest expense in 2010.

Independent auditors' names and their audit opinions for the past five years

| Year | Accounting firm | Name of CPA | Opinion |
|------|-------------------|------------------------|------------------------------|
| 2006 | Deloitte & Touche | Peter Fan, Vita Kuo | Modified unqualified opinion |
| 2007 | Deloitte & Touche | Peter Fan, Vita Kuo | Modified unqualified opinion |
| 2008 | Deloitte & Touche | Vita Kuo, Roger Tai | Modified unqualified opinion |
| 2009 | Deloitte & Touche | Peter Fan, S. C. Huang | Unqualified opinion |
| 2010 | KPMG | Simon Chen, Janice Lai | Modified unqualified opinion |

Financial Analysis for the Past Five Years

| | | 2006 | 2007 | 2008 | 2009 | 2010 |
|---------------------|--|------------|------------|------------|------------|------------|
| Financial structure | Debt to asset ratio (%) | 23.17 | 62.08 | 43.23 | 35.52 | 41.63 |
| | Long-term capital to fixed asset ratio (%) | 175.03 | 92.57 | 149.01 | 153.90 | 170.41 |
| Solvency | Current ratio (%) | 157.65 | 27.67 | 46.61 | 71.84 | 92.97 |
| | Quick ratio (%) | 154.05 | 26.17 | 42.66 | 67.00 | 87.00 |
| | Interest coverage ratio (x) | 42.94 | 21.58 | 29.91 | 33.17 | 50.99 |
| Operations | Accounts receivable turnover (x) | 7.37 | 7.75 | 8.02 | 8.56 | 9.17 |
| | Average collection days | 49.53 | 47.10 | 45.51 | 42.64 | 39.80 |
| | Inventory turnover (x) | 2.53 | 2.02 | 5.44 | 7.85 | 10.57 |
| | Accounts payable turnover (x) | 14.03 | 14.76 | 12.62 | 12.71 | 13.68 |
| | Average days sales | 144.27 | 180.69 | 67.10 | 46.50 | 34.53 |
| | Fixed asset turnover (x) | 0.84 | 1.20 | 1.26 | 1.46 | 1.67 |
| | Total asset turnover (x) | 0.41 | 0.61 | 0.61 | 0.71 | 0.67 |
| | | | | | | |
| Profitability | Return on assets (%) | 14.07 | 6.87 | 18.29 | 16.80 | 16.79 |
| | Return on equity (%) | 18.29 | 10.87 | 37.15 | 26.97 | 26.85 |
| | % of paid-in capital | | | | | |
| | Operating income | 29.97 | 42.16 | 44.36 | 43.76 | 36.05 |
| | Pre-tax income | 34.96 | 21.19 | 52.03 | 47.71 | 43.14 |
| | Net income margin (%) | 33.77 | 12.89 | 28.30 | 24.36 | 23.61 |
| Cash flow | EPS (NT\$) | 3.28 | 1.68 | 5.18 | 4.66 | 4.62 |
| | Cash flow ratio (%) | 69.93 | 79.87 | 106.27 | 139.10 | 91.01 |
| | Cash flow adequacy ratio (%) | 126.44 | 148.13 | 147.08 | 143.32 | 131.99 |
| | Cash reinvestment rate (%) | - | 24.93 | 18.69 | 14.54 | 9.89 |
| Leverage | Operating leverage | 1.64 | 1.70 | 1.69 | 1.77 | 1.94 |
| | Financial leverage | 1.03 | 1.03 | 1.04 | 1.04 | 1.02 |
| Others | EBITDA (NT\$'000) | 21,385,641 | 23,205,291 | 23,886,242 | 24,519,524 | 21,763,237 |
| | EBITDA margin (%) | 44.65 | 45.25 | 43.98 | 43.01 | 37.17 |
| | ARPU (NT\$) | 827 | 821 | 785 | 721 | 718 |
| | MOU (in thousand minutes) | 12,903,920 | 13,554,863 | 14,674,970 | 15,797,024 | 14,399,713 |

Explanations of significant changes (>20%) in 2010 compared with the previous year:

- (1) Decrease in interest payable and increase in working capital were due to repayment of the first unsecured corporate bonds in 2009. Accordingly, the current ratio, quick ratio and Interest coverage ratio increased.
- (2) Decrease in operating income and EBITDA was due to the impact of the rate plan adjustment for "X" value regulated by the NCC and increase in promotion costs in smartphones. Higher investment income, less asset write-off losses and interest expense, along with a reduced income tax rate resulted in net income only slightly decreasing compared with the prior year. Accordingly, return on assets, return on equity, pre-tax income as a % of paid-in capital, net income margin and EPS decreased slightly.
- (3) Increase in sales of handsets resulted in higher cost of handsets sold. As the inventory didn't rise proportionally, the inventory turnover was up with shorter average days sales.
- (4) The cash reinvestment rate dropped due to higher cash dividends paid out.

Note: 2006-2010 financial data have been duly audited by independent auditors.

Formulas for the above table:

Financial structure

- (1) Debt to asset ratio = Total liabilities / Total assets
- (2) Long-term capital to fixed asset ratio = (Shareholders' equity + Long-term liabilities) / Net fixed assets

Solvency

- (1) Current ratio = Current assets / Current liabilities
- (2) Quick ratio = (Current assets – Inventory – Prepaid expenses) / Current liabilities

- (3) $\text{Interest cover} = \text{Income before interest and tax} / \text{Interest expense}$

Operations

- (1) $\text{Accounts receivable turnover} = \text{Net revenue} / \text{Average accounts receivable}$
- (2) $\text{Average collection days} = 365 / \text{AR turnover ratio}$
- (3) $\text{Inventory turnover} = \text{COGS} / \text{Average inventory}$
- (4) $\text{Accounts payable turnover} = \text{COGS} / \text{Average accounts payable}$
- (5) $\text{Average days sales} = 365 / \text{Inventory turnover ratio}$
- (6) $\text{Fixed asset turnover} = \text{Net revenue} / \text{Net fixed assets}$
- (7) $\text{Total asset turnover} = \text{Net revenue} / \text{Total assets}$

Profitability

- (1) $\text{Return on assets} = [\text{Net income} + \text{Interest expense} * (1 - \text{Tax rate})] / \text{Average assets}$
- (2) $\text{Return on equity} = \text{Net income} / \text{Average equity}$
- (3) $\text{Net income margin} = \text{Net income} / \text{Net sales}$
- (4) $\text{EPS} = (\text{Net income} - \text{Preferred stock dividend}) / \text{Weighted average outstanding shares}$

Cash flow

- (1) $\text{Cash flow ratio} = \text{Cash flow from operating activities} / \text{Current liabilities}$
- (2) $\text{Cash flow adequacy ratio} = \text{Net cash flow from operating activities for the past 5 years} / (\text{Capital expenditures} + \text{Increases in inventory} + \text{Cash dividend}) \text{ for the past 5 years}$
- (3) $\text{Cash reinvestment rate} = (\text{Cash flow from operating activities} - \text{Cash dividends}) / (\text{Gross fixed assets} + \text{Long-term investments} + \text{Other assets} + \text{Working capital})$ (Note: Use zero if working capital value is negative)

Leverage

- (1) $\text{Operating leverage} = (\text{Net revenue} - \text{Variable operating costs and expenses}) / \text{Operating income}$
- (2) $\text{Financial leverage} = \text{Operating income} / (\text{Operating income} - \text{Interest expense})$

Others

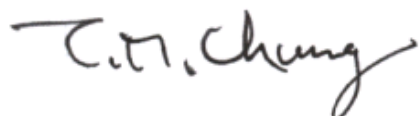
- (1) $\text{EBITDA} = \text{Operating income} + \text{Depreciation} + \text{Amortization}$
- (2) $\text{EBITDA margin} = \text{EBITDA} / \text{Net revenue}$
- (3) $\text{ARPU} = \text{Net telecom service revenue} / \text{Average number of subscribers}$
- (4) $\text{MOU} = \text{Outgoing \& incoming minutes}$

Audit Committee Report

Date: January 27, 2011

The Board of Directors of Taiwan Mobile Co., Ltd. (TWM) has submitted the Company's 2010 business report and financial statements. The CPA firm, KPMG, was retained to audit TWM's financial statements and has issued an audit report relating to the financial statements. The business report and financial statements have been reviewed and determined to be correct and accurate by the Audit Committee of TWM. According to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, I hereby submit this report on behalf of all members of the committee.

Taiwan Mobile Co., Ltd.

A handwritten signature in black ink, appearing to read 'T.M. Chung', with a stylized flourish at the end.

Tsung-Ming Chung
Chairman of the Audit Committee

2010 Financial Statements:

Refer to Chapter 6.

2010 Consolidated Financial Statements:

Refer to Chapter 6.

Financial Difficulties for the Company and its Affiliates:

None

Chapter 6. Review and Analysis of Financial Conditions, Operating Results and Risk Management

Balance Sheet Analysis

Standalone balance sheet analysis

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

1. Current assets were higher due to increased inventory for handset campaigns and rise in receivables from subsidiaries in use of lower parent company's funding cost.
2. Fixed assets declined owing to depreciation.
3. Amendment of Article 5 of the Income Tax Act provides that the corporate statutory tax rate shall be reduced from 20% to 17% effective June 15, 2010. Deferred income tax assets that are non-current have been revised downward accordingly. Thus, other assets decreased.
4. Current liabilities rose as a result of increased short-term borrowing and advanced subscription receivables from customers.
5. Long-term liabilities increased due to a drawdown of syndicated loans amounting to NT\$800mn.

2009- 2010 Standalone Balance Sheet

Unit: NT\$'000, %

| | 2009 | 2010 | YoY change | |
|----------------------------|------------|------------|-------------|---------|
| | | | Amount | % |
| Current assets | 13,530,729 | 23,819,685 | 10,288,956 | 76.04 |
| Fixed assets | 39,033,012 | 35,014,385 | (4,018,627) | (10.30) |
| Other assets | 4,823,691 | 4,144,036 | (679,655) | (14.09) |
| Total assets | 80,763,936 | 87,155,457 | 6,391,521 | 7.91 |
| Current liabilities | 18,833,732 | 25,621,285 | 6,787,553 | 36.04 |
| Long-term liabilities | 8,000,000 | 8,800,000 | 800,000 | 10.00 |
| Total liabilities | 28,690,710 | 36,285,902 | 7,595,192 | 26.47 |
| Paid-in capital | 38,009,254 | 38,009,254 | - | - |
| Capital surplus | 12,431,704 | 12,432,489 | 785 | 0.01 |
| Retained earnings | 33,449,530 | 32,243,481 | (1,206,049) | (3.61) |
| Total shareholders' equity | 52,073,226 | 50,869,555 | (1,203,671) | (2.31) |

Consolidated balance sheet analysis

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

1. Current assets increased due to a rise in cash position from higher operating cash inflows, and in inventory due to the procurement of more smartphones at a higher unit price.
2. Long-term borrowings increased due to the raising of syndicated loans to pay for short-term debts.

2009 - 2010 Consolidated Balance Sheet

Unit: NT\$'000, %

| | 2009 | 2010 | YoY change | |
|----------------|------------|------------|-------------|---------|
| | | | Amount | % |
| Current assets | 11,564,180 | 15,242,392 | 3,678,212 | 31.81% |
| Fixed assets | 46,543,617 | 43,613,993 | (2,929,624) | (6.29%) |

| | 2009 | 2010 | YoY change | |
|----------------------------|------------|------------|-------------|---------|
| | | | Amount | % |
| Other assets | 3,353,626 | 3,078,905 | (274,721) | (8.19%) |
| Total assets | 85,886,115 | 85,484,200 | (401,915) | (0.47%) |
| Current liabilities | 24,747,402 | 23,231,653 | (1,515,749) | (6.12%) |
| Long-term liabilities | 8,000,000 | 10,300,000 | 2,300,000 | 28.75% |
| Total liabilities | 33,803,006 | 34,584,782 | 781,776 | 2.31% |
| Paid-in capital | 38,009,254 | 38,009,254 | - | - |
| Capital surplus | 12,431,704 | 12,432,489 | 785 | 0.01% |
| Retained earnings | 33,449,530 | 32,243,481 | (1,206,049) | (3.61%) |
| Total shareholders' equity | 52,083,109 | 50,899,418 | (1,183,691) | (2.27%) |

Impact of changes on financial results: No significant impact

Preventive measures: Not applicable

Income Statement Analysis

Standalone income statement analysis

1. Increase in operating costs: Cost of handsets sold increased in 2010 due to higher smartphone sell-through.
2. Increase in non-operating income: The Company recognized higher investment income from its subsidiary, TFN Media Co., Ltd., due to steady growth in both pay TV and cable internet accesses services.
3. Decrease in non-operating expense: Interest expense decreased due to repayment of the Company's first unsecured corporate bonds due at the end of 2009. Likewise, asset write-off and disposal losses decreased compared with a year ago.

2009 – 2010 Standalone Income Statement

Unit: NT\$'000, %

| | 2009 | 2010 | YoY change | |
|-----------------------|--------------|--------------|-------------|---------|
| | | | Amount | % |
| Revenue | 57,015,452 | 58,547,285 | 1,531,833 | 2.69 |
| Operating costs | (27,165,925) | (32,808,712) | 5,642,787 | 20.77 |
| Gross profit | 29,849,527 | 25,738,573 | (4,110,954) | (13.77) |
| Operating expense | (13,216,730) | (12,038,007) | (1,178,723) | (8.92) |
| Operating income | 16,632,797 | 13,700,566 | (2,932,231) | (17.63) |
| Non-operating income | 3,730,713 | 4,465,716 | 735,003 | 19.70 |
| Non-operating expense | (2,231,019) | (1,768,138) | (462,881) | (20.75) |
| Income before tax | 18,132,491 | 16,398,144 | (1,734,347) | (9.56) |
| Net income | 13,888,862 | 13,822,186 | (66,676) | (0.48) |

Consolidated income statement analysis

1. Increase in operating costs: Cost of handsets sold increased in 2010 due to higher smartphone sell-through.
2. Increase in non-operating income: Non-operating income increased in 2010 due to the disposal gain from selling of shares in New Century InfoComm Tech. Co., Ltd. and an idle property.

3. Decrease in non-operating expense: Interest expense decreased due to repayment of the first unsecured corporate bonds due at the end of 2009. Likewise, asset write-off and disposal losses decreased compared with a year ago.

2009 – 2010 Consolidated Income Statement

Unit: NT\$'000, %

| | 2009 | 2010 | YoY change | |
|-----------------------|--------------|--------------|-------------|----------|
| | | | Amount | % |
| Revenue | 68,470,232 | 70,146,004 | 1,675,772 | 2.45% |
| Operating costs | (33,209,461) | (38,162,363) | 4,952,902 | 14.91% |
| Gross profit | 35,260,771 | 31,983,641 | (3,277,130) | (9.29%) |
| Operating expense | (14,812,637) | (13,675,930) | (1,136,707) | (7.67%) |
| Operating income | 20,448,134 | 18,307,711 | (2,140,423) | (10.47%) |
| Non-operating income | 596,131 | 739,516 | 143,385 | 24.05% |
| Non-operating expense | (2,397,934) | (1,945,905) | (452,029) | (18.85%) |
| Income before tax | 18,646,331 | 17,101,322 | (1,545,009) | (8.29%) |
| Net income | 13,890,516 | 13,817,778 | (72,738) | (0.52%) |

Consolidated financial ratio analysis

| | | 2009 | 2010 |
|-------------------------|--|--------|--------|
| Financial structure (%) | Debt to asset ratio | 39.36 | 40.46 |
| | Long-term capital to fixed asset ratio | 129.09 | 140.32 |
| Solvency (%) | Current ratio | 46.73 | 65.61 |
| | Quick ratio | 42.06 | 57.83 |
| | Interest coverage ratio (x) | 34.22 | 54.53 |
| Operations | Accounts receivable turnover (x) | 8.81 | 9.25 |
| | Average collection days | 41.43 | 39.46 |
| | Inventory turnover (x) | 7.48 | 10.31 |
| | Accounts payable turnover (x) | 11.33 | 11.68 |
| | Average days sales | 48.80 | 35.40 |
| | Fixed asset turnover (x) | 1.47 | 1.61 |
| | Total asset turnover (x) | 0.80 | 0.82 |
| Profitability (%) | Return on assets | 16.10 | 16.41 |
| | Return on equity | 26.97 | 26.84 |
| | % of paid-in capital | | |
| | Operating income | 53.80 | 48.17 |
| | Pre-tax income | 49.06 | 44.99 |
| Cash flow (%) | Net profit margin | 20.29 | 19.70 |
| | EPS (NT\$) | 4.66 | 4.62 |
| | Cash flow ratio | 96.78 | 111.89 |
| Leverage | Cash flow adequacy ratio | 157.94 | 140.61 |
| | Cash reinvestment rate | 11.64 | 12.87 |
| Leverage | Operating leverage | 1.83 | 1.91 |
| | Financial leverage | 1.03 | 1.02 |

Explanation for items in 2010 with major changes (>20%) from the previous year:

- (1) Significant increases in sales and in procurement of smartphones resulted in higher advanced receipts from customers and accounts payable to vendors, leading to an increase in the ratio of liabilities to asset. As cost of handsets sold grew faster than average inventories, inventory turnover went up while average days sales went down. The operating income and pre-tax income as a % of paid-in capital dropped due to higher handset sales losses, i.e. subsidies, for the year.
- (2) The decrease in interest payable and the increase in working capital were due to repayment of the first unsecured corporate bonds in 2009. As a result, current ratio, quick ratio and interest coverage ratio all increased.
- (3) The cash flow ratio and cash reinvestment rate both increased due to higher cash inflows from operating activities.

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

In 2011, the Company will continue to leverage mobile internet products to expand its wireless market share. Telecom operators are expected to become more aggressive in devising new acquisition strategies and investing more in the VAS market as the demand for smart devices continues to grow. To realize the full potential of this growth, the Company will focus on developing attractive value-added products and services in order to increase average revenue per user (ARPU). The Company will also pursue a bigger market share of mid to high-usage customers. To meet these targets, the Company will utilize the full potential of its growing number of direct stores, as well as use its competitive edge in handset procurement to help boost cost and marketing efficiency.

Cash Flow Analysis

Standalone cash flow analysis

1. Cash flow from operating activities: Cash inflow decreased in 2010 as less cash dividends were distributed from equity method investees.
2. Cash flow from investment activities: Cash outflow increased in 2010 due to increase in financing to related parties.
3. Cash flow from financing activities: Cash outflow was higher in 2009 resulting from repayment of the first unsecured corporate bonds and long-term borrowings.

2009 – 2010 Standalone Cash Flow Statement

Unit: NT\$'000, %

| | 2009 | 2010 | YoY change | |
|--|--------------|--------------|--------------|----------|
| | | | Amount | % |
| Cash inflow (outflow) from operating activities | 26,196,820 | 23,318,054 | (2,878,766) | (10.99) |
| Cash inflow (outflow) from investment activities | (5,082,512) | (11,109,826) | (6,027,314) | (118.59) |
| Cash inflow (outflow) from financing activities | (21,601,641) | (9,384,389) | (12,217,252) | (56.56) |
| Net cash | (487,333) | 2,823,839 | 3,311,172 | 679.45 |

Consolidated cash flow analysis

1. Cash flow from operating activities: Cash inflow increased in 2010 due to increase in advanced receivables from the sale of smartphones to customers.
2. Cash flow from financing activities: Cash outflow was higher in 2009 resulting from repayment of the first unsecured corporate bonds.

2009 – 2010 Consolidated Cash Flow Statement

Unit: NT\$'000, %

| | 2009 | 2010 | YoY change | |
|--|--------------|--------------|------------|---------|
| | | | Amount | % |
| Cash inflow (outflow) from operating activities | 23,950,872 | 25,993,528 | 2,042,656 | 8.53% |
| Cash inflow (outflow) from investment activities | (6,751,173) | (6,319,636) | 431,537 | 6.39% |
| Cash inflow (outflow) from financing activities | (18,064,262) | (16,630,430) | 1,433,832 | 7.94% |
| Net cash | (869,026) | 3,050,294 | 3,919,320 | 451.00% |

Plans to improve negative liquidity: Not applicable

Projected cash flow for 2011

1. Projected cash inflow from operating activities: Expected to remain stable
2. Projected cash outflow from investment activities: For capital expenditures
3. Projected cash outflow from financing activities: For cash dividend distribution and capital reduction

2011 Cash Flow Analysis

Unit: NT\$'000

| Cash balance, beginning of the year (1) | Forecast net cash inflow from operations (2) | Forecast cash outflow from investment and financing activities (3) | Cash balance, end of the year (1) + (2) - (3) | Source of funding for negative cash balance | |
|--|---|---|--|--|--|
| | | | | Cash inflow from investment activities | Cash inflow from financing activities |
| 3,880,881 | 21,799,000 | 23,211,389 | 2,468,492 | - | - |

Source of funding for negative cash flow in 2010: Not applicable

Analysis of Major Capex and its Impact on Finance and Operations

Owing to stable operations and cash flows, the Company was able to fund all major capital expenditures using internal capital; therefore, the Company's financials were not affected.

Investment Policies, Reasons for Profit/Loss, Plans for Improvement, and Future Investment Plan

Unit: NT\$'000

| Item \ Explanation | Carrying Value as of end of 2010 | Rationale | Source of income/ loss | Improvement plans | Future investment plans |
|---|----------------------------------|--|--|-------------------|---|
| Taiwan Cellular Co., Ltd. | 10,618,840 | Investing in fixed network and other telecom-related business | Investment income from Taiwan Fixed Network Co., Ltd. and TCC Investment Co., Ltd. | - | - |
| Taipei New Horizons Co., Ltd. | 388,002 | Investing in a property development project located at the old Songshan tobacco factory site for use as headquarters | In preparatory stage as of end of 2010 | - | Dependent on future construction plans and fund requirements |
| Wealth Media Technology Co., Ltd. (WMT) | 301,977 | Investing in CATV-related business | Investment income from Tai Fu Media Technology Co., Ltd. | - | The Company's BOD approved the funding of up to NT\$6.5bn to WMT in July 2009 |
| Bridge Mobile Pte Ltd. | 50,324 | Cooperation with other operators in Asia to enhance the Company's competitiveness | - (Note) | - (Note) | - |

Note: Investment was booked as "Financial assets carried at cost." The Company has no significant influence over it.

Risk Management

Impact of inflation, as well as interest and exchange rate fluctuations, and preventive measures:

1. Impact of interest rate fluctuations

As the Company had no floating interest rate borrowing in 2010, interest rate fluctuations had a minimal impact on its profit.

2. Impact of exchange rate fluctuations

The Company's main service area is Taiwan. Except for its international roaming business, all operating revenues are denominated in NT dollars. Some of the Company's capital expenditures are denominated in Euros and US dollars. To minimize the impact from foreign exchange rate fluctuations, the Company hedges risks through foreign currency deposits and forward contracts.

The Company booked an exchange gain of NT\$0.97mn as of end of 2010. Overall, exchange rate fluctuations had a minimal impact on the Company.

3. Impact of inflation

Inflation had a minimal impact on the Company's operating performance in the past year up to the publication date.

Investment policy and reasons for gains & losses for high-risk/ high-leverage financial products, derivatives, loans to others and guarantees of debts:

1. The Company was not involved in any high-risk, high-leverage financial investment.
2. The Company passed the "Rules and Procedures on Lending and Making Endorsement/Guarantees" to supervise its financing and endorsement activities. As the counterparties in its loans and guarantees are all its subsidiaries, there is minimal operating risk.
3. Derivatives transaction: None.

Research and development plans

1. Strategic plans

| Project name | Objective | Status | Completion date |
|--|--|---|-----------------|
| Femtocell end to end troubleshooting technology | Develop a troubleshooting mechanism for femtocell and build proof of concept prototype. | Technical specs study and femtocell test log analysis | Dec. 2011 |
| M2M cloud platform architecture | Develop a cloud platform architecture for future machine to machine (M2M) applications and build proof of concept prototype. | Working on systems analysis | Dec. 2011 |
| Electronic Customer Relationship Management (eCRM) | Set up embedded product links on TWM's website that best meet a customer's personal preferences and needs. Customers can easily click on the link to complete an order. | Working on system implementation | Mar. 2011 |
| Private cloud computing | Integrated infrastructure as a service (IaaS) to IT infrastructure to deliver a virtual platform for TWM's private cloud computing environment. | Continuously evaluate and utilize new technology solutions (including server and storage) and improve standard operating procedures | Oct. 2011 |
| ERP IFRS | Adopt International Financial Reporting Standards (IFRS) of accounting to provide domestic and international investors more transparent and reliable financial information. Ensure that TWM's daily operations and internal reports comply with internal control provisions set by regulators. | Implementation of accounting and information systems ongoing | Jan. 2012 |
| IT reusable assets | Develop and establish IT reusable assets, including processes, technical guidelines, frameworks, applications, common services, tools and components, to avoid a duplication of these efforts, thereby enhancing productivity, improving quality and saving on costs. | Several reusable assets have been identified, established and applied to different projects. Further research is being conducted. | Dec. 2011 |

| Project name | Objective | Status | Completion date |
|---|--|--|----------------------|
| New IDCs (Internet Data Center) | Build new IDCs to meet future demand for digital convergence. | Requirements identification and technical evaluation ongoing | Jan. 2011~ Aug. 2012 |
| Customer perceived network quality analysis | Communication logs between customer devices and base stations were parsed to generate customer perceived network quality reports. These results can be used in network planning and to deal with complaints about poor customer service. | Technical evaluation and system structure finished | Sep. 2011 |
| Device Management Service | Build a web-based monitoring platform to provide customers with network equipment (router / firewall / switch) that alert them to systems or service flaws or obstacles to enhance the competitiveness of TWM's data products. | Working on system design | Sep. 2011 |
| Mobile office | Convert MIS systems into mobile services for different types of smart devices, so employees can browse, sign and deal with workflow forms any time any place to enhance employee productivity and increase business competitiveness. | Data collection and systems analysis ongoing | Aug. 2011 |
| 3C electronic commerce (EC) trial run | Expand current EC platform for selling 3C products as well as accepting pre-paid card deposits. | Basic functions platform completed | Aug. 2011 |
| App-store transactions settlement | Open current "match" mobile internet portal to non-TWM consumers and expand the app-store platform to include individual vendors. An automated system for settling vendor-host revenue split will be also implemented. | Working on systems analysis and design | Jun. 2011 |

2. Systems development

| Project name | Objective | Status | Completion date |
|---|--|--|-----------------|
| Cooperative multiple-input and multiple-output (MIMO) relay and carrier aggregation for Long Term Evolution (LTE) | The project comprises two parts: (1) carrier aggregation for LTE-advanced mobile communication systems (2) coordinated multipoint transmission/reception techniques for LTE | Simulation in progress. | Jun. 2011 |
| Investigation of data throughput improvement at base station cell edge | The project comprises four parts: (1) tracking algorithms based on Kalman filter to determine the location of the mobile device (2) cooperative communication techniques to improve data throughput (3) virtual MIMO to improve data throughput (4) hybrid automatic repeat request (HARQ) mechanism to correct data error and reduce bit error rate (BER) | Completed the study of the tracking algorithm based on Kalman filter to determine where the mobile device located cooperative communication techniques to improve data throughput. | Jun. 2011 |

3. Value-added services

| Project Name | Objective | Status | Completion date |
|---|---|--------------------------------|-----------------|
| "match Market" opened to off-net mobile users | Extend "match Market" service to off-net users. App-store can be accessed by anyone interested in content. | Working on systems development | Apr. 2011 |
| myBook | Extend "myBook" services from smartphone products to tablet products. | Working on testing system | Jun. 2011 |
| myPhoto | Build a digital convergence platform for users to view their photos on TV / mobile / tablets / PC through the internet. Both on-net and off-net mobile users and digital TV viewers can avail of the service. | Working on testing system | Aug. 2011 |
| Advertisement platform | Expand the platform to support mobile banners and location base advertisement for services such as "MoFun" service and portals. | Working on service plan | Nov. 2011 |
| Voice-Over Internet Protocol (VoIP) | Build VoIP service through integration of IT and telecoms systems. | Working on service plan | Nov. 2011 |

Regulatory changes

1. Revision of digital convergence regulation

(1) Status

In response to the trend toward digital convergence, new technological developments and increasing competition in the telecommunications and broadcasting markets, the National Communications Commission (NCC) plans to review its fee structure for frequency utilization to reflect actual economic value and improve efficiency.

The NCC also plans to review its phone number management system as the expanding range of content and applications that can be used on different devices or systems boosts demand for phone numbers.

(2) Countermeasures

The Company will continue to communicate with and forward suggestions and recommendations concerning related policy and regulations to the NCC.

2. Second round of mobile tariff cuts from April 1, 2010

(1) Status

On January 6, 2010, the NCC announced that mobile retail tariffs should be cut per annum for three consecutive years from April 1, 2010 to March 31, 2013. The adjustment coefficient (X value) of 5% was applied to text messages and off-net mobile outgoing calls. Under the formula: tariff reduction = CPI – X, CPI contraction of 0.87% in 2010 translates into a tariff cut of 5.87%, while the tariff cut will be reduced to 4.04% for 2011. The NCC also plans to place mobile voice interconnection under tariff control. The wholesale price for 2G/3G mobile voice interconnection will be affected after legal revisions.

(2) Countermeasures

As developed countries no longer regulate mobile retail tariffs, the Company will continue to communicate with the NCC on this issue to reduce its impact on revenues.

3. Expiration of GSM licenses

(1) Status

On November 12, 2010, the Executive Yuan passed a measure governing the expiration of GSM licenses, with the Ministry of Transportation and Communications (MOTC) duly publicizing the measure on November 25, 2010. The measure states that GSM licenses will be extended to June 2017, and the operators will be allowed to renew their licenses from December 2011. After this period, the spectrum will be reclaimed and no longer partially allocated for the use of GSM. To make full use of its resources, the reclaimed spectrum will be regrouped with neighboring blocks, i.e., two 15MHz*2 on 900MHz, and three 20MHz*3 on 1800MHz. After reviewing related regulations on licensing fees, renewal process amongst others, the NCC will release five new technology-neutral licenses before July 2015. Bidding for the new licenses is expected to be intense.

(2) Countermeasures

The Company is committed to continuously providing subscribers with advanced mobile communications and digital convergence services. It has also recommended that the NCC promote public awareness of the expiration of 3G (800MHz/2.1GHz) services and 700MHz spectrum before releasing technology-neutral (900/1800MHz) licenses in July 2015.

4. Fixed-line interconnecting charge adjustment

(1) Status

In August 2010, the NCC amended the "Regulations Governing Network Interconnection among Telecommunication Enterprises," returning price-setting rights for fixed-to-mobile calls from mobile operators to fixed-line operators effective January 1, 2011. To promote competition in the fixed-line market and reduce its impact on mobile operators, Chunghwa Telecoms (significant market player) shall pay mobile operators a termination fee and a transition fee (NT\$1.956/per minute in 2011, gradually dropping to NT\$0/per minute within a six-year period); other fixed-line operators shall only pay a termination fee.

The amendment is positive for the Company's fixed-line business. While it could impact on its mobile business, this could be mitigated by the transition fee the Company receives from CHT.

(2) Countermeasures

The Company will use this opportunity to explore the enterprise market and expand its business in value-added and mobile data services to stabilize its revenue.

5. Reducing IP peering and other wholesale charges

(1) Status

In March 2010, the NCC approved Chunghwa Telecom's new wholesale pricing scheme, lowering IP peering and data leased circuit fees by 5.7% and asynchronous transfer mode (ATM)-based circuit fees by about 10%, thereby reducing the Company's operating cost.

(2) Countermeasures

The Company will continue pushing for lower IP peering costs and other leased line wholesale prices as it develops its broadband business.

6. Policy planning for mobile TV services

(1) Status

At the end of 2009, the Executive Yuan approved the MOTC's "Digital Wireless TV Plan" to offer five digital wireless television licenses and two mobile TV licenses. The NCC is charged with the task of issuing licenses and overseeing management, and is still evaluating whether to issue mobile TV licenses.

(2) Countermeasures

In the meantime, the Company will provide customers with mobile video streaming services through 3G network, and continue to assist the NCC in evaluating new broadcasting technologies and whether to issue mobile TV licenses.

7. Femtocell management regulation

(1) Status

In response to developments in base station technology, the NCC completed its review and published regulations relating to femtocell base stations, including processes for model certification, system qualification, device certification and licensing in August 2010. The commission expects femtocell to enhance competition in the fixed-mobile convergence (FMC) business.

(2) Countermeasures

The Company has planned to provide related femtocell products and services to improve customer satisfaction.

Technology changes and development

1. Wireless Broadband Access (WBA)

(1) Status

WBA is a communications technology based on orthogonal frequency division multiplexing (OFDM). WiMAX is one of the examples of OFDM technologies and is capable of providing speeds of up to 10 Mbps on 3G's 5MHz equivalent frequency bandwidth. All six local WiMAX operators have launched regional services one after another since 2Q09. However, WiMAX network coverage still suffers in comparison with 3G coverage. To boost their competitiveness, some WiMAX operators have launched free VoIP services with a flat WiMAX data rate. When WiMAX coverage improves, WiMAX VoIP might affect 3G voice and data revenue.

(2) Countermeasures

3.5G technology for high-speed downlink packet access (HSDPA) is mature and has been commercialized. The speed of the connection throughput for HSDPA reaches 21Mbps, already surpasses that of WBA technology, and is a more commercially competitive technology.

TWM has aggressively deployed 3.5G technology since late 2007, and offered 14.4Mbps wireless broadband services in urban areas starting from 2009. In 2010, TWM expanded deployment of 7.2Mbps and 14.4Mbps in 3.5G base stations to provide more comprehensive higher-speed mobile internet services. In 2011, some 3.5G base stations will be further upgraded to 21Mbps and 42Mbps. The Company will also continue its evaluation of 3G extended LTE technology – another promising technology that could rival WiMAX – and plans to launch trial runs this year.

2. Rising popularity of internet protocol

(1) Status

The popularity of internet protocol (IP) has revolutionized the telecommunications business and network infrastructure, giving rise to increased IP-based communications traffic. IP-based telecom is able to simplify network infrastructure, translating into big savings on operating costs. The increasing availability of cheap or free VoIP services have had a great impact on traditional fixed-line operators' long distance and international voice call revenue, and might affect mobile voice revenue in the future.

(2) Countermeasures

The necessity of building an IP core network infrastructure based on next generation network (NGN) is an urgent task. TWM has been building the latest IP-based optical core network and started to deploy IP core access and transmission

technologies. It is also conducting laboratory tests of various IMS (IP Multimedia System) and VoIP application services to lead industry development.

The Company will continue to develop and test new IP application services and conduct research on the latest optical packet carrier ethernet technologies to introduce more services that provide households with the most advanced and innovative broadband services.

3. Digital convergence

(1) Status

The mobile and fixed-line communications and media industries, which have similar service models and technologies, have been on a converging trend in recent years. This has facilitated the exchange and transmission of digital content and services among different carriers, systems and platforms, and is a factor for potential consolidation in the telecommunications and broadcasting industries.

(2) Countermeasures

After merging Taiwan Fixed Network (TFN) and Taiwan Telecommunication Network Services (TTN) in 2007, the Company enhanced its status as a leader in the digital convergence era. TWM had integrated the group's resources to facilitate research and development in digital convergence and launched fixed-mobile convergence (FMC) services for corporate accounts. It is also aggressively planning new digital convergence services that will integrate cable TV, digital TV, cable broadband, and interactive entertainment services. At the end of 2010, the Company launched its four-screen-one-cloud digital convergence service, integrating handset, PC, tablet and TV. TWM was not only the first to introduce such services in Taiwan, but also an industry pioneer in Asia.

4. Popularity of mobile smart devices and femto/WiFi technologies

(1) Status

The popularity of the iPhone, Android phone and other mobile smart devices have dramatically boosted the growth of 3G data usage. This has forced global mobile operators to expand their 3G access network's backhaul bandwidth and network capacity, which in turn has increased the pressure on their operating costs. Some mobile operators have started building femtocells or WiFi networks to offload 3G data traffic.

(2) Countermeasures

In 2010, the Company not only expanded the backhaul bandwidth and network capacity of its 3G/HSDPA network, but also aggressively initiated femto and WiFi solution trial runs with partner vendors. The results of these trials were designed to serve as a reference for the Company's final decision on deploying these technologies.

In 2011, the Company will start to deploy femtocells and consider deploying WiFi network to improve indoor coverage and offload 3G data traffic.

Impact of changes in brand image to the Company's risk management policies: None

Expected benefits and risks from mergers in recent years until the publication date: Not applicable as the Company had no merger activity during 2010 up to the publication date of January 31, 2011.

Expected benefits and risks related to plant facility expansions: Not applicable

Risks from concentration in supply and sales in the recent years until the publication date

The Company's main supplier is Chunghwa Telecom (CHT) for network interconnections and leased lines. These costs accounted for 14.76% of total operating costs in 2010. The Company has been increasing usage of leased lines supplied by Taiwan Fixed Network, the Company's 100% owned subsidiary, to diversify supplier risk.

On the revenue side, CHT is the Company's largest source of interconnection revenue. However, the Company has a very diverse subscriber base for its mobile services. As such, there is no customer concentration risk.

Changes in shareholdings of directors, supervisors and major shareholders

From 2010 up to the publication date in 2011, the Company's directors and major shareholders who own more than 10% of the Company's outstanding shares did not conduct any major share transfers. The Company has maintained a good relationship with its directors and major shareholders. With maximizing shareholder value as its goal, the Company is focused on maintaining a stable management to reduce shareholder risk.

Changes in management controls: Not applicable

Significant lawsuits and non-litigious matters

1. The Company: None

2. The Company's directors, supervisors, general manager, any person with actual responsibility for the Company, any major shareholder holding greater than 10 percent of the Company's shares: None

3. The Company's subsidiaries

(1) Taiwan Fixed Network Co., Ltd. (TFN)

Dispute between TFN and Kaohsiung City Government over land usage fee.

Parties Involved: TFN is the plaintiff and Kaohsiung City Government is the defendant.

Amount Claimed: NT\$11,972,865

Date of Filing: December 24, 2007

Grounds for Lawsuit:

TFN laid pipes under land owned by the Kaohsiung City Government. Citing related regulations, the city government said in 2007 that TFN should pay NT\$13,094,147 for land usage fees from 2002 to 2004. Disagreeing with the administrative disposition, TFN filed an administrative appeal with the Ministry of Finance. Following the Ministry's dismissal of the administrative appeal, TFN brought the case to the Kaohsiung High Administrative Court, which revoked charges amounting to NT\$1,121,282 claimed by the city government on the grounds that they had already expired, but ordered TFN to pay the remaining amount. TFN believed the Kaohsiung High Administrative Court's ruling was in contravention of the laws and regulations and filed an appeal with the Supreme Administrative Court.

Status: The Supreme Administrative Court dismissed TFN's appeal on September 16, 2010. The judgment is final and binding.

(2) Globalview Cable TV Co., Ltd., Phoenix Cable TV Co., Ltd., Union Cable TV Co., Ltd., and Yeong Jia Leh Cable TV Co., Ltd. (collectively "4 SOs")

The NCC fined the four SOs NT\$100,000 each and ordered them to divest holdings by the Taipei City Government within one year after the ruling.

Parties Involved: The four SOs are the defaulting parties.

Date of Filing: The four SOs filed an administrative appeal in January 2010 and a second one in July 2010.

Grounds for Lawsuit:

The NCC ruled that the four SOs had violated Paragraph 4, Article 19 of the "Cable Radio and Television Act," which states that the government, political parties, as well as foundations established with their endowments, and those commissioned thereof, shall not directly or indirectly invest in cable, radio and/or television system operators. The four SOs disagreed with the NCC's administrative disposition fining them NT\$100,000 each and ordering them to divest

holdings by the Taipei City Government, and filed individual administrative appeals. The Executive Yuan revoked the NCC's administrative disposition, but in June and July 2010, the NCC issued new administrative dispositions (hereinafter referred to as the "second disposition") with the same administrative penalty and conditions mentioned in the first. The four SOs disagreed with the second disposition and filed individual administrative appeals.

Status: The Executive Yuan revoked both the NCC's first and second disposition.

(3) Win TV Broadcasting Co., Ltd.

The NCC fined Win TV broadcasting Co., Ltd. NT\$200,000 as an administrative penalty and instructed it to dispose of holdings by the Taipei City Government within one year after the ruling.

Parties Involved: Win TV is the defaulting party.

Date of Filing: Win TV filed an administrative appeal in February 2010 and a second one in October 2010.

Grounds for Lawsuit:

The NCC ruled that Win TV had violated Paragraph 3, Article 9 of the "Satellite Broadcasting Act," which stipulates that political parties, the government and foundations established with their endowments, and those commissioned thereof, shall not invest directly or indirectly in satellite broadcasting businesses. Win TV was fined NT\$200,000 as an administrative penalty and ordered to divest indirect holdings by the Taipei City Government within one year after receiving the administrative disposition. Win TV disagreed with the NCC's disposition and filed an administrative appeal. The Executive Yuan revoked the NCC's disposition. However, the NCC in September 2010 issued a second administrative disposition with the same penalty and conditions as the first one. Win TV filed an appeal.

Status: The Executive Yuan both revoked the NCC's first and second disposition.

Other major risks

Customer fraud management policy

1. Verification before activation

(1) ID confirmation: An application shall be denied if the applicant's ID matches one on the blacklist. Approval may be given if the ID has been removed from the blacklist (e.g. after clearing unpaid bills).

(2) Customer profile confirmation: After passing the aforementioned process, if the applicant's customer profile falls into the high risk group, conditional approval may be granted (e.g. requiring advanced payment of bills).

2. Monitoring after activation

(1) Verification calls: After activation, relatively "high-risk" applicants will receive a follow-up call from the Company to guard against fraud/fake accounts.

(2) Credit classification: The system grades and authorizes credit based on customers' usage and payment history.

(3) Unusual usage / call behavior: When a customer's usage exceeds his credit and a verifying call confirms that usage is unusual and abnormal, the Company will temporarily suspend the service to protect customers' interests until the bill is paid. Furthermore, in incidents where fraud is suspected (e.g. fake accounts), the Company will suspend phone service during the investigation period.

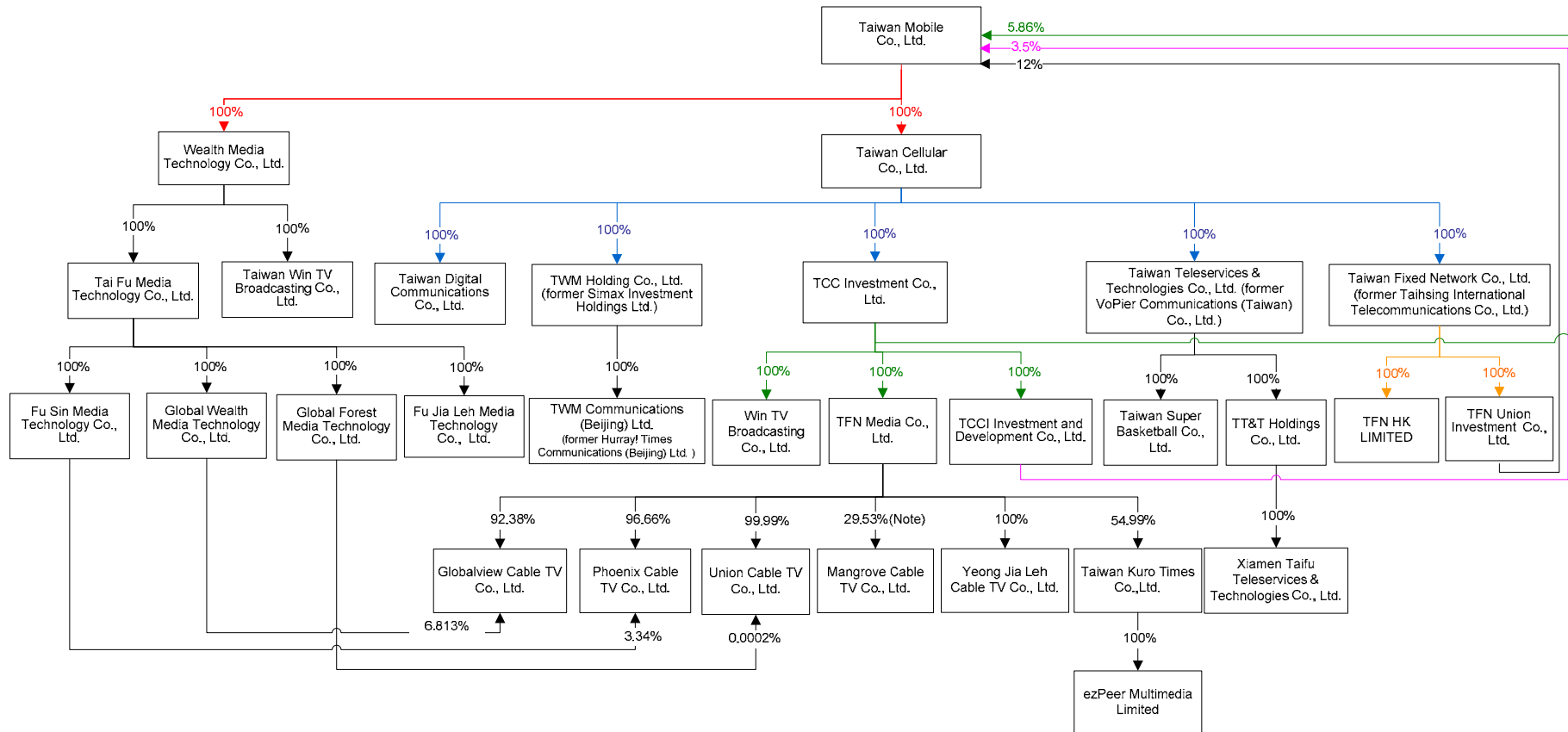
Other significant items: None

Chapter 7. Special Notes

Affiliates

1. Investment holding structure

As of December 31, 2010



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

2. Affiliates' profile

Unit: NT\$'000 (unless otherwise stated)

| Name | Date of incorporation | Address | Paid-in capital | Main business |
|---|-----------------------|---|-----------------|---|
| Wealth Media Technology Co., Ltd. | 2007.08.07 | 13F-1, No. 172-1, Jilong Rd., Sec. 2, Taipei | 372,000 | Investment |
| Tai Fu Media Technology Co., Ltd. | 2007.10.18 | 13F-1, No. 172-1, Jilong Rd., Sec. 2, Taipei | 270,000 | Investment |
| Global Wealth Media Technology Co., Ltd. | 2007.10.26 | 1F, No. 206, Datong Rd., Sec. 2, Xizhi District, New Taipei City | 84,000 | Investment |
| Fu Jia Leh Media Technology Co., Ltd. | 2007.11.23 | 13F-1, No. 172-1, Jilong Rd., Sec. 2, Taipei | 1,000 | Investment |
| Fu Sin Media Technology Co., Ltd. | 2007.11.23 | 13F-1, No. 172-1, Jilong Rd., Sec. 2, Taipei | 135,000 | Investment |
| Global Forest Media Technology Co., Ltd. | 2008.12.26 | 13F-1, No. 172-1, Jilong Rd., Sec. 2, Taipei | 1,000 | Investment |
| Taiwan Cellular Co., Ltd. | 2005.09.20 | 13F-1, No. 172-1, Jilong Rd., Sec. 2, Taipei | 300,000 | Telecom engineering and IT services |
| Taiwan Fixed Network Co., Ltd. | 2007.01.30 | 13F-1, No. 172-1, Jilong Rd., Sec. 2, Taipei | 21,000,000 | Fixed-line service provider |
| Taiwan Digital Communications Co., Ltd. | 2007.06.06 | 13F-1, No. 172-1, Jilong Rd., Sec. 2, Taipei | 12,000 | Telecom engineering and IT service |
| TCC Investment Co., Ltd. | 2009.08.10 | 13F-1, No. 172-1, Jilong Rd., Sec. 2, Taipei | 39,500 | Investment |
| TCCI Investment and Development Co., Ltd. | 2009.09.22 | 13F-1, No. 172-1, Jilong Rd., Sec. 2, Taipei | 4,000 | Investment |
| Taiwan Win TV Broadcasting Co., Ltd. | 2010.04.14 | 13F-1, No. 172-1, Jilong Rd., Sec. 2, Taipei | 160 | Entertainment |
| Win TV Broadcasting Co., Ltd. | 2005.10.17 | 9F, No. 206, Dunhua S. Rd., Sec. 2, Daan District, Taipei | 181,774 | TV program provider |
| TFN Media Co., Ltd. | 2005.01.25 | 6F, No. 206, Dunhua S. Rd., Sec. 2, Daan District, Taipei | 2,305,263 | Cable broadband and value-added services provider |
| Union Cable TV Co., Ltd. | 2005.02.04 | Nos. 28-23, Xiaoshe Lane, Donggang Rd., Yilan City, Yilan County | 1,704,633 | Cable TV service provider |
| Yeong Jia Leh Cable TV Co., Ltd. | 1994.09.26 | 10F, No. 651-5, Zhongsheng Rd., Xinzhuang District, New Taipei City | 339,400 | Cable TV service provider |

| Name | Date of incorporation | Address | Paid-in capital | Main business |
|--|-----------------------|---|--------------------------|---|
| Mangrove Cable TV Co., Ltd. | 1996.01.23 | 5F, No. 33, Lane 3, Zhongzheng E. Rd., Sec. 1, Danshui District, New Taipei City | 211,600 | Cable TV service provider |
| Phoenix Cable TV Co., Ltd. | 1996.08.22 | No. 312, Fongping 1st Rd., Daliao Township, Greater Kaohsiung | 680,902 | Cable TV service provider |
| Globalview Cable TV Co., Ltd. | 1995.11.25 | No. 206, Datong Rd., Sec. 2, Xizhi District, New Taipei City | 560,000 | Cable TV service provider |
| TWM Holding Co., Ltd. | 2006.06.09 | c/o Arias, Fabrega & Fabrega Trust Co., BVI Ltd., 325 Waterfront Drive, Road Town, Tortola, British Virgin Islands | US\$1 (Note) | Investment |
| TWM Communications (Beijing) Ltd. | 2002.09.17 | Room B05B, B Floor, Tong Heng Building, No. 4 Garden Road, Haidian District, Beijing, China | US\$3,000,000 (Note) | Mobile application development and design |
| Taiwan Teleservices & Technologies Co., Ltd. | 2001.06.08 | 13F-1, No. 172-1, Jilong Rd., Sec. 2, Taipei | 10,000 | Call center service |
| Taiwan Super Basketball Co., Ltd. | 2007.09.21 | 15F-1, No. 172-1, Jilong Rd., Sec. 2, Taipei | 20,000 | Basketball team management |
| TT&T Holdings Co., Ltd. | 2004.10.08 | TrustNet Chambers, P.O. Box 1225, Apia, Samoa | US\$1,300,000 (Note) | Investment |
| Xiamen Taifu Teleservices & Technologies Co., Ltd. | 2005.04.05 | 3F-B, No.2, Xiamen Software Park, Xiamen City, China | US\$1,300,000 (Note) | Call center service |
| TFN HK Ltd. | 2003.05.14 | Unit 507, 5/F, Tower 1, Silvercord, 30 Canton Road, Tsimshatsui, Kowloon, Hong Kong | HK\$1,300,000 (Note) | Telecommunications service provider |
| TFN Union Investment Co., Ltd. | 2009.09.22 | 13F-1, No. 172-1, Jilong Rd., Sec. 2, Taipei | 4,000 | Investment |
| Taiwan Kuro Times Co., Ltd. | 2009.02.11 | 6F, No. 100, Civic Boulevard, Sec. 4, Daan District, Taipei | 12,137 | Online music platform |
| Ezpeer Multimedia Ltd. | 2010.01.18 | Chambers P.O. Box 217, Apia Samoa | US\$ 1,522,464 (Note) | Investment |

Note : Exchange rate of US\$1=NT\$30.217 and HK\$=NT\$3.743 as of December 31, 2010.

