

Taiwan Mobile Co., Ltd.

Financial Statements

June 30, 2011 and 2010

(With Independent Auditors' Report Thereon)

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying balance sheets of Taiwan Mobile Co., Ltd. (the Corporation) as of June 30, 2011 and 2010, and the related statements of income, changes in shareholders' equity and cash flows for the six months then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred above present fairly, in all material respects, the financial position of Taiwan Mobile Co., Ltd. as of June 30, 2011 and 2010, and the results of its operations and its cash flows for the six months 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 reviewed the consolidated balance sheets of the Corporation and its subsidiaries as of June 30, 2011 and 2010, and the related consolidated statements of income, changes in shareholders' equity, and cash flows for the six months then ended on which we have issued unqualified review report and modified review report dated July 15, 2011 and July 13, 2010, respectively.

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 above.

KPMG

Taipei, Taiwan (the Republic of China)

July 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.

TAIWAN MOBILIE CO., LTD.

BALANCE SHEETS

JUNE 30, 2011 AND 2010

(In Thousands of New Taiwan Dollars, Except Par Value)

ASSETS	2011		2010		LIABILITIES AND SHAREHOLDERS' EQUITY	2011		2010	
	Amount	%	Amount	%		Amount	%	Amount	%
CURRENT ASSETS :					CURRENT LIABILITIES :				
Cash and cash equivalents (Notes 2, 4(a), 4(p) and 5)	\$ 7,968,444	10	4,182,487	5	Accounts payable (Note 4(p))	\$ 2,491,433	3	2,235,602	3
Available-for-sale financial assets-current (Notes 2, 4(b) and 4(p))	214,743	-	173,609	-	Accounts payable-related parties (Notes 4(p) and 5)	24,057	-	-	-
Notes receivable, net(Note 4(p))	262	-	16,566	-	Income taxes payable (Notes 2, 4(n) and 4(p))	775,462	1	1,116,757	1
Accounts receivable, net (Notes 2, 4(c) and 4(p))	5,547,951	7	5,547,271	7	Accrued expenses (Notes 4(p)and 5)	4,693,714	6	4,430,878	5
Accounts receivable-related parties (Notes 2, 4(p) and 5)	60,633	-	36,927	-	Other payables (Notes 2, 4(m), 4(p)and 5)	16,464,169	20	18,600,032	23
Other receivables(Note 4(p))	84,722	-	162,195	-	Advance receipts (Note 4(j))	2,876,235	3	1,640,340	2
Other receivables-related parties (Notes 4(p) and 5)	7,514,237	8	8,005,000	10	Guarantee deposits-current(Note 4(p))	82,474	-	53,564	-
Inventories (Note 2)	1,309,244	2	790,182	1	Other current liabilities (Note 5)	435,862	1	429,503	1
Prepayments (Notes 4(d) and 5)	454,304	1	447,457	1	Total current liabilities	27,843,406	34	28,506,676	35
Deferred income tax assets-current (Notes 2 and 4(n))	7,756	-	1,485	-	LONG-TERM LIABILITIES :				
Other current assets	6,332	-	2,731	-	Bonds payable (Notes 4(k) and 4(p))	8,000,000	10	8,000,000	10
Total current assets	23,168,628	28	19,365,910	24	OTHER LIABILITIES :				
INVESTMENTS :					Guarantee deposits(Note 4(p))	252,278	-	278,417	-
Investments accounted for using the equity method (Notes 2 and 4(e))	10,083,052	12	9,054,570	11	Deferred credits-gains on intercompany accounts (Notes 2 and 4(e))	1,238,378	1	1,238,378	2
Prepayment for long-term investments(Notes 2 and 4 (e))	99,800	-	49,900	-	Other (Note 2)	396,178	-	370,578	-
Financial assets carried at cost-non-current(Notes 2, 4(f) and 4(p))	50,324	-	50,324	-	Total other liabilities	1,886,834	1	1,887,373	2
Total investments	10,233,176	12	9,154,794	11	Total liabilities	37,730,240	45	38,394,049	47
PROPERTY AND EQUIPMENT (Notes 2and 4(g)) :					SHAREHOLDERS' EQUITY (Notes 2 and 4(m)) :				
Land	4,016,344	5	3,869,238	5	Capital stock -NT\$10.00 par value				
Buildings	2,078,906	3	2,390,305	3	Authorized: 6,000,000 thousand shares				
Telecommunication equipment	57,665,381	70	54,942,975	67	Issued: 3,800,925 thousand shares	38,009,254	46	38,009,254	46
Office equipment	10,022	-	22,451	-	Capital surplus :				
Leased assets	1,285,920	2	1,285,920	1	From convertible bonds	8,775,819	11	8,775,819	11
Miscellaneous equipment	2,618,443	3	2,501,806	3	From treasury stock transactions	3,639,302	4	3,639,302	4
	67,675,016	83	65,012,695	79	From long-term investments	4,485	-	3,619	-
Less accumulated depreciation	(36,336,650)	(45)	(30,199,962)	37	Other	12,840	-	12,840	-
Less accumulated impairment property	(84,820)	-	-	-	Retained earnings :				
Construction in progress and prepayments for equipment	1,707,049	2	1,476,232	2	Legal reserve	16,715,018	20	15,332,799	19
Net property and equipment	32,960,595	40	36,288,965	44	Special reserve	821,741	1	821,741	1
INTANGIBLE ASSETS (Note 2)					Unappropriated earnings	9,027,855	11	9,261,760	11
3G concession license	5,607,818	7	6,355,527	8	Other equity :				
Computer software cost	432	-	1,899	-	Cumulative translation adjustments	(16,293)	-	12,733	-
Goodwill (Note 4(h))	6,835,370	8	6,835,370	8	Net loss not recognized as pension cost	(10,695)	-	(3,797)	-
Total intangible assets	12,443,620	15	13,192,796	16	Unrealized gains on financial instruments	108,697	-	62,130	-
OTHER ASSETS :					Treasury stock	(31,889,100)	(38)	(31,889,100)	(39)
Assets leased to others (Notes 2 ,4(i) and 5)	2,153,868	3	2,183,771	3	Total shareholders' equity	45,198,923	55	44,039,100	53
Idle assets (Notes 2 and 4(i))	64,495	-	221,173	-	Commitments and Contingencies (Note 7)				
Refundable deposits(Note 4(p))	327,272	-	309,778	-					
Deferred charges (Note 2)	575,509	1	391,737	-					
Deferred income tax asset-non-current (Notes 2 and 4(n))	970,502	1	1,285,760	2					
Other (Notes 2 and 4(l))	31,498	-	38,465	-					
Total other assets	4,123,144	5	4,430,684	5					
TOTAL	\$ 82,929,163	100	82,433,149	100	TOTAL	\$ 82,929,163	100	82,433,149	100

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

TAIWAN MOBLIE CO., LTD.

STATEMENTS OF INCOME

FOR THE SIX MONTHS ENDED JUNE 30, 2011 AND 2010
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2011		2010	
	Amount	%	Amount	%
OPERATING REVENUES (Notes 2 and 5)				
Telecommunication service revenue	\$ 27,364,585	90	27,111,574	94
Other revenue	2,938,704	10	1,687,213	6
Total operating revenues	30,303,289	100	28,798,787	100
OPERATING COSTS (Notes 2, 5 and 10)	18,752,136	62	15,239,316	53
GROSS PROFIT	11,551,153	38	13,559,471	47
OPERATING EXPENSES (Notes 2, 5 and 10)				
Marketing	4,246,016	14	4,100,902	14
Administrative	1,761,825	6	1,895,055	7
Total operating expenses	6,007,841	20	5,995,957	21
OPERATING INCOME	5,543,312	18	7,563,514	26
NON-OPERATING INCOME AND GAINS				
Investment income recognized under the equity method, net (Notes 2 and 4(e))	2,095,658	7	1,679,404	6
Income from penalty charge	163,509	1	133,468	1
Interest income (Notes 5)	105,516	-	10,788	-
Rental income (Notes 2 and 5)	92,237	-	95,032	-
Other (Notes 2 and 4(c))	85,476	-	112,144	-
Total non-operating income and gains	2,542,396	8	2,030,836	7
NON-OPERATING EXPENSES AND LOSSES				
Loss on disposal and retirement of property and equipment (Note 2)	219,491	1	1,004,679	3
Interest expenses(Notes 2 and 4 (g))	140,580	-	143,772	1
Other (Note 2)	61,339	-	56,704	-
Total non-operating expenses and losses	421,410	1	1,205,155	4
INCOME BEFORE INCOME TAX	7,664,298	25	8,389,195	29
INCOME TAX EXPENSE (Notes 2 and 4(n))	903,198	3	1,394,190	5
NET INCOME	\$ 6,761,100	22	6,995,005	24
	Before	After	Before	After
	Income	Income	Income	Income
	Tax	Tax	Tax	Tax
EARNINGS PER SHARE (Note 4(o))				
Basic	\$ 2.56	2.26	2.81	2.34
Diluted	\$ 2.56	2.26	2.80	2.33
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	\$ 6,761,100		6,995,005	
EARNINGS PER SHARE AFTER INCOME TAX				
Basic		\$ 1.78		1.84
Diluted		\$ 1.78		1.84

