

Taiwan Mobile Co., Ltd.
Financial Statements
September 30, 2011 and 2010
Independent Auditors' Review Report

INDEPENDENT AUDITORS' REVIEW REPORT

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

We have reviewed the accompanying balance sheet of Taiwan Mobile Co., Ltd. (the Corporation) as of September 30, 2011 and 2010, and the related statements of income and cash flows for the nine months then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to issue a report based on our review.

We conducted our review in accordance with Statement of Auditing Standards No. 36 – “Engagements to Review Financial Statements” of the Republic of China. A review consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the Republic of China, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review as of September 30, 2011 and 2010, we are not aware of any material modifications that should be made to the financial statements referred to above for them to be in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, and accounting principles generally accepted in the Republic of China.

We have also reviewed the consolidated balance sheet of the Corporation and its subsidiaries as of September 30, 2011 and 2010, and the related consolidated statements of income and cash flows for the nine months then ended on which we have issued unqualified review report and a modified review report dated October 14, 2011 and October 13, 2010, respectively.

KPMG

Taipei, Taiwan (the Republic of China)

October 14, 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 review such financial statements are those generally accepted and applied in the Republic of China.

TAIWAN MOBILIE CO., LTD.
BALANCE SHEETS
SEPTEMBER 30, 2011 AND 2010
(In Thousands of New Taiwan Dollars, Except Par Value)
(Reviewed, Not Audited)

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(s) and 5)	\$ 3,257,133	4	1,017,610	1	Short-term borrowings (Notes 4(k), 4(s) and 5)	\$ 12,100,000	14	13,145,000	16
Financial assets at fair value through profit or loss - current (Notes 2, 4(b) and 4(s))	-	-	199,120	-	Short-term notes and bills payable (Notes 4(l) and 4(s))	-	-	199,770	-
Available-for-sale financial assets-current (Notes 2, 4(c) and 4(s))	220,611	-	190,182	-	Accounts payable (Note 4(s))	2,826,611	3	2,657,816	3
Notes receivable, net(Note 4(s))	220	-	9,385	-	Accounts payable-related parties (Notes 4(s) and 5)	34,166	-	-	-
Accounts receivable, net (Notes 2, 4(d) and 4(s))	5,829,406	7	5,580,981	7	Income taxes payable (Notes 2, 4(q) and 4(s))	377,739	1	493,156	1
Accounts receivable-related parties (Notes 2, 4(s) and 5)	48,036	-	53,139	-	Accrued expenses (Notes 4(s)and 5)	4,746,441	6	4,482,755	5
Other receivables(Note 4(s))	115,345	-	178,829	-	Other payables (Notes 2, 4(p), 4(s) and 5)	6,327,683	7	3,340,144	4
Other receivables-related parties (Notes 4(s) and 5)	422,735	-	12,595,080	15	Advance receipts (Note 4(m))	2,950,307	3	2,004,912	2
Inventories (Note 2)	1,282,403	2	907,558	1	Guarantee deposits-current(Note 4(s))	94,404	-	57,495	-
Prepayments (Notes 4(e) and 5)	544,058	1	555,250	1	Other current liabilities (Note 5)	474,170	1	502,353	1
Deferred income tax assets-current (Notes 2 and 4(q))	31	-	2,439	-	Total current liabilities	29,931,521	35	26,883,401	32
Other current assets	1,762	-	6,143	-	LONG-TERM LIABILITIES :				
Total current assets	11,721,740	14	21,295,716	25	Bonds payable (Notes 4(n) and 4(s))	8,000,000	10	8,000,000	10
INVESTMENTS :					OTHER LIABILITIES :				
Investments accounted for using the equity method (Notes 2 and 4(f))	25,163,678	30	10,120,578	12	Guarantee deposits(Note 4(s))	242,635	-	272,932	-
Prepayment for long-term investments(Notes 2 and 4 (f))	-	-	49,900	-	Deferred credits-gains on intercompany accounts (Notes 2 and 4(f))	1,238,378	1	1,238,378	2
Financial assets carried at cost-non-current(Notes 2, 4(g) and 4(s))	50,324	-	50,324	-	Other (Note 2)	402,491	-	370,100	-
Total investments	25,214,002	30	10,220,802	12	Total other liabilities	1,883,504	1	1,881,410	2
PROPERTY AND EQUIPMENT (Notes 2, 4(h) and 5) :					Total liabilities	39,815,025	46	36,764,811	44
Land	4,102,308	5	3,853,632	5	SHAREHOLDERS' EQUITY (Notes 2 and 4(p)) :				
Buildings	2,151,461	3	2,375,718	3	Capital stock -NT\$10.00 par value				
Telecommunication equipment	58,317,994	68	54,672,810	65	Authorized: 6,000,000 thousand shares				
Office equipment	9,885	-	18,789	-	Issued: 3,420,833 thousand shares in 2011	34,208,328	40	38,009,254	45
Leased assets	1,285,920	1	1,285,920	1	3,800,925 thousand shares in 2010				
Miscellaneous equipment	2,721,569	3	2,478,562	3	Capital surplus :				
	68,589,137	80	64,685,431	77	From convertible bonds	8,775,819	10	8,775,819	11
Less accumulated depreciation	(37,873,933)	(44)	(31,040,700)	(37)	From treasury stock transactions	3,639,302	4	3,639,302	4
Less accumulated impairment property	(84,820)	-	-	-	From long-term investments	4,302	-	4,528	-
Construction in progress and prepayments for equipment	1,760,103	2	1,949,803	2	Other	12,840	-	12,840	-
Net property and equipment	32,390,487	38	35,594,534	42	Retained earnings :				
INTANGIBLE ASSETS (Note 2)					Legal reserve	16,715,018	20	15,332,799	18
3G concession license	5,420,891	6	6,168,600	8	Special reserve	821,741	1	821,741	1
Computer software cost	343	-	1,532	-	Unappropriated earnings	12,422,830	15	12,902,262	15
Goodwill (Note 4(i))	6,835,370	8	6,835,370	8	Other equity :				
Total intangible assets	12,256,604	14	13,005,502	16	Cumulative translation adjustments	16,951	-	5,653	-
OTHER ASSETS :					Net loss not recognized as pension cost	(10,695)	-	(3,797)	-
Assets leased to others (Notes 2 ,4(j) and 5)	2,006,277	2	2,206,677	3	Unrealized gains on financial instruments	114,566	-	78,703	-
Idle assets (Notes 2 and 4(j))	64,331	-	220,691	-	Treasury stock	(31,077,183)	(36)	(31,889,100)	(38)
Refundable deposits(Note 4(s))	331,077	-	316,783	-	Total shareholders' equity	45,643,819	54	47,690,004	56
Deferred charges (Note 2)	638,267	1	377,354	1	Commitments and Contingencies (Note 7)				
Deferred income tax asset-non-current (Notes 2 and 4(q))	805,295	1	1,181,645	1					
Other (Notes 2 and 4(o))	30,764	-	35,111	-					
Total other assets	3,876,011	4	4,338,261	5					
TOTAL	\$ 85,458,844	100	84,454,815	100	TOTAL	\$ 85,458,844	100	84,454,815	100

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

TAIWAN MOBLIE CO., LTD.

STATEMENTS OF INCOME

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2011 AND 2010

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

(Reviewed, Not Audited)

	2011		2010	
	Amount	%	Amount	%
OPERATING REVENUES (Notes 2 and 5)				
Telecommunication service revenue	\$ 41,694,052	91	41,102,404	94
Other revenue	4,076,211	9	2,460,711	6
Total operating revenues	45,770,263	100	43,563,115	100
OPERATING COSTS (Notes 2, 5 and 10)	27,606,321	61	23,715,743	54
GROSS PROFIT	18,163,942	39	19,847,372	46
OPERATING EXPENSES (Notes 2, 5 and 10)				
Marketing	6,874,643	15	6,179,397	14
Administrative	2,414,254	5	2,797,235	7
Total operating expenses	9,288,897	20	8,976,632	21
OPERATING INCOME	8,875,045	19	10,870,740	25
NON-OPERATING INCOME AND GAINS				
Investment income recognized under the equity method, net (Notes 2 and 4(f))	2,281,812	5	2,651,583	6
Income from penalty charge	257,261	1	197,279	1
Rental income (Notes 2 and 5)	135,533	-	142,441	-
Interest income (Notes 5)	114,507	-	33,287	-
Dividend income (Note 2)	12,007	-	11,031	-
Other (Notes 2 and 4(d))	58,022	-	153,966	-
Total non-operating income and gains	2,859,142	6	3,189,587	7
NON-OPERATING EXPENSES AND LOSSES				
Loss on disposal and retirement of property and equipment (Note 2)	330,779	1	1,164,595	3
Interest expenses(Notes 2,4 (h) and 5)	152,978	-	234,760	-
financial charges	9,496	-	17,072	-
Other (Note 2)	70,538	-	61,992	-
Total non-operating expenses and losses	563,791	1	1,478,419	3
INCOME BEFORE INCOME TAX	11,170,396	24	12,581,908	29
INCOME TAX EXPENSE (Notes 2 and 4(q))	1,014,321	2	1,946,401	5
NET INCOME	\$ 10,156,075	22	10,635,507	24
	Before	After	Before	After
	Income	Income	Income	Income
	Tax	Tax	Tax	Tax
EARNINGS PER SHARE (Note 4(r))				
Basic	\$ 3.82	3.48	4.21	3.56
Diluted	\$ 3.81	3.47	4.20	3.55
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	\$ 10,156,075		10,635,507	
EARNINGS PER SHARE AFTER INCOME TAX				
Basic		\$ 2.73		2.80
Diluted		\$ 2.73		2.79