3. Affiliates' operating highlights

Unit: NT\$'000

| Company Name | Paid-in capital | Total assets | Total liabilities | Net worth | Operating revenue | Operating income | Net income | EPS (NT\$) |
|--|-----------------|--------------|-------------------|------------|-------------------|------------------|------------|------------|
| Wealth Media Technology Co., Ltd. | 372,000 | 302,078 | 101 | 301,977 | - | (278) | 9,491 | 0.30 |
| Tai Fu Media Technology Co., Ltd. | 270,000 | 233,908 | 33,139 | 200,769 | - | (159) | 9,721 | 0.36 |
| Global Wealth Media Technology Co., Ltd. | 84,000 | 94,008 | 4,071 | 89,937 | - | (173) | 5,174 | 0.62 |
| Fu Jia Leh Media Technology Co., Ltd. | 1,000 | 822 | 55 | 767 | - | (210) | (201) | (2.01) |
| Fu Sin Media Technology Co., Ltd. | 135,000 | 141,352 | 73 | 141,279 | - | (132) | 5,398 | 0.40 |
| Global Forest Media Technology Co., Ltd. | 1,000 | 693 | 50 | 643 | - | (157) | (138) | (1.38) |
| Taiwan Win TV Broadcasting Co., Ltd. | 160 | 9,955 | 43 | 9,912 | - | (96) | (88) | (5.50) |
| Taiwan Cellular Co., Ltd. | 300,000 | 67,207,312 | 8,406,935 | 58,800,377 | - | (1,118) | 3,678,672 | 122.62 |
| Taiwan Fixed Network Co., Ltd. | 21,000,000 | 46,963,226 | 8,676,629 | 38,286,597 | 10,253,446 | 2,295,441 | 2,054,662 | 0.98 |
| Taiwan Digital Communications Co., Ltd. | 12,000 | 54,947 | 43,343 | 11,604 | 47,489 | 666 | 654 | 0.55 |
| TCC Investment Co., Ltd. | 39,500 | 27,821,066 | 1,519,900 | 26,301,166 | 1,618,858 | 1,604,215 | 1,608,730 | 560.37 |
| TCCI Investment and Development Co., Ltd. | 4,000 | 9,259,553 | 263,114 | 8,996,439 | - | (17) | (17) | (0.04) |
| Win TV Broadcasting Co., Ltd. | 181,774 | 555,329 | 287,137 | 268,192 | 902,814 | 83,782 | 79,122 | 4.35 |
| TFN Media Co., Ltd. | 2,305,263 | 12,567,361 | 8,206,522 | 4,360,839 | 2,706,404 | 1,342,216 | 1,676,454 | 7.27 |
| Union Cable TV Co., Ltd. | 1,704,633 | 2,113,916 | 246,589 | 1,867,327 | 627,104 | 150,763 | 132,143 | 0.78 |
| Yeong JiaLeh Cable TV Co., Ltd. | 339,400 | 961,026 | 370,785 | 590,241 | 1,113,117 | 236,618 | 147,207 | 4.34 |
| Mangrove Cable TV Co., Ltd. | 211,600 | 494,734 | 163,307 | 331,427 | 442,877 | 118,735 | 92,740 | 4.38 |
| Phoenix Cable TV Co., Ltd. | 680,902 | 1,188,399 | 225,406 | 962,993 | 1,149,376 | 238,896 | 168,255 | 2.47 |
| Globalview Cable TV Co., Ltd. | 560,000 | 850,607 | 178,929 | 671,678 | 488,861 | 102,845 | 80,477 | 1.44 |
| TWM Holding Co., Ltd. | 0.030 | 259,175 | 59 | 259,116 | - | (88) | 2,090 | 2,089,625 |
| TWM Communications (Beijing) Ltd. | 90,651 | 110,112 | 15,306 | 94,806 | 79,132 | 5,226 | 1,962 | NA |
| Taiwan Teleservices & Technologies Co., Ltd. | 10,000 | 400,211 | 319,264 | 80,947 | 982,755 | 61,118 | 40,966 | 40.97 |

| | | | | | | | | |
|--|--------|------------|---------|------------|---------|----------|----------|---------|
| Taiwan Super Basketball Co., Ltd. | 20,000 | 26,663 | 6,580 | 20,083 | 35,231 | 24 | 73 | 0.04 |
| TT&T Holdings Co., Ltd. | 39,282 | 50,440 | 8,659 | 41,781 | 85,425 | (1,384) | (2,154) | (1.66) |
| Xiamen Taifu Teleservices & Technologies Co., Ltd. | 39,282 | 50,121 | 9,140 | 40,981 | 72,571 | 3,280 | (2,808) | NA |
| TFN HK Ltd. | 4,866 | 35,058 | 29,954 | 5,104 | 53,110 | 2,293 | 2,264 | 1.74 |
| TFN Union Investment Co., Ltd. | 4,000 | 31,803,745 | 903,537 | 30,900,208 | - | (17) | (17) | (0.04) |
| Taiwan Kuro Times Co., Ltd. | 12,137 | 110,547 | 56,766 | 53,781 | 134,212 | (14,983) | (15,719) | (17.42) |
| Ezpeer Multimedia Ltd. | 46,004 | 45,196 | - | 45,196 | - | (847) | (847) | NA |

Note : Exchange rate of US\$1=NT\$30.217, HK\$=NT\$3.743 and RMB1= NT\$4.563 as of December 31

Average rate of US\$1=NT\$31.6553, HK\$=NT\$4.0591 and RMB1= NT\$4.676

Private placement of company shares: None

TWM shares held / sold by subsidiaries

Unit : NT\$ '000

| Subsidiary | TCC Investment Co., Ltd. (TCCI merged TFN Investment Co., Ltd.) | | TFN Union Investment Co., Ltd.(TUI) | | TCCI Investment and Development Co., Ltd. (TID) | |
|--|---|--------------------------------------|--|--------------------------------------|---|-------------------------------------|
| Paid-in capital | 39,500 | | 4,000 | | 4,000 | |
| Source of funding | Equity | | TFN established TUI with the shares of the Company | | TFNI established TID with the shares of the Company | |
| % owned by the Company | 100% | | 100% | | 100% | |
| Acquisition / disposal date | December 2010 | As of Jan 31, 2011 | December 2010 | As of Jan 31, 2011 | December 2010 | As of Jan 31, 2011 |
| No. of shares acquired and payment costs | - | - | - | - | - | - |
| No. of shares sold and proceeds | - | - | - | - | - | - |
| Investment income | - | - | - | - | - | - |
| Ending balance: Total No. of shares and value (Note 1) | 222,774,179 shares NT\$12,386,244 | 222,774,179 shares NT\$12,386,244 | 456,294,760 shares NT\$22,769,109 | 456,294,760 shares NT\$22,769,109 | 132,848,672 shares NT\$6,629,149 | 132,848,672 shares NT\$6,629,149 |
| Pledges | None | None | None | None | None | None |
| Guarantees / endorsements provided by the Company | - | - | - | - | - | - |
| Financing provided by the Company | - | - | - | - | - | - |

Note 1: Ending balance is carrying cost and does not include evaluation gains/losses.

Other supplementary information: None

Other significant events affecting shareholders' equity or stock price: None

Taiwan Mobile Co., Ltd.
Financial Statements
December 31, 2010 and 2009
(With Independent Auditors' Report Thereon)

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying balance sheet of Taiwan Mobile Co., Ltd. (the Corporation) as of December 31, 2010, and the related statements of income and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to issue a report based on our audit. The financial statements of Taiwan Mobile Co., Ltd. as of December 31, 2009, and for the year then ended have been audited by other auditors, who have issued an audit report dated January 20, 2010, expressed an unqualified audit report.

We conducted our audit in accordance with the Rules Governing the Audit of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Those rules and standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amount 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, 2010, and the results of its operations and its cash flows for the year then ended, in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, requirements of the Business Accounting Law and Guidelines Governing Business Accounting relevant to financial accounting standards, and accounting principles generally accepted in the Republic of China.

We have also audited the consolidated balance sheet of the Corporation and its subsidiaries as of December 31, 2010, and the related consolidated statements of income, changes in shareholders' equity, and cash flows for the year then ended on which we have issued an modified audit report dated January 15, 2010, with prior period consolidated financial statements were audited by other auditors.

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

KPMG
Taipei, Taiwan (the Republic of China)
January 15, 2011

Note to Readers

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

(Reviewed, Not Audited)

TOTAL.

| | | | | |
|----|------------|-----|------------|-----|
| \$ | 87,155,457 | 100 | 80,763,936 | 100 |
|----|------------|-----|------------|-----|

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TAIWAN MOBLIE CO., LTD.

STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2010 AND 2009

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

| | 2010 | | 2009 | |
|--|----------------------|---------------|-------------------|---------------|
| | Amount | % | Amount | % |
| OPERATING REVENUES (Notes 2 and 5) | | | | |
| Telecommunication service revenue | \$ 55,001,883 | 94 | 55,159,348 | 97 |
| Other revenue | 3,545,402 | 6 | 1,856,104 | 3 |
| Total operating revenues | 58,547,285 | 100 | 57,015,452 | 100 |
| OPERATING COSTS (Notes 2, 5 and 10) | 32,808,712 | 56 | 27,165,925 | 48 |
| GROSS PROFIT | 25,738,573 | 44 | 29,849,527 | 52 |
| OPERATING EXPENSES (Notes 2, 5 and 10) | | | | |
| Marketing | 8,330,905 | 14 | 9,200,370 | 16 |
| Administrative | 3,707,102 | 6 | 4,016,360 | 7 |
| Total operating expenses | 12,038,007 | 20 | 13,216,730 | 23 |
| OPERATING INCOME | 13,700,566 | 24 | 16,632,797 | 29 |
| NON-OPERATING INCOME AND GAINS | | | | |
| Investment income recognized under the equity method , net (Notes 2 and 4(e)) | 3,658,491 | 6 | 3,044,360 | 6 |
| Income from penalty charge | 272,040 | 1 | 257,612 | 1 |
| Rental income (Notes 2 and 5) | 189,974 | - | 193,415 | - |
| Interest income (Note 5) | 88,456 | - | 49,057 | - |
| Gain on disposal of property and equipment | 47,576 | - | - | - |
| Dividend income (Note 2) | 11,031 | - | 10,405 | - |
| Other (Notes 2 and 4(c)) | 198,148 | - | 175,864 | - |
| Total non-operating income and gains | 4,465,716 | 7 | 3,730,713 | 7 |
| NON-OPERATING EXPENSES AND LOSSES | | | | |
| Loss on disposal and retirement of property and equipment (Note 2) | 1,289,178 | 2 | 1,529,902 | 3 |
| Interest expenses (Notes 2, 4(g), 5 and 11) | 327,998 | 1 | 563,715 | 1 |
| financial charges | 21,907 | - | 22,892 | - |
| Impairment loss (Notes 2 and 4(f)) | - | - | 9,740 | - |
| Other (Note 2) | 129,055 | - | 104,770 | - |
| Total non-operating expenses and losses | 1,768,138 | 3 | 2,231,019 | 4 |
| INCOME BEFORE INCOME TAX | 16,398,144 | 28 | 18,132,491 | 32 |
| INCOME TAX EXPENSE (Note 2 and 4(q)) | 2,575,958 | 5 | 4,243,629 | 8 |
| NET INCOME | \$ 13,822,186 | 23 | 13,888,862 | 24 |
| | Before | After | Before | After |
| | Income | Income | Income | Income |
| | Tax | Tax | Tax | Tax |
| EARNINGS PER SHARE (Note 4(r)) | | | | |
| Basic | \$ 5.48 | 4.62 | 6.09 | 4.66 |
| Diluted | \$ 5.47 | 4.61 | 6.07 | 4.65 |
| Pro forma information if the Corporation's stocks held by its subsidiaries were treated as an investment instead of treasury stock (after income tax): | | | | |
| NET INCOME | \$ 13,822,186 | | 13,412,955 | |
| EARNINGS PER SHARE AFTER INCOME TAX | | | | |
| Basic | \$ 3.64 | | 3.54 | |
| Diluted | \$ 3.63 | | 3.53 | |

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

TAIWAN MOBLIE CO., LTD.
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2010 AND 2009
(In Thousands of New Taiwan Dollars, Except Per Share)

| | Retained Earnings | | | | | | | | | | |
|---|----------------------|-------------------|-------------------|-----------------|-------------------|-------------------|------------------------------------|---|--|---------------------|----------------------------|
| | Capital Stock | Capital Surplus | Legal Reserve | Special Reserve | Unappropriated | Total | Cumulative Translation Adjustments | Net Loss Not Recognized as Pension Cost | Uneralized Gains (Loss) on Financial Instruments | Treasury Stock | Total Shareholders' Equity |
| BALANCE, JANUARY 1, 2009 | \$ 38,009,254 | 12,297,839 | 12,406,775 | 3,406,744 | 17,716,013 | 33,529,532 | 17,840 | 2,862 | (5,897) | (32,948,832) | 50,902,598 |
| Appropriation of the 2008 earnings | | | | | | | | | | | |
| Legal reserve | - | - | 1,537,138 | - | (1,537,138) | - | - | - | - | - | - |
| Reversal of special reserve | - | - | - | (56,744) | 56,744 | - | - | - | - | - | - |
| Cash dividends-NT\$4.68704 per share | - | - | - | - | (13,968,864) | (13,968,864) | - | - | - | - | (13,968,864) |
| Balance after appropriation | 38,009,254 | 12,297,839 | 13,943,913 | 3,350,000 | 2,266,755 | 19,560,668 | 17,840 | 2,862 | (5,897) | (32,948,832) | 36,933,734 |
| Net income in 2009 | - | - | - | - | 13,888,862 | 13,888,862 | - | - | - | - | 13,888,862 |
| Unrealized loss on financial instruments, net | - | - | - | - | - | - | - | - | (52,695) | - | (52,695) |
| Compensation cost recognized from employees stock options | - | 134,541 | - | - | - | - | - | - | - | - | 134,541 |
| Transfer of treasury stock to employees | - | (3,254) | - | - | - | - | - | - | - | 1,059,732 | 1,056,478 |
| Adjustment on change of equity-method investments | - | 2,578 | - | - | - | - | (5,829) | (6,659) | 122,216 | - | 112,306 |
| BALANCE, DECEMBER 31, 2009 | 38,009,254 | 12,431,704 | 13,943,913 | 3,350,000 | 16,155,617 | 33,449,530 | 12,011 | (3,797) | 63,624 | (31,889,100) | 52,073,226 |
| Appropriation of the 2009 earnings : | | | | | | | | | | | |
| Legal reserve | - | - | 1,388,886 | - | (1,388,886) | - | - | - | - | - | - |
| Reversal of special reserve | - | - | - | (2,528,259) | 2,528,259 | - | - | - | - | - | - |
| Cash dividends-NT\$5.02783 per share | - | - | - | - | (15,028,235) | (15,028,235) | - | - | - | - | (15,028,235) |
| Balance after appropriation | 38,009,254 | 12,431,704 | 15,332,799 | 821,741 | 2,266,755 | 18,421,295 | 12,011 | (3,797) | 63,624 | (31,889,100) | 37,044,991 |
| Net income in 2010 | - | - | - | - | 13,822,186 | 13,822,186 | - | - | - | - | 13,822,186 |
| Unrealized gain on financial instruments, net | - | - | - | - | - | - | - | - | 26,218 | - | 26,218 |
| Adjustment on change of equity-method investments | - | 785 | - | - | - | - | (17,727) | (6,898) | - | - | (23,840) |
| BALANCE, DECEMBER 31, 2010 | \$ 38,009,254 | 12,432,489 | 15,332,799 | 821,741 | 16,088,941 | 32,243,481 | (5,716) | (10,695) | 89,842 | (31,889,100) | 50,869,555 |

Note 1 : The remuneration to directors and supervisors of \$41,470 thousand and the bonus to employees of \$414,697 thousand been expensed and deducted from 2008 earnings.

Note 2 : The remuneration to directors and supervisors of \$37,483 thousand and the bonus to employees of \$374,826 thousand been expensed and deducted from 2009 earnings.

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

TAIWAN MOBLIE CO., LTD.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2010 AND 2009
(In Thousands of New Taiwan Dollars)

| | <u>2010</u> | <u>2009</u> |
|--|-------------------|-------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net income | \$ 13,822,186 | 13,888,862 |
| Adjustments to reconcile net income to net cash provided by operating activities | | |
| Depreciation | 7,184,516 | 7,020,517 |
| Investment income recognized under the equity method, net | (3,658,491) | (3,044,360) |
| Cash dividends received from equity-method investees | 2,383,941 | 5,525,230 |
| Loss on disposal and retirement of property and equipment, net | 1,241,602 | 1,529,902 |
| Amortization | 878,155 | 866,210 |
| Deferred income taxes | 518,387 | 977,088 |
| Bad debts | 436,428 | 601,127 |
| Provision (reversal) of allowance for loss on inventories | 22,704 | (12,213) |
| Pension cost | 3,125 | 2,531 |
| Compensation cost recognized from employee stock options | - | 108,153 |
| Impairment loss | - | 9,740 |
| Changes in operating assets and liabilities | | |
| Notes receivable | 16,394 | (2,633) |
| Accounts receivable, net | (392,042) | (358,101) |
| Accounts receivable - related parties | (63,155) | (17,199) |
| Other receivables | (290,621) | 137,027 |
| Other receivables - related parties | (45,577) | (40,561) |
| Inventories | (658,838) | (107,018) |
| Prepayments | 19,475 | 145,739 |
| Other current assets | 677 | 5,348 |
| Accounts payable | 684,175 | (204,772) |
| Income taxes payable | (560,768) | (660,910) |
| Accrued expenses | (77,706) | (94,658) |
| Other payables | 494,630 | 4,571 |
| Advance receipts | 1,304,668 | (165,579) |
| Other current liabilities | 54,189 | 82,779 |
| Net cash provided by operating activities | <u>23,318,054</u> | <u>26,196,820</u> |

TAIWAN MOBLIE CO., LTD.
STATEMENTS OF CASH FLOWS(CONT'D)
YEARS ENDED DECEMBER 31, 2010 AND 2009
(In Thousands of New Taiwan Dollars)

| | 2010 | 2009 |
|---|----------------------|---------------------|
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Increase in financing provided to investees, net | (10,098,000) | (45,000) |
| Acquisition of property and equipment | (4,193,402) | (4,851,627) |
| Proceeds from investees' capital reduction | 3,502,717 | 5,356 |
| Increase in investments accounted for using the equity method | (299,600) | - |
| Increase in deferred charges | (121,722) | (213,995) |
| Proceeds from disposal of property and equipment | 93,367 | 9,611 |
| Decrease in pledged time deposits | 10,000 | - |
| (Increase) decrease in refundable deposits | (3,328) | 4,653 |
| Decrease in other assets | 142 | 10,176 |
| Increase in computer software costs | - | (1,686) |
| Net cash used in investing activities | (11,109,826) | (5,082,512) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Cash dividends paid | (15,028,201) | (13,968,840) |
| Increase in short-term borrowings | 4,645,000 | 3,700,000 |
| Increase in long-term borrowings | 800,000 | - |
| Increase in short-term notes and bills payable | 199,860 | 299,872 |
| (Decrease) increase in guarantee deposits | (1,048) | 10,849 |
| Decrease in bonds payable | - | (7,500,000) |
| Decrease in long-term borrowings | - | (5,200,000) |
| Transfer of treasury stock to employees | - | 1,056,478 |
| Net cash used in financing activities | (9,384,389) | (21,601,641) |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 2,823,839 | (487,333) |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | 1,057,042 | 1,544,375 |
| CASH AND CASH EQUIVALENTS, END OF YEAR | \$ 3,880,881 | \$ 1,057,042 |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION | | |
| Interest paid | \$ 261,635 | 482,409 |
| Less interest capitalized | 7,753 | 16,685 |
| Interest paid - excluding interest capitalized | \$ 253,882 | 465,724 |
| Income tax paid | \$ 2,110,960 | 3,994,139 |
| NON-CASH INVESTING AND FINANCING ACTIVITIES | | |
| Receivables from subsidiary's capital reduction | \$ - | 3,500,000 |
| Reclassification of the corporation's shares held by its subsidiaries to treasury stock | \$ 31,889,100 | 31,889,100 |
| CASH INVESTING AND FINANCING ACTIVITIES | | |
| Acquisition of property and equipment | \$ 4,344,632 | 4,546,368 |
| (Increase) decrease in other payables | (137,972) | 302,383 |
| (Increase) decrease in other liabilities-other | (13,258) | 2,876 |
| Cash paid for acquisition of property and equipment | \$ 4,193,402 | 4,851,627 |

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

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2010 AND 2009
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. ORGANIZATION AND OPERATIONS

Taiwan Mobile Co., Ltd. was incorporated in the Republic of China (ROC) on February 25, 1997. The Corporation's shares began to be traded on the ROC Over-the-Counter Securities Exchange (known as GreTai Securities Market) on September 19, 2000. On August 26, 2002, the Corporation's shares were listed on the Taiwan Stock Exchange. The Corporation mainly renders wireless communication services.

The Corporation's services are under the type I license issued by the Directorate General of Telecommunications (DGT) of the ROC. The license allows the Corporation to provide services for 15 years from 1997 onwards. The license had been extended to June 2017 by the order No.09900111921 issued by the Ministry Of Transportation And Communications on November 25, 2010. 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, 2010 and 2009, the Corporation had 2,548 and 2,496 employees, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company's financial statements were compiled in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, the Business Entity Accounting Act, the Regulation on Business Entity Accounting Handling, and Republic of China generally accepted accounting principles. In conformity with the above, the Corporation is required to make certain estimates and assumptions that could affect the amounts of allowance for doubtful accounts, provision for losses on decline in value of inventories, depreciation, pension, allowance for deferred income tax assets, bonus to employees, remuneration to directors and supervisors, impairment loss on assets, etc. Actual results may differ from these estimates.

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

The significant accounting policies and measurement basis are as follows:

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

Classification of Current and Non-current Assets and Liabilities

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

Cash Equivalents

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

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

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

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 experience and an evaluation of the aging and collectibility of all receivables at the balance sheet date.

Inventories

Inventories are recorded at weighted-average cost. Before January 1, 2009, inventories were stated at the lower of the cost or market value. Market value was evaluated on the basis of replacement cost or net realizable value. Effective from January 1, 2009, however, inventories are stated at the lower of cost or net realizable value. When comparing cost and net realizable value, inventories are evaluated by individual items.

Investments Accounted for Using the Equity Method

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

In accordance with the newly revised Statement of Financial Accounting Standards (SFAS), the cost of acquisition is subjected to an initial analysis, and goodwill represents the excess of the cost of acquisition over the fair value of the identifiable net asset value. Goodwill is no longer amortized. If the fair value of identifiable net assets acquired exceeds the cost of investments, the excess should be assigned to non-current assets (except for financial assets not under equity method, assets for disposal, deferred income tax assets, and prepaid pension costs or other retirement benefit costs). If these assets are all reduced to zero, the remaining excess should be recognized as extraordinary gain. Starting January 1, 2006, the unamortized balance of the excess of the acquisition cost of the long-term investment by the equity method over the equity in the investee's net asset value is no longer amortized, and this accounting treatment also applies to goodwill.

Gains or losses from downstream transactions to its subsidiaries are deferred and included in deferred income (loss) and recorded as other liabilities (assets). Gains or losses on the upstream transactions to the Corporation by equity-method investees that are not majority owned are deferred in proportion to the Corporation's ownership percentages in the investees until these sales are realized through transactions with third parties.

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

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

Financial Assets Carried at Cost

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

Property and Equipment, and Assets Leased to Others

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

For cost associated with dismantling and relocating fixed assets and restoring the leased premises housing our fixed assets to the previous state should be recognized as an addition to the fixed assets and accrued as a potential liability accordingly, based on the Interpretation No. 2008-340 issued by the Accounting Research and Development Foundation (ARDF) in November 2008.

Depreciation is calculated using the straight-line method over the estimated service lives, which range as follows: buildings - 50 to 55 years; telecommunication equipment - 2 to 15 years; office equipment - 3 to 5 years; leased assets - 20 years; and miscellaneous equipment - 3 to 5 years.

Upon sale or retirement of property and equipment, the related cost and accumulated depreciation are removed from the accounts, and any gain or loss is credited or charged to non-operating gain or loss in the period of disposal.

Accounting for Leases

In accordance with SFAS No. 2, "Accounting for Leases," a lease is identified as either an operating lease or a capital lease based on the lease contract terms, the collectability of the leasehold, and the un-reimbursable costs to be incurred by the lessor.

The asset held under an operating lease is stated at cost and depreciated on the straight-line basis over the estimated useful life. Receivables collected are periodically recognized as rental income during the lease contract.

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

At the inception date of a capital lease, total leasehold receivables shall be recognized as all rental receivables plus the pre-determined bargain purchase price offered to the lessee upon maturity or estimated residual value. For a financing-type of capital lease, leasehold receivables should be recognized as the sum of present value derived from each future rental receivable based on an implicit interest rate of the lease. The excess of total leasehold receivables over the present value of leasehold receivables should be deferred as unrealized interest income and amortized as interest income by the effective interest method upon each collection.

Intangible Assets

a. Franchise

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

b. Computer software

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

c. Goodwill

In accordance with the newly revised SFAS, goodwill is no longer amortized. Please refer to the accounting policy of investments accounted for by the equity method.

Idle Assets

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

Deferred Charges

Deferred charges, mainly interior decoration costs, are amortized by the straight-line method over two to five years.

Asset Impairment

If the carrying value of assets (including property and equipment, intangible assets, idle assets, assets leased to others, investments accounted for using the equity method, and deferred charges) is more than its recoverable amount, which indicates that an impairment exists, an impairment loss should be recognized. Any subsequent reversal of the impairment loss for the increase in recoverable amount is recognized as income. The reversal of impairment loss on goodwill is not allowed.

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

Share-based Compensation

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

Pension Costs

The pension costs under the defined benefit pension plan are recognized on the basis of actuarial calculations. The contribution amounts of the pension costs under the defined contribution pension plan are recognized as current expenses during the employees' service years.

Income Taxes

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

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

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

Income tax of 10% on unappropriated earnings generated is provided for as income tax in the year when the shareholders resolve to retain the earnings.

Treasury Stock

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

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

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

Foreign-currency Transactions

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

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

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

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

Revenue Recognition

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

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

Promotion Expenses

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

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

Hedging Derivative Financial Instruments

Derivatives that qualify as effective hedging instruments are measured at fair value, with subsequent changes in fair value recognized either in earnings or shareholders' equity, depending on the nature of the hedge.

Hedge Accounting

When hedge accounting is applied, gain or loss from changes in the fair value of the derivatives (hedging instruments) shall be offset by that of financial assets or liabilities (hedged position).

Because the Corporation entered into interest rate swaps (IRS) contracts to hedge against cash flow risk from inverse floating interest rates of liabilities, it was qualified to apply hedge accounting. The accounting treatment is as follows: Gain or loss from changes in the fair value of the derivatives, which is recognized in shareholder's equity, shall be reclassified in earnings, if gain or loss from the expected transaction of the hedged position occurs. When there is any objective evidence that the net loss recognized in shareholders' equity is expected to be unrecoverable, the mentioned net loss should be reclassified as earnings as well.

3. EFFECTS OF CHANGES IN ACCOUNTING PRINCIPLES : None

4. SUMMARY OF MAJOR ACCOUNTS

a. Cash and cash equivalents

| | December 31 | |
|---|---------------------|-------------------|
| | 2010 | 2009 |
| Government bonds with repurchase rights | \$ 1,885,059 | 265,000 |
| Time deposits | 1,437,775 | 45,139 |
| Cash in banks | 300,484 | 517,071 |
| Short-term notes and bills with repurchase rights | 200,024 | 202,000 |
| Cash on hand | 50,514 | 21,999 |
| Revolving funds | 7,025 | 5,833 |
| | \$ 3,880,881 | 1, 057,042 |

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

b. Available-for-sale financial assets – current

| | December 31 | |
|----------------------------|--------------------|----------------|
| | 2010 | 2009 |
| Domestic listed stocks | | |
| Chunghwa Telecom Co., Ltd. | \$ 201,322 | 177,821 |

c. Accounts receivable, net

| | December 31 | |
|--------------------------------------|---------------------|------------------|
| | 2010 | 2009 |
| Accounts receivable | \$ 5,860,597 | 5,949,853 |
| Less allowance for doubtful accounts | (367,025) | (411,001) |
| | \$ 5,493,572 | 5,538,852 |

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

d. Prepayments

| | December 31 | |
|---------------------|--------------------|----------------|
| | 2010 | 2009 |
| Prepaid commissions | \$ 290,648 | 269,244 |
| Prepaid rents | 73,425 | 89,155 |
| Other | 99,050 | 124,199 |
| | \$ 463,123 | 482,598 |

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

e. Investments accounted for using the equity method

| | December 31 | | | |
|---|----------------------|---------------|------------------|---------------|
| | 2010 | | 2009 | |
| | Carrying | % of | Carrying | % of |
| | Value | Owner- | Value | Owner- |
| | | ship | | ship |
| Taiwan Cellular Co., Ltd. (TCC) | \$ 10,618,840 | 100 | 9,353,920 | 100 |
| Taipei New Horizons Co., Ltd. (TNH) | 388,002 | 49.9 | 211,974 | 49.9 |
| Wealth Media Technology Co., Ltd. (WMT) | 301,977 | 100 | 192,615 | 100 |
| | \$ 11,308,819 | | 9,758,509 | |

(1) Taiwan Cellular Co., Ltd.

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

- (a) Transfer \$2,300,417 thousand from capital surplus into capital, which increased its issued shares by 230,042 thousand on the record date December 25, 2009;
- (b) Reduce \$3,500,000 thousand of capital to shareholders through the cancellation of 350,000 thousand shares, at the record date of capital reduction (December 26, 2009), the Corporation, based on its 100% ownership in TCC, received \$3,500,000 thousand in July 2010.

In 2007, the Corporation invested Taiwan Fixed Network Co., Ltd. (TFN) indirectly through TCC with shares of the former TFN as investment. Based on the revised SFAS No. 5, "Long-term Investments in Equity Securities," unrealized gains and losses on downstream transactions should be deferred. Thus, the difference between the original carrying cost and the investment price of the former TFN shares of this transaction should be treated as deferred gains. As of December 31, 2010, the amount of deferred credits recognized by the Corporation was \$1,238,378 thousand.

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

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

(2) Taipei New Horizons Co., Ltd.

TNH is established to invest in a property development project located in the old Songshan Tobacco Factory site. On January 15, 2009, TNH signed a 50-year BOT contract with Taipei City Government.

On January 25, 2010, TNH's Board of Directors resolved to increase TNH's capital by \$500,000 thousand, divided into 50,000 thousand shares with par value of \$10 per share, with record date of December 1, 2010. On November 19, 2010, TNH's Board of Directors resolved to adjust the above-mentioned TNH's capital by \$400,000 thousand, divided into 40,000 thousand shares with par value of \$10 per share. The Corporation subscribed for the shares based on the proportion of the share holding which remains 49.9%.

(3) Wealth Media Technology Co., Ltd.

WMT's board of directors resolved the rights to issue of 10,000 thousand shares at \$100,000 thousand on July 27, 2010. At the record date (August 1, 2010), the Corporation subscribed for all the shares, and WMT is still a wholly-owned subsidiary.

(4) Equity in investees' net gains or losses

The carrying value of the investments under the equity method and the related investment income or losses were determined on the basis of audited financial statements.

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

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

| | For the year ended December 31 | |
|-----|---|------------------|
| | 2010 | 2009 |
| TCC | \$ 3,672,572 | 3,115,006 |
| TNH | (23,572) | (37,526) |
| WMT | 9,491 | (33,120) |
| | \$ 3,658,491 | 3,044,360 |

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

f. Financial assets carried at cost — non-current

| | December 31 | |
|-------------------------|--------------------|---------------|
| | 2010 | 2009 |
| Foreign unlisted stocks | | |
| Bridge Mobile Pte Ltd. | \$ 50,324 | 50,324 |

Because there is no active market quotation and a reliable fair value cannot be estimated, the above investments are measured at cost. An impairment loss of \$9,740 thousand was recognized for the year ended December 31, 2009.

g. Property and equipment — accumulated depreciation

| | December 31 | |
|-----------------------------|----------------------|-------------------|
| | 2010 | 2009 |
| Buildings | \$ 454,417 | 392,953 |
| Telecommunication equipment | 30,865,040 | 28,394,030 |
| Office equipment | 5,253 | 21,298 |
| Leased assets | 550,606 | 485,455 |
| Miscellaneous equipment | 1,365,182 | 1,141,148 |
| | \$ 33,240,498 | 30,434,884 |

Capitalized interests for the years ended December 31, 2010 and 2009, were \$7,753 thousand and \$16,685 thousand, respectively, with capitalization rates ranging from 1.56%-2.88% and 2.4%-2.76%, respectively.

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

h. Goodwill

On September 2, 2008, the Corporation merged with TAT resulting in the recognition of goodwill at the book value of \$6,835,370 thousand.

In conformity with SFAS No. 35, "Accounting for Asset Impairment," the Corporation engaged in mobile service, which was viewed as one cash-generating unit in 2010 and 2009. The critical assumptions to evaluate the recoverable amounts of operating assets and goodwill were as follows:

(1) Assumptions on operating revenues

After taking changes in the telecom industry and competitive landscape into consideration, operating revenues were estimated on the basis of the projected changes in subscriber numbers, minutes of incoming and outgoing calls, and average revenue per minute.

(2) Assumptions on operating costs and expenses

The estimates of activation commissions and customer retention costs were based on the projected changes in subscriber numbers. The estimates of remaining costs and expenses were based on the proportion of the actual costs and expenses to operating revenues in the 2010 financial statements.

(3) Assumptions on discount rate

For the years ended December 31, 2010 and 2009, the Corporation used the discount rate of 7.47% and 8.50%, respectively, in calculating the asset recoverable amounts.

Based on the key assumptions of the cash-generating unit, the Corporation's management believes that the carrying amounts of these assets for operating and goodwill will not exceed their recoverable amounts even if there are changes in the critical assumptions used to estimate recoverable amounts as long as these changes are reasonable for the years ended December 31, 2010 and 2009.

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

i. Assets leased to others and idle assets

| | December 31 | |
|----------------------------------|---------------------|------------------|
| | 2010 | 2009 |
| Assets leased to others | | |
| Cost | \$ 2,360,147 | 2,338,225 |
| Less accumulated depreciation | (146,810) | (129,343) |
| Less accumulated impairment | (10,591) | (10,591) |
| | \$ 2,202,746 | 2,198,291 |
| Idle assets | | |
| Cost | \$ 155,771 | 427,548 |
| Less allowance for value decline | (35,929) | (35,929) |
| Less accumulated depreciation | (24,744) | (43,053) |
| Less accumulated impairment | (30,276) | (126,429) |
| | \$ 64,822 | 222,137 |

j. Short-term borrowings

| | December 31 | |
|--|---------------------|------------------|
| | 2010 | 2009 |
| Unsecured loans provided by related party | \$ 6,645,000 | - |
| Unsecured loans provided from financial institutions | 3,000,000 | 5,000,000 |
| | \$ 9,645,000 | 5,000,000 |
| Interest rate | 0.69%~0.893% | 0.57%~0.60% |

k. Short-term notes and bills payable

| | December 31 | |
|---|--------------------|----------------|
| | 2010 | 2009 |
| Commercial paper payable | | |
| China Bills Finance Corporation | \$ 500,000 | - |
| Grand Bills Finance Corporation | - | 300,000 |
| Less discount on short-term notes and bills payable | (268) | (128) |
| Net carrying value | \$ 499,732 | 299,872 |
| Interest rate | 0.46% | 0.27% |
| | 2010.12.31~ | 2009.12.10~ |
| Period | 2011.01.28 | 2010.1.29 |

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

l. Advance receipts

In accordance with NCC's policy, the Corporation entered into a contract with First Commercial Bank Co., Ltd., which provided performance guarantee for advance receipts from prepaid card customers. The guaranteed advance receipts from prepaid card customers were \$905,748 thousand as of December 31, 2010.

m. Bonds payable

| | December 31 | | | |
|--------------------------|-------------|-------------|---------|-------------|
| | 2010 | | 2009 | |
| | Current | Non-current | Current | Non-current |
| Domestic unsecured bonds | \$ - | 8,000,000 | - | 8,000,000 |

(1) 1st domestic unsecured bonds

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

| | 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 |
| | <u>\$ 15,000,000</u> | | |

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

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

(2) 2nd domestic unsecured bonds

On November 14, 2008, the Corporation issued \$8,000,000 thousand five-year domestic unsecured bonds, each having a face value of \$10,000 thousand and a coupon rate of 2.88% per annum, with simple interest due annually. Repayments will be made in the fourth and fifth year with equal installments, i.e. \$4,000,000 thousand, respectively.

Future repayments of the above-mentioned corporate bonds are as follows:

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

n. Long-term borrowings

| | <u>December 31</u> | |
|-----------------|--------------------|-------------|
| | <u>2010</u> | <u>2009</u> |
| Unsecured loans | <u>\$ 800,000</u> | <u>-</u> |
| Interest rate | 0.8832% | |

To provide medium-term working capital, the Corporation and its subsidiary, TFN, entered into a syndicated loan with a joint credit line of \$13,500,000 thousand with 9 banks led by Chinatrust Commercial Bank on February 21, 2008. This joint credit facility covers a period of three years commencing from May 20, 2008. Based on the terms of this agreement, the credit line will be decreased by 50% after two years from the commencing date. As of May 20, 2010, the credit line has been reduced to \$6,750,000 thousand. Also, interests are payable monthly. Upon maturity, the loan is allowed to revolve within its credit limits. The contract requires the Corporation to maintain certain financial ratios including debt ratios, interest coverage, and tangible net asset ratio based on semi-annual financials. The Corporation also bears the repayment liability with respect to TFN's borrowing. Please refer to Note 5 for further information.

o. Pension plan

The Labor Pension Act (LPA) provides for a defined contribution pension plan. Starting from July 1, 2005, the Corporation should contribute monthly an amount equal to 6% of the employees' monthly salaries to the employees' individual pension accounts. The contributed amount was \$106,195 thousand and \$108,662 thousand for the years ended December 31, 2010 and 2009, respectively.

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

The Labor Standards Act (LSA) provides for a defined benefit pension plan. Benefits are based on the length of service and average basic pay of the six months before retirement. The Corporation contributes monthly an amount equal to 2% of the employees' monthly salaries to a pension fund. The pension fund is managed by an independently administered pension fund committee and deposited in the committee's name in the Bank of Taiwan (formerly the Central Trust of China, which was merged into the Bank of Taiwan in July 2007.) Approved by Department of Labor of Taipei City Government, the Corporation suspended contributing from February 2007 to January 2011.

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

(1) Pension cost

| | Years Ended December 31 | |
|------------------------------------|--------------------------------|--------------|
| | 2010 | 2009 |
| Service cost | \$ 3,004 | 3,127 |
| Interest cost | 8,215 | 10,656 |
| Projected return of pension assets | (8,631) | (11,789) |
| Amortization | 537 | 537 |
| Pension cost | \$ 3,125 | 2,531 |

(2) Changes in the prepaid pension cost

| | December 31 | |
|--|--------------------|--------------|
| | 2010 | 2009 |
| Benefit obligation | | |
| Vested | \$ (1,085) | - |
| Non-vested | (259,291) | (252,211) |
| Accumulated | (260,376) | (252,211) |
| Additional benefits based on future salaries | (158,286) | (158,534) |
| Projected benefit obligation | (418,662) | (410,745) |
| Fair value of plan assets | 431,815 | 431,535 |
| Funded status | 13,153 | 20,790 |
| Unrecognized net transition obligation | 6,211 | 6,726 |
| Unrecognized prior service cost | 377 | 399 |
| Unrecognized net gain or loss | (13,173) | (18,222) |
| Prepaid pension cost | \$ 6,568 | 9,693 |
| (3) Vested benefit | \$ (1,342) | - |

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

(4) Actuarial assumptions

| | Years Ended December 31 | |
|--|--------------------------------|-------------|
| | 2010 | 2009 |
| Discount rate used in determining present values | 2.00% | 2.00% |
| Future salary increase rate | 2.50% | 2.50% |
| Expected rate of return on plan assets | 2.00% | 2.00% |

p. Shareholders' equity

(1) Capital surplus

Under the Company Act, capital surplus may only be used to offset a deficit. However, capital surplus, generated from the excess of the issue price over the par value of capital stock, including the stock issued for new capital and the buyback of treasury stock, may be transferred to capital as stock dividends, and this transfer is restricted to a certain percentage of the paid-in capital and may be made only within prescribed limits each time. Also, the capital surplus from long-term investments may not be used for any other purposes.

(2) Appropriation of earnings and dividend policy

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

- (a) Dividends and bonus to preferred shareholders
- (b) Remuneration to directors and supervisors - up to 0.3%
- (c) Bonus to employees - 1%-3%
- (d) Remainder, to be appropriated as dividends as determined in the shareholders' meeting

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

A regulation issued by the Securities and Futures Bureau requires a special reserve be made from the unappropriated earnings, equivalent to the debit balance of any account shown in

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

shareholders' equity. The special reserve appropriated will be reversed to the extent that the net debit balance reverses.

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

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

For the year ended December 31, 2010, the bonuses to employees and remuneration to directors and supervisors were accrued respectively based on 3% and 0.3% of net income (net of the bonus to employees and remuneration to directors and supervisors) after setting aside 10% net income as legal reserve. The significant difference between annual accruals and the amount approved by the Board of Directors shall be adjusted in the current year. If the Board of Director's approval differs from the amount ratified at the annual general shareholders' meeting (AGM), the difference will be treated as changes in accounting estimation and will be adjusted in 2011's P&L. If employee bonuses are paid in the form of company shares, the number of employee bonus shares shall be derived from dividing the approved bonus amount by its closing price one day prior to the AGM, adjusted for cash and/or stock dividends if any.

The 2009 and 2008 earning appropriations resolved by the AGMs on June 18, 2010, and June 19, 2009, were as follows:

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

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

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

The shareholders on June 19, 2009, resolved to distribute 2008 bonus of \$414,697 thousand to employees and remuneration of \$41,470 thousand to directors and supervisors.

Information on the appropriation of the earnings, bonus to employees and remuneration to directors and supervisors proposed by Board of Directors and approved at AGM, is available on the Market Observation Post System website of the Taiwan Stock Exchange.

(3) Treasury stock

| Purpose of Buyback | (Shares in Thousands) | | | |
|------------------------------------|------------------------------|-----------------|-----------------|--------------------------|
| | Beginning Shares | Increase | Decrease | Ending Shares |
| <u>For the year ended December</u> | | | | |
| <u>31, 2010</u> | | | | |
| Shares held by subsidiaries | 811,918 | - | - | 811,918 |
| <u>For the year ended December</u> | | | | |
| <u>31, 2009</u> | | | | |
| To be transferred to employees | 24,193 | - | 24,193 | - |
| Shares held by subsidiaries | 811,918 | - | - | 811,918 |

(a) Transfer of stock to employees

For the year ended December 31, 2009, the Corporation transferred 24,193 thousand shares bought back from the market to employees at NT\$43.8 per share, resulting in a reduction of \$3,254 thousand in capital surplus.

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

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

(b) Shares held by subsidiaries

As of December 31, 2010, the carrying and market value of the Corporation's stocks held by TCCI, TID, and TUI (all are the subsidiaries 100%-owned by the Corporation) were \$56,590,657 thousand. The Corporation reclassified \$31,889,100 thousand from investments, accounted for using the equity method to treasury stock based on SFAS No. 30, "Accounting for Treasury Stock." Although these shares are treated as treasury stock in the consolidated financial statements, the shareholders are entitled to excise their rights on these shares, except for the participation in capital injection by cash. In addition, based on the ROC Company Act, the shareholders of treasury stocks cannot exercise the voting right.

(4) Unrealized gain or loss on financial instruments

Unrealized gain or loss on financial instruments for the years ended December 31, 2010 and 2009 was summarized as follows:

| | Years Ended | |
|---|-------------------------|----------------------|
| | December 31 | |
| | 2010 | 2009 |
| Available-for-sale financial assets | | |
| Balance, beginning of period | \$ 63,624 | 54,455 |
| Fair value changes recognized directly in equity | 26,218 | 9,169 |
| | <u>89,842</u> | <u>63,624</u> |
| Changes in unrealized gains (losses) of cash flow hedge | | |
| Balance, beginning of period | - | 61,864 |
| Fair value changes recognized directly in equity | - | (61,864) |
| | <u>-</u> | <u>-</u> |
| Changes in unrealized gains (losses) recognized by the equity accounted investees | | |
| Balance, beginning of period | - | (122,216) |
| Fair value changes recognized directly in equity | - | 122,216 |
| | <u>-</u> | <u>-</u> |
| Unrealized gains on financial instruments | <u><u>\$ 89,842</u></u> | <u><u>63,624</u></u> |

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

q. Income tax expense

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

| | Years Ended | |
|---|---------------------|------------------|
| | December 31 | |
| | 2010 | 2009 |
| Tax on pretax income at statutory tax rate | \$ 2,787,684 | 4,533,113 |
| Add (deduct) tax effects of: | | |
| Permanent differences | | |
| Investment income from domestic investees accounted for using the equity method | (621,943) | (761,090) |
| Other | (1,015) | (17,718) |
| Temporary differences | (174,571) | (483,947) |
| Deferred income taxes | 518,387 | 977,088 |
| Prior years' adjustment | 69,335 | 5,932 |
| Investment tax credits | (1,919) | (10,002) |
| Tax on short-term bills | - | 253 |
| Income tax expense | \$ 2,575,958 | 4,243,629 |

On May 27, 2009, the Legislative Yuan passed the amendment of Article 5 of the Income Tax Act, which reduced a profit-seeking enterprise's income tax rate from 25% to 20%, effective January 1, 2010. On June 15, 2010, the Legislative Yuan passed the amendment of Article 5 of the Income Tax Act to reduce corporate statutory income tax rate from 20% to 17%, effective January 1, 2010. The Corporation recalculated its deferred tax assets and liabilities in accordance with the amended Article and recorded the resulting difference as an income tax expense.

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

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

| | December 31 | |
|---|----------------------------|-------------------------|
| | 2010 | 2009 |
| Unrealized loss on retirement of property and equipment | \$ 1,093,815 | 1,412,488 |
| Provision for doubtful accounts | 250,056 | 480,098 |
| Amortization of goodwill | (180,758) | (121,518) |
| Depreciation resulting from the differences in estimated service lives of properties | 117,618 | 72,493 |
| Provision for impairment losses on idle assets | 21,650 | 30,375 |
| Other | 28,295 | 15,351 |
| | <u>1,330,676</u> | <u>1,889,287</u> |
| Less valuation allowance | <u>(195,356)</u> | <u>(235,580)</u> |
| | <u>\$ 1,135,320</u> | <u>1,653,707</u> |
| Deferred income tax assets | | |
| Current | \$ 5,184 | 27,261 |
| Non-current | 1,130,136 | 1,626,446 |
| | <u>\$ 1,135,320</u> | <u>1,653,707</u> |

(3) Integrated income tax information was as follows:

| | December 31 | |
|--|----------------------------|-------------------------|
| | 2010 | 2009 |
| Balance of imputation credit account (ICA) | <u>\$ 1,438,180</u> | <u>2,990,172</u> |

As of December 31, 2010, there were no unappropriated earnings generated before January 1, 1998. The actual creditable ratios for the 2010 and 2009 earnings appropriation were 20.35% and 28.67%, 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 2010 earnings appropriation may be adjusted when the imputation credits are distributed.

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

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

| | <u>Year</u> |
|---|---------------------------------|
| The Corporation | 2007 ; only 2006 not applicable |
| TAT | 2007 |
| Trans Asian Telecommunications Inc.(The former TAT) | All applicable |
| Mobitai Communications | 2006 |

The Corporation's income tax returns for the years up to 2007 had been examined by the tax authorities, except for 2006. In addition, the Corporation disagreed with the examination results of the income tax returns and had requested a reexamination for the 2003 through 2005, 2007 income tax returns.

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

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

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

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

r. Earnings per share

| | Amounts (Numerator) | | | EPS (NT\$) | |
|--|----------------------|---------------------|--|-------------------------|------------------------|
| | Before Income Tax | After Income Tax | Shares (Denominator) (Thousands) | Before Income Tax | After Income Tax |
| <u>For the year ended December 31, 2010</u> | | | | | |
| Basic EPS | | | | | |
| Income of common shareholders | \$ 16,398,144 | 13,822,186 | 2,989,008 | <u>5.48</u> | <u>4.62</u> |
| Add effect of dilutive potentially common stock — bonus to employees | <u>-</u> | <u>-</u> | <u>8,234</u> | | |
| Diluted EPS | | | | | |
| Income of common shareholders with dilutive effect of potential common shares | <u>\$ 16,398,144</u> | <u>13,822,186</u> | <u>2,997,242</u> | <u>5.47</u> | <u>4.61</u> |
| <u>For the year ended December 31, 2009</u> | | | | | |
| Basic EPS | | | | | |
| Income of common shareholders | \$ 18,132,491 | 13,888,862 | 2,979,311 | <u>6.09</u> | <u>4.66</u> |
| Add effect of dilutive potentially common stock — bonus to employees | <u>-</u> | <u>-</u> | <u>9,846</u> | | |
| Diluted EPS | | | | | |
| Income of common shareholders with dilutive effect of potential common shares | <u>\$ 18,132,491</u> | <u>13,888,862</u> | <u>2,989,157</u> | <u>6.07</u> | <u>4.65</u> |

The ARDF issued Interpretation No. 2007-052 that requires companies to recognize bonuses paid to employees and remunerations to directors and supervisors as compensation expenses beginning January 1, 2008. These bonuses and remunerations were previously recorded as appropriations from earnings. If the Corporation may settle the bonus to employees by cash or shares, the Corporation should presume that the entire amount of the bonus will be settled in shares, and the potential share dilutions should be included in the weighted average number of shares outstanding used in the calculation of diluted EPS if the shares have a dilutive effect. In the calculation of diluted EPS, the number of outstanding shares is derived from dividing the entire amount of the bonus by the closing price of the shares at the balance sheet date. Such potential dilutive effect should be taken into consideration in the calculation of diluted EPS until the shareholders resolved the actual number of shares to be distributed to employees at the AGM of the following year.

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

s. Financial instrument transactions

(1) Fair value information

| <u>Financial instruments</u> | December 31 | | | |
|--|---------------------------|-------------------|---------------------------|-------------------|
| | 2010 | | 2009 | |
| | Carrying Value | Fair Value | Carrying Value | Fair Value |
| <u>Assets</u> | | | | |
| Cash and cash equivalents | \$ 3,880,881 | 3,880,881 | 1,057,042 | 1,057,042 |
| Available-for-sale financial assets – current | 201,322 | 201,322 | 177,821 | 177,821 |
| Notes receivable | 378 | 378 | 16,772 | 16,772 |
| Accounts receivable (including related parties) | 5,579,395 | 5,579,395 | 5,561,520 | 5,561,520 |
| Other receivables (including related parties) | 12,622,282 | 12,622,282 | 5,766,052 | 5,766,052 |
| Pledged time deposits | - | - | 10,000 | 10,000 |
| Financial assets carried at cost – non-current | 50,324 | - | 50,324 | - |
| Refundable deposits | 316,243 | 316,243 | 312,915 | 312,915 |
| <u>Liabilities</u> | | | | |
| Short-term borrowings | 9,645,000 | 9,645,000 | 5,000,000 | 5,000,000 |
| Short-term notes and bills payable | 499,732 | 499,732 | 299,872 | 299,872 |
| Accounts payable | 2,739,933 | 2,739,933 | 2,055,758 | 2,055,758 |
| Income taxes payable | 917,585 | 917,585 | 1,478,353 | 1,478,353 |
| Accrued expenses | 4,471,500 | 4,471,500 | 4,549,206 | 4,549,206 |
| Other payables | 4,348,846 | 4,348,846 | 3,739,454 | 3,739,454 |
| Guarantee deposits (including current portion) | 324,781 | 324,781 | 325,829 | 325,829 |
| Bonds payable (including current portion) | 8,000,000 | 8,264,392 | 8,000,000 | 8,373,376 |
| long-term borrowings | 800,000 | 800,000 | - | - |

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

- (a) Available-for-sale financial assets—based on quoted prices in an active market at the balance sheet date
- (b) Financial assets carried at cost—non-current—based on the net worth of the investee or estimated book value; this is because there is no active market for unlisted stocks, and a reliable fair value could only be verified at a more than reasonable cost
- (c) Bonds payable—based on the over-the-counter quotations in December

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

- (d) Long-term borrowings — based on the present value of future cash flows discounted by the interest rates the Corporation may obtain for similar loans
 - (e) The book values of short-term financial instruments approximate their fair value due to their short maturities; short-term financial instruments include cash and cash equivalents, receivables, pledged time deposits, refundable deposits, short-term borrowings, short-term notes and bills payable, payables, and guarantee deposits
- (3) The fair values of financial assets and liabilities were not simultaneously determined by quoted prices in active markets and by estimations using valuation technique.
- (4) The financial assets exposed to fair value interest rate risk amounted to \$15,665,858 thousand and \$2,567,139 thousand as of December 31, 2010 and 2009, respectively, and the financial liabilities exposed to fair value interest rate risk amounted to \$18,944,732 thousand and \$13,299,872 thousand as of December 31, 2010 and 2009, respectively. The financial assets exposed to cash flow interest rate risk amounted to \$297,728 thousand and \$509,232 thousand as of December 31, 2010 and 2009, respectively, and the financial liabilities exposed to cash flow interest rate risk both amounted to \$0 thousand.
- (5) Information on financial risks:
- (a) Market risk

The Corporation did not enter into any financial derivatives transactions, which will have big exposure to exchange rate and interest rate risks.
 - (b) Credit risk

Credit risk represents the potential impacts to financial assets that the Corporation might encounter if counter-parties or third parties breach the contracts. Factors that affect the impacts include credit risk concentration, components of financial instruments, contract amount, and other receivables. The Corporation's evaluation of credit risk exposure as of December 31, 2010 and 2009, were both zero because all counter-parties are reputable financial institutions with good credit ratings.

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

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

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

(c) Liquidity risk

The Corporation's operating funds are deemed sufficient to meet the cash flow demand; therefore, liquidity risk is not considered to be significant.

