

**Taiwan Mobile Co., Ltd.**

**Financial Statements**

**June 30, 2012 and 2011**

**(With Independent Auditors' Report Thereon)**

## INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders

Taiwan Mobile Co., Ltd.

We have audited the accompanying balance sheets of Taiwan Mobile Co., Ltd. (the Corporation) as of June 30, 2012 and 2011, and the related statements of income, changes in shareholders' equity and cash flows for the six months then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the Rules Governing the Audit of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Those rules and standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred above present fairly, in all material respects, the financial position of Taiwan Mobile Co., Ltd. as of June 30, 2012 and 2011, and the results of its operations and its cash flows for the six months then ended, in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and accounting principles generally accepted in the Republic of China.

We have also audited the consolidated balance sheets of the Corporation and its subsidiaries as of June 30, 2012 and 2011 and the related consolidated statements of income, changes in shareholders' equity, and cash flows for the six months then ended, on which we have issued unqualified audit report and unqualified review report dated July 26, 2012 and July 15, 2011, respectively.

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

KPMG

Taipei, Taiwan (the Republic of China)

July 26, 2012

### Note to Readers

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

**TAIWAN MOBLIE CO., LTD.**

**BALANCE SHEETS**

**JUNE 30, 2012 AND 2011**

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

ASSETS	2012.6.30		2011.6.30		LIABILITIES AND SHAREHOLDERS' EQUITY	2012.6.30		2011.6.30	
	Amount	%	Amount	%		Amount	%	Amount	%
<b>CURRENT ASSETS :</b>					<b>CURRENT LIABILITIES :</b>				
Cash and cash equivalents (Notes 2, 4(a), 4(q) and 5)	\$ 724,451	1	7,968,444	10	Short-term borrowings (Notes 4(j), 4(q) and 5)	\$ 7,645,000	9	-	-
Available-for-sale financial assets-current (Notes 2, 4(b), 4(n) and 4(q))	204,310	-	214,743	-	Accounts payable (Note 4(q))	2,988,067	3	2,491,433	3
Notes and accounts receivable, net (Notes 2, 4(c) and 4(q))	6,067,691	7	5,548,213	7	Accounts payable-related parties (Notes 4(q) and 5)	52,144	-	24,057	-
Accounts receivable-related parties (Notes 2, 4(q) and 5)	38,469	-	60,633	-	Income taxes payable (Notes 2, 4(o) and 4(q))	797,178	1	775,462	1
Other receivables (Note 4(q))	105,963	-	84,722	-	Accrued expenses (Notes 2, 4(q) and 5)	4,982,766	6	4,693,714	6
Other receivables-related parties (Notes 4(q) and 5)	2,543,057	3	7,514,237	8	Other payables (Notes 2, 4(q) and 5)	16,979,782	19	16,464,169	20
Inventories (Notes 2 and 4(d))	1,886,608	2	1,309,244	2	Advance receipts (Note 4(k))	3,062,162	3	2,876,235	3
Prepayments (Notes 4(e) and 5)	543,659	1	454,304	1	Current portion of long-term liabilities (Notes 4(l) and 4(q))	4,000,000	5	-	-
Deferred income tax assets-current (Notes 2 and 4(o))	15,044	-	7,756	-	Guarantee deposits-current (Note 4(q))	123,700	-	82,474	-
Other current assets	1,657	-	6,332	-	Other current liabilities (Note 5)	563,877	1	435,862	1
<b>Total current assets</b>	<b>12,130,909</b>	<b>14</b>	<b>23,168,628</b>	<b>28</b>	<b>Total current liabilities</b>	<b>41,194,676</b>	<b>47</b>	<b>27,843,406</b>	<b>34</b>
<b>INVESTMENTS :</b>					<b>LONG-TERM LIABILITIES :</b>				
Investments accounted for using the equity method (Notes 2 and 4(f))	31,081,283	35	10,083,052	12	Bonds payable (Notes 4(l) and 4(q))	4,000,000	5	8,000,000	10
Prepayment for long-term investments (Notes 2 and 4(f))	74,850	-	99,800	-	<b>OTHER LIABILITIES :</b>				
Financial assets carried at cost-non-current (Notes 2, 4(g) and 4(q))	50,324	-	50,324	-	Guarantee deposits (Note 4(q))	240,771	-	252,278	-
<b>Total investments</b>	<b>31,206,457</b>	<b>35</b>	<b>10,233,176</b>	<b>12</b>	Deferred credits-gains on intercompany accounts (Notes 2 and 4(f))	1,238,378	1	1,238,378	1
<b>PROPERTY AND EQUIPMENT (Notes 2 and 4(h)) :</b>					Other (Note 2)	422,499	-	396,178	-
Land	4,106,813	5	4,016,344	5	<b>Total other liabilities</b>	<b>1,901,648</b>	<b>1</b>	<b>1,886,834</b>	<b>1</b>
Buildings	2,543,677	3	2,468,579	3	<b>Total liabilities</b>	<b>47,096,324</b>	<b>53</b>	<b>37,730,240</b>	<b>45</b>
Telecommunication equipment	59,610,090	67	57,275,708	69	<b>SHAREHOLDERS' EQUITY (Notes 2, 4(f) and 4(n)) :</b>				
Office equipment	12,490	-	10,022	-	Capital stock -NT\$10.00 par value				
Leased assets	1,285,920	1	1,285,920	2	Authorized: 6,000,000 thousand shares				
Miscellaneous equipment	1,757,184	2	1,601,494	2	Issued: 3,420,833 thousand shares in 2012	34,208,328	38	38,009,254	46
	69,316,174	78	66,658,067	81	3,800,925 thousand shares in 2011				
Less accumulated depreciation	(41,311,971)	(46)	(35,695,488)	(44)	Capital surplus :				
Less accumulated impairment-property	(88,503)	-	(84,820)	-	From convertible bonds	8,775,819	10	8,775,819	11
Construction in progress and prepayments for equipment	2,137,390	2	1,555,389	2	From treasury stock transactions	3,639,302	4	3,639,302	4
<b>Net property and equipment</b>	<b>30,053,090</b>	<b>34</b>	<b>32,433,148</b>	<b>39</b>	From long-term investments	4,485	-	4,485	-
<b>INTANGIBLE ASSETS (Note 2)</b>					Other	12,840	-	12,840	-
3G concession license	4,860,109	5	5,607,818	7	Retained earnings :				
Computer software cost	412,221	-	524,961	1	Legal reserve	18,061,894	20	16,715,018	20
Goodwill (Note 4(i))	7,121,871	8	6,835,370	8	Special reserve	-	-	821,741	1
<b>Total intangible assets</b>	<b>12,394,201</b>	<b>13</b>	<b>12,968,149</b>	<b>16</b>	Unappropriated earnings	8,598,081	10	9,027,855	11
<b>OTHER ASSETS :</b>					Other equity :				
Assets leased to others (Notes 2 and 5)	1,995,756	2	2,129,147	3	Cumulative translation adjustments	10,291	-	(16,293)	-
Idle assets (Notes 2)	10,800	-	64,495	-	Net loss not recognized as pension cost	(16,775)	-	(10,695)	-
Refundable deposits (Note 4(q))	346,833	-	327,272	-	Unrealized gains on financial instruments	98,264	-	108,697	-
Deferred charges (Note 2)	629,338	1	603,148	1	Treasury stock	(31,077,183)	(35)	(31,889,100)	(38)
Deferred income tax asset-non-current (Notes 2 and 4(o))	617,624	1	970,502	1	<b>Total shareholders' equity</b>	<b>42,315,346</b>	<b>47</b>	<b>45,198,923</b>	<b>55</b>
Other (Notes 2 and 4(m))	26,662	-	31,498	-					
<b>Total other assets</b>	<b>3,627,013</b>	<b>4</b>	<b>4,126,062</b>	<b>5</b>					
<b>TOTAL</b>	<b>\$ 89,411,670</b>	<b>100</b>	<b>82,929,163</b>	<b>100</b>	<b>TOTAL</b>	<b>\$ 89,411,670</b>	<b>100</b>	<b>82,929,163</b>	<b>100</b>