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

TAIWAN MOBLIE CO., LTD.
STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2011 AND 2010
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 10,156,075	10,635,507
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	5,270,491	5,418,168
Cash dividends received from equity-method investees	3,310,805	2,383,941
Investment income recognized under the equity method	(2,281,812)	(2,651,583)
Amortization	791,828	658,003
Loss on disposal and retirement of property and equipment, net	330,779	1,164,595
Deferred income taxes	329,993	469,623
Bad debts	55,278	337,754
Provision of allowance for loss on inventories	8,469	7,597
Pension cost	1,998	2,340
Changes in operating assets and liabilities		
Financial assets at fair value through profit or loss	-	(199,120)
Notes receivable	159	7,387
Accounts receivable	(402,523)	(380,327)
Accounts receivable - related parties	37,787	(30,471)
Other receivables	255,394	(23,250)
Other receivables - related parties	59,157	(21,765)
Inventories	(225,608)	(486,025)
Prepayments	(80,936)	(72,652)
Other current assets	95	(3,609)
Accounts payable	86,678	602,060
Accounts payable-related parties	34,166	-
Income taxes payable	(539,846)	(985,197)
Accrued expenses	274,941	(66,453)
Other payables	(1,320,021)	(107,050)
Advance receipts	449,807	809,080
Other current liabilities	41,174	47,696
Other liabilities	(843)	-
Net cash provided by operating activities	<u>16,643,485</u>	<u>17,516,249</u>

TAIWAN MOBLIE CO., LTD.
STATEMENTS OF CASH FLOWS(CONT'D)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2011 AND 2010
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in long-term investments accounted for using the equity method	(14,049,600)	(149,900)
Decrease (increase) in financing provided to investees, net	11,770,000	(10,465,000)
Acquisition of property and equipment	(3,397,259)	(3,403,028)
Increase in deferred charges	(308,601)	(68,459)
Increase in refundable deposits	(14,835)	(3,868)
Proceeds form investees' capital reduction	5,540	3,502,717
Increase in computer software cost	(76)	-
Decrease in pledged time deposits	-	10,000
Proceeds form disposal of property and equipment	-	420
Decrease in other assets	-	142
Net cash used in investing activities	<u>(5,994,831)</u>	<u>(10,576,976)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash dividends paid	(12,439,928)	(15,028,201)
Decrease in long-term borrowings	(3,466,667)	-
Increase in long-term borrowings	2,666,667	-
Increase in short-term borrowings	2,455,000	8,145,000
Decrease in short-term notes and bills payable	(499,732)	(100,102)
Increase in guarantee deposits	12,258	4,598
Net cash used in financing activities	<u>(11,272,402)</u>	<u>(6,978,705)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(623,748)	(39,432)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	3,880,881	1,057,042
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u><u>\$ 3,257,133</u></u>	<u><u>1,017,610</u></u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid	\$ 134,235	16,928
Less interest capitalized	6,836	4,968
Interest paid - excluding interest capitalized	<u><u>\$ 127,399</u></u>	<u><u>11,960</u></u>
Income tax paid	<u><u>\$ 2,322,470</u></u>	<u><u>2,391,675</u></u>
NON-CASH INVESTING AND FINANCING ACTIVITIES		
Capital reduction payable	<u><u>\$ 3,800,925</u></u>	<u><u>-</u></u>
Reclassification of the corporation's shares held by its subsidiaries to treasury stock	<u><u>\$ 31,077,183</u></u>	<u><u>31,889,100</u></u>
CASH INVESTING AND FINANCING ACTIVITIES		
Acquisition of property and equipment	\$ 2,928,088	3,149,608
Decrease in other payables	505,852	270,125
Increase in other liabilities-other	(36,681)	(16,705)
Cash paid for acquisition of property and equipment	<u><u>\$ 3,397,259</u></u>	<u><u>3,403,028</u></u>

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

TAIWAN MOBILE CO., LTD.
NOTES TO FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2011 AND 2010
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)
(Reviewed, Not Audited)

1. ORGANIZATION AND OPERATIONS

Taiwan Mobile Co., Ltd. (the Corporation) 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 the 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 notice issued by the Ministry of Transportation and Communications on November 25, 2010. It also entails the payment of an annual license fee consisting of 2% of total wireless communication service revenues. On March 24, 2005, the Corporation received the third generation (3G) concession operation license issued by the DGT. The 3G license allows the Corporation to provide services from the issuance date of the license to December 31, 2018.

As of September 30, 2011 and 2010, the Corporation had 2,615 and 2,505 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 impairment of receivables on an individual and collective basis. 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 item.

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 the 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 under 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 with its subsidiaries are deferred and included in deferred income (loss) and recorded as other liabilities (assets). Gains or losses on upstream transactions with 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 on an investment sold are 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 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 "Leases," a lease is identified as either an operating lease or a capital lease based on the lease contract terms, the collectability of the rent, 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 a 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 rental 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, rental receivables should be recognized as the sum of present values derived from all future rental receivables based on an implicit interest rate of the lease. The excess of total rental receivables over the present value of rental 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 the 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 for 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 for offices and directly-managed stores, are amortized by the straight-line method over two to five years.

Asset Impairment

If the carrying value of an asset (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. A valuation allowance is provided for deferred income tax assets to the extent that it is 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 being realized.

Tax credits for certain purchases of equipment and technology, research and development expenditures, and personnel training expenditures are recognized by the flow-through 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 involving 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 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 reports issued by the Corporation, but it does not need to be disclosed in individual financial reports. The Standard also supersedes SFAS No. 20 "Segment Reporting". The information for the period ended September 30, 2011, 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 "Financial Instruments: Recognition and Measurement". In accordance with the revised SFAS No. 34, initial receivables are used in the recognition, valuation, and impairment of receivables. There was no impact on the profit or loss for the nine months ended September 30, 2011.

4. SUMMARY OF MAJOR ACCOUNTS

a. Cash and cash equivalents

	September 30	
	2011	2010
Government bonds with repurchase rights	\$ 2,217,307	200,000
Time deposits	720,771	37,656
Cash in banks	259,461	493,832
Cash on hand	53,084	33,803
Revolving funds	6,510	6,725
Short-term notes and bills with repurchase rights	-	245,594
	\$ 3,257,133	1,017,610

b. Financial assets at fair value through profit or loss – current

Information of financial instrument held for trading is as follow :

	September 30	
	2011	2010
<u>Trading financial assets</u>		
Beneficiary certificates		
Open-end mutual fund	\$ -	199,120
	\$ -	199,120

c. Available-for-sale financial assets – current

	September 30	
	2011	2010
Domestic listed stocks		
Chunghwa Telecom Co., Ltd.	\$ 220,611	190,182
	\$ 220,611	190,182

d. Accounts receivable

	September 30	
	2011	2010
Accounts receivable	\$ 6,031,156	5,963,346
Less allowance for doubtful accounts	(201,750)	(382,365)
	\$ 5,829,406	5,580,981

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

In 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.

e. Prepayments

	September 30	
	2011	2010
Prepaid commissions	\$ 230,970	257,293
Prepaid rents	108,898	83,238
Other	204,190	214,719
	\$ 544,058	555,250

f. Investments accounted for using the equity method

	September 30			
	2011		2010	
	Carrying Value	% of Owner- ship	Carrying Value	% of Owner- ship
Taiwan Cellular Co., Ltd. (TCC)	\$ 15,842,287	100	9,627,292	100
Wealth Media Technology Co., Ltd. (WMT)	8,753,690	100	298,729	100
Taipei New Horizons Co., Ltd. (TNH)	567,701	49.90	194,557	49.90
	25,163,678		10,120,578	
Prepayment for long-term investments				
Taipei New Horizons Co., Ltd. (TNH)	-		49,900	
	\$25,163,678		10,170,478	

(1) Taiwan Cellular Co., Ltd.

On December 24, 2009, TCC's board of directors resolved to return \$3,500,000 thousand of capital to shareholders through the cancellation of 350,000 thousand shares. Based on its 100% ownership in TCC at the record date of capital reduction, the Corporation received \$3,500,000 thousand in July 2010.

On July 28, 2011, TCC's board of directors resolved to :

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

(1) Issuance of 140,896 thousand shares for \$1,408,958 thousand from legal reserve with the record date of August 2, 2011.

(2) Increase capital by \$5,500,000 thousand, divided into 200,000 thousand shares with par value of \$10 at the record date of August 5, 2011. The Corporation subscribed for all the shares.

In 2007, the Corporation invested in 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 under Equity Method,” 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 in this transaction should be treated as deferred gains. As of September 30, 2011, the amount of deferred credits recognized by the Corporation was \$1,238,378 thousand.

As of September 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 (the number of shares before the capital reduction) of the Corporation. Based on SFAS No. 30 “Accounting for Treasury Stock”, the Corporation’s shares held by subsidiaries are treated as the treasury stock. This accounting treatment reduced the Corporation’s long-term investment value by the same amount as the treasury stock account value of \$31,077,183 thousand. Please refer to Note 4(p) for details.

(2) Wealth Media Technology Co., Ltd.

WMT’s board of directors approved the issuance of 10,000 thousand shares for \$100,000 thousand on July 27, 2010. At the record date (August 1, 2010), the Corporation subscribed for all the shares.

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. (FMT) held 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 paid the purchase price to complete the settlement on July 13, 2011.

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

On July 12, 2011, WMT's board of directors resolved to:

- (1) Reduce \$70,000 thousand of the capital through the cancellation of 7,000 thousand shares at the record date of July 15, 2011. The amount is compensated for deficits and the cash return to investors of \$69,894 thousand and \$106 thousand, respectively.
- (2) Increase capital by \$8,350,000 thousand, divided into 8,350 thousand shares with par value of \$10 at the record date of July 16, 2011. The Corporation subscribed for all the shares.

(3) Taipei New Horizons Co., Ltd.

TNH was established to invest in a property development project located on the old Songshan Tobacco Factory site. On January 15, 2009, TNH signed a 50-year BOT contract with the 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 a record date of December 1, 2010. On November 19, 2010, TNH's board of directors resolved to adjust the above-mentioned capital increase 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 its proportion of the shareholding.