5. RELATED-PARTY TRANSACTIONS

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

| Related Party | Relationship with the Corporation |
|--|--|
| Taiwan Cellular Co., Ltd. (TCC) | Subsidiary |
| Wealth Media Technology Co., Ltd. (WMT) | Subsidiary |
| Tai Fu Media Technology Co., Ltd. (TFMT) | Subsidiary |
| Global Wealth Media Technology Co., Ltd. | Subsidiary |
| Fu Sin Media Technology Co., Ltd. | Subsidiary |
| Fu Jia Leh Media Technology Co., Ltd. | Subsidiary |
| Global Forest Media Technology Co., Ltd. | Subsidiary |
| TWM Holding Co. Ltd. | Subsidiary |
| Taiwan Super Basketball Co., Ltd. (TSB) | Subsidiary |
| TT&T Holdings Co., Ltd. | Subsidiary |
| Xiamen Taifu Teleservices & Technologies Co., Ltd. | Subsidiary |
| Taiwan Fixed Network Co., Ltd. (TFN) | Subsidiary |
| Taiwan Digital Communications Co., Ltd.(TDC) | Subsidiary |
| Taiwan Teleservices & Technologies Co., Ltd. (TT&T) | Subsidiary |
| TCC Investment Co., Ltd. (TCCI) | Subsidiary |
| TFN Union Investment Co., Ltd. (TUI) | Subsidiary |
| TCCI Investment and Development Co., Ltd. (TID) | Subsidiary |
| Win TV Broadcasting Co., Ltd. | Subsidiary |
| TFN Media Co., Ltd. (TFNM) | Subsidiary |

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

| Related Party | Relationship with the Corporation |
|---|---|
| Yeong Jia Leh Cable TV Co., Ltd. | Subsidiary |
| Mangrove Cable TV Co., Ltd. | Related party in substance |
| Phoenix Cable TV Co., Ltd. | Subsidiary |
| Globalview Cable TV Co., Ltd. | Subsidiary |
| Union Cable TV Co., Ltd. | Subsidiary |
| TFN HK LIMITED | Subsidiary |
| TWM Communications (Beijing) Ltd. (formerly named Hurray! Times Communications (Beijing) Ltd.) (TWMC) | Subsidiary |
| Taiwan Win TV Broadcasting Co., Ltd. | Subsidiary |
| Taiwan Kuro Times Co., Ltd.(TKT) | Subsidiary (changed relationship with the Corporation on September 1, 2010) |
| ezPeer Multimedia Limited | Subsidiary (changed relationship with the Corporation on September 1, 2010) |
| Taiwan Mobile Foundation (TWM Foundation) | Over one third of the Foundation's issued fund came from the Corporation |
| Taipei New Horizons Co., Ltd. (TNH) | Equity-method investee |
| Fubon Life Assurance Co., Ltd. | Same chairman |
| Fubon Securities Investment Trust Co., Ltd. | Related party in substance |
| Fubon Marketing Co., Ltd. (formerly named Fubon Direct Marketing Consulting Co., Ltd.) | Related party in substance (renamed on April 13, 2009) |
| Fubon Financial Venture Capital Co., Ltd. | Related party in substance |
| Fubon Multimedia Technology Co., Ltd. (FMT) | Related party in substance |
| Fubon Asset Management Co., Ltd. | Related party in substance |
| Chung Hsing Constructions Co., Ltd. | Related party in substance |
| Fubon Land Development Co., Ltd. | Related party in substance |
| Fubon Financial Holding Company | Related party in substance |
| Taipei Fubon Commercial Bank Co., Ltd. (TFCB) | Related party in substance |
| Fubon Securities Co., Ltd. | Related party in substance |
| Fubon Future Co., Ltd. | Related party in substance |
| Fubon Investment Services Co., Ltd. | Related party in substance |
| Fubon Insurance Co., Ltd. (Fubon Ins.) | Related party in substance |
| Fubon Property Management Co., Ltd. (FPM) | Related party in substance |
| Fubon Real Estate Management Co., Ltd. | Related party in substance |
| Taiwan Sport Lottery Corporation (TSL) | Related party in substance |
| Tai Yi Digital Broadcasting Co., Ltd. | Equity-method investee of TCC (liquidated on February 28, 2009) |
| Reach & Range Inc. | Subsidiary (merged into TFN on May 1, 2009) |
| TFN Investment Co., Ltd. | Subsidiary (merged into TCCI on September 19, 2009) |
| Shin Ho Cable TV Co., Ltd. | Related party in substance (liquidated on December 1, 2009) |

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NOTES TO FINANCIAL STATEMENTS (CONT'D)

b. Significant transactions with related parties were summarized below:

(1) Operating revenues

| | Years Ended December 31 | | | |
|------|--------------------------------|-----------------|------------------|-----------------|
| | 2010 | | 2009 | |
| | % of | | % of | |
| | Total | | Total | |
| | Amount | Revenues | Amount | Revenues |
| TFN | \$ 2,216,854 | 4 | 2,276,319 | 4 |
| TFCB | 11,732 | - | 9,796 | - |
| | \$ 2,228,586 | | 2,286,115 | |

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

| | Years ended December 31 | | | |
|------------|--------------------------------|--------------|------------------|--------------|
| | 2010 | | 2009 | |
| | % of | | % of | |
| | Total | | Total | |
| | Amount | Costs | Amount | Costs |
| TFN | \$ 2,015,734 | 6 | 1,390,303 | 5 |
| Fubon Ins. | 43,889 | - | 51,412 | - |
| TKT | 11,920 | - | - | - |
| | \$ 2,071,543 | | 1,441,715 | |

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

(3) Property transaction

Purchase of property

| Year Ended December 31, 2010 | |
|-------------------------------------|------------------|
| Description of property | Amount |
| TWMC Telecommunication equipment | \$ 42,102 |

Purchase of property

| Year Ended December 31, 2009 | |
|-------------------------------------|------------------|
| Description of property | Amount |
| TWMC Telecommunication equipment | \$ 11,582 |

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

(4) Rental income

| | | Year Ended | |
|------|------------------------|--------------------------|----------------|
| | | December 31, 2010 | |
| | Leased Property | 2010 | 2009 |
| TFN | Offices and BTS, etc. | \$ 119,094 | 119,447 |
| FMT | Office appliance, etc. | 35,317 | 33,423 |
| TFNM | Offices | 10,784 | 10,784 |
| | | \$ 165,195 | 163,654 |

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

(5) Cash in banks

| | | December 31 | | | |
|---------------------------|--|--------------------|----------|---------------|----------|
| | | 2010 | | 2009 | |
| | | Amount | % | Amount | % |
| (a) Cash in banks | | | | | |
| TFCB | | \$ 94,136 | 2 | 99,376 | 9 |
| (b) Pledged time deposits | | | | | |
| TFCB | | \$ - | - | 10,000 | 100 |

(6) Receivables and payables

| | | December 31 | | | |
|-------------------------|--|----------------------|----------|------------------|----------|
| | | 2010 | | 2009 | |
| | | Amount | % | Amount | % |
| (a) Accounts receivable | | | | | |
| TFN | | \$ 75,990 | 1 | 19,347 | - |
| Other | | 9,833 | - | 3,321 | - |
| | | \$ 85,823 | | 22,668 | |
| (b) Other receivables | | | | | |
| TCC (Note 1 and 2) | | \$ 8,397,799 | 67 | 3,500,000 | 61 |
| TFNM (Note 2) | | 3,725,325 | 30 | 2,003,836 | 35 |
| TFN | | 59,310 | - | 53,418 | 1 |
| TFMT(Note 2) | | 33,055 | - | - | - |
| TDC(Note 2) | | 30,040 | - | - | - |
| WMT | | - | - | 45,065 | 1 |
| Other | | 6,363 | - | 5,996 | - |
| | | \$ 12,251,892 | | 5,608,315 | |

Note 1: Accounts from investees' capital reduction in 2009

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

Note 2: Financing to related parties was as follows:

| Year Ended December 31, 2010 | | | | | |
|-------------------------------------|-----------------------------|---------------------------------------|--|----------------------------|----------------------------|
| Related Party | Drawdown Amounts | Ending Balance (Note1) | Maximum Balance (Note1 and 2) | Interest Rate % | Interest Income |
| TCC | \$ 8,370,000 | 9,000,000 | 9,000,000 | 0.893 | 28,252 |
| TFNM | 3,710,000 | 5,000,000 | 7,000,000 | 0.893 | 28,651 |
| TFMT | 33,000 | 50,000 | 50,000 | 0.950 | 55 |
| TDC | 30,000 | 300,000 | 300,000 | 0.948 | 40 |
| | \$ 12,143,000 | 14,350,000 | | | 56,998 |

| Year Ended December 31, 2009 | | | | | |
|-------------------------------------|-----------------------------|---------------------------------------|--|----------------------------|----------------------------|
| Related Party | Drawdown Amounts | Ending Balance (Note1) | Maximum Balance (Note1 and 2) | Interest Rate % | Interest Income |
| TFMN | \$ 2,000,000 | 2,000,000 | 2,000,000 | 0.838 | 2,893 |
| WMT | 45,000 | 2,500,000 | 2,500,000 | 0.838 | 69 |
| TFMT | - | - | 2,500,000 | 0.838~2.417 | 40,132 |
| TCC | - | - | 1,200,000 | 0.847 | 371 |
| | \$ 2,045,000 | 4,500,000 | | | 43,465 |

Note 1: The ending balance and the maximum balance represent quotas.

Note 2: Maximum balance: the maximum accumulated amounts of the year.

| | December 31 | | | |
|----------------------|--------------------|----------|----------------|----------|
| | 2010 | | 2009 | |
| | Amount | % | Amount | % |
| (c) Accrued expenses | | | | |
| TFN | \$ 248,681 | 6 | 265,004 | 6 |
| TT&T | 67,278 | 2 | 65,790 | 1 |
| TWMC | 38,250 | 1 | - | - |
| Fubon Ins | 9,536 | - | 10,607 | - |
| | \$ 363,745 | | 341,401 | |

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NOTES TO FINANCIAL STATEMENTS (CONT'D)

| | December 31 | | | |
|---|--------------------------|----------|-----------------------|----------|
| | 2010 | | 2009 | |
| | Amount | % | Amount | % |
| (d) Other payables | | | | |
| TFN | <u><u>\$ 147,841</u></u> | 3 | <u><u>176,836</u></u> | 5 |
| (e) Other current liabilities - collections and temporary credits for the following | | | | |
| TFN | <u><u>\$ 88,814</u></u> | 21 | <u><u>83,059</u></u> | 18 |
| (7) Other | | | | |
| | Year Ended | | December 31 | |
| | 2010 | | 2009 | |
| | | | | |
| (a) Telecommunication service expenses | | | | |
| TFN | <u><u>\$ 79,373</u></u> | | <u><u>78,101</u></u> | |
| (b) Professional service fees | | | | |
| TT&T | \$ 841,116 | | 859,159 | |
| TWMC | 38,250 | | - | |
| | <u><u>879,366</u></u> | | <u><u>859,159</u></u> | |
| (c) Insurance expenses | | | | |
| Fubon Ins. | <u><u>\$ 10,658</u></u> | | <u><u>10,029</u></u> | |
| (d) Other expenses | | | | |
| FPM | <u><u>\$ 25,244</u></u> | | <u><u>25,611</u></u> | |
| (e) Donation | | | | |
| TWN Foundation | <u><u>\$ 13,007</u></u> | | <u><u>30,400</u></u> | |
| (f) Rental expenses | | | | |
| TFN | <u><u>\$ 11,437</u></u> | | <u><u>13,304</u></u> | |
| (g) Repairs and maintenance | | | | |
| FPM | <u><u>\$ 23,000</u></u> | | <u><u>23,485</u></u> | |
| (h) Advertisement expenses | | | | |
| TSBC | <u><u>\$ 32,850</u></u> | | <u><u>34,300</u></u> | |

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

(8) Financing from related parties was as follows:

| Year Ended December 31, 2010 | | | | | |
|-------------------------------------|----------------------------|-------------------------------|--------------------------------------|------------------------|-------------------------|
| Related Party | Drawdown Amounts | Ending Balance (Note1) | Maximum Balance (Note1 and 2) | Interest Rate % | Interest Expense |
| TFN | <u><u>\$ 6,645,000</u></u> | <u><u>9,000,000</u></u> | <u><u>9,000,000</u></u> | 0.893 | <u><u>25,603</u></u> |

| Year Ended December 31, 2009 | | | | | |
|-------------------------------------|-------------------------|-------------------------------|--------------------------------------|------------------------|-------------------------|
| Related Party | Drawdown Amounts | Ending Balance (Note1) | Maximum Balance (Note1 and 2) | Interest Rate % | Interest Expense |
| TFN | <u><u>\$ -</u></u> | <u><u>-</u></u> | <u><u>4,000,000</u></u> | 1.608~2.417 | <u><u>16,869</u></u> |

Note 1: The ending balance and the maximum balance represent quotas.

Note 2: Maximum balance: the maximum accumulated amounts of the year

(9)Endorsement/guarantee provided

- (a) The Corporation provided \$21,500,000 thousand guarantee for TFN's bank loans. The Corporation also provided \$19,757,595 thousand in promissory notes outstanding for TFN's borrowings with banks. TFN has drawn down \$242,149 thousand from banks within the guarantee amount.
- (b) The Corporation and its subsidiary, TFN, obtained \$13,500,000 thousand of syndicated loan from 9 banks led by Chinatrust Commercial Bank. Based on the terms of the agreement, the credit line will be decreased by 50% after two years commencing from May 20, 2008. As of May 20, 2010, the credit line has been reduced to \$6,750,000 thousand. The Corporation provided a guarantee for TFN's bank loan. As of December 31, 2010, the Corporation and TFN had made draw down \$800,000 thousand and \$1,500,000 thousand, respectively.
- (c) As of December 31, 2010, the Corporation had provided TFN with \$50,000 thousand as performance guarantee for IDD calling card service issued by July 31, 2008, in accordance with NCC's new policy effective from April 1, 2007.

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

(10) Other

For the years ended December 31, 2010 and 2009, the Corporation provided services to companies below and fees received by the Corporation, which were recorded as deductions from related costs and expenses. The Corporation's service charges received were as follows:

| | Year Ended December 31 | |
|-----|-------------------------------|----------------|
| | 2010 | 2009 |
| TFN | \$ 449,133 | 458,519 |

c. Compensation to directors, supervisors, and managers:

| | Year Ended December 31 | |
|--|-------------------------------|----------------|
| | 2010 | 2009 |
| Salaries, incentives, and special compensation | \$ 242,394 | 204,702 |
| Earnings paid as remunerations to directors | 37,306 | 37,483 |
| Earnings paid as bonus to employees | 64,203 | 62,668 |
| Professional fee | 2,120 | 2,330 |
| | \$ 346,023 | 307,183 |

The compensation to directors, supervisors and managers for the year ended December 31, 2009 included the bonus appropriation from 2009 earnings approved in 2010 AGM. While that for the year ended December 31, 2010 included the bonus appropriation from 2010 earnings subject to approval in 2011 AGM. More detailed information may be referred in the Corporation's annual reports.

6. ASSETS PLEDGED

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

| | December 31 | |
|---------------|--------------------|---------------|
| | 2010 | 2009 |
| Time deposits | \$ - | 10,000 |

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

7. COMMITMENTS AND CONTINGENT EVENTS

- a. To enhance 3G mobile communications, expand network coverage, and increase the service functions, the Corporation entered into a 3G expansion contract with Nokia Siemens Networks Taiwan Co., Ltd. for \$4,800,000 thousand in September 2006 and \$3,672,092 thousand in May 2009, respectively. As of December 31, 2010, the purchase amount was \$4,735,510 thousand and \$3,248,810 thousand, respectively.
- b. Future minimum rental payments as of December 31, 2010, for significant operating lease agreements, were summarized as follows:

| | Amount |
|------|---------------|
| 2011 | \$ 64,954 |
| 2012 | 37,572 |
| 2013 | 29,002 |
| 2014 | 28,554 |
| 2015 | 16,736 |

8. SIGNIFICANT CASUALTY LOSS: NONE

9. SIGNIFICANT SUBSEQUENT EVENTS: NONE

10. OTHER

- a. Labor cost, depreciation, and amortization expense

| | For the year ended December 31 | | | | | |
|----------------------------|--|---|--------------|--|---|--------------|
| | 2010 | | | 2009 | | |
| | Classified as Operating Costs | Classified as Operating Expenses | Total | Classified as Operating Costs | Classified as Operating Expenses | Total |
| Labor cost | | | | | | |
| Salary | \$ 929,563 | 1,839,472 | 2,769,035 | 923,145 | 1,903,570 | 2,826,715 |
| Labor and health insurance | 53,886 | 95,467 | 149,353 | 50,942 | 92,099 | 143,041 |
| Pension | 37,041 | 63,038 | 100,079 | 36,711 | 62,491 | 99,202 |
| Other | 44,363 | 82,823 | 127,186 | 43,184 | 80,745 | 123,929 |
| Depreciation | 6,591,479 | 573,741 | 7,165,220 | 6,448,639 | 553,142 | 7,001,781 |
| Amortization | 756,797 | 120,754 | 877,551 | 761,758 | 103,117 | 864,875 |

- b. Reclassification

Certain accounts in the financial statements as of and for the year ended December 31, 2009, have been reclassified to conform to the presentation of financial statements as of and for the year ended December 31, 2010.

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

11. ADDITIONAL DISCLOSURES

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

- a. Financing provided: Table 1 (attached)
- b. Endorsement/guarantee provided: Table 2 (attached)
- c. Marketable securities held: Table 3 (attached)
- d. Marketable securities acquired and disposed of at costs or prices of at least \$100 million or 20% of the paid-in capital: 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:

The Corporation entered into interest rate swap (IRS) contracts in December 2002 to hedge fluctuation on inverse floating interest rates of bonds, which are settled semiannually. Please refer to Note 4. (s) for the related information.

| Financial Instrument | Term | Contract Amount | Due Date |
|------------------------------|---|----------------------------|-------------------|
| Interest rate swap contracts | Inverse floating interest rate in exchange for fixed interest rate of 2.45% | \$ 5,000,000 | December, 2009 |

The Corporation entered into IRS contracts to hedge inverse floating interest rate fluctuation. For the year ended 2009, the Corporation recognized gains of \$84,485 thousand, recorded as deduction to interest expense.

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

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

12. 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:

| | Years Ended December 31 | | | |
|----------------------------|--------------------------------|--|---------------|--|
| | 2010 | | 2009 | |
| | | Percentage of Operating Revenue | | Percentage of Operating Revenue |
| Company | Amount | | Amount | |
| Chunghwa Telecom Co., Ltd. | \$ 8,226,198 | 14 | 8,730,057 | 15 |

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES
FINANCING PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2010

TABLE 1
(In Thousands of New Taiwan Dollars)

| No. | Lending Company | Borrowing Company | Financial Statement Account | Maximum Balance for the Period (Note 1) | Ending Balance (Note 1) | Interest Rate | Financing Purpose | Transaction Amounts | Reasons for Short-term Financing | Allowance for Doubtful Accounts | Collateral | | Lending Limit for Each Borrowing Company | Lending Company's Lending Amount Limits |
|-----|---|--|-----------------------------|---|-------------------------|---------------|----------------------|---------------------|----------------------------------|---------------------------------|------------|-------|--|---|
| | | | | | | | | | | | Item | Value | | |
| 0 | Taiwan Mobile Co., Ltd. (the "Corporation") | Wealth Media Technology Co., Ltd. | Other receivables | \$ 2,500,000 | \$ - | 0.838%~0.851% | Short-term financing | \$ - | Operation requirements | \$ - | - | - | \$ 20,347,822 (Note 2) | \$ 20,347,822 (Note 2) |
| | | TCC Investment Co., Ltd. | Other receivables | 7,300,000 | - | - | Short-term financing | - | Operation requirements | - | - | - | 20,347,822 (Note 2) | 20,347,822 (Note 2) |
| | | Taiwan Fixed Network Co., Ltd. | Other receivables | 7,000,000 | - | - | Short-term financing | - | Operation requirements | - | - | - | 20,347,822 (Note 2) | 20,347,822 (Note 2) |
| | | TFN Media Co., Ltd. | Other receivables | 7,000,000 | 5,000,000 | 0.838%~0.893% | Short-term financing | - | Operation requirements | - | - | - | 20,347,822 (Note 2) | 20,347,822 (Note 2) |
| | | Taiwan Cellular Co., Ltd. | Other receivables | 9,000,000 | 9,000,000 | 0.893%~0.95% | Short-term financing | - | Operation requirements | - | - | - | 20,347,822 (Note 2) | 20,347,822 (Note 2) |
| | | Taiwan Digital Communication Co., Ltd. | Other receivables | 300,000 | 300,000 | 0.948% | Short-term financing | - | Operation requirements | - | - | - | 20,347,822 (Note 2) | 20,347,822 (Note 2) |
| | | Tai Fu Media Technology Co., Ltd. | Other receivables | 50,000 | 50,000 | 0.950% | Short-term financing | - | Operation requirements | - | - | - | 20,347,822 (Note 2) | 20,347,822 (Note 2) |
| 1 | Taiwan Cellular Co., Ltd. | TFN Media Co., Ltd. | Other receivables | 7,000,000 | 2,000,000 | 0.838%~1.350% | Short-term financing | - | Operation requirements | - | - | - | 23,520,151 (Note 2) | 23,520,151 (Note 2) |
| | | TCC Investment Co., Ltd. | Other receivables | 3,000,000 | - | 0.845%~0.854% | Short-term financing | - | Operation requirements | - | - | - | 23,520,151 (Note 2) | 23,520,151 (Note 2) |
| | | Win TV Broadcasting Co., Ltd. | Other receivables | 360,000 | 360,000 | 0.847%~0.896% | Short-term financing | - | Operation requirements | - | - | - | 23,520,151 (Note 2) | 23,520,151 (Note 2)) |
| 2 | Taiwan Fixed Network Co., Ltd. | Taiwan Cellular Co., Ltd. | Other receivables | 9,000,000 | - | 0.838%~0.847% | Short-term financing | - | Operation requirements | - | - | - | 15,314,639 (Note 2) | 15,314,639 (Note 2) |
| | | The Corporation | Other receivables | 9,000,000 | 9,000,000 | 0.893% | Short-term financing | - | Operation requirements | - | - | - | 15,314,639 (Note 2) | 15,314,639 (Note 2) |
| 3 | Union Cable TV Co., Ltd. | TFN Media Co., Ltd. | Other receivables | 1,200,000 | - | 0.838%~0.940% | Transactions | 283,669 | Business requirements | - | - | - | 13,500,000 (Note 3) | 13,500,000 (Note 3) |
| | | | | 739,000 | 739,000 | 0.851%~0.955% | Short-term financing | - | Repayment of financing | - | - | - | 746,931 (Note 3) | 13,500,000 (Note 3) |
| 4 | Globalview Cable TV Co., Ltd. | TFN Media Co., Ltd. | Other receivables | 233,000 | 233,000 | 0.845%~0.940% | Transactions | 234,995 | Business requirements | - | - | - | 234,995 (Note 4) | 503,666 (Note 4) |

(Continued)

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

FINANCING PROVIDED

FOR THE YEAR ENDED DECEMBER 31, 2010

| No. | Lending Company | Borrowing Company | Financial Statement Account | Maximum Balance for the Period (Note 1) | Ending Balance (Note 1) | Interest Rate | Financing Purpose | Transaction Amounts | Reasons for Short-term Financing | Allowance for Doubtful Accounts | Collateral | | Lending Limit for Each Borrowing Company | Lending Company's Lending Amount Limits |
|-----|-----------------------------------|--|-----------------------------|---|-------------------------|---------------|----------------------|---------------------|---|---------------------------------|------------|---|--|---|
| 5 | Phoenix Cable TV Co., Ltd. | TFN Media Co., Ltd. | Other receivables | 1,500,000 | 584,000 | 0.838%~0.955% | Transactions | 583,728 | Business requirements | \$ - | - | - | 12,000,000 (Note 5) | 12,000,000 (Note 5) |
| 6 | Yeong Jia Leh Cable TV Co., Ltd. | TFN Media Co., Ltd. | Other receivables | 1,200,000 | 373,000 | 0.838%~1.068% | Transactions | 530,381 | Business requirements | - | - | - | 24,000,000 (Note 5) | 24,000,000 (Note 5) |
| 7 | TFN Media Co., Ltd. | Win TV Broadcasting Co., Ltd. | Other receivables | 500,000 | - | 0.839%~0.845% | Transactions | 60,303 | Business requirements | - | - | - | 15,000,000 (Note 5) | 15,000,000 (Note 5) |
| 8 | Wealth Media Technology Co., Ltd. | Tai Fu Media Technology Co., Ltd. | Other receivables | 60,000 | - | 0.838% | Short-term financing | - | Repayment of financing | - | - | - | 120,791 (Note 2) | 120,791 (Note 2) |
| | | Global Wealth Media Technology Co., Ltd. | Other receivables | 15,000 | 15,000 | 0.851% | Short-term financing | - | Repayment of financing | - | - | - | 120,791 (Note 2) | 120,791 (Note 2) |
| 9 | Tai Fu Media Technology Co., Ltd. | Global Wealth Media Technology Co., Ltd. | Other receivables | 24,000 | - | 0.867% | Short-term financing | - | To meet its financing needs in acquiring minorities | - | - | - | 80,308 (Note 2) | 80,308 (Note 2) |

Note 1: Maximum amount for the period and the ending balance are the amount allowed, not actual appropriation.

Note 2: For the entities which have short-term financing needs (loaning entities), the aggregate amount of loaning fund shall not exceed 40 percent of the financing company's net worth. The individual loaning fund shall be limited to the lowest amount of the following items: 1) 40 percent of the financing company's net worth; 2) the amount that the financing company invests in the loaning entities; or 3) the amount = (the share portion of the loaning entities that the financing company invests)* (the total loaning amounts of the loaning entities). In the event that a financing company directly or indirectly 100% owns a counter-party, the individual lending amount and the aggregate amount of loaning funds shall not exceed 40% of the financing company's net worth.

Note 3: Where funds are loaned for reasons of business dealings and short-term financing needs, the amount of loaning funds shall be both limited to the higher amount of the following items: 1) a multiple of the financing company's capital, or 2) the amount of business dealing. A) for reasons of business dealings: the individual lending amount and the aggregate amount of loaning funds shall be both limited to the higher amount of the following items: 1) a multiple of the financing company's capital, or 2) the amount of business dealing. B) for short-term financing needs: the individual lending amount and the aggregate amount of loaning funds shall not exceed 40% of the financing company's net worth.

Note 4: Where funds are loaned for reasons of business dealings and short-term financing needs, the amount of loaning funds shall be limited to the total amount of business dealing and 40% of the financing company's net worth. A) for reasons of business dealings: the individual lending amount and the aggregate amount of loaning funds shall not exceed the amount of business dealing. B) for short-term financing needs: the individual lending amount and the aggregate amount of loaning funds shall not exceed 40% of the financing company's net worth.

Note 5: Where funds are loaned for reasons of business dealings, the individual lending amount and the aggregate amount of loaning funds shall be both limited to the higher amount of the following items: 1) a multiple of the financing company's capital, or 2) the amount of business dealing.

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES
ENDORSEMENT/GUARANTEE PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2010

TABLE 2
(In Thousands of New Taiwan Dollars)

| No. | Endorsement/Guarantor (A) | Receiving Party | | Maximum Guarantee/ Endorsement Amount Can Be Provided to Each Receiving Party | Maximum Balance for the Period (Note 1) | Ending Balance (Note 1) | Value of Collaterals | Ratio of Accumulated Endorsement/ Guarantee to Net Worth of the Guarantor (Note 1) | Maximum Guarantee/ Endorsement Can Be Provided by the Guarantor/Endorser |
|-----|---|--------------------------------|---|--|---|----------------------------|----------------------|--|---|
| | | Name (B) | Nature of Relationship (B is A's) | | | | | | |
| 0 | Taiwan Mobile Co., Ltd. (the "Corporation") | Taiwan Fixed Network Co., Ltd. | (Note 2) | \$ 42,000,000 (Note 3) | \$ 34,878,330 | \$ 26,557,595 | \$ - | 52.21% | \$ 50,869,555 |
| 1 | Taiwan Teleservices & Technologies Co., Ltd. | Taiwan Fixed Network Co., Ltd. | (Note 4) (Note 6) | 20,000 (Note 5)/ (Note 6) | 146 | 146 | - | 0.18% | 80,947 (Note 5) |

Note 1: Maximum guarantee/endorsement amount for the period and the ending balance are the amount allowed, not actual appropriation.

Note 2: Direct/indirect subsidiary

Note 3: For 100% direct/indirect owned subsidiaries, the aggregate endorsement/guarantee amount provided shall not exceed the net worth of the Corporation, and the upper-limit to each subsidiary shall be the double of the investment amount.

Note 4: Parent company

Note 5: TT&T is directly and indirectly 100% owned by TFN. The endorsement/guarantee amount provided by TT&T, shall be limited within the net worth of TT&T, and not over the double of the investment amount in TT&T.

Note 6: Following the sale by TFN of its 100% shareholdings in TT&T on May 14, 2010, the endorsement/guarantee provided by TT&T is for transaction. The aggregate endorsement/guarantee amount shall not exceed the net worth of TT&T, and the individual endorsement/guarantee amount shall not exceed the amount of business dealing. The amount of business dealing is \$141,464 thousands.

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES
MARKETABLE SECURITIES HELD
DECEMBER 31, 2010

TABLE 3

(In Thousands of New Taiwan Dollars or stated otherwise)

| Investing Company (A) | Marketable Securities Invested (B) | Relationship with the Investing Company (B is A's) | Financial Statement Account | December 31, 2010 | | | | Note |
|--|--|--|--|-----------------------------|------------------------|----------------------------|--------------------------|------|
| | | | | Shares/Units (Thousands) | Carrying Value | Percentage of Ownership | Market Value (Note 1) | |
| Taiwan Mobile Co., Ltd. (the "Corporation") | <u>Stock</u> Chunghwa Telecom Co., Ltd. | - | Available-for-sale financial assets - current | 2,717 | \$ 201,322 | 0.035 | \$ 201,322 (Note 5) | |
| | Bridge Mobile Pte Ltd. | - | Financial assets carried at cost - non-current | 2,200 | 50,324 | 10 | - (Note 3) | |
| | Yes Mobile Holdings Company | - | Financial assets carried at cost - non-current | 74 | - | 0.19 | - (Note 3) | |
| | Wealth Media Technology Co., Ltd. | Subsidiary | Long-term investments - equity method | 37,200 | 301,977 | 100 | 301,977 | |
| | Taiwan Cellular Co., Ltd. | Subsidiary | Long-term investments - equity method | 30,000 | 10,618,840 (Note 4) | 100 | 58,800,377 | |
| | Taipei New Horizons Co., Ltd. | Equity-method investee | Long-term investments - equity method | 44,910 | 388,002 | 49.9 | 388,002 | |
| Wealth Media Technology Co., Ltd. | <u>Stock</u> Tai Fu Media Technology Co., Ltd. | Subsidiary | Long-term investments - equity method | 27,000 | 200,769 | 100 | 200,769 | |
| | Taiwan Win TV Broadcasting Co., Ltd. | Subsidiary | Long-term investments - equity method | 16 | 9,912 | 100 | 9,912 | |
| Tai Fu Media Technology Co., Ltd. | <u>Stock</u> Global Wealth Media Technology Co., Ltd. | Subsidiary | Long-term investments - equity method | 8,400 | 89,937 | 100 | 89,937 | |
| | Fu Jia Leh Media Technology Co., Ltd. | Subsidiary | Long-term investments - equity method | 100 | 767 | 100 | 767 | |
| | Fu Sin Media Technology Co., Ltd. | Subsidiary | Long-term investments - equity method | 13,500 | 141,279 | 100 | 141,279 | |
| | Global Forest Media Technology Co., Ltd. | Subsidiary | Long-term investments - equity method | 100 | 643 | 100 | 643 | |
| Global Wealth Media Technology Co., Ltd. | <u>Stock</u> Globalview Cable TV Co., Ltd. | Subsidiary | Long-term investments - equity method | 3,815 | 93,667 | 6.813 | 45,762 | |
| Fu Sin Media Technology Co., Ltd. | <u>Stock</u> Phoenix Cable TV Co., Ltd. | Subsidiary | Long-term investments - equity method | 2,272 | 132,411 | 3.34 | 32,131 | |
| Global Forest Media Technology Co., Ltd. | <u>Stock</u> Union Cable TV Co., Ltd. | Subsidiary | Long-term investments - equity method | 326 shares | 4 | 0.0002 | 4 | |
| Taiwan Cellular Co., Ltd. | <u>Stock</u> Arcoa Communication Co., Ltd. | - | Financial assets carried at cost - non-current | 6,998 | 67,731 | 5.21 | - (Note 3) | |
| | Parawin Venture Capital Corp. | - | Financial assets carried at cost - non-current | 3,000 | 20,207 | 3 | - (Note 3) | |

(Continued)

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES
MARKETABLE SECURITIES HELD
DECEMBER 31, 2010

| Investing Company (A) | Marketable Securities Invested (B) | Relationship with the Investing Company (B is A's) | Financial Statement Account | December 31, 2010 | | | | Note |
|--|---|--|---|-----------------------------|-------------------|----------------------------|--------------------------|------|
| | | | | Shares/Units (Thousands) | Carrying Value | Percentage of Ownership | Market Value (Note 1) | |
| | Transportation High Tech Inc. | - | Financial assets carried at cost - non-current | 1,200 | \$ - | 12 | \$ - | |
| | WEB Point Co., Ltd. | - | Financial assets carried at cost - non-current | 803 | (Note 2) 6,773 | 3.17 | (Note 3) - | |
| | TWM Holding Co. Ltd. | Subsidiary | Long-term investments - equity method | 1 share | US\$ 8,575 | 100 | US\$ 8,575 | |
| | Taiwan Fixed Network Co., Ltd. | Subsidiary | Long-term investments - equity method | 2,100,000 | \$ 38,286,597 | 100 | \$ 38,286,597 | |
| | Taiwan Digital Communication Co., Ltd. | Subsidiary | Long-term investments - equity method | 1,200 | 11,604 | 100 | 11,604 | |
| | TCC Investment Co., Ltd. | Subsidiary | Long-term investments - equity method | 3,950 | 26,428,349 | 100 | 26,301,166 | |
| | Taiwan Teleservices & Technologies Co., Ltd. | Subsidiary | Long-term investments - equity method | 1,000 | 80,947 | 100 | 80,947 | |
| TWM Holding Co., Ltd. | <u>Stock</u> TWM Communications (Beijing) Ltd. | Subsidiary | Long-term investments - equity method | - | US\$ 4,028 | 100 | US\$ 3,137 | |
| Taiwan Teleservices & Technologies Co., Ltd. | <u>Stock</u> TT & T Holdings Co., Ltd. | Subsidiary | Long-term investments - equity method | 1,300 | US\$ 1,383 | 100 | US\$ 1,383 | |
| | Taiwan Super Basketball Co., Ltd. | Subsidiary | Long-term investments - equity method | 2,000 | 20,083 | 100 | 20,083 | |
| TT&T Holdings Co., Ltd. | <u>Stock</u> Xiamen Taifu Teleservices & Technologies Co., Ltd. | Subsidiary | Long-term investments - equity method | - | US\$ 1,356 | 100 | US\$ 1,356 | |
| TCC Investment Co., Ltd. | <u>Stock</u> Taiwan Mobile Co., Ltd. (the "Corporation") | The Corporation | Available-for-sale financial assets - non-current | 222,774 | 15,527,360 | 5.86 | 15,527,360 | |
| | Win TV Broadcasting Co., Ltd. | Subsidiary | Long-term investments - equity method | 18,177 | 275,809 | 100 | 268,192 | |
| | TFN Media Co., Ltd. | Subsidiary | Long-term investments - equity method | 230,526 | 2,384,676 | 100 | 4,360,839 | |
| | TCCI Investment and Development Co., Ltd. | Subsidiary | Long-term investments - equity method | 400 | 8,996,439 | 100 | 8,996,439 | |
| | Great Taipei Broadband Co., Ltd. | - | Financial assets carried at cost - non-current | 10,000 | 42,845 | 6.67 | - | |
| | <u>Preferred stock</u> Taiwan High Speed Rail Corporation Unlisted Convertible Preferred Stock - Series A | - | Bonds measured at amortized cost - non - current | 50,000 | 500,000 | 1.24 | - | |
| | | | | | | | (Note 3) | |
| TCCI Investment and Development Co., Ltd. | <u>Stock</u> Taiwan Mobile Co., Ltd. (the "Corporation") | The Corporation | Available-for-sale financial assets - non-current | 132,849 | 9,259,552 | 3.50 | 9,259,552 | |
| | | | | | | | (Note 5) | |
| TFN Media Co., Ltd. | <u>Stock</u> Yeong Jia Leh Cable TV Co., Ltd. | Subsidiary | Long-term investments - equity method | 33,940 | 2,114,721 | 100 | 590,241 | |

(Continued)

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES
MARKETABLE SECURITIES HELD
DECEMBER 31, 2010

| Investing Company (A) | Marketable Securities Invested (B) | Relationship with the Investing Company (B is A's) | Financial Statement Account | December 31, 2010 | | | | Note |
|--------------------------------|---|--|---|-----------------------------|----------------|----------------------------|--------------------------|------|
| | | | | Shares/Units (Thousands) | Carrying Value | Percentage of Ownership | Market Value (Note 1) | |
| | Mangrove Cable TV Co., Ltd. | Related party in substance | Long-term investments - equity method | 6,248 | \$ 594,602 | 29.53 | \$ 331,427 (Note 6) | |
| | Phoenix Cable TV Co., Ltd. | Subsidiary | Long-term investments - equity method | 65,818 | 3,155,367 | 96.66 | 930,862 | |
| | Union Cable TV Co., Ltd. | Subsidiary | Long-term investments - equity method | 170,441 | 2,071,829 | 99.9998 | 1,867,082 | |
| | Globalview Cable TV Co., Ltd. | Subsidiary | Long-term investments - equity method | 51,733 | 1,243,022 | 92.38 | 620,501 | |
| | Taiwan Kuro Times Co., Ltd. | Subsidiary | Long-term investments - equity method | 667 | 54,480 | 54.988 | 29,573 | |
| Taiwan Kuro Times Co., Ltd. | <u>Stock</u> ezPeer Multimedia Limited | Subsidiary | Long-term investments - equity method | 1,522 | US\$ 1,496 | 100 | US\$ 1,496 | |
| Taiwan Fixed Network Co., Ltd. | <u>Stock</u> TFN Union Investment Co., Ltd. | Subsidiary | Long-term investments - equity method | 400 | 30,900,208 | 100 | 30,900,208 | |
| | TFN HK LIMITED | Subsidiary | Long-term investments - equity method | 1,300 | HK\$ 1,364 | 100 | HK\$ 1,364 | |
| | Taiwan High Speed Rail Corporation | - | Financial assets carried at cost - non-current | 225,531 | 2,120,829 | 3.46 | - (Note 3) | |
| TFN Union Investment Co., Ltd. | <u>Stock</u> Taiwan Mobile Co., Ltd. (the "Corporation") | The Corporation | Available-for-sale financial assets - non-current | 456,295 | 31,803,745 | 12.00 | 31,803,745 (Note 5) | |

Note 1: Based on the investee's net worth as shown in its audited financial statements if market value was not available.

Note 2: Impairment loss recognized in 2004 reduced the value to zero.

Note 3: As of January 15, 2011, the independent auditors' report date, the investee's net worth was not available.

Note 4: The Corporation's shares held by TCCI, TID and TUI (all are subsidiaries 100%-owned by TCC) are classified as treasury shares. Therefore, the Corporation's carrying cost of \$58,800,377 thousand on TCC shall be reduced by 1) downward adjusting \$31,889,100 thousand, the carrying value of total treasury shares on the Corporation's book, 2) excluding \$16,754,716 thousand unrealized gain from financial assets investment, 3) adding back \$475,907 thousand income tax expenses resulted from TFN and TFNI's disposal gain from the Corporation's shares, and 4) excluding recognition of upstream transactions gain of \$13,628 thousand.

Note 5: Based on the closing price on December 31, 2010.

Note 6 70.47% shares are held under trustee accounts.

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES
MARKETABLE SECURITIES ACQUIRED OR DISPOSED AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2010

TABLE 4
(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 | |
|--|---|---|-----------------------------------|------------------------|--------------------------|------------|--------------------------|------------|--------------------------|------------|----------------|-------------------------|--------------------------|---------------------|
| | | | | | 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. (the “Corporation”) | <u>Beneficiary certificates</u> Fubon Yield Enrichment Fund of Funds | Financial assets at fair value through profit or loss-current | - | - | - | \$ - | 20,000 | \$ 200,000 | 20,000 | \$ 194,072 | \$ 200,000 | \$ (5,928) | - | \$ - |
| | <u>Stock</u> Wealth Media Technology Co., Ltd. | Long-term investment-equity method | Wealth Media Technology Co., Ltd. | Subsidiary | 27,200 | 192,615 | 10,000 (Note 1) | 100,000 | - | - | - | - | 37,200 | 301,977 (Note 2) |
| | Taipei New Horizons Co., Ltd. | Long-term investment-equity method | Taipei New Horizons Co., Ltd. | Equity-method investee | 24,950 | 211,974 | 19,960 (Note 1) | 199,600 | - | - | - | - | 44,910 | 388,002 (Note 2) |
| Taiwan Cellular Co., Ltd. | <u>Stock</u> TCCI investment Co., Ltd. | Long-term investment-equity method | TCCI investment Co., Ltd. | Subsidiary | 2,100 | 21,092,818 | 1,850 (Note 1) | 1,850,000 | - | - | - | - | 3,950 | 26,428,349 (Note 2) |
| Taiwan Fixed Network Co., Ltd. | <u>Stock</u> New Century infocomm Technology Co., Ltd. | Financial assets Carried at cost –non-current | Yuan Cing Infocomm Tech Co., Ltd. | - | 21,890 | 187,042 | - | - | 21,890 | 238,541 | 187,042 | 51,499 | - | - |

Note 1: The shares/units and amount of marketable securities acquired do not include stock dividends from investees.

Note 2: The ending balance includes the unrealized gain or loss on financial instruments, cumulative translation adjustments, investment income or loss recognized under the equity method, and other adjustments in long-term investment using equity method.

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES
TOTAL PURCHASE FROM OR SALE TO RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2010

TABLE 5
(In Thousands of New Taiwan Dollars)

| Company Name (A) | Related Party (B) | Nature of Relationship (B is A's) | Transaction Details | | | | Transactions with Terms Different from Others | | Notes/Accounts Payable or Receivable | | Note |
|--|--|--------------------------------------|----------------------|----------------|------------|-------------------------|---|---------------|--------------------------------------|------------|----------|
| | | | Purchase/Sale | Amount | % to Total | Payment Terms | Unit Price | Payment Terms | Ending Balance | % to Total | |
| Taiwan Mobile Co., Ltd. (the "Corporation") | Taiwan Fixed Network Co., Ltd. | Subsidiary | Sale | \$ (2,216,854) | (4) | Based on contract terms | - | - | \$ 370,835 | 6 | (Note 1) |
| | | | Purchase | 2,095,107 | (Note 2) | Based on contract terms | - | - | (245,359) | (Note 3) | |
| | Taiwan Teleservices & Technologies Co., Ltd. | Subsidiary | Purchase | 841,116 | (Note 4) | Based on contract terms | - | - | (67,278) | (Note 5) | |
| Taiwan Teleservices & Technologies Co., Ltd. | The Corporation | Ultimate parent | Sale | (841,304) | (86) | Based on contract terms | - | - | 67,306 | 88 | |
| | Taiwan Fixed Network Co., Ltd. | Related party in substance | Sale | (141,464) | (14) | Based on contract terms | - | - | 9,533 | 12 | |
| Taiwan Fixed Network Co., Ltd. | The Corporation | Ultimate parent | Sale | (2,091,036) | (20) | Based on contract terms | - | - | 245,359 | 27 | |
| | | | Purchase | 2,219,511 | 33 | Based on contract terms | - | - | (370,375) | (49) | |
| | Taiwan Teleservices & Technologies Co., Ltd. | Related party in substance | Purchase | 141,464 | (Note 4) | Based on contract terms | - | - | (9,533) | (Note 5) | |
| TFN Media Co., Ltd. | Phoenix Cable TV Co., Ltd. | Subsidiary | Channel leasing fee | (484,524) | (18) | Based on contract terms | (Note 6) | (Note 6) | 2,817 | 2 | |
| | Yeong Jia Leh Cable TV Co., Ltd. | Subsidiary | Channel leasing fee | (438,024) | (16) | Based on contract terms | (Note 6) | (Note 6) | 4,279 | 3 | |
| | Union Cable TV Co., Ltd. | Subsidiary | Channel leasing fee | (227,304) | (8) | Based on contract terms | (Note 6) | (Note 6) | 1,516 | 1 | |
| | Globalview Cable Co., Ltd. | Subsidiary | Channel leasing fee | (195,349) | (7) | Based on contract terms | (Note 6) | (Note 6) | 182 | - | |
| Union Cable TV Co., Ltd. | TFN Media Co., Ltd. | Parent | Royalty of copyright | 227,304 | 62 | Based on contract terms | (Note 6) | (Note 6) | (1,516) | (24) | |
| Yeong Jia Leh Cable TV Co., Ltd. | TFN Media Co., Ltd. | Parent | Royalty of copyright | 438,024 | 62 | Based on contract terms | (Note 6) | (Note 6) | (4,279) | (26) | |
| Phoenix Cable TV Co., Ltd. | TFN Media Co., Ltd. | Parent | Royalty of copyright | 484,524 | 66 | Based on contract terms | (Note 6) | (Note 6) | (2,817) | (40) | |
| Globalview Cable Co., Ltd. | TFN Media Co., Ltd. | Parent | Royalty of copyright | 195,349 | 63 | Based on contract terms | (Note 6) | (Note 6) | (182) | (7) | |
| Mangrove Cable Co., Ltd. | Dai-Ka Ltd. | Related party in substance | Royalty of copyright | 158,359 | 61 | Based on contract terms | (Note 6) | (Note 6) | - | - | |

Note 1: The \$75,990 thousand accounts receivable amount was expressed on a gross basis in accordance with sales amount. The net accounts receivable should be \$370,835 thousand after deducting accounts payable and accrued custodial receipts/payments totaled \$294,845 thousand.

Note 2: Included operating costs and operating expenses.

Note 3: Included accounts payable and accrued expenses.

Note 4: Recognized as operating expenses.

Note 5: Recognized as accrued expenses.

Note 6: No comparables on such kind of transactions.

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES
RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2010

TABLE 6
(In Thousands of New Taiwan Dollars)

| Company Name (A) | Related Party (B) | Nature of Relationship (B is A's) | Ending Balance | Turnover Rate | Overdue | | Amount Received in Subsequent Period | Allowance for Bad Debts |
|---|--------------------------------|--------------------------------------|--------------------------------|------------------|---------|--------------|---|----------------------------|
| | | | | | Amount | Action Taken | | |
| Taiwan Mobile Co., Ltd. (the "Corporation") | Taiwan Fixed Network Co., Ltd. | Subsidiary | Accounts receivable \$ 370,835 | 6 | \$ - | - | \$ 372 | \$ - |
| | | | Other receivables 59,310 | | - | - | 10,880 | - |
| | TFN Media Co., Ltd. | Subsidiary | Other receivables 3,725,325 | | - | - | - | - |
| | Taiwan Cellular Co., Ltd. | Subsidiary | Other receivables 8,397,799 | | - | - | - | - |
| Taiwan Cellular Co., Ltd. | TFN Media Co., Ltd. | Subsidiary | Other receivables 1,814,284 | | - | - | - | - |
| | Win TV Broadcasting Co., Ltd. | Subsidiary | Other receivables 123,200 | | - | - | - | - |
| Taiwan Teleservices & Technologies Co., Ltd. | The Corporation | Ultimate parent | Accounts receivable 67,306 | 12.64 | - | - | - | - |
| | Taiwan Fixed Network Co., Ltd. | Related party in substance | Accounts receivable 9,533 | 13.62 | - | - | - | - |
| Taiwan Fixed Network Co., Ltd. | The Corporation | Ultimate parent | Accounts receivable 245,359 | 7.75 | - | - | 534 | - |
| | | | Other receivables 6,917,553 | | - | - | 141,172 | - |
| Phoenix Cable TV Co., Ltd. | TFN Media Co., Ltd. | Parent | Accounts receivable 7,819 | 10.74 | - | - | - | - |
| | | | Other receivables 582,167 | | - | - | - | - |
| Union Cable TV Co., Ltd. | TFN Media Co., Ltd. | Parent | Accounts receivable 9,753 | 4.74 | - | - | - | - |
| | | | Other receivables 595,143 | | - | - | - | - |
| Globalview Cable TV Co., Ltd. | TFN Media Co., Ltd. | Parent | Accounts receivable 3,647 | 8.2 | - | - | - | - |
| | | | Other receivables 220,152 | | - | - | - | - |
| Yeong Jia Leh Cable TV Co., Ltd. | TFN Media Co., Ltd. | Parent | Accounts receivable 9,735 | 8.59 | - | - | - | - |
| | | | Other receivables 313,509 | | - | - | - | - |

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES
NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
FOR THE YEAR ENDED DECEMBER 31, 2010

TABLE 7

(In Thousands of New Taiwan Dollars or stated otherwise)

| Investor | Investee | Location | Main Businesses and Products | Investment Amount | | Balance as of December 31, 2010 | | | Net Income (Loss) of the Investee | Investment Income (Loss) | Note |
|--|--|--|--|-------------------|-------------------|---------------------------------|-------------------------|------------------------|-----------------------------------|--------------------------|------|
| | | | | December 31, 2010 | December 31, 2009 | Shares (Thousands) | Percentage of Ownership | Carrying Value | | | |
| Taiwan Mobile Co., Ltd. (the “Corporation”) | Taiwan Cellular Co., Ltd. | Taipei, Taiwan | Telecom engineering and IT service | \$ 37,558,330 | \$ 37,558,330 | 30,000 | 100 | \$ 10,618,840 (Note 1) | \$ 3,678,672 | \$ 3,672,572 | |
| | Taipei New Horizons Co., Ltd. | Taipei, Taiwan | Real Estate Rental and Sale | 449,100 | 249,500 | 44,910 | 49.9 | 388,002 | (47,238) | (23,572) | |
| | Wealth Media Technology Co., Ltd. | Taipei, Taiwan | Investment | 372,000 | 272,000 | 37,200 | 100 | 301,977 | 9,491 | 9,491 | |
| Wealth Media Technology Co., Ltd. | Tai Fu Media Technology Co., Ltd. | Taipei, Taiwan | Investment | 270,000 | 270,000 | 27,000 | 100 | 200,769 | 9,721 | NA | |
| | Taiwan Win TV Broadcasting Co., Ltd. | Taipei, Taiwan | TV program producing | 10,000 | - | 16 | 100 | 9,912 | (88) | NA | |
| Tai Fu Media Technology Co., Ltd. | Global Wealth Media Technology Co., Ltd. | Xizhi Dist., New Taipei City, Taiwan | Investment | 84,000 | 84,000 | 8,400 | 100 | 89,937 | 5,174 | NA | |
| | Fu Jia Leh Media Technology Co., Ltd. | Taipei, Taiwan | Investment | 1,700 | 1,700 | 100 | 100 | 767 | (201) | NA | |
| | Fu Sin Media Technology Co., Ltd. | Taipei, Taiwan | Investment | 135,000 | 135,000 | 13,500 | 100 | 141,279 | 5,398 | NA | |
| | Global Forest Media Technology Co., Ltd. | Taipei, Taiwan | Investment | 1,000 | 1,000 | 100 | 100 | 643 | (138) | NA | |
| Global Wealth Media Technology Co., Ltd. | Globalview Cable TV Co., Ltd. | Xizhi Dist., New Taipei City, Taiwan | Cable TV service provider | 91,691 | 90,099 | 3,815 | 6.813 | 93,667 | 80,477 | NA | |
| Fu Sin Media Technology Co., Ltd. | Phoenix Cable TV Co., Ltd. | Kaohsiung County, Taiwan | Cable TV service provider | 133,358 | 133,358 | 2,272 | 3.34 | 132,411 | 168,255 | NA | |
| Global Forest Media Technology Co., Ltd. | Union Cable TV Co., Ltd. | Yilan County, Tawian | Cable TV service provider | 4 | - | 326 shares | 0.0002 | 4 | 132,143 | NA | |
| Taiwan Cellular Co., Ltd. | TWM Holding Co. Ltd. | British Virgin Islands | Investment | US\$ 10,800 | US\$ 10,800 | 1 share | 100 | US\$ 8,575 | US\$ 66 | NA | |
| | Taiwan Fixed Network Co., Ltd. | Taipei, Taiwan | Fixed line service provider | 21,000,000 | 21,000,000 | 2,100,000 | 100 | 38,286,597 | 2,054,662 | NA | |
| | Taiwan Digital Communication Co., Ltd. | Taipei, Taiwan | Telecom engineering and IT service | 12,000 | 12,000 | 1,200 | 100 | 11,604 | 654 | NA | |
| | TCC Investment Co., Ltd. | Taipei, Taiwan | Investment | 22,301,000 | 20,451,000 | 3,950 | 100 | 26,428,349 | 1,608,730 | NA | |
| | Taiwan Teleservices & Technologies Co., Ltd. | Taipei, Taiwan | Call center service and ISR (international simple resales) | 10,000 | 10,000 | 1,000 | 100 | 80,947 | 40,966 | NA | |
| | (Note 3) | | | | | | | | | | |
| TWM Holding Co. Ltd. | TWM Communications (Beijing) Ltd. | Beijing, China | Mobile application development and design | US\$ 4,936 | US\$ 4,936 | - | 100 | US\$ 4,028 | US\$ 62 | NA | |
| Taiwan Teleservices & Technologies Co., Ltd. | TT&T Holdings Co., Ltd. | Samoa | Investment | US\$ 1,300 | US\$ 1,300 | 1,300 | 100 | US\$ 1,383 | US\$ (68) | NA | |
| | Taiwan Super Basketball Co., Ltd. | Taipei, Taiwan | Basketball team management | 20,000 | 20,000 | 2,000 | 100 | 20,083 | 73 | NA | |
| TT&T Holdings Co., Ltd. | Xiamen Taifu Teleservices & Technologies Co., Ltd. | Xiamen, China | Call center service | US\$ 1,300 | US\$ 1,300 | - | 100 | US\$ 1,356 | US\$ (89) | NA | |
| TCC Investment Co., Ltd. | Win TV Broadcasting Co., Ltd. | Taipei, Taiwan | TV program provider | 188,047 | 179,047 | 18,177 | 100 | 275,809 | 79,122 | NA | |
| | TFN Media Co., Ltd. | Taipei, Taiwan | Cable broadband and value added service provider | 2,035,714 | 2,035,714 | 230,526 | 100 | 2,384,676 | 1,676,454 | NA | |
| | TCCI Investment and Development Co., Ltd. | Taipei, Taiwan | Investment | 6,629,149 | 6,629,149 | 400 | 100 | 8,996,439 | (17) | NA | |
| TFN Media Co., Ltd. | Yeong Jia Leh Cable TV Co., Ltd. | Xinzhuang Dist., New Taipei City, Taiwan | Cable TV service provider | 1,616,824 | 1,616,824 | 33,940 | 100 | 2,114,721 | 147,207 | NA | |
| | Mangrove Cable TV Co., Ltd | Danshui Dist., New Taipei City, Taiwan | Cable TV service provider | 397,703 | 397,703 | 6,248 (Note 2) | 29.53 | 594,602 | 92,740 | NA | |
| | Phoenix Cable TV Co., Ltd. | Kaohsiung County, Taiwan | Cable TV service provider | 2,294,967 | 2,294,967 | 65,818 | 96.66 | 3,155,367 | 168,255 | NA | |
| | Union Cable TV Co., Ltd. | Yilan County, Taiwan | Cable TV service provider | 1,904,436 | 1,904,440 | 170,441 | 99.9998 | 2,071,829 | 132,143 | NA | |
| | Globalview Cable TV Co., Ltd. | Xizhi Dist., New Taipei City, Taiwan | Cable TV service provider | 841,413 | 841,413 | 51,733 | 92.38 | 1,243,022 | 80,477 | NA | |
| | Taiwan Kuro Times Co., Ltd. | Taipei, Taiwan | The platform of music supplied | 63,900 | - | 667 | 54.988 | 54,480 | (15,719) | NA | |
| Taiwan Kuro Times Co., Ltd. | ezPeer Multimedia Limited | Samoa | Investment | US\$ 1,522 | - | 1,522 | 100 | US\$ 1,496 | US\$ (26) | NA | |
| Taiwan Fixed Network Co., Ltd. | TFN Union Investment Co., Ltd. | Taipei, Taiwan | Investment | 22,769,109 | 22,769,109 | 400 | 100 | 30,900,208 | (17) | NA | |
| | TFN HK LIMITED | Hong Kong | Telecommunications service provider | HK\$ 1,300 | HK\$ 1,300 | 1,300 | 100 | HK\$ 1,364 | HK\$ 558 | NA | |

Note 1: The Corporation’s shares held by TCCI, TID and TUI (all are subsidiaries 100%-owned by TCC) are classified as treasury shares. Therefore, the Corporation’s carrying cost of \$58,800,377 thousand on TCC shall be reduced by 1) downward adjusting \$31,889,100 thousand, the carrying value of total treasury shares on the Corporation’s book, 2) excluding \$16,754,716 thousand unrealized gain from financial assets investment, 3) adding back \$475,907 thousand income tax expenses resulted from TFN and TFNI’s disposal gain from the Corporation’s shares, and 4) excluding recognition of upstream transactions gain of \$13,628 thousand.