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

**TAIWAN MOBLIE CO., LTD.**

**STATEMENTS OF INCOME**

**FOR THE SIX MONTHS ENDED JUNE 30, 2012 AND 2011**  
**(In Thousands of New Taiwan Dollars, Except Earnings Per Share)**

	2012		2011	
	Amount	%	Amount	%
<b>OPERATING REVENUES (Notes 2 and 5)</b>				
Telecommunication service revenue	\$ 29,074,511	88	27,364,585	90
Other revenue	<u>3,932,341</u>	<u>12</u>	<u>2,938,704</u>	<u>10</u>
<b>Total operating revenues</b>	<u>33,006,852</u>	<u>100</u>	<u>30,303,289</u>	<u>100</u>
<b>OPERATING COSTS (Notes 2, 5 and 10)</b>	<u>20,546,298</u>	<u>62</u>	<u>18,752,136</u>	<u>62</u>
<b>GROSS PROFIT</b>	<u>12,460,554</u>	<u>38</u>	<u>11,551,153</u>	<u>38</u>
<b>OPERATING EXPENSES (Notes 2, 5 and 10)</b>				
Marketing	5,348,775	16	4,246,016	14
Administrative	<u>1,655,960</u>	<u>5</u>	<u>1,716,973</u>	<u>6</u>
<b>Total operating expenses</b>	<u>7,004,735</u>	<u>21</u>	<u>5,962,989</u>	<u>20</u>
<b>OPERATING INCOME</b>	<u>5,455,819</u>	<u>17</u>	<u>5,588,164</u>	<u>18</u>
<b>NON-OPERATING INCOME AND GAINS</b>				
Investment income recognized under the equity method, net (Notes 2 and 4(f))	2,719,702	9	2,095,658	7
Income from penalty charge	279,118	1	163,509	1
Rental income (Notes 2 and 5)	83,745	-	92,237	-
Interest income (Notes 5)	17,994	-	105,516	-
Other	<u>29,159</u>	<u>-</u>	<u>40,624</u>	<u>-</u>
<b>Total non-operating income and gains</b>	<u>3,129,718</u>	<u>10</u>	<u>2,497,544</u>	<u>8</u>
<b>NON-OPERATING EXPENSES AND LOSSES</b>				
Loss on disposal and retirement of property and equipment (Note 2)	211,051	1	219,491	1
Interest expenses (Notes 2, 4(h) and 5)	177,249	1	140,580	-
Other (Note 2)	<u>54,903</u>	<u>-</u>	<u>61,339</u>	<u>-</u>
<b>Total non-operating expenses and losses</b>	<u>443,203</u>	<u>2</u>	<u>421,410</u>	<u>1</u>
INCOME BEFORE INCOME TAX	8,142,334	25	7,664,298	25
INCOME TAX EXPENSE (Notes 2 and 4(o))	<u>873,684</u>	<u>3</u>	<u>903,198</u>	<u>3</u>
<b>NET INCOME</b>	<u>\$ 7,268,650</u>	<u>22</u>	<u>\$ 6,761,100</u>	<u>22</u>
	<b>Before</b>	<b>After</b>	<b>Before</b>	<b>After</b>
	<b>Income</b>	<b>Income</b>	<b>Income</b>	<b>Income</b>
	<b>Tax</b>	<b>Tax</b>	<b>Tax</b>	<b>Tax</b>
<b>EARNINGS PER SHARE (Note 4(p))</b>				
Basic	<u>\$ 3.03</u>	<u>2.70</u>	<u>2.56</u>	<u>2.26</u>
Diluted	<u>\$ 3.02</u>	<u>2.70</u>	<u>2.56</u>	<u>2.26</u>
Pro forma information if the Corporation's stocks held by its subsidiaries were treated as an investment instead of treasury stock (after income tax):				
<b>NET INCOME</b>	<u>\$ 7,268,650</u>		<u>6,761,100</u>	
<b>EARNINGS PER SHARE AFTER INCOME TAX</b>				
Basic		<u>\$ 2.12</u>		<u>1.78</u>
Diluted		<u>\$ 2.12</u>		<u>1.78</u>

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

**TAIWAN MOBLIE CO., LTD.**  
**STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2012 AND 2011**  
**(In Thousands of New Taiwan Dollars, Except Per Share Amounts)**