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

TAIWAN MOBLIE CO., LTD.
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE SIX MONTHS ENDED JUNE 30, 2011 AND 2010
(In Thousands of New Taiwan Dollars, Except Per Share Amounts)

	<u>Retained Earnings</u>					<u>Cumulative Translation Adjustments</u>	<u>Net Loss Not Recognized as Pension Cost</u>	<u>Uneralized Gains (Loss) on Financial Instruments</u>	<u>Treasury Stock</u>	<u>Total Shareholders' Equity</u>	
	<u>Capital Stock</u>	<u>Capital Surplus</u>	<u>Legal Reserve</u>	<u>Special Reserve</u>	<u>Unappropriated</u>						<u>Total</u>
BALANCE, JANUARY 1, 2010	\$ 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 for the six months ended June in 2010	-	-	-	-	6,995,005	6,995,005	-	-	-	-	6,995,005
Unrealized gain on financial instruments, net	-	-	-	-	-	-	-	-	(1,494)	-	(1,494)
Adjustment on change of equity-method investments	-	(124)	-	-	-	-	722	-	-	-	598
BALANCE, JUNE 30, 2010	\$ 38,009,254	12,431,580	15,332,799	821,741	9,261,760	25,416,300	12,733	(3,797)	62,130	(31,889,100)	44,039,100
BALANCE, JANUARY 1, 2011	\$ 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
Appropriation of the 2009 earnings :											
Legal reserve	-	-	1,382,219	-	(1,382,219)	-	-	-	-	-	-
Cash dividends-NT\$4.1619 per share	-	-	-	-	(12,439,967)	(12,439,967)	-	-	-	-	(12,439,967)
Balance after appropriation	38,009,254	12,432,489	16,715,018	821,741	2,266,755	19,803,514	(5,716)	(10,695)	89,842	(31,889,100)	38,429,588
Net income in 2010	-	-	-	-	6,761,100	6,761,100	-	-	-	-	6,761,100
Unrealized gain on financial instruments, net	-	-	-	-	-	-	-	-	18,855	-	18,855
Adjustment on change of equity-method investments	-	(43)	-	-	-	-	(10,577)	-	-	-	(10,620)
BALANCE, JUNE 30, 2011	\$ 38,009,254	12,432,446	16,715,018	821,741	9,027,855	26,564,614	(16,293)	(10,695)	108,697	(31,889,100)	45,198,923

Note 1 : The remuneration to directors and supervisors of \$37,483 thousand and the bonus to employees of \$374,826 thousand have been expensed and deducted from 2009 earnings.

Note 2 : The remuneration to directors and supervisors of \$37,306 thousand and the bonus to employees of \$373,059 thousand have been expensed and deducted from 2010 earnings.

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

TAIWAN MOBLIE CO., LTD.
STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2011 AND 2010
(In Thousands of New Taiwan Dollars)

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 6,761,100	6,995,005
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	3,520,868	3,603,996
Investment income recognized under the equity method	(2,095,658)	(1,679,404)
Amortization	489,024	438,314
Loss on disposal and retirement of property and equipment, net	219,491	1,004,679
Bad debts	178,574	221,895
Deferred income taxes	157,062	366,462
Provision of allowance for loss on inventories	15,493	1,767
Pension cost	1,332	1,560
Changes in operating assets and liabilities		
Notes receivable	116	207
Accounts receivable	(240,110)	(225,869)
Accounts receivable - related parties	25,190	(14,259)
Other receivables	285,905	(4,267)
Other receivables - related parties	47,460	(12,744)
Inventories	(259,474)	(362,820)
Prepayments	8,818	35,141
Other current assets	(4,474)	(197)
Accounts payable	(248,500)	179,846
Accounts payable-related parties	24,057	-
Income taxes payable	(142,123)	(361,596)
Accrued expenses	222,214	(118,329)
Other payables	(15,673)	5,940
Advance receipts	375,735	444,508
Other current liabilities	2,866	(25,154)
Net cash provided by operating activities	<u>9,329,293</u>	<u>10,494,681</u>

TAIWAN MOBLIE CO., LTD.
STATEMENTS OF CASH FLOWS(CONT'D)
FOR THE SIX MONTHS ENDED JUNE 30, 2011 AND 2010
(In Thousands of New Taiwan Dollars)

	2011	2010
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease (increase) in financing provided to investees, net	8,001,000	(2,000)
Acquisition of property and equipment	(2,025,677)	(1,989,495)
Increase in deferred charges	(176,897)	(50,536)
Increase in long-term investments accounted for using the equity method	(99,800)	(49,900)
(Increase) decrease in refundable deposits	(11,029)	3,136
Proceeds form investees' capital reduction	5,434	2,717
Decrease in pledged time deposits	-	10,000
Proceeds form disposal of property and equipment	-	420
Decrease in other assets	-	142
Net cash provided by (used in) investing activities	5,693,031	(2,075,516)
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in short-term borrowings	(9,645,000)	(5,000,000)
Decrease in long-term borrowings	(3,466,667)	-
Increase in long-term borrowings	2,666,667	-
Decrease in short-term notes and bills payable	(499,732)	(299,872)
Increase in guarantee deposits	9,971	6,152
Net cash used in financing activities	(10,934,761)	(5,293,720)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	4,087,563	3,125,445
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	3,880,881	1,057,042
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 7,968,444	4,182,487
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid	\$ 70,339	5,954
Less interest capitalized	4,257	3,577
Interest paid - excluding interest capitalized	\$ 66,082	2,377
Income tax paid	\$ 800,245	1,325,724
NON-CASH INVESTING AND FINANCING ACTIVITIES		
Dividends receivable	\$ 3,310,805	2,383,941
Receivables from subsidiary's capital reduction	\$ -	3,500,000
Dividends payable	\$ 12,439,967	15,028,235
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	\$ 1,753,982	1,847,439
Decrease in other payables	301,221	159,239
Increase in other liabilities-other	(29,526)	(17,183)
Cash paid for acquisition of property and equipment	\$ 2,025,677	1,989,495

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

TAIWAN MOBILE CO., LTD.
NOTES TO FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2011 AND 2010
(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 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 June 30, 2011 and 2010, the Corporation had 2,589 and 2,450 employees, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Corporation'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.

Receivables

The Corporation accesses evidence for specific and grouping impairment of receivables. Accordingly, all individually significant receivables are assessed for specific impairment. The Corporation groups receivables that are not individually significant in accordance with credit risks and considers the historical trends of the probability of default, the timing of recoveries, and the amount of loss incurred to make the estimate of impairment.

Inventories

Inventories are recorded at the lower of weighted-average 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 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 for an available-for-sale financial asset. Impairment losses are recognized if a decrease in the fair value of the instruments can be objectively related to an event. Reversal of impairment 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.

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 services - 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)

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 period'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.

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.

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

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.

3. EFFECTS OF CHANGES IN ACCOUNTING PRINCIPLES :

Effective from January 1, 2011, the Corporation adopted the SFAS No. 41 "Operating Segments." In accordance with SFAS No. 41, an entity should disclose information to enable users of its financial statements to evaluate the nature and the financial effects of the business activities in which it engages and the economic environments in which it operates. The Corporation determines and presents operating segments based on the information that is internally provided to the chief operating decision maker. In addition, the segment information should be disclosed in the consolidated financial report by the Corporation, but it does not need to be disclosed in individual financial report. The Standard also supersedes SFAS No. 20 "Segment Reporting". The information for the period ended June 30, 2010 has been recast to reflect the new segment reporting requirement.

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

Effective from January 1, 2011, the Corporation adopted the third amended SFAS No. 34 “Accounting for the Financial Instruments: Recognition and Measurement”. In accordance with the revised SFAS No. 34, initial accounts receivable are applied to the statement of recognition, valuation, and impairment to receivables. There was no impact on the profit or loss for the six months ended June 30, 2011.