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

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

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES
INVESTMENT IN MAINLAND CHINA
FOR THE YEARS ENDED DECEMBER 31, 2010

TABLE 8
(In Thousands of New Taiwan Dollars or U.S. Dollars)

| Investee Company Name | Main Businesses and Products | Total Amount of Paid-in Capital | Investment Type | Accumulated Outflow of Investment from Taiwan as of January 1, 2010 | Investment Flows | | Accumulated Outflow of Investment from Taiwan as of December 31, 2010 | % Ownership of Direct or Indirect Investment | Investment Gain (Loss) (Note 3) | Carrying Value as of June 30, 2010 | Accumulated Inward Remittance of Earnings as of December 31, 2010 |
|--|---|---------------------------------|---|---|------------------|--------|---|---|---------------------------------|------------------------------------|---|
| | | | | | Outflow | Inflow | | | | | |
| Xiamen Taifu Teleservices & Technologies Co., Ltd. | Call center service | US\$ 1,300 (NT\$ 39,282) | Indirect investment in Mainland China through a third place by the Corporation's subsidiary, Taiwan Teleservices & Technologies Co., Ltd. | US\$ 1,300 (NT\$ 39,282) | \$ - | \$ - | US\$ 1,300 (NT\$ 39,282) | 100% ownership of indirect investment by the Corporation's subsidiary | (US\$ 89) (NT\$ (2,689)) | US\$ 1,356 (NT\$ 40,974) | \$ - |
| TWM Communications (Beijing) Ltd. | Mobile application development and design | US\$ 3,000 (NT\$ 90,651) | Indirect investment in Mainland China through a third place by the Corporation's subsidiary, Taiwan Cellular Co., Ltd. | US\$ 4,872 (NT\$ 147,217) | - | - | US\$ 4,872 (NT\$ 147,217) | 100% ownership of indirect investment by the Corporation's subsidiary | US\$ 62 (NT\$ 1,873) | US\$ 4,028 (NT\$ 121,714) | - |

| Accumulated Investment in Mainland China as of June 30, 2010 | Investment Amounts Authorized by Investment Commission, MOEA (Note 2) | Upper Limit on Investment Authorized by Investment Commission, MOEA (Note 2) |
|--|---|--|
| US\$1,300 (NT\$39,282) | US\$1,300 (NT\$39,282) | \$80,947 |
| US\$4,872 (NT\$147,217) | US\$4,872 (NT\$147,217) | \$58,800,377 |

Note 1: The above amounts were translated into New Taiwan dollars at the exchange rate of US\$1 = NT\$30.217, and RMB1 = NT\$4.5626 as of December 31, 2010.

Note 2: The indirect investment made by Taiwan Teleservices & Technologies Co., Ltd. and Taiwan Cellular Co., Ltd., subsidiaries of the Corporation.

Note 3: Calculation was based on audited financial statements.

SCHEDULE 1

TAIWAN MOBILE CO., LTD.
CASH AND CASH EQUIVALENTS
DECEMBER 31, 2010
(In Thousands of New Taiwan Dollars)

| Item | Due Date | Amount |
|--|---------------------|----------------------------|
| Government bonds with repurchase rights | 2011.1.04/2011.1.07 | \$ 1,885,059 |
| Time deposits | | |
| US\$1,250,115.81 (exchange rate at US\$1=NT\$30.217) | | 37,775 |
| NTD | | 1,400,000 |
| | | <u>1,437,775</u> |
| Cash in banks | | |
| Foreign-currency deposits | | |
| EUR1,562.97 (exchange rate at EUR1=NT\$40.065) | | 62 |
| US\$1,334,776.98(exchange rate at US\$1=NT\$30.217) | | 40,333 |
| Checking deposits | | 2,756 |
| Demand deposits | | 257,333 |
| | | <u>300,484</u> |
| Short-term notes and bills with repurchase rights | 2011.1.07 | <u>200,024</u> |
| Cash on hand | | <u>50,514</u> |
| Revolving funds | | <u>7,025</u> |
| | | <u><u>\$ 3,880,881</u></u> |

SCHEDULE 2

TAIWAN MOBILE CO., LTD.
ACCOUNTS RECEIVABLE
DECEMBER 31, 2010
(In Thousands of New Taiwan Dollars)

| <u>Client</u> | <u>Amount</u> |
|--------------------------------------|----------------------------|
| Related parties | |
| Taiwan Fixed Network Co., Ltd. | \$ 75,990 |
| Other (Note) | 9,833 |
| | <u>85,823</u> |
| Third parties | |
| Chunghwa Telecom Co., Ltd. | 623,356 |
| Other (Note) | 5,237,241 |
| | <u>5,860,597</u> |
| Less allowance for doubtful accounts | <u>(367,025)</u> |
| | <u>5,493,572</u> |
| | <u>\$ 5,579,395</u> |

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

TAIWAN MOBILE CO., LTD.
OTHERS RECEIVABLES
DECEMBER 31, 2010
(In Thousands of New Taiwan Dollars)

| Item | Amount |
|-----------------------------------|-----------------------------|
| Receivable for financing provided | \$ 12,143,000 |
| Other (Note) | 479,282 |
| | <u>\$ 12,622,282</u> |

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

TAIWAN MOBILE CO., LTD.
CHANGES IN INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD
YEAR ENDED DECEMBER 31, 2010
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| | | Beginning Balance | | Increase | | Decrease | | Adjustments | Ending Balance | | | Market Price |
|-----------------------------------|---------|-------------------|---------------------|----------|----------------|----------|------------------|------------------|----------------|-----------|-------------------|-----------------|
| | Par | Thousand | Amount | Thousand | Amount | Thousand | Amount | on Equity | Thousand | % of | Amount | or Net |
| | Value | Shares | Amount | Shares | (Note 1) | Shares | (Note 2) | Method | Shares | Ownership | Amount | Asset Value |
| | | | | | | | | (Note 3) | | | | (Notes 4 and 5) |
| Taiwan Cellular Co., Ltd. | NT\$ 10 | 30,000 | 9,353,920 | - | - | - | 2,383,941 | 3,648,861 | 30,000 | 100 | 10,618,840 | 58,800,377 |
| Taipei New Horizons Co., Ltd. | 10 | 24,950 | 211,974 | 19,960 | 199,600 | - | - | (23,572) | 44,910 | 49.9 | 388,002 | 388,002 |
| Wealth Media Technology Co., Ltd. | 10 | 27,200 | 192,615 | 10,000 | 100,000 | - | - | 9,362 | 37,200 | 100 | 301,977 | 301,977 |
| Total | | | \$ 9,758,509 | | 299,600 | | 2,383,941 | 3,634,651 | | | 11,308,819 | |

Note 1: The increase in equity-method investment included the following:

| | |
|-----------------------------------|-------------------|
| Taipei New Horizons Co., Ltd. | \$ 199,600 |
| Wealth Media Technology Co., Ltd. | 100,000 |
| | \$ 299,600 |

Note 2: The decrease in equity-method investments included the following:

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

Note 3: Other adjustment from evaluation included the following:

| | |
|---|---------------------|
| a. Recognized investment income from investees | \$ 3,658,491 |
| b. Recognized changes in cumulative translation adjustment of investees | (17,727) |
| c. Recognized changes in net loss not recognized as pension cost of investees | (6,898) |
| d. Recognized changes in paid-in capital of investees | 785 |
| | \$ 3,634,651 |

Note 4: The net asset value of Taiwan Cellular Co., Ltd., Taipei New Horizons Co., Ltd. and Wealth Media Technology Co., Ltd. were calculated based on audited financial statements as of December 31, 2010.

Note 5: None of the above investments were provided as collateral.

TAIWAN MOBILE CO., LTD.
CHANGES IN PROPERTY AND EQUIPMENT
YEAR ENDED DECEMBER 31, 2010
(In Thousands of New Taiwan Dollars)

| | Beginning Balance | Changes for the Period | | | Ending Balance |
|--|----------------------------|------------------------|------------------|--------------------|--------------------------|
| | | Increase | Decrease | Reclassification | |
| Cost | | | | | |
| Land | \$ 3,866,289 | - | - | 113,548 | 3,979,837 |
| Buildings | 2,385,587 | - | - | 63,029 | 2,448,616 |
| Telecommunication equipment | 57,715,923 | 37,818 | 5,239,468 | 3,808,861 | 56,323,134 |
| Office equipment | 32,600 | - | 24,534 | 1,311 | 9,377 |
| Leased assets | 1,285,920 | - | - | - | 1,285,920 |
| Miscellaneous equipment | 2,561,030 | 543 | 395,201 | 281,838 | 2,448,210 |
| | <u>67,847,349</u> | <u>38,361</u> | <u>5,659,203</u> | <u>4,268,587</u> | <u>66,495,094</u> |
| Accumulated depreciation | | | | | |
| Buildings | 392,953 | 46,865 | - | 14,599 | 454,417 |
| Telecommunication equipment | 28,394,030 | 6,471,232 | 3,995,604 | (4,618) | 30,865,040 |
| Office equipment | 21,298 | 4,107 | 20,152 | - | 5,253 |
| Leased assets | 485,455 | 65,151 | - | - | 550,606 |
| Miscellaneous equipment | 1,141,148 | 577,865 | 358,449 | 4,618 | 1,365,182 |
| | <u>30,434,884</u> | <u>7,165,220</u> | <u>4,374,205</u> | <u>14,599</u> | <u>33,240,498</u> |
| Construction in progress and advance payments | <u>1,620,547</u> | <u>4,306,272</u> | <u>792</u> | <u>(4,092,009)</u> | <u>1,834,018</u> |
| Accumulated impairment | | | | | |
| Land | - | - | - | 52,902 | 52,902 |
| Building | - | - | - | 21,327 | 21,327 |
| | <u>-</u> | <u>-</u> | <u>-</u> | <u>74,229</u> | <u>74,229</u> |
| Net property and equipment | <u>\$39,033,012</u> | | | | <u>35,014,385</u> |

Note 1: The total insurance for property, equipment, and assets leased to others amounted to \$25,111,620 thousand.

Note 2: The increase of the construction in progress and advance payments included capitalized interests amounting to \$7,753 thousand.

SCHEDULE 6

TAIWAN MOBILE CO., LTD.
NON-OPERATING ASSETS
DECEMBER 31, 2010
(In Thousands of New Taiwan Dollars)

| | <u>Cost</u> | <u>Accumulated Depreciation</u> | <u>Net Carrying Value</u> |
|-----------------------------|---------------------|-------------------------------------|-------------------------------|
| Assets leased to others | | | |
| Land | \$ 1,585,016 | - | 1,585,016 |
| Buildings | 774,921 | (146,810) | 628,111 |
| | <u>\$ 2,359,937</u> | <u>(146,810)</u> | 2,213,127 |
| Deferred charges, net | | | 210 |
| | | | 2,213,337 |
| Less accumulated impairment | | | (10,591) |
| | | | <u>\$ 2,202,746</u> |
| Idle assets | | | |
| Land | \$ 65,871 | - | 65,871 |
| Buildings | 38,322 | (9,094) | 29,228 |
| Telecommunication equipment | 51,578 | (15,650) | 35,928 |
| | <u>\$ 155,771</u> | <u>(24,744)</u> | 131,027 |
| Less allowance for losses | | | (35,929) |
| Less accumulated impairment | | | (30,276) |
| | | | <u>\$ 64,822</u> |

SCHEDULE 7

TAIWAN MOBILE CO., LTD.
SHORT-TERM BORROWINGS
DECEMBER 31, 2010
(In Thousands of New Taiwan Dollars)

| Bond Type and Creditor | Financing Period | Interest Rate | Amount | Credit Line | Mortgage Guarantee |
|---|--|--------------------------|---------------------|------------------------|-------------------------------|
| Unsecured loans | | | | | |
| Bank of Taiwan | December 23, 2010 ~January 28, 2011 | 0.75~0.82 | \$ 1,400,000 | 5,000,000 | None |
| Hua Nan Commercial Bank | December 31, 2010 ~January 28, 2011 | 0.69 | 900,000 | 2,250,000 | None |
| Simo Pac Commercial Bank | December 31, 2010 ~January 28, 2011 | 0.75 | 500,000 | 2,000,000 | None |
| Australian and New Zealand Banking Group Limited | December 31, 2010 ~January 28, 2011 | 0.85 | 200,000 | 2,000,000 | None |
| | | | 3,000,000 | 11,250,000 | |
| Other-related parties | | | | | |
| Taiwan Fixed Network Co., Ltd. | July 29, 2010 ~July 28, 2011 | 0.893 | 6,645,000 | 9,000,000 | None |
| | | | <u>\$ 9,645,000</u> | <u>20,250,000</u> | |

TAIWAN MOBILE CO., LTD.
ACCOUNTS PAYABLE
DECEMBER 31, 2010
(In Thousands of New Taiwan Dollars)

| Suppliers | Amount |
|---------------------------------------|----------------------------|
| National Communication Commission | \$ 1,684,005 |
| Synnex Technology international Corp. | 489,205 |
| Other (Note) | 566,723 |
| | <u><u>\$ 2,739,933</u></u> |

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

SCHEDULE 9

TAIWAN MOBILE CO., LTD.
ACCRUED EXPENSES
DECEMBER 31, 2010
(In Thousands of New Taiwan Dollars)

| <u>Nature</u> | <u>Amount</u> |
|--|----------------------------|
| Salaries and bonuses | \$ 1,188,797 |
| Commissions | 749,488 |
| Bonus to directors, supervisors, and employees | 403,117 |
| Professional service fees | 400,772 |
| Radio base stations related expenses | 291,967 |
| Other (Note) | 1,437,359 |
| | <u><u>\$ 4,471,500</u></u> |

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

SCHEDULE 10

TAIWAN MOBILE CO., LTD.
OTHER PAYABLES
DECEMBER 31, 2010
(In Thousands of New Taiwan Dollars)

| Item | Amount |
|---|----------------------------|
| Payable for equipment and constructions | \$ 1,488,348 |
| Other(Note) | 2,860,498 |
| | <u><u>\$ 4,348,846</u></u> |

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

SCHEDULE 11

TAIWAN MOBILE CO., LTD.
OPERATING REVENUES
YEAR ENDED DECEMBER 31, 2010
(In Thousands of New Taiwan Dollars)

| Item | Amount |
|---------------------------------------|-----------------------------|
| Telecom service revenues | |
| Monthly access fee and activation fee | \$ 20,425,965 |
| Airtime usage | 19,748,113 |
| Interconnection revenue (Note 1) | 14,827,805 |
| | 55,001,883 |
| Other operating revenues (Note 2) | 3,545,402 |
| | <u><u>\$ 58,547,285</u></u> |

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

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

TAIWAN MOBILE CO., LTD.
OPERATING COSTS
YEAR ENDED DECEMBER 31, 2010
(In Thousands of New Taiwan Dollars)

| <u>Item</u> | <u>Amount</u> |
|---|-----------------------------|
| Telecom service costs | |
| Interconnection cost (Note 1) | \$ 8,948,295 |
| Cost of goods sold | 8,057,934 |
| Depreciation | 6,591,479 |
| Leased-line charges | 2,297,309 |
| Rents | 1,612,408 |
| 2G concession fee and 3G license amortization | 1,542,486 |
| Maintenance materials and constructions | 882,492 |
| Administrative and utilities expense of radio base stations | 875,806 |
| Frequency usage fee | 513,604 |
| Other (Note 2) | 1,486,899 |
| | <u><u>\$ 32,808,712</u></u> |

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

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

TAIWAN MOBILE CO., LTD.
OPERATING EXPENSES
YEAR ENDED DECEMBER 31, 2010
(In Thousands of New Taiwan Dollars)

| Item | Marketing | Administrative | Total |
|---------------------------|---------------------|-----------------------|-------------------|
| Commissions | \$ 4,757,218 | - | 4,757,218 |
| Salaries and pension | 855,025 | 1,047,485 | 1,902,510 |
| Professional service fees | 1,197,483 | 224,957 | 1,422,440 |
| Service charges | 147,905 | 475,075 | 622,980 |
| Depreciation | 13,146 | 560,595 | 573,741 |
| Bad debts | - | 434,310 | 434,310 |
| Advertising | 374,323 | 50,965 | 425,288 |
| Maintenance | 44,474 | 195,142 | 239,616 |
| Other (Note) | 941,331 | 718,573 | 1,659,904 |
| | \$ 8,330,905 | 3,707,102 | 12,038,007 |

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

Taiwan Mobile Co., Ltd. and Subsidiaries
Consolidated Financial Statements for the
Years Ended December 31, 2010 and 2009, and
Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated balance sheet of Taiwan Mobile Co., Ltd. (the "Corporation") and subsidiaries as of December 31, 2010, and the related consolidated statements of income, changes in shareholders' equity and cash flows for the year then ended. These consolidated 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. The consolidated financial statements of Taiwan Mobile Co., Ltd. as of December 31, 2009, and for the year then ended have been audited by other auditors, who have issued an audit report dated January 20, 2010, expressed an unqualified audit report.

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 consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Taiwan Mobile Co., Ltd. and subsidiaries as of December 31, 2010, and the consolidated results of its operations and its consolidated cash flows for the year then ended, in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and accounting principles generally accepted in the Republic of China.

KPMG
Taipei, Taiwan (the Republic of China)
January 15, 2011

Notice to Readers

The accompanying consolidated 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 consolidated financial statements are those generally accepted and applied in the Republic of China.

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2010 AND 2009
(In Thousands of New Taiwan Dollars, Except Par Value)

| | 2010 | | 2009 | |
|---|----------------------|------------|-------------------|------------|
| | Amount | % | Amount | % |
| ASSETS | | | | |
| CURRENT ASSETS | | | | |
| Cash and cash equivalents (Notes 2, 4(a), 4(s) and 5) | \$ 6,049,330 | 7 | 2,999,036 | 3 |
| Available-for-sale financial assets - current (Notes 2, 4(b) and 4(s)) | 201,322 | - | 177,821 | - |
| Notes receivable (Note 4(s)) | 45,277 | - | 68,498 | - |
| Accounts receivable, net (Notes 2, 4(c) and 4(s)) | 6,455,465 | 8 | 6,637,930 | 8 |
| Accounts receivable - related parties (Notes 2, 4(s) and 5) | 132,642 | - | 163,998 | - |
| Other receivables (Note 4(s)) | 524,087 | 1 | 319,201 | - |
| Inventories (Note 2) | 1,131,628 | 1 | 472,058 | 1 |
| Prepayments (Note 5) | 676,375 | 1 | 682,562 | 1 |
| Deferred income tax assets - current (Notes 2 and 4(q)) | 10,060 | - | 29,132 | - |
| Pledged time deposits (Notes 4(s), 5 and 6) | 1,100 | - | 10,000 | - |
| Other current assets | 15,106 | - | 3,944 | - |
| Total current assets | 15,242,392 | 18 | 11,564,180 | 13 |
| INVESTMENTS | | | | |
| Investments accounted for using the equity method (Notes 2 and 4(d)) | 388,002 | - | 211,974 | - |
| Financial assets carried at cost - non-current (Notes 2, 4(e) and 4(s)) | 2,308,709 | 3 | 2,498,980 | 3 |
| Bonds measured at amortized cost - non-current (Notes 2, 4(f) and 4(s)) | 500,000 | 1 | 500,000 | 1 |
| Total investments | 3,196,711 | 4 | 3,210,954 | 4 |
| PROPERTY AND EQUIPMENT (Notes 2 and 4(g)) | | | | |
| Cost | | | | |
| Land | 6,302,821 | 7 | 6,097,370 | 7 |
| Buildings | 4,061,567 | 5 | 3,924,993 | 5 |
| Telecommunication equipment | 61,822,603 | 72 | 62,730,071 | 73 |
| Office equipment | 95,342 | - | 148,627 | v |
| Leased assets | 1,285,920 | 2 | 1,285,920 | 1 |
| Miscellaneous equipment | 2,776,007 | 3 | 2,786,282 | 3 |
| | 76,344,260 | 89 | 76,973,263 | 89 |
| Less accumulated depreciation | (35,235,653) | (41) | (32,660,164) | (38) |
| Less accumulated impairment-property | (74,229) | - | - | - |
| Construction in progress and prepayments for equipment | 2,579,615 | 3 | 2,230,518 | 3 |
| Net property and equipment | 43,613,993 | 51 | 46,543,617 | 54 |
| INTANGIBLE ASSETS (Note 2) | | | | |
| 3G concession license | 5,981,673 | 7 | 6,729,382 | 8 |
| Computer software cost | 46,948 | - | 71,471 | - |
| Goodwill (Note 4(h)) | 10,514,683 | 12 | 10,485,941 | 12 |
| Customer relationship (Note 4(h)) | 2,336,978 | 3 | 2,511,760 | 3 |
| Operating rights (Note 4(h)) | 1,395,031 | 2 | 1,382,000 | 2 |
| Other intangible assets | 76,886 | - | 33,184 | - |
| Total intangible assets | 20,352,199 | 24 | 21,213,738 | 25 |
| OTHER ASSETS | | | | |
| Assets leased to others (Notes 2, 4(i) and 5) | 298,891 | - | 438,611 | 1 |
| Idle assets (Notes 2 and 4(i)) | 154,412 | - | 311,726 | - |
| Refundable deposits (Note 4(s)) | 400,186 | - | 388,391 | - |
| Deferred charges (Note 2) | 403,430 | - | 421,839 | 1 |
| Deferred income tax assets - non-current (Notes 2 and 4(q)) | 1,135,264 | 2 | 1,631,570 | 2 |
| Other (Notes 2, 4(l), 4(o), 5, and 6) | 686,722 | 1 | 161,489 | - |
| Total other assets | 3,078,905 | 3 | 3,353,626 | 4 |
| TOTAL | \$ 85,484,200 | 100 | 85,886,115 | 100 |

| | 2010 | | 2009 | |
|--|----------------------|------------|-------------------|------------|
| | Amount | % | Amount | % |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | | |
| CURRENT LIABILITIES | | | | |
| Short-term borrowings (Notes 4(j) and 4(s)) | \$ 3,203,000 | 4 | 6,800,000 | 8 |
| Short-term notes and bills payable (Notes 4(k) and 4(s)) | 499,732 | - | 799,638 | 1 |
| Notes payable (Note 4(s)) | 232,299 | - | 277,571 | - |
| Accounts payable (Notes 4(s) and 5) | 3,423,611 | 4 | 2,599,859 | 3 |
| Income taxes payable (Notes 4(q) and 4(s)) | 1,387,348 | 2 | 1,665,244 | 2 |
| Accrued expenses (Note 4(s)) | 5,564,242 | 6 | 5,640,613 | 7 |
| Other payables (Notes 2 and 4(s)) | 5,001,640 | 6 | 4,321,341 | 5 |
| Advance receipts (Note 4(l)) | 3,370,888 | 4 | 2,057,643 | 2 |
| Guarantee deposits -current (Note 4(s)) | 65,194 | - | 60,624 | - |
| Other current liabilities | 483,699 | 1 | 524,869 | 1 |
| Total current liabilities | 23,231,653 | 27 | 24,747,402 | 29 |
| LONG-TERM LIABILITIES | | | | |
| Bonds payable (Notes 4(m) and 4(s)) | 8,000,000 | 9 | 8,000,000 | 9 |
| Long-term borrowings (Notes 4(n) and 4(s)) | 2,300,000 | 3 | - | - |
| Total long-term liabilities | 10,300,000 | 12 | 8,000,000 | 9 |
| OTHER LIABILITIES | | | | |
| Guarantee deposits (Note 4(s)) | 314,672 | - | 324,243 | - |
| Deferred income tax liability - non-current (Notes 2 and 4(q)) | 153,486 | - | 125,956 | - |
| Other (Note 2) | 584,971 | 1 | 605,405 | 1 |
| Total other liabilities | 1,053,129 | 1 | 1,055,604 | 1 |
| Total liabilities | 34,584,782 | 40 | 33,803,006 | 39 |
| SHAREHOLDERS' EQUITY (Notes 2 and 4(p)) | | | | |
| Parent's shareholders' equity | | | | |
| Cpaital stock-NT\$10 par value | 38,009,254 | 44 | 38,009,254 | 44 |
| Authorized:6,000,000 thousand shares ; Issued:3,800,925 thousand shares | | | | |
| Capital surplus | | | | |
| From convertible bonds | 8,775,819 | 10 | 8,775,819 | 10 |
| From treasury stock transactions | 3,639,302 | 5 | 3,639,302 | 5 |
| From long-term investments | 4,528 | - | 3,743 | - |
| Other | 12,840 | - | 12,840 | - |
| Retained earnings | | | | |
| Legal reserve | 15,332,799 | 18 | 13,943,913 | 16 |
| Special reserve | 821,741 | 1 | 3,350,000 | 4 |
| Unappropriated earnings | 16,088,941 | 19 | 16,155,617 | 19 |
| Other equity | | | | |
| Cumulative translation adjustments | (5,716) | - | 12,011 | - |
| Net loss not recognized as pension cost | (10,695) | - | (3,797) | - |
| Unrealized gains on financial instruments | 89,842 | - | 63,624 | - |
| Treasury stock | (31,889,100) | (37) | (31,889,100) | (37) |
| | 50,869,555 | 60 | 52,073,226 | 61 |
| Minority interest | 29,863 | - | 9,883 | - |
| Total shareholders' equity | 50,899,418 | 60 | 52,083,109 | 61 |
| Commitments and Contingencies(Note 7) | | | | |
| TOTAL | \$ 85,484,200 | 100 | 85,886,115 | 100 |

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

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2010 AND 2009
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

| | 2010 | | 2009 | |
|---|----------------------|-------------------|-------------------|-------------------|
| | Amount | % | Amount | % |
| OPERATING REVENUES (Notes 2 and 5) | \$ 70,146,004 | 100 | 68,470,232 | 100 |
| OPERATING COSTS (Notes 2, 5, and 10) | 38,162,363 | 54 | 33,209,461 | 48 |
| GROSS PROFIT | 31,983,641 | 46 | 35,260,771 | 52 |
| OPERATING EXPENSES (Notes 2, 5, and 10) | | | | |
| Marketing | 9,160,136 | 13 | 10,056,904 | 15 |
| Administrative | 4,515,794 | 7 | 4,755,733 | 7 |
| Total operating expenses | 13,675,930 | 20 | 14,812,637 | 22 |
| OPERATING INCOME | 18,307,711 | 26 | 20,448,134 | 30 |
| NON-OPERATING INCOME AND GAINS | | | | |
| Income from penalty charge | 285,470 | 1 | 265,387 | 1 |
| Rental income (Notes 2 and 5) | 61,849 | - | 71,453 | - |
| Gain on disposal of investments (Note 4(e)) | 51,499 | - | - | - |
| Gain on disposal of property and equipment (Note 2) | 47,731 | - | 27,605 | - |
| Interest income | 42,471 | - | 16,501 | - |
| Dividend income | 13,318 | - | 10,405 | - |
| Other (Note 2) | 237,178 | - | 204,780 | - |
| Total non-operating income and gains | 739,516 | 1 | 596,131 | 1 |
| NON-OPERATING EXPENSES AND LOSSES | | | | |
| Loss on disposal and retirement of property and equipment (Note 2) | 1,465,392 | 2 | 1,627,693 | 3 |
| Interest expenses (Notes 2, 4(g), and 11) | 319,501 | 1 | 561,364 | 1 |
| Investment loss recognized under the equity method (Notes 2 and 4(d)) | 25,768 | - | 37,526 | - |
| Financial charges | 22,877 | - | 24,578 | - |
| Impairment loss (Notes 2 and 4(e)) | 3,229 | - | 16,188 | - |
| Loss on disposal of investments | - | - | 49,044 | - |
| Other | 109,138 | - | 81,541 | - |
| Total non-operating expenses and losses | 1,945,905 | 3 | 2,397,934 | 4 |
| INCOME BEFORE INCOME TAX | 17,101,322 | 24 | 18,646,331 | 27 |
| INCOME TAX EXPENSES (Notes 2 and 4(q)) | 3,283,544 | 4 | 4,755,815 | 7 |
| CONSOLIDATED NET INCOME | \$ 13,817,778 | 20 | 13,890,516 | 20 |
| ATTRIBUTED TO | | | | |
| Shareholders of the parent | \$ 13,822,186 | 20 | 13,888,862 | 20 |
| Minority interest | (4,408) | - | 1,654 | - |
| | \$ 13,817,778 | 20 | 13,890,516 | 20 |
| | Before | After | Before | After |
| | Income Tax | Income Tax | Income Tax | Income Tax |
| EARNINGS PER SHARE (Note 4(r)) | | | | |
| Basic | \$ 5.48 | 4.62 | 6.09 | 4.66 |
| Diluted | \$ 5.47 | 4.61 | 6.07 | 4.65 |

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

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2010 AND 2009
(In Thousands of New Taiwan Dollars)

| | Retained earnings | | | | | | Other equity | | | | | |
|--|----------------------|--------------------|-------------------|--------------------|---------------------|-------------------|--|---|--|---------------------|----------------------|----------------------------------|
| | Capital Stock | Capital Surplus | Legal Reserve | Special Reserve | Unappro- priated | Total | Cumulative Translation Adjustments | Net loss Not Recognized as Pension cost | Unrealized Gain (Losses) on Financial Instruments | Treasury Stock | Minority Interest | Total Shareholders' Equity |
| BALANCE, JANUARY 1, 2009 | \$ 38,009,254 | 12,297,839 | 12,406,775 | 3,406,744 | 17,716,013 | 33,529,532 | 17,840 | 2,862 | (5,897) | (32,948,832) | 33,935 | 50,936,533 |
| Appropriation of the 2008 earnings | | | | | | | | | | | | |
| Legal reserve | - | - | 1,537,138 | - | (1,537,138) | - | - | - | - | - | - | - |
| Reversal of special reserve | - | - | - | (56,744) | 56,744 | - | - | - | - | - | - | - |
| Cash dividends - NT\$4.68704 per share | - | - | - | - | (13,968,864) | (13,968,864) | - | - | - | - | - | (13,968,864) |
| Balance after appropriation | 38,009,254 | 12,297,839 | 13,943,913 | 3,350,000 | 2,266,755 | 19,560,668 | 17,840 | 2,862 | (5,897) | (32,948,832) | 33,935 | 36,967,669 |
| Consolidated net income in 2009 | - | - | - | - | 13,888,862 | 13,888,862 | - | - | - | - | 1,654 | 13,890,516 |
| Unrealized loss on financial instruments, net | - | - | - | - | - | - | - | - | (52,695) | - | - | (52,695) |
| Compensation cost recognized from employee stock options | - | 134,541 | - | - | - | - | - | - | - | - | - | 134,541 |
| Transfer of treasury stock to employees | - | (3,254) | - | - | - | - | - | - | - | 1,059,732 | - | 1,056,478 |
| Adjustments on change of equity in equity-method investments | - | 2,578 | - | - | - | - | (5,829) | (6,659) | 122,216 | - | - | 112,306 |
| Cash dividends paid to minority interests by subsidiaries | - | - | - | - | - | - | - | - | - | - | (592) | (592) |
| Decrease in minority interest | - | - | - | - | - | - | - | - | - | - | (25,114) | (25,114) |
| BALANCE, DECEMBER 31, 2009 | 38,009,254 | 12,431,704 | 13,943,913 | 3,350,000 | 16,155,617 | 33,449,530 | 12,011 | (3,797) | 63,624 | (31,889,100) | 9,883 | 52,083,109 |
| Appropriation of the 2009 earnings | | | | | | | | | | | | |
| Legal reserve | - | - | 1,388,886 | - | (1,388,886) | - | - | - | - | - | - | - |
| Reversal of special reserve | - | - | - | (2,528,259) | 2,528,259 | - | - | - | - | - | - | - |
| Cash dividends - NT\$5.02783 per share | - | - | - | - | (15,028,235) | (15,028,235) | - | - | - | - | - | (15,028,235) |
| Balance after appropriation | 38,009,254 | 12,431,704 | 15,332,799 | 821,741 | 2,266,755 | 18,421,295 | 12,011 | (3,797) | 63,624 | (31,889,100) | 9,883 | 37,054,874 |
| Consolidated net income in 2010 | - | - | - | - | 13,822,186 | 13,822,186 | - | - | - | - | (4,408) | 13,817,778 |
| Unrealized gain on financial instruments, net | - | - | - | - | - | - | - | - | 26,218 | - | - | 26,218 |
| Adjustments on change of equity in equity-method investments | - | 785 | - | - | - | - | (17,727) | (6,898) | - | - | - | (23,840) |
| Cash dividends paid to minority interests by subsidiaries | - | - | - | - | - | - | - | - | - | - | (323) | (323) |
| Control effect of the acquisition of subsidiaries | - | - | - | - | - | - | - | - | - | - | 30,865 | 30,865 |
| Decrease in minority interest | - | - | - | - | - | - | - | - | - | - | (6,154) | (6,154) |
| BALANCE, DECEMBER 31, 2010 | \$ 38,009,254 | 12,432,489 | 15,332,799 | 821,741 | 16,088,941 | 32,243,481 | (5,716) | (10,695) | 89,842 | (31,889,100) | 29,863 | 50,899,418 |

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

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2010 AND 2009
(In Thousands of New Taiwan Dollars)

| | <u>2010</u> | <u>2009</u> |
|---|-------------------|-------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Consolidated net income | \$ 13,817,778 | 13,890,516 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation | 8,062,576 | 7,754,522 |
| Loss on disposal and retirement of property and equipment, net | 1,417,661 | 1,600,088 |
| Amortization | 1,094,436 | 1,089,051 |
| Deferred income taxes | 542,908 | 1,023,505 |
| Bad debts | 456,476 | 605,708 |
| Loss (gain) on disposal of investments | (51,499) | 49,044 |
| Investment loss recognized under the equity method | 25,768 | 37,526 |
| Provision (reversal) of allowance for loss on inventories | 24,857 | (10,983) |
| Pension cost | 4,696 | (12,860) |
| Impairment loss | 3,229 | 16,188 |
| Compensation cost recognized from employee stock options | - | 134,541 |
| Other | 4,705 | 9,215 |
| Changes in operating assets and liabilities | | |
| Notes receivable | 23,223 | (1,909) |
| Accounts receivable, net | (258,731) | (874,448) |
| Accounts receivable – related parties | 31,356 | 69,031 |
| Other receivables | (206,970) | 104,424 |
| Long-term capital lease receivables | (27,593) | (4,463) |
| Inventories | (684,742) | (97,414) |
| Prepayments | 39,835 | 140,969 |
| Other current assets | (11,135) | 8,709 |
| Notes payable | (48,486) | 92,908 |
| Accounts payable | 806,885 | (229,624) |
| Income taxes payable | (753,804) | (1,133,108) |
| Accrued expenses | (102,774) | (227,393) |
| Other payables | 514,955 | 8,928 |
| Advance receipts | 1,309,559 | (187,652) |
| Other current liabilities | (41,641) | 95,853 |
| Net cash provided by operating activities | <u>25,993,528</u> | <u>23,950,872</u> |

(Continued)

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)
YEARS ENDED DECEMBER 31, 2010 AND 2009
(In Thousands of New Taiwan Dollars)

| | 2010 | 2009 |
|---|---------------------|---------------------|
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Acquisition of property and equipment | (6,196,382) | (6,673,566) |
| Proceeds from disposal of financial assets carried at cost | 238,541 | - |
| Increase in investments accounted for using the equity method | (199,600) | - |
| Increase in deferred charges | (121,892) | (220,214) |
| Proceeds from disposal of idle assets | 92,787 | 952 |
| Acquisition of subsidiaries | (74,492) | (18,282) |
| (Increase) decrease in other assets | (51,685) | 10,176 |
| Decrease in pledged time deposits | 13,379 | 5,358 |
| Increase in computer software costs and other intangible assets | (12,101) | (14,922) |
| (Increase) decrease in refundable deposits | (11,795) | 5,047 |
| Proceeds from investees' capital reduction | 2,717 | 5,356 |
| Proceeds from disposal of property and equipment | 887 | 9,663 |
| Proceeds from disposal of available-for-sale financial assets | - | 139,259 |
| Net cash used in investing activities | (6,319,636) | (6,751,173) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Cash dividends paid | (15,028,201) | (13,968,840) |
| (Decrease) increase in short-term borrowings | (3,597,000) | 6,800,000 |
| Increase in long-term borrowings | 2,300,000 | 2,500,000 |
| (Decrease) increase in short-term notes and bills payable | (299,906) | 799,638 |
| Decrease in guarantee deposits | (5,000) | (29,545) |
| Cash dividends paid to minority interest | (323) | (592) |
| Decrease in long-term borrowings | - | (7,700,000) |
| Decrease in bonds payable | - | (7,500,000) |
| Transfer of treasury stock to employees | - | 1,056,478 |
| Capital return to minority interest | - | (21,401) |
| Net cash used in financing activities | (16,630,430) | (18,064,262) |
| EFFECT OF EXCHANGE RATE CHANGES | (14,014) | (4,463) |
| ACQUISITION OF CASH AND CASH EQUIVALENT FOR SUBSIDIARIES | 20,846 | - |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 3,050,294 | (869,026) |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | 2,999,036 | 3,868,062 |
| CASH AND CASH EQUIVALENTS, END OF YEAR | \$ 6,049,330 | 2,999,036 |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION | | |
| Interest paid | \$ 273,193 | 470,605 |
| Less interest capitalized | 7,753 | 16,685 |
| Interest paid - excluding interest capitalized | \$ 265,440 | 453,920 |
| Income tax paid | \$ 2,980,613 | 4,869,494 |
| CASH INVESTING AND FINANCING ACTIVITIES | | |
| Acquisition of property and equipment | \$ 6,345,918 | 6,244,641 |
| Decrease in notes payable | - | 1,842 |
| Increase in accrued expenses | (137) | (395) |
| (Increase) decrease in other payables | (169,834) | 402,160 |
| Decrease in other liabilities - other | 20,435 | 25,318 |
| Cash paid for acquisition of property and equipment | \$ 6,196,382 | 6,673,566 |

(Continued)

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)
YEARS ENDED DECEMBER 31, 2010 AND 2009

(In Thousands of New Taiwan Dollars)

The Corporation acquired 9.988% of Taiwan Kuro Times Co., Ltd.'s shares, which added up to a total of 54.988% on September 1, 2010. The fair values of the assets and liabilities upon acquisition were as follows:

| | |
|---|-------------------------|
| Cash | \$ 20,846 |
| Receivables | 18,102 |
| Prepayments | 18,835 |
| Other current assets | 2,002 |
| Investments accounted for using the equity method | 48,600 |
| Property and equipment | 955 |
| Intangible assets | 14,334 |
| Other assets | <u>1,366</u> |
| | <u>125,040</u> |
| Payables | 52,104 |
| Advance receipts | 3,686 |
| Other current liabilities | 447 |
| Other liabilities | <u>232</u> |
| | <u>56,469</u> |
| Net | 68,571 |
| Percentage of equity interest | 54.988% |
| | <u>37,706</u> |
| Add: Goodwill | 24,907 |
| Less: Fair value of 45% stake owned before tender offer (including the purchase price of shares, NT\$53,100 thousand, and investment loss recognized under the equity method from May 2, 2010.) | <u>(51,813)</u> |
| Cash paid for acquisition of Taiwan Kuro Times Co., Ltd. | <u><u>\$ 10,800</u></u> |

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

(Concluded)

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. ORGANIZATION AND OPERATIONS

Taiwan Mobile Co., Ltd. was incorporated in the Republic of China (ROC) on February 25, 1997. The Corporation's shares began to be traded on the ROC Over-the-Counter Securities Exchange (known as GreTai Securities Market) on September 19, 2000. On August 26, 2002, the Corporation's shares were listed on the Taiwan Stock Exchange. The Corporation mainly renders wireless communication services.

The Corporation's services are under the type I license issued by the Directorate General of Telecommunications (DGT) of the ROC. The license allows the Corporation to provide services for 15 years from 1997 onwards. The license had been extended to June 2017 by the order No. 09900111921 issued by the Ministry Of Transportation And Communications on November 25, 2010. 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, 2010 and 2009, the Corporation and subsidiaries had 4,498 and 4,416 employees, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying consolidated financial statements have been prepared in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and accounting principles generally accepted in the ROC. In conformity with the above, the Corporation and subsidiaries (hereinafter referred to as the "Group") are required to make certain estimates and assumptions that could affect the amounts of allowance for doubtful accounts, provision for losses on decline in value of inventories, depreciation, pension, allowance for deferred income tax assets, bonus to employees, remuneration to directors and supervisors, impairment loss on assets, etc. Actual results may differ from these estimates.

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

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

Consolidation

a. Basis of consolidation

The consolidated financial statements have been prepared in accordance with Statement of Financial Accounting Standards (SFAS) No. 7, "Consolidated Financial Statements," and include the financial statements of the Corporation, its direct and indirect subsidiaries with at least 50% shareholding, and other investees controlled by the Corporation. If the Corporation obtains the majority of the shareholders' equity of a subsidiary during the year, the Corporation starts to consolidate the related revenues and expenses of the subsidiary from the date of obtaining the controlling interest.

For foreign subsidiaries using their local currency as their functional currency, assets and liabilities are translated at exchange rates in effect on the balance sheet date; shareholders' equity accounts are translated using historical exchange rates, and income statement accounts are translated using average exchange rates during the period.

All significant intercompany balances and transactions have been eliminated upon consolidation.

b. Under the above basis of consolidation, the consolidated entities were as follows:

| Investor | Subsidiary | Main Business and Products | Percentage of Direct Ownership as of December 31 | | Note |
|-------------|---|---------------------------------------|--|--------|-------------------------------|
| | | | 2010 | 2009 | |
| Corporation | Wealth Media Technology Co., Ltd. (WMT) | Investment | 100.00 | 100.00 | - |
| WMT | Tai Fu Media Technology Co., Ltd. (TFMT) | Investment | 100.00 | 100.00 | - |
| WMT | Taiwan Win TV Broadcasting Co., Ltd. (TWTV) | Entertainment | 100.00 | - | Established on April 14, 2010 |
| TFMT | Global Wealth Media Technology Co., Ltd. (GWMT) | Investment | 100.00 | 100.00 | - |
| TFMT | Fu Jia Leh Media Technology Co., Ltd. (FJLMT) | Investment | 100.00 | 100.00 | - |
| TFMT | Fu Sin Media Technology Co., Ltd. (FSMT) | Investment | 100.00 | 100.00 | - |
| TFMT | Global Forest Media Technology Co., Ltd. (GFMT) | Investment | 100.00 | 100.00 | - |
| GWMT | Globalview Cable TV Co., Ltd. (GCTV) | Cable TV SO (System Operator) | 6.813 | 6.694 | - |
| FSMT | Phoenix Cable TV Co., Ltd. (PCTV) | Cable TV SO (system Operator) | 3.34 | 3.34 | - |
| GFMT | Union Cable TV Co., Ltd. (UCTV) | Cable TV SO (System Operator) | 0.0002 | - | - |
| Corporation | Taiwan Cellular Co., Ltd. (TCC) | Equipment installation and IT service | 100.00 | 100.00 | - |

(Continued)

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

| Investor | Subsidiary | Main Business and Products | Percentage of Direct Ownership as of December 31 | | Note |
|-------------|---|---|--|--------|---|
| | | | 2010 | 2009 | |
| TCC | Tai Yi Digital Broadcasting Co., Ltd. (TYDB) | Broadcasts business and cell phone number agency | - | - | Liquidated on February 28, 2009 |
| TCC | Taiwan Fixed Network Co., Ltd. (TFN) | Fixed network service | 100.00 | 100.00 | - |
| TCC | Taiwan Digital Communications Co., Ltd. (TDC) | Equipment installation and IT service | 100.00 | 100.00 | - |
| TCC | TCC Investment Co., Ltd. (TCCI) | Investment | 100.00 | 100.00 | Established on August 10, 2009 |
| | | | | | As of December 31, 2010, TCCI, TID and TUI collectively owned 811,918 thousand shares of the Corporation representing 21.36% of total outstanding shares. |
| TCCI | TCCI Investment & Development Co., Ltd. (TID) | Investment | 100.00 | 100.00 | Established on September 22, 2009 |
| TCCI | Win TV Broadcasting Co., Ltd. (WTVB) | TV program producing | 100.00 | 98.50 | (Note 1) |
| TCCI | TFN Media Co., Ltd. (TFNM) | Cable broadband service | 100.00 | 100.00 | (Note 1) |
| TFNM | UCTV | Cable TV SO (System Operator) | 99.9998 | 99.99 | - |
| TFNM | Yeong Jia Leh Cable TV Co., Ltd. (YJCTV) | Cable TV SO (System Operator) | 100.00 | 100.00 | - |
| TFNM | Mangrove Cable TV Co., Ltd. (MCTV) | Cable TV SO (System Operator) | 29.53 | 29.53 | Another 70.47% shares were held under trustee accounts |
| TFNM | PCTV | Cable TV SO (System Operator) | 96.66 | 96.66 | - |
| TFNM | GCTV | Cable TV SO (System Operator) | 92.38 | 92.38 | - |
| TFNM | Shin Ho Cable TV Co., Ltd. (SHCTV) | Cable TV SO (System Operator) | - | 30.15 | Liquidated on December 1, 2009. Another 69.85% shares were held under trustee accounts. |
| TFNM | Taiwan Kuro Times Co., Ltd. (TKT) | The platform of musics supplied | 54.988 | - | TFNM acquired more than 50% equity and consolidated TKT into financial statements since September 1, 2010. |
| TKT | ezPeer Multimedia Limited. (ezPeer Samoa) | Investment | 100.00 | - | - |
| TCC | TWM Holding Co., Ltd. (TWM Holding) | Investment | 100.00 | 100.00 | - |
| TWM Holding | TWM Communications (Beijing) Ltd. (formerly named Hurray! Times Communications (Beijing) Ltd.) (TWMC) | Mobile application development and design | 100.00 | 100.00 | - |
| TCC | Taiwan Teleservices & Technologies Co., Ltd. (TT&T) | Call center service and international simple resale (ISR) | 100.00 | - | (Note 2) |
| (Continued) | | | | | |
| TT&T | Taiwan Super Basketball | Basketball team | 100.00 | 100.00 | - |

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

| Investor | Subsidiary | Main Business and Products | Percentage of Direct Ownership as of December 31 | | Note |
|---------------|---|--|--|--------|--|
| | | | 2010 | 2009 | |
| | Co., Ltd. (TSB) | management and related business | | | |
| TT&T | TT&T Holdings Co., Ltd. (TT&T Holdings) | Investment | 100.00 | 100.00 | - |
| TT&T Holdings | Xiamen Taifu Teleservices & Technologies Co., Ltd. | System integration, management, analysis, and development of CRM application and information consulting services | 100.00 | 100.00 | - |
| TFN | TFN HK LIMITED | Telecommunications | 100.00 | 100.00 | - |
| TFN | Taiwan Teleservices & Technologies Co., Ltd. (TT&T) | Call center service and international simple resale (ISR) | - | 100.00 | (Note 2) |
| TFN | TFN Union Investment Co., Ltd. (TUI) | Investment | 100.00 | 100.00 | Established on September 22, 2009 |
| TFN | TFN Investment Co., Ltd. (TFNI) | Investment | - | - | Merged into TCCI on September 19, 2009 |
| TFNI | Reach & Range Inc. (R&R) | Telecom equipment sales and maintenance | - | - | Merged into TFN on May 1, 2009 |

(Concluded)

Note 1: Became a subsidiary of TCCI, which merged with TFNI on September 19, 2009.

Note 2: Became a subsidiary of TCC, which purchased 100% of the shares of TT&T from TFN on May 14, 2010.

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

The Group'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 of 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.

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

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

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

Allowance for Doubtful Accounts

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

Inventories

Inventories are recorded at weighted-average cost. Before January 1, 2009, inventories were stated at the lower of the cost or market value. Market value was evaluated on the basis of replacement cost or net realizable value. Effective from January 1, 2009, however, inventories are stated at the lower of cost or net realizable value. When comparing cost and net realizable value, inventories are evaluated by individual items.

Investments Accounted for Using the Equity Method

Long-term investments in which the Group 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.

In accordance with a newly revised Statement of Financial Accounting Standards (SFAS), the cost of acquisition is subjected to an initial analysis, and goodwill represents the excess of the cost of acquisition over the fair value of the identifiable net asset value. Goodwill is no longer amortized. If the fair value of identifiable net assets acquired exceeds the cost of investments, the excess should be assigned to non-current assets (except for financial assets not under 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 asset value is no longer amortized, and this accounting treatment also applies to goodwill.

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

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

Financial Assets Carried at Cost

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

Bonds Measured at Amortized Cost

Bond portfolios with fixed or determinable payments and with no quoted prices in an active market are carried at amortized cost using the effective interest method. These bond portfolios are initially recognized at fair value plus transaction costs that are directly attributable to the acquisition or the issuance of the financial assets. Profit or loss is recognized at the time of derecognized, impairment or amortization. A regular purchase or sale of financial assets is recognized and de-recognized using trade date accounting.

If there is any objective evidence of impairment loss as of the balance sheet date, impairment loss should be recognized. If the impairment loss decreases, and the decrease can be related objectively to an event occurring after impairment loss recognition, the impairment loss should be reversed. However, the increased carrying value of an asset due to impairment loss reversal should not exceed the carrying value that would have (net of amortization) had no impairment loss recognized for the asset in prior years.

Property and Equipment, and Assets Leased to Others

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

For cost associated with dismantling and relocating fixed assets and restoring the leased premises housing our fixed assets to the previous state should be recognized as an addition to the fixed assets and accrued as a potential liability accordingly, based on the Interpretation No. 2008-340 issued by the Accounting Research and Development Foundation (ARDF) in November 2008.

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

Depreciation is calculated using the straight-line method over the estimated service lives, which range as follows: buildings - 20 to 55 years; telecommunication equipment - 2 to 15 years; office equipment - 3 to 8 years; leased assets - 20 years; and miscellaneous equipment - 3 to 9 years.

Upon sale or retirement of property and equipment, the related cost and accumulated depreciation are removed from the accounts, and any gain or loss is credited or charged to non-operating gain or loss in the period of disposal.

Accounting for Leases

In accordance with SFAS No. 2, "Accounting for Leases," a lease is identified as either an operating lease or a capital lease, based on the lease contract terms, the collectability of the leasehold, and the un-reimbursable costs to be incurred by the lessor.

The asset held under an operating lease is stated at cost and depreciated on the straight-line basis over the estimated useful life. Receivables collected are periodically recognized as rental income during the lease contract.

At the inception date of a capital lease, total leasehold receivables shall be recognized as all rental receivables plus the pre-determined bargain purchase price offered to the lessee upon maturity or estimated residual value. For a sales-type capital lease, sales revenue should be recognized as the sum of present value derived from each future rental receivable based on an implicit interest rate of the lease. The excess of total leasehold receivables over sales revenue should be deferred as unrealized interest income and amortized as interest income by the effective interest method upon each collection. For a financing-type of capital lease, leasehold receivables should be recognized as the sum of present value derived from each future rental receivable based on an implicit interest rate of the lease. The excess of total leasehold receivables over the present value of leasehold receivables should be deferred as unrealized interest income and amortized as interest income by the effective interest method upon each collection.

Intangible Assets

a. Franchise

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

b. Computer software

Computer software cost is amortized by the straight-line method over 3 to 5 years.

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

c. Goodwill

Goodwill is the unidentifiable difference between the cost of acquisition and the equity in the investee's net asset value. In accordance with the newly revised SFAS, goodwill is no longer amortized. Please refer to the accounting policy of investments accounted for by the equity method.

d. Customer relationship and operating rights

The customer relationship and operating rights shall be identified when analyzing the excess of acquisition cost over the ownership in net assets value of an investee, and be booked at fair values provided by the purchase price allocation report.

Customer relationship and operating rights are measured on the basis of the future economic value and the useful life of the subsidiaries' cable TV and data network businesses. Customer relationship is amortized by straight-line method over 6 to 20 years. Operating rights is based on a license issued by the Ministry of Transportation and Communications. Although the license has a statutory period, the subsidiary can file for license renewal. Furthermore, it does not have a definite useful life in the light of future competition from IPTV. Thus, this intangible asset should be tested annually for impairment instead of being amortized in accordance with SFAS No. 37. An impairment test is also required if there is evidence of operating rights impairment due to certain circumstances.

Operating rights refer to the payment for acquiring the membership and related business about on-line music downloading. The operating rights are recorded at acquisition cost and are amortized by straight-line method over 5 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, mainly interior decoration costs, are amortized by the straight-line method over 2 to 5 years.

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

Asset Impairment

If the carrying value of assets (including property and equipment, intangible assets, idle assets, assets leased to others and investments accounted for using equity method and deferred charges) is more than its recoverable amount, which indicates that an impairment exists, an impairment loss should be recognized. Any subsequent reversal of the impairment loss for the increase in recoverable amount is recognized as income. The reversal of impairment loss on goodwill is not allowed.

Share-based Compensation

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

Pension Costs

The pension costs under the defined benefit pension plan are recognized on the basis of actuarial calculations. The contribution amounts of the pension costs under the defined contribution pension plan are recognized as current expenses during the employees' service years.

Income Taxes

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

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

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

Income tax of 10% on unappropriated earnings generated is provided for as income tax in the year when the shareholders resolve to retain the earnings.

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

Treasury Stock

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

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

Foreign-currency Transactions

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

Monetary assets or liabilities denominated in foreign currencies are translated at the exchange rates prevailing 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 at 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 from the retranslation of non-monetary assets and liabilities in respect of which gains and losses are recognized directly in equity. For such non-monetary assets and liabilities, any exchange component of that gain or loss is also recognized directly in equity. Non-monetary assets or liabilities carried at cost that are denominated in foreign currencies are translated at the historical rates prevailing at the dates of transactions.

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

Revenue Recognition

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

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

Service revenues from wireless services, value-added services, and fixed network services, net of any applicable discount, are billed at predetermined rates; the fixed-monthly fees on the basic cable TV services are accrued; 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

Derivatives that qualify as effective hedging instruments are measured at fair value, with subsequent changes in fair value recognized either in earning or shareholders' equity, depending on the nature of the hedge.

Hedge Accounting

When hedge accounting is applied, gain or loss from changes in the fair value of the derivatives (hedging instruments) shall be offset by that of financial assets or liabilities (hedged position).

Because the Corporation entered into interest rate swaps (IRS) contracts to hedge against cash flow risk from inverse floating interest rates of liabilities, it was qualified to apply hedge accounting. The accounting treatment is as follows: Gain or loss from changes in the fair value of the derivatives, which is recognized in shareholder's equity, shall be reclassified in earnings, if gain or loss from the expected transaction of the hedged position occurs. When there is any objective evidence that the net loss recognized in shareholders' equity is expected to be unrecoverable, the mentioned net loss should be reclassified as earnings as well.