	<u>Retained Earnings</u>					<u>Cumulative Translation Adjustments</u>	<u>Net Loss Not Recognized as Pension Cost</u>	<u>Unrealized Gain(Losses) on Financial Instruments</u>	<u>Treasury Stock</u>	<u>Total Shareholders' Equity</u>	
	<u>Capital Stock</u>	<u>Capital Surplus</u>	<u>Legal Reserve</u>	<u>Special Reserve</u>	<u>Unappropriated</u>						<u>Total</u>
<b>BALANCE, JANUARY 1, 2011</b>	\$ 38,009,254	12,432,489	15,332,799	821,741	16,088,941	32,243,481	(5,716)	(10,695)	89,842	(31,889,100)	50,869,555
Appropriation of the 2010 earnings :											
Legal reserve	-	-	1,382,219	-	(1,382,219)	-	-	-	-	-	-
Cash dividends-NT\$4.1619 per share	-	-	-	-	(12,439,967)	(12,439,967)	-	-	-	-	(12,439,967)
<b>Balance after appropriation</b>	<b>38,009,254</b>	<b>12,432,489</b>	<b>16,715,018</b>	<b>821,741</b>	<b>2,266,755</b>	<b>19,803,514</b>	<b>(5,716)</b>	<b>(10,695)</b>	<b>89,842</b>	<b>(31,889,100)</b>	<b>38,429,588</b>
Net income for the six months ended June 30, 2011	-	-	-	-	6,761,100	6,761,100	-	-	-	-	6,761,100
Unrealized gains on financial instruments, net	-	-	-	-	-	-	-	-	18,855	-	18,855
Adjustment on change of equity-method investments	-	(43)	-	-	-	-	(10,577)	-	-	-	(10,620)
<b>BALANCE, JUNE 30, 2011</b>	<b>\$ 38,009,254</b>	<b>12,432,446</b>	<b>16,715,018</b>	<b>821,741</b>	<b>9,027,855</b>	<b>26,564,614</b>	<b>(16,293)</b>	<b>(10,695)</b>	<b>108,697</b>	<b>(31,889,100)</b>	<b>45,198,923</b>
<b>BALANCE, JANUARY 1, 2012</b>	\$ 34,208,328	12,432,446	16,715,018	821,741	15,735,518	33,272,277	17,612	(16,775)	111,306	(31,077,183)	48,948,011
Appropriation of the 2011 earnings :											
Legal reserve	-	-	1,346,876	-	(1,346,876)	-	-	-	-	-	-
Reversal of special reserve	-	-	-	(821,741)	821,741	-	-	-	-	-	-
Cash dividends-NT\$5.16 per share	-	-	-	-	(13,880,952)	(13,880,952)	-	-	-	-	(13,880,952)
<b>Balance after appropriation</b>	<b>34,208,328</b>	<b>12,432,446</b>	<b>18,061,894</b>	<b>-</b>	<b>1,329,431</b>	<b>19,391,325</b>	<b>17,612</b>	<b>(16,775)</b>	<b>111,306</b>	<b>(31,077,183)</b>	<b>35,067,059</b>
Net income for the six months ended June 30, 2012	-	-	-	-	7,268,650	7,268,650	-	-	-	-	7,268,650
Unrealized losses on financial instruments, net	-	-	-	-	-	-	-	-	(13,042)	-	(13,042)
Adjustment on change of equity-method investments	-	-	-	-	-	-	(7,321)	-	-	-	(7,321)
<b>BALANCE, JUNE 30, 2012</b>	<b>\$ 34,208,328</b>	<b>12,432,446</b>	<b>18,061,894</b>	<b>-</b>	<b>8,598,081</b>	<b>26,659,975</b>	<b>10,291</b>	<b>(16,775)</b>	<b>98,264</b>	<b>(31,077,183)</b>	<b>42,315,346</b>

Note 1 : The remuneration to directors of \$37,306 thousand and the bonus to employees of \$373,059 thousand have been expensed and deducted from 2010 earnings.

Note 2 : The remuneration to directors of \$36,284 thousand and the bonus to employees of \$362,844 thousand have been expensed and deducted from 2011 earnings.

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

**TAIWAN MOBLIE CO., LTD.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2012 AND 2011**  
**(In Thousands of New Taiwan Dollars)**

	<u>2012</u>	<u>2011</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ 7,268,650	6,761,100
<b>Adjustments to reconcile net income to net cash provided by operating activities</b>		
Cash dividends received from equity method investees	3,401,431	-
Depreciation	3,242,237	3,364,513
Investment income recognized under the equity method	(2,719,702)	(2,095,658)
Amortization	724,730	645,379
Loss on disposal and retirement of property and equipment, net	211,051	219,491
Deferred income taxes	105,128	157,062
Bad debts	91,172	133,722
Provision of allowance for loss on inventories	31,817	15,493
Pension cost	1,428	1,332
Other	(3,744)	-
<b>Changes in operating assets and liabilities</b>		
Accounts receivable	(350,893)	(195,142)
Accounts receivable - related parties	5,206	25,190
Other receivables	49,036	285,905
Other receivables - related parties	(233)	47,460
Inventories	(488,103)	(259,474)
Prepayments	(149,965)	8,818
Other current assets	1,476	(4,474)
Accounts payable	(396,364)	(248,500)
Accounts payable-related parties	13,283	24,057
Income taxes payable	128,962	(142,123)
Accrued expenses	(110,137)	222,214
Other payables	(363,009)	(5,208)
Advance receipts	(42,850)	375,735
Other current liabilities	77,882	2,866
Other liabilities	-	(843)
<b>Net cash provided by operating activities</b>	<u>10,728,489</u>	<u>9,338,915</u>

**TAIWAN MOBLIE CO., LTD.**  
**STATEMENTS OF CASH FLOWS (CONT'D)**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2012 AND 2011**  
**(In Thousands of New Taiwan Dollars)**

	<u>2012</u>	<u>2011</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Increase in long-term investments accounted for using the equity method	(5,224,850)	(99,800)
Acquisition of property and equipment	(1,907,531)	(1,910,097)
(Increase) decrease in financing provided to investees, net	(1,164,000)	8,001,000
Increase in deferred charges	(248,542)	(200,219)
Increase in computer software cost	(98,277)	(101,880)
Increase in refundable deposits	(13,189)	(11,029)
Proceeds from investees' capital reduction	-	5,434
<b>Net cash (used in) provided by investing activities</b>	<u>(8,656,389)</u>	<u>5,683,409</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Decrease in short term borrowings	(1,355,000)	(9,645,000)
Decrease in short term notes and bills payable	(899,273)	(499,732)
Increase in guarantee deposits	29,106	9,971
Decrease in long-term borrowings	-	(3,466,667)
Increase in long-term borrowings	-	2,666,667
<b>Net cash used in financing activities</b>	<u>(2,225,167)</u>	<u>(10,934,761)</u>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	(153,067)	4,087,563
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	877,518	3,880,881
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	<u><u>\$ 724,451</u></u>	<u><u>7,968,444</u></u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Interest paid	\$ 34,913	70,339
Less interest capitalized	7,189	4,257
Interest paid - excluding interest capitalized	<u><u>\$ 27,724</u></u>	<u><u>66,082</u></u>
Income tax paid	<u><u>\$ 947,593</u></u>	<u><u>800,245</u></u>
<b>NON-CASH INVESTING AND FINANCING ACTIVITIES</b>		
Dividends receivable	\$ -	<u><u>3,310,805</u></u>
Dividends payable	<u><u>\$ 13,880,952</u></u>	<u><u>12,439,967</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>
<b>CASH AND NON-CASH INVESTING AND FINANCING ACTIVITIES</b>		
Acquisition of property and equipment	\$ 2,264,297	1,628,780
(Increase) decrease in other payables	(340,017)	311,686
Increase in other liabilities-other	(16,749)	(30,369)
<b>Cash paid for acquisition of property and equipment</b>	<u><u>\$ 1,907,531</u></u>	<u><u>1,910,097</u></u>