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 a record date of August 1, 2011. The Corporation subscribed for the shares based on its proportion of the shareholding, which remains at 49.9%.

(4) Equity in investees' net gains or losses

The financial statements used as the basis for calculating the carrying values of equity-method investments and the related income or losses were all unreviewed, for the nine months ended September 30, 2011 and 2010, except for the financial statements of TFN, which are the subsidiaries of TCC. And for the nine months ended September 30, 2011, except for the financial statements of FMT, which are the subsidiaries of WMT. The Corporation's management considered that, had these financial statements been reviewed, any adjustments would have been immaterial and would thus have had no material effect on the Corporation's financial statements.

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

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

	For the nine months ended	
	September 30	
	2011	2010
TCC	\$ 2,216,897	2,662,885
WMT	84,816	6,114
TNH	(19,901)	(17,416)
	\$ 2,281,812	2,651,583

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

g. Financial assets carried at cost — non-current

	September 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.

h. Property and equipment — accumulated depreciation

	September 30	
	2011	2010
Buildings	\$ 445,298	427,485
Telecommunication equipment	35,012,175	28,740,241
Office equipment	6,419	12,804
Leased assets	599,470	534,318
Miscellaneous equipment	1,810,571	1,325,852
	\$ 37,873,933	31,040,700

Capitalized interest for the nine months ended September 30, 2011 and 2010 was \$6,863 thousand and \$4,968 thousand, respectively, with capitalization rates ranging from 1.68% to 2.88% and 1.56% to 2.88%, respectively.

i. 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 "Impairment of Assets," 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:

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

(1) Assumptions on operating revenues

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

(2) Assumptions on operating costs and expenses

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

(3) Assumptions on discount rate

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

Based on the key assumptions of the cash-generating unit, the Corporation's management believes that the carrying amounts of these operating assets 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.

j. Assets leased to others and idle assets

	September 30	
	2011	2010
Assets leased to others		
Cost	\$ 2,144,948	2,360,237
Less accumulated depreciation	(138,671)	(142,969)
Less accumulated impairment	-	(10,591)
	\$ 2,006,277	2,206,677
Idle assets		
Cost	\$ 155,771	427,547
Less allowance for decline in value	(35,928)	(35,928)
Less accumulated depreciation	(25,236)	(44,499)
Less accumulated impairment	(30,276)	(126,429)
	\$ 64,331	220,691

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

k. Short-term borrowings

	September 30	
	2011	2010
Unsecured loans provided from financial institutions	\$ 12,100,000	6,500,000
Unsecured loans provided by related party	-	6,645,000
	\$ 12,100,000	13,145,000
Interest rate	0.88%~1.063%	0.60%~0.893%

l. Short-term notes and bills payable

	September 30	
	2011	2010
Commercial paper payable		
Mega Bills Financial Corporation	\$ -	200,000
Less discount on short-term notes and bills payable	-	(230)
Net carrying value	\$ -	199,770
Interest rate	-	0.53%
Period	-	2010.09.30~ 2010.11.30

m. Advance receipts

In accordance with NCC's policy, the Corporation entered into a contract with First Commercial Bank Co., Ltd. which provided a performance guarantee for advance receipts from prepaid card customers. The guaranteed advance receipts from prepaid card customers were \$823,167 thousand as of September 30, 2011.

n. Bonds payable

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

On November 14, 2008, the Corporation issued \$8,000,000 thousand of 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.

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

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

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

o. Pension plan

The Labor Pension Act (LPA) provides for a defined contribution pension plan. Starting from July 1, 2005, the Corporation should contribute monthly an amount equal to 6% of the employees' monthly salaries to the employees' individual pension accounts. The contributed amount was \$81,131 thousand and \$79,561 thousand for the nine months ended September 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 Bank of Taiwan (formerly the Central Trust of China, which was merged into Bank of Taiwan in July 2007.) As approved by the Department of Labor of the Taipei City Government, the Corporation suspended contributing from February 2007 to January 2012.

p. Shareholders' equity

(1) Capital surplus

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

(2) Appropriation of earnings and dividend policy

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

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

- (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 nine months ended September 30, 2011, the bonuses to employees and remuneration to directors and supervisors were accrued based on 3% and 0.3%, respectively, of net income (not including the bonuses to employees and remuneration to directors and supervisors) after setting aside 10% of net income as legal reserve. Any 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 directors' approval differs from the amount ratified at the annual general shareholders' meeting (AGM), the difference will be treated as changes in accounting estimate and will 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 the closing price one day prior to the AGM, adjusted for cash and/or stock dividends if any.

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

The 2010 and 2009 earnings 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><u>\$ 13,822,186</u></u>	<u><u>13,888,862</u></u>		

The shareholders, on June 15, 2011, resolved to distribute a 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 a 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 the AGM is available on the Market Observation Post System website of the Taiwan Stock Exchange.

(3) Capital reduction by cash

To increase ROE (Return of Equity) and maintain stable EPS (Earnings Per Share) and dividend, the Corporation's AGM resolved on June 15, 2011 a capital reduction of \$3,800,925 thousand, representing 10% of outstanding shares. On July 15, 2011, the authority already approved the application and the Corporation's board of directors resolved the record date of August 1, 2011. Trading suspension period started from September 27 to October 12, 2011, and the new shares resumed trading from October 13, 2011. The total amount of \$3,800,925 thousand is classified as other payables on September 30, 2011.

(4) Treasury stock

As of September 30, 2011, the Corporation's stock held by TCCI, TID, and TUI (all are subsidiaries 100% owned by the Corporation) was 811,918 thousand shares (the number of shares before the capital reduction), and the carrying and market values were \$60,000,712 thousand. The Corporation reclassified \$31,077,183 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

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

statements, the shareholders are entitled to excise their rights over these shares, except for the participation in capital injection by cash. In addition, based on the ROC Company Act, the holders of treasury stock cannot exercise the voting rights.

(5) Unrealized gain or loss on financial instruments

Unrealized gain or loss on financial instruments for the nine months ended September 30, 2011 and 2010, is summarized as follows:

	For the nine months ended September 30	
	2011	2010
Available-for-sale financial assets		
Balance, beginning of period	\$ 89,842	63,624
Fair value changes recognized directly in equity	24,724	15,079
Unrealized gains on financial instruments	\$ 114,566	78,703

q. Income tax expense

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

	For the nine months ended September 30	
	2011	2010
Tax on pretax income at statutory tax rate	\$ 1,898,967	2,138,924
Add (deduct) tax effects of:		
Permanent differences		
Investment income from domestic investees accounted for using the equity method	(387,908)	(450,769)
Other	(2,017)	(1,726)
Temporary differences	(330,837)	(125,325)
Prior years' adjustment	(493,147)	(83,364)
Deferred income taxes	329,993	469,623
Investment tax credits	(730)	(962)
Income tax expense	\$ 1,014,321	1,946,401

On May 27, 2009, the Legislative Yuan passed an 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 an amendment of Article 5 of the Income Tax Act to reduce the 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:

	September 30	
	2011	2010
Unrealized loss on retirement of property and equipment	\$ 891,058	1,122,622
Amortization of goodwill	(238,858)	(161,391)
Provision for doubtful accounts	142,751	261,567
Depreciation resulting from the differences in estimated service lives of properties	126,465	108,341
Provision for impairment losses on idle assets	21,148	25,445
Other	30,905	23,338
	973,469	1,379,922
Less valuation allowance	(168,143)	(195,838)
	\$ 805,326	1,184,084
Deferred income tax assets		
Current	\$ 31	2,439
Non-current	805,295	1,181,645
	\$ 805,326	1,184,084

(3) Integrated income tax information was as follows:

	September 30	
	2011	2010
Balance of imputation credit account (ICA)	\$ 1,569,181	651,908

As of September 30, 2011, there were no unappropriated earnings generated before January 1, 1998. The actual creditable ratios 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 approved by the tax authorities were as follows:

	Year
The Corporation	2009, except 2006 and 2008
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 2009 had been examined by the tax authorities, except for 2006 and 2008. The Corporation disagreed with the examination results of the income tax returns for 2009 and plans to apply for a reexamination.

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

TAT's income tax returns up to 2007 had been examined by the tax authorities. TAT disagreed with the examination results of the income tax returns for 2006 and 2007 and had filed an appeal.

The former TAT's income tax returns up to 2006 had been examined by the tax authorities.

The Corporation filed for corrections of its 2002 through 2004 income tax returns.