3. EFFECTS OF CHANGES IN ACCOUNTING PRINCIPLES : None

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

4. SUMMARY OF MAJOR ACCOUNTS

a. Cash and cash equivalents

| | December 31 | |
|---|---------------------|------------------|
| | 2010 | 2009 |
| Government bonds with repurchase rights | \$ 3,531,684 | 1,580,638 |
| Time deposits | 1,641,870 | 347,350 |
| Cash in banks | 615,175 | 838,313 |
| Short-term notes and bills with repurchase rights | 200,024 | 202,000 |
| Cash on hand | 50,634 | 22,239 |
| Revolving funds | 9,943 | 8,496 |
| | \$ 6,049,330 | 2,999,036 |

b. Available-for-sale financial assets – current

| | December 31 | |
|----------------------------|--------------------|----------------|
| | 2010 | 2009 |
| Domestic listed stocks | | |
| Chunghwa Telecom Co., Ltd. | \$ 201,322 | 177,821 |

c. Accounts receivable, net

| | December 31 | |
|--------------------------------------|---------------------|------------------|
| | 2010 | 2009 |
| Accounts receivable | \$ 6,841,321 | 7,057,849 |
| Less allowance for doubtful accounts | (385,856) | (419,919) |
| | \$ 6,455,465 | 6,637,930 |

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

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

d. Investments accounted for using the equity method

| | December 31 | | | |
|-------------------------------------|--------------------|---------------|-----------------|---------------|
| | 2010 | | 2009 | |
| | Carrying | % of | Carrying | % of |
| | Value | Owner- | Value | Owner- |
| | | ship | | ship |
| Taipei New Horizons Co., Ltd. (TNH) | \$ 388,002 | 49.9 | 211,974 | 49.9 |

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

TNH is established to invest in a property development project located in the old Songshan Tobacco Factory site. On January 15, 2009, TNH signed a 50-year BOT contract with Taipei City Government.

On January 25, 2010, TNH's Board of Directors resolved to increase TNH's capital by \$500,000 thousand, divided into 50,000 thousand shares with par value of \$10 per share, with record date of December 1, 2010. On November 19, 2010, TNH's Board of Directors resolved to adjust the above-mentioned TNH's capital by \$400,000 thousand, divided into 40,000 thousand shares with par value of \$10 per share. The Corporation subscribed for the shares based on the proportion of the share holding which remains 49.9%.

(2) Taiwan Kuro Times Co., Ltd. (TKT)

The subsidiary of the Corporation, TFNM, acquired 45% of the TKT's shares in May, 2010. On September 1, 2010, it added up to 54.988% of the TKT's shares. The Corporation recognized investment loss of \$2,196 thousand from May 2 to August 31, on its investment in the TKT and TKT's subsidiaries.

(3) Equity in investees' losses

The carrying value of the investments under the equity method and the related investment losses were determined on the basis of audited financial statements.

The Corporation's investment losses were as follows:

| | December 31 | |
|-----|--------------------|---------------|
| | 2010 | 2009 |
| TNH | \$ 23,572 | 37,526 |
| TKT | 2,196 | - |
| | \$ 25,768 | 37,526 |

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

e. Financial assets carried at cost — non-current

| | December 31 | |
|---|---------------------|------------------|
| | 2010 | 2009 |
| Domestic emerging stocks | | |
| Taiwan High Speed Rail Corporation | \$ 2,120,829 | 2,120,829 |
| Domestic unlisted stocks | | |
| Arcoa Communication Co., Ltd. | 67,731 | 67,731 |
| Great Taipei Broadband Co., Ltd. | 42,845 | 46,074 |
| Parawin Venture Capital Corp. | 20,207 | 20,207 |
| WEB Point Co., Ltd. | 6,773 | 6,773 |
| New Century Information Tech. Co., Ltd. | - | 187,042 |
| Foreign unlisted stocks | | |
| Bridge Mobile Pte Ltd. | 50,324 | 50,324 |
| | \$ 2,308,709 | 2,498,980 |

Because there is no active market quotation and a reliable fair value cannot be estimated, the above investments are measured at cost. An impairment loss of \$3,229 thousand and \$16,188 thousand were recognized for the years ended December 31, 2010 and 2009, respectively.

In August, 2010, TFN, a subsidiary of the Corporation, sold the stock of New Century Information Tech. Co., Ltd. for \$238,541 thousand. The book value of the stock was \$187,042 thousand, and the gain on disposal of investments was \$51,499 thousand.

f. Bonds measured at amortized cost — non-current

| | December 31 | |
|--|--------------------|----------------|
| | 2010 | 2009 |
| Taiwan High Speed Rail Corporation - unlisted convertible preferred stock - series A | \$ 500,000 | 500,000 |

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

g. Property and equipment — accumulated depreciation

| | December 31 | |
|-----------------------------|----------------------|-------------------|
| | 2010 | 2009 |
| Buildings | \$ 700,021 | 595,463 |
| Telecommunication equipment | 32,439,642 | 30,273,020 |
| Office equipment | 48,756 | 65,726 |
| Leased assets | 550,606 | 485,455 |
| Miscellaneous equipment | 1,496,628 | 1,240,500 |
| | \$ 35,235,653 | 32,660,164 |

Capitalized interests for the years ended December 31, 2010 and 2009, were \$7,753 thousand and \$16,685 thousand, respectively, with capitalization rates ranging from 1.56%-2.88% and 2.4%-2.76%, respectively.

h. Intangible assets

| | Year Ended December 31, 2010 | | |
|---------------------------------|-------------------------------------|------------------------------|-------------------------|
| | Goodwill | Customer Relationship | Operating Rights |
| <u>Cost</u> | | | |
| Beginning balance | \$ 10,485,941 | 2,511,760 | 1,382,000 |
| Add: | | | |
| Acquired from merger | 30,541 | - | 14,334 |
| Effect of exchange rate changes | (1,799) | - | - |
| Amortization | - | (174,782) | (1,303) |
| Ending balance | \$ 10,514,683 | 2,336,978 | 1,395,031 |

| | Year Ended December 31, 2009 | | |
|---|-------------------------------------|------------------------------|-------------------------|
| | Goodwill | Customer Relationship | Operating Rights |
| <u>Cost</u> | | | |
| Beginning balance | \$ 10,485,048 | 2,686,541 | 1,382,000 |
| Add: | | | |
| Acquired from merger | 3,742 | - | - |
| Adjustment in contingent consideration of acquisition transaction | (2,371) | - | - |
| Effect of exchange rate changes | (478) | - | - |
| Amortization | - | (174,781) | - |
| Ending balance | \$ 10,485,941 | 2,511,760 | 1,382,000 |

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

(1) Customer relationship and operating rights

Under SFAS No. 25 “Accounting for Business Combinations” and No. 37 “Accounting for Intangible Assets,” the Group should measure the fair value of the acquired assets and identify major intangible assets as well as the amortization periods.

- (a) On April 17, 2007, TFN, the Corporation’s 100%-owned subsidiary, acquired more than 50% of the former TFN through a public tender offer at the price of NT\$8.3 per share. The Corporation divided the former TFN and its subsidiaries into two cash-generating units, fixed network service and cable television business. Accordingly, customer relationship and operating rights are identified as major intangible assets.
- (b) Taiwan United Communication Co., Ltd. (TUC) was established on April 14, 2007, and was merged into TFN on January 1, 2008. In September 2007, TUC, the Corporation’s 100% owned subsidiary, acquired more than 50% of Taiwan Telecommunication Network Services Co., Ltd. (TTN) shares at NT\$13.843 per share. TTN was merged into TFN on August 1, 2008. The Corporation measured the fair value of the acquired assets and viewed TTN’s ISP services as one cash-generating unit. Accordingly, customer relationship is identified as major intangible asset.

The Corporation’s subsidiary, TKT, acquired the membership and related business about on-line music downloading from Darling Digital Co., Ltd. As of December 31, 2010, the carrying amounts after amortization is NT\$13,031 thousand.

(2) Goodwill

In conformity with SFAS No. 35, “Accounting for Asset Impairment,” the Group identified the smallest identifiable group of cash-generating units by years and entities as follows:

The Group’s members, which were engaged in mobile or wireless phone services, fixed network services, and the cable television business, were viewed as separate, independent cash-generating units. Thus, the recoverable amounts of the operating assets and goodwill were evaluated by business type, and the critical assumptions used for this evaluation were as follows:

(a) Wireless service

(i) Assumptions on operating revenues

After taking changes in the telecom industry and competitive landscape into consideration, operating revenues were estimated on the basis of the projected changes in subscriber numbers, minutes of incoming and outgoing calls, and average revenue per minute.

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

(ii) Assumptions on operating costs and expenses

The estimates of activation commissions and customer retention costs were based on the projected changes in subscriber numbers. The estimates of remaining costs and expenses were based on the proportion of the actual costs and expenses to operating revenues.

(iii) Assumptions on discount rate

In 2010 and 2009, the discount rate used to calculate the asset recoverable amounts of the Corporation was 7.47% and 8.50%, respectively.

(b) Fixed network service

(i) Assumptions on operating revenues

After taking changes in the telecom industry and competitive landscape into consideration, operating revenues were estimated on the basis of the types of data transmission and bandwidth on demand.

(ii) Assumptions on operating costs and expenses

The costs and expenses were based on the proportion of the actual costs and expenses to operating revenues.

(iii) Assumptions on discount rate

In 2010 and 2009, the discount rates were 7.54% and 8.31%, respectively, in calculating the asset recoverable amounts of TFN.

(c) Cable television business

(i) Assumptions on operating revenues

After taking changes in the cable television industry and competitive landscape into consideration, operating revenues were estimated on the basis of the projected changes in subscriber numbers and average revenue per subscriber.

(ii) Assumptions on operating costs and expenses

The estimates of commissions, customer service costs, and bill processing costs were based on the projected changes in subscriber numbers. The estimates of remaining costs and expenses were based on the proportion of the actual costs and expenses to operating revenues.

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

(iii) Assumptions on discount rate

The discount rates used to calculate the asset recoverable amounts for each System Operation was ranging from 3.70% to 8.00% and from 2.90% to 6.42% in 2010 and 2009, respectively.

Based on the key assumptions of each cash-generating unit, the Group's management believes that the carrying amounts of these assets for operating and goodwill will not exceed their recoverable amounts even if there are changes in the critical assumptions used to estimate recoverable amounts as long as these changes are reasonable for the years ended December 31, 2010 and 2009.

i. Assets leased to others and idle assets

| | December 31 | |
|----------------------------------|--------------------|----------------|
| | 2010 | 2009 |
| Assets leased to others | | |
| Cost | \$ 328,992 | 471,664 |
| Less accumulated depreciation | (19,510) | (22,462) |
| Less accumulated impairment | (10,591) | (10,591) |
| | \$ 298,891 | 438,611 |
| Idle assets | | |
| Cost | \$ 245,361 | 517,137 |
| Less allowance for value decline | (35,928) | (35,929) |
| Less accumulated depreciation | (24,745) | (43,053) |
| Less accumulated impairment | (30,276) | (126,429) |
| | \$ 154,412 | 311,726 |

j. Short-term borrowings

| | December 31 | |
|-----------------|---------------------|------------------|
| | 2010 | 2009 |
| Unsecured loans | \$ 3,203,000 | 6,800,000 |
| Interest rate | 0.69%~1.56% | 0.57%~0.60% |

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

k. Short-term notes and bills payable

| | December 31 | |
|---|---------------------------|---------------------------|
| | 2010 | 2009 |
| Commercial paper payable | | |
| China Bills Finance Corporation | \$ 500,000 | - |
| International Bills Finance Corporation | - | 500,000 |
| Grand Bills Finance Corporation | - | 300,000 |
| Less discount on short-term notes and bills payable | (268) | (362) |
| Net carrying value | \$ 499,732 | 799,638 |
| Interest rate | 0.46% | 0.27%~0.33% |
| Period | 2010.12.31~ 2011.01.28 | 2009.12.10~ 2010.01.29 |

l. Advance receipts

In accordance with NCC's policy, the Corporation entered into a contract with First Commercial Bank Co., Ltd., which provided performance guarantee for advance receipts from prepaid card customers. The guaranteed advance receipts from prepaid card customers were \$905,748 thousand as of December 31, 2010.

In accordance with NCC's policy, TFN, the Corporation's subsidiary, entered into a contract with Mega International Commercial Bank Co., Ltd., which provided performance guarantee for advance receipts from IDD calling card customers. The Corporation also bears the repayment liability with respect to TFN's drawdown from its credit line with Mega Bank. The guaranteed advance receipts from above-mentioned IDD calling card customers were \$39,127 thousand as of December 31, 2010.

In accordance with NCC's policy, cable television companies should provided performance bond based on the proportion of the advance receipts to advance period. As of December 31, 2010, the cable television companies had receipted an advance fee of NT\$463,345 thousand and provided \$53,426 thousand as performance deposit which is classified as restrict asset.

m. Bonds payable

| | December 31 | | | |
|--------------------------|--------------------|--------------------|----------------|--------------------|
| | 2010 | | 2009 | |
| | Current | Non-current | Current | Non-current |
| Domestic unsecured bonds | \$ - | 8,000,000 | - | 8,000,000 |

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

(1) 1st domestic unsecured bonds

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

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

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

(2) 2nd domestic unsecured bonds

On November 14, 2008, the Corporation issued \$8,000,000 thousand five-year domestic unsecured bonds, each having a face value of \$10,000 thousand and a coupon rate of 2.88% per annum, with simple interest due annually. Repayment will be made in the fourth and fifth year with equal installments, i.e. \$4,000,000 thousand, respectively.

Future repayments of the above-mentioned corporate bonds are as follows:

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

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

n. Long-term borrowings

| | December 31 | |
|-----------------|---------------------|-------------|
| | 2010 | 2009 |
| Unsecured loans | \$ 2,300,000 | - |
| Interest rate | 0.8832% | - |

To provide medium-term working capital, the Corporation and its subsidiary, TFN, entered into a syndicated loan with a joint credit line of \$13,500,000 thousand with 9 banks led by Chinatrust Commercial Bank on February 21, 2008. This joint credit facility covers a period of three years commencing from May 20, 2008. Based on the terms of this agreement, the credit line will be decreased by 50% after two years from the commencing date. As of May 20, 2010, the credit line has been reduced to \$6,750,000 thousand. Also, interests are payable monthly. Upon maturity, the loan is allowed to revolve within its credit limits. The contract requires the Corporation to maintain certain financial ratios including debt ratios, interest coverage, and tangible net asset ratio based on semi-annual financials. The Corporation also bears the repayment liability with respect to TFN's borrowing. Please refer to Note 7 for further information.

o. Pension plan

The Labor Pension Act (LPA) provides for a defined contribution pension plan. Starting from July 1, 2005, the Group should contribute monthly an amount equal to 6% of the employees' monthly salaries to the employees' individual pension accounts. The contributed amount was \$169,458 thousand and \$172,910 thousand for the years ended December 31, 2010 and 2009, respectively.

The Labor Standards Act (LSA) provides for a defined benefit pension plan. Benefits are based on the length of service and average basic pay of the six months before retirement. The Group contributes monthly an amount equal to 2% of the employees' monthly salaries to a pension fund. The pension fund is managed by an independently administered pension fund committee and deposited in the committee's name in the Bank of Taiwan (formerly the Central Trust of China, which was merged into the Bank of Taiwan in July 2007.) Approved by Department of Labor of Taipei City Government, the Corporation suspended contributing from February 2007 to January 2011.

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

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

(1) Pension cost

| | Years Ended December 31 | |
|------------------------------------|--------------------------------|----------------|
| | 2010 | 2009 |
| Service cost | \$ 4,128 | 4,238 |
| Interest cost | 14,844 | 16,620 |
| Projected return of pension assets | (13,357) | (16,280) |
| Amortization | 6,341 | 5,172 |
| Gain (loss) on settlement | 611 | (11,657) |
| Pension cost | \$ 12,567 | (1,907) |

(2) Changes in the prepaid pension cost

| | December 31 | |
|--|--------------------|----------------|
| | 2010 | 2009 |
| Benefit obligation | | |
| Vested | \$ (6,488) | (6,540) |
| Non-vested | (450,526) | (427,856) |
| Accumulated | (457,014) | (434,396) |
| Additional benefits based on future salaries | (288,272) | (282,031) |
| Projected benefit obligation | (745,286) | (716,426) |
| Fair value of plan assets | 673,005 | 665,367 |
| Funded status | (72,281) | (51,060) |
| Unrecognized net transition obligation | 15,776 | 17,821 |
| Unrecognized prior service cost | 24,659 | 26,662 |
| Unamortized net gain or loss | 108,755 | 90,981 |
| Unrecognized net gain | (32,637) | (35,345) |
| Additional liability | (41,459) | (36,899) |
| Prepaid pension cost | \$ 2,813 | 12,160 |
| (3) Vested benefit | \$ (7,424) | (7,364) |

(4) Actuarial assumptions

| | Years Ended December 31 | |
|--|--------------------------------|-------------|
| | 2010 | 2009 |
| Discount rate used in determining present values | 2.00%~2.25% | 2.00%~2.25% |
| Future salary increase rate | 2.50%~3.00% | 2.50%~3.00% |
| Expected rate of return on plan assets | 2.00% | 2.00% |

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

p. Shareholders' equity

(1) Capital surplus

Under the Company Act, capital surplus may only be used to offset a deficit. However, capital surplus generated from the excess of the issue price over the par value of capital stock, including the stock issued for new capital and the buyback of treasury stock, may be transferred to capital as stock dividends, and this transfer is restricted to a certain percentage of the paid-in capital and may be made only within prescribed limits each time. Also, the capital surplus from long-term investments may not be used for any other purposes.

(2) Appropriation of earnings and dividend policy

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

- (a) Dividends and bonus to preferred shareholders
- (b) Remuneration to directors and supervisors - up to 0.3%
- (c) Bonus to employees - 1%-3%
- (d) Remainder, to be appropriated as dividends as determined in the shareholders' meeting

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

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

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

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

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

For the year ended December 31, 2010, the bonuses to employees and remuneration to directors and supervisors were accrued respectively based on 3% and 0.3% of net income (net of the bonus to employees and remuneration to directors and supervisors) after setting aside 10% net income as legal reserve. The significant difference between annual accruals and the amount approved by the Board of Directors shall be adjusted in the current year. If the Board of Director's approval differs from the amount ratified at the annual general shareholders' meeting (AGM), the difference will be treated as changes in accounting estimation and will be adjusted in 2011's P&L. If employee bonuses are paid in the form of company shares, the number of employee bonus shares shall be derived from dividing the approved bonus amount by its closing price one day prior to the AGM, adjusted for cash and/or stock dividends if any.

The 2009 and 2008 earning appropriations resolved by the AGMs on June 18, 2010, and June 19, 2009, were as follows:

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

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

The shareholders on June 19, 2009, resolved to distribute 2008 bonus of \$414,697 thousand to employees and remuneration of \$41,470 thousand to directors and supervisors.

The information related to the appropriation of the Company's earnings as resolved by the Board of Directors and approved by the AGM will be posted in the "Market Observation Post System" on the website of the Taiwan Stock Exchange.

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

(3) Treasury stock

| Purpose of Buyback | (Shares in Thousands) | | | |
|-------------------------------------|-----------------------|----------|----------|------------------|
| | Beginning Shares | Increase | Decrease | Ending Shares |
| <u>Year ended December 31, 2010</u> | | | | |
| Shares held by subsidiaries | 811,918 | - | - | 811,918 |
| <u>Year ended December 31, 2009</u> | | | | |
| To be transferred to employees | 24,193 | - | 24,193 | - |
| Shares held by subsidiaries | 811,918 | - | - | 811,918 |

(a) Transfer of stock to employees

For the year ended December 31, 2009, the Corporation transferred 24,193 thousand shares bought back from the market to employees at NT\$43.8 per share, resulting in a reduction of \$3,254 thousand in capital surplus.

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

(b) Shares held by subsidiaries

As of December 31, 2010, the carrying and market value of the Corporation's stocks held by TCCI, TID and TUI (all are subsidiaries 100%-owned by the Corporation) were \$56,590,657 thousand. The Corporation reclassified \$31,889,100 thousand from investments accounted for using the equity method to treasury stock based on SFAS No. 30, "Accounting for Treasury Stock." Although these shares are treated as treasury stock in the consolidated financial statements, the shareholders are entitled to excise their rights on these shares, except for the participation in capital injection by cash. In addition, based on the ROC Company Act, the shareholders of treasury stocks cannot exercise the voting right.

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

(4) Unrealized gain or loss on financial instruments

Unrealized gain or loss on financial instruments for the years ended December 31, 2010 and 2009 was summarized as follows:

| | Years Ended December 31 | |
|---|--------------------------------|----------------------|
| | 2010 | 2009 |
| Available-for-sale financial assets | | |
| Balance, beginning of period | \$ 63,624 | 54,455 |
| Fair value changes recognized directly in equity | 26,218 | 9,169 |
| | <u>89,842</u> | <u>63,624</u> |
| Changes in unrealized gains (losses) of cash flow hedge | | |
| Balance, beginning of period | - | 61,864 |
| Fair value changes recognized directly in equity | - | (61,864) |
| | <u>-</u> | <u>-</u> |
| Changes in unrealized gains (losses) recognized by the equity accounted investees | | |
| Balance, beginning of period | - | (122,216) |
| Fair value changes recognized directly in equity | - | 122,216 |
| | <u>-</u> | <u>-</u> |
| Unrealized gains on financial instruments | <u>\$ 89,842</u> | <u>63,624</u> |

q. Income tax expense

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

| | Years Ended December 31 | |
|---|--------------------------------|-------------------------|
| | 2010 | 2009 |
| Tax on pretax income at statutory tax rate | \$ 4,572,139 | 6,509,331 |
| Add (deduct) tax effects of: | | |
| Permanent differences | | |
| Investment income from domestic investees accounted for using the equity method | (1,634,184) | (2,195,626) |
| Other | 1,211 | (23,226) |
| Temporary differences | (211,872) | (544,301) |
| Deferred income taxes | 542,908 | 1,023,505 |
| Prior years' adjustment | 69,702 | 22,135 |
| Investment tax credits | (42,933) | (15,857) |
| Prior years' loss carryforward | (13,427) | (20,412) |
| Tax on short-term bills | - | 266 |
| Income tax expense | <u>\$ 3,283,544</u> | <u>4,755,815</u> |

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

In January 2009, the Article 39 of the Income Tax Act regarding the operating losses carryforward period was amended, which is changed from five years to ten years. On May 27, 2009, the Legislative Yuan passed the amendment of Article 5 of the Income Tax Act, which reduced a profit-seeking enterprise's income tax rate from 25% to 20%, effective January 1, 2010. On June 15, 2010, the Legislative Yuan passed the amendment of Article 5 of the Income Tax Act to reduce corporate statutory income tax rate from 20% to 17%, effective January 1, 2010. The Group recalculated its deferred tax assets and liabilities in accordance with the amended Article and recorded the resulting difference as an income tax expense.

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

| | | December 31 | |
|---|-----------|-------------------------|-------------------------|
| | | 2010 | 2009 |
| Unrealized loss on retirement of property and equipment | \$ | 1,093,815 | 1,412,488 |
| Amortization of goodwill | | (343,517) | (256,598) |
| Provision for doubtful accounts | | 254,274 | 482,476 |
| Difference in the estimated lives of property and equipment | | 122,009 | 74,975 |
| Prior years' loss carryforward | | 45,314 | 66,022 |
| Provision for impairment losses on idle assets | | 21,650 | 30,375 |
| Investment tax credits | | 157 | 27,760 |
| Other | | 42,034 | 26,742 |
| | | <u>1,235,736</u> | <u>1,864,240</u> |
| Less valuation allowance | | <u>(243,898)</u> | <u>(329,494)</u> |
| | \$ | <u>991,838</u> | <u>1,534,746</u> |
| Deferred income tax assets | | | |
| Current | \$ | 10,060 | 29,132 |
| Non-current | | <u>1,135,264</u> | <u>1,631,570</u> |
| | \$ | <u>1,145,324</u> | <u>1,660,702</u> |
| Deferred income tax liabilities | | | |
| Non-current | \$ | <u>(153,486)</u> | <u>(125,956)</u> |

(3) As of December 31, 2010, the Group's investment tax credits consisted of the following:

| Regulatory Basis of Tax Credits | Item | Total Creditable Amount | Remaining Creditable Amount | Expiry Year |
|--|-------------------------------------|--------------------------------|------------------------------------|--------------------|
| Statute for Upgrading Industries | Purchase of machinery and equipment | \$ 42,013 | 157 | 2010 |
| | Personnel training | 1,077 | - | - |
| | | <u>\$ 43,090</u> | <u>157</u> | |

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

(4) Followings were the net operating loss carryforwards of the Group as of December 31, 2010:

| <u>Year</u> | <u>Total Creditable Amount</u> | <u>Remaining Creditable Amount</u> | <u>Expiry Year</u> |
|-------------|--|--|--------------------|
| 2006 | \$ 139,619 | 61,674 | 2016 |
| 2007 | 126,844 | 125,956 | 2017 |
| 2008 | 62,545 | 62,352 | 2018 |
| 2009 | 1,647 | 1,647 | 2019 |
| 2010 | 14,926 | 14,926 | 2020 |
| | <u>\$ 345,581</u> | <u>266,555</u> | |

(5) Integrated income tax information was as follows:

| | <u>December 31</u> | |
|--|--------------------|----------------|
| | <u>2010</u> | <u>2009</u> |
| Balance of imputation credit account (ICA) | | |
| The Corporation | \$ 1,438,180 | 2,990,172 |
| TCC | 232 | - |
| WMT | - | - |
| TFMT | 5,029 | 2,674 |
| TWTV | - | Not applicable |
| FJLMT | - | - |
| GWMT | 1,672 | 1,627 |
| FSMT | 2,247 | 2,370 |
| GFMT | - | - |
| TDC | - | - |
| TCCI | 115,848 | - |
| TID | - | - |
| TSB | - | - |
| TFN | 632,424 | 712,966 |
| TT&T | 9,729 | 562 |
| TUI | - | - |
| WTVB | - | - |
| TFNM | 80,455 | 148,001 |
| UCTV | 7,928 | 27,364 |
| YJCTV | 41,921 | 56,870 |
| MCTV | 7,758 | 14,119 |
| PCTV | 19,976 | 34,556 |
| GCTV | 18,682 | 28,694 |
| TKT | - | Not applicable |

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

As of December 31, 2010, there were no unappropriated earnings generated before January 1, 1998. The estimated or actual creditable ratios for the 2010 and 2009 earnings appropriation were as follows:

| | 2010 | 2009 |
|-----------------|----------------|----------------|
| The Corporation | 20.35% | 28.67% |
| TCC | 18.57% | 30.56% |
| WMT | - | - |
| TFMT | - | - |
| TWTV | Not applicable | Not applicable |
| FJLMT | - | - |
| GWMT | 20.48% | 33.33% |
| FSMT | 20.48% | 33.33% |
| GFMT | - | - |
| TDC | - | - |
| TCCI | 20.48% | 33.33% |
| TID | - | - |
| TSB | - | - |
| TFN | 20.48% | 33.33% |
| TT&T | 20.48% | 27.61% |
| TUI | - | - |
| WTVB | - | - |
| TFNM | 19.92% | 31.08% |
| UCTV | 9.83% | 29.75% |
| YJCTV | 20.48% | 33.33% |
| MCTV | 20.48% | 33.39% |
| PCTV | 20.48% | 33.37% |
| GCTV | 20.48% | 33.34% |
| TKT | - | Not applicable |

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 2010 earnings appropriation may be adjusted when the imputation credits are distributed.

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

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

| | <u>Year</u> |
|---|--------------------------------|
| The Corporation | 2007, only 2006 not applicable |
| The former TransAsian Telecommunications Inc. | All applicable |
| TransAsian Telecommunications Inc. | 2007 |
| Mobitai Communications | 2006 |
| TCC | 2007 |
| WMT | 2008 |
| TWTV | Not applicable |
| TFMT | 2008 |
| FJLMT | 2008 |
| GWMT | 2008 |
| FSMT | 2008 |
| GFMT | 2008 |
| TDC | 2008 |
| TCCI | Not applicable |
| TID | Not applicable |
| TSB | 2007 |
| TFN | 2008 |
| TTN | 2007 |
| TT&T | 2008 |
| TUI | Not applicable |
| TFNI | 2008 |
| R&R | All applicable |
| WTVB | 2008 |
| TFNM | 2007 |
| UCTV | 2008 |
| SHCTV | All applicable |
| YJCTV | 2008 |
| MCTV | 2008 |
| PCTV | 2008 |
| GCTV | 2008 |
| TKT | Not applicable |

The Corporation's income tax returns for the years up to 2007 had been examined by the tax authorities, except for 2006. In addition, the Corporation disagreed with the examination results of the income tax returns and had requested a reexamination for the 2003 through 2005, 2007 income tax returns.

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

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

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

Mobitai's income tax returns as of 2006 had been examined by the tax authorities. Mobitai disagreed with the result of the income tax returns and had requested a reexamination of the 2006 income tax return.

The former TFN's income tax returns as of 2007 had been examined by the tax authorities. The former TFN disagreed with the examination results of the income tax returns and had requested a correction of the 2007 income tax return.

TFN's income tax returns as of 2008 had been examined by the tax authorities. TFN disagreed with the examination results of the income tax returns and had requested a reexamination for the 2008 income tax return.

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

r. Earnings per share

| | Amounts (Numerator) | | | | EPS (NT\$) | |
|--|----------------------|---------------------|--|-------------------------|------------------------|--|
| | Before Income Tax | After Income Tax | Shares (Denominator) (Thousands) | Before Income Tax | After Income Tax | |
| <u>Year ended December 31, 2010</u> | | | | | | |
| Basic EPS | | | | | | |
| Income of common shareholders | \$ 16,398,144 | 13,822,186 | 2,989,008 | <u>5.48</u> | <u>4.62</u> | |
| Add effect of dilutive potentially common stock-bonus to employees | - | - | 8,234 | | | |
| Diluted EPS | | | | | | |
| Income of common shareholders with dilutive effect of potential common shares | <u>\$ 16,398,144</u> | <u>13,822,186</u> | <u>2,997,242</u> | <u>5.47</u> | <u>4.61</u> | |
| <u>Year ended December 31, 2009</u> | | | | | | |
| Basic EPS | | | | | | |
| Income of common shareholders | \$ 18,132,491 | 13,888,862 | 2,979,311 | <u>6.09</u> | <u>4.66</u> | |
| Add effect of dilutive potentially common stock-bonus to employees | - | - | 9,846 | | | |
| Diluted EPS | | | | | | |
| Income of common shareholders with dilutive effect of potential common shares | <u>\$ 18,132,491</u> | <u>13,888,862</u> | <u>2,989,157</u> | <u>6.07</u> | <u>4.65</u> | |

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

The ARDF issued Interpretation No. 2007-052 that requires companies to recognize bonuses paid to employees, and remunerations to directors and supervisors as compensation expenses beginning January 1, 2008. These bonuses and remunerations were previously recorded as appropriations from earnings. If the Corporation may settle the bonus to employees by cash or shares, the Corporation should presume that the entire amount of the bonus will be settled in shares and the potential share dilutions should be included in the weighted average number of shares outstanding used in the calculation of diluted EPS, if the shares have a dilutive effect. In the calculation of diluted EPS, the number of outstanding shares is derived from dividing the entire amount of the bonus by the closing price of the shares at the balance sheet date. Such potential dilutive effect should be taken into consideration in the calculation of diluted EPS until the shareholders resolved the actual number of shares to be distributed to employees at the AGM of the following year.

s. Financial instrument transactions

(1) Fair value information

| | December 31 | | | |
|---|----------------|------------|----------------|------------|
| | 2010 | | 2009 | |
| | Carrying Value | Fair Value | Carrying Value | Fair Value |
| <u>Financial instruments</u> | | | | |
| <u>Assets</u> | | | | |
| Cash and cash equivalents | \$ 6,049,330 | 6,049,330 | 2,999,036 | 2,999,036 |
| Available-for-sale financial assets – current | 201,322 | 201,322 | 177,821 | 177,821 |
| Notes receivable | 45,277 | 45,277 | 68,498 | 68,498 |
| Accounts receivable (including related parties) | 6,588,107 | 6,588,107 | 6,801,928 | 6,801,928 |
| Other receivables | 524,087 | 524,087 | 319,201 | 319,201 |
| Pledged time deposits | 1,100 | 1,100 | 10,000 | 10,000 |
| Financial assets carried at cost – non-current | 2,308,709 | - | 2,498,980 | - |
| Bonds measured at amortized cost – non-current | 500,000 | - | 500,000 | - |
| Refundable deposits | 400,186 | 400,186 | 388,391 | 388,391 |
| <u>Liabilities</u> | | | | |
| Short-term borrowings | 3,203,000 | 3,203,000 | 6,800,000 | 6,800,000 |
| Short-term notes and bills payable | 499,732 | 499,732 | 799,638 | 799,638 |
| Notes payable | 232,299 | 232,299 | 277,571 | 277,571 |
| Accounts payable | 3,423,611 | 3,423,611 | 2,599,859 | 2,599,859 |
| Income taxes payable | 1,387,348 | 1,387,348 | 1,665,244 | 1,665,244 |
| Accrued expenses | 5,564,242 | 5,564,242 | 5,640,613 | 5,640,613 |
| Other payables | 5,001,640 | 5,001,640 | 4,321,341 | 4,321,341 |
| Guarantee deposits (including current portion) | 379,866 | 379,866 | 384,867 | 384,867 |
| Bonds payable (including current portion) | 8,000,000 | 8,264,392 | 8,000,000 | 8,373,376 |
| Long-term borrowings | 2,300,000 | 2,300,000 | - | - |

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

- (2) The methods and significant assumptions applied for determining fair values of financial instruments were as follows:
- (a) Available-for-sale financial assets—based on quoted prices in an active market at the balance sheet date
 - (b) Financial assets carried at cost – non-current and bonds measured at amortized cost—non-current—based on the net worth of the investee or estimated book value; this is because there is no active market for unlisted stocks, and a reliable fair value could only be verified at a more than reasonable cost
 - (c) Bonds payable—based on the over-the-counter quotations in December
 - (d) Long-term borrowings—based on the present value of future cash flows discounted by the interest rates the Corporation may obtain for similar loans
 - (e) The book values of short-term financial instruments approximate their fair value due to their short maturities; short-term financial instruments include cash and cash equivalents, receivables, pledged time deposits, refundable deposits, short-term borrowings, short-term notes and bills payable, payables, and guarantee deposits
- (3) The fair values of financial assets and liabilities were not simultaneously determined by quoted prices in active markets and by estimations using valuation technique.
- (4) The financial assets exposed to fair value interest rate risk amounted to \$5,320,362 thousand and \$2,006,775 thousand as of December 31, 2010 and 2009, respectively, and the financial liabilities exposed to fair value interest rate risk amounted to \$13,999,732 thousand and \$15,599,638 thousand as of December 31, 2010 and 2009, respectively. The financial assets exposed to cash flow interest rate risk amounted to \$733,290 thousand and \$975,905 thousand as of December 31, 2010 and 2009, respectively, and the financial liabilities exposed to cash flow interest rate risk amounted to \$3,000 thousand and zero thousand as of December 31, 2010 and 2009, respectively.

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

(5) Information on financial risks:

(a) Market risk

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

(b) Credit risk

Credit risk represents the potential impacts to financial assets that the Group 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 Group's evaluation of credit risk exposure as of December 31, 2010 and 2009, were both zero because all counter-parties are reputable financial institutions with good credit ratings.

The Group'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 Group does not rely significantly on single transaction and transact with single client or in the same region.

(c) Liquidity risk

The Group's operating funds are deemed sufficient to meet the cash flow demand, therefore, liquidity risk is not considered to be significant.

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

5. RELATED-PARTY TRANSACTIONS

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

| Related Party | Relationship with the Group |
|--|--|
| Taiwan Mobile Foundation (TWM Foundation) | Over one third of the Foundation's issued fund came from the Corporation |
| Taipei New Horizons Co., Ltd. (TNH) | Equity-method investee |
| Fubon Life Assurance Co., Ltd. (FLA) | Same chairman |
| Fubon Securities Investment Trust Co., Ltd. | Related party in substance |
| Fubon Marketing Co., Ltd. (formerly named Fubon Direct Marketing Consulting Co., Ltd.) (FMC) | Related party in substance (renamed on April 13, 2009) |
| Fubon Financial Venture Capital Co., Ltd. | Related party in substance |
| Fubon Multimedia Technology Co., Ltd. (FMT) | Related party in substance |
| Fubon Asset Management Co., Ltd. | Related party in substance |
| Chung Hsing Constructions Co., Ltd. | Related party in substance |
| Fubon Land Development Co., Ltd. | Related party in substance |
| Fubon Financial Holding Company (FFH) | 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 Future Co., Ltd. | Related party in substance |
| Fubon Investment Services Co., Ltd. | Related party in substance |
| Fubon Insurance Co., Ltd. (Fubon Ins.) | Related party in substance |
| Fubon Property Management Co., Ltd. (FPM) | Related party in substance |
| Fubon Real Estate Management Co., Ltd. | Related party in substance |
| Taiwan Sport Lottery Corporation (TSL) | Related party in substance |
| Fubon Venture Capital Consulting Co., Ltd. | Related party in substance |
| Dai-Ka Ltd. (DKL) | Related party in substance |

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

b. Significant transactions with related parties were summarized below:

(1) Operating revenues

| | Years ended December 31 | | | |
|------------|--------------------------------|-----------------------|-----------------------|-----------------------|
| | 2010 | | 2009 | |
| | | % of | | % of |
| | Amount | Total Revenues | Amount | Total Revenues |
| FMT | \$ 124,281 | - | 108,446 | - |
| TFCB | 80,515 | - | 133,447 | - |
| FLA | 56,558 | - | 25,203 | - |
| TSL | 28,819 | - | 24,822 | - |
| FSC | 18,677 | - | 16,565 | - |
| Fubon Ins. | 11,791 | - | 16,521 | - |
| FMC | 10,004 | - | 9,446 | - |
| FFH | 9,717 | - | 18,359 | - |
| | <u>\$ 340,362</u> | | <u>352,809</u> | |

The Group mainly rendered telecommunication services to the above companies. The average collection period for notes and accounts receivable was based on regular terms.

(2) Operating costs

| | Years ended December 31 | | | |
|------------|--------------------------------|--------------------|-----------------------|--------------------|
| | 2010 | | 2009 | |
| | | % of | | % of |
| | Amount | Total Costs | Amount | Total Costs |
| DKL | \$ 144,617 | - | 146,948 | - |
| Fubon Ins. | 53,154 | - | 66,336 | - |
| | <u>\$ 197,771</u> | | <u>213,284</u> | |

The above companies mainly rendered telecommunication, maintenance, insurance, and TV programs licensing services to the Group. The average payment term for notes and accounts payable was based on regular terms.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(3) Rental income

| | | Years ended December 31 | |
|-----|-------------------------------|--------------------------------|---------------|
| | Leased Sites/Equipment | 2010 | 2009 |
| FMT | Office appliance, etc. | \$ 35,317 | 33,423 |

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

(4) Cash in banks

| | | December 31 | | | |
|---------------------------|--|--------------------|----------|----------------|----------|
| | | 2010 | | 2009 | |
| | | Amount | % | Amount | % |
| (a) Cash in banks | | | | | |
| TFCB | | \$ 384,739 | 6 | 408,101 | 14 |
| (b) Pledged time deposits | | | | | |
| TFCB | | \$ 1,100 | 100 | 10,000 | 100 |

(5) Receivables and payables

| | | December 31 | | | |
|-------------------------|--|--------------------|----------|----------------|----------|
| | | 2010 | | 2009 | |
| | | Amount | % | Amount | % |
| (a) Accounts receivable | | | | | |
| TFCB | | \$ 55,428 | 1 | 79,594 | 1 |
| FSC (Note) | | 17,271 | - | 17,983 | - |
| TSL (Note) | | 15,118 | - | 15,835 | - |
| FLA (Note) | | 13,274 | - | 14,566 | - |
| Fubon Ins. | | 10,809 | - | 15,199 | - |
| Other | | 20,742 | - | 20,821 | - |
| | | \$ 132,642 | | 163,998 | |

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

Note: Leasehold receivables from FSC was as follows:

| | Current Portion | Maturities of over One Year (Classified under Other Assets) | Total |
|---------------------------------|----------------------------|--|----------------------|
| December 31, 2010 | | | |
| Leasehold receivable | \$ 5,408 | 5,715 | 11,123 |
| Less unrealized interest income | (474) | (299) | (773) |
| | <u>\$ 4,934</u> | <u>5,416</u> | <u>10,350</u> |
| December 31, 2009 | | | |
| Leasehold receivable | \$ 4,295 | 9,288 | 13,583 |
| Less unrealized interest income | (679) | (766) | (1,445) |
| | <u>\$ 3,616</u> | <u>8,522</u> | <u>12,138</u> |

Note: Leasehold receivables from TSL was as follows:

| | Current Portion | Maturities of over One Year (Classified under Other Assets) | Total |
|---------------------------------|----------------------------|--|----------------------|
| December 31, 2010 | | | |
| Leasehold receivable | \$ 14,599 | 19,091 | 33,690 |
| Less unrealized interest income | (1,604) | (836) | (2,440) |
| | <u>\$ 12,995</u> | <u>18,255</u> | <u>31,250</u> |
| December 31, 2009 | | | |
| Leasehold receivable | \$ 16,095 | 33,340 | 49,435 |
| Less unrealized interest income | (2,438) | (2,498) | (4,936) |
| | <u>\$ 13,657</u> | <u>30,842</u> | <u>44,499</u> |

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Note: Leasehold receivables from FLA was as follows:

| | Current Portion | Maturities of over One Year (Classified under Other Assets) | Total |
|---------------------------------|----------------------------|--|----------------------|
| <u>December 31, 2010</u> | | | |
| Leasehold receivable | \$ 7,624 | 24,302 | 31,926 |
| Less unrealized interest income | (543) | (1,760) | (2,303) |
| | <u>\$ 7,081</u> | <u>22,542</u> | <u>29,623</u> |
| <u>December 31, 2009</u> | | | |
| Leasehold receivable | \$ 5,587 | 9,391 | 14,978 |
| Less unrealized interest income | (209) | (670) | (879) |
| | <u>\$ 5,378</u> | <u>8,721</u> | <u>14,099</u> |

| | December 31 | | | |
|----------------------|-------------------------|----------|----------------------|----------|
| | 2010 | | 2009 | |
| | Amount | % | Amount | % |
| (b) Prepayments | | | | |
| Fubon Ins. | <u>\$ 9,443</u> | 1 | <u>20,543</u> | 3 |
| (c) Accounts payable | | | | |
| DKL | <u>\$ -</u> | - | <u>35,916</u> | 1 |
| (d) Accrued expenses | | | | |
| Fubon Ins. | <u>\$ 11,516</u> | - | <u>13,176</u> | - |

(6) Other

| | December 31 | |
|-----------------------------|-------------------------|----------------------|
| | 2010 | 2009 |
| (a) Insurance expense | | |
| Fubon Ins. | <u>\$ 11,941</u> | <u>12,065</u> |
| (b) Donation | | |
| TWM Foundation | <u>\$ 13,007</u> | <u>30,400</u> |
| (c) Repairs and maintenance | | |
| FPM | <u>\$ 23,342</u> | <u>24,709</u> |
| (d) Other expense | | |
| FPM | \$ 26,054 | 27,392 |
| TFCB | 23,130 | 1,027 |
| | <u>\$ 49,184</u> | <u>28,419</u> |

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

(7) Endorsement/guarantee provided

The Group provides guarantee contracts for related party. Please see Note 7.

c. Compensation to directors, supervisors, and managers:

| | Year Ended December 31 | |
|--|------------------------|----------------|
| | 2010 | 2009 |
| Salaries, incentives, and special compensation | \$ 245,016 | 216,507 |
| Earnings paid as remunerations to directors | 37,306 | 37,483 |
| Earnings paid as bonus to employees | 64,203 | 62,668 |
| Professional fee | 2,873 | 3,092 |
| | <u>\$ 349,398</u> | <u>319,750</u> |

The compensation to directors, supervisors and managers for the year ended December 31, 2009 included the bonus appropriation from 2009 earnings approved in 2010 AGM. While that for the year ended December 31, 2010 included the bonus appropriation from 2010 earnings subject to approval in 2011 AGM. More detailed information may be referred in the Corporation's annual reports.

6. ASSETS PLEDGED

The assets pledged as collaterals for bank loans, credit line of deposit overdraft, guarantees, and refundable deposits for construction contracts were as follows:

| | December 31 | |
|--------------------------------|------------------|---------------|
| | 2010 | 2009 |
| Current assets - time deposits | \$ 1,100 | 10,000 |
| Other assets - time deposits | 18,178 | 22,657 |
| | <u>\$ 19,278</u> | <u>32,657</u> |

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

7. COMMITMENTS AND CONTINGENT EVENTS

- a. To enhance 3G mobile communications, expand network coverage, and increase the service functions, the Corporation entered into a 3G expansion contract with Nokia Siemens Networks Taiwan Co., Ltd. for \$4,800,000 thousand in September 2006 and \$3,672,092 thousand in May 2009, respectively. As of December 31, 2010, the purchase amount was \$4,735,510 thousand and \$3,248,810 thousand, respectively.
- b. The Corporation provided \$21,500,000 thousand guarantee for TFN's bank loans. The Corporation also provided \$19,757,595 thousand in promissory notes outstanding for TFN's borrowings with banks. TFN has drawn down \$242,149 thousand from banks within the guarantee amount.
- c. The Corporation and its subsidiary, TFN, obtained \$13,500,000 thousand of syndicated loan from 9 banks led by Chinatrust Commercial Bank. Based on the terms of the agreement, the credit line will be decreased by 50% after two years commencing from May 20, 2008. As of May 20, 2010, the credit line has been reduced to \$6,750,000 thousand. The Corporation provided a guarantee for TFN's bank loan. As of December 31, 2010, the Corporation and TFN had made draw down \$800,000 thousand and \$1,500,000 thousand, respectively.
- d. As of December 31, 2010, the Corporation had provided TFN \$50,000 thousand as performance guarantee for IDD calling card service issued by July 31, 2008, in accordance with NCC's new policy effective from April 1, 2007.
- e. As of December 31, 2010, TT&T provided an \$146 thousand guarantee for TFN's obligation of construction and equipment sales.
- f. Future minimum rental payments as of December 31, 2010, for significant operating lease agreements, were summarized as follows:

| | <u>Amount</u> |
|------|---------------|
| 2011 | \$ 65,856 |
| 2012 | 39,987 |
| 2013 | 29,071 |
| 2014 | 28,554 |
| 2015 | 16,736 |

8. SIGNIFICANT CASUALTY LOSS: NONE

9. SIGNIFICANT SUBSEQUENT EVENTS: NONE

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

10. OTHER

a. Labor cost, depreciation, and amortization expense

| Years Ended December 31 | | | | | | |
|--------------------------------|--|---|--------------|--|---|--------------|
| | 2010 | | | 2009 | | |
| | Classified as Operating Costs | Classified as Operating Expenses | Total | Classified as Operating Costs | Classified as Operating Expenses | Total |
| Labor cost | | | | | | |
| Salary | \$ 1,367,698 | 3,098,271 | 4,465,969 | 1,359,345 | 3,186,135 | 4,545,480 |
| Labor and health insurance | 92,899 | 187,097 | 279,996 | 88,288 | 179,782 | 268,070 |
| Pension | 60,442 | 122,004 | 182,446 | 58,567 | 110,564 | 169,131 |
| Other | 61,132 | 135,360 | 196,492 | 59,474 | 132,977 | 192,451 |
| Depreciation | 7,414,272 | 643,225 | 8,057,497 | 7,136,739 | 610,436 | 7,747,175 |
| Amortization | 946,407 | 148,029 | 1,094,436 | 962,059 | 126,992 | 1,089,051 |

b. Reclassification

Certain accounts in the consolidated financial statements as of and for the year ended December 31, 2009, have been reclassified to conform to the presentation of consolidated financial statements as of and for the year ended December 31, 2010.

11. 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
- 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)

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

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

- j. Derivative transactions

The Corporation entered into interest rate swap (IRS) contracts in December 2002 to hedge fluctuation on inverse floating interest rates of bonds, which are settled semiannually. Please refer to Note 4.s for the related information.

| Financial Instrument | Term | Contract | |
|------------------------------|---|-----------------|-----------------|
| | | Amount | Due Date |
| Interest rate swap contracts | Inverse floating interest rate in exchange for fixed interest rate of 2.45% | \$ 5,000,000 | December 2009 |

The Corporation entered into IRS contracts to hedge inverse floating interest rate fluctuation. For the year ended 2009, the Corporation recognized gains of \$84,485 thousand, recorded as deduction to interest expense.

- k. Investment in Mainland China:

- (1) The name of the investee company in Mainland China, the main businesses and products, issued capital, method of investment, information on inflow or outflow of capital, ownership, investment gain or loss, ending balance, amount received as earnings distributions from the investment, and the limitation on investment: Table 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
- l. Business relationships and significant intercompany transactions: Table 9 and Table 10 (attached)

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

12. SEGMENT INFORMATION

a. Industry

| Years Ended December 31, 2010 | | | | | | |
|---|---------------|------------|------------|--------|--------------------------------|---------------|
| | Mobile | Fixed-line | Cable TV | Others | Adjustments and Elimination | Consolidated |
| Revenues from outside of the Group | \$ 56,416,429 | 8,056,848 | 5,670,346 | 2,381 | - | 70,146,004 |
| Revenues from other segments in the Group (Note 2) | 2,237,723 | 2,196,660 | 29,075 | 32,850 | (4,496,308) | - |
| Total revenues | \$ 58,654,152 | 10,253,508 | 5,699,421 | 35,231 | (4,496,308) | 70,146,004 |
| Gross profit (loss) (Notes3) | \$ 13,743,188 | 2,305,074 | 2,280,454 | 24 | (21,029) | 18,307,711 |
| Interest income | | | | | | 42,471 |
| Other income | | | | | | 697,045 |
| Interest expenses | | | | | | (319,501) |
| Operating expenses | | | | | | - |
| Other expenses | | | | | | (1,626,404) |
| Income before income tax | | | | | | \$ 17,101,322 |
| Identifiable assets (Note 4) | \$ 64,961,549 | 7,370,132 | 12,744,540 | 26,663 | (2,746,717) | 82,086,167 |
| Financial assets | | | | | | 201,322 |
| Lon-term investment | | | | | | 3,196,711 |
| General assets | | | | | | - |
| Total assets | | | | | | \$ 85,484,200 |
| Depreciation expenses | \$ 7,188,238 | 383,737 | 490,537 | 64 | | |
| Amortization expenses | \$ 886,420 | 63,550 | 143,695 | 771 | | |
| Capital expenditure | \$ 4,324,239 | 1,554,280 | 467,280 | 119 | | |

| Years Ended December 31, 2009 | | | | | | |
|---|---------------|------------|------------|--------|--------------------------------|---------------|
| | Mobile | Fixed-line | Cable TV | Others | Adjustments and Elimination | Consolidated |
| Revenues from outside of the Group | \$ 54,762,097 | 8,399,835 | 5,244,538 | 63,762 | - | 68,470,232 |
| Revenues from other segments in the Group (Note 2) | 2,299,111 | 1,541,744 | 28,527 | 35,070 | (3,904,452) | - |
| Total revenues | \$ 57,061,208 | 9,941,579 | 5,273,065 | 98,832 | (3,904,452) | 68,470,232 |
| Gross profit (loss) (Notes3) | \$ 16,696,861 | 1,778,066 | 1,984,498 | 8,843 | (20,134) | 20,448,134 |
| Interest income | | | | | | 16,501 |
| Other income | | | | | | 579,630 |
| Interest expenses | | | | | | (561,364) |
| Operating expenses | | | | | | - |
| Other expenses | | | | | | (1,836,570) |
| Income before income tax | | | | | | \$ 18,646,331 |
| Identifiable assets (Note 4) | \$ 65,984,131 | 6,414,055 | 12,642,162 | 27,118 | (2,570,126) | 82,497,340 |
| Financial assets | | | | | | 177,821 |
| Lon-term investment | | | | | | 3,210,954 |
| General assets | | | | | | - |
| Total assets | | | | | | \$ 85,886,115 |
| Depreciation expenses | \$ 7,026,751 | 232,577 | 491,537 | 3,657 | | |
| Amortization expenses | \$ 872,755 | 72,801 | 142,468 | 1,027 | | |
| Capital expenditure | \$ 4,573,900 | 1,183,005 | 487,341 | 395 | | |

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

Note 1: The Group is divided into mobile, fixed-line and cable TV service business.

Note 2: Represents sales or service revenue between segments.

Note 3: Represents revenue minus cost and expenses on segment basis, not included the Group's general and administrative expenses.

Note 4: Represents tangible and intangible assets which can be separately allocated to each segment.

However, these assets do not include:

- 1) Asset not for use by any specific segment.
- 2) Advances or loans to another segment.
- 3) Long-term investments accounted for using equity method.