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

**TAIWAN MOBILE CO., LTD.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2012 AND 2011**  
**(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

**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 June 30, 2012 and 2011, the Corporation had 2,719 and 2,589 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 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, 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.

**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.

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

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

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

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

The cost and the resulting gain or loss of an investment sold 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 our fixed assets to the previous state should be recognized as an addition to the fixed assets and accrued as a potential liability accordingly.

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

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

**Accounting for Leases**

In accordance with SFAS No. 2 "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 the straight-line basis over the estimated useful life. Receivables collected are periodically recognized as rental income during the lease contract.

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

**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 and research and development 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.

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

**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.

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

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

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

**Revenue Recognition**

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

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

**Promotion Expenses**

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

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

**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”. There was no impact on the profit or loss for the six months ended June 30, 2011.

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

**4. SUMMARY OF MAJOR ACCOUNTS**

a. Cash and cash equivalents

	<b>June 30</b>	
	<b>2012</b>	<b>2011</b>
Cash in banks	\$ 323,926	483,783
Government bonds with repurchase rights	305,000	5,497,340
Cash on hand	88,555	35,784
Revolving funds	6,970	6,265
Time deposits	-	1,381,000
Short-term notes and bills with repurchase rights	-	564,272
	<b>\$ 724,451</b>	<b>7,968,444</b>

b. Available-for-sale financial assets – current

	<b>June 30</b>	
	<b>2012</b>	<b>2011</b>
Domestic listed stocks		
Chunghwa Telecom Co., Ltd.	<b>\$ 204,310</b>	<b>214,743</b>

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

c. Notes and accounts receivable

	<b>June 30</b>	
	<b>2012</b>	<b>2011</b>
Notes receivable	\$ 199	262
Accounts receivable	6,255,964	5,903,122
Less allowance for doubtful accounts	(188,472)	(355,171)
Subtotal	\$ 6,067,492	5,547,951
Total	\$ <b>6,067,691</b>	<b>5,548,213</b>

On January, 2012, the Corporation entered into an accounts receivable factoring contract with HC First Asset Management Co., Ltd. The Corporation sold \$2,368,798 thousand of the overdue accounts receivable, which had been written off, to HC First Asset Management Co., Ltd. The aggregate selling price was \$59,220 thousand. Under this contract, the Corporation would no longer assume the risk on this receivable.

d. Inventories

	<b>June 30</b>	
	<b>2012</b>	<b>2011</b>
Inventories	\$ 1,954,709	1,351,133
Less allowance to reduce inventory to market	(68,101)	(41,889)
	\$ <b>1,886,608</b>	<b>1,309,244</b>

Allowance for losses were \$31,817 thousand and \$15,493 thousand for the six months ended June 30, 2012 and 2011, respectively.

e. Prepayments

	<b>June 30</b>	
	<b>2012</b>	<b>2011</b>
Prepaid commissions	\$ 316,586	257,559
Prepaid rents	118,803	90,494
Prepaid insurance	11,651	13,842
Other	96,619	92,409
	\$ <b>543,659</b>	<b>454,304</b>



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

f. Investments accounted for using the equity method

	June 30			
	2012		2011	
	Carrying Value	% of Owner- ship	Carrying Value	% of Owner- ship
Taiwan Cellular Co., Ltd. (TCC)	\$ 15,706,021	100	9,397,504	100
Wealth Media Technology Co., Ltd. (WMT)	14,824,981	100	310,591	100
Taipei New Horizons Co., Ltd. (TNH)	550,281	49.90	374,957	49.90
	31,081,283		10,083,052	
Prepayment for long-term investments				
Taipei New Horizons Co., Ltd. (TNH)	74,850		99,800	
	<b>\$31,156,133</b>		<b>10,182,852</b>	

(1) Taiwan Cellular Co., Ltd.

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

- (a) Issuance of 140,896 thousand shares for \$1,408,958 thousand from legal reserve with the record date of August 2, 2011.
- (b) Increase capital by \$5,500,000 thousand, divided into 200,000 thousand shares with par value of \$10 and issuing price of \$27.5 per share 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 in 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 of this transaction should be treated as deferred gains. As of June 30, 2012, the amount of deferred credits recognized by the Corporation was \$1,238,378 thousand.

As of June 30, 2012, 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 730,726 thousand shares 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 treasury stock account value of \$31,077,183 thousand. Please refer to Note 4(o) for details.

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

(2) Wealth Media Technology Co., Ltd.

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. at the price of \$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.

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

- (a) 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.
- (b) Increase capital by \$8,350,000 thousand, divided into 8,350 thousand shares with par value of \$10 and issuing price of \$1,000 per share at the record date of July 16, 2011. The Corporation subscribed all the shares.

On January 17, 2012, WMT's board of directors resolved to increase its capital by issuing new shares worth \$5,150,000 thousand, divided into 515 thousand shares with par value of \$10 per share and issuing price of \$10,000 per share at the record date of March 2, 2012, the effective date of capital increase. The Corporation subscribed 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 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.

On May 15, 2012, TNH's board of directors resolved to increase TNH's capital by 550,000 thousand, divided into 55,000 thousand shares with par value of \$10 per share. The Corporation subscribed for the shares based on its proportion of the shareholding, which remains at 49.9%. The Corporation paid \$74,850 thousand as of June, 2012, accounted for as prepayment for long-term investment.