4. SUMMARY OF MAJOR ACCOUNTS

a. Cash and cash equivalents

	June 30	
	2011	2010
Government bonds with repurchase rights	\$ 5,497,340	1,663,136
Time deposits	1,381,000	81,015
Short-term notes and bills with repurchase rights	564,272	2,058,997
Cash in banks	483,783	333,367
Cash on hand	35,784	39,487
Revolving funds	6,265	6,485
	\$ 7,968,444	4,182,487

b. Available-for-sale financial assets – current

	June 30	
	2011	2010
Domestic listed stocks		
Chunghwa Telecom Co., Ltd.	\$ 214,743	173,609
	\$ 214,743	173,609

c. Accounts receivable

	June 30	
	2011	2010
Accounts receivable	\$ 5,903,122	5,921,936
Less allowance for doubtful accounts	(355,171)	(374,665)
	\$ 5,547,951	5,547,271

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.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

d. Prepayments

	June 30	
	2011	2010
Prepaid commissions	\$ 257,559	248,034
Prepaid rents	90,494	92,493
Prepaid insurance	13,842	17,162
Other	92,409	89,768
	\$ 454,304	447,457

e. Investments accounted for using the equity method

	June 30			
	2011		2010	
	Carrying Value	% of Owner- ship	Carrying Value	% of Owner- ship
Taiwan Cellular Co., Ltd. (TCC)	\$ 9,397,504	100	8,658,520	100
Taipei New Horizons Co., Ltd. (TNH)	374,957	49.90	198,962	49.90
Wealth Media Technology Co., Ltd. (WMT)	310,591	100	197,088	100
	10,083,052		9,054,570	
Prepayment for long-term investments				
Taipei New Horizons Co., Ltd. (TNH)	99,800		49,900	
	\$10,182,852		9,104,470	

(1) Taiwan Cellular Co., Ltd.

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

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

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 June 30, 2011, the amount of deferred credits recognized by the Corporation was \$1,238,378 thousand.

As of June 30, 2011, 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(m) 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.

On June 2, 2011, TNH's board of directors resolved to increase TNH's capital by \$400,000 thousand, divided into 40,000 thousand shares with par value of \$10 per share, with record date of August 1, 2011. The Corporation paid \$99,800 thousand for this capital increase from June, 2011 to July, 2011 and recorded such prepayment as prepaid investment. The Corporation subscribed for the shares based on the proportion of the share holding which remains 49.9%.

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

(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.

In order to enhance cross platform synergy and mobile commerce service, the Corporation's board of directors resolved on April 8, 2011, to acquire 51% of shares of Fubon Multimedia Technology Co., Ltd. which are hold by Fubon Financial Venture Capital Co., Ltd. and priced at \$8,347,949 thousand through its subsidiary, WMH. The authority approved the transaction on June 30, 2011, and the Corporation had paid the purchase price to complete the settlement on July 13, 2011.

(4) Equity in investees' net gains or losses

The financial statements used as basis for calculating the carrying values of equity-method investments and the related income or losses were all unaudited, except these financial statements of TFN, Yeong Jia Leh Cable TV Co., Ltd., Mangrove Cable TV Co., Ltd., Phoenix Cable TV Co., Ltd., and Globeview Cable TV Co., Ltd., which are the subsidiaries of TCC, for the six months ended June 30, 2011 and 2010, The Corporation's management considered that, had these financial statements been audited, any adjustments would have been immaterial and would thus have had no material effects on the Corporation's financial statements.

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

	For the six months ended	
	June 30	
	2011	2010
TCC	\$ 2,102,054	1,687,943
TNH	(13,045)	(13,012)
WMT	6,649	4,473
	\$ 2,095,658	1,679,404

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

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

f. Financial assets carried at cost — non-current

	June 30	
	2011	2010
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.

g. Property and equipment — accumulated depreciation

	June 30	
	2011	2010
Buildings	\$ 418,057	418,671
Telecommunication equipment	33,667,942	27,976,083
Office equipment	6,089	15,045
Leased assets	583,182	518,031
Miscellaneous equipment	1,661,380	1,272,132
	\$ 36,336,650	30,199,962

Capitalized interests for the six months ended June 30, 2011 and 2010, were \$4,257 thousand and \$3,577 thousand, respectively, with capitalization rates ranging from 1.68%-2.88% and 2.04%-2.88%, respectively.

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.

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

(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.

i. Assets leased to others and idle assets

	June 30	
	2011	2010
Assets leased to others		
Cost	\$ 2,303,496	2,330,133
Less accumulated depreciation	(149,628)	(135,771)
Less accumulated impairment	-	(10,591)
	\$ 2,153,868	2,183,771
Idle assets		
Cost	\$ 155,771	427,547
Less allowance for value decline	(35,928)	(35,928)
Less accumulated depreciation	(25,072)	(44,017)
Less accumulated impairment	(30,276)	(126,429)
	\$ 64,495	221,173

j. 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 \$912,085 thousand as of June 30, 2011.

k. Bonds payable

	June 30			
	2011		2010	
	Current	Non-current	Current	Non-current
2nd Domestic unsecured bonds	\$ -	8,000,000	-	8,000,000

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

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:

Year	Amount
2012	\$ 4,000,000
2013	4,000,000
	\$ 8,000,000

l. 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 \$54,194 thousand and \$53,350 thousand for the six months ended June 30, 2011 and 2010, 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 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 (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 2012.

m. 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.

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

(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 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 six months ended June 30, 2011, 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

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

be adjusted in 2012'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 2010 and 2009 earning appropriations resolved by the AGMs on June 15, 2011, and June 18, 2010, were as follows:

	<u>Appropriation of Earnings</u>		<u>Dividend Per Share (NT\$)</u>	
	<u>For Fiscal Year 2010</u>	<u>For Fiscal Year 2009</u>	<u>For Fiscal Year 2010</u>	<u>For Fiscal Year 2009</u>
Appropriation of legal reserve	\$ 1,382,219	1,388,886		
Cash dividends	12,439,967	15,028,235	4.1619	5.02783
Reversal of special reserve	-	(2,528,259)	-	-
	<u>\$ 13,822,186</u>	<u>13,888,862</u>		

The shareholders on June 15, 2011, resolved to distribute 2010 bonus of \$373,059 thousand to employees and remuneration of \$37,306 thousand to directors and supervisors.

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.

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

(3) Treasury stock

As of June 30, 2011, the Corporation's stocks held by TCCI, TID, and TUI (all are the subsidiaries 100%-owned by the Corporation) are 811,918 thousand shares, and the carrying and market value are \$63,167,190 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 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.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

(4) Unrealized gain or loss on financial instruments

Unrealized gain or loss on financial instruments for the six months ended June 30, 2011 and 2010 was summarized as follows:

	For the six months ended June 30	
	2011	2010
Available-for-sale financial assets		
Balance, beginning of period	\$ 89,842	63,624
Fair value changes recognized directly in equity	18,855	(1,494)
Unrealized gains on financial instruments	\$ 108,697	62,130

n. Income tax expense

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

	For the six months ended June 30	
	2011	2010
Tax on pretax income at statutory tax rate	\$ 1,302,931	1,426,143
Add (deduct) tax effects of:		
Permanent differences		
Investment income from domestic investees accounted for using the equity method	(356,262)	(285,499)
Temporary differences	(157,130)	(22,557)
Deferred income taxes	157,062	366,462
Prior years' adjustment	(42,890)	(90,064)
Investment tax credits	(513)	(295)
Income tax expense	\$ 903,198	1,394,190

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:

	June 30	
	2011	2010
Unrealized loss on retirement of property and equipment	\$ 1,000,715	1,213,846
Amortization of goodwill	(219,491)	(142,024)
Provision for doubtful accounts	209,186	270,585
Depreciation resulting from the differences in estimated service lives of properties	125,653	94,744
Provision for impairment losses on idle assets	21,317	25,620
Other	35,189	19,918
	1,172,569	1,482,689
Less valuation allowance	(194,311)	(195,444)
	\$ 978,258	1,287,245
Deferred income tax assets		
Current	\$ 7,756	1,485
Non-current	970,502	1,285,760
	\$ 978,258	1,287,245

(3) Integrated income tax information was as follows:

	June 30	
	2011	2010
Balance of imputation credit account (ICA)	\$ 2,844,647	5,355,775

As of June 30, 2011, there were no unappropriated earnings generated before January 1, 1998. The actual creditable ratio for the 2010 and 2009 earnings appropriation were 17.68% and 28.67%, respectively. The imputation credits allocated to the shareholders are based on the ICA balance as of the date of dividend distribution.