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:

| | Years Ended December 31 | | | |
|----------------------------|--------------------------------|----------------|-------------------|----------------|
| | 2010 | | 2009 | |
| | Percentage | | Percentage | |
| | of | | of | |
| Company | Operating | | Operating | |
| | Amount | Revenue | Amount | Revenue |
| Chunghwa Telecom Co., Ltd. | <u>\$ 8,319,543</u> | 12 | <u>8,833,137</u> | 13 |

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES
FINANCING PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2010

TABLE 1
(In Thousands of New Taiwan Dollars)

| No. | Lending Company | Borrowing Company | Financial Statement Account | Maximum Balance for the Period | Ending Balance | Interest Rate | Financing Purpose | Transaction Amounts | Reasons for Short-term Financing | Allowance for Doubtful Accounts | Collateral | | Lending Limit for Each Borrowing Company | Lending Company's Lending Amount Limits |
|-----|---|--|-----------------------------|--------------------------------|----------------|---------------|----------------------|---------------------|----------------------------------|---------------------------------|------------|-------|--|---|
| | | | | | | | | | | | Item | Value | | |
| 0 | Taiwan Mobile Co., Ltd. (the "Corporation") | Wealth Media Technology Co., Ltd. | Other receivables | \$ 2,500,000 | \$ - | 0.838%~0.851% | Short-term financing | \$ - | Operation requirements | \$ - | - | - | \$ 20,347,822 (Note 2) | \$ 20,347,822 (Note 2) |
| | | TCC Investment Co., Ltd. | Other receivables | 7,300,000 | - | - | Short-term financing | - | Operation requirements | - | - | - | 20,347,822 (Note 2) | 20,347,822 (Note 2) |
| | | Taiwan Fixed Network Co., Ltd. | Other receivables | 7,000,000 | - | - | Short-term financing | - | Operation requirements | - | - | - | 20,347,822 (Note 2) | 20,347,822 (Note 2) |
| | | TFN Media Co., Ltd. | Other receivables | 7,000,000 | 5,000,000 | 0.838%~0.893% | Short-term financing | - | Operation requirements | - | - | - | 20,347,822 (Note 2) | 20,347,822 (Note 2) |
| | | Taiwan Cellular Co., Ltd. | Other receivables | 9,000,000 | 9,000,000 | 0.893%~0.95% | Short-term financing | - | Operation requirements | - | - | - | 20,347,822 (Note 2) | 20,347,822 (Note 2) |
| | | Taiwan Digital Communication Co., Ltd. | Other receivables | 300,000 | 300,000 | 0.948% | Short-term financing | - | Operation requirements | - | - | - | 20,347,822 (Note 2) | 20,347,822 (Note 2) |
| | | Tai Fu Media Technology Co., Ltd. | Other receivables | 50,000 | 50,000 | 0.950% | Short-term financing | - | Operation requirements | - | - | - | 20,347,822 (Note 2) | 20,347,822 (Note 2) |
| 1 | Taiwan Cellular Co., Ltd. | TFN Media Co., Ltd. | Other receivables | 7,000,000 | 2,000,000 | 0.838%~1.350% | Short-term financing | - | Operation requirements | - | - | - | 23,520,151 (Note 2) | 23,520,151 (Note 2) |
| | | TCC Investment Co., Ltd. | Other receivables | 3,000,000 | - | 0.845%~0.854% | Short-term financing | - | Operation requirements | - | - | - | 23,520,151 (Note 2) | 23,520,151 (Note 2) |
| | | Win TV Broadcasting Co., Ltd. | Other receivables | 360,000 | 360,000 | 0.847%~0.896% | Short-term financing | - | Operation requirements | - | - | - | 23,520,151 (Note 2) | 23,520,151 (Note 2)) |
| 2 | Taiwan Fixed Network Co., Ltd. | Taiwan Cellular Co., Ltd. | Other receivables | 9,000,000 | - | 0.838%~0.847% | Short-term financing | - | Operation requirements | - | - | - | 15,314,639 (Note 2) | 15,314,639 (Note 2) |
| | | The Corporation | Other receivables | 9,000,000 | 9,000,000 | 0.893% | Short-term financing | - | Operation requirements | - | - | - | 15,314,639 (Note 2) | 15,314,639 (Note 2) |
| 3 | Union Cable TV Co., Ltd. | TFN Media Co., Ltd. | Other receivables | 1,200,000 | - | 0.838%~0.940% | Transactions | 283,669 | Business requirements | - | - | - | 13,500,000 (Note 3) | 13,500,000 (Note 3) |
| | | | | 739,000 | 739,000 | 0.851%~0.955% | Short-term financing | - | Repayment of financing | - | - | - | 746,931 (Note 3) | 13,500,000 (Note 3) |
| 4 | Globalview Cable TV Co., Ltd. | TFN Media Co., Ltd. | Other receivables | 233,000 | 233,000 | 0.845%~0.940% | Transactions | 234,995 | Business requirements | - | - | - | 234,995 (Note 4) | 503,666 (Note 4) |

(Continued)

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

FINANCING PROVIDED

FOR THE YEAR ENDED DECEMBER 31, 2010

| No. | Lending Company | Borrowing Company | Financial Statement Account | Maximum Balance for the Period | Ending Balance | Interest Rate | Financing Purpose | Transaction Amounts | Reasons for Short-term Financing | Allowance for Doubtful Accounts | Collateral | | Lending Limit for Each Borrowing Company | Lending Company's Lending Amount Limits |
|-----|-----------------------------------|--|-----------------------------|--------------------------------|----------------|---------------|----------------------|---------------------|---|---------------------------------|------------|---|--|---|
| 5 | Phoenix Cable TV Co., Ltd. | TFN Media Co., Ltd. | Other receivables | \$ 1,500,000 | \$ 584,000 | 0.838%~0.955% | Transactions | \$ 583,728 | Business requirements | \$ - | - | - | \$ 12,000,000 (Note 5) | \$ 12,000,000 (Note 5) |
| 6 | Yeong Jia Leh Cable TV Co., Ltd. | TFN Media Co., Ltd. | Other receivables | 1,200,000 | 373,000 | 0.838%~1.068% | Transactions | 530,381 | Business requirements | - | - | - | 24,000,000 (Note 5) | 24,000,000 (Note 5) |
| 7 | TFN Media Co., Ltd. | Win TV Broadcasting Co., Ltd. | Other receivables | 500,000 | - | 0.839%~0.845% | Transactions | 60,303 | Business requirements | - | - | - | 15,000,000 (Note 5) | 15,000,000 (Note 5) |
| 8 | Wealth Media Technology Co., Ltd. | Tai Fu Media Technology Co., Ltd. | Other receivables | 60,000 | - | 0.838% | Short-term financing | - | Repayment of financing | - | - | - | 120,791 (Note 2) | 120,791 (Note 2) |
| | | Global Wealth Media Technology Co., Ltd. | Other receivables | 15,000 | 15,000 | 0.851% | Short-term financing | - | Repayment of financing | - | - | - | 120,791 (Note 2) | 120,791 (Note 2) |
| 9 | Tai Fu Media Technology Co., Ltd. | Global Wealth Media Technology Co., Ltd. | Other receivables | 24,000 | - | 0.867% | Short-term financing | - | To meet its financing needs in acquiring minorities | - | - | - | 80,308 (Note 2) | 80,308 (Note 2) |

- Note 1: Maximum amount for the period and the ending balance are the amount allowed, not actual appropriation.
- Note 2: For the entities which have short-term financing needs (loaning entities), the aggregate amount of loaning fund shall not exceed 40 percent of the financing company's net worth. The individual loaning fund shall be limited to the lowest amount of the following items: 1) 40 percent of the financing company's net worth; 2) the amount that the financing company invests in the loaning entities; or 3) the amount = (the share portion of the loaning entities that the financing company invests)* (the total loaning amounts of the loaning entities). In the event that a financing company directly or indirectly 100% owns a counter-party, the individual lending amount and the aggregate amount of loaning funds shall not exceed 40% of the financing company's net worth.
- Note 3: Where funds are loaned for reasons of business dealings and short-term financing needs, the amount of loaning funds shall be both limited to the higher amount of the following items: 1) a multiple of the financing company's capital, or 2) the amount of business dealing. A) for reasons of business dealings: the individual lending amount and the aggregate amount of loaning funds shall be both limited to the higher amount of the following items: 1) a multiple of the financing company's capital, or 2) the amount of business dealing. B) for short-term financing needs: the individual lending amount and the aggregate amount of loaning funds shall not exceed 40% of the financing company's net worth.
- Note 4: Where funds are loaned for reasons of business dealings and short-term financing needs, the amount of loaning funds shall be limited to the total amount of business dealing and 40% of the financing company's net worth. A) for reasons of business dealings: the individual lending amount and the aggregate amount of loaning funds shall not exceed the amount of business dealing. B) for short-term financing needs: the individual lending amount and the aggregate amount of loaning funds shall not exceed 40% of the financing company's net worth.
- Note 5: Where funds are loaned for reasons of business dealings, the individual lending amount and the aggregate amount of loaning funds shall be both limited to the higher amount of the following items: 1) a multiple of the financing company's capital, or 2) the amount of business dealing.

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES
ENDORSEMENT/GUARANTEE PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2010

TABLE 2
(In Thousands of New Taiwan Dollars)

| No. | Endorsement/Guarantor (A) | Receiving Party | | Maximum Guarantee/ Endorsement Amount Can Be Provided to Each Receiving Party | Maximum Balance for the Period (Note 1) | Ending Balance (Note 1) | Value of Collaterals | Ratio of Accumulated Endorsement/ Guarantee to Net Worth of the Guarantor (Note 1) | Maximum Guarantee/ Endorsement Can Be Provided by the Guarantor/Endorser |
|-----|---|--------------------------------|---|--|---|----------------------------|----------------------|--|---|
| | | Name (B) | Nature of Relationship (B is A's) | | | | | | |
| 0 | Taiwan Mobile Co., Ltd. (the "Corporation") | Taiwan Fixed Network Co., Ltd. | (Note 2) | \$ 42,000,000 (Note 3) | \$ 34,878,330 | \$ 26,557,595 | \$ - | 52.21% | \$ 50,869,555 |
| 1 | Taiwan Teleservices & Technologies Co., Ltd. | Taiwan Fixed Network Co., Ltd. | (Note 4) (Note 6) | 20,000 (Note 5)/ (Note 6) | 146 | 146 | - | 0.18% | 80,947 (Note 5) |

Note 1: Maximum guarantee/endorsement amount for the period and the ending balance are the amount allowed, not actual appropriation.

Note 2: Direct/indirect subsidiary

Note 3: For 100% direct/indirect owned subsidiaries, the aggregate endorsement/guarantee amount provided shall not exceed the net worth of the Corporation, and the upper-limit to each subsidiary shall be the double of the investment amount.

Note 4: Parent company

Note 5: TT&T is directly and indirectly 100% owned by TFN. The endorsement/guarantee amount provided by TT&T, shall be limited within the net worth of TT&T, and not over the double of the investment amount in TT&T.

Note 6: Following the sale by TFN of its 100% shareholdings in TT&T on May 14, 2010, the endorsement/guarantee provided by TT&T is for transaction. The aggregate endorsement/guarantee amount shall not exceed the net worth of TT&T, and the individual endorsement/guarantee amount shall not exceed the amount of business dealing. The amount of business dealing is \$141,464 thousands.

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES
MARKETABLE SECURITIES HELD
DECEMBER 31, 2010

TABLE 3

(In Thousands of New Taiwan Dollars or stated otherwise)

| Investing Company (A) | Marketable Securities Invested (B) | Relationship with the Investing Company (B is A's) | Financial Statement Account | December 31, 2010 | | | | Note |
|--|--|--|--|-----------------------------|------------------------|----------------------------|--------------------------|------|
| | | | | Shares/Units (Thousands) | Carrying Value | Percentage of Ownership | Market Value (Note 1) | |
| Taiwan Mobile Co., Ltd. (the "Corporation") | <u>Stock</u> Chunghwa Telecom Co., Ltd. | - | Available-for-sale financial assets - current | 2,717 | \$ 201,322 | 0.035 | \$ 201,322 (Note 5) | |
| | Bridge Mobile Pte Ltd. | - | Financial assets carried at cost - non-current | 2,200 | 50,324 | 10 | - (Note 3) | |
| | Yes Mobile Holdings Company | - | Financial assets carried at cost - non-current | 74 | - | 0.19 | - (Note 3) | |
| | Wealth Media Technology Co., Ltd. | Subsidiary | Long-term investments - equity method | 37,200 | 301,977 | 100 | 301,977 | |
| | Taiwan Cellular Co., Ltd. | Subsidiary | Long-term investments - equity method | 30,000 | 10,618,840 (Note 4) | 100 | 58,803,377 | |
| | Taipei New Horizons Co., Ltd. | Equity-method investee | Long-term investments - equity method | 44,910 | 388,002 | 49.9 | 388,002 | |
| Wealth Media Technology Co., Ltd. | <u>Stock</u> Tai Fu Media Technology Co., Ltd. | Subsidiary | Long-term investments - equity method | 27,000 | 200,769 | 100 | 200,769 | |
| | Taiwan Win TV Broadcasting Co., Ltd. | Subsidiary | Long-term investments - equity method | 16 | 9,912 | 100 | 9,912 | |
| Tai Fu Media Technology Co., Ltd. | <u>Stock</u> Global Wealth Media Technology Co., Ltd. | Subsidiary | Long-term investments - equity method | 8,400 | 89,937 | 100 | 89,937 | |
| | Fu Jia Leh Media Technology Co., Ltd. | Subsidiary | Long-term investments - equity method | 100 | 767 | 100 | 767 | |
| | Fu Sin Media Technology Co., Ltd. | Subsidiary | Long-term investments - equity method | 13,500 | 141,279 | 100 | 141,279 | |
| | Global Forest Media Technology Co., Ltd. | Subsidiary | Long-term investments - equity method | 100 | 643 | 100 | 643 | |
| Global Wealth Media Technology Co., Ltd. | <u>Stock</u> Globalview Cable TV Co., Ltd. | Subsidiary | Long-term investments - equity method | 3,815 | 93,667 | 6.813 | 45,762 | |
| Fu Sin Media Technology Co., Ltd. | <u>Stock</u> Phoenix Cable TV Co., Ltd. | Subsidiary | Long-term investments - equity method | 2,272 | 132,411 | 3.34 | 32,131 | |
| Global Forest Media Technology Co., Ltd. | <u>Stock</u> Union Cable TV Co., Ltd. | Subsidiary | Long-term investments - equity method | 326 shares | 4 | 0.0002 | 4 | |
| Taiwan Cellular Co., Ltd. | <u>Stock</u> Arcoa Communication Co., Ltd. | - | Financial assets carried at cost - non-current | 6,998 | 67,731 | 5.21 | - (Note 3) | |
| | Parawin Venture Capital Corp. | - | Financial assets carried at cost - non-current | 3,000 | 20,207 | 3 | - (Note 3) | |

(Continued)

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES
MARKETABLE SECURITIES HELD
DECEMBER 31, 2010

| Investing Company (A) | Marketable Securities Invested (B) | Relationship with the Investing Company (B is A's) | Financial Statement Account | December 31, 2010 | | | | Note |
|--|---|--|---|-----------------------------|-------------------|----------------------------|--------------------------|------|
| | | | | Shares/Units (Thousands) | Carrying Value | Percentage of Ownership | Market Value (Note 1) | |
| | Transportation High Tech Inc. | - | Financial assets carried at cost - non-current | 1,200 | \$ - | 12 | \$ - | |
| | WEB Point Co., Ltd. | - | Financial assets carried at cost - non-current | 803 | (Note 2) 6,773 | 3.17 | (Note 3) - | |
| | TWM Holding Co. Ltd. | Subsidiary | Long-term investments - equity method | 1 share | US\$ 8,575 | 100 | US\$ 8,575 | |
| | Taiwan Fixed Network Co., Ltd. | Subsidiary | Long-term investments - equity method | 2,100,000 | 38,286,597 | 100 | 38,286,597 | |
| | Taiwan Digital Communication Co., Ltd. | Subsidiary | Long-term investments - equity method | 1,200 | 11,604 | 100 | 11,604 | |
| | TCC Investment Co., Ltd. | Subsidiary | Long-term investments - equity method | 3,950 | 26,428,349 | 100 | 26,301,166 | |
| | Taiwan Teleservices & Technologies Co., Ltd. | Subsidiary | Long-term investments - equity method | 1,000 | 80,947 | 100 | 80,947 | |
| TWM Holding Co., Ltd. | <u>Stock</u> TWM Communications (Beijing) Ltd. | Subsidiary | Long-term investments - equity method | - | US\$ 4,028 | 100 | US\$ 3,137 | |
| Taiwan Teleservices & Technologies Co., Ltd. | <u>Stock</u> TT & T Holdings Co., Ltd. | Subsidiary | Long-term investments - equity method | 1,300 | US\$ 1,383 | 100 | US\$ 1,383 | |
| | Taiwan Super Basketball Co., Ltd. | Subsidiary | Long-term investments - equity method | 2,000 | 20,083 | 100 | 20,083 | |
| TT&T Holdings Co., Ltd. | <u>Stock</u> Xiamen Taifu Teleservices & Technologies Co., Ltd. | Subsidiary | Long-term investments - equity method | - | US\$ 1,356 | 100 | US\$ 1,356 | |
| TCC Investment Co., Ltd. | <u>Stock</u> Taiwan Mobile Co., Ltd. (the "Corporation") | The Corporation | Available-for-sale financial assets - non-current | 222,774 | 15,527,360 | 5.86 | 15,527,360 | |
| | Win TV Broadcasting Co., Ltd. | Subsidiary | Long-term investments - equity method | 18,177 | 275,809 | 100 | 268,192 | |
| | TFN Media Co., Ltd. | Subsidiary | Long-term investments - equity method | 230,526 | 2,384,676 | 100 | 4,360,839 | |
| | TCCI Investment and Development Co., Ltd. | Subsidiary | Long-term investments - equity method | 400 | 8,996,439 | 100 | 8,996,439 | |
| | Great Taipei Broadband Co., Ltd. | - | Financial assets carried at cost - non-current | 10,000 | 42,845 | 6.67 | - | |
| | <u>Preferred stock</u> Taiwan High Speed Rail Corporation Unlisted Convertible Preferred Stock - Series A | - | Bonds measured at amortized cost - non - current | 50,000 | 500,000 | 1.24 | - | |
| | | | | | | | (Note 3) | |
| TCCI Investment and Development Co., Ltd. | <u>Stock</u> Taiwan Mobile Co., Ltd. (the "Corporation") | The Corporation | Available-for-sale financial assets - non-current | 132,849 | 9,259,552 | 3.50 | 9,259,552 | |
| | | | | | | | (Note 5) | |
| TFN Media Co., Ltd. | <u>Stock</u> Yeong Jia Leh Cable TV Co., Ltd. | Subsidiary | Long-term investments - equity method | 33,940 | 2,114,721 | 100 | 590,241 | |

(Continued)

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES
MARKETABLE SECURITIES HELD
DECEMBER 31, 2010

| Investing Company (A) | Marketable Securities Invested (B) | Relationship with the Investing Company (B is A's) | Financial Statement Account | December 31, 2010 | | | | Note |
|--------------------------------|---|--|---|-----------------------------|----------------|----------------------------|--------------------------|------|
| | | | | Shares/Units (Thousands) | Carrying Value | Percentage of Ownership | Market Value (Note 1) | |
| | Mangrove Cable TV Co., Ltd. | Related party in substance | Long-term investments - equity method | 6,248 | \$ 594,602 | 29.53 | \$ 331,427 (Note 6) | |
| | Phoenix Cable TV Co., Ltd. | Subsidiary | Long-term investments - equity method | 65,818 | 3,155,367 | 96.66 | 930,862 | |
| | Union Cable TV Co., Ltd. | Subsidiary | Long-term investments - equity method | 170,441 | 2,071,829 | 99.9998 | 1,867,082 | |
| | Globalview Cable TV Co., Ltd. | Subsidiary | Long-term investments - equity method | 51,733 | 1,243,022 | 92.38 | 620,501 | |
| | Taiwan Kuro Times Co., Ltd. | Subsidiary | Long-term investments - equity method | 667 | 54,480 | 54.988 | 29,573 | |
| Taiwan Kuro Times Co., Ltd. | <u>Stock</u> ezPeer Multimedia Limited | Subsidiary | Long-term investments - equity method | 1,522 | US\$ 1,496 | 100 | US\$ 1,496 | |
| Taiwan Fixed Network Co., Ltd. | <u>Stock</u> TFN Union Investment Co., Ltd. | Subsidiary | Long-term investments - equity method | 400 | 30,900,208 | 100 | 30,900,208 | |
| | TFN HK LIMITED | Subsidiary | Long-term investments - equity method | 1,300 | HK\$ 1,364 | 100 | HK\$ 1,364 | |
| | Taiwan High Speed Rail Corporation | - | Financial assets carried at cost - non-current | 225,531 | 2,120,829 | 3.46 | - (Note 3) | |
| | | | | | | | | |
| TFN Union Investment Co., Ltd. | <u>Stock</u> Taiwan Mobile Co., Ltd. (the "Corporation") | The Corporation | Available-for-sale financial assets - non-current | 456,295 | 31,803,745 | 12 | 31,803,745 (Note 5) | |

Note 1: Based on the investee's net worth as shown in its latest financial statements if market value was not available.

Note 2: Impairment loss recognized in 2004 reduced the value to zero.

Note 3: As of January 15, 2011, the independent auditors' report date, the investee's net worth was not available.

Note 4: The Corporation's shares held by TCCI, TID and TUI (all are subsidiaries 100%-owned by TCC) are classified as treasury shares. Therefore, the Corporation's carrying cost of \$58,800,377 thousand on TCC shall be reduced by 1) downward adjusting \$31,889,100 thousand, the carrying value of total treasury shares on the Corporation's book, 2) excluding \$16,754,716 thousand unrealized gain from financial assets investment, 3) adding back \$475,907 thousand income tax expenses resulted from TFN and TFNI's disposal gain from the Corporation's shares, and 4) excluding recognition of upstream transactions gain of \$13,628 thousand.

Note 5: Based on the closing price on December 31, 2010.

Note 6 70.47% shares are held under trustee accounts.

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES
MARKETABLE SECURITIES ACQUIRED OR DISPOSED AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2010

TABLE 4
(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 | |
|---|---|---|-----------------------------------|------------------------|--------------------------|------------|--------------------------|------------|--------------------------|------------|----------------|-------------------------|--------------------------|------------------------|
| | | | | | 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. (the "Corporation") | Beneficiary certificates | Financial assets at fair value through profit or loss-current | - | - | - | \$ - | 20,000 | \$ 200,000 | 20,000 | \$ 194,072 | \$ 200,000 | \$ (5,928) | - | \$ - |
| | <u>Stock</u> Wealth Media Technology Co., Ltd. | Long-term investment-equity method | Wealth Media Technology Co., Ltd. | Subsidiary | 27,200 | 192,615 | 10,000 (Note 1) | 100,000 | - | - | - | - | 37,200 | 301,977 (Note 2) |
| | Taipei New Horizons Co., Ltd. | Long-term investment-equity method | Taipei New Horizons Co., Ltd. | Equity-method investee | 24,950 | 211,974 | 19,960 (Note 1) | 199,600 | - | - | - | - | 44,910 | 388,002 (Note 2) |
| Taiwan Cellular Co., Ltd. | <u>Stock</u> TCCI investment Co., Ltd. | Long-term investment-equity method | TCCI investment Co., Ltd. | Subsidiary | 2,100 | 21,092,818 | 1,850 (Note 1) | 1,850,000 | - | - | - | - | 3,950 | 26,428,349 (Note 2) |
| Taiwan Fixed Network Co., Ltd. | <u>Stock</u> New Century infocomm Technology Co., Ltd. | Financial assets Carried at cost –non-current | Yuan Cing Infocomm Tech Co., Ltd. | - | 21,890 | 187,042 | - | - | 21,890 | 238,541 | 187,042 | 51,499 | - | - |

Note 1: The shares/units and amount of marketable securities acquired do not include stock dividends from investees.

Note 2: The ending balance includes the unrealized gain or loss on financial instruments, cumulative translation adjustments, investment income or loss recognized under the equity method, and other adjustments in long-term investment using equity method.

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES
TOTAL PURCHASE FROM OR SALE TO RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2010

TABLE 5
(In Thousands of New Taiwan Dollars)

| Company Name (A) | Related Party (B) | Nature of Relationship (B is A's) | Transaction Details | | | | Transactions with Terms Different from Others | | Notes/Accounts Payable or Receivable | | Note |
|--|--|--------------------------------------|----------------------|----------------|------------|-------------------------|---|---------------|--------------------------------------|------------|----------|
| | | | Purchase/Sale | Amount | % to Total | Payment Terms | Unit Price | Payment Terms | Ending Balance | % to Total | |
| Taiwan Mobile Co., Ltd. (the "Corporation") | Taiwan Fixed Network Co., Ltd. | Subsidiary | Sale | \$ (2,216,854) | (4) | Based on contract terms | - | - | \$ 370,835 | 6 | (Note 1) |
| | | | Purchase | 2,095,107 | (Note 2) | Based on contract terms | - | - | (245,359) | (Note 3) | |
| | Taiwan Teleservices & Technologies Co., Ltd. | Subsidiary | Purchase | 841,116 | (Note 4) | Based on contract terms | - | - | (67,278) | (Note 5) | |
| Taiwan Teleservices & Technologies Co., Ltd. | The Corporation | Ultimate parent | Sale | (841,304) | (86) | Based on contract terms | - | - | 67,306 | 88 | |
| | Taiwan Fixed Network Co., Ltd. | Related party in substance | Sale | (141,464) | (14) | Based on contract terms | - | - | 9,533 | 12 | |
| Taiwan Fixed Network Co., Ltd. | The Corporation | Ultimate parent | Sale | (2,091,036) | (20) | Based on contract terms | - | - | 245,359 | 27 | |
| | | | Purchase | 2,219,511 | 33 | Based on contract terms | - | - | (370,375) | (49) | |
| | Taiwan Teleservices & Technologies Co., Ltd. | Related party in substance | Purchase | 141,464 | (Note 4) | Based on contract terms | - | - | (9,533) | (Note 5) | |
| TFN Media Co., Ltd. | Phoenix Cable TV Co., Ltd. | Subsidiary | Channel leasing fee | (484,524) | (18) | Based on contract terms | (Note 6) | (Note 6) | 2,817 | 2 | |
| | Yeong Jia Leh Cable TV Co., Ltd. | Subsidiary | Channel leasing fee | (438,024) | (16) | Based on contract terms | (Note 6) | (Note 6) | 4,279 | 3 | |
| | Union Cable TV Co., Ltd. | Subsidiary | Channel leasing fee | (227,304) | (8) | Based on contract terms | (Note 6) | (Note 6) | 1,516 | 1 | |
| | Globalview Cable Co., Ltd. | Subsidiary | Channel leasing fee | (195,349) | (7) | Based on contract terms | (Note 6) | (Note 6) | 182 | - | |
| Union Cable TV Co., Ltd. | TFN Media Co., Ltd. | Parent | Royalty of copyright | 227,304 | 62 | Based on contract terms | (Note 6) | (Note 6) | (1,516) | (24) | |
| Yeong Jia Leh Cable TV Co., Ltd. | TFN Media Co., Ltd. | Parent | Royalty of copyright | 438,024 | 62 | Based on contract terms | (Note 6) | (Note 6) | (4,279) | (26) | |
| Phoenix Cable TV Co., Ltd. | TFN Media Co., Ltd. | Parent | Royalty of copyright | 484,524 | 66 | Based on contract terms | (Note 6) | (Note 6) | (2,817) | (40) | |
| Globalview Cable Co., Ltd. | TFN Media Co., Ltd. | Parent | Royalty of copyright | 195,349 | 63 | Based on contract terms | (Note 6) | (Note 6) | (182) | (7) | |
| Mangrove Cable Co., Ltd. | Dai-Ka Ltd. | Related party in substance | Royalty of copyright | 158,359 | 61 | Based on contract terms | (Note 6) | (Note 6) | - | - | |

Note 1: The \$75,990 thousand accounts receivable amount was expressed on a gross basis in accordance with sales amount. The net accounts receivable should be \$370,835 thousand after deducting accounts payable and accrued custodial receipts/payments totaled \$294,845 thousand.

Note 2: Included operating costs and operating expenses.

Note 3: Included accounts payable and accrued expenses.

Note 4: Recognized as operating expenses.

Note 5: Recognized as accrued expenses.

Note 6: No comparables on such kind of transactions.

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES
RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2010

TABLE 6
(In Thousands of New Taiwan Dollars)

| Company Name (A) | Related Party (B) | Nature of Relationship (B is A's) | Ending Balance | Turnover Rate | Overdue | | Amount Received in Subsequent Period | Allowance for Bad Debts |
|---|--------------------------------|--------------------------------------|--------------------------------|------------------|---------|--------------|---|----------------------------|
| | | | | | Amount | Action Taken | | |
| Taiwan Mobile Co., Ltd. (the "Corporation") | Taiwan Fixed Network Co., Ltd. | Subsidiary | Accounts receivable \$ 370,835 | 6 | \$ - | - | \$ 372 | \$ - |
| | | | Other receivables 59,310 | | - | - | 10,880 | - |
| | TFN Media Co., Ltd. | Subsidiary | Other receivables 3,725,325 | | - | - | - | - |
| | Taiwan Cellular Co., Ltd. | Subsidiary | Other receivables 8,397,779 | | - | - | - | - |
| Taiwan Cellular Co., Ltd. | TFN Media Co., Ltd. | Subsidiary | Other receivables 1,814,284 | | - | - | - | - |
| | Win TV Broadcasting Co., Ltd. | Subsidiary | Other receivables 123,200 | | - | - | - | - |
| Taiwan Teleservices & Technologies Co., Ltd. | The Corporation | Ultimate parent | Accounts receivable 67,306 | 12.64 | - | - | - | - |
| | Taiwan Fixed Network Co., Ltd. | Related party in substance | Accounts receivable 9,533 | 13.62 | - | - | - | - |
| Taiwan Fixed Network Co., Ltd. | The Corporation | Ultimate parent | Accounts receivable 245,359 | 7.75 | - | - | 534 | - |
| | | | Other receivables 6,917,553 | | - | - | 141,172 | - |
| Phoenix Cable TV Co., Ltd. | TFN Media Co., Ltd. | Parent | Accounts receivable 7,819 | 10.74 | - | - | - | - |
| | | | Other receivables 582,167 | | - | - | - | - |
| Union Cable TV Co., Ltd. | TFN Media Co., Ltd. | Parent | Accounts receivable 9,753 | 4.74 | - | - | - | - |
| | | | Other receivables 595,143 | | - | - | - | - |
| Globalview Cable TV Co., Ltd. | TFN Media Co., Ltd. | Parent | Accounts receivable 3,647 | 8.2 | - | - | - | - |
| | | | Other receivables 220,152 | | - | - | - | - |
| Yeong Jia Leh Cable TV Co., Ltd. | TFN Media Co., Ltd. | Parent | Accounts receivable 9,735 | 8.59 | - | - | - | - |
| | | | Other receivables 313,509 | | - | - | - | - |

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES
NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
FOR THE YEAR ENDED DECEMBER 31, 2010

TABLE 7

(In Thousands of New Taiwan Dollars or stated otherwise)

| Investor | Investee | Location | Main Businesses and Products | Investment Amount | | Balance as of December 31, 2010 | | | Net Income (Loss) of the Investee | Investment Income (Loss) | Note |
|--|---|--|--|-------------------|-------------------|---------------------------------|-------------------------|------------------------|-----------------------------------|--------------------------|------|
| | | | | December 31, 2010 | December 31, 2009 | Shares (Thousands) | Percentage of Ownership | Carrying Value | | | |
| Taiwan Mobile Co., Ltd. (the “Corporation”) | Taiwan Cellular Co., Ltd. | Taipei, Taiwan | Telecom engineering and IT service | \$ 37,558,330 | \$ 37,558,330 | 30,000 | 100 | \$ 10,618,840 (Note 1) | \$ 3,678,672 | \$ 3,672,572 | |
| | Taipei New Horizons Co., Ltd. | Taipei, Taiwan | Real Estate Rental and Sale | 449,100 | 249,500 | 44,910 | 49.9 | 388,002 | (47,238) | (23,572) | |
| | Wealth Media Technology Co., Ltd. | Taipei, Taiwan | Investment | 372,000 | 272,000 | 37,200 | 100 | 301,977 | 9,491 | 9,491 | |
| Wealth Media Technology Co., Ltd. | Tai Fu Media Technology Co., Ltd. | Taipei, Taiwan | Investment | 270,000 | 270,000 | 27,000 | 100 | 200,769 | 9,721 | NA | |
| | Taiwan Win TV Broadcasting Co., Ltd. | Taipei, Taiwan | TV program producing | 10,000 | - | 16 | 100 | 9,912 | (88) | NA | |
| Tai Fu Media Technology Co., Ltd. | Global Wealth Media Technology Co., Ltd. | Xizhi Dist., New Taipei City , Taiwan | Investment | 84,000 | 84,000 | 8,400 | 100 | 89,937 | 5,174 | NA | |
| | Fu Jia Leh Media Technology Co., Ltd. | Taipei, Taiwan | Investment | 1,700 | 1,700 | 100 | 100 | 767 | (201) | NA | |
| | Fu Sin Media Technology Co., Ltd. | Taipei, Taiwan | Investment | 135,000 | 135,000 | 13,500 | 100 | 141,279 | 5,398 | NA | |
| | Global Forest Media Technology Co., Ltd. | Taipei, Taiwan | Investment | 1,000 | 1,000 | 100 | 100 | 643 | (138) | NA | |
| Global Wealth Media Technology Co., Ltd. | Globalview Cable TV Co., Ltd. | Xizhi Dist., New Taipei City , Taiwan | Cable TV service provider | 91,691 | 90,099 | 3,815 | 6.813 | 93,667 | 80,477 | NA | |
| Fu Sin Media Technology Co., Ltd. | Phoenix Cable TV Co., Ltd. | Kaohsiung County, Taiwan | Cable TV service provider | 133,358 | 133,358 | 2,272 | 3.34 | 132,411 | 168,255 | NA | |
| Global Forest Media Technology Co., Ltd. | Union Cable TV Co., Ltd. | Yilan County, Tawian | Cable TV service provider | 4 | - | 326 shares | 0.0002 | 4 | 132,143 | NA | |
| Taiwan Cellular Co., Ltd. | TWM Holding Co. Ltd. | British Virgin Islands | Investment | US\$ 10,800 | US\$ 10,800 | 1 share | 100 | US\$ 8,575 | US\$ 66 | NA | |
| | Taiwan Fixed Network Co., Ltd. | Taipei, Taiwan | Fixed line service provider | 21,000,000 | 21,000,000 | 2,100,000 | 100 | 38,286,597 | 2,054,662 | NA | |
| | Taiwan Digital Communication Co., Ltd. | Taipei, Taiwan | Telecom engineering and IT service | 12,000 | 12,000 | 1,200 | 100 | 11,604 | 654 | NA | |
| | TCC Investment Co., Ltd. | Taipei, Taiwan | Investment | 22,301,000 | 20,451,000 | 3,950 | 100 | 26,428,349 | 1,608,730 | NA | |
| | Taiwan Teleservices & Technologies Co., Ltd. (Note 3) | Taipei, Taiwan | Call center service and ISR (international simple resales) | 10,000 | 10,000 | 1,000 | 100 | 80,947 | 40,966 | NA | |
| | TWM Holding Co. Ltd. | TWM Communications (Beijing) Ltd. | Mobile application development and design | US\$ 4,936 | US\$ 4,936 | - | 100 | US\$ 4,028 | US\$ 62 | NA | |
| Taiwan Teleservices & Technologies Co., Ltd. | TT&T Holdings Co., Ltd. | Samoa | Investment | US\$ 1,300 | US\$ 1,300 | 1,300 | 100 | US\$ 1,383 | US\$ (68) | NA | |
| | Taiwan Super Basketball Co., Ltd. | Taipei, Taiwan | Basketball team management | 20,000 | 20,000 | 2,000 | 100 | 20,083 | 73 | NA | |
| TT&T Holdings Co., Ltd. | Xiamen Taifu Teleservices & Technologies Co., Ltd. | Xiamen, China | Call center service | US\$ 1,300 | US\$ 1,300 | - | 100 | US\$ 1,356 | US\$ (89) | NA | |
| TCC Investment Co., Ltd. | Win TV Broadcasting Co., Ltd. | Taipei, Taiwan | TV program provider | 188,047 | 179,047 | 18,177 | 100 | 257,809 | 79,122 | NA | |
| | TFN Media Co., Ltd. | Taipei, Taiwan | Cable broadband and value added service provider | 2,035,714 | 2,035,714 | 230,526 | 100 | 2,384,676 | 1,676,545 | NA | |
| | TCCI Investment and Development Co., Ltd. | Taipei, Taiwan | Investment | 6,629,149 | 6,629,149 | 400 | 100 | 8,996,439 | (17) | NA | |
| TFN Media Co., Ltd. | Yeong Jia Leh Cable TV Co., Ltd. | Xinzhuang Dist., New Taipei City, Taiwan | Cable TV service provider | 1,616,824 | 1,616,824 | 33,940 | 100 | 2,114,721 | 147,207 | NA | |
| | Mangrove Cable TV Co., Ltd | Danshui Dist., New Taipei City, Taiwan | Cable TV service provider | 397,703 | 397,703 | 6,248 (Note 2) | 29.53 | 594,602 | 92,740 | NA | |
| | Phoenix Cable TV Co., Ltd. | Kaohsiung County, Taiwan | Cable TV service provider | 2,294,967 | 2,294,967 | 65,818 | 96.66 | 3,155,367 | 168,255 | NA | |
| | Union Cable TV Co., Ltd. | Yilan County, Taiwan | Cable TV service provider | 1,904,436 | 1,904,440 | 170,441 | 99.9998 | 2,071,829 | 132,143 | NA | |
| | Globalview Cable TV Co., Ltd. | Xizhi Dist., New Taipei City, Taiwan | Cable TV service provider | 841,413 | 841,413 | 51,733 | 92.38 | 1,243,022 | 80,477 | NA | |
| Taiwan Kuro Times Co., Ltd. | Taiwan Kuro Times Co., Ltd. | Taipei, Taiwan | The platform of music supplied | 63,900 | - | 667 | 54.988 | 54,480 | (15,719) | NA | |
| | ezPeer Multimedia Limited | Samoa | Investment | US\$ 1,522 | - | 1,522 | 100 | US\$ 1,496 | US\$ (26) | NA | |
| | TFN Union Investment Co., Ltd. | Taipei, Taiwan | Investment | 22,769,109 | 22,769,109 | 400 | 100 | 30,900,208 | (17) | NA | |
| | TFN HK LIMITED | Hong Kong | Telecommunications service provider | HK\$ 1,300 | HK\$ 1,300 | 1,300 | 100 | HK\$ 1,364 | HK\$ 558 | NA | |

Note 1: The Corporation’s shares held by TCCI, TID and TUI (all are subsidiaries 100%-owned by TCC) are classified as treasury shares. Therefore, the Corporation’s carrying cost of \$58,800,377 thousand on TCC shall be reduced by 1) downward adjusting \$31,889,100 thousand, the carrying value of total treasury shares on the Corporation’s book, 2) excluding \$16,754,716 thousand unrealized gain from financial assets investment, 3) adding back \$475,907 thousand income tax expenses resulted from TFN and TFNI’s disposal gain from the Corporation’s shares, and 4) excluding recognition of upstream transactions gain of \$13,628 thousand.

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

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

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

INVESTMENT IN MAINLAND CHINA

YEAR ENDED DECEMBER 31, 2010

TABLE 8
(In Thousands of New Taiwan Dollars or U.S. Dollars)

| Investee Company Name | Main Businesses and Products | Total Amount of Paid-in Capital | Investment Type | Accumulated Outflow of Investment from Taiwan as of January 1, 2010 | Investment Flows | | Accumulated Outflow of Investment from Taiwan as of December 31, 2010 | % Ownership of Direct or Indirect Investment | Investment Gain (Loss) (Note 3) | Carrying Value as of June 30, 2010 | Accumulated Inward Remittance of Earnings as of December 31, 2010 |
|--|---|---------------------------------|---|---|------------------|--------|---|---|---------------------------------|------------------------------------|---|
| | | | | | Outflow | Inflow | | | | | |
| Xiamen Taifu Teleservices & Technologies Co., Ltd. | Call center service | US\$ 1,300 (NT\$ 39,282) | Indirect investment in Mainland China through a third place by the Corporation's subsidiary, Taiwan Teleservices & Technologies Co., Ltd. | US\$ 1,300 (NT\$ 39,282) | \$ - | \$ - | US\$ 1,300 (NT\$ 39,282) | 100% ownership of indirect investment by the Corporation's subsidiary | (US\$ 89) (NT\$ (2,689)) | US\$ 1,356 (NT\$ 40,974) | \$ - |
| TWM Communications (Beijing) Ltd. | Mobile application development and design | US\$ 3,000 (NT\$ 90,651) | Indirect investment in Mainland China through a third place by the Corporation's subsidiary, Taiwan Cellular Co., Ltd. | US\$ 4,872 (NT\$ 147,217) | - | - | US\$ 4,872 (NT\$ 147,217) | 100% ownership of indirect investment by the Corporation's subsidiary | US\$ 62 (NT\$ 1,873) | US\$ 4,028 (NT\$ 121,714) | - |

| Accumulated Investment in Mainland China as of June 30, 2010 | Investment Amounts Authorized by Investment Commission, MOEA (Note 2) | Upper Limit on Investment Authorized by Investment Commission, MOEA (Note 2) |
|--|---|--|
| US\$1,300 (NT\$39,282) | US\$1,300 (NT\$39,282) | \$80,947 |
| US\$4,872 (NT\$147,217) | US\$4,872 (NT\$147,217) | \$58,800,377 |

Note 1: The above amounts were translated into New Taiwan dollars at the exchange rate of US\$1 = NT\$30.217, and RMB1 = NT\$4.5626 as of December 31, 2010.

Note 2: The indirect investment made by Taiwan Teleservices & Technologies Co., Ltd. and Taiwan Cellular Co., Ltd., subsidiaries of the Corporation.

Note 3: Calculation was based on unreviewed financial statements.

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES
BUSINESS RELATIONSHIP AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
YEAR ENDED DECEMBER 31, 2010

TABLE 9

(In Thousands of New Taiwan Dollars)

| Number | Company Name | Counterparty | Nature of Relationship (Note) | Transaction Details | | | |
|--------|-------------------------|--|-------------------------------|----------------------|-----------|------------------------|---|
| | | | | Account | Amount | Transcation Terms | Percentage of Consolidated Total Operating Revenues or Total Assets |
| 0 | Taiwan Mobile Co., Ltd. | Taiwan Digital Communications Co., Ltd. | 1 | Account receivable | 630 | Based on regular terms | - |
| | | Taiwan Fixed Network Co., Ltd. | 1 | Account receivable | 75,990 | Based on regular terms | - |
| | | TFN Media Co., Ltd. | 1 | Account receivable | 86 | Based on regular terms | - |
| | | Union Cable TV Co., Ltd. | 1 | Account receivable | 35 | Based on regular terms | - |
| | | Yeong Jia Leh Cable TV Co., Ltd. | 1 | Account receivable | 77 | Based on regular terms | - |
| | | Mangrove Cable TV Co., Ltd. | 1 | Account receivable | 18 | Based on regular terms | - |
| | | Phoenix Cable TV Co., Ltd. | 1 | Account receivable | 101 | Based on regular terms | - |
| | | Globalview Cable TV Co., Ltd. | 1 | Account receivable | 14 | Based on regular terms | - |
| | | Taiwan Kuro Times Co., Ltd. | 1 | Account receivable | (2) | Based on regular terms | - |
| | | Tai Fu Media Technology Co., Ltd. | 1 | Other receivables | 33,055 | Based on regular terms | - |
| | | Taiwan Cellular Co., Ltd. | 1 | Other receivables | 8,397,799 | Based on regular terms | 12% |
| | | Taiwan Digital Communications Co., Ltd. | 1 | Other receivables | 30,040 | Based on regular terms | - |
| | | Taiwan Fixed Network Co., Ltd. | 1 | Other receivables | 59,310 | Based on regular terms | - |
| | | Mangrove Cable TV Co., Ltd. | 1 | Other receivables | 58 | Based on regular terms | - |
| | | TFN Media Co., Ltd. | 1 | Other receivables | 3,725,325 | Based on regular terms | 5% |
| | | TFN Union Investment Co., Ltd. | 1 | Other receivables | 23 | Based on regular terms | - |
| | | TCCI Investment and Development Co., Ltd. | 1 | Other receivables | 23 | Based on regular terms | - |
| | | Taiwan Fixed Network Co., Ltd. | 1 | Prepayments | 62 | Based on regular terms | - |
| | | Mangrove Cable TV Co., Ltd. | 1 | Prepayments | 20 | Based on regular terms | - |
| | | Taiwan Fixed Network Co., Ltd. | 1 | Short-term borrowing | 6,645,000 | Based on regular terms | 9% |
| | | Taiwan Teleservices & Technologies Co., Ltd. | 1 | Accounts payable | 27 | Based on regular terms | - |
| | | Taiwan Kuro Times Co., Ltd. | 1 | Accounts payable | 8,482 | Based on regular terms | - |
| | | Taiwan Cellular Co., Ltd. | 1 | Accrued expenses | 689 | Based on regular terms | - |
| | | Taiwan Digital Communications Co., Ltd. | 1 | Accrued expenses | 42 | Based on regular terms | - |
| | | Taiwan Super Basketball Co., Ltd. | 1 | Accrued expenses | 5,850 | Based on regular terms | - |
| | | TWM Communications (Beijing) Ltd. | 1 | Accrued expenses | 38,250 | Based on regular terms | - |
| | | Taiwan Fixed Network Co., Ltd. | 1 | Accrued expenses | 248,681 | Based on regular terms | - |
| | | Taiwan Teleservices & Technologies Co., Ltd. | 1 | Accrued expenses | 67,278 | Based on regular terms | - |
| | | Taiwan Digital Communications Co., Ltd. | 1 | Other payables | 11 | Based on regular terms | - |
| | | TWM Communications (Beijing) Ltd. | 1 | Other payables | 13,774 | Based on regular terms | - |
| | | Taiwan Fixed Network Co., Ltd. | 1 | Other payables | 147,841 | Based on regular terms | - |
| | | Union Cable TV Co., Ltd. | 1 | Other payables | 691 | Based on regular terms | - |
| | | Yeong Jia Leh Cable TV Co., Ltd. | 1 | Other payables | 1,488 | Based on regular terms | - |

(Continued)

| Number | Company Name | Counterparty | Nature of Relationship (Note) | Transaction Details | | | |
|--------|--------------|--|-------------------------------|---------------------------|-----------|------------------------|----|
| | | Mangrove Cable TV Co., Ltd. | 1 | Other payables | 179 | Based on regular terms | - |
| | | Phoenix Cable TV Co., Ltd. | 1 | Other payables | 2,760 | Based on regular terms | - |
| | | Globalview Cable TV Co., Ltd. | 1 | Other payables | 305 | Based on regular terms | - |
| | | Taiwan Kuro Times Co., Ltd. | 1 | Other payables | 1,652 | Based on regular terms | - |
| | | Taiwan Fixed Network Co., Ltd. | 1 | Advance receipts | 137 | Based on regular terms | - |
| | | Taiwan Fixed Network Co., Ltd. | 1 | Other current liabilities | 88,814 | Based on regular terms | - |
| | | Win TV Broadcasting Co., Ltd. | 1 | Other current liabilities | 30 | Based on regular terms | - |
| | | TFN Media Co., Ltd. | 1 | Other current liabilities | 162 | Based on regular terms | - |
| | | Union Cable TV Co., Ltd. | 1 | Other current liabilities | 1,693 | Based on regular terms | - |
| | | Yeong Jia Leh Cable TV Co., Ltd. | 1 | Other current liabilities | 5,138 | Based on regular terms | - |
| | | Mangrove Cable TV Co., Ltd. | 1 | Other current liabilities | 584 | Based on regular terms | - |
| | | Phoenix Cable TV Co., Ltd. | 1 | Other current liabilities | 3,609 | Based on regular terms | - |
| | | Globalview Cable TV Co., Ltd. | 1 | Other current liabilities | 1,011 | Based on regular terms | - |
| | | Taiwan Kuro Times Co., Ltd. | 1 | Other current liabilities | 1,836 | Based on regular terms | - |
| | | Taiwan Fixed Network Co., Ltd. | 1 | Guarantee deposits | 830 | Based on regular terms | - |
| | | Taiwan Digital Communications Co., Ltd. | 1 | Operating revenues | 844 | Based on regular terms | - |
| | | Taiwan Fixed Network Co., Ltd. | 1 | Operating revenues | 2,216,854 | Based on regular terms | 3% |
| | | TFN Media Co., Ltd. | 1 | Operating revenues | 2,491 | Based on regular terms | - |
| | | Union Cable TV Co., Ltd. | 1 | Operating revenues | 642 | Based on regular terms | - |
| | | Yeong Jia Leh Cable TV Co., Ltd. | 1 | Operating revenues | 1,021 | Based on regular terms | - |
| | | Mangrove Cable TV Co., Ltd. | 1 | Operating revenues | 516 | Based on regular terms | - |
| | | Phoenix Cable TV Co., Ltd. | 1 | Operating revenues | 1,379 | Based on regular terms | - |
| | | Globalview Cable TV Co., Ltd. | 1 | Operating revenues | 526 | Based on regular terms | - |
| | | Taiwan Kuro Times Co., Ltd. | 1 | Operating revenues | 775 | Based on regular terms | - |
| | | TWM Communications (Beijing) Ltd. | 1 | Operating cost | 400 | Based on regular terms | - |
| | | Taiwan Fixed Network Co., Ltd. | 1 | Operating cost | 2,026,718 | Based on regular terms | 3% |
| | | Taiwan Teleservices & Technologies Co., Ltd. | 1 | Operating cost | 710 | Based on regular terms | - |
| | | TFN Media Co., Ltd. | 1 | Operating cost | (124) | Based on regular terms | - |
| | | Phoenix Cable TV Co., Ltd. | 1 | Operating cost | 171 | Based on regular terms | - |
| | | Taiwan Kuro Times Co., Ltd. | 1 | Operating cost | 9,930 | Based on regular terms | - |
| | | Taiwan Digital Communications Co., Ltd. | 1 | Operating expenses | 40 | Based on regular terms | - |
| | | Taiwan Super Basketball Co., Ltd. | 1 | Operating expenses | 32,850 | Based on regular terms | - |
| | | TWM Communications (Beijing) Ltd. | 1 | Operating expenses | 38,250 | Based on regular terms | - |
| | | Taiwan Fixed Network Co., Ltd. | 1 | Operating expenses | 87,824 | Based on regular terms | - |
| | | Taiwan Teleservices & Technologies Co., Ltd. | 1 | Operating expenses | 841,765 | Based on regular terms | 1% |
| | | TFN Media Co., Ltd. | 1 | Operating expenses | (6) | Based on regular terms | - |
| | | Union Cable TV Co., Ltd. | 1 | Operating expenses | (20) | Based on regular terms | - |
| | | Yeong Jia Leh Cable TV Co., Ltd. | 1 | Operating expenses | (38) | Based on regular terms | - |
| | | Mangrove Cable TV Co., Ltd. | 1 | Operating expenses | (7) | Based on regular terms | - |

(Continued)

| Number | Company Name | Counterparty | Nature of Relationship (Note) | Transaction Details | | | |
|--------|--------------------------------------|--|-------------------------------|-----------------------|---------|---|---|
| | | Phoenix Cable TV Co., Ltd. | 1 | Operating expenses | (45) | Based on regular terms | - |
| | | Globalview Cable TV Co., Ltd. | 1 | Operating expenses | (21) | Based on regular terms | - |
| | | TCC Investment Co., Ltd. | 1 | Operating expenses | 5,408 | Based on regular terms | - |
| | | Wealth Media Technology Co., Ltd. | 1 | Interest income | 235 | Based on regular terms | - |
| | | Tai Fu Media Technology Co., Ltd. | 1 | Interest income | 55 | Based on regular terms | - |
| | | Taiwan Cellular Co., Ltd. | 1 | Interest income | 28,252 | Based on regular terms | - |
| | | Taiwan Digital Communications Co., Ltd. | 1 | Interest income | 40 | Based on regular terms | - |
| | | TFN Media Co., Ltd. | 1 | Interest income | 28,651 | Based on regular terms | - |
| | | Wealth Media Technology Co., Ltd. | 1 | Rental income | 34 | Based on regular terms | - |
| | | Tai Fu Media Technology Co., Ltd. | 1 | Rental income | 34 | Based on regular terms | - |
| | | Fu Jia Leh Media Technology Co., Ltd. | 1 | Rental income | 34 | Based on regular terms | - |
| | | Fu Sin Media Technology Co., Ltd. | 1 | Rental income | 34 | Based on regular terms | - |
| | | Global Forest Media Technology Co., Ltd. | 1 | Rental income | 34 | Based on regular terms | - |
| | | Taiwan Cellular Co., Ltd. | 1 | Rental income | 34 | Based on regular terms | - |
| | | Taiwan Digital Communications Co., Ltd. | 1 | Rental income | 34 | Based on regular terms | - |
| | | Taiwan Super Basketball Co., Ltd. | 1 | Rental income | 34 | Based on regular terms | - |
| | | Taiwan Fixed Network Co., Ltd. | 1 | Rental income | 119,094 | Based on regular terms | - |
| | | Taiwan Teleservices & Technologies Co., Ltd. | 1 | Rental income | 34 | Based on regular terms | - |
| | | Win TV Broadcasting Co., Ltd. | 1 | Rental income | 259 | Based on regular terms | - |
| | | TFN Media Co., Ltd. | 1 | Rental income | 10,784 | Based on regular terms | - |
| | | TFN Union Investment Co., Ltd. | 1 | Rental income | 17 | Based on regular terms | - |
| | | TCCI Investment and Development Co., Ltd. | 1 | Rental income | 17 | Based on regular terms | - |
| | | TCC Investment Co., Ltd. | 1 | Rental income | 34 | Based on regular terms | - |
| | | Taiwan Win TV Broadcasting Co., Ltd. | 1 | Rental income | 26 | Based on regular terms | - |
| | | Taiwan Fixed Network Co., Ltd. | 1 | Miscellaneous revenue | 4,619 | Based on regular terms | - |
| | | Taiwan Fixed Network Co., Ltd. | 1 | Interest expenses | 25,603 | Based on regular terms | - |
| 1 | Wealth Media Technology Co., Ltd. | Global Wealth Media Technology Co., Ltd. | 1 | Other receivables | 4,000 | Payment terms varied depend on the agreements | - |
| | | Taiwan Mobile Co., Ltd. | 2 | Operating expenses | 34 | Payment terms varied depend on the agreements | - |
| | | Tai Fu Media Technology Co., Ltd. | 1 | Interest income | 272 | Payment terms varied depend on the agreements | - |
| | | Global Wealth Media Technology Co., Ltd. | 1 | Interest income | 20 | Payment terms varied depend on the agreements | - |
| | | Taiwan Mobile Co., Ltd. | 2 | Interest expenses | 235 | Payment terms varied depend on the agreements | - |
| 2 | Taiwan Win TV Broadcasting Co., Ltd. | Taiwan Mobile Co., Ltd. | 2 | Operating expenses | 26 | Based on regular terms | - |
| 3 | Tai Fu Media Technology Co., Ltd. | Taiwan Mobile Co., Ltd. | 2 | Accrued expenses | 55 | Payment terms varied depend on the agreements | - |
| | | Taiwan Mobile Co., Ltd. | 2 | Other payables | 33,000 | Payment terms varied depend on the agreements | - |
| | | Taiwan Mobile Co., Ltd. | 2 | Operating expenses | 34 | Payment terms varied depend on the agreements | - |
| | | Global Wealth Media Technology Co., Ltd. | 1 | Interest income | 14 | Payment terms varied depend on the agreements | - |