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

(4) Equity in investees' net gains or losses

The carrying values of equity-method investments and the related income or losses of TWM's subsidiaries were all unaudited, except those of FMT and Fubon Gehua (Beijing) Enterprise Ltd. (FGE) for the six months ended June 30, 2012, and those of TFN Media Co., Ltd. (TFNM), Win TV Broadcasting Co., Ltd. (WTVB), Yeong Jia Leh Cable TV Co., Ltd. (YJCTB), Mangrove Cable TV Co., Ltd. (MCTB), Union Cable TV Co., Ltd. (UCTB), Phoenix Cable TV Co., Ltd. (PCTB), Globalview cable TV Co., Ltd. (GCTB), and TFN for the six months ended June 30, 2012 and 2011.

The Corporation's management considered that any adjustments would have been immaterial and thus, would have had no material effects on the Corporation's financial statement had the subsidiaries' financial statements been audited.

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

	<b>For the six months ended</b>	
	<b>June 30</b>	
	<b>2012</b>	<b>2011</b>
TCC	\$ 1,751,699	2,102,054
WMT	980,534	6,649
TNH	(12,531)	(13,045)
	<b>\$ 2,719,702</b>	<b>2,095,658</b>

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

	<b>June 30</b>	
	<b>2012</b>	<b>2011</b>
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.

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

h. Property and equipment — accumulated depreciation

	<b>June 30</b>	
	<b>2012</b>	<b>2011</b>
Buildings	\$ 663,771	537,194
Telecommunication equipment	38,677,979	33,524,084
Office equipment	7,912	6,089
Leased assets	647,942	583,182
Miscellaneous equipment	1,314,367	1,044,939
	<b>\$ 41,311,971</b>	<b>35,695,488</b>

Capitalized interest for the six months ended June 30, 2012 and 2011 were \$7,189 thousand and \$4,257 thousand, respectively, with capitalization rates ranging from 1.68% to 1.92% and 1.68% to 2.88%, respectively.

i. Goodwill

The goodwill resulted from the merger of the Corporation with TAT on September 2, 2008.

In conformity with SFAS No. 35 “Impairment of Assets,” the Corporation engaged in mobile service, which was viewed as one cash-generating unit in 2011 and 2010. The critical assumptions to evaluate the recoverable amounts of operating assets and goodwill were as follows:

(1) Assumptions on operating revenues

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

(2) Assumptions on operating costs and expenses

The estimates of activation commissions and customer retention costs were based on the new customer obtained and the existing customer maintained. The estimates of remaining costs and expenses were based on the cost drivers of each item.

(3) Assumptions on discount rate

For the years ended December 31, 2011 and 2010, the Corporation used the discount rate of 6.98% and 7.47%, respectively, in calculating the asset recoverable amounts.

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

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, 2011 and 2010.

j. Short-term borrowings

	<b>June 30</b>	
	<b>2012</b>	<b>2011</b>
Unsecured loans-financial institutions	\$ 1,800,000	-
Unsecured loans-related parties	5,845,000	-
	<b>\$ 7,645,000</b>	<b>-</b>
Interest rate	1.025%~1.300%	-

k. 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 \$1,106,730 thousand as of June 30, 2012.

l. Bonds payable

	<b>June 30</b>			
	<b>2012</b>		<b>2011</b>	
	<b>Current</b>	<b>Non-current</b>	<b>Current</b>	<b>Non-current</b>
2nd domestic unsecured bonds	<b>\$ 4,000,000</b>	<b>4,000,000</b>	<b>-</b>	<b>8,000,000</b>

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.

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

<b>Year</b>	<b>Amount</b>
2012, the fourth quarter	\$ 4,000,000
2013	4,000,000
	<b>\$ 8,000,000</b>

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

m. 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 \$56,134 thousand and \$54,194 thousand for the six months ended June 30, 2012 and 2011, 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. As approved by the Department of Labor of the Taipei City Government, the Corporation suspended contributing from February 2007 to January 2013.

n. 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 or distributed as cash 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 accounted for using the equity method may not be used for any other purposes.

(2) Legal reserve

According to the Company Act, a company shall first set aside ten percent of its income (after taxes) as legal reserve until it equals to the paid-in capital. After offsetting any deficit, the legal reserve may be transferred to capital as stock dividends or distributed as cash dividends within the amount in excess of 25% of the paid-in capital in pursuant to the resolution to be adopted by the shareholders' meeting.

(3) 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 or be reversed special reserve based on relevant laws or regulations or business requirements, should be distributed as follows:

- (a) Remuneration to directors - up to 0.3%

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

(b) Bonus to employees - 1%-3%

(c) 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 cash dividends 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, except treasury stock. The special reserve appropriated will be reversed to the extent that the net debit balance reverses.

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

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

For the six months ended June 30, 2012, the bonuses to employees and remuneration to directors were accrued based on 3% and 0.3%, respectively, of net income (not including the bonuses to employees and remuneration to directors) 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 2013'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.

The 2011 and 2010 earning appropriations resolved by the AGMs on June 22, 2012, and June 15, 2011, were as follows:

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

	<b>Appropriation of Earnings</b>		<b>Dividend per Share (NT\$)</b>	
	<b>For Fiscal Year 2011</b>	<b>For Fiscal Year 2010</b>	<b>For Fiscal Year 2011</b>	<b>For Fiscal Year 2010</b>
Appropriation of legal reserve	\$ 1,346,876	1,382,219		
Cash dividends	13,880,952	12,439,967	5.16	4.1619
Reversal of special reserve	(821,741)	-		
	<b><u>\$ 14,406,087</u></b>	<b><u>13,822,186</u></b>		

The shareholders, on June 22, 2012, resolved to distribute 2011 bonus of \$362,844 thousand to employees and remuneration of \$36,284 thousand to directors. The shareholders, on June 15, 2011, resolved to distribute 2010 bonus of \$373,059 thousand to employees and remuneration of \$37,306 thousand to directors.

Information on the appropriation of the earnings, bonus to employees, and remuneration to directors 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.

(4) 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 \$3,800,926 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 started on October 3, 2011 and the new shares resumed trading on October 13, 2011.



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

(5) Treasury stock

	(Shares in Thousands)			
Purpose of Buyback	Beginning Shares	Increase	Decrease	Ending Shares
<u>Six months ended June 30, 2012</u>				
Shares held by subsidiaries	730,726	-	-	730,726
 <u>Six months ended June 30, 2011</u>				
Shares held by subsidiaries	811,918	-	-	811,918

As of June 30, 2012, the Corporation's stock held by TCCI, TID, and TUI (all are subsidiaries 100% owned by the Corporation) was 730,726 thousand shares, and the carrying and market values were \$71,976,496 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 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, which are subsidiaries over 50% owned by the Corporation, of treasury stock cannot exercise the voting rights.