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

	Year
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

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

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 2005 and 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 petition 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 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.

o. 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 six months ended June 30, 2011</u>					
Basic EPS					
Income of common shareholders	\$ 7,664,298	6,761,100	2,989,008	<u>\$ 2.56</u>	<u>\$ 2.26</u>
Add effect of dilutive potentially common stock — bonus to employees	-	-	6,733		
Diluted EPS					
Income of common shareholders with dilutive effect of potential common shares	<u>\$ 7,664,298</u>	<u>6,761,100</u>	<u>2,995,741</u>	<u>\$ 2.56</u>	<u>\$ 2.26</u>
<u>For the six months ended June 30, 2010</u>					
Basic EPS					
Income of common shareholders	\$ 8,389,195	6,995,005	2,989,008	<u>\$ 2.81</u>	<u>\$ 2.34</u>
Add effect of dilutive potentially common stock—bonus to employees	-	-	8,654		
Diluted EPS					
Income of common shareholders with dilutive effect of potential common shares	<u>\$ 8,389,195</u>	<u>6,995,005</u>	<u>2,997,662</u>	<u>\$ 2.80</u>	<u>\$ 2.33</u>

The Accounting Research Development Foundation (ARDF) issued Interpretation No. 2007-052

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

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.

p. Financial instrument transactions
(1) Fair value information

	June 30			
	2011		2010	
	Carrying Value	Fair Value	Carrying Value	Fair Value
<u>Financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$ 7,968,444	7,968,444	4,182,487	4,182,487
Available-for-sale financial assets – current	214,743	214,743	173,609	173,609
Notes receivable	262	262	16,566	16,566
Accounts receivable (including related parties)	5,608,584	5,608,584	5,584,198	5,584,198
Other receivables (including related parties)	7,598,959	7,598,959	8,167,195	8,167,195
Financial assets carried at cost – non-current	50,324	-	50,324	-
Refundable deposits	327,272	327,272	309,778	309,778
<u>Liabilities</u>				
Accounts payable(including related parties)	2,515,490	2,515,490	2,235,602	2,235,602
Income taxes payable	775,462	775,462	1,116,757	1,116,757
Accrued expenses	4,693,714	4,693,714	4,430,878	4,430,878
Other payables	16,464,169	16,464,169	18,600,032	18,600,032
Guarantee deposits (including current portion)	334,752	334,752	331,981	331,981
Bonds payable	8,000,000	8,260,880	8,000,000	8,319,328

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

- (2) The methods and significant assumptions applied for determining fair values for 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 June.
 - (d) 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, refundable deposits, 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 \$11,584,612 thousand and \$5,805,148 thousand as of June 30, 2011 and 2010, respectively, and the financial liabilities exposed to fair value interest rate risk both amounted to \$8,000,000 thousand as of June 30, 2011 and 2010, respectively. The financial assets exposed to cash flow interest rate risk amounted to \$481,536 thousand and \$324,578 thousand as of June 30, 2011 and 2010, 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 June 30, 2011 and 2010, were both zero because all counter-parties are reputable financial institutions with good credit ratings.

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

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

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

(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:

<u>Related Party</u>	<u>Relationship with the Corporation</u>
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

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

<u>Related Party</u>	<u>Relationship with the Corporation</u>
Win TV Broadcasting Co., Ltd.	Subsidiary
TFN Media Co., Ltd. (TFNM)	Subsidiary
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) Co., 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.	Related party in substance
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

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

b. Significant transactions with related parties were summarized below:

(1) Operating revenues

	For the six months ended June 30			
	2011		2010	
		% of		% of
	Amount	Total	Amount	Total
	Revenues	Revenues	Revenues	
TFN	\$ 1,116,561	4	1,110,767	4

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

(2) Operating costs

	For the six months ended June 30			
	2011		2010	
		% of		% of
	Amount	Total	Amount	Total
	Costs	Costs	Costs	
TFN	\$ 1,375,888	7	881,790	6
TKT	39,461	-	-	-
Fubon Ins.	18,489	-	22,198	-
	\$ 1,433,838		903,988	

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) Rental income

	Leased Property	For the six months ended	
		June 30	
		2011	2010
TFN	Offices and BTS, etc.	\$ 56,313	59,692
FMT	Office appliance, etc.	17,524	17,279
		\$ 73,837	76,971

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

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

(4) Cash in banks

	June 30			
	2011		2010	
	Amount	%	Amount	%
TFCB	\$ 335,308	4	101,965	2

(5) Receivables and payables

	June 30			
	2011		2010	
	Amount	%	Amount	%
(a) Accounts receivable				
TFN	\$ 50,244	1	30,964	1
Other	10,389	-	5,963	-
	\$ 60,633		36,927	
(b) Other receivables				
TCC (Notes 1 and 2)	\$ 5,314,188	70	5,883,941	72
TFNM (Note 2)	2,008,725	26	2,003,882	25
WTB(Note 2)	60,098	1	29	-
TFMT(Note 2)	43,068	1	-	-
TDC (Note 2)	39,128	1	-	-
TFN	38,585	1	61,087	1
WMT (Note 2)	-	-	47,070	1
Other	10,445	-	8,991	-
	\$ 7,514,237		8,005,000	

Note 1: Including dividend receivable on June 30, 2011, and receivables from investees' capital reduction and dividend receivable on June 30, 2010.

Note 2: Financing to related parties was as follows:

Related Party	For the six months ended June 30, 2011				
	Drawdown	Ending	Maximum	Interest Rate	Interest
Amounts	Balance	Balance	%	Income	Income
(Note3)	(Notes3 and 4)	(Notes3 and 4)	%	%	%
TCC	\$ 2,000,000	2,000,000	9,000,000	0.893~0.950	27,346
TFNM	2,000,000	4,000,000	5,000,000	0.893	13,835
WTB	60,000	550,000	550,000	1.092	68
TFMT	43,000	50,000	50,000	0.950~1.095	174
TDC	39,000	300,000	300,000	0.948~1.002	241
	\$ 4,142,000	6,900,000			41,664

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

For the six months ended June 30, 2010

Related Party	Drawdown Amounts	Ending	Maximum	Interest Rate %	Interest Income
		Balance (Note3)	Balance (Notes 3 and 4)		
TFNM	\$ 2,000,000	2,000,000	2,000,000	0.838	8,311
WMT	47,000	2,500,000	2,500,000	0.838~0.851	204
TCCI	-	-	7,300,000	-	-
TFN	-	-	7,000,000	-	-
	\$ 2,047,000	4,500,000			8,515

Note 3: The ending balance and the maximum balance represent quotas.

Note 4: Maximum balance: the maximum accumulated amounts of the period.

	June 30			
	2011		2010	
	Amount	%	Amount	%
(c) Prepayments				
Fubon Ins.	\$ 19,121	4	22,363	5
(d) Accounts payable				
TKT	\$ 24,042	1	-	-
Other	15	-	-	-
	\$ 24,057		-	
(e) Accrued expenses				
TFN	\$ 273,319	6	175,912	4
TT&T	70,761	2	64,510	1
TDC	11,184	-	-	
	\$ 355,264		240,422	
(f) Other payables				
TFN	\$ 83,497	1	96,223	1
(g) Other current liabilities - collections and temporary credits for the following				
TFN	\$ 89,559	21	89,237	21

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

(6) Other

		For the six months ended June 30	
		2011	2010
(a)	Telecommunication service expenses		
	TFN	\$ 42,355	39,101
(b)	Professional service fees		
	TT&T	\$ 427,274	395,950
(c)	Advertisement expenses		
	TSB	\$ 16,800	18,000
(d)	Repairs and maintenance		
	FPM	\$ 10,864	10,588
(e)	Other expense		
	TFCB	\$ 17,704	4,624
	FPM	12,675	12,719
		\$ 30,379	17,343
(f)	Commission expense		
	TDC	\$ 81,000	-
(g)	Donated expense		
	TWM Foundation	\$ 11,713	7,007

(7) Financing from related parties was as follows:

For the six months ended June 30, 2011					
Related Party	Drawdown Amounts	Ending Balance (Note1)	Maximum Balance (Notes 1 and 2)	Interest Rate %	Interest Expense
TFN	\$ -	-	9,000,000	0.893	18,987

For the six months ended June 30, 2011					
Related Party	Drawdown Amounts	Ending Balance (Note1)	Maximum Balance (Notes 1 and 2)	Interest Rate %	Interest Expense
TFN	\$ -	3,000,000	3,000,000	-	-

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

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

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

(8) Endorsement/guarantee provided

The Corporation provided \$21,500,000 thousand guarantee for TFN's bank loans. The Corporation also provided \$19,711,150 thousand in promissory notes outstanding for TFN's borrowings with banks. TFN had not made any drawdown from banks within the guarantee amount.

(9) Other

(a) For the six months ended June 30, 2011 and 2010, 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:

	For the six months ended June 30	
	2011	2010
TFN	\$ 184,523	220,922

(b) For the six months ended June 30, 2011 and 2010, the companies below provided services to the Corporation and fees received by the companies below. The Corporation's service charges paid were as follows:

	For the six months ended June 30	
	2011	2010
TFN	\$ 33,935	39,001

6. ASSETS PLEDGED: NONE

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 \$3,840,861 thousand in May 2009 and \$6,650,000 thousand in February 2011, respectively. As of June 30, 2011, the purchase amount was \$4,735,510 thousand and \$3,421,712 thousand and \$717,377 thousand, respectively.