Mobitai's income tax returns up to 2006 had been examined by the tax authorities. Mobitai disagreed with the examination results on the income tax return for 2006 and requested a reexamination.

r. Earnings per share

	<u>Amounts (Numerator)</u>		<u>Shares (Denominator) (Thousands)</u>	<u>EPS (NT\$)</u>	
	<u>Before Income Tax</u>	<u>After Income Tax</u>		<u>Before Income Tax</u>	<u>After Income Tax</u>
<u>For the nine months ended September 30, 2011</u>					
Basic EPS					
Income of common shareholders	\$ 11,170,396	10,156,075	2,922,220	<u>\$ 3.82</u>	<u>\$ 3.48</u>
Add effect of dilutive potential common stock—bonus to employees	-	-	6,257		
Diluted EPS					
Income of common shareholders with dilutive effect of potential common shares	<u>\$ 11,170,396</u>	<u>10,156,075</u>	<u>2,928,477</u>	<u>\$ 3.81</u>	<u>\$ 3.47</u>
<u>For the nine months ended September 30, 2010</u>					
Basic EPS					
Income of common shareholders	\$ 12,581,908	10,635,507	2,989,008	<u>\$ 4.21</u>	<u>\$ 3.56</u>
Add effect of dilutive potential common stock—bonus to employees	-	-	8,290		
Diluted EPS					
Income of common shareholders with dilutive effect of potential common shares	<u>\$ 12,581,908</u>	<u>10,635,507</u>	<u>2,997,298</u>	<u>\$ 4.20</u>	<u>\$ 3.55</u>

The Accounting Research Development Foundation (ARDF) issued Interpretation No. 2007-052, which requires companies to recognize bonuses paid to employees and remuneration to directors and supervisors as compensation expenses beginning January 1, 2008. These bonuses and remuneration 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 dilution should be included

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

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 resolve the actual number of shares to be distributed to employees at the AGM of the following year.

s. Financial instrument transactions

(1) Fair value information

	September 30			
	2011		2010	
	Carrying Value	Fair Value	Carrying Value	Fair Value
<u>Financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$ 3,257,133	3,257,133	1,017,610	1,017,610
Financial assets at fair value through profit or loss – current	-	-	199,120	199,120
Available-for-sale financial assets – current	220,611	220,611	190,182	190,182
Notes receivable	220	220	9,385	9,385
Accounts receivable (including related parties)	5,877,442	5,877,442	5,634,120	5,634,120
Other receivables (including related parties)	538,080	538,080	12,773,909	12,773,909
Financial assets carried at cost – non-current	50,324	-	50,324	-
Refundable deposits	331,077	331,077	316,783	316,783
<u>Liabilities</u>				
Short-term borrowings	12,100,000	12,100,000	13,145,000	13,145,000
Short-term notes and bills payable	-	-	199,770	199,770
Accounts payable (including related parties)	2,860,777	2,860,777	2,657,816	2,657,816
Income taxes payable	377,739	377,739	493,156	493,156
Accrued expenses	4,746,441	4,746,441	4,482,755	4,482,755
Other payables	6,327,683	6,327,683	3,340,144	3,340,144
Guarantee deposits (including current portion)	337,039	337,039	330,427	330,427
Bonds payable	8,000,000	8,227,680	8,000,000	8,292,016

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

- (a) Financial assets at fair value through profit or loss and 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 September.

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

- (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, short-term borrowings, short-term notes, 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 a valuation technique.
- (4) The financial assets exposed to fair value interest rate risk amounted to \$3,311,077 thousand and \$12,993,250 thousand as of September 30, 2011 and 2010, respectively, and the financial liabilities exposed to fair value interest rate risk amounted to \$20,100,000 thousand and \$21,344,770 thousand as of September 30, 2011 and 2010, respectively. The financial assets exposed to cash flow interest rate risk amounted to \$258,039 thousand and \$491,675 thousand as of September 30, 2011 and 2010, respectively, and the financial liabilities exposed to cash flow interest rate risk amounted to zero.
- (5) Information on financial risks

(a) Market risk

The Corporation did not enter into any financial derivative transactions which would cause significant exposure to exchange rate and interest rate risks.

(b) Credit risk

Credit risk represents the potential impacts on 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 September 30, 2011 and 2010, was zero because all counter-parties were reputable financial institutions with good credit ratings.

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

The credit risk amount listed above is an evaluation of the contracts with positive fair value at the balance sheet date and the contracts with off-balance-sheet commitments and guarantees. Significant concentration of credit risk exists when financial instrument transactions significantly concentrate on one counter-party, 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

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

abilities to perform contractual obligations would be concurrently affected by 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 a single client or counter-party or clients 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
Win TV Broadcasting Co., Ltd. (WTB)	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 MOBILE CO., LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

<u>Related Party</u>	<u>Relationship with the Corporation</u>
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)
Fubon Multimedia Technology Co., Ltd.	Subsidiary (changed relationship with the Corporation on July 13, 2011)
Fu Dheng Travel Service Co.,Ltd.	Subsidiary (changed relationship with the Corporation on July 13, 2011)
Fuli Property Insurance Agent Co.,Ltd.	Subsidiary (changed relationship with the Corporation on July 13, 2011)
Fuli Life Insurance Agent Co.,Ltd.	Subsidiary (changed relationship with the Corporation on July 13, 2011)
Asian Crown International Co.,Ltd.	Subsidiary (changed relationship with the Corporation on July 13, 2011)
Fortune Kingdom Corporation	Subsidiary (changed relationship with the Corporation on July 13, 2011)
Hong Kong Fubon Multimedia Technology Co.,Ltd.	Subsidiary (changed relationship with the Corporation on July 13, 2011)
Fubon Gehua (Beijing) Enterprise Co., Ltd.	Subsidiary (changed relationship with the Corporation on July 13, 2011)
Taiwan Mobile Foundation (TWM Foundation)	Over one-third of the Foundation's funds 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 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

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

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

b. Significant transactions with related parties are summarized below:

(1) Operating revenues

	<u>For the nine months ended September 30</u>			
	<u>2011</u>		<u>2010</u>	
	<u>Amount</u>	<u>% of Total Revenues</u>	<u>Amount</u>	<u>% of Total Revenues</u>
TFN	<u>\$ 1,727,946</u>	4	<u>1,667,688</u>	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

	<u>For the nine months ended September 30</u>			
	<u>2011</u>		<u>2010</u>	
	<u>Amount</u>	<u>% of Total Costs</u>	<u>Amount</u>	<u>% of Total Costs</u>
TFN	\$ 2,269,149	8	1,417,457	6
TKT	69,291	-	1,598	-
Fubon Ins.	28,068	-	33,310	-
	<u>\$ 2,366,508</u>		<u>1,452,365</u>	

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

(3) Property transaction

	<u>For the nine months ended September 30, 2011</u>	
	<u>Description of Property</u>	<u>Amount</u>
TWMC	Telecommunication equipment	<u>\$ 26,715</u>

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

**For the nine months ended
September 30, 2010**

	Description of Property	Amount
TWMC	Telecommunication equipment	\$ 28,328

(4) Rental income

**For the nine months ended
September 30**

	Leased Property	2011	2010
TFN	Offices and BTS, etc.	\$ 81,296	89,399
FMT	Office appliance, etc.	26,286	26,222
		\$ 107,582	115,621

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

(5) Cash in banks

September 30

	2011		2010	
	Amount	%	Amount	%
TFCB	\$ 65,251	2	73,950	7

(6) Receivables and payables

September 30

	2011		2010	
	Amount	%	Amount	%
(a) Accounts receivable				
TFN	\$ 41,122	1	39,296	1
TFCB	4,744	-	12,038	-
Other	2,170	-	1,805	-
	\$ 48,036		53,139	
(b) Other receivables				
WTB (Note 1)	\$ 330,548	61	29	-
TFN	43,941	8	57,214	-
TFMT (Note 1)	43,175	8	-	-
TFNM (Note 1)	1,096	-	5,964,388	47
TCC (Notes 1)	-	-	6,570,340	51
Other	3,975	-	3,109	-
	\$ 422,735		12,595,080	

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

Note 1: Financing to related parties was as follows:

<u>Related Party</u>	<u>Drawdown Amount</u>	<u>For the nine months ended September 30, 2011</u>			
		<u>Ending Balance (Note 2)</u>	<u>Maximum Balance (Notes 2 and 3)</u>	<u>Interest Rate %</u>	<u>Interest Income</u>
WTB	\$ 330,000	550,000	550,000	1.092~1.178	518
TFMT	43,000	50,000	50,000	0.950~1.095	280
TDC	-	300,000	300,000	0.948~1.002	279
TCC	-	-	9,000,000	0.893~0.950	29,220
TFNM	-	-	5,000,000	0.893	14,765
	\$ 373,000	900,000			45,062

<u>Related Party</u>	<u>Drawdown Amount</u>	<u>For the nine months ended September 30, 2010</u>			
		<u>Ending Balance (Note 2)</u>	<u>Maximum Balance (Notes 2 and 3)</u>	<u>Interest Rate %</u>	<u>Interest Income</u>
TCC	\$ 6,560,000	7,000,000	7,000,000	0.893~0.896	10,340
TFNM	5,950,000	7,000,000	7,000,000	0.838~0.893	18,944
WMT	-	-	2,500,000	0.838~0.851	235
TCCI	-	-	7,300,000	-	-
TFN	-	-	7,000,000	-	-
	\$ 12,510,000	14,000,000	-		29,519

Note 2: The ending balance and the maximum balance represent quotas.

Note 3: Maximum balance: the maximum accumulated amount of the period.

	<u>September 30</u>			
	<u>2011</u>		<u>2010</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
(c) Prepayments				
Fubon Ins.	\$ 10,629	2	11,491	2
(d) Accounts payable				
TKT	\$ 30,294	1	-	-
Other	3,872	-	-	-
	\$ 34,166		-	

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

	September 30			
	2011		2010	
	Amount	%	Amount	%
(e) Accrued expenses				
TFN	\$ 342,020	7	380,324	8
TT&T	78,852	2	99,713	2
TDC	30,177	1	-	-
	<u>\$ 451,049</u>		<u>480,037</u>	
(f) Other payables				
TFN	80,435	1	90,538	3
TDC	14,215	-	-	-
TWMC	4,772	-	16,898	1
	<u>\$ 99,422</u>		<u>107,436</u>	
(g) Other current liabilities - collections and temporary credits for the following				
TFN	<u>\$ 83,302</u>	18	<u>87,524</u>	17
(7) Other				
			For the nine months ended	
			September 30	
			2011	2010
(a) Telecommunication service expenses				
TFN			<u>\$ 63,419</u>	<u>59,443</u>
(b) Professional service fees				
TT&T			<u>\$ 662,880</u>	<u>628,283</u>
(c) Advertisement expenses				
TSB			<u>\$ 25,200</u>	<u>27,000</u>
(d) Repairs and maintenance				
FPM			<u>\$ 17,238</u>	<u>16,691</u>
(e) Other expense				
TFCB			\$ 39,205	13,649
FPM			19,303	19,080
			<u>\$ 58,508</u>	<u>32,729</u>
(f) Commission expense				
TDC			<u>\$ 130,397</u>	<u>-</u>
(g) Donation expense				
TWM Foundation			<u>\$ 11,713</u>	<u>7,007</u>

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

(8) Financing from related parties was as follows:

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

For the nine months ended September 30, 2010					
Related Party	Drawdown Amount	Ending Balance (Note 1)	Maximum Balance (Notes 1 and 2)	Interest Rate %	Interest Expense
TFN	\$ 6,645,000	9,000,000	9,000,000	0.893	10,646

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

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

(9) Endorsement/guarantee provided

The Corporation provided a \$21,500,000 thousand guarantee for TFN's bank loans. The Corporation also provided \$19,764,525 thousand in promissory notes outstanding for TFN's borrowings from banks. TFN had made \$1,800,000 thousand drawdown from the banks within the guarantee amount.