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| Number | Company Name | Counterparty | Nature of Relationship (Note) | Transaction Details | | | |
|--------|--|-----------------------------------|-------------------------------|-----------------------|-----------|---|-----|
| | | | | | | | |
| | | Taiwan Mobile Co., Ltd. | 2 | Interest expenses | 55 | Payment terms varied depend on the agreements | - |
| | | Wealth Media Technology Co., Ltd. | 2 | Interest expenses | 272 | Payment terms varied depend on the agreements | - |
| 4 | Global Wealth Media Technology Co., Ltd. | Wealth Media Technology Co., Ltd. | 2 | Other payables | 4,000 | Payment terms varied depend on the agreements | - |
| | | Globalview Cable TV Co., Ltd. | 1 | Operating expenses | 34 | Payment terms varied depend on the agreements | - |
| | | Wealth Media Technology Co., Ltd. | 2 | Interest expenses | 20 | Payment terms varied depend on the agreements | - |
| | | Tai Fu Media Technology Co., Ltd. | 2 | Interest expenses | 14 | Payment terms varied depend on the agreements | - |
| 5 | Fu Jia Leh Media Technology Co., Ltd. | Taiwan Mobile Co., Ltd. | 2 | Operating expenses | 34 | Payment terms varied depend on the agreements | - |
| 6 | Fu Sin Media Technology Co., Ltd. | Taiwan Mobile Co., Ltd. | 2 | Operating expenses | 34 | Payment terms varied depend on the agreements | - |
| 7 | Global Forest Media Technology Co., Ltd. | Taiwan Mobile Co., Ltd. | 2 | Operating expenses | 34 | Payment terms varied depend on the agreements | - |
| 8 | Taiwan Cellular Co., Ltd. | Taiwan Mobile Co., Ltd. | 2 | Other receivables | 689 | Based on regular terms | - |
| | | Win TV Broadcasting Co., Ltd. | 1 | Other receivables | 123,200 | Based on regular terms | - |
| | | TFN Media Co., Ltd. | 1 | Other receivables | 1,814,284 | Based on regular terms | 3% |
| | | Taiwan Mobile Co., Ltd. | 2 | Short-term borrowing | 8,370,000 | Based on regular terms | 12% |
| | | Taiwan Mobile Co., Ltd. | 2 | Accrued expenses | 27,799 | Based on regular terms | - |
| | | Taiwan Mobile Co., Ltd. | 2 | Operating expenses | 34 | Based on regular terms | - |
| | | Win TV Broadcasting Co., Ltd. | 1 | Interest income | 442 | Based on regular terms | - |
| | | TFN Media Co., Ltd. | 1 | Interest income | 23,601 | Based on regular terms | - |
| | | TCC Investment Co., Ltd. | 1 | Interest income | 10,987 | Based on regular terms | - |
| | | TT&T Holdings | 1 | Miscellaneous revenue | 95 | Based on regular terms | - |
| | | TWM Communications (Beijing) Ltd. | 1 | Miscellaneous revenue | 95 | Based on regular terms | - |
| | | Taiwan Mobile Co., Ltd. | 2 | Interest expenses | 28,252 | Based on regular terms | - |
| | | Taiwan Fixed Network Co., Ltd. | 1 | Interest expenses | 35,837 | Based on regular terms | - |
| 9 | Taiwan Fixed Network Co., Ltd. | Taiwan Mobile Co., Ltd. | 2 | Account receivable | 213,039 | Based on regular terms | - |
| | | TFN HK | 1 | Account receivable | 2 | Based on regular terms | - |
| | | Win TV Broadcasting Co., Ltd. | 3 | Account receivable | 11 | Based on regular terms | - |
| | | TFN Media Co., Ltd. | 3 | Account receivable | 25,331 | Based on regular terms | - |
| | | Union Cable TV Co., Ltd. | 3 | Account receivable | 66 | Based on regular terms | - |
| | | Yeong Jia Leh Cable TV Co., Ltd. | 3 | Account receivable | 136 | Based on regular terms | - |
| | | Mangrove Cable TV Co., Ltd. | 3 | Account receivable | 139 | Based on regular terms | - |
| | | Phoenix Cable TV Co., Ltd. | 3 | Account receivable | 595 | Based on regular terms | - |
| | | Globalview Cable TV Co., Ltd. | 3 | Account receivable | 198 | Based on regular terms | - |
| | | Taiwan Kuro Times Co., Ltd. | 3 | Account receivable | 1,335 | Based on regular terms | - |
| | | Taiwan Mobile Co., Ltd. | 2 | Other receivables | 6,917,265 | Based on regular terms | 10% |
| | | Win TV Broadcasting Co., Ltd. | 3 | Other receivables | 576 | Based on regular terms | - |

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| Number | Company Name | Counterparty | Nature of Relationship (Note) | Transaction Details | | | |
|--------|--------------|--|-------------------------------|---------------------------|-----------|------------------------|----|
| | | Union Cable TV Co., Ltd. | 3 | Other receivables | 104 | Based on regular terms | - |
| | | Globalview Cable TV Co., Ltd. | 3 | Other receivables | 2 | Based on regular terms | - |
| | | Taiwan Mobile Co., Ltd. | 2 | Prepayments | 114 | Based on regular terms | - |
| | | Taiwan Mobile Co., Ltd. | 2 | Refundable deposits | 830 | Based on regular terms | - |
| | | Taiwan Mobile Co., Ltd. | 2 | Accounts payable | 75,530 | Based on regular terms | - |
| | | TFN Media Co., Ltd. | 3 | Accounts payable | 25,710 | Based on regular terms | - |
| | | Taiwan Mobile Co., Ltd. | 2 | Accrued expenses | 59,739 | Based on regular terms | - |
| | | TFN HK | 1 | Accrued expenses | 35,368 | Based on regular terms | - |
| | | Taiwan Teleservices & Technologies Co., Ltd. | 3 | Accrued expenses | 9,533 | Based on regular terms | - |
| | | Union Cable TV Co., Ltd. | 3 | Accrued expenses | 108 | Based on regular terms | - |
| | | Yeong Jia Leh Cable TV Co., Ltd. | 3 | Accrued expenses | 78 | Based on regular terms | - |
| | | Globalview Cable TV Co., Ltd. | 3 | Accrued expenses | 31 | Based on regular terms | - |
| | | TWM Communications (Beijing) Ltd. | 3 | Accrued expenses | 3,248 | Based on regular terms | - |
| | | Taiwan Mobile Co., Ltd. | 2 | Advance receipts | 62 | Based on regular terms | - |
| | | Mangrove Cable TV Co., Ltd. | 3 | Other current liabilities | 79 | Based on regular terms | - |
| | | Union Cable TV Co., Ltd. | 3 | Guarantee deposits | 288 | Based on regular terms | - |
| | | Taiwan Mobile Co., Ltd. | 2 | Operating revenues | 2,091,036 | Based on regular terms | 3% |
| | | Win TV Broadcasting Co., Ltd. | 3 | Operating revenues | 495 | Based on regular terms | - |
| | | TFN Media Co., Ltd. | 3 | Operating revenues | 88,199 | Based on regular terms | - |
| | | Union Cable TV Co., Ltd. | 3 | Operating revenues | 2,953 | Based on regular terms | - |
| | | Yeong Jia Leh Cable TV Co., Ltd. | 3 | Operating revenues | 652 | Based on regular terms | - |
| | | Mangrove Cable TV Co., Ltd. | 3 | Operating revenues | 2,078 | Based on regular terms | - |
| | | Phoenix Cable TV Co., Ltd. | 3 | Operating revenues | 6,610 | Based on regular terms | - |
| | | Globalview Cable TV Co., Ltd. | 3 | Operating revenues | 1,849 | Based on regular terms | - |
| | | Taiwan Kuro Times Co., Ltd. | 3 | Operating revenues | 2,788 | Based on regular terms | - |
| | | Taiwan Mobile Co., Ltd. | 2 | Operating cost | 2,219,511 | Based on regular terms | 3% |
| | | TFN HK | 1 | Operating cost | 54,164 | Based on regular terms | - |
| | | TFN Media Co., Ltd. | 3 | Operating cost | 24,774 | Based on regular terms | - |
| | | Union Cable TV Co., Ltd. | 3 | Operating cost | 880 | Based on regular terms | - |
| | | Yeong Jia Leh Cable TV Co., Ltd. | 3 | Operating cost | 889 | Based on regular terms | - |
| | | Mangrove Cable TV Co., Ltd. | 3 | Operating cost | 69 | Based on regular terms | - |
| | | Phoenix Cable TV Co., Ltd. | 3 | Operating cost | 1,601 | Based on regular terms | - |
| | | Globalview Cable TV Co., Ltd. | 3 | Operating cost | 331 | Based on regular terms | - |
| | | Taiwan Mobile Co., Ltd. | 2 | Operating expenses | 115,702 | Based on regular terms | - |
| | | TWM Communications (Beijing) Ltd. | 3 | Operating expenses | 6 | Based on regular terms | - |
| | | Taiwan Teleservices & Technologies Co., Ltd. | 3 | Operating expenses | 141,464 | Based on regular terms | - |
| | | TWM Communications (Beijing) Ltd. | 3 | Operating expenses | 3,248 | Based on regular terms | - |
| | | Taiwan Mobile Co., Ltd. | 2 | Interest income | 25,603 | Based on regular terms | - |
| | | Taiwan Cellular Co., Ltd. | 2 | Interest income | 35,837 | Based on regular terms | - |
| | | Taiwan Mobile Co., Ltd. | 2 | Rental income | 19,092 | Based on regular terms | - |

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| Number | Company Name | Counterparty | Nature of Relationship (Note) | Transaction Details | | | |
|--------|---|--|-------------------------------|---------------------------|---------|--|---|
| | | Win TV Broadcasting Co., Ltd. | 3 | Rental income | 442 | Based on regular terms | - |
| | | Taiwan Mobile Co., Ltd. | 2 | Miscellaneous revenue | 3,683 | Based on regular terms | - |
| | | Taiwan Mobile Co., Ltd. | 2 | Miscellaneous expense | 4,619 | Based on regular terms | - |
| 10 | Taiwan Digital Communications Co., Ltd. | Taiwan Mobile Co., Ltd. | 2 | Account receivable | 53 | Based on regular terms | - |
| | | Taiwan Mobile Co., Ltd. | 2 | Short-term borrowing | 30,000 | Based on regular terms | - |
| | | Taiwan Mobile Co., Ltd. | 2 | Accounts payable | 630 | Based on regular terms | - |
| | | Taiwan Mobile Co., Ltd. | 2 | Accrued expenses | 40 | Based on regular terms | - |
| | | Taiwan Mobile Co., Ltd. | 2 | Operating revenues | 40 | Based on regular terms | - |
| | | Taiwan Mobile Co., Ltd. | 2 | Operating cost | 844 | Based on regular terms | - |
| | | Taiwan Mobile Co., Ltd. | 2 | Operating expenses | 34 | Based on regular terms | - |
| | | Taiwan Mobile Co., Ltd. | 2 | Interest expenses | 40 | Based on regular terms | - |
| 11 | TCC Investment Co., Ltd. | Taiwan Mobile Co., Ltd. | 2 | Operating expenses | 34 | Based on regular terms | - |
| | | Taiwan Mobile Co., Ltd. | 2 | Miscellaneous revenue | 5,408 | Based on regular terms | - |
| | | Win TV Broadcasting Co., Ltd. | 1 | Miscellaneous revenue | 31 | Based on regular terms | - |
| | | Taiwan Cellular Co., Ltd. | 2 | Interest expenses | 10,987 | Based on regular terms | - |
| 12 | TCCI Investment and Development Co., Ltd. | Taiwan Mobile Co., Ltd. | 2 | Accrued expenses | 23 | Based on regular terms | - |
| | | Taiwan Mobile Co., Ltd. | 2 | Operating expenses | 17 | Based on regular terms | - |
| 13 | Win TV Broadcasting Co., Ltd. | TFN Media Co., Ltd. | 3 | Note receivable | 14,894 | Payment terms varied depend on the agreements | - |
| | | TFN Media Co., Ltd. | 3 | Account receivable | 179 | Payment terms varied depend on the agreements | - |
| | | Yeong Jia Leh Cable TV Co., Ltd. | 3 | Account receivable | 250 | Payment terms varied depend on the agreements | - |
| | | Phoenix Cable TV Co., Ltd. | 3 | Account receivable | 788 | Payment terms varied depend on the agreements | - |
| | | TFN Media Co., Ltd. | 3 | Accrued expenses | 116 | Payment terms varied depend on the agreements | - |
| | | TCC Investment Co., Ltd. | 2 | Accrued expenses | 16 | Payment terms varied depend on the agreements | - |
| | | Taiwan Mobile Co., Ltd. | 2 | Accrued expenses | 28 | Payment terms varied depend on the agreements and Based on regular terms | - |
| | | Taiwan Cellular Co., Ltd. | 2 | Accrued expenses | 200 | Payment terms varied depend on the agreements | - |
| | | Taiwan Cellular Co., Ltd. | 2 | Other payables | 123,000 | Payment terms varied depend on the agreements | - |
| | | Union Cable TV Co., Ltd. | 3 | Advance receipts | (42) | Payment terms varied depend on the agreements | - |
| | | Phoenix Cable TV Co., Ltd. | 3 | Advance receipts | 121 | Payment terms varied depend on the agreements | - |
| | | Taiwan Cellular Co., Ltd. | 2 | Other current liabilities | 24 | Payment terms varied depend on the agreements | - |
| | | Taiwan Teleservices & Technologies Co., Ltd. | 3 | Operating revenues | 143 | Payment terms varied depend on the agreements | - |

(Continued)

| Number | Company Name | Counterparty | Nature of Relationship (Note) | Transaction Details | | | |
|--------|---------------------|----------------------------------|-------------------------------|---------------------|--------|--|---|
| | | TFN Media Co., Ltd. | 3 | Operating revenues | 58,978 | Payment terms varied depend on the agreements | - |
| | | Union Cable TV Co., Ltd. | 3 | Operating revenues | 500 | Payment terms varied depend on the agreements | - |
| | | Yeong Jia Leh Cable TV Co., Ltd. | 3 | Operating revenues | 1,500 | Payment terms varied depend on the agreements | - |
| | | Mangrove Cable TV Co., Ltd. | 3 | Operating revenues | 14,290 | Payment terms varied depend on the agreements | - |
| | | Phoenix Cable TV Co., Ltd. | 3 | Operating revenues | 1,450 | Payment terms varied depend on the agreements | - |
| | | Globalview Cable TV Co., Ltd. | 3 | Operating revenues | 653 | Payment terms varied depend on the agreements | - |
| | | Taiwan Mobile Co., Ltd. | 2 | Operating cost | 177 | Payment terms varied depend on the agreements and Based on regular terms | - |
| | | Taiwan Fixed Network Co., Ltd. | 3 | Operating cost | 288 | Payment terms varied depend on the agreements and Based on regular terms | - |
| | | TFN Media Co., Ltd. | 3 | Operating expenses | 1,320 | Payment terms varied depend on the agreements | - |
| | | TCC Investment Co., Ltd. | 2 | Operating expenses | 47 | Payment terms varied depend on the agreements | - |
| | | Taiwan Mobile Co., Ltd. | 2 | Operating expenses | 89 | Payment terms varied depend on the agreements and Based on regular terms | - |
| | | Taiwan Fixed Network Co., Ltd. | 3 | Operating expenses | 182 | Payment terms varied depend on the agreements and Based on regular terms | - |
| | | Taiwan Cellular Co., Ltd. | 2 | Interest expenses | 442 | Payment terms varied depend on the agreements | - |
| | | TFN Media Co., Ltd. | 3 | Interest expenses | 176 | Payment terms varied depend on the agreements | - |
| 14 | TFN Media Co., Ltd. | Taiwan Fixed Network Co., Ltd. | 3 | Account receivable | 25,710 | Payment terms varied depend on the agreements | - |
| | | Win TV Broadcasting Co., Ltd. | 3 | Account receivable | 116 | Payment terms varied depend on the agreements | - |
| | | Union Cable TV Co., Ltd. | 1 | Account receivable | 18,061 | Payment terms varied depend on the agreements | - |
| | | Yeong Jia Leh Cable TV Co., Ltd. | 1 | Account receivable | 27,561 | Payment terms varied depend on the agreements | - |
| | | Mangrove Cable TV Co., Ltd. | 1 | Account receivable | 8,374 | Payment terms varied depend on the agreements | - |
| | | Phoenix Cable TV Co., Ltd. | 1 | Account receivable | 24,977 | Payment terms varied depend on the agreements | - |
| | | Globalview Cable TV Co., Ltd. | 1 | Account receivable | 9,545 | Payment terms varied depend on the agreements | - |
| | | Yeong Jia Leh Cable TV Co., Ltd. | 1 | Other receivables | 139 | Based on regular terms | - |
| | | Globalview Cable TV Co., Ltd. | 1 | Other receivables | 16 | Based on regular terms | - |

(Continued)

| Number | Company Name | Counterparty | Nature of Relationship (Note) | Transaction Details | | | |
|--------|--------------|----------------------------------|-------------------------------|---------------------|-----------|--|----|
| | | Taiwan Cellular Co., Ltd. | 2 | Prepayments | 7 | Payment terms varied depend on the agreements | - |
| | | Win TV Broadcasting Co., Ltd. | 3 | Notes payable | 14,894 | Payment terms varied depend on the agreements | - |
| | | Win TV Broadcasting Co., Ltd. | 3 | Accounts payable | 179 | Payment terms varied depend on the agreements | - |
| | | Union Cable TV Co., Ltd. | 1 | Accounts payable | 451 | Payment terms varied depend on the agreements | - |
| | | Yeong Jia Leh Cable TV Co., Ltd. | 1 | Accounts payable | 3,984 | Payment terms varied depend on the agreements | - |
| | | Mangrove Cable TV Co., Ltd. | 1 | Accounts payable | 1,274 | Payment terms varied depend on the agreements | - |
| | | Phoenix Cable TV Co., Ltd. | 1 | Accounts payable | 959 | Payment terms varied depend on the agreements | - |
| | | Globalview Cable TV Co., Ltd. | 1 | Accounts payable | 475 | Payment terms varied depend on the agreements | - |
| | | Taiwan Mobile Co., Ltd. | 2 | Accrued expenses | 998 | Payment terms varied depend on the agreements and Based on regular terms | - |
| | | Taiwan Fixed Network Co., Ltd. | 3 | Accrued expenses | 24,948 | Payment terms varied depend on the agreements and Based on regular terms | - |
| | | Union Cable TV Co., Ltd. | 1 | Accrued expenses | 9,284 | Payment terms varied depend on the agreements and Based on regular terms | - |
| | | Yeong Jia Leh Cable TV Co., Ltd. | 1 | Accrued expenses | 6,321 | Payment terms varied depend on the agreements and Based on regular terms | - |
| | | Mangrove Cable TV Co., Ltd. | 1 | Accrued expenses | 2,227 | Payment terms varied depend on the agreements and based on regular terms | - |
| | | Phoenix Cable TV Co., Ltd. | 1 | Accrued expenses | 7,661 | Payment terms varied depend on the agreements and Based on regular terms | - |
| | | Globalview Cable TV Co., Ltd. | 1 | Accrued expenses | 3,295 | Payment terms varied depend on the agreements and Based on regular terms | - |
| | | Taiwan Mobile Co., Ltd. | 2 | Accrued expenses | 14,251 | Payment terms varied depend on the agreements | - |
| | | Taiwan Cellular Co., Ltd. | 2 | Accrued expenses | 4,284 | Payment terms varied depend on the agreements | - |
| | | Yeong Jia Leh Cable TV Co., Ltd. | 1 | Accrued expenses | 6 | Payment terms varied depend on the agreements | - |
| | | Taiwan Mobile Co., Ltd. | 2 | Other payables | 3,710,000 | Payment terms varied depend on the agreements | 5% |
| | | Taiwan Cellular Co., Ltd. | 2 | Other payables | 1,810,000 | Payment terms varied depend on the agreements | 3% |

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| Number | Company Name | Counterparty | Nature of Relationship (Note) | Transaction Details | | | |
|--------|--------------|----------------------------------|-------------------------------|---------------------|---------|--|----|
| | | Union Cable TV Co., Ltd. | 1 | Other payables | 595,000 | Payment terms varied depend on the agreements | 1% |
| | | Yeong Jia Leh Cable TV Co., Ltd. | 1 | Other payables | 313,000 | Payment terms varied depend on the agreements | - |
| | | Phoenix Cable TV Co., Ltd. | 1 | Other payables | 582,000 | Payment terms varied depend on the agreements | 1% |
| | | Globalview Cable TV Co., Ltd. | 1 | Other payables | 220,000 | Payment terms varied depend on the agreements | - |
| | | Taiwan Fixed Network Co., Ltd. | 3 | Operating revenues | 24,774 | Payment terms varied depend on the agreements | - |
| | | Win TV Broadcasting Co., Ltd. | 3 | Operating revenues | 1,320 | Payment terms varied depend on the agreements | - |
| | | Union Cable TV Co., Ltd. | 1 | Operating revenues | 246,881 | Payment terms varied depend on the agreements | - |
| | | Yeong Jia Leh Cable TV Co., Ltd. | 1 | Operating revenues | 475,602 | Payment terms varied depend on the agreements | 1% |
| | | Mangrove Cable TV Co., Ltd. | 1 | Operating revenues | 6,143 | Payment terms varied depend on the agreements | - |
| | | Phoenix Cable TV Co., Ltd. | 1 | Operating revenues | 526,364 | Payment terms varied depend on the agreements | 1% |
| | | Globalview Cable TV Co., Ltd. | 1 | Operating revenues | 212,115 | Payment terms varied depend on the agreements | - |
| | | Win TV Broadcasting Co., Ltd. | 3 | Operating cost | 58,883 | Payment terms varied depend on the agreements | - |
| | | Union Cable TV Co., Ltd. | 1 | Operating cost | 34,943 | Payment terms varied depend on the agreements | - |
| | | Yeong Jia Leh Cable TV Co., Ltd. | 1 | Operating cost | 52,832 | Payment terms varied depend on the agreements | - |
| | | Mangrove Cable TV Co., Ltd. | 1 | Operating cost | 10,514 | Payment terms varied depend on the agreements | - |
| | | Phoenix Cable TV Co., Ltd. | 1 | Operating cost | 55,189 | Payment terms varied depend on the agreements | - |
| | | Globalview Cable TV Co., Ltd. | 1 | Operating cost | 22,131 | Payment terms varied depend on the agreements | - |
| | | Taiwan Mobile Co., Ltd. | 2 | Operating cost | 337 | Payment terms varied depend on the agreements and Based on regular terms | - |
| | | Taiwan Fixed Network Co., Ltd. | 3 | Operating cost | 86,389 | Payment terms varied depend on the agreements and Based on regular terms | - |
| | | Win TV Broadcasting Co., Ltd. | 3 | Operating expenses | 100 | Payment terms varied depend on the agreements | - |
| | | Union Cable TV Co., Ltd. | 1 | Operating expenses | 2,687 | Payment terms varied depend on the agreements | - |
| | | Yeong Jia Leh Cable TV Co., Ltd. | 1 | Operating expenses | 4,736 | Payment terms varied depend on the agreements | - |
| | | Mangrove Cable TV Co., Ltd. | 1 | Operating expenses | 1,650 | Payment terms varied depend on the agreements | - |

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| Number | Company Name | Counterparty | Nature of Relationship (Note) | Transaction Details | | | |
|--------|--------------------------|----------------------------------|-------------------------------|---------------------|---------|--|----|
| | | Phoenix Cable TV Co., Ltd. | 1 | Operating expenses | 4,361 | Payment terms varied depend on the agreements | - |
| | | Globalview Cable TV Co., Ltd. | 1 | Operating expenses | 1,659 | Payment terms varied depend on the agreements | - |
| | | Taiwan Mobile Co., Ltd. | 2 | Operating expenses | 12,808 | Payment terms varied depend on the agreements and Based on regular terms | - |
| | | Taiwan Fixed Network Co., Ltd. | 3 | Operating expenses | 1,804 | Payment terms varied depend on the agreements and Based on regular terms | - |
| | | Win TV Broadcasting Co., Ltd. | 3 | Interest income | 176 | Payment terms varied depend on the agreements | - |
| | | Taiwan Mobile Co., Ltd. | 2 | Interest expenses | 28,651 | Payment terms varied depend on the agreements | - |
| | | Taiwan Cellular Co., Ltd. | 2 | Interest expenses | 23,593 | Payment terms varied depend on the agreements | - |
| | | Union Cable TV Co., Ltd. | 1 | Interest expenses | 5,397 | Payment terms varied depend on the agreements | - |
| | | Yeong Jia Leh Cable TV Co., Ltd. | 1 | Interest expenses | 2,816 | Payment terms varied depend on the agreements | - |
| | | Phoenix Cable TV Co., Ltd. | 1 | Interest expenses | 5,164 | Payment terms varied depend on the agreements | - |
| | | Globalview Cable TV Co., Ltd. | 1 | Interest expenses | 1,834 | Payment terms varied depend on the agreements | - |
| 15 | Union Cable TV Co., Ltd. | Taiwan Mobile Co., Ltd. | 2 | Account receivable | 2,378 | Payment terms varied depend on the agreements | - |
| | | Taiwan Fixed Network Co., Ltd. | 3 | Account receivable | 108 | Payment terms varied depend on the agreements | - |
| | | TFN Media Co., Ltd. | 2 | Account receivable | 9,753 | Payment terms varied depend on the agreements | - |
| | | TFN Media Co., Ltd. | 2 | Other receivables | 595,143 | Payment terms varied depend on the agreements and Based on regular terms | 1% |
| | | Win TV Broadcasting Co., Ltd. | 3 | Prepayments | (42) | Payment terms varied depend on the agreements | - |
| | | Taiwan Fixed Network Co., Ltd. | 3 | Prepayments | 46 | Payment terms varied depend on the agreements and Based on regular terms | - |
| | | Taiwan Fixed Network Co., Ltd. | 3 | Refundable deposits | 288 | Payment terms varied depend on the agreements | - |
| | | TFN Media Co., Ltd. | 2 | Accounts payable | 1,516 | Payment terms varied depend on the agreements | - |
| | | Taiwan Mobile Co., Ltd. | 2 | Accrued expenses | 31 | Payment terms varied depend on the agreements and Based on regular terms | - |
| | | Taiwan Fixed Network Co., Ltd. | 3 | Accrued expenses | 123 | Payment terms varied depend on the agreements and Based on regular terms | - |
| | | TFN Media Co., Ltd. | 2 | Other payables | 16,545 | Payment terms varied depend on the agreements | - |

(Continued)

| Number | Company Name | Counterparty | Nature of Relationship (Note) | Transaction Details | | | |
|--------|----------------------------------|--------------------------------|-------------------------------|-----------------------|---------|--|---|
| | | Taiwan Fixed Network Co., Ltd. | 3 | Operating revenues | 1,246 | Payment terms varied depend on the agreements | - |
| | | TFN Media Co., Ltd. | 2 | Operating revenues | 36,788 | Payment terms varied depend on the agreements | - |
| | | TFN Media Co., Ltd. | 2 | Operating cost | 227,304 | Payment terms varied depend on the agreements | - |
| | | Taiwan Mobile Co., Ltd. | 2 | Operating cost | 310 | Payment terms varied depend on the agreements and Based on regular terms | - |
| | | Taiwan Fixed Network Co., Ltd. | 3 | Operating cost | 2,052 | Payment terms varied depend on the agreements and Based on regular terms | - |
| | | Win TV Broadcasting Co., Ltd. | 3 | Operating cost | 500 | Payment terms varied depend on the agreements and Based on regular terms | - |
| | | TFN Media Co., Ltd. | 2 | Operating expenses | 19,577 | Payment terms varied depend on the agreements | - |
| | | Taiwan Mobile Co., Ltd. | 2 | Operating expenses | 372 | Payment terms varied depend on the agreements and Based on regular terms | - |
| | | Taiwan Fixed Network Co., Ltd. | 3 | Operating expenses | 1,266 | Payment terms varied depend on the agreements and Based on regular terms | - |
| | | TFN Media Co., Ltd. | 2 | Interest income | 5,397 | Payment terms varied depend on the agreements | - |
| | | TFN Media Co., Ltd. | 2 | Miscellaneous revenue | 841 | Based on regular terms | - |
| 16 | Yeong Jia Leh Cable TV Co., Ltd. | Taiwan Mobile Co., Ltd. | 2 | Account receivable | 6,391 | Payment terms varied depend on the agreements | - |
| | | Taiwan Fixed Network Co., Ltd. | 3 | Account receivable | 78 | Payment terms varied depend on the agreements | - |
| | | TFN Media Co., Ltd. | 2 | Account receivable | 9,735 | Payment terms varied depend on the agreements | - |
| | | TFN Media Co., Ltd. | 2 | Other receivables | 313,509 | Payment terms varied depend on the agreements and Based on regular terms | - |
| | | TFN Media Co., Ltd. | 2 | Other current assets | 3 | Based on regular terms | - |
| | | Taiwan Mobile Co., Ltd. | 2 | Other current assets | 89 | Payment terms varied depend on the agreements and Based on regular terms | - |
| | | Taiwan Fixed Network Co., Ltd. | 3 | Other current assets | 79 | Payment terms varied depend on the agreements and Based on regular terms | - |
| | | Taiwan Fixed Network Co., Ltd. | 3 | Accounts payable | 22 | Payment terms varied depend on the agreements | - |
| | | TFN Media Co., Ltd. | 2 | Accounts payable | 3,787 | Payment terms varied depend on the agreements | - |
| | | Win TV Broadcasting Co., Ltd. | 3 | Accrued expenses | 250 | Payment terms varied depend on the agreements | - |

(Continued)

| Number | Company Name | Counterparty | Nature of Relationship (Note) | Transaction Details | | | |
|--------|--------------|--------------------------------|-------------------------------|-----------------------|---------|--|----|
| | | Taiwan Mobile Co., Ltd. | 2 | Accrued expenses | 161 | Payment terms varied depend on the agreements and Based on regular terms | - |
| | | Taiwan Fixed Network Co., Ltd. | 3 | Accrued expenses | 182 | Payment terms varied depend on the agreements and Based on regular terms | - |
| | | TFN Media Co., Ltd. | 2 | Accrued expenses | 139 | Payment terms varied depend on the agreements and Based on regular terms | - |
| | | TFN Media Co., Ltd. | 2 | Other payables | 23,281 | Payment terms varied depend on the agreements | - |
| | | Union Cable TV Co., Ltd. | 3 | Operating revenues | 288 | Based on regular terms | - |
| | | Mangrove Cable TV Co., Ltd. | 3 | Operating revenues | 221 | Based on regular terms | - |
| | | Phoenix Cable TV Co., Ltd. | 3 | Operating revenues | 736 | Based on regular terms | - |
| | | Globalview Cable TV Co., Ltd. | 3 | Operating revenues | 350 | Based on regular terms | - |
| | | Taiwan Fixed Network Co., Ltd. | 3 | Operating revenues | 889 | Payment terms varied depend on the agreements | - |
| | | TFN Media Co., Ltd. | 2 | Operating revenues | 54,779 | Payment terms varied depend on the agreements | - |
| | | Union Cable TV Co., Ltd. | 3 | Operating cost | 288 | Based on regular terms | - |
| | | Mangrove Cable TV Co., Ltd. | 3 | Operating cost | 221 | Based on regular terms | - |
| | | Phoenix Cable TV Co., Ltd. | 3 | Operating cost | 736 | Based on regular terms | - |
| | | Globalview Cable TV Co., Ltd. | 3 | Operating cost | 350 | Based on regular terms | - |
| | | Win TV Broadcasting Co., Ltd. | 3 | Operating cost | 500 | Payment terms varied depend on the agreements | - |
| | | TFN Media Co., Ltd. | 2 | Operating cost | 438,024 | Payment terms varied depend on the agreements | 1% |
| | | Taiwan Mobile Co., Ltd. | 2 | Operating cost | 472 | Payment terms varied depend on the agreements and Based on regular terms | - |
| | | Taiwan Fixed Network Co., Ltd. | 3 | Operating cost | 291 | Payment terms varied depend on the agreements and Based on regular terms | - |
| | | TFN Media Co., Ltd. | 2 | Operating expenses | 37,577 | Payment terms varied depend on the agreements | - |
| | | Taiwan Mobile Co., Ltd. | 2 | Operating expenses | 643 | Payment terms varied depend on the agreements and Based on regular terms | - |
| | | Taiwan Fixed Network Co., Ltd. | 3 | Operating expenses | 358 | Payment terms varied depend on the agreements and Based on regular terms | - |
| | | Win TV Broadcasting Co., Ltd. | 3 | Operating expenses | 1,002 | Payment terms varied depend on the agreements and Based on regular terms | - |
| | | TFN Media Co., Ltd. | 2 | Interest income | 2,816 | Payment terms varied depend on the agreements | - |
| | | TFN Media Co., Ltd. | 2 | Miscellaneous revenue | 2,789 | Payment terms varied depend on the agreements | - |

(Continued)

| Number | Company Name | Counterparty | Nature of Relationship (Note) | Transaction Details | | | |
|--------|-----------------------------|--------------------------------|-------------------------------|---------------------------|--------|--|---|
| 17 | Mangrove Cable TV Co., Ltd. | Taiwan Mobile Co., Ltd. | 2 | Account receivable | 90 | Payment terms varied depend on the agreements | - |
| | | Taiwan Fixed Network Co., Ltd. | 3 | Account receivable | 20 | Payment terms varied depend on the agreements | - |
| | | TFN Media Co., Ltd. | 2 | Account receivable | 3,374 | Payment terms varied depend on the agreements | - |
| | | TFN Media Co., Ltd. | 2 | Other receivables | 127 | Payment terms varied depend on the agreements and Based on regular terms | - |
| | | Mangrove Cable TV Co., Ltd. | 3 | Prepayments | 208 | Payment terms varied depend on the agreements | - |
| | | Taiwan Mobile Co., Ltd. | 2 | Other current assets | 47 | Payment terms varied depend on the agreements and Based on regular terms | - |
| | | Taiwan Fixed Network Co., Ltd. | 3 | Other current assets | 218 | Payment terms varied depend on the agreements and Based on regular terms | - |
| | | Taiwan Fixed Network Co., Ltd. | 3 | Accounts payable | 282 | Payment terms varied depend on the agreements | - |
| | | TFN Media Co., Ltd. | 2 | Accounts payable | 1,328 | Payment terms varied depend on the agreements | - |
| | | Taiwan Mobile Co., Ltd. | 2 | Accrued expenses | 30 | Payment terms varied depend on the agreements and Based on regular terms | - |
| | | Taiwan Fixed Network Co., Ltd. | 3 | Accrued expenses | 103 | Payment terms varied depend on the agreements and Based on regular terms | - |
| | | TFN Media Co., Ltd. | 2 | Other payables | 7,046 | Payment terms varied depend on the agreements | - |
| | | Taiwan Mobile Co., Ltd. | 2 | Other current liabilities | 31 | Payment terms varied depend on the agreements and Based on regular terms | - |
| | | Taiwan Fixed Network Co., Ltd. | 3 | Operating revenues | 69 | Payment terms varied depend on the agreements | - |
| | | TFN Media Co., Ltd. | 2 | Operating revenues | 11,121 | Payment terms varied depend on the agreements | - |
| | | Win TV Broadcasting Co., Ltd. | 3 | Operating cost | 14,242 | Payment terms varied depend on the agreements | - |
| | | TFN Media Co., Ltd. | 2 | Operating cost | 1,903 | Payment terms varied depend on the agreements | - |
| | | Taiwan Mobile Co., Ltd. | 2 | Operating cost | 287 | Payment terms varied depend on the agreements | - |
| | | Taiwan Fixed Network Co., Ltd. | 3 | Operating cost | 1,763 | Payment terms varied depend on the agreements and Based on regular terms | - |
| | | TFN Media Co., Ltd. | 2 | Operating expenses | 4,240 | Payment terms varied depend on the agreements | - |

(Continued)

| Number | Company Name | Counterparty | Nature of Relationship (Note) | Transaction Details | | | |
|--------|----------------------------|--------------------------------|-------------------------------|---------------------------|---------|--|----|
| | | Taiwan Mobile Co., Ltd. | 2 | Operating expenses | 250 | Payment terms varied depend on the agreements and Based on regular terms | - |
| | | Taiwan Fixed Network Co., Ltd. | 3 | Operating expenses | 315 | Payment terms varied depend on the agreements and Based on regular terms | - |
| | | Win TV Broadcasting Co., Ltd. | 3 | Operating expenses | 50 | Payment terms varied depend on the agreements and Based on regular terms | - |
| | | TFN Media Co., Ltd. | 2 | Miscellaneous revenue | 1,043 | Based on regular terms | - |
| 18 | Phoenix Cable TV Co., Ltd. | Taiwan Mobile Co., Ltd. | 2 | Account receivable | 8,800 | Payment terms varied depend on the agreements | - |
| | | Taiwan Fixed Network Co., Ltd. | 3 | Account receivable | 170 | Payment terms varied depend on the agreements | - |
| | | TFN Media Co., Ltd. | 2 | Account receivable | 7,819 | Payment terms varied depend on the agreements | - |
| | | Taiwan Mobile Co., Ltd. | 2 | Other receivables | 15 | Payment terms varied depend on the agreements | - |
| | | TFN Media Co., Ltd. | 2 | Other receivables | 582,167 | Payment terms varied depend on the agreements and Based on regular terms | 1% |
| | | Win TV Broadcasting Co., Ltd. | 3 | Prepayments | (99) | Payment terms varied depend on the agreements | - |
| | | TFN Media Co., Ltd. | 2 | Accounts payable | 2,817 | Payment terms varied depend on the agreements | - |
| | | Win TV Broadcasting Co., Ltd. | 3 | Accrued expenses | 788 | Payment terms varied depend on the agreements | - |
| | | Taiwan Mobile Co., Ltd. | 2 | Accrued expenses | (23) | Payment terms varied depend on the agreements and Based on regular terms | - |
| | | Taiwan Fixed Network Co., Ltd. | 3 | Accrued expenses | 574 | Payment terms varied depend on the agreements and Based on regular terms | - |
| | | TFN Media Co., Ltd. | 2 | Other payables | 22,160 | Payment terms varied depend on the agreements | - |
| | | Taiwan Mobile Co., Ltd. | 2 | Other current liabilities | 2,723 | Payment terms varied depend on the agreements and Based on regular terms | - |
| | | Taiwan Fixed Network Co., Ltd. | 3 | Other current liabilities | 108 | Payment terms varied depend on the agreements and Based on regular terms | - |
| | | Taiwan Fixed Network Co., Ltd. | 3 | Operating revenues | 1,601 | Payment terms varied depend on the agreements | - |
| | | TFN Media Co., Ltd. | 2 | Operating revenues | 57,364 | Payment terms varied depend on the agreements | - |
| | | Win TV Broadcasting Co., Ltd. | 3 | Operating cost | 500 | Payment terms varied depend on the agreements | - |
| | | TFN Media Co., Ltd. | 2 | Operating cost | 484,524 | Payment terms varied depend on the agreements | 1% |

(Continued)

| Number | Company Name | Counterparty | Nature of Relationship (Note) | Transaction Details | | | |
|--------|-------------------------------|--------------------------------|-------------------------------|-----------------------|---------|--|---|
| | | Taiwan Mobile Co., Ltd. | 2 | Operating cost | 654 | Payment terms varied depend on the agreements and Based on regular terms | - |
| | | Taiwan Fixed Network Co., Ltd. | 3 | Operating cost | 5,225 | Payment terms varied depend on the agreements and Based on regular terms | - |
| | | TFN Media Co., Ltd. | 2 | Operating expenses | 41,840 | Payment terms varied depend on the agreements | - |
| | | Taiwan Mobile Co., Ltd. | 2 | Operating expenses | 842 | Payment terms varied depend on the agreements and Based on regular terms | - |
| | | Taiwan Fixed Network Co., Ltd. | 3 | Operating expenses | 1,383 | Payment terms varied depend on the agreements and Based on regular terms | - |
| | | Win TV Broadcasting Co., Ltd. | 3 | Operating expenses | 950 | Payment terms varied depend on the agreements and Based on regular terms | - |
| | | TFN Media Co., Ltd. | 2 | Interest income | 5,164 | Payment terms varied depend on the agreements | - |
| | | Taiwan Mobile Co., Ltd. | 2 | Rental income | 143 | Payment terms varied depend on the agreements | - |
| | | Taiwan Mobile Co., Ltd. | 2 | Miscellaneous revenue | 14 | Based on regular terms | - |
| | | TFN Media Co., Ltd. | 2 | Miscellaneous revenue | 2,187 | Based on regular terms | - |
| 19 | Globalview Cable TV Co., Ltd. | Taiwan Mobile Co., Ltd. | 2 | Account receivable | 1,230 | Payment terms varied depend on the agreements | - |
| | | Taiwan Fixed Network Co., Ltd. | 3 | Account receivable | 31 | Payment terms varied depend on the agreements | - |
| | | TFN Media Co., Ltd. | 2 | Account receivable | 3,647 | Payment terms varied depend on the agreements | - |
| | | TFN Media Co., Ltd. | 2 | Other receivables | 220,152 | Payment terms varied depend on the agreements and Based on regular terms | - |
| | | TFN Media Co., Ltd. | 2 | Other current assets | 22 | Based on regular terms | - |
| | | Taiwan Fixed Network Co., Ltd. | 3 | Accounts payable | 28 | Payment terms varied depend on the agreements | - |
| | | TFN Media Co., Ltd. | 2 | Accounts payable | 182 | Payment terms varied depend on the agreements | - |
| | | TFN Media Co., Ltd. | 2 | Accrued expenses | 16 | Based on regular terms | - |
| | | Taiwan Mobile Co., Ltd. | 2 | Accrued expenses | 11 | Payment terms varied depend on the agreements and Based on regular terms | - |
| | | Taiwan Fixed Network Co., Ltd. | 3 | Accrued expenses | 154 | Payment terms varied depend on the agreements and Based on regular terms | - |
| | | TFN Media Co., Ltd. | 2 | Other payables | 9,363 | Payment terms varied depend on the agreements | - |
| | | Union Cable TV Co., Ltd. | 3 | Operating revenues | 809 | Based on regular terms | - |

(Continued)

| Number | Company Name | Counterparty | Nature of Relationship (Note) | Transaction Details | | | |
|--------|--|--|-------------------------------|-----------------------|---------|--|---|
| | | Taiwan Fixed Network Co., Ltd. | 3 | Operating revenues | 352 | Payment terms varied depend on the agreements | - |
| | | TFN Media Co., Ltd. | 2 | Operating revenues | 22,880 | Payment terms varied depend on the agreements | - |
| | | Union Cable TV Co., Ltd. | 3 | Operating cost | 809 | Based on regular terms | - |
| | | Win TV Broadcasting Co., Ltd. | 3 | Operating cost | 500 | Payment terms varied depend on the agreements | - |
| | | TFN Media Co., Ltd. | 2 | Operating cost | 195,349 | Payment terms varied depend on the agreements | - |
| | | Taiwan Mobile Co., Ltd. | 2 | Operating cost | 269 | Payment terms varied depend on the agreements and Based on regular terms | - |
| | | Taiwan Fixed Network Co., Ltd. | 3 | Operating cost | 1,835 | Payment terms varied depend on the agreements and Based on regular terms | - |
| | | TFN Media Co., Ltd. | 2 | Operating expenses | 16,766 | Payment terms varied depend on the agreements | - |
| | | Taiwan Mobile Co., Ltd. | 2 | Operating expenses | 284 | Payment terms varied depend on the agreements and Based on regular terms | - |
| | | Taiwan Fixed Network Co., Ltd. | 3 | Operating expenses | 36 | Payment terms varied depend on the agreements and Based on regular terms | - |
| | | Win TV Broadcasting Co., Ltd. | 3 | Operating expenses | 155 | Payment terms varied depend on the agreements and Based on regular terms | - |
| | | TFN Media Co., Ltd. | 2 | Interest income | 1,834 | Payment terms varied depend on the agreements | - |
| | | Global Wealth Media Technology Co., Ltd. | 3 | Rental income | 34 | Payment terms varied depend on the agreements | - |
| | | TFN Media Co., Ltd. | 2 | Miscellaneous revenue | 910 | Based on regular terms | - |
| 20 | Taiwan Kuro Times Co., Ltd. | Taiwan Mobile Co., Ltd. | 2 | Account receivable | 12,156 | Based on regular terms | - |
| | | Taiwan Mobile Co., Ltd. | 2 | Accrued expenses | 599 | Based on regular terms | - |
| | | Taiwan Fixed Network Co., Ltd. | 3 | Accrued expenses | 678 | Based on regular terms | - |
| | | Taiwan Mobile Co., Ltd. | 2 | Advance receipts | 210 | Based on regular terms | - |
| | | Taiwan Mobile Co., Ltd. | 2 | Operating revenues | 9,934 | Based on regular terms | - |
| | | Taiwan Fixed Network Co., Ltd. | 3 | Operating cost | 2,152 | Based on regular terms | - |
| | | Taiwan Mobile Co., Ltd. | 2 | Operating cost | (134) | Based on regular terms | - |
| | | Taiwan Mobile Co., Ltd. | 2 | Operating expenses | 643 | Based on regular terms | - |
| | | Taiwan Fixed Network Co., Ltd. | 3 | Operating expenses | 7 | Based on regular terms | - |
| 21 | TWM Communications (Beijing) Ltd. | Taiwan Mobile Co., Ltd. | 2 | Account receivable | 52,571 | Based on regular terms | - |
| | | Taiwan Fixed Network Co., Ltd. | 3 | Account receivable | 3,239 | Based on regular terms | - |
| | | Taiwan Mobile Co., Ltd. | 2 | Operating revenues | 40,144 | Based on regular terms | - |
| | | Taiwan Fixed Network Co., Ltd. | 3 | Operating revenues | 3,320 | Based on regular terms | - |
| | | Taiwan Cellular Co., Ltd. | 2 | Operating expenses | 102 | Based on regular terms | - |
| 22 | Taiwan Teleservices & Technologies Co., Ltd. | Taiwan Mobile Co., Ltd. | 2 | Account receivable | 67,306 | Based on regular terms | - |

(Continued)

| Number | Company Name | Counterparty | Nature of Relationship (Note) | Transaction Details | | | |
|--------|--|--|-------------------------------|-----------------------|---------|------------------------|----|
| | | Taiwan Fixed Network Co., Ltd. | 3 | Account receivable | 9,533 | Based on regular terms | - |
| | | TT&T Holdings | 1 | Accrued expenses | 5,808 | Based on regular terms | - |
| | | Taiwan Mobile Co., Ltd. | 2 | Operating revenues | 841,304 | Based on regular terms | 1% |
| | | Taiwan Fixed Network Co., Ltd. | 3 | Operating revenues | 141,464 | Based on regular terms | - |
| | | Taiwan Mobile Co., Ltd. | 2 | Operating expenses | 34 | Based on regular terms | - |
| | | TT&T Holdings | 1 | Operating expenses | 85,329 | Based on regular terms | - |
| | | Win TV Broadcasting Co., Ltd. | 3 | Operating expenses | 150 | Based on regular terms | - |
| | | Taiwan Mobile Co., Ltd. | 2 | Rental income | 1,171 | Based on regular terms | - |
| | | | | | | | |
| 23 | Taiwan Super Basketball Co., Ltd. | Taiwan Mobile Co., Ltd. | 2 | Account receivable | 5,850 | Based on regular terms | - |
| | | Taiwan Mobile Co., Ltd. | 2 | Operating revenues | 32,850 | Based on regular terms | - |
| | | Taiwan Mobile Co., Ltd. | 2 | Operating expenses | 34 | Based on regular terms | - |
| 24 | TT&T Holdings | Taiwan Teleservices & Technologies Co., Ltd. | 2 | Account receivable | 5,776 | Based on regular terms | - |
| | | Xiamen Taifu Teleservices & Technologies Co., Ltd. | 1 | Other receivables | 2,414 | Based on regular terms | - |
| | | Xiamen Taifu Teleservices & Technologies Co., Ltd. | 1 | Accounts payable | 5,002 | Based on regular terms | - |
| | | Taiwan Teleservices & Technologies Co., Ltd. | 2 | Operating revenues | 85,425 | Based on regular terms | - |
| | | Taiwan Cellular Co., Ltd. | 2 | Operating expenses | 102 | Based on regular terms | - |
| | | Xiamen Taifu Teleservices & Technologies Co., Ltd. | 1 | Operating expenses | 72,625 | Based on regular terms | - |
| | | Xiamen Taifu Teleservices & Technologies Co., Ltd. | 1 | Miscellaneous revenue | 4,330 | Based on regular terms | - |
| 25 | Xiamen Taifu Teleservices & Technologies Co., Ltd. | TT&T Holdings | 2 | Account receivable | 5,002 | Based on regular terms | - |
| | | TT&T Holdings | 2 | Other payables | 2,528 | Based on regular terms | - |
| | | TT&T Holdings | 2 | Operating revenues | 72,571 | Based on regular terms | - |
| 26 | TFN HK | Taiwan Fixed Network Co., Ltd. | 2 | Account receivable | 33,138 | Based on regular terms | - |
| | | Taiwan Fixed Network Co., Ltd. | 2 | Operating revenues | 53,110 | Based on regular terms | - |
| 27 | TFN Union Investment Co., Ltd. | Taiwan Mobile Co., Ltd. | 2 | Accrued expenses | 23 | Based on regular terms | - |
| | | Taiwan Mobile Co., Ltd. | 2 | Operating expenses | 17 | Based on regular terms | - |

Note : 1.Parent to subsidiary
2.Subsidiary to parent
3.Between subsidiaries

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES
BUSINESS RELATIONSHIP AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
YEAR ENDED DECEMBER 31, 2009

TABLE 10

(In Thousands of New Taiwan Dollars)

| Number | Company Name | Counterparty | Nature of Relationship (Note) | Transaction Details | | | |
|--------|-------------------------|--|----------------------------------|---------------------------|-----------|------------------------|---|
| | | | | Account | Amount | Transaction Terms | Percentage of Consolidated Total Operating Revenues or Total Assets |
| 0 | Taiwan Mobile Co., Ltd. | Taiwan Fixed Network Co., Ltd. | 1 | Accounts receivable | \$ 19,347 | Based on regular terms | - |
| | | TFN Media Co., Ltd. | 1 | Accounts receivable | 46 | Based on regular terms | - |
| | | Union Cable TV Co., Ltd. | 1 | Accounts receivable | 17 | Based on regular terms | - |
| | | Yeong Jialeh Cable TV Co., Ltd. | 1 | Accounts receivable | 39 | Based on regular terms | - |
| | | Mangrove Cable TV Corporation | 1 | Accounts receivable | 9 | Based on regular terms | - |
| | | Phoenix Cable TV Co., Ltd. | 1 | Accounts receivable | 51 | Based on regular terms | - |
| | | Globalview Cable TV Co., Ltd. | 1 | Accounts receivable | 11 | Based on regular terms | - |
| | | Wealth Media Technology Co., Ltd. | 1 | Other receivables | 45,065 | Based on regular terms | - |
| | | Taiwan Cellular Co., Ltd. | 1 | Other receivables | 3,500,000 | Based on regular terms | 4% |
| | | Taiwan Fixed Network Co., Ltd. | 1 | Other receivables | 53,418 | Based on regular terms | - |
| | | WinTV Broadcasting Co., Ltd. | 1 | Other receivables | 28 | Based on regular terms | - |
| | | TFN Media Co., Ltd. | 1 | Other receivables | 2,003,836 | Based on regular terms | 2% |
| | | TFN Union Investment Co., Ltd. | 1 | Other receivables | 6 | Based on regular terms | - |
| | | TCCI Investment & Development Co., Ltd. | 1 | Other receivables | 6 | Based on regular terms | - |
| | | Taiwan Fixed Network Co., Ltd. | 1 | Prepayments | 212 | Based on regular terms | - |
| | | Mangrove Cable TV Corporation | 1 | Prepayments | 21 | Based on regular terms | - |
| | | Taiwan Teleservices & Technologies Co., Ltd. | 1 | Accounts payable | 14 | Based on regular terms | - |
| | | Taiwan Cellular Co., Ltd. | 1 | Accrued expenses | 275 | Based on regular terms | - |
| | | Taiwan Super Basketball Co., Ltd. | 1 | Accrued expenses | 4,300 | Based on regular terms | - |
| | | Taiwan Fixed Network Co., Ltd. | 1 | Accrued expenses | 265,004 | Based on regular terms | - |
| | | Taiwan Teleservices & Technologies Co., Ltd. | 1 | Accrued expenses | 65,790 | Based on regular terms | - |
| | | TWM Communications (Beijing) Ltd. | 1 | Other payables | 5,508 | Based on regular terms | - |
| | | Taiwan Fixed Network Co., Ltd. | 1 | Other payables | 176,836 | Based on regular terms | - |
| | | Union Cable TV Co., Ltd. | 1 | Other payables | 476 | Based on regular terms | - |
| | | Yeong Jialeh Cable TV Co., Ltd. | 1 | Other payables | 1,253 | Based on regular terms | - |
| | | Mangrove Cable TV Corporation | 1 | Other payables | 361 | Based on regular terms | - |
| | | Phoenix Cable TV Co., Ltd. | 1 | Other payables | 1,720 | Based on regular terms | - |
| | | Globalview Cable TV Co., Ltd. | 1 | Other payables | 297 | Based on regular terms | - |
| | | Taiwan Fixed Network Co., Ltd. | 1 | Advance receipts | 175 | Based on regular terms | - |
| | | TCC Investment Co., Ltd. | 1 | Advance receipts | 34 | Based on regular terms | - |
| | | Taiwan Fixed Network Co., Ltd. | 1 | Other current liabilities | 83,059 | Based on regular terms | - |
| | | Union Cable TV Co., Ltd. | 1 | Other current liabilities | 893 | Based on regular terms | - |
| | | Yeong Jialeh Cable TV Co., Ltd. | 1 | Other current liabilities | 2,638 | Based on regular terms | - |
| | | Mangrove Cable TV Corporation | 1 | Other current liabilities | 693 | Based on regular terms | - |
| | | Phoenix Cable TV Co., Ltd. | 1 | Other current liabilities | 1,851 | Based on regular terms | - |
| | | Globalview Cable TV Co., Ltd. | 1 | Other current liabilities | 779 | Based on regular terms | - |