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

- b. Future minimum rental payments as of June 30, 2011, for significant operating lease agreements, were summarized as follows:

	Amount
The second half of 2011	\$ 21,296
2012	34,955
2013	35,491
2014	28,554
2015	16,736

8. SIGNIFICANT CASUALTY LOSS: NONE

9. SIGNIFICANT SUBSEQUENT EVENTS: NONE

10. OTHER

Labor cost, depreciation, and amortization expense

	For the six months ended June 30					
	2011			2010		
	Classified as Operating Costs	Classified as Operating Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Total
Labor cost						
Salary	\$ 463,075	884,471	1,347,546	462,037	943,513	1,405,550
Labor and health insurance	28,185	51,068	79,253	26,251	46,420	72,671
Pension	18,565	31,649	50,214	18,440	31,246	49,686
Other	20,350	39,702	60,052	22,495	39,394	61,889
Depreciation	3,211,807	301,138	3,512,945	3,309,528	285,948	3,595,476
Amortization	420,382	68,462	488,844	378,550	59,341	437,891

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: None
- e. Acquisition of individual real estate at costs of at least \$100 million or 20% of the paid-in capital: None

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

- 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 4 (attached)
- h. Receivables from related parties amounting to at least \$100 million or 20% of the paid-in capital:
Table 5 (attached)
- i. Names, locations, and related information of investees on which the Corporation exercised significant influence: Table 6 (attached)
- j. Derivative transactions: None
- 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 7 (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

In accordance with the fifth paragraph of SFAS No. 41, the segment information should be disclosed in the consolidated financial report by the Corporation, but it does not need to be disclosed in the individual financial report.

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES
FINANCING PROVIDED
FOR THE SIX MONTHS ENDED JUNE 30, 2011

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)	Drawdown Amounts	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")	TFN Media Co., Ltd.	Other receivables	\$ 5,000,000	\$ 4,000,000	\$ 2,000,000	0.893%	Short-term financing	-	Operation requirements	-	-	-	\$ 18,079,569 (Note 2)	18,079,569 (Note 2)
		Taiwan Cellular Co., Ltd.	Other receivables	9,000,000	2,000,000	2,000,000	0.893%~0.95%	Short-term financing	-	Operation requirements	-	-	-	18,079,569 (Note 2)	18,079,569 (Note 2)
		Taiwan Digital Communication Co., Ltd.	Other receivables	300,000	300,000	39,000	0.948%~1.002%	Short-term financing	-	Operation requirements	-	-	-	18,079,569 (Note 2)	18,079,569 (Note 2)
		Tai Fu Media Technology Co., Ltd.	Other receivables	50,000	50,000	43,000	0.950%~1.095%	Short-term financing	-	Operation requirements	-	-	-	18,079,569 (Note 2)	18,079,569 (Note 2)
		Win TV Broadcasting Co., Ltd.	Other receivables	550,000	550,000	60,000	1.092%	Short-term financing	-	Operation requirements	-	-	-	18,079,569 (Note 2)	18,079,569 (Note 2)
1	Taiwan Cellular Co., Ltd.	TFN Media Co., Ltd.	Other receivables	7,000,000	7,000,000	2,340,000	1.350%~1.493%	Short-term financing	-	Operation requirements	-	-	-	25,401,879 (Note 2)	25,401,879 (Note 2)
		Win TV Broadcasting Co., Ltd.	Other receivables	360,000	-	-	0.847%~1.009%	Short-term financing	-	Operation requirements	-	-	-	25,401,879 (Note 2)	25,401,879 (Note 2)
2	Taiwan Fixed Network Co., Ltd.	TFN Union Investment Co., Ltd.	Other receivables	500	500	300	1.087%	Short-term financing	-	Operation requirements	-	-	-	16,368,934 (Note 2)	16,368,934 (Note 2)
		The Corporation	Other receivables	9,000,000	-	-	0.893%	Short-term financing	-	Operation requirements	-	-	-	16,368,934 (Note 2)	16,368,934 (Note 2)
		Taiwan Cellular Co., Ltd.	Other receivables	11,000,000	10,260,000	6,760,000	1.093%	Short-term financing	-	Operation requirements	-	-	-	16,368,934 (Note 2)	16,368,934 (Note 2)
3	TCC Investment Co., Ltd.	TCCI Investment and Development Co., Ltd.	Other receivables	500	500	300	1.087%	Short-term financing	-	Operation requirements	-	-	-	11,361,679 (Note 2)	11,361,679 (Note 2)
4	Union Cable TV Co., Ltd.	TFN Media Co., Ltd.	Other receivables	739,000	715,000	580,000	0.851%~1.087%	Short-term financing	-	Repayment of financing	-	-	-	724,266 (Note 3)	13,500,000 (Note 3)
5	Globalview Cable TV Co., Ltd.	TFN Media Co., Ltd.	Other receivables	233,000	-	-	0.851%	Transactions	237,058	Business requirements	-	-	-	237,058 (Note 4)	496,205 (Note 4)
		TFN Media Co., Ltd.	Other receivables	250,000	250,000	250,000	1.087%	Short-term financing	-	Repayment of financing	-	-	-	259,147 (Note 4)	496,205 (Note 4)

(Continued)

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES
FINANCING PROVIDED
FOR THE SIX MONTHS ENDED JUNE 30, 2011

No.	Lending Company	Borrowing Company	Financial Statement Account	Maximum Balance for the Period (Note 1)	Ending Balance (Note 1)	Drawdown Amounts	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
6	Phoenix Cable TV Co., Ltd.	TFN Media Co., Ltd.	Other receivables	\$ 584,000	\$ 580,000	\$ 580,000	0.854%~1.092%	Transactions	\$ 586,072	Business requirements	\$ -	-	-	\$ 12,000,000 (Note 5)	\$ 12,000,000 (Note 5)
7	Yeong Jia Leh Cable TV Co., Ltd.	TFN Media Co., Ltd.	Other receivables	409,000	351,000	300,000	0.854%~1.092%	Transactions	533,774	Business requirements	-	-	-	24,000,000 (Note 5)	24,000,000 (Note 5)
8	Wealth Media Technology Co., Ltd.	Global Wealth Media Technology Co., Ltd.	Other receivables	15,000	-	-	0.851%	Short-term financing	-	Repayment of financing	-	-	-	124,237 (Note 2)	124,237 (Note 2)
9	Tai Fu Media Technology Co., Ltd.	Global Wealth Media Technology Co., Ltd.	Other receivables	10,000	10,000	4,000	1.087%	Short-term financing	-	Repayment of financing	-	-	-	83,765 (Note 2)	83,765 (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 SIX MONTHS ENDED JUNE 30, 2011

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)	\$ 26,557,595	\$ 19,711,150	\$ -	43.61%	\$ 45,198,923
1	Taiwan Teleservices & Technologies Co., Ltd.	Taiwan Fixed Network Co., Ltd.	(Note 4) (Note 6)	20,000 (Note 5)/ (Note 6)	146	146	-	0.21%	68,726 (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 \$142,524 thousands.

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES
MARKETABLE SECURITIES HELD
JUNE 30, 2011

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	JUNE 30, 2011				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	2,174	\$ 214,743	0.028	\$ 214,743 (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	310,591	100	310,591	
	Taiwan Cellular Co., Ltd.	Subsidiary	Long-term investments - equity method	30,000	9,397,504 (Note 4)	100	63,504,696	
	Taipei New Horizons Co., Ltd.	Equity-method investee	Long-term investments - equity method	44,910	374,957	49.9	374,957	
			Prepayment for long-term investments	-	99,800	-	99,800	
Wealth Media Technology Co., Ltd.	<u>Stock</u> Tai Fu Media Technology Co., Ltd.	Subsidiary	Long-term investments - equity method	27,000	209,413	100	209,413	
	Taiwan Win TV Broadcasting Co., Ltd.	Subsidiary	Long-term investments - equity method	16	9,848	100	9,848	
Tai Fu Media Technology Co., Ltd.	<u>Stock</u> Global Wealth Media Technology Co., Ltd.	Subsidiary	Long-term investments - equity method	8,400	88,454	100	88,454	
	Fu Jia Leh Media Technology Co., Ltd.	Subsidiary	Long-term investments - equity method	100	678	100	678	
	Fu Sin Media Technology Co., Ltd.	Subsidiary	Long-term investments - equity method	13,500	140,324	100	140,324	
	Global Forest Media Technology Co., Ltd.	Subsidiary	Long-term investments - equity method	1,500	16,570	100	16,570	
Global Wealth Media Technology Co., Ltd.	<u>Stock</u> Globalview Cable TV Co., Ltd.	Subsidiary	Long-term investments - equity method	3,825	92,263	6.83	44,255	
Fu Sin Media Technology Co., Ltd.	<u>Stock</u> Phoenix Cable TV Co., Ltd.	Subsidiary	Long-term investments - equity method	2,272	131,348	3.34	31,068	
Global Forest Media Technology Co., Ltd.	<u>Stock</u> Union Cable TV Co., Ltd.	Subsidiary	Long-term investments - equity method	1,300	15,374	0.76	13,812	
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
JUNE 30, 2011