(10) Other

(a) For the nine months ended September 30, 2011 and 2010, the Corporation provided services to companies below and received fees, which were recorded as deductions from related costs and expenses. The Corporation's service charges received were as follows:

	For the nine months ended September 30	
	2011	2010
TFN	337,312	332,141

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

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

TFN	For the nine months ended	
	September 30	
	2011	2010
	\$ 48,486	62,538

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 3G expansion contracts with Nokia Siemens Networks Taiwan Co., Ltd. for \$4,800,000 thousand in September 2006, \$3,840,861 thousand in May 2009, and \$6,650,000 thousand in February 2011. As of September 30, 2011, the purchase amount was \$4,795,574 thousand, \$3,450,780 thousand and \$953,615 thousand, respectively.
- b. Future minimum rental payments as of September 30, 2011, for significant operating lease agreements, are summarized as follows:

	Amount
The fourth quarter of 2011	\$ 17,878
2012	64,379
2013	65,799
2014	59,770
2015	41,627

8. SIGNIFICANT CASUALTY LOSS: NONE

9. SIGNIFICANT SUBSEQUENT EVENTS: NONE

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

10. OTHER

Labor cost, depreciation, and amortization

	For the nine months ended September 30					
	2011			2010		
	Classified as Operating Costs	Classified as Operating Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Total
Labor cost						
Salary	\$ 693,526	1,328,770	2,022,296	696,253	1,390,638	2,086,891
Labor and health insurance	42,146	76,938	119,084	39,975	70,590	110,565
Pension	27,756	47,742	75,498	27,651	46,971	74,622
Other	31,935	60,323	92,258	32,894	60,558	93,452
Depreciation	4,807,087	451,929	5,259,016	4,973,915	429,205	5,403,120
Amortization	681,764	109,854	791,618	567,768	89,721	657,489

11. ADDITIONAL DISCLOSURES

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

- a. Financing provided: Table 1 (attached)
- b. Endorsement/guarantee provided: Table 2 (attached)
- c. Marketable securities held: Table 3 (attached)
- d. Marketable securities acquired and disposed of at costs or prices of at least \$100 million or 20% of the paid-in capital: Table 4 (attached)
- e. Acquisition of individual real estate at costs of at least \$100 million or 20% of the paid-in capital:
None
- f. Disposal of individual real estate at prices of at least \$100 million or 20% of the paid-in capital:
None
- g. Total purchases from or sales to related parties amounting to at least \$100 million or 20% of the paid-in capital: Table 5 (attached)
- h. Receivables from related parties amounting to at least \$100 million or 20% of the paid-in capital:
Table 6 (attached)
- i. Names and locations of, and related information on, investees on which the Corporation exercised significant influence: Table 7 (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,

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

ownership, investment gain or loss, ending balance, amount received as earnings distributions from the investment, and the limitation on investment: Table 8 (attached)

- (2) Significant direct or indirect transactions with the investee company, its prices and terms of payment, unrealized gain or loss, and other related information which is helpful to understand the impact of investment in Mainland China on financial reports: None

12. SEGMENT INFORMATION

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 NINE MONTHS ENDED SEPTEMBER 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	\$ -	\$ -	0.893%	Short-term financing	-	Operation requirements	-	-	-	\$ 18,257,528 (Note 2)	18,257,528 (Note 2)
		Taiwan Cellular Co., Ltd.	Other receivables	9,000,000	-	-	0.893%~0.95%	Short-term financing	-	Operation requirements	-	-	-	18,257,528 (Note 2)	18,257,528 (Note 2)
		Taiwan Digital Communication Co., Ltd.	Other receivables	300,000	300,000	-	0.948%~1.002%	Short-term financing	-	Operation requirements	-	-	-	18,257,528 (Note 2)	18,257,528 (Note 2)
		Tai Fu Media Technology Co., Ltd.	Other receivables	50,000	50,000	43,000	0.95%~1.095%	Short-term financing	-	Operation requirements	-	-	-	18,257,528 (Note 2)	18,257,528 (Note 2)
		Win TV Broadcasting Co., Ltd.	Other receivables	550,000	550,000	330,000	1.092%~1.178%	Short-term financing	-	Operation requirements	-	-	-	18,257,528 (Note 2)	18,257,528 (Note 2)
1	Taiwan Cellular Co., Ltd.	Win TV Broadcasting Co., Ltd.	Other receivables	360,000	-	-	0.847%~1.009%	Short-term financing	-	Operation requirements	-	-	-	26,807,788 (Note 2)	26,807,788 (Note 2)
		TFN Media Co., Ltd.	Other receivables	7,000,000	7,000,000	5,440,000	1.35%~1.564%	Short-term financing	-	Operation requirements	-	-	-	26,807,788 (Note 2)	26,807,788 (Note 2)
2	Taiwan Fixed Network Co., Ltd.	The Corporation	Other receivables	9,000,000	-	-	0.893%	Short-term financing	-	Operation requirements	-	-	-	15,744,858 (Note 2)	15,744,858 (Note 2)
		TFN Union Investment Co., Ltd.	Other receivables	500	500	300	1.087%	Short-term financing	-	Operation requirements	-	-	-	15,744,858 (Note 2)	15,744,858 (Note 2)
		Taiwan Cellular Co., Ltd.	Other receivables	11,000,000	9,960,000	6,460,000	1.093%~1.164%	Short-term financing	-	Operation requirements	-	-	-	15,744,858 (Note 2)	15,744,858 (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	-	-	-	10,980,821 (Note 2)	10,980,821 (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	-	-	-	737,312 (Note 3)	13,500,000 (Note 3)
5	Globalview Cable TV Co., Ltd.	TFN Media Co., Ltd.	Other receivables	233,000	-	-	0.851%~1.000%	Transactions	240,646	Business requirements	-	-	-	240,646 (Note 4)	509,123 (Note 4)
		TFN Media Co., Ltd.	Other receivables	250,000	250,000	250,000	1.087%	Short-term financing	-	Repayment of financing	-	-	-	268,477 (Note 4)	509,123 (Note 4)

(Continued)

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES
FINANCING PROVIDED
FOR THE NINE MONTHS ENDED SEPTEMBER 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	\$ 593,847	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	320,000	0.854%~1.166%	Transactions	541,514	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	-	-	-	3,501,476	3,501,476
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	-	-	-	85,153 (Note 2)	85,153 (Note 2)
10	TFN Media Co., Ltd	Taiwan Kuro Times Co., Ltd.	Other receivables	100,000	100,000	20,000	1.578%	Short-term financing	-	Operation requirements	-	-	-	1,728,491 (Note 3)	15,000,000 (Note 3)

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

Note 2: For the entities which have short-term financing needs (loaning entities), the aggregate amount of loaned funds shall not exceed 40 percent of the lending company's net worth. The individual loan funds shall be limited to the lowest amount of the following items: 1) 40 percent of the lending company's net worth; 2) the amount that the lending company invests in the borrowing entities; or 3) the amount = (the share portion of the borrowing entities that the lending company invests)* (the total loaning amounts of the loaning entities). In the event that a lending 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 lending 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 lending company's capital, or 2) the amount of business dealings. 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 lending 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 lending 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 lending 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 lending 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 both be limited to the higher amount of the following items: 1) a multiple of the lending company's capital, or 2) the amount of business dealings.

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES
ENDORSEMENT/GUARANTEE PROVIDED
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2011

TABLE 2

(In Thousands of New Taiwan Dollars)

No.	Endorsement/Guarantor (A)	Receiving Party		Maximum Guarantee/ Endorsement Amount That Can Be Provided to Each Receiving Party	Maximum Balance for the Period (Note 1)	Ending Balance (Note 1)	Value of Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Worth of the Guarantor (Note 1)	Maximum Guarantee/ Endorsement That 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	\$ 19,764,525	\$ -	43.30%	\$ 45,643,819
1	Taiwan Teleservices & Technologies Co., Ltd.	Taiwan Fixed Network Co., Ltd.	(Note 4) (Note 6)	20,000 (Note 5)/ (Note 6)	146	-	-	0.00%	85,425 (Note 5)

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

Note 2: Direct/indirect subsidiary

Note 3: For 100% directly / indirectly owned subsidiaries, the aggregate endorsement/guarantee amount provided shall not exceed the net worth of the Corporation, and the upper limit for each subsidiary shall be the double 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 to the net worth of TT&T, and not over double the investment amount in TT&T.

Note 6: Following the sale by TFN of its 100% shareholding in TT&T on May 14, 2010, the endorsement/guarantee provided by TT&T is for transactions. 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 dealings. The amount of business dealings is \$135,336 thousand.