(Continued)

| Number | Company Name | Counterparty | Nature of Relationship (Note) | Transaction Details | | | |
|--------|--------------|--|-------------------------------|-----------------------|-----------|------------------------|---|
| | | | | Account | Amount | Transaction Terms | Percentage of Consolidated Total Operating Revenues or Total Assets |
| | | Taiwan Fixed Network Co., Ltd. | 1 | Guarantee deposits | \$ 830 | Based on regular terms | - |
| | | Taiwan Fixed Network Co., Ltd. | 1 | Operating revenues | 2,276,319 | Based on regular terms | 3% |
| | | TFN Media Co., Ltd. | 1 | Operating revenues | 642 | Based on regular terms | - |
| | | Union Cable TV Co., Ltd. | 1 | Operating revenues | 605 | Based on regular terms | - |
| | | Shin Ho Cable TV Co., Ltd. | 1 | Operating revenues | 101 | Based on regular terms | - |
| | | Yeong Jialeh Cable TV Co., Ltd. | 1 | Operating revenues | 803 | Based on regular terms | - |
| | | Mangrove Cable TV Corporation | 1 | Operating revenues | 438 | Based on regular terms | - |
| | | Phoenix Cable TV Co., Ltd. | 1 | Operating revenues | 1,105 | Based on regular terms | - |
| | | Globalview Cable TV Co., Ltd. | 1 | Operating revenues | 449 | Based on regular terms | - |
| | | Taiwan Fixed Network Co., Ltd. | 1 | Operating costs | 1,404,455 | Based on regular terms | 2% |
| | | Taiwan Teleservices & Technologies Co., Ltd. | 1 | Operating costs | 971 | Based on regular terms | - |
| | | Phoenix Cable TV Co., Ltd. | 1 | Operating costs | 171 | Based on regular terms | - |
| | | Taiwan Super Basketball Co., Ltd. | 1 | Operating expenses | 34,304 | Based on regular terms | - |
| | | Taiwan Fixed Network Co., Ltd. | 1 | Operating expenses | 91,612 | Based on regular terms | - |
| | | Taiwan Teleservices & Technologies Co., Ltd. | 1 | Operating expenses | 860,420 | Based on regular terms | 1% |
| | | TFN Investment Co., Ltd. | 1 | Operating expenses | 3,157 | Based on regular terms | - |
| | | WinTV Broadcasting Co., Ltd. | 1 | Operating expenses | (549) | Based on regular terms | - |
| | | TFN Media Co., Ltd. | 1 | Operating expenses | (497) | Based on regular terms | - |
| | | Union Cable TV Co., Ltd. | 1 | Operating expenses | (10) | Based on regular terms | - |
| | | Yeong Jialeh Cable TV Co., Ltd. | 1 | Operating expenses | (23) | Based on regular terms | - |
| | | Mangrove Cable TV Corporation | 1 | Operating expenses | (3) | Based on regular terms | - |
| | | Phoenix Cable TV Co., Ltd. | 1 | Operating expenses | (29) | Based on regular terms | - |
| | | Globalview Cable TV Co., Ltd. | 1 | Operating expenses | (11) | Based on regular terms | - |
| | | Wealth Media Technology Co., Ltd. | 1 | Interest income | 69 | Based on regular terms | - |
| | | Tai Fu Media Technology Co., Ltd. | 1 | Interest income | 40,132 | Based on regular terms | - |
| | | Taiwan Cellular Co., Ltd. | 1 | Interest income | 371 | Based on regular terms | - |
| | | TFN Media Co., Ltd. | 1 | Interest income | 2,893 | Based on regular terms | - |
| | | Wealth Media Technology Co., Ltd. | 1 | Rental income | 34 | Based on regular terms | - |
| | | Tai Fu Media Technology Co., Ltd. | 1 | Rental income | 34 | Based on regular terms | - |
| | | Fu Jia Leh Media Technology Co., Ltd. | 1 | Rental income | 34 | Based on regular terms | - |
| | | Fu Sin Media Technology Co., Ltd. | 1 | Rental income | 34 | Based on regular terms | - |
| | | Global Forest Media Technology Co., Ltd. | 1 | Rental income | 37 | Based on regular terms | - |
| | | Taiwan Cellular Co., Ltd. | 1 | Rental income | 34 | Based on regular terms | - |
| | | Taiwan Digital Communications Co., Ltd. | 1 | Rental income | 34 | Based on regular terms | - |
| | | Taiwan Super Basketball Co., Ltd. | 1 | Rental income | 34 | Based on regular terms | - |
| | | Taiwan Fixed Network Co., Ltd. | 1 | Rental income | 119,447 | Based on regular terms | - |
| | | Taiwan Teleservices & Technologies Co., Ltd. | 1 | Rental income | 34 | Based on regular terms | - |
| | | TFN Investment Co., Ltd. | 1 | Rental income | 34 | Based on regular terms | - |
| | | Reach & Range Inc. | 1 | Rental income | 34 | Based on regular terms | - |
| | | WinTV Broadcasting Co., Ltd. | 1 | Rental income | 173 | Based on regular terms | - |
| | | TFN Media Co., Ltd. | 1 | Rental income | 10,784 | Based on regular terms | - |
| | | TFN Union Investment Co., Ltd. | 1 | Rental income | 6 | Based on regular terms | - |
| | | TCCI Investment & Development Co., Ltd. | 1 | Rental income | 6 | Based on regular terms | - |
| | | TCC Investment Co., Ltd. | 1 | Rental income | 14 | Based on regular terms | - |
| | | Taiwan Fixed Network Co., Ltd. | 1 | Miscellaneous revenue | 3,221 | Based on regular terms | - |
| | | Taiwan Fixed Network Co., Ltd. | 1 | Interest expenses | 16,869 | Based on regular terms | - |

(Continued)

| Number | Company Name | Counterparty | Nature of Relationship (Note) | Transaction Details | | | |
|--------|--|--|-------------------------------|---------------------|-----------|---|---|
| | | | | Account | Amount | Transaction Terms | Percentage of Consolidated Total Operating Revenues or Total Assets |
| 1 | Wealth Media Technology Co., Ltd. | Tai Fu Media Technology Co., Ltd. | 1 | Other receivables | \$ 45,065 | Payment terms varied depend on the agreements | - |
| | | Taiwan Mobile Co., Ltd. | 2 | Accrued expenses | 65 | Payment terms varied depend on the agreements | - |
| | | Taiwan Mobile Co., Ltd. | 2 | Other payables | 45,000 | Payment terms varied depend on the agreements | - |
| | | Taiwan Mobile Co., Ltd. | 2 | Operating expenses | 34 | Payment terms varied depend on the agreements | - |
| | | Tai Fu Media Technology Co., Ltd. | 1 | Interest income | 69 | Payment terms varied depend on the agreements | - |
| | | Taiwan Mobile Co., Ltd. | 2 | Interest expenses | 69 | Payment terms varied depend on the agreements | - |
| 2 | Tai Fu Media Technology Co., Ltd. | Global Wealth Media Technology Co., Ltd. | 1 | Other receivables | 4,000 | Payment terms varied depend on the agreements | - |
| | | Wealth Media Technology Co., Ltd. | 2 | Accrued expenses | 65 | Payment terms varied depend on the agreements | - |
| | | Wealth Media Technology Co., Ltd. | 2 | Other payables | 45,000 | Payment terms varied depend on the agreements | - |
| | | Taiwan Mobile Co., Ltd. | 2 | Operating expenses | 34 | Payment terms varied depend on the agreements | - |
| | | Global Wealth Media Technology Co., Ltd. | 1 | Interest income | 37 | Payment terms varied depend on the agreements | - |
| | | Taiwan Mobile Co., Ltd. | 2 | Interest expenses | 40,132 | Payment terms varied depend on the agreements | - |
| | | Wealth Media Technology Co., Ltd. | 2 | Interest expenses | 69 | Payment terms varied depend on the agreements | - |
| 3 | Global Wealth Media Technology Co., Ltd. | Tai Fu Media Technology Co., Ltd. | 2 | Other payables | 4,000 | Payment terms varied depend on the agreements | - |
| | | Globalview Cable TV Co., Ltd. | 1 | Operating expenses | 34 | Payment terms varied depend on the agreements | - |
| | | Tai Fu Media Technology Co., Ltd. | 2 | Interest expenses | 37 | Payment terms varied depend on the agreements | - |
| 4 | Fu Jia Leh Media Technology Co., Ltd. | Taiwan Mobile Co., Ltd. | 2 | Operating expenses | 34 | Payment terms varied depend on the agreements | - |
| 5 | Fu Sin Media Technology Co., Ltd. | Taiwan Mobile Co., Ltd. | 2 | Operating expenses | 34 | Payment terms varied depend on the agreements | - |
| 6 | Global Forest Media Technology Co., Ltd. | Taiwan Mobile Co., Ltd. | 2 | Operating expenses | 37 | Payment terms varied depend on the agreements | - |

(Continued)

| Number | Company Name | Counterparty | Nature of Relationship (Note) | Transaction Details | | | |
|--------|--------------------------------|---|-------------------------------|-----------------------|-----------|------------------------|---|
| | | | | Account | Amount | Transaction Terms | Percentage of Consolidated Total Operating Revenues or Total Assets |
| 7 | Taiwan Cellular Co., Ltd. | Taiwan Mobile Co., Ltd. | 2 | Other receivables | \$ 275 | Based on regular terms | - |
| | | TT&T Holdings Co., Ltd. | 1 | Other receivables | 100 | Based on regular terms | - |
| | | Xiamen Taifu Teleservices & Technologies Ltd. | 1 | Other receivables | 100 | Based on regular terms | - |
| | | TWM Communications (Beijing) Ltd. | 1 | Other receivables | 100 | Based on regular terms | - |
| | | TFN Media Co., Ltd. | 1 | Other receivables | 4,679,014 | Based on regular terms | 5% |
| | | TCC Investment Co., Ltd. | 1 | Other receivables | 2,274,467 | Based on regular terms | 3% |
| | | Taiwan Fixed Network Co., Ltd. | 1 | Short-term borrowing | 8,040,000 | Based on regular terms | 9% |
| | | Taiwan Fixed Network Co., Ltd. | 1 | Accrued expenses | 15,329 | Based on regular terms | - |
| | | Taiwan Mobile Co., Ltd. | 2 | Other payables | 3,500,000 | Based on regular terms | 4% |
| | | Taiwan Mobile Co., Ltd. | 2 | Operating expenses | 34 | Based on regular terms | - |
| | | TFN Media Co., Ltd. | 1 | Interest income | 15,056 | Based on regular terms | - |
| | | TCC Investment Co., Ltd. | 1 | Interest income | 4,467 | Based on regular terms | - |
| | | TT&T Holdings Co., Ltd. | 1 | Miscellaneous revenue | 95 | Based on regular terms | - |
| | | Xiamen Taifu Teleservices & Technologies Ltd. | 1 | Miscellaneous revenue | 95 | Based on regular terms | - |
| | | TWM Communications (Beijing) Ltd. | 1 | Miscellaneous revenue | 95 | Based on regular terms | - |
| | | Taiwan Mobile Co., Ltd. | 2 | Interest expenses | 371 | Based on regular terms | - |
| | | Taiwan Fixed Network Co., Ltd. | 1 | Interest expenses | 16,667 | Based on regular terms | - |
| 8 | Taiwan Fixed Network Co., Ltd. | Taiwan Mobile Co., Ltd. | 2 | Notes receivable | 39 | Based on regular terms | - |
| | | Taiwan Mobile Co., Ltd. | 2 | Accounts receivable | 257,097 | Based on regular terms | - |
| | | WinTV Broadcasting Co., Ltd. | 3 | Accounts receivable | 10 | Based on regular terms | - |
| | | TFN Media Co., Ltd. | 3 | Accounts receivable | 12,581 | Based on regular terms | - |
| | | Union Cable TV Co., Ltd. | 3 | Accounts receivable | 62 | Based on regular terms | - |
| | | Yeong Jialeh Cable TV Co., Ltd. | 3 | Accounts receivable | 99 | Based on regular terms | - |
| | | Mangrove Cable TV Corporation | 3 | Accounts receivable | 265 | Based on regular terms | - |
| | | Phoenix Cable TV Co., Ltd. | 3 | Accounts receivable | 599 | Based on regular terms | - |
| | | Globalview Cable TV Co., Ltd. | 3 | Accounts receivable | 211 | Based on regular terms | - |
| | | Taiwan Mobile Co., Ltd. | 2 | Other receivables | 267,490 | Based on regular terms | - |
| | | Taiwan Cellular Co., Ltd. | 2 | Other receivables | 8,055,329 | Based on regular terms | 9% |
| | | Union Cable TV Co., Ltd. | 3 | Other receivables | 8 | Based on regular terms | - |
| | | Globalview Cable TV Co., Ltd. | 3 | Other receivables | 3 | Based on regular terms | - |
| | | Taiwan Mobile Co., Ltd. | 2 | Prepayments | 152 | Based on regular terms | - |
| | | Taiwan Mobile Co., Ltd. | 2 | Refundable deposits | 830 | Based on regular terms | - |
| | | Taiwan Mobile Co., Ltd. | 2 | Accounts payable | 19,021 | Based on regular terms | - |
| | | TFN Media Co., Ltd. | 3 | Accounts payable | 12,195 | Based on regular terms | - |
| | | Taiwan Mobile Co., Ltd. | 2 | Accrued expenses | 53,744 | Based on regular terms | - |
| | | TWM Communications (Beijing) Ltd. | 3 | Accrued expenses | 2,883 | Based on regular terms | - |
| | | TFN HK | 1 | Accrued expenses | 8,660 | Based on regular terms | - |
| | | Taiwan Teleservices & Technologies Co., Ltd. | 1 | Accrued expenses | 11,240 | Based on regular terms | - |
| | | Phoenix Cable TV Co., Ltd. | 3 | Accrued expenses | 113 | Based on regular terms | - |
| | | TFN Media Co., Ltd. | 3 | Other payables | 12,805 | Based on regular terms | - |
| | | Taiwan Mobile Co., Ltd. | 2 | Advance receipts | 212 | Based on regular terms | - |
| | | Taiwan Mobile Co., Ltd. | 2 | Operating revenues | 1,464,178 | Based on regular terms | 2% |
| | | WinTV Broadcasting Co., Ltd. | 3 | Operating revenues | 506 | Based on regular terms | - |
| | | TFN Media Co., Ltd. | 3 | Operating revenues | 66,972 | Based on regular terms | - |
| | | Union Cable TV Co., Ltd. | 3 | Operating revenues | 1,523 | Based on regular terms | - |

(Continued)

| Number | Company Name | Counterparty | Nature of Relationship (Note) | Transaction Details | | | |
|--------|---|--|-------------------------------|-----------------------|-----------|---|---|
| | | | | Account | Amount | Transaction Terms | Percentage of Consolidated Total Operating Revenues or Total Assets |
| | | Yeong Jialeh Cable TV Co., Ltd. | 3 | Operating revenues | \$ 650 | Based on regular terms | - |
| | | Mangrove Cable TV Corporation | 3 | Operating revenues | 1,833 | Based on regular terms | - |
| | | Phoenix Cable TV Co., Ltd. | 3 | Operating revenues | 5,282 | Based on regular terms | - |
| | | Globalview Cable TV Co., Ltd. | 3 | Operating revenues | 800 | Based on regular terms | - |
| | | Taiwan Mobile Co., Ltd. | 2 | Operating costs | 2,273,452 | Based on regular terms | 3% |
| | | TFN HK | 1 | Operating costs | 29,292 | Based on regular terms | - |
| | | Reach & Range Inc. | 1 | Operating costs | 426 | Based on regular terms | - |
| | | TFN Media Co., Ltd. | 3 | Operating costs | 24,390 | Based on regular terms | - |
| | | Union Cable TV Co., Ltd. | 3 | Operating costs | 1,298 | Based on regular terms | - |
| | | Yeong Jialeh Cable TV Co., Ltd. | 3 | Operating costs | 362 | Based on regular terms | - |
| | | Mangrove Cable TV Corporation | 3 | Operating costs | 51 | Based on regular terms | - |
| | | Phoenix Cable TV Co., Ltd. | 3 | Operating costs | 1,949 | Based on regular terms | - |
| | | Globalview Cable TV Co., Ltd. | 3 | Operating costs | 352 | Based on regular terms | - |
| | | Taiwan Mobile Co., Ltd. | 2 | Operating expenses | 117,457 | Based on regular terms | - |
| | | TWM Communications (Beijing) Ltd. | 3 | Operating expenses | 2,883 | Based on regular terms | - |
| | | Taiwan Teleservices & Technologies Co., Ltd. | 1 | Operating expenses | 156,273 | Based on regular terms | - |
| | | TFN Media Co., Ltd. | 3 | Operating expenses | 20 | Based on regular terms | - |
| | | Taiwan Mobile Co., Ltd. | 2 | Interest income | 16,869 | Based on regular terms | - |
| | | Taiwan Cellular Co., Ltd. | 2 | Interest income | 16,667 | Based on regular terms | - |
| | | TFN Media Co., Ltd. | 3 | Interest income | 11,162 | Based on regular terms | - |
| | | Taiwan Mobile Co., Ltd. | 2 | Rental income | 21,305 | Based on regular terms | - |
| | | Union Cable TV Co., Ltd. | 3 | Rental income | 91 | Based on regular terms | - |
| | | Globalview Cable TV Co., Ltd. | 3 | Rental income | 31 | Based on regular terms | - |
| | | Taiwan Mobile Co., Ltd. | 2 | Miscellaneous revenue | 5,720 | Based on regular terms | - |
| | | TFN Media Co., Ltd. | 3 | Miscellaneous revenue | 1,268 | Based on regular terms | - |
| | | Taiwan Mobile Co., Ltd. | 2 | Miscellaneous expense | 3,221 | Based on regular terms | - |
| 9 | Taiwan Digital Communications Co., Ltd. | Taiwan Mobile Co., Ltd. | 2 | Operating expenses | 34 | Based on regular terms | - |
| 10 | TCC Investment Co., Ltd. | Taiwan Mobile Co., Ltd. | 2 | Prepayments | 34 | Based on regular terms | - |
| | | Taiwan Cellular Co., Ltd. | 2 | Short-term borrowing | 2,270,000 | Based on regular terms | 3% |
| | | Taiwan Cellular Co., Ltd. | 2 | Accrued expenses | 4,467 | Based on regular terms | - |
| | | Taiwan Mobile Co., Ltd. | 2 | Operating expenses | 14 | Based on regular terms | - |
| | | TFN Media Co., Ltd. | 1 | Interest income | 1,984 | Based on regular terms | - |
| | | Taiwan Cellular Co., Ltd. | 2 | Interest expenses | 4,467 | Based on regular terms | - |
| 11 | TCCI Investment & Development Co., Ltd. | Taiwan Mobile Co., Ltd. | 2 | Accrued expenses | 6 | Based on regular terms | - |
| | | Taiwan Mobile Co., Ltd. | 2 | Operating expenses | 6 | Based on regular terms | - |
| 12 | WinTV Broadcasting Co., Ltd. | TFN Media Co., Ltd. | 3 | Notes receivable | 19,781 | Payment terms varied depend on the agreements | - |
| | | TFN Media Co., Ltd. | 3 | Accounts receivable | 50 | Based on regular terms | - |
| | | Yeong Jialeh Cable TV Co., Ltd. | 3 | Accounts receivable | 50 | Based on regular terms | - |
| | | Mangrove Cable TV Corporation | 3 | Accounts receivable | 50 | Based on regular terms | - |
| | | Globalview Cable TV Co., Ltd. | 3 | Accounts receivable | 50 | Based on regular terms | - |
| | | Taiwan Mobile Co., Ltd. | 2 | Accrued expenses | 28 | Based on regular terms | - |

(Continued)

| Number | Company Name | Counterparty | Nature of Relationship (Note) | Transaction Details | | | |
|--------|---------------------|---------------------------------|-------------------------------|---------------------|---------|--|---|
| | | | | Account | Amount | Transaction Terms | Percentage of Consolidated Total Operating Revenues or Total Assets |
| | | Taiwan Fixed Network Co., Ltd. | 3 | Accrued expenses | \$ (9) | Based on regular terms | - |
| | | TFN Media Co., Ltd. | 3 | Other payables | 307,116 | Payment terms varied depend on the agreements | - |
| | | TFN Media Co., Ltd. | 3 | Advance receipts | 48 | Based on regular terms | - |
| | | Yeong Jialeh Cable TV Co., Ltd. | 3 | Advance receipts | 48 | Based on regular terms | - |
| | | Mangrove Cable TV Corporation | 3 | Advance receipts | 48 | Based on regular terms | - |
| | | Globalview Cable TV Co., Ltd. | 3 | Advance receipts | 48 | Based on regular terms | - |
| | | TFN Media Co., Ltd. | 3 | Operating revenues | 56,566 | Payment terms varied depend on the agreements | - |
| | | Union Cable TV Co., Ltd. | 3 | Operating revenues | 300 | Payment terms varied depend on the agreements | - |
| | | Yeong Jialeh Cable TV Co., Ltd. | 3 | Operating revenues | 335 | Payment terms varied depend on the agreements | - |
| | | Mangrove Cable TV Corporation | 3 | Operating revenues | 14,263 | Payment terms varied depend on the agreements | - |
| | | Phoenix Cable TV Co., Ltd. | 3 | Operating revenues | 300 | Payment terms varied depend on the agreements | - |
| | | Globalview Cable TV Co., Ltd. | 3 | Operating revenues | 300 | Payment terms varied depend on the agreements | - |
| | | Taiwan Mobile Co., Ltd. | 2 | Operating revenues | 231 | Payment terms varied depend on the agreements and based on regular terms | - |
| | | Taiwan Mobile Co., Ltd. | 2 | Operating costs | 121 | Based on regular terms | - |
| | | Taiwan Fixed Network Co., Ltd. | 3 | Operating costs | 425 | Based on regular terms | - |
| | | Taiwan Fixed Network Co., Ltd. | 3 | Operating expenses | 82 | Based on regular terms | - |
| | | Taiwan Mobile Co., Ltd. | 2 | Operating expenses | 752 | Payment terms varied depend on the agreements | - |
| | | TFN Media Co., Ltd. | 3 | Operating expenses | 770 | Payment terms varied depend on the agreements | - |
| | | TFN Media Co., Ltd. | 3 | Interest expenses | 1,348 | Payment terms varied depend on the agreements | - |
| 13 | TFN Media Co., Ltd. | Taiwan Fixed Network Co., Ltd. | 3 | Accounts receivable | 25,000 | Payment terms varied depend on the agreements | - |
| | | WinTV Broadcasting Co., Ltd. | 3 | Accounts receivable | 116 | Payment terms varied depend on the agreements | - |
| | | Union Cable TV Co., Ltd. | 1 | Accounts receivable | 67,651 | Payment terms varied depend on the agreements | - |
| | | Yeong Jialeh Cable TV Co., Ltd. | 1 | Accounts receivable | 115,567 | Payment terms varied depend on the agreements | - |
| | | Mangrove Cable TV Corporation | 1 | Accounts receivable | 5,808 | Payment terms varied depend on the agreements | - |
| | | Phoenix Cable TV Co., Ltd. | 1 | Accounts receivable | 134,306 | Payment terms varied depend on the agreements | - |
| | | Globalview Cable TV Co., Ltd. | 1 | Accounts receivable | 52,737 | Payment terms varied depend on the agreements | - |

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| Number | Company Name | Counterparty | Nature of Relationship (Note) | Transaction Details | | | |
|--------|--------------|---------------------------------|-------------------------------|----------------------|------------|--|---|
| | | | | Account | Amount | Transaction Terms | Percentage of Consolidated Total Operating Revenues or Total Assets |
| | | WinTV Broadcasting Co., Ltd. | 3 | Other receivables | \$ 307,000 | Payment terms varied depend on the agreements | - |
| | | Taiwan Fixed Network Co., Ltd. | 3 | Prepayments | 1 | Based on regular terms | - |
| | | WinTV Broadcasting Co., Ltd. | 3 | Prepayments | 50 | Based on regular terms | - |
| | | Yeong Jialeh Cable TV Co., Ltd. | 1 | Other current assets | 16 | Based on regular terms | - |
| | | WinTV Broadcasting Co., Ltd. | 3 | Notes payable | 14,836 | Payment terms varied depend on the agreements | - |
| | | WinTV Broadcasting Co., Ltd. | 3 | Accrued expenses | 50 | Based on regular terms | - |
| | | Taiwan Cellular Co., Ltd. | 2 | Accrued expenses | 9,014 | Payment terms varied depend on the agreements | - |
| | | Taiwan Fixed Network Co., Ltd. | 3 | Accrued expenses | 12,204 | Payment terms varied depend on the agreements | - |
| | | Taiwan Mobile Co., Ltd. | 2 | Accrued expenses | 3,882 | Payment terms varied depend on the agreements and based on regular terms | - |
| | | Union Cable TV Co., Ltd. | 1 | Accrued expenses | 5,822 | Payment terms varied depend on the agreements and based on regular terms | - |
| | | Yeong Jialeh Cable TV Co., Ltd. | 1 | Accrued expenses | 3,187 | Payment terms varied depend on the agreements and based on regular terms | - |
| | | Mangrove Cable TV Corporation | 1 | Accrued expenses | 1,874 | Payment terms varied depend on the agreements and based on regular terms | - |
| | | Phoenix Cable TV Co., Ltd. | 1 | Accrued expenses | 2,998 | Payment terms varied depend on the agreements and based on regular terms | - |
| | | Globalview Cable TV Co., Ltd. | 1 | Accrued expenses | 1,986 | Payment terms varied depend on the agreements and based on regular terms | - |
| | | Taiwan Mobile Co., Ltd. | 2 | Other payables | 2,000,000 | Payment terms varied depend on the agreements | 2% |
| | | Taiwan Cellular Co., Ltd. | 2 | Other payables | 4,670,000 | Payment terms varied depend on the agreements | 5% |
| | | Union Cable TV Co., Ltd. | 1 | Other payables | 700,000 | Payment terms varied depend on the agreements | 1% |
| | | Yeong Jialeh Cable TV Co., Ltd. | 1 | Other payables | 360,000 | Payment terms varied depend on the agreements | - |
| | | Phoenix Cable TV Co., Ltd. | 1 | Other payables | 680,000 | Payment terms varied depend on the agreements | 1% |
| | | Globalview Cable TV Co., Ltd. | 1 | Other payables | 200,000 | Payment terms varied depend on the agreements | - |
| | | Taiwan Fixed Network Co., Ltd. | 3 | Operating revenues | 24,390 | Payment terms varied depend on the agreements | - |
| | | WinTV Broadcasting Co., Ltd. | 3 | Operating revenues | 770 | Payment terms varied depend on the agreements | - |

(Continued)

| Number | Company Name | Counterparty | Nature of Relationship (Note) | Transaction Details | | | |
|--------|--------------|---------------------------------|-------------------------------|---------------------|------------|--|---|
| | | | | Account | Amount | Transaction Terms | Percentage of Consolidated Total Operating Revenues or Total Assets |
| | | Union Cable TV Co., Ltd. | 1 | Operating revenues | \$ 231,708 | Payment terms varied depend on the agreements | - |
| | | Yeong Jialeh Cable TV Co., Ltd. | 1 | Operating revenues | 426,306 | Payment terms varied depend on the agreements | 1% |
| | | Mangrove Cable TV Corporation | 1 | Operating revenues | 17,096 | Payment terms varied depend on the agreements | - |
| | | Phoenix Cable TV Co., Ltd. | 1 | Operating revenues | 502,181 | Payment terms varied depend on the agreements | 1% |
| | | Globalview Cable TV Co., Ltd. | 1 | Operating revenues | 200,971 | Payment terms varied depend on the agreements | - |
| | | WinTV Broadcasting Co., Ltd. | 3 | Operating costs | 56,518 | Payment terms varied depend on the agreements | - |
| | | Union Cable TV Co., Ltd. | 1 | Operating costs | 36,809 | Payment terms varied depend on the agreements | - |
| | | Shin Ho Cable TV Co., Ltd. | 1 | Operating costs | 1,350 | Payment terms varied depend on the agreements | - |
| | | Yeong Jialeh Cable TV Co., Ltd. | 1 | Operating costs | 51,155 | Payment terms varied depend on the agreements | - |
| | | Mangrove Cable TV Corporation | 1 | Operating costs | 18,242 | Payment terms varied depend on the agreements | - |
| | | Phoenix Cable TV Co., Ltd. | 1 | Operating costs | 59,237 | Payment terms varied depend on the agreements | - |
| | | Globalview Cable TV Co., Ltd. | 1 | Operating costs | 21,968 | Payment terms varied depend on the agreements | - |
| | | Taiwan Mobile Co., Ltd. | 2 | Operating costs | 299 | Payment terms varied depend on the agreements and based on regular terms | - |
| | | Taiwan Fixed Network Co., Ltd. | 3 | Operating costs | 64,707 | Payment terms varied depend on the agreements and based on regular terms | - |
| | | Taiwan Fixed Network Co., Ltd. | 3 | Operating expenses | 3,489 | Based on regular terms | - |
| | | WinTV Broadcasting Co., Ltd. | 3 | Operating expenses | 48 | Based on regular terms | - |
| | | Shin Ho Cable TV Co., Ltd. | 1 | Operating expenses | 64 | Based on regular terms | - |
| | | Taiwan Mobile Co., Ltd. | 2 | Operating expenses | 11,384 | Payment terms varied depend on the agreements and based on regular terms | - |
| | | Union Cable TV Co., Ltd. | 1 | Operating expenses | 2,522 | Payment terms varied depend on the agreements and based on regular terms | - |
| | | Yeong Jialeh Cable TV Co., Ltd. | 1 | Operating expenses | 2,765 | Payment terms varied depend on the agreements and based on regular terms | - |
| | | Mangrove Cable TV Corporation | 1 | Operating expenses | 1,538 | Payment terms varied depend on the agreements and based on regular terms | - |

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| Number | Company Name | Counterparty | Nature of Relationship (Note) | Transaction Details | | | |
|--------|--------------------------|---------------------------------|-------------------------------|-----------------------|----------|--|---|
| | | | | Account | Amount | Transaction Terms | Percentage of Consolidated Total Operating Revenues or Total Assets |
| | | Phoenix Cable TV Co., Ltd. | 1 | Operating expenses | \$ 3,461 | Payment terms varied depend on the agreements and based on regular terms | - |
| | | Globalview Cable TV Co., Ltd. | 1 | Operating expenses | 1,064 | Payment terms varied depend on the agreements and based on regular terms | - |
| | | WinTV Broadcasting Co., Ltd. | 3 | Interest income | 1,348 | Payment terms varied depend on the agreements | - |
| | | Taiwan Mobile Co., Ltd. | 2 | Miscellaneous revenue | 1 | Based on regular terms | - |
| | | Taiwan Fixed Network Co., Ltd. | 3 | Miscellaneous revenue | 20 | Based on regular terms | - |
| | | Taiwan Mobile Co., Ltd. | 2 | Interest expenses | 2,893 | Payment terms varied depend on the agreements | - |
| | | Taiwan Cellular Co., Ltd. | 2 | Interest expenses | 15,056 | Payment terms varied depend on the agreements | - |
| | | Taiwan Fixed Network Co., Ltd. | 3 | Interest expenses | 11,162 | Payment terms varied depend on the agreements | - |
| | | TFN Investment Co., Ltd. | 2 | Interest expenses | 43,524 | Payment terms varied depend on the agreements | - |
| | | Union Cable TV Co., Ltd. | 1 | Interest expenses | 10,210 | Payment terms varied depend on the agreements | - |
| | | Shin Ho Cable TV Co., Ltd. | 1 | Interest expenses | 3,593 | Payment terms varied depend on the agreements | - |
| | | Yeong Jialeh Cable TV Co., Ltd. | 1 | Interest expenses | 3,198 | Payment terms varied depend on the agreements | - |
| | | Mangrove Cable TV Corporation | 1 | Interest expenses | 2,269 | Payment terms varied depend on the agreements | - |
| | | Phoenix Cable TV Co., Ltd. | 1 | Interest expenses | 8,599 | Payment terms varied depend on the agreements | - |
| | | Globalview Cable TV Co., Ltd. | 1 | Interest expenses | 4,714 | Payment terms varied depend on the agreements | - |
| | | TCC Investment Co., Ltd. | 2 | Interest expenses | 1,984 | Payment terms varied depend on the agreements | - |
| 14 | Union Cable TV Co., Ltd. | Taiwan Mobile Co., Ltd. | 2 | Accounts receivable | 1,345 | Payment terms varied depend on the agreements | - |
| | | TFN Media Co., Ltd. | 2 | Accounts receivable | 5,767 | Payment terms varied depend on the agreements | - |
| | | TFN Media Co., Ltd. | 2 | Other receivables | 700,055 | Payment terms varied depend on the agreements and based on regular terms | 1% |
| | | TFN Media Co., Ltd. | 2 | Accounts payable | 53,205 | Payment terms varied depend on the agreements | - |
| | | Taiwan Mobile Co., Ltd. | 2 | Accrued expenses | 18 | Payment terms varied depend on the agreements | - |

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| Number | Company Name | Counterparty | Nature of Relationship (Note) | Transaction Details | | | |
|--------|---------------------------------|---------------------------------|-------------------------------|-----------------------|---------|--|---|
| | | | | Account | Amount | Transaction Terms | Percentage of Consolidated Total Operating Revenues or Total Assets |
| | | Taiwan Fixed Network Co., Ltd. | 3 | Accrued expenses | \$ 113 | Payment terms varied depend on the agreements and based on regular terms | - |
| | | TFN Media Co., Ltd. | 2 | Other payables | 14,446 | Payment terms varied depend on the agreements | - |
| | | Yeong Jialeh Cable TV Co., Ltd. | 3 | Operating revenues | 258 | Based on regular terms | - |
| | | Taiwan Fixed Network Co., Ltd. | 3 | Operating revenues | 1,298 | Payment terms varied depend on the agreements | - |
| | | TFN Media Co., Ltd. | 2 | Operating revenues | 38,505 | Payment terms varied depend on the agreements | - |
| | | Taiwan Mobile Co., Ltd. | 2 | Operating costs | 299 | Based on regular terms | - |
| | | Taiwan Fixed Network Co., Ltd. | 3 | Operating costs | 414 | Payment terms varied depend on the agreements | - |
| | | WinTV Broadcasting Co., Ltd. | 3 | Operating costs | 300 | Payment terms varied depend on the agreements | - |
| | | TFN Media Co., Ltd. | 2 | Operating costs | 212,096 | Payment terms varied depend on the agreements | - |
| | | TFN Media Co., Ltd. | 2 | Operating expenses | 19,611 | Payment terms varied depend on the agreements | - |
| | | Taiwan Mobile Co., Ltd. | 2 | Operating expenses | 320 | Payment terms varied depend on the agreements and based on regular terms | - |
| | | Taiwan Fixed Network Co., Ltd. | 3 | Operating expenses | 1,286 | Payment terms varied depend on the agreements and based on regular terms | - |
| | | TFN Media Co., Ltd. | 2 | Interest income | 10,210 | Payment terms varied depend on the agreements | - |
| | | TFN Media Co., Ltd. | 2 | Miscellaneous revenue | 826 | Based on regular terms | - |
| 15 | Yeong Jialeh Cable TV Co., Ltd. | Taiwan Mobile Co., Ltd. | 2 | Accounts receivable | 3,494 | Payment terms varied depend on the agreements | - |
| | | TFN Media Co., Ltd. | 2 | Accounts receivable | 3,020 | Payment terms varied depend on the agreements | - |
| | | TFN Media Co., Ltd. | 2 | Other receivables | 360,127 | Payment terms varied depend on the agreements and based on regular terms | - |
| | | WinTV Broadcasting Co., Ltd. | 3 | Prepayments | 50 | Based on regular terms | - |
| | | TFN Media Co., Ltd. | 2 | Other current assets | 40 | Based on regular terms | - |
| | | Taiwan Fixed Network Co., Ltd. | 3 | Accounts payable | 22 | Payment terms varied depend on the agreements | - |
| | | TFN Media Co., Ltd. | 2 | Accounts payable | 97,917 | Payment terms varied depend on the agreements | - |
| | | Taiwan Fixed Network Co., Ltd. | 3 | Accrued expenses | 61 | Based on regular terms | - |
| | | TFN Media Co., Ltd. | 2 | Accrued expenses | 16 | Based on regular terms | - |
| | | Taiwan Mobile Co., Ltd. | 2 | Accrued expenses | 40 | Payment terms varied depend on the agreements | - |

(Continued)

| Number | Company Name | Counterparty | Nature of Relationship (Note) | Transaction Details | | | |
|--------|-------------------------------|--------------------------------|-------------------------------|-----------------------|---------|--|---|
| | | | | Account | Amount | Transaction Terms | Percentage of Consolidated Total Operating Revenues or Total Assets |
| | | WinTV Broadcasting Co., Ltd. | 3 | Other payables | \$ 50 | Based on regular terms | - |
| | | TFN Media Co., Ltd. | 2 | Other payables | 17,650 | Payment terms varied depend on the agreements | - |
| | | Union Cable TV Co., Ltd. | 3 | Operating revenues | 655 | Based on regular terms | - |
| | | Mangrove Cable TV Corporation | 3 | Operating revenues | 1,955 | Based on regular terms | - |
| | | Phoenix Cable TV Co., Ltd. | 3 | Operating revenues | 1,155 | Based on regular terms | - |
| | | Globalview Cable TV Co., Ltd. | 3 | Operating revenues | 739 | Based on regular terms | - |
| | | Taiwan Fixed Network Co., Ltd. | 3 | Operating revenues | 362 | Payment terms varied depend on the agreements | - |
| | | TFN Media Co., Ltd. | 2 | Operating revenues | 52,635 | Payment terms varied depend on the agreements | - |
| | | Taiwan Mobile Co., Ltd. | 2 | Operating costs | 386 | Based on regular terms | - |
| | | WinTV Broadcasting Co., Ltd. | 3 | Operating costs | 300 | Based on regular terms | - |
| | | Union Cable TV Co., Ltd. | 3 | Operating costs | 913 | Based on regular terms | - |
| | | Mangrove Cable TV Corporation | 3 | Operating costs | 1,955 | Based on regular terms | - |
| | | Phoenix Cable TV Co., Ltd. | 3 | Operating costs | 1,476 | Based on regular terms | - |
| | | Globalview Cable TV Co., Ltd. | 3 | Operating costs | 739 | Based on regular terms | - |
| | | Taiwan Fixed Network Co., Ltd. | 3 | Operating costs | 256 | Payment terms varied depend on the agreements | - |
| | | TFN Media Co., Ltd. | 2 | Operating costs | 388,009 | Payment terms varied depend on the agreements | 1% |
| | | WinTV Broadcasting Co., Ltd. | 3 | Operating expenses | 35 | Based on regular terms | - |
| | | TFN Media Co., Ltd. | 2 | Operating expenses | 38,297 | Payment terms varied depend on the agreements | - |
| | | Taiwan Mobile Co., Ltd. | 2 | Operating expenses | 439 | Payment terms varied depend on the agreements and based on regular terms | - |
| | | Taiwan Fixed Network Co., Ltd. | 3 | Operating expenses | 391 | Payment terms varied depend on the agreements and based on regular terms | - |
| | | TFN Media Co., Ltd. | 2 | Interest income | 3,198 | Payment terms varied depend on the agreements | - |
| | | TFN Media Co., Ltd. | 2 | Miscellaneous revenue | 1,284 | Based on regular terms | - |
| 16 | Mangrove Cable TV Corporation | Taiwan Mobile Co., Ltd. | 2 | Accounts receivable | 1,021 | Payment terms varied depend on the agreements | - |
| | | TFN Media Co., Ltd. | 2 | Accounts receivable | 1,786 | Payment terms varied depend on the agreements | - |
| | | TFN Media Co., Ltd. | 2 | Other receivables | 87 | Based on regular terms | - |
| | | WinTV Broadcasting Co., Ltd. | 3 | Prepayments | 50 | Based on regular terms | - |
| | | Taiwan Fixed Network Co., Ltd. | 3 | Accounts payable | 120 | Payment terms varied depend on the agreements | - |
| | | TFN Media Co., Ltd. | 2 | Accounts payable | 517 | Payment terms varied depend on the agreements | - |
| | | Taiwan Fixed Network Co., Ltd. | 3 | Accrued expenses | 132 | Based on regular terms | - |

(Continued)

| Number | Company Name | Counterparty | Nature of Relationship (Note) | Transaction Details | | | |
|--------|----------------------------|---------------------------------|-------------------------------|-----------------------|---------|--|---|
| | | | | Account | Amount | Transaction Terms | Percentage of Consolidated Total Operating Revenues or Total Assets |
| | | Taiwan Mobile Co., Ltd. | 2 | Accrued expenses | \$ 9 | Payment terms varied depend on the agreements | - |
| | | WinTV Broadcasting Co., Ltd. | 3 | Other payables | 50 | Based on regular terms | - |
| | | TFN Media Co., Ltd. | 2 | Other payables | 5,291 | Payment terms varied depend on the agreements | - |
| | | Taiwan Fixed Network Co., Ltd. | 3 | Operating revenues | 51 | Payment terms varied depend on the agreements | - |
| | | TFN Media Co., Ltd. | 2 | Operating revenues | 18,643 | Payment terms varied depend on the agreements | - |
| | | Taiwan Mobile Co., Ltd. | 2 | Operating costs | 220 | Based on regular terms | - |
| | | Taiwan Fixed Network Co., Ltd. | 3 | Operating costs | 1,369 | Payment terms varied depend on the agreements | - |
| | | WinTV Broadcasting Co., Ltd. | 3 | Operating costs | 14,263 | Payment terms varied depend on the agreements | - |
| | | TFN Media Co., Ltd. | 2 | Operating costs | 517 | Payment terms varied depend on the agreements | - |
| | | Taiwan Fixed Network Co., Ltd. | 3 | Operating expenses | 387 | Based on regular terms | - |
| | | TFN Media Co., Ltd. | 2 | Operating expenses | 16,579 | Payment terms varied depend on the agreements | - |
| | | Taiwan Mobile Co., Ltd. | 2 | Operating expenses | 184 | Payment terms varied depend on the agreements and based on regular terms | - |
| | | TFN Media Co., Ltd. | 2 | Interest income | 2,269 | Payment terms varied depend on the agreements | - |
| | | TFN Media Co., Ltd. | 2 | Miscellaneous revenue | 1,137 | Based on regular terms | - |
| 17 | Phoenix Cable TV Co., Ltd. | Taiwan Mobile Co., Ltd. | 2 | Accounts receivable | 3,506 | Payment terms varied depend on the agreements | - |
| | | Taiwan Fixed Network Co., Ltd. | 3 | Accounts receivable | 113 | Payment terms varied depend on the agreements | - |
| | | TFN Media Co., Ltd. | 2 | Accounts receivable | 2,859 | Payment terms varied depend on the agreements | - |
| | | TFN Media Co., Ltd. | 2 | Other receivables | 680,139 | Payment terms varied depend on the agreements and based on regular terms | 1% |
| | | TFN Media Co., Ltd. | 2 | Accounts payable | 115,122 | Payment terms varied depend on the agreements | - |
| | | Taiwan Mobile Co., Ltd. | 2 | Accrued expenses | 53 | Payment terms varied depend on the agreements | - |
| | | Taiwan Fixed Network Co., Ltd. | 3 | Accrued expenses | 580 | Payment terms varied depend on the agreements and based on regular terms | - |
| | | TFN Media Co., Ltd. | 2 | Other payables | 19,184 | Payment terms varied depend on the agreements | - |
| | | Yeong Jialeh Cable TV Co., Ltd. | 3 | Operating revenues | 321 | Based on regular terms | - |
| | | Taiwan Fixed Network Co., Ltd. | 3 | Operating revenues | 1,949 | Payment terms varied depend on the agreements | - |

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| Number | Company Name | Counterparty | Nature of Relationship (Note) | Transaction Details | | | |
|--------|-------------------------------|--------------------------------|-------------------------------|-----------------------|-----------|--|---|
| | | | | Account | Amount | Transaction Terms | Percentage of Consolidated Total Operating Revenues or Total Assets |
| | | TFN Media Co., Ltd. | 2 | Operating revenues | \$ 61,044 | Payment terms varied depend on the agreements | - |
| | | Taiwan Mobile Co., Ltd. | 2 | Operating costs | 490 | Based on regular terms | - |
| | | Taiwan Fixed Network Co., Ltd. | 3 | Operating costs | 3,703 | Payment terms varied depend on the agreements | - |
| | | WinTV Broadcasting Co., Ltd. | 3 | Operating costs | 300 | Payment terms varied depend on the agreements | - |
| | | TFN Media Co., Ltd. | 2 | Operating costs | 459,667 | Payment terms varied depend on the agreements | 1% |
| | | TFN Media Co., Ltd. | 2 | Operating expenses | 42,514 | Payment terms varied depend on the agreements | - |
| | | Taiwan Mobile Co., Ltd. | 2 | Operating expenses | 644 | Payment terms varied depend on the agreements and based on regular terms | - |
| | | Taiwan Fixed Network Co., Ltd. | 3 | Operating expenses | 1,579 | Payment terms varied depend on the agreements and based on regular terms | - |
| | | TFN Media Co., Ltd. | 2 | Interest income | 8,599 | Payment terms varied depend on the agreements | - |
| | | Taiwan Mobile Co., Ltd. | 2 | Rental income | 171 | Payment terms varied depend on the agreements | - |
| | | TFN Media Co., Ltd. | 2 | Miscellaneous revenue | 1,653 | Based on regular terms | - |
| 18 | Globalview Cable TV Co., Ltd. | Taiwan Mobile Co., Ltd. | 2 | Accounts receivable | 1,059 | Payment terms varied depend on the agreements | - |
| | | TFN Media Co., Ltd. | 2 | Accounts receivable | 1,933 | Payment terms varied depend on the agreements | - |
| | | TFN Media Co., Ltd. | 2 | Other receivables | 200,036 | Payment terms varied depend on the agreements and based on regular terms | - |
| | | WinTV Broadcasting Co., Ltd. | 3 | Prepayments | 50 | Based on regular terms | - |
| | | TFN Media Co., Ltd. | 3 | Other current assets | 18 | Based on regular terms | - |
| | | Taiwan Fixed Network Co., Ltd. | 3 | Accounts payable | 30 | Payment terms varied depend on the agreements | - |
| | | TFN Media Co., Ltd. | 2 | Accounts payable | 45,862 | Payment terms varied depend on the agreements | - |
| | | Taiwan Fixed Network Co., Ltd. | 3 | Accrued expenses | 163 | Based on regular terms | - |
| | | WinTV Broadcasting Co., Ltd. | 3 | Accrued expenses | 50 | Based on regular terms | - |
| | | Taiwan Mobile Co., Ltd. | 2 | Accrued expenses | 11 | Payment terms varied depend on the agreements | - |
| | | TFN Media Co., Ltd. | 2 | Other payables | 6,876 | Payment terms varied depend on the agreements | - |
| | | Taiwan Fixed Network Co., Ltd. | 3 | Operating revenues | 352 | Payment terms varied depend on the agreements | - |
| | | TFN Media Co., Ltd. | 2 | Operating revenues | 22,465 | Payment terms varied depend on the agreements | - |

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| Number | Company Name | Counterparty | Nature of Relationship (Note) | Transaction Details | | | |
|--------|--|---|-------------------------------|-----------------------|---------|--|---|
| | | | | Account | Amount | Transaction Terms | Percentage of Consolidated Total Operating Revenues or Total Assets |
| | | Taiwan Mobile Co., Ltd. | 2 | Operating costs | \$ 254 | Based on regular terms | - |
| | | WinTV Broadcasting Co., Ltd. | 3 | Operating costs | 300 | Payment terms varied depend on the agreements | - |
| | | TFN Media Co., Ltd. | 2 | Operating costs | 182,643 | Payment terms varied depend on the agreements | - |
| | | Taiwan Fixed Network Co., Ltd. | 3 | Operating costs | 713 | Payment terms varied depend on the agreements and based on regular terms | - |
| | | Taiwan Fixed Network Co., Ltd. | 3 | Operating expenses | 117 | Based on regular terms | - |
| | | TFN Media Co., Ltd. | 2 | Operating expenses | 18,327 | Payment terms varied depend on the agreements | - |
| | | Taiwan Mobile Co., Ltd. | 2 | Operating expenses | 206 | Payment terms varied depend on the agreements and based on regular terms | - |
| | | TFN Media Co., Ltd. | 2 | Interest income | 4,714 | Payment terms varied depend on the agreements | - |
| | | Global Wealth Media Technology Co., Ltd. | 3 | Rental income | 34 | Payment terms varied depend on the agreements | - |
| | | TFN Media Co., Ltd. | 2 | Miscellaneous revenue | 567 | Based on regular terms | - |
| 19 | Shin Ho Cable TV Co., Ltd. | TFN Media Co., Ltd. | 2 | Operating revenues | 1,350 | Payment terms varied depend on the agreements | - |
| | | Taiwan Mobile Co., Ltd. | 2 | Operating costs | 57 | Based on regular terms | - |
| | | Taiwan Mobile Co., Ltd. | 2 | Operating expenses | 45 | Payment terms varied depend on the agreements and based on regular terms | - |
| | | TFN Media Co., Ltd. | 2 | Interest income | 3,593 | Payment terms varied depend on the agreements | - |
| | | TFN Media Co., Ltd. | 2 | Miscellaneous revenue | 64 | Based on regular terms | - |
| 20 | TWM Communications (Beijing) Ltd. | Taiwan Mobile Co., Ltd. | 2 | Accounts receivable | 5,507 | Based on regular terms | - |
| | | Taiwan Fixed Network Co., Ltd. | 3 | Accounts receivable | 2,901 | Based on regular terms | - |
| | | Taiwan Cellular Co., Ltd. | 2 | Accrued expenses | 100 | Based on regular terms | - |
| | | Taiwan Fixed Network Co., Ltd. | 3 | Operating revenues | 2,974 | Based on regular terms | - |
| | | Taiwan Cellular Co., Ltd. | 2 | Operating expenses | 102 | Based on regular terms | - |
| 21 | Taiwan Teleservices & Technologies Co., Ltd. | Taiwan Mobile Co., Ltd. | 2 | Accounts receivable | 65,804 | Based on regular terms | - |
| | | Taiwan Fixed Network Co., Ltd. | 2 | Accounts receivable | 11,240 | Based on regular terms | - |
| | | TT&T Holdings Co., Ltd. | 1 | Accrued expenses | 7,812 | Based on regular terms | - |
| | | Taiwan Mobile Co., Ltd. | 2 | Operating revenues | 859,350 | Based on regular terms | 1% |
| | | Taiwan Fixed Network Co., Ltd. | 2 | Operating revenues | 156,205 | Based on regular terms | - |
| | | TT&T Holdings Co., Ltd. | 1 | Operating expenses | 52,126 | Based on regular terms | - |
| | | Xiamen Taifu Teleservices & Technologies Ltd. | 1 | Operating expenses | 34,448 | Based on regular terms | - |
| | | Taiwan Fixed Network Co., Ltd. | 2 | Operating expenses | (68) | Based on regular terms | - |
| | | Taiwan Mobile Co., Ltd. | 2 | Rental income | 2,007 | Based on regular terms | - |

(Continued)

| Number | Company Name | Counterparty | Nature of Relationship (Note) | Transaction Details | | | |
|--------|---|---|-------------------------------|-----------------------|----------|------------------------|---|
| | | | | Account | Amount | Transaction Terms | Percentage of Consolidated Total Operating Revenues or Total Assets |
| 22 | Taiwan Super Basketball Co., Ltd. | Taiwan Mobile Co., Ltd. | 2 | Accounts receivable | \$ 4,300 | Based on regular terms | - |
| | | Taiwan Mobile Co., Ltd. | 2 | Operating revenues | 34,304 | Based on regular terms | - |
| | | Taiwan Mobile Co., Ltd. | 2 | Operating costs | 1 | Based on regular terms | - |
| | | Taiwan Mobile Co., Ltd. | 2 | Operating expenses | 34 | Based on regular terms | - |
| 23 | TT&T Holdings | Taiwan Teleservices & Technologies Co., Ltd. | 2 | Accounts receivable | 7,799 | Based on regular terms | - |
| | | Xiamen Taifu Teleservices & Technologies Ltd. | 1 | Accounts payable | 5,192 | Based on regular terms | - |
| | | Taiwan Cellular Co., Ltd. | 2 | Accrued expenses | 100 | Based on regular terms | - |
| | | Taiwan Teleservices & Technologies Co., Ltd. | 2 | Operating revenues | 52,767 | Based on regular terms | - |
| | | Taiwan Cellular Co., Ltd. | 2 | Operating expenses | 103 | Based on regular terms | - |
| | | Xiamen Taifu Teleservices & Technologies Ltd. | 1 | Operating expenses | 33,953 | Based on regular terms | - |
| | | | | | | | |
| 24 | Xiamen Taifu Teleservices & Technologies Ltd. | TT&T Holdings Co., Ltd. | 2 | Accounts receivable | 5,192 | Based on regular terms | - |
| | | Taiwan Cellular Co., Ltd. | 2 | Accrued expenses | 100 | Based on regular terms | - |
| | | TT&T Holdings Co., Ltd. | 2 | Operating revenues | 33,944 | Based on regular terms | - |
| | | Taiwan Teleservices & Technologies Co., Ltd. | 2 | Operating revenues | 33,919 | Based on regular terms | - |
| | | Taiwan Cellular Co., Ltd. | 2 | Operating expenses | 103 | Based on regular terms | - |
| 25 | TFN HK LIMITED | Taiwan Fixed Network Co., Ltd. | 2 | Accounts receivable | 8,312 | Based on regular terms | - |
| | | Taiwan Fixed Network Co., Ltd. | 2 | Operating revenues | 28,414 | Based on regular terms | - |
| 26 | TFN Union Investment Co., Ltd. | Taiwan Mobile Co., Ltd. | 2 | Accrued expenses | 6 | Based on regular terms | - |
| | | Taiwan Mobile Co., Ltd. | 2 | Operating expenses | 6 | Based on regular terms | - |
| 27 | TFN Investment Co., Ltd. | Taiwan Mobile Co., Ltd. | 2 | Operating expenses | 36 | Based on regular terms | - |
| | | TFN Media Co., Ltd. | 1 | Interest income | 43,524 | Based on regular terms | - |
| | | Taiwan Mobile Co., Ltd. | 2 | Miscellaneous revenue | 3,157 | Based on regular terms | - |
| 28 | Reach & Range Inc. | Taiwan Fixed Network Co., Ltd. | 2 | Operating revenues | 426 | Based on regular terms | - |
| | | Taiwan Mobile Co., Ltd. | 2 | Operating expenses | 34 | Based on regular terms | - |
| | | Taiwan Fixed Network Co., Ltd. | 2 | Miscellaneous revenue | 170 | Based on regular terms | - |

Note: 1. Parent to subsidiary.
2. Subsidiary to parent.
3. Between subsidiaries.

Concluded)