(6) Unrealized gain on financial instruments

Changes of unrealized gain on financial instruments for the six months ended June 30, 2012 and 2011, is summarized as follows:

	For the six months ended June 30	
	2012	2011
Available-for-sale financial assets		
Balance, beginning of period	\$ 111,306	89,842
Fair value changes recognized directly in equity	(13,042)	18,855
Unrealized gains on financial instruments	\$ 98,264	108,697

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

o. 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:

	<b>For the six months ended</b>	
	<b>June 30</b>	
	<b>2012</b>	<b>2011</b>
Tax on pretax income at statutory tax rate	\$ 1,384,197	1,302,931
Add (deduct) tax effects of:		
Permanent differences		
Investment income from domestic investees accounted for using the equity method	(462,349)	(356,262)
Temporary differences	(123,452)	(157,130)
Deferred income taxes	105,128	157,062
Prior years' adjustment	(29,840)	(42,890)
Investment tax credits	-	(513)
<b>Income tax expense</b>	<b>\$ 873,684</b>	<b>903,198</b>

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

	<b>June 30</b>	
	<b>2012</b>	<b>2011</b>
Unrealized loss on retirement of property and equipment	\$ 758,198	1,000,715
Amortization of goodwill	(296,959)	(219,491)
Provision for doubtful accounts	131,609	209,186
Depreciation resulting from the differences in estimated service lives of properties	125,248	125,653
Provision for impairment losses on idle assets	20,641	21,317
Other	55,368	35,189
	794,105	1,172,569
Less valuation allowance	(161,437)	(194,311)
	<b>\$ 632,668</b>	<b>978,258</b>
Deferred income tax assets		
Current	\$ 15,044	7,756
Non-current	617,624	970,502
	<b>\$ 632,668</b>	<b>978,258</b>

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

(3) Integrated income tax information was as follows:

	<b>June 30</b>	
	<b>2012</b>	<b>2011</b>
Balance of imputation credit account (ICA)	<b>\$ 3,884,767</b>	<b>2,844,643</b>

As of June 30, 2012, there were no unappropriated earnings generated before January 1, 1998. The actual creditable ratios for the 2011 and 2010 earnings appropriation were 23.46% and 17.68%, 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:

	<b>Year</b>
The Corporation	2009
TAT	2007
Trans Asian Telecommunications Inc. (the former TAT)	All applicable
Mobitai Communications	All applicable

The Corporation's income tax returns for the years up to 2009 had been examined by the tax authorities. The Corporation disagreed with the examination results of the income tax returns for 2006, 2008, and 2009, and has requested for a reexamination. The Corporation also filed for corrections of its 2006 income tax returns.

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 2007 had been examined by the tax authorities. Mobitai disagreed with the examination results of the income tax returns for 2006 and 2007, and has requested for a reexamination.

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

p. Earnings per share

	<u>Amounts (Numerator)</u>			<u>EPS (NT\$)</u>	
	<u>Before</u>	<u>After</u>	<u>Shares</u>	<u>Before</u>	<u>After</u>
	<u>Income Tax</u>	<u>Income Tax</u>	<u>(Denominator)</u>	<u>Income</u>	<u>Income</u>
			<u>(Thousands)</u>	<u>Tax</u>	<u>Tax</u>
<u>Six months ended June 30, 2012</u>					
Basic EPS					
Income of common shareholders	\$ 81,42,334	7,268,650	2,690,107	<u>\$ 3.03</u>	<u>\$ 2.70</u>
Add effect of dilutive potential common stock—bonus to employees	-	-	5,932		
Diluted EPS					
Income of common shareholders with dilutive effect of potential common shares	<u>\$ 8,142,334</u>	<u>7,268,650</u>	<u>2,696,039</u>	<u>\$ 3.02</u>	<u>\$ 2.70</u>
 <u>Six months ended June 30, 2011</u>					
Basic EPS					
Income of common shareholders	\$ 7,664,298	6,761,100	2,989,008	<u>\$ 2.56</u>	<u>\$ 2.26</u>
Add effect of dilutive potential common stock—bonus to employees	-	-	6,733		
Diluted EPS					
Income of common shareholders with dilutive effect of potential common shares	<u>\$ 7,664,298</u>	<u>6,761,100</u>	<u>2,995,741</u>	<u>\$ 2.56</u>	<u>\$ 2.26</u>

The Accounting Research Development Foundation (ARDF) issued Interpretation No. 2007-052, which requires companies to recognize bonuses paid to employees as compensation expenses beginning January 1, 2008. These bonuses was 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 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.

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

q. Financial instrument transactions

(1) Fair value information

	<b>June 30</b>			
	<b>2012</b>		<b>2011</b>	
	<b>Carrying Value</b>	<b>Fair Value</b>	<b>Carrying Value</b>	<b>Fair Value</b>
<u>Financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$ 724,451	724,451	7,968,444	7,968,444
Available-for-sale financial assets – current	204,310	204,310	214,743	214,743
Accounts and notes receivable (including related parties and unrelated parties)	6,106,160	6,106,160	5,608,846	5,608,846
Other receivables (including related parties and unrelated parties)	2,649,020	2,649,020	7,598,959	7,598,959
Financial assets carried at cost – non-current	50,324	-	50,324	-
Refundable deposits	346,833	346,833	327,272	327,272
<u>Liabilities</u>				
Short-term borrowings	7,645,000	7,645,000	-	-
Accounts payable (including related parties and unrelated parties)	3,040,211	3,040,211	2,515,490	2,515,490
Income taxes payable	797,178	797,178	775,462	775,462
Accrued expenses	4,982,766	4,982,766	4,693,714	4,693,714
Other payables	16,979,782	16,979,782	16,464,169	16,464,169
Guarantee deposits (including current and non-current portion )	364,471	364,471	334,752	334,752
Bonds payable (including current portion )	8,000,000	8,130,160	8,000,000	8,260,880

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

- (a) Available-for-sale financial assets—based on quoted prices in an active market at the balance sheet date.
- (b) Financial assets carried at cost—based on the net worth of the investee or estimated book value; this is because there is no active market for unlisted stocks, and a reliable fair value could only be verified at a more than reasonable cost.
- (c) Bonds payable—based on the over-the-counter quotations in June.
- (d) The book values of short-term financial instruments approximate their fair value either due to their short maturities or due to future price equals carrying value; short-term financial instruments include cash and cash equivalents, receivables, refundable deposits, short-term borrowings, payables and guarantee deposits.