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

TABLE 3

(In Thousands of New Taiwan Dollars unless stated otherwise)

Investing Company (A)	Marketable Securities Invested (B)	Relationship with the Investing Company (B is A's)	Financial Statement Account	SEPTEMBER 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	\$ 220,611	0.028	\$ 220,611 (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	38,550	8,753,690	100	8,753,690	
	Taiwan Cellular Co., Ltd.	Subsidiary	Long-term investments - equity method	370,896	15,842,287 (Note 4)	100	67,019,471	
	Taipei New Horizons Co., Ltd.	Equity-method investee	Long-term investments - equity method	64,870	567,701	49.9	567,701	
Wealth Media Technology Co., Ltd.	<u>Stock</u> Tai Fu Media Technology Co., Ltd.	Subsidiary	Long-term investments - equity method	27,000	212,883	100	212,883	
	Taiwan Win TV Broadcasting Co., Ltd.	Subsidiary	Long-term investments - equity method	16	9,835	100	9,835	
	Fubon Multimedia Technology Co., Ltd.	Subsidiary	Long-term investments - equity method	58,857	8,437,699	51	961,838	
Tai Fu Media Technology Co., Ltd.	<u>Stock</u> Global Wealth Media Technology Co., Ltd.	Subsidiary	Long-term investments - equity method	8,400	89,995	100	89,995	
	Fu Jia Leh Media Technology Co., Ltd.	Subsidiary	Long-term investments - equity method	100	649	100	649	
	Fu Sin Media Technology Co., Ltd.	Subsidiary	Long-term investments - equity method	13,500	142,251	100	142,251	
	Global Forest Media Technology Co., Ltd.	Subsidiary	Long-term investments - equity method	1,500	16,730	100	16,730	
Global Wealth Media Technology Co., Ltd.	<u>Stock</u> Globalview Cable TV Co., Ltd.	Subsidiary	Long-term investments - equity method	3,825	93,857	6.83	45,849	
Fu Sin Media Technology Co., Ltd.	<u>Stock</u> Phoenix Cable TV Co., Ltd.	Subsidiary	Long-term investments - equity method	2,272	133,304	3.34	33,024	
Global Forest Media Technology Co., Ltd.	<u>Stock</u> Union Cable TV Co., Ltd.	Subsidiary	Long-term investments - equity method	1,300	15,623	0.76	14,061	

(Continued)

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

Investing Company (A)	Marketable Securities Invested (B)	Relationship with the Investing Company (B is A's)	Financial Statement Account	SEPTEMBER 30, 2011				Note
				Shares/Units (Thousands)	Carrying Value	Percentage of Ownership	Market Value (Note 1)	
Fubon Multimedia Technology Co., Ltd.	<u>Beneficiary certificates</u>							
	Fuh Hwa Money Market Funds	-	Financial assets at fair value through profit or loss-current	10,787	\$ 150,219	-	\$ 150,219 (Note 5)	
	<u>Stock</u>							
	Fu Sheng Travel Service Co.,Ltd.	Subsidiary	Long-term investments - equity method	600	(658)	100	(658)	
	Fuli Life Insurance Agent Co.,Ltd.	Subsidiary	Long-term investments - equity method	300	11,676	100	11,676	
Fuli Life Insurance Agent Co.,Ltd.	<u>Beneficiary certificates</u>							
	Fubon Chi-Hsiang Money Market Funds	-	Financial assets at fair value through profit or loss-current	332	5,019	-	5,019 (Note 5)	
Fuli Property Insurance Agent Co.,Ltd.	<u>Beneficiary certificates</u>							
	Fubon Chi-Hsiang Money Market Funds	-	Financial assets at fair value through profit or loss-current	199	3,009	-	3,009 (Note 5)	
Asian Crown International Co., Ltd.	<u>Stock</u>							
	Fortune Kingdom Corporation	Subsidiary	Long-term investments - equity method	14,000	US\$ 12,443	100	US\$ 12,443	
Fortune Kingdom Corporation	<u>Stock</u>							
	Hong Kong Fubon Multimedia Technology Co., Ltd.	Subsidiary	Long-term investments - equity method	14,000	US\$ 12,443	100	US\$ 12,443	
Hong Kong Fubon Multimedia Technology Co., Ltd.	<u>Stock</u>							
	Fubon Gehua (Beijing) Enterprise Ltd.	Subsidiary	Long-term investments - equity method	-	US\$ 10,849	80	US\$ 10,849	
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)	
	Transportation High Tech Inc.	-	Financial assets carried at cost - non-current	1,200	- (Note 2)	12	- (Note 3)	

(Continued)

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

Investing Company (A)	Marketable Securities Invested (B)	Relationship with the Investing Company (B is A's)	Financial Statement Account	SEPTEMBER 30, 2011				Note
				Shares/Units (Thousands)	Carrying Value	Percentage of Ownership	Market Value (Note 1)	
Taiwan Cellular Co., Ltd.	WEB Point Co., Ltd.	-	Financial assets carried at cost - non-current	803	\$ 6,773	3.17	\$ - (Note 3)	
	TWM Holding Co. Ltd.	Subsidiary	Long-term investments - equity method	1 share	US\$ 8,159	100	US\$ 8,159	
	Taiwan Fixed Network Co., Ltd.	Subsidiary	Long-term investments - equity method	2,100,000	39,362,145	100	39,362,145	
	Taiwan Digital Communication Co., Ltd.	Subsidiary	Long-term investments - equity method	11,200	116,740	100	116,740	
	TCC Investment Co., Ltd.	Subsidiary	Long-term investments - equity method	24,076	27,579,235	100	27,452,052	
	Taiwan Teleservices & Technologies Co., Ltd.	Subsidiary	Long-term investments - equity method	2,484	85,425	100	85,425	
TWM Holding Co., Ltd.	<u>Stock</u> TWM Communications (Beijing) Co., Ltd.	Subsidiary	Long-term investments - equity method	-	US\$ 3,611	100	US\$ 2,721	
Taiwan Teleservices & Technologies Co., Ltd.	<u>Stock</u> TT & T Holdings Co., Ltd.	Subsidiary	Long-term investments - equity method	1,300	US\$ 1,498	100	US\$ 1,498	
	Taiwan Super Basketball Co., Ltd.	Subsidiary	Long-term investments - equity method	2,000	21,997	100	21,997	
TT&T Holdings Co., Ltd.	<u>Stock</u> Xiamen Taifu Teleservices & Technologies Co., Ltd.	Subsidiary	Long-term investments - equity method	-	US\$ 1,473	100	US\$ 1,473	
TCC Investment Co., Ltd.	<u>Stock</u> Taiwan Mobile Co., Ltd. (the "Corporation")	The Corporation	Available-for-sale financial assets - non-current	222,774	16,463,012	5.86	16,463,012 (Note 5)	
	Win TV Broadcasting Co., Ltd.	Subsidiary	Long-term investments - equity method	18,177	267,779	100	260,162	
	TFN Media Co., Ltd.	Subsidiary	Long-term investments - equity method	230,526	2,242,764	100	4,321,227	
	TCCI Investment and Development Co., Ltd.	Subsidiary	Long-term investments - equity method	400	9,618,113	100	9,618,113	
	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	9,817,517	3.50	9,817,517 (Note 5)	
TFN Media Co., Ltd.	<u>Stock</u> Yeong Jia Leh Cable TV Co., Ltd.	Subsidiary	Long-term investments - equity method	33,940	2,162,834	100	638,354	

(Continued)

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

Investing Company (A)	Marketable Securities Invested (B)	Relationship with the Investing Company (B is A's)	Financial Statement Account	SEPTEMBER 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	\$ 592,841	29.53	\$ 329,666 (Note 6)	
	Phoenix Cable TV Co., Ltd.	Subsidiary	Long-term investments - equity method	65,818	3,181,248	96.66	956,742	
	Union Cable TV Co., Ltd.	Subsidiary	Long-term investments - equity method	169,141	2,032,168	99.22	1,828,983	
	Globalview Cable TV Co., Ltd.	Subsidiary	Long-term investments - equity method	51,733	1,242,574	92.38	620,053	
	Taiwan Kuro Times Co., Ltd.	Subsidiary	Long-term investments - equity method	1,214	111,055	100	35,720	
Taiwan Kuro Times Co., Ltd.	<u>Stock</u> ezPeer Multimedia Limited	Subsidiary	Long-term investments - equity method	1,522	US\$ 971	100	US\$ 971	
Taiwan Fixed Network Co., Ltd.	<u>Stock</u> TFN Union Investment Co., Ltd.	Subsidiary	Long-term investments - equity method	400	33,035,529	100	33,035,529	
	TFN HK LIMITED	Subsidiary	Long-term investments - equity method	1,300	HK\$ 1,830	100	HK\$ 1,830	
	Taiwan High Speed Rail Corporation	-	Financial assets carried at cost - non-current	225,531	912,463	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	33,720,183	12.00	33,720,183 (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 October 14, 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 \$67,019,471 thousand for TCC shall be reduced by 1) downward adjusting \$31,077,183 thousand, the carrying value of total treasury shares on the Corporation's books, 2) excluding \$20,554,490 thousand of unrealized gain from financial asset investment, 3) adding back \$475,907 thousand of income tax expenses resulting from TFN's and TFNI's disposal gain from the Corporation's shares, and 4) excluding recognition of upstream transactions gain of \$21,418 thousand.

Note 5: Based on the closing price or net asset value of funds on October 14, 2011.

Note 6: 70.47% of shares are held under trustee accounts.

Note 7: The above amounts were translated into New Taiwan dollars at the exchange rate of US\$1=NT\$30.415 and HK\$1=NT\$3.9030 as of September 30, 2011.