Investing Company (A)	Marketable Securities Invested (B)	Relationship with the Investing Company (B is A's)	Financial Statement Account	JUNE 30, 2011				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\$ 8,291	100	US\$ 8,291	
	Taiwan Fixed Network Co., Ltd.	Subsidiary	Long-term investments - equity method	2,100,000	40,922,334	100	40,922,334	
	Taiwan Digital Communication Co., Ltd.	Subsidiary	Long-term investments - equity method	1,200	18,282	100	18,282	
	TCC Investment Co., Ltd.	Subsidiary	Long-term investments - equity method	3,950	28,531,380	100	28,404,197	
	Taiwan Teleservices & Technologies Co., Ltd.	Subsidiary	Long-term investments - equity method	1,000	68,726	100	68,726	
TWM Holding Co., Ltd.	<u>Stock</u> TWM Communications (Beijing) Co., Ltd.	Subsidiary	Long-term investments - equity method	-	US\$ 3,743	100	US\$ 2,853	
Taiwan Teleservices & Technologies Co., Ltd.	<u>Stock</u> TT & T Holdings Co., Ltd.	Subsidiary	Long-term investments - equity method	1,300	US\$ 1,479	100	US\$ 1,479	
	Taiwan Super Basketball Co., Ltd.	Subsidiary	Long-term investments - equity method	2,000	20,606	100	20,606	
TT&T Holdings Co., Ltd.	<u>Stock</u> Xiamen Taifu Teleservices & Technologies Co., Ltd.	Subsidiary	Long-term investments - equity method	-	US\$ 1,444	100	US\$ 1,444	
TCC Investment Co., Ltd.	<u>Stock</u> Taiwan Mobile Co., Ltd. (the "Corporation")	The Corporation	Available-for-sale financial assets - non-current	222,774	17,331,831	5.86	17,331,831	
	Win TV Broadcasting Co., Ltd.	Subsidiary	Long-term investments - equity method	18,177	246,080	100	238,463	
	TFN Media Co., Ltd.	Subsidiary	Long-term investments - equity method	230,526	1,788,527	100	3,832,890	
	TCCI Investment and Development Co., Ltd.	Subsidiary	Long-term investments - equity method	400	9,964,893	100	9,964,893	
	Great Taipei Broadband Co., Ltd.	-	Financial assets carried at cost - non-current	10,000	41,241	6.67	(Note 3) -	
	<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	10,335,627	3.50	10,335,627	(Note 5)
TFN Media Co., Ltd.	<u>Stock</u> Yeong Jia Leh Cable TV Co., Ltd.	Subsidiary	Long-term investments - equity method	33,940	2,102,263	100	577,783	

(Continued)

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES
MARKETABLE SECURITIES HELD
JUNE 30, 2011

Investing Company (A)	Marketable Securities Invested (B)	Relationship with the Investing Company (B is A's)	Financial Statement Account	JUNE 30, 2011				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	\$ 565,275	29.53	\$ 302,100 (Note 6)	
	Phoenix Cable TV Co., Ltd.	Subsidiary	Long-term investments - equity method	65,818	3,124,576	96.66	900,071	
	Union Cable TV Co., Ltd.	Subsidiary	Long-term investments - equity method	169,141	1,999,805	99.22	1,796,620	
	Globalview Cable TV Co., Ltd.	Subsidiary	Long-term investments - equity method	51,733	1,221,025	92.38	598,504	
	Taiwan Kuro Times Co., Ltd.	Subsidiary	Long-term investments - equity method	667	53,407	54.99	28,500	
Taiwan Kuro Times Co., Ltd.	<u>Stock</u> ezPeer Multimedia Limited	Subsidiary	Long-term investments - equity method	1,522	US\$ 1,446	100	US\$ 1,446	
Taiwan Fixed Network Co., Ltd.	<u>Stock</u> TFN Union Investment Co., Ltd.	Subsidiary	Long-term investments - equity method	400	34,226,584	100	34,226,584	
	TFN HK LIMITED	Subsidiary	Long-term investments - equity method	1,300	HK\$ 1,614	100	HK\$ 1,614	
	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	35,499,732	12.00	35,499,732 (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 July 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 \$63,504,696 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 \$22,673,595 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 \$20,404 thousand.

Note 5: Based on the closing price on June 30, 2011.

Note 6 70.47% shares are held under trustee accounts.

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 SIX MONTHS ENDED JUNE 30, 2011

TABLE 4
(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	\$ (1,116,561)	(4)	Based on contract terms	-	-	\$ 377,681	6	(Note 1)
			Purchase	1,418,243	(Note 2)	Based on contract terms	-	-	(297,374)	(Note 3)	
	Taiwan Teleservices & Technologies Co., Ltd.	Subsidiary	Purchase	427,274	(Note 4)	Based on contract terms	-	-	(70,761)	(Note 5)	
Taiwan Teleservices & Technologies Co., Ltd.	The Corporation	Ultimate parent	Sale	(427,350)	(86)	Based on contract terms	-	-	70,776	86	
Taiwan Fixed Network Co., Ltd.	The Corporation	Ultimate parent	Sale	(1,414,417)	(26)	Based on contract terms	-	-	297,374	30	
			Purchase	1,118,265	31	Based on contract terms	-	-	(377,394)	(52)	
TFN Media Co., Ltd.	Phoenix Cable TV Co., Ltd.	Subsidiary	Channel leasing fee	(248,087)	(17)	Based on contract terms	(Note 6)	(Note 6)	1,574	1	
	Yeong Jia Leh Cable TV Co., Ltd.	Subsidiary	Channel leasing fee	(224,722)	(16)	Based on contract terms	(Note 6)	(Note 6)	2,364	2	
	Union Cable TV Co., Ltd.	Subsidiary	Channel leasing fee	(116,170)	(8)	Based on contract terms	(Note 6)	(Note 6)	811	1	
	Globalview Cable TV Co., Ltd.	Subsidiary	Channel leasing fee	(100,564)	(7)	Based on contract terms	(Note 6)	(Note 6)	994	1	
Yeong Jia Leh Cable TV Co., Ltd.	TFN Media Co., Ltd.	Parent	Royalty of copyright	224,722	66	Based on contract terms	(Note 6)	(Note 6)	(2,364)	(15)	
Phoenix Cable TV Co., Ltd.	TFN Media Co., Ltd.	Parent	Royalty of copyright	248,087	68	Based on contract terms	(Note 6)	(Note 6)	(1,574)	(39)	
Union Cable TV Co., Ltd.	TFN Media Co., Ltd.	Parent	Royalty of copyright	116,170	62	Based on contract terms	(Note 6)	(Note 6)	(811)	(20)	
Globalview Cable TV Co., Ltd.	TFN Media Co., Ltd.	Parent	Royalty of copyright	100,564	64	Based on contract terms	(Note 6)	(Note 6)	(994)	(24)	

Note 1: The \$50,244 thousand accounts receivable amount was expressed on a gross basis in accordance with sales amount. The net accounts receivable should be \$377,681 thousand after deducting accounts payable and accrued custodial receipts/payments totaled \$327,437 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
JUNE 30, 2011

TABLE 5
(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 \$ 377,681	5.97	\$ -	-	\$ 169	\$ -			
			Other receivables 38,585						-	-	644
	TFN Media Co., Ltd.	Subsidiary	Other receivables 2,008,725						-	-	-
	Taiwan Cellular Co., Ltd.	Subsidiary	Other receivables 2,003,384		-	-	-	-			
Taiwan Cellular Co., Ltd.	TFN Media Co., Ltd.	Subsidiary	Other receivables 2,345,771		-	-	-	-			
Taiwan Teleservices & Technologies Co., Ltd.	The Corporation	Ultimate parent	Accounts receivable 70,776	12.38	-	-	-	-			
Taiwan Fixed Network Co., Ltd.	The Corporation	Ultimate parent	Accounts receivable 297,394	10.42	-	-	-	-			
			Other receivables 178,284						-	-	70,244
	Taiwan Cellular Co., Ltd.	Parent	Other receivables 6,772,551						-	-	-
Phoenix Cable TV Co., Ltd.	TFN Media Co., Ltd.	Parent	Accounts receivable 22,157	3.92	-	-	-	-			
			Other receivables 580,233						-	-	-
Union Cable TV Co., Ltd.	TFN Media Co., Ltd.	Parent	Accounts receivable 11,763	3.38	-	-	-	-			
			Other receivables 580,053						-	-	-
Globalview Cable TV Co., Ltd.	TFN Media Co., Ltd.	Parent	Accounts receivable 9,306	3.76	-	-	-	-			
			Other receivables 250,188						-	-	-
Yeong Jia Leh Cable TV Co., Ltd.	TFN Media Co., Ltd.	Parent	Accounts receivable 22,035	3.63	-	-	-	-			
			Other receivables 300,394						-	-	-

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES
NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
FOR THE SIX MONTHS ENDED JUNE 30, 2011

TABLE 6
(In Thousands of New Taiwan Dollars or stated otherwise)