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

- (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 \$2,789,000 thousand and \$11,584,612 thousand as of June 30, 2012 and 2011, respectively, and the financial liabilities exposed to fair value interest rate risk amounted to \$15,645,000 thousand and \$8,000,000 thousand as of June 30, 2012 and 2011, respectively. The financial assets exposed to cash flow interest rate risk amounted to \$321,202 thousand and \$481,536 thousand as of June 30, 2012 and 2011, 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, fair value of interest rate, and price risks. Therefore, the overall market risk is not significant.

(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 June 30, 2012 and 2011 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 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.

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

**5. RELATED-PARTY TRANSACTIONS**

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

<b>Related Party</b>	<b>Relationship with the Corporation</b>
Taiwan Cellular Co., Ltd. (TCC)	Subsidiary
Wealth Media Technology Co., Ltd. (WMT)	Subsidiary
Global Wealth Media Technology Co., Ltd. (GWMT)	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. (PCTV)	Subsidiary
Globalview Cable TV Co., Ltd.	Subsidiary
Union Cable TV Co., Ltd.	Subsidiary
TFN HK LIMITED	Subsidiary
TWM Communications (Beijing) Co., Ltd.	Subsidiary
Taiwan Kuro Times Co., Ltd. (TKT)	Subsidiary
ezPeer Multimedia Limited	Subsidiary
Fubon Multimedia Technology Co., Ltd. (FMT)	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)

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

<b>Related Party</b>	<b>Relationship with the Corporation</b>
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)
Tai Fu Media Technology Co., Ltd. (TFMT)	Subsidiary(merged into WMT on March 1, 2012)
Fu Sin Media Technology Co., Ltd. (FSMT)	Subsidiary(merged into TFNM on March 2, 2012)
Fu Jia Leh Media Technology Co., Ltd.	Subsidiary(merged into TFNM on March 2, 2012)
Taiwan Win TV Broadcasting Co., Ltd.	Subsidiary(merged into WMT on March 1, 2012)
Taiwan Mobile Foundation (TWM Foundation)	Over one-third of the Foundation's funds came from the Corporation
Taipei New Horizons Co., Ltd.	Equity-method investee
Fubon Life Assurance Co., Ltd.	Related party in substance
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	Related party in substance

b. Significant transactions with related parties are summarized below:

(1) Operating revenues

	<u>For the six months ended June 30</u>			
	<u>2012</u>		<u>2011</u>	
	<u>Amount</u>	<u>% of Total Revenues</u>	<u>Amount</u>	<u>% of Total Revenues</u>
TFN	<u>\$ 1,275,057</u>	4	<u>1,116,561</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 six months ended June 30</u>			
	<u>2012</u>		<u>2011</u>	
	<u>Amount</u>	<u>% of Total Costs</u>	<u>Amount</u>	<u>% of Total Costs</u>
TFN	\$ 1,862,661	9	1,375,888	7
TKT	95,813	-	39,461	-
Fubon Ins.	16,749	-	18,489	-
	<u>\$ 1,975,223</u>		<u>1,433,838</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) Rental income

	<u>Leased Property</u>	<u>For the six months ended June 30</u>	
		<u>2012</u>	<u>2011</u>
TFN	Offices and BTS, etc.	\$ 44,880	56,313
FMT	Office appliance, etc.	18,172	17,524
		<u>\$ 63,052</u>	<u>73,837</u>

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

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

(4) Cash in banks

	June 30			
	2012		2011	
	Amount	%	Amount	%
TFCB	\$ 95,324	13	335,308	4

(5) Receivables and payables

	June 30			
	2012		2011	
	Amount	%	Amount	%
(a) Accounts receivable				
TFN	\$ 26,709	-	50,244	1
Other	11,760	-	10,389	-
	\$ 38,469		60,633	
(b) Other receivables				
TFNM (Note 2)	\$ 2,489,880	94	2,008,725	26
TFN	42,399	2	38,585	1
WTB (Note 2)	25	-	60,098	1
TCC (Notes 1 and 2)	-	-	5,314,188	70
TDC(Note 2)	-	-	39,128	1
TFMT (Note 2)	-	-	43,068	1
Other(Note 2)	10,753	-	10,445	-
	\$ 2,543,057		7,514,237	

Note 1: Including dividend receivable \$3,310,805 thousand on June 30, 2011.

Note 2: Financing to related parties was as follows:

Related Party	For the six months ended June 30, 2012				
	Drawdown Amount	Ending Balance (Note 1)	Maximum Balance (Notes 1 and 2)	Interest Rate %	Interest Income
TFNM	\$ 2,480,000	4,500,000	4,500,000	1.186~1.198	13,052
GWMT	4,000	10,000	10,000	1.206	8
WMT	-	600,000	600,000	1.206~1.208	82
WTB	-	-	550,000	1.092~1.190	1,141
	\$ 2,484,000	5,110,000			14,283

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

**For the six months ended June 30, 2011**

<b>Related Party</b>	<b>Drawdown Amounts</b>	<b>Ending Balance (Note1)</b>	<b>Maximum Balance (Notes1 and 2)</b>	<b>Interest Rate %</b>	<b>Interest Income</b>
TCC	\$ 2,000,000	2,000,000	9,000,000	0.893~0.950	27,346
TFNM	2,000,000	4,000,000	5,000,000	0.893	13,835
WTB	60,000	550,000	550,000	1.092	68
TFMT	43,000	50,000	50,000	0.950~1.095	174
TDC	39,000	300,000	300,000	0.948~1.002	241
	<b>\$ 4,142,000</b>	<b>6,900,000</b>			<b>41,664</b>

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

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

	<b>June 30</b>			
	<b>2012</b>		<b>2011</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
(c) Prepayments				
Fubon Ins.	<b>\$ 17,055</b>	<b>3</b>	<b>19,121</b>	<b>4</b>
(d) Accounts payable				
TKT	\$ 52,129	2	24,042	1
Other	15	-	15	-
	<b>\$ 52,144</b>		<b>24,057</b>	
(e) Accrued expenses				
TFN	\$ 253,258	5	273,319	6
TT&T	78,361	2	70,761	2
TDC	53,329	1	11,184	-
TSB	17,643	-	8,400	-
	<b>\$ 402,591</b>		<b>363,664</b>	
(f) Other payables				
TFN	\$ 61,978	-	83,497	1
TDC	26,133	-	864	-
	<b>\$ 88,111</b>		<b>84,361</b>	
(g) Other current liabilities - collections and temporary credits for the following				
TFN	<b>\$ 74,779</b>	<b>13</b>	<b>89,559</b>	<b>21</b>