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

**MARKETABLE SECURITIES ACQUIRED OR DISPOSED AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2011**

TABLE 4

(In Thousands of New Taiwan Dollars unless stated otherwise)

Company Name	Marketable Securities Type and Issuer	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal			Ending Balance		
					Shares/Units (Thousands)	Amount	Shares/Units (Thousands)	Amount	Shares/Units (Thousands)	Amount	Carrying Value	Gain (Loss) on Disposal	Shares/Units (Thousands)	Amount
Taiwan Mobile Co., Ltd. (the "Corporation")	<u>Stock</u> Taiwan Cellular Co., Ltd.	Long-term investment-equity method	Taiwan Cellular Co., Ltd.	Subsidiary	30,000	\$ 10,618,840	340,896 (Note 1,2)	\$ 5,500,000	-	\$ -	\$ -	\$ -	370,896	\$ 15,842,287 (Note 5)
	Wealth Media Technology Co., Ltd.	Long-term investment-equity method	Wealth Media Technology Co., Ltd.	Subsidiary	37,200	301,977	1,350 (Note 1,3)	8,347,949 (Note 4)	-	-	-	-	38,550	8,753,690 (Note 5)
	Taipei New Horizons Co., Ltd.	Long-term investment-equity method	Taipei New Horizons Co., Ltd.	Equity-method investee	44,910	388,002	19,960 (Note 1)	199,600	-	-	-	-	64,870	567,701 (Note5)
Wealth Media Technology Co., Ltd.	<u>Stock</u> Fubon Multimedia Technology Co., Ltd.	Long-term investment-equity method	Fubon Financial Venture Capital Co., Ltd.	Related party in substance	-	-	58,857 (Note 1)	8,347,949	-	-	-	-	58,857	8,437,699 (Note5)
Taiwan Cellular Co., Ltd.	<u>Stock</u> Taiwan Digital Communication Co., Ltd.	Long-term investment-equity method	Taiwan Digital Communication Co., Ltd.	Subsidiary	1,200	11,604	10,000 (Note 1)	100,000	-	-	-	-	11,200	116,750 (Note5)
	TCC Investment Co., Ltd.	Long-term investment-equity method	TCC Investment Co., Ltd.	Subsidiary	3,950	26,428,349	20,126 (Note 1,4)	(500,000) (Note 4)	-	-	-	-	24,076	27,579,235 (Note 5)
Fubon Multimedia Technology Co., Ltd.	<u>Beneficiary certificates</u> Fubon Chi-Hsiang Money Market Funds	Financial assets at fair value through profit or loss-current	-	-	-	-	164,804	2,280,000	154,017	2,131,010	2,130,000	1,010	10,787	150,219 (Note 5)
	Fuh Hwa You Li Money Market Funds	Financial assets at fair value through profit or loss-current	-	-	7,739	100,113	-	-	7,739	100,277	100,000	277	-	-
	Fubon Chi-Hsiang Money Market Funds	Financial assets at fair value through profit or loss-current	Fubon Securities Investment Trust Co., Ltd.	Related party in substance	7,641	115,013	138,359	2,015,000	146,000	2,130,781	2,130,000	781	-	-
Fuli Life Insurance Agent Co., Ltd.	<u>Beneficiary certificates</u> Fubon Chi-Hsiang Money Market Funds	Financial assets at fair value through profit or loss-current	Fubon Securities Investment Trust Co., Ltd.	Related party in substance	7,676	115,541	398	6,000	8,074	121,654	121,500	154	-	-
Hong Kong Fubon Multimedia Technology Co., Ltd.	<u>Stock</u> Fubon Gehua (Beijing) Enterprise Ltd.	Long-term investment-equity method	Fubon Gehua (Beijing) Enterprise Ltd.	Subsidiary	-	-	-	US \$12,319	-	-	-	-	-	US\$ 10,849 (Note 5)

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

Note 2: The shares/units and amount of marketable securities acquired include transferred to capital by legal reserve and issued to stock by cash.

Note 3: The shares/units and amount of marketable securities acquired include compensated for deficits and issued to stock by cash.

Note 4: The shares/units and amount of marketable securities acquired include issued to stock by cash and returned to investors by cash.

Note 5: The ending balance includes the unrealized gain or loss on financial instruments, cumulative translation adjustments, investment income or loss recognized under the equity method, and other adjustments in long-term investment using equity method.

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES
TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2011

TABLE 5

(In Thousands of New Taiwan Dollars)

Company Name (A)	Related Party (B)	Nature of Relationship (B is A's)	Transaction Details				Transactions with Terms Different from Others		Notes/Accounts Payable or Receivable		Note
			Purchase/ Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
Taiwan Mobile Co., Ltd. (the "Corporation")	Taiwan Fixed Network Co., Ltd.	Subsidiary	Sale	\$ (1,727,946)	(4)	Based on contract terms	-	-	\$ 413,221	7	(Note 1)
			Purchase	2,332,569	(Note 2)	Based on contract terms	-	-	(368,415)	(Note 3)	
Taiwan Teleservices & Technologies Co., Ltd.	Taiwan Teleservices & Technologies Co., Ltd.	Subsidiary	Purchase	662,880	(Note 4)	Based on contract terms	-	-	(78,852)	(Note 5)	
			The Corporation	Ultimate parent	Sale	(662,999)	(87)	Based on contract terms	-	-	78,868
Taiwan Teleservices & Technologies Co., Ltd.	Taiwan Fixed Network Co., Ltd.	Related party in substance	Sale	(101,782)	13	Based on contract terms	-	-	10,460	12	
			Taiwan Fixed Network Co., Ltd.	Ultimate parent	Sale	(2,326,186)	(27)	Based on contract terms	-	-	364,559
Taiwan Fixed Network Co., Ltd.	The Corporation	Ultimate parent	Purchase	1,730,421	32	Based on contract terms	-	-	(412,916)	(51)	
			Taiwan Teleservices & Technologies Co., Ltd.	Related party in substance	Purchase	101,782	(Note 4)	Based on contract terms	-	-	(10,460)
TFN Media Co., Ltd.	Phoenix Cable TV Co., Ltd.	Subsidiary	Channel leasing fee	(372,254)	(17)	Based on contract terms	(Note 6)	(Note 6)	2,857	2	
	Yeong Jia Leh Cable TV Co., Ltd.	Subsidiary	Channel leasing fee	(337,124)	(16)	Based on contract terms	(Note 6)	(Note 6)	4,155	3	
	Globalview Cable TV Co., Ltd.	Subsidiary	Channel leasing fee	(150,959)	(7)	Based on contract terms	(Note 6)	(Note 6)	1,850	1	
	Union Cable TV Co., Ltd.	Subsidiary	Channel leasing fee	(174,352)	(8)	Based on contract terms	(Note 6)	(Note 6)	1,509	1	
Yeong Jia Leh Cable TV Co., Ltd.	TFN Media Co., Ltd.	Parent	Royalty for copyright	337,124	66	Based on contract terms	(Note 6)	(Note 6)	(4,155)	(29)	
Phoenix Cable TV Co., Ltd.	TFN Media Co., Ltd.	Parent	Royalty for copyright	372,254	68	Based on contract terms	(Note 6)	(Note 6)	(2,857)	(29)	
Union Cable TV Co., Ltd.	TFN Media Co., Ltd.	Parent	Royalty for copyright	174,352	62	Based on contract terms	(Note 6)	(Note 6)	(1,509)	(21)	
Globalview Cable TV Co., Ltd.	TFN Media Co., Ltd.	Parent	Royalty for copyright	150,959	64	Based on contract terms	(Note 6)	(Note 6)	(1,850)	(29)	
Mangrove Cable TV Co., Ltd.	Dai-Ka Ltd.	Related party in substance	Royalty for copyright	122,174	61	Based on contract terms	(Note 6)	(Note 6)	(70,411)	(81)	

Note 1: The \$41,122 thousand accounts receivable amount was expressed on a gross basis in accordance with the sales amount. The net accounts receivable should be \$372,099 thousand after deducting accounts payable and accrued custodial receipts/payments totaling \$413,221 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 for this kind of transaction.

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES
RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL
SEPTEMBER 30, 2011

TABLE 6

(In Thousands of New Taiwan Dollars)

Company Name (A)	Related Party (B)	Nature of Relationship (B is A's)	Ending Balance	Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
Taiwan Mobile Co., Ltd. (the "Corporation")	Taiwan Fixed Network Co., Ltd.	Subsidiary	Accounts receivable \$413,221 Other receivables 43,941	5.88	\$ -	-	\$ 185	\$ -
	Win TV Broadcasting Co., Ltd.	Subsidiary	Other receivables 330,548		-	-	-	-
Taiwan Cellular Co., Ltd.	TFN Media Co., Ltd.	Subsidiary	Other receivables 5,463,509		-	-	-	-
Taiwan Teleservices & Technologies Co., Ltd.	The Corporation	Ultimate parent	Accounts receivable 78,868	12.1	-	-	-	-
	Taiwan Fixed Network Co., Ltd.	Related party in substance	Accounts receivable 10,460	13.57	-	-	-	-
Taiwan Fixed Network Co., Ltd.	The Corporation	Ultimate parent	Accounts receivable 364,559 Other receivables 168,903	10.17	-	-	8,428	-
	Taiwan Cellular Co., Ltd.	Parent	Other receivables 6,489,791		-	-	72,759	-
					-	-	602,679	-
Phoenix Cable TV Co., Ltd.	TFN Media Co., Ltd.	Parent	Accounts receivable 29,339	3.15	-	-	-	-
			Other receivables 581,512		-	-	-	-
Union Cable TV Co., Ltd.	TFN Media Co., Ltd.	Parent	Accounts receivable 15,168	2.89	-	-	-	-
			Other receivables 581,768		-	-	-	-
Globalview Cable TV Co., Ltd.	TFN Media Co., Ltd.	Parent	Accounts receivable 12,173	3.07	-	-	-	-
			Other receivables 250,858		-	-	-	-
Yeong Jia Leh Cable TV Co., Ltd.	TFN Media Co., Ltd.	Parent	Accounts receivable 28,586	3	-	-	-	-
			Other receivables 321,127		-	-	-	-

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

TABLE 7

(In Thousands of New Taiwan Dollars unless stated otherwise)