Investor	Investee	Location	Main Businesses and Products	Investment Amount		Balance as of JUNE 30, 2011			Net Income (Loss) of the Investee	Investment Income (Loss)	Note
				JUNE 30, 2011	JUNE 30, 2010	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	\$ 9,397,504 (Note 1)	\$ 2,108,830	\$ 2,102,540	
	Taipei New Horizons Co., Ltd.	Taipei, Taiwan	Real Estate Rental and Sale	449,100	449,100	44,910	49.9	374,957	(26,143)	(13,045)	
Wealth Media Technology Co., Ltd.	Wealth Media Technology Co., Ltd.	Taipei, Taiwan	Investment	372,000	372,000	37,200	100	310,591	6,649	6,649	
	Tai Fu Media Technology Co., Ltd.	Taipei, Taiwan	Investment	270,000	270,000	27,000	100	209,413	6,678	NA	
Tai Fu Media Technology Co., Ltd.	Taiwan Win TV Broadcasting Co., Ltd.	Taipei, Taiwan	TV program producing	10,000	10,000	16	100	9,848	(64)	NA	
	Global Wealth Media Technology Co., Ltd.	New Taipei City, Taiwan	Investment	84,000	84,000	8,400	100	88,454	3,173	NA	
Fu Jia Leh Media Technology Co., Ltd.	Fu Jia Leh Media Technology Co., Ltd.	Taipei, Taiwan	Investment	1,700	1,700	100	100	678	(89)	NA	
	Fu Sin Media Technology Co., Ltd.	Taipei, Taiwan	Investment	135,000	135,000	13,500	100	140,324	3,903	NA	
Global Forest Media Technology Co., Ltd.	Global Forest Media Technology Co., Ltd.	Taipei, Taiwan	Investment	15,000	1,000	1,500	100	16,570	(39)	NA	
	Globalview Cable TV Co., Ltd.	New Taipei City, Taiwan	Cable TV service provider	91,910	91,691	3,825	6.83	92,263	48,618	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	131,348	119,575	NA	
Global Forest Media Technology Co., Ltd.	Union Cable TV Co., Ltd.	Yilan County, Taiwan	Cable TV service provider	14,209	4	1,300	0.76	15,374	62,267	NA	
Taiwan Cellular Co., Ltd.	TWM Holding Co. Ltd.	British Virgin Islands	Investment	US\$ 10,800	US\$ 10,800	1 share	100	US\$ 8,291	US\$ (370)	NA	
	Taiwan Fixed Network Co., Ltd.	Taipei, Taiwan	Fixed line service provider	21,000,000	21,000,000	2,100,000	100	40,922,334	1,158,590	NA	
	Taiwan Digital Communication Co., Ltd.	Taipei, Taiwan	Telecom engineering and IT service	12,000	12,000	1,200	100	18,282	6,678	NA	
	TCC Investment Co., Ltd.	Taipei, Taiwan	Investment	22,301,000	22,301,000	3,950	100	28,531,380	961,490	NA	
	Taiwan Teleservices & Technologies Co., Ltd.	Taipei, Taiwan	Call center service and ISR (international simple resales)	10,000	10,000	1,000	100	68,726	25,328	NA	
TWM Holding Co. Ltd.	TWM Communications (Beijing) Co., Ltd.	Beijing, China	Mobile application development and design	US\$ 4,936	US\$ 4,936	-	100	US\$ 3,743	US\$ (371)	NA	
Taiwan Teleservices & Technologies Co., Ltd.	TT&T Holdings Co., Ltd.	Samoa	Investment	US\$ 1,300	US\$ 1,300	1,300	100	US\$ 1,479	US\$ 55	NA	
	Taiwan Super Basketball Co., Ltd.	Taipei, Taiwan	Basketball team management	20,000	20,000	2,000	100	20,606	589	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\$ 1,444	US\$ 47	NA	
TCC Investment Co., Ltd.	Win TV Broadcasting Co., Ltd.	Taipei, Taiwan	TV program provider	188,047	188,047	18,177	100	246,080	41,481	NA	
	TFN Media Co., Ltd.	Taipei, Taiwan	Cable broadband and value added service provider	2,035,714	2,035,714	230,526	100	1,788,527	983,951	NA	
TFN Media Co., Ltd.	TCCI Investment and Development Co., Ltd.	Taipei, Taiwan	Investment	6,629,149	6,629,149	400	100	9,964,893	(13)	NA	
	Yeong Jia Leh Cable TV Co., Ltd.	New Taipei City, Taiwan	Cable TV service provider	1,616,824	1,616,824	33,940	100	2,102,263	120,028	NA	
	Mangrove Cable TV Co., Ltd.	New Taipei City, Taiwan	Cable TV service provider	397,703	397,703	6,248	29.53	565,275	54,140	NA	
	Phoenix Cable TV Co., Ltd.	Kaohsiung County, Taiwan	Cable TV service provider	2,294,967	2,294,967	65,818	96.66	3,124,576	119,575	NA	
	Union Cable TV Co., Ltd.	Yilan County, Taiwan	Cable TV service provider	1,889,910	1,904,436	169,141	99.22	1,999,805	62,267	NA	
Taiwan Kuro Times Co., Ltd.	Globalview Cable TV Co., Ltd.	New Taipei City, Taiwan	Cable TV service provider	841,413	841,413	51,733	92.38	1,221,025	48,618	NA	
	Taiwan Kuro Times Co., Ltd.	Taipei, Taiwan	The platform of music supplied	63,900	63,900	667	54.99	53,407	18	NA	
ezPeer Multimedia Limited	Samoa	Investment	US\$ 1,522	US\$ 1,522	1,522	100	US\$ 1,446	US\$ (49)	NA		
Taiwan Fixed Network Co., Ltd.	TFN Union Investment Co., Ltd.	Taipei, Taiwan	Investment	22,769,109	22,769,109	400	100	34,226,584	(13)	NA	
	TFN HK LIMITED	Hong Kong	Telecommunications service provider	HK\$ 1,300	HK\$ 1,300	1,300	100	HK\$ 1,614	HK\$ 251	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 \$63,504,696 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 \$22,673,595 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 \$20,404 thousand.

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

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES
INVESTMENT IN MAINLAND CHINA
FOR THE SIX MONTHS ENDED JUNE 30, 2011

TABLE 7
(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, 2011	Investment Flows		Accumulated Outflow of Investment from Taiwan as of JUNE 30, 2011	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 3)	Carrying Value as of JUNE 30, 2011	Accumulated Inward Remittance of Earnings as of JUNE 30, 2011
					Outflow	Inflow					
Xiamen Taifu Teleservices & Technologies Co., Ltd.	Call center service	US\$ 1,300 (NT\$ 37,557)	Indirect investment in Mainland China through a third place by the Corporation's subsidiary, Taiwan Teleservices & Technologies Co., Ltd.	US\$ 1,300 (NT\$ 37,557)	\$ -	\$ -	US\$ 1,300 (NT\$ 37,557)	100% ownership of indirect investment by the Corporation's subsidiary	US\$ 47 (NT\$ 1,358)	US\$ 1,444 (NT\$ 41,717)	\$ -
TWM Communications (Beijing) Co., Ltd.	Mobile application development and design	US\$ 3,000 (NT\$ 86,670)	Indirect investment in Mainland China through a third place by the Corporation's subsidiary, Taiwan Cellular Co., Ltd.	US\$ 4,872 (NT\$ 140,752)	-	-	US\$ 4,872 (NT\$ 140,752)	100% ownership of indirect investment by the Corporation's subsidiary	US\$ (371) (NT\$ (10,718))	US\$ 3,743 (NT\$ 108,135)	-

Accumulated Investment in Mainland China as of June 30, 2011	Investment Amounts Authorized by Investment Commission, MOEA (Note 2)	Upper Limit on Investment Authorized by Investment Commission, MOEA (Note 2)
US\$1,300 (NT\$37,557)	US\$1,300 (NT\$37,557)	\$27,136,556
US\$4,872 (NT\$140,752)	US\$4,872 (NT\$140,752)	\$38,102,818

Note 1: The above amounts were translated into New Taiwan dollars at the exchange rate of US\$1 = NT\$28.89, and RMB1 = NT\$4.4905 as of June 30, 2011.

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 unaudited financial statements.

TAIWAN MOBILE CO., LTD.
CASH AND CASH EQUIVALENTS
JUNE 30, 2011
(In Thousands of New Taiwan Dollars)

<u>Item</u>	<u>Due Date</u>	<u>Amount</u>
Government bonds with repurchase rights	2011.7.4/100.7.5	\$ 5,497,340
Time deposits		
NTD		1,381,000
Short-term bills with repurchase rights	2011.7.8	564,272
Cash in banks		
Foreign-currency deposits		
EUR\$9,705.56 (exchange rate at EUR\$1=NT\$41.63)		404
US\$1,093,718.49(exchange rate at US\$1=NT\$28.725)		31,417
Checking deposits		2,247
Demand deposits		449,715
		483,783
Cash on hand		35,784
Revolving funds		6,265
		<u>\$ 7,968,444</u>

TAIWAN MOBILE CO., LTD.
ACCOUNTS RECEIVABLE
JUNE 30, 2011
(In Thousands of New Taiwan Dollars)

Client	Amount
Related parties	
Taiwan Fixed Network Co., Ltd.	\$ 50,244
Other (Note)	10,389
	60,633
Third parties	
Chunghwa Telecom Co., Ltd.	422,910
Other (Note)	5,480,212
	5,903,122
Less allowance for doubtful accounts	(355,171)
	5,547,951
	\$ 5,608,584

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

TAIWAN MOBILE CO., LTD.
OTHERS RECEIVABLES
JUNE 30, 2011
(In Thousands of New Taiwan Dollars)

<u>Item</u>	<u>Amount</u>
Receivable for financing provided	\$ 4,142,000
Dividends receivable	3,310,805
Other (Note)	146,154
	<u><u>\$ 7,598,959</u></u>

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

TAIWAN MOBILE CO., LTD.
CHANGES IN INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD
FOR THE SIX MONTHS ENDED JUNE 30, 2011
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

	Par Value	Beginning Balance		Increase		Decrease		Adjustments	Ending Balance		Market Price	
		Thousand Shares	Amount	Thousand Shares	Amount	Thousand Shares	Amount (Note 1)	on Equity	Thousand Shares	% of Ownership	Amount	or Net Asset Value (Notes 3 and 4)
								Method (Note 2)				
Taiwan Cellular Co., Ltd.	NT\$10	30,000	\$ 10,618,840	-	-	-	3,310,805	2,089,469	30,000	100	9,397,504	63,504,696
Taipei New Horizons Co., Ltd.	NT\$10	44,910	388,002	-	-	-	-	(13,045)	44,910	49.9	374,957	951,416
Wealth Media Technology Co., Ltd.	NT\$10	37,200	301,977	-	-	-	-	8,614	37,200	100	310,591	310,591
Total			<u>\$ 11,308,819</u>		<u>-</u>		<u>3,310,805</u>	<u>2,085,038</u>			<u>10,083,052</u>	

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

Distributing of cash dividends by Taiwan Cellular Co., Ltd. \$ 3,310,805

Note 2: Other adjustment from evaluation included the following:

a. Recognized investment income from investees \$ 2,095,658
b. Recognized changes in cumulative translation adjustment of investees (10,577)
c. Recognized changes in paid-in capital of investees (43)
\$ 2,085,038

Note 3: The net asset value of Taiwan Cellular Co., Ltd., Taipei New Horizons Co., Ltd. and Wealth Media Technology Co., Ltd. were calculated based on unaudited financial statements as of June 30, 2011.

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

TAIWAN MOBILE CO., LTD.
CHANGES IN PROPERTY AND EQUIPMENT
FOR THE SIX MONTHS ENDED JUNE 30, 2011
(In Thousands of New Taiwan Dollars)

	Beginning Balance	Changes for the Period			Ending Balance
		Increase	Decrease	Reclassification	
Cost					
Land	\$ 3,979,837	-	-	36,507	4,016,344
Buildings	2,448,616	-	-	(369,710)	2,078,906
Telecommunication equipment	56,323,134	8,785	603,081	1,936,543	57,665,381
Office equipment	9,377	-	-	645	10,022
Leased assets	1,285,920	-	-	-	1,285,920
Miscellaneous equipment	2,448,210	-	429	170,662	2,618,443
	<u>66,495,094</u>	<u>8,785</u>	<u>603,510</u>	<u>1,774,647</u>	<u>67,675,016</u>
Accumulated depreciation					
Buildings	454,417	24,998	-	(61,358)	418,057
Telecommunication equipment	30,865,040	3,158,094	387,421	32,229	33,667,942
Office equipment	5,253	836	-	-	6,089
Leased assets	550,606	32,576	-	-	583,182
Miscellaneous equipment	1,365,182	296,441	243	-	1,661,380
	<u>33,240,498</u>	<u>3,512,945</u>	<u>387,664</u>	<u>(29,129)</u>	<u>36,336,650</u>
Construction in progress and advance payments	<u>1,834,018</u>	<u>1,745,197</u>	<u>751</u>	<u>(1,871,415)</u>	<u>1,707,049</u>
Accumulated impairment-property					
Land	52,902	-	-	7,905	60,807
Buildings	21,327	-	-	2,686	24,013
	<u>74,229</u>	<u>-</u>	<u>-</u>	<u>10,591</u>	<u>84,820</u>
Net property and equipment	<u>\$35,014,385</u>				<u>32,960,595</u>

Note 1: The total insurance for property, equipment, and assets leased to others amounted to \$24,828,083 thousand.

Note 2: The increase of the construction in progress and advance payments included capitalized interests amounting to \$4,257 thousand.

TAIWAN MOBILE CO., LTD.
NON-OPERATING ASSETS
JUNE 30, 2011
(In Thousands of New Taiwan Dollars)

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Carrying Value</u>
Assets leased to others			
Land	\$ 1,548,509	-	1,548,509
Buildings	754,957	149,628	605,329
	<u>\$ 2,303,466</u>	<u>149,628</u>	2,153,838
Deferred charges, net			30
			<u>\$ 2,153,868</u>
Idle assets			
Land	\$ 65,871	-	65,871
Buildings	38,322	9,422	28,900
Telecommunication equipment	51,578	15,650	35,928
	<u>\$ 155,771</u>	<u>25,072</u>	130,699
Less allowance for losses			(35,928)
Less accumulated impairment			(30,276)
			<u>\$ 64,495</u>

TAIWAN MOBILE CO., LTD.
ACCOUNTS PAYABLE
JUNE 30, 2011
(In Thousands of New Taiwan Dollars)

Suppliers	Amount
Related parties	
Taiwan Kuro Times Co., Ltd.	\$ 24,042
Other (Note)	15
	24,057
Third parties	
National Communication Commission	1,815,647
Synnex Technology International Corporation	333,470
Apple Asia, LLC. Taiwan Branch(U.S.A)	129,169
Other (Note)	213,147
	2,491,433
	\$ 2,515,490

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

SCHEDULE 8

TAIWAN MOBILE CO., LTD.
ACCRUED EXPENSES
JUNE 30, 2011
(In Thousands of New Taiwan Dollars)

<u>Item</u>	<u>Amount</u>
Salaries and bonuses	\$ 931,460
Commissions	892,407
Bonus to directors, supervisors, and employees	565,721
Radio base stations related expenses	408,859
Professional service fees	346,414
Interest expenses	266,843
Repair and maintenance expenses	237,654
Other (Note)	1,044,356
	<u>\$ 4,693,714</u>

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

SCHEDULE 9

TAIWAN MOBILE CO., LTD.
OTHER PAYABLE
JUNE 30, 2011
(In Thousands of New Taiwan Dollars)

<u>Item</u>	<u>Amount</u>
Dividends payable	\$ 12,440,661
Payable for equipment and constructions	1,219,320
Other (Note)	2,804,188
	<u>\$ 16,464,169</u>

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

TAIWAN MOBILE CO., LTD.
OPERATING REVENUES
FOR THE SIX MONTHS ENDED JUNE 30, 2011
(In Thousands of New Taiwan Dollars)

Item	Amount
Telecom service revenues	
Monthly access fee and activation fee	\$ 10,237,319
Airtime usage	10,809,247
Interconnection revenue (Note 1)	6,318,019
	27,364,585
Other operating revenues (Note 2)	2,938,704
	\$ 30,303,289

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
FOR THE SIX MONTHS ENDED JUNE 30, 2011
(In Thousands of New Taiwan Dollars)

Item	Amount
Telecom service costs	
Cost of goods sold	\$ 6,455,576
Interconnection cost (Note 1)	4,035,501
Depreciation	3,211,806
Leased-line charges	1,495,166
Rents	824,485
2G concession fee and 3G license amortization	753,455
Maintenance materials and constructions	515,004
Administrative and utilities expense of radio base stations	413,893
Frequency usage fee	264,000
Other (Note 2)	783,250
	\$ 18,752,136

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
FOR THE SIX MONTHS ENDED JUNE 30, 2011
(In Thousands of New Taiwan Dollars)

<u>Item</u>	<u>Marketing</u>	<u>Administrative</u>	<u>Total</u>
Commissions	\$ 2,413,478	-	2,413,478
Salaries and pension	432,944	483,176	916,120
Professional service fees	606,564	108,809	715,373
Service charges	95,592	228,022	323,614
Depreciation	6,410	294,728	301,138
Advertising	194,952	18,403	213,355
Bad debts	-	178,811	178,811
Telecommunication service fees	49,292	102,078	151,370
Maintenance	14,148	100,632	114,780
Other (Note)	432,636	247,166	679,802
	<u>\$ 4,246,016</u>	<u>1,761,825</u>	<u>6,007,841</u>

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