Investor	Investee	Location	Main Businesses and Products	Investment Amount		Balance as of September 30, 2011			Net Income (Loss) of the Investee	Investment Income (Loss)	Note
				September 30, 2011	September 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	\$ 44,467,288	\$ 37,558,330	370,896	100	\$ 15,842,287	\$ 2,224,686	\$ 2,216,897	
	Taipei New Horizons Co., Ltd.	Taipei, Taiwan	Real estate rental and sale	648,700	449,100	64,870	49.9	(Note 1) 567,701	(39,882)	(19,901)	
	Wealth Media Technology Co., Ltd.	Taipei, Taiwan	Investment	8,721,894	372,000	38,550	100	8,753,690	84,816	84,816	
Wealth Media Technology Co., Ltd.	Tai Fu Media Technology Co., Ltd.	Taipei, Taiwan	Investment	270,000	270,000	27,000	100	212,883	10,148	NA	
	Taiwan Win TV Broadcasting Co., Ltd.	Taipei, Taiwan	TV program producing	10,000	10,000	16	100	9,835	(77)	NA	
	Fubon Multimedia Technology Co., Ltd.	Taipei, Taiwan	Wholesale and retailing on virtual channel and physical channel	8,347,949	-	58,857	51	8,437,699	481,417	NA	
Tai Fu Media Technology Co., Ltd.	Global Wealth Media Technology Co., Ltd.	New Taipei City, Taiwan	Investment	84,000	84,000	8,400	100	89,995	4,714	NA	
	Fu Jia Leh Media Technology Co., Ltd.	Taipei, Taiwan	Investment	1,700	1,700	100	100	649	(118)	NA	
	Fu Sin Media Technology Co., Ltd.	Taipei, Taiwan	Investment	135,000	135,000	13,500	100	142,251	5,830	NA	
	Global Forest Media Technology Co., Ltd.	Taipei, Taiwan	Investment	15,000	1,000	1,500	100	16,730	122	NA	
Global Wealth Media Technology Co., Ltd.	Globalview Cable TV Co., Ltd.	New Taipei City, Taiwan	Cable TV service provider	91,910	91,691	3,825	6.83	93,857	71,945	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	133,304	178,203	NA	
Global Forest Media Technology Co., Ltd.	Union Cable TV Co., Ltd.	Yilan County, Taiwan	Cable TV service provider	16,218	4	1,300	0.76	15,623	94,883	NA	
Fubon Multimedia Technology Co., Ltd.	Fu Sheng Travel Service Co., Ltd.	Taipei, Taiwan	Travel	10,000	6,000	600	100	(658)	(3,920)	NA	
	Fuli Life Insurance Agent Co., Ltd.	Taipei, Taiwan	Life Insurance Agent	3,000	3,000	300	100	11,676	4,171	NA	
	Fuli Property Insurance Agent Co., Ltd.	Taipei, Taiwan	Property Insurance Agent	3,000	3,000	300	100	15,325	8,386	NA	
	Asian Crown International Co., Ltd.	British Virgin Islands	Investment	US\$ 14,000	US\$ 14,000	47	100	US\$ 12,443	US\$ (1,679)	NA	
Asian Crown International Co., Ltd.	Fortune Kingdom Corporation	Samoa	Investment	US\$ 14,000	US\$ 14,000	14,000	100	US\$ 12,443	US\$ (1,679)	NA	
Fortune Kingdom Corporation	Hong Kong Fubon Multimedia Technology Co., Ltd.	Hong Kong	Investment	US\$ 14,000	US\$ 14,000	14,000	100	US\$ 12,443	US\$ (1,679)	NA	
Hong Kong Fubon Multimedia Technology Co., Ltd.	Fubon Gehua (Beijing) Enterprise Ltd.	Beijing, China	Wholesale	US\$ 12,319	-	-	80	US\$ 10,849	US\$ (2,116)	NA	
Taiwan Cellular Co., Ltd.	TWM Holding Co. Ltd.	British Virgin Islands	Investment	US\$ 10,800	US\$ 10,800	1 share	100	US\$ 8,159	US\$ (530)	NA	
	Taiwan Fixed Network Co., Ltd.	Taipei, Taiwan	Fixed line service provider	21,000,000	21,000,000	2,100,000	100	39,362,145	788,988	NA	
	Taiwan Digital Communication Co., Ltd.	Taipei, Taiwan	Telecom engineering and IT service	112,000	12,000	11,200	100	116,740	5,136	NA	
	TCC Investment Co., Ltd.	Taipei, Taiwan	Investment	22,002,255	22,301,000	24,076	100	27,579,235	1,435,845	NA	
	Taiwan Teleservices & Technologies Co., Ltd.	Taipei, Taiwan	Call center service and ISR (international simple resales)	24,843	10,000	2,484	100	85,425	39,326	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\$ 3,611	US\$ (532)	NA	
Taiwan Teleservices & Technologies Co., Ltd.	TT&T Holdings Co., Ltd.	Samoa	Investment	US\$ 1,300	US\$ 1,300	1,300	100	US\$ 1,498	US\$ 60	NA	
	Taiwan Super Basketball Co., Ltd.	Taipei, Taiwan	Basketball team management	20,000	20,000	2,000	100	21,997	1,979	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\$ 1,473	US\$ 62	NA	
TCC Investment Co., Ltd.	Win TV Broadcasting Co., Ltd.	Taipei, Taiwan	TV program provider	188,047	188,047	18,177	100	267,779	63,180	NA	
	TFN Media Co., Ltd.	Taipei, Taiwan	Cable broadband and value added service provider	2,035,714	2,035,714	230,526	100	2,242,764	1,470,614	NA	
	TCCI Investment and Development Co., Ltd.	Taipei, Taiwan	Investment	6,629,149	6,629,149	400	100	9,618,113	(58)	NA	
TFN Media Co., Ltd.	Yeong Jia Leh Cable TV Co., Ltd.	New Taipei City, Taiwan	Cable TV service provider	1,616,824	1,616,824	33,940	100	2,162,834	180,599	NA	
	Mangrove Cable TV Co., Ltd.	New Taipei City, Taiwan	Cable TV service provider	397,703	397,703	6,248	29.53	592,841	81,705	NA	
	Phoenix Cable TV Co., Ltd.	Kaohsiung County, Taiwan	Cable TV service provider	2,294,967	2,294,967	65,818	96.66	3,181,248	178,203	NA	
	Union Cable TV Co., Ltd.	Yilan County, Taiwan	Cable TV service provider	1,889,910	1,904,436	169,141	99.22	2,032,168	94,883	NA	
	Globalview Cable TV Co., Ltd.	New Taipei City, Taiwan	Cable TV service provider	841,413	841,413	51,733	92.38	1,242,574	71,945	NA	
	Taiwan Kuro Times Co., Ltd.	Taipei, Taiwan	The platform of music supplied	129,900	63,900	1,214	100	111,055	(17,704)	NA	
Taiwan Kuro Times Co., Ltd.	ezPeer Multimedia Limited	Samoa	Investment	US\$ 1,522	US\$ 1,522	1,522	100	US\$ 971	US\$ (525)	NA	
Taiwan Fixed Network Co., Ltd.	TFN Union Investment Co., Ltd.	Taipei, Taiwan	Investment	22,769,109	22,769,109	400	100	33,035,529	(139)	NA	
	TFN HK LIMITED	Hong Kong	Telecommunications service provider	HK\$ 1,300	HK\$ 1,300	1,300	100	HK\$ 1,830	HK\$ 466	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 \$67,019,471 thousand for TCC shall be reduced by 1) downward adjusting \$31,077,183 thousand, the carrying value of total treasury shares on the Corporation's books, 2) excluding \$20,554,490 thousand of unrealized gain from financial asset investment, 3) adding back \$475,907 thousand of income tax expenses resulting from TFN's and TFNI's disposal gain from the Corporation's shares, and 4) excluding recognition of upstream transactions gain of \$21,418 thousand.

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

Note 3: The above amounts were translated into New Taiwan dollars at the exchange rate of US\$1=NT\$30.415 and HK\$1=NT\$3.9030 as of September 30, 2011.

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

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

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2011	Investment Flows		Accumulated Outflow of Investment from Taiwan as of June 30, 2011	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	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\$ 39,540)	Indirect investment in Mainland China through a third place by the Corporation's subsidiary Taiwan Teleservices & Technologies Co., Ltd.	US\$ 1,300 (NT\$ 39,540)	\$ -	\$ -	US\$ 1,300 (NT\$ 39,540)	100% ownership of indirect investment by the Corporation's subsidiary	US\$ 62 (NT\$ 1,886) (Note 3)	US\$ 1,473 (NT\$ 44,801)	\$ -
TWM Communications (Beijing) Co. Ltd.	Mobile application development and design	US\$ 3,000 (NT\$ 91,245)	Indirect investment in Mainland China through a third place by the Corporation's subsidiary Taiwan Cellular Co., Ltd.	US\$ 4,872 (NT\$ 148,182)	-	-	US\$ 4,872 (NT\$ 148,182)	100% ownership of indirect investment by the Corporation's subsidiary	US\$ (532) (NT\$ (16,181)) (Note 3)	US\$ 3,611 (NT\$ 109,829)	-
Fubon Gehua (Beijing) Enterprise Ltd.	Wholesale	RMB100,000 (NT\$477,503)	Indirect investment in Mainland China through a third place by the Corporation's subsidiary Fubon Multimedia Technology Co., Ltd.	-	US\$ 12,319 (NT\$ 374,682)	-	US\$ 12,319 (NT\$ 374,682)	80% ownership of indirect investment by the Corporation's subsidiary	US\$ (1,693) (NT\$ (51,493)) (Note 4)	US\$ 10,849 (NT\$ 329,972)	-

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\$39,540)	US\$1,300 (NT\$39,540)	\$27,993,574
US\$4,872 (NT\$148,182)	US\$4,872 (NT\$148,182)	\$40,211,682
US\$12,319 (NT\$374,682)	US\$15,000 (NT\$456,225)	\$27,993,574

Note 1: The above amounts were translated into New Taiwan dollars at the exchange rate of US\$1 = NT\$30.415 and US\$1 = RMB\$6.3696 as of September 30, 2011.

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

Note 3: Calculation was based on unreviewed financial statements.

Note 4: Calculation was based on reviewed financial statements.