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

(6) Other

	For the six months ended June 30	
	2012	2011
(a) Telecommunication service expenses		
TFN	\$ 36,336	42,355
(b) Professional service fees		
TT&T	\$ 468,333	427,274
(c) Advertisement expenses		
TSB	\$ 17,213	16,800
(d) Repairs and maintenance		
FPM	\$ 11,670	10,864
(e) Other expense		
TFCB	\$ 47,907	17,704
FPM	13,822	12,675
	\$ 61,729	30,379
(f) Commission expense		
TDC	\$ 260,379	81,000
(g) Donation		
TWM Foundation	\$ 7,900	11,713

(7) Financing from related parties was as follows (recognized as short-term borrowing):

For the six months ended June 30, 2012					
Related Party	Drawdown Amount	Ending Balance (Note 1)	Maximum Balance (Notes 1 and 2)	Interest Rate %	Interest Expense
TFN	\$ 5,080,000	7,500,000	7,500,000	1.190~1.208	22,880
TCC	765,000	900,000	900,000	1.198	2,973
	\$ 5,845,000	8,400,000			25,853
For the six months ended June 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

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

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

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

(8) Endorsement/guarantee provided

The Corporation provided a maximum \$21,500,000 thousand guarantee for TFN's bank loans. In accordance with the bank's practice requirement, the Corporation also provided \$21,147,375 thousand in promissory notes outstanding for TFN's borrowings from banks. TFN has not made any drawdown within the guarantee amount.

(9) Other

(a) For the six months ended June 30, 2012 and 2011, 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:

	<b>For the six months ended June 30</b>	
	<b>2012</b>	<b>2011</b>
TFN	\$ 227,435	219,397

(b) For the six months ended June 30, 2012 and 2011, the company below provided services to the Corporation and received fees. The Corporation's service charges paid were as follows:

	<b>For the six months ended June 30</b>	
	<b>2012</b>	<b>2011</b>
TFN	\$ 29,887	32,990

**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 \$6,650,000 thousand in February 2011. As of June 30, 2012, the purchased amount was \$3,828,517 thousand.
- b. Future required rental payments as of June 30, 2012, for significant operating lease agreements, are summarized as follows:

<b>Year of Maturities</b>	<b>Amount</b>
The second half of 2012	\$ 54,770
2013	99,287
2014	93,877
2015	69,715
2016	41,188

**8. SIGNIFICANT CASUALTY LOSS: NONE**

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

**9. SIGNIFICANT SUBSEQUENT EVENTS: NONE**

**10. OTHER**

a. Labor cost, depreciation, and amortization

By Character	For the six months ended June 30					
	2012			2011		
	Classified as Operating Costs	Classified as Operating Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Total
Labor cost						
Salary	\$ 471,297	931,778	1,403,075	463,075	884,471	1,347,546
Labor and health insurance	28,952	56,276	85,228	28,185	51,068	79,253
Pension	18,715	34,217	52,932	18,565	31,649	50,214
Other	20,661	43,946	64,607	20,350	39,702	60,052
Depreciation	3,075,663	157,218	3,232,881	3,211,807	144,783	3,356,590
Amortization	497,863	226,867	724,730	420,382	224,817	645,199

b. Certain accounts in the financial statements as of and for the six months ended June 30, 2011 have been reclassified to conform to the presentation of financial statements as of and for the six months ended June 30, 2012.

**11. ADDITIONAL DISCLOSURES**

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

- a. Financing provided: Table 1 (attached)
- b. Endorsement/guarantee provided: Table 2 (attached)
- c. Marketable securities held: Table 3 (attached)
- d. Accumulated acquisition and disposal of the same marketable securities 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: Table 5 (attached)
- f. Disposal of individual real estate at prices of at least \$100 million or 20% of the paid-in capital: None

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

- g. Total purchases from or sales to related parties amounting to at least \$100 million or 20% of the paid-in capital: Table 6 (attached)
  - h. Receivables from related parties amounting to at least \$100 million or 20% of the paid-in capital: Table 7 (attached)
  - i. Names and locations of, and related information on investees: Table 8 (attached)
  - j. Derivative transactions: None
- (c) Investment in Mainland China:
- (1) The name of the investee company in Mainland China, the main businesses and products, issued capital, method of investment, information on inflow or outflow of capital, ownership, investment gain or loss, ending balance, amount received as earnings distributions from the investment, and the limitation on investment: Table 9 (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 is already disclosed in the consolidated financial report by the Corporation, thus not need to be disclosed again in the individual financial report.

**TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES**  
**FINANCING PROVIDED**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2012**

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	\$ 4,500,000	\$ 4,500,000	\$ 2,480,000	1.186%~1.198%	Short-term financing	-	Operation requirements	-	-	-	\$ 16,926,138 (Note 2)	16,926,138 (Note 2)
		Global Wealth Media Technology Co., Ltd.	Other receivables	10,000	10,000	4,000	1.206%	Short-term financing	-	Operation requirements	-	-	-	16,926,138 (Note 2)	16,926,138 (Note 2)
		Wealth Media Technology Co., Ltd.	Other receivables	600,000	600,000	-	1.206%~1.208%	Short-term financing	-	Operation requirements	-	-	-	16,926,138 (Note 2)	16,926,138 (Note 2)
		Win TV Broadcasting Co., Ltd.	Other receivables	550,000	-	-	1.092%~1.190%	Short-term financing	-	Operation requirements	-	-	-	16,926,138 (Note 2)	16,926,138 (Note 2)
1	Taiwan Cellular Co., Ltd.	The Corporation	Other receivables	900,000	900,000	765,000	1.198%	Short-term financing	-	Operation requirements	-	-	-	31,063,665 (Note 2)	31,063,665 (Note 2)
		Taiwan Digital Communications Co., Ltd.	Other receivables	150,000	150,000	12,000	1.590%~1.595%	Short-term financing	-	Operation requirements	-	-	-	31,063,665 (Note 2)	31,063,665 (Note 2)
		TFN Media Co., Ltd.	Other receivables	5,000,000	-	-	1.493%~1.564%	Short-term financing	-	Operation requirements	-	-	-	31,063,665 (Note 2)	31,063,665 (Note 2)
2	Taiwan Fixed Network Co., Ltd.	The Corporation	Other receivables	7,500,000	7,500,000	5,080,000	1.19%~1.208%	Short-term financing	-	Operation requirements	-	-	-	18,529,503 (Note 2)	18,529,503 (Note 2)
		TFN Union Investment Co., Ltd.	Other receivables	500	-	-	1.087%	Short-term financing	-	Operation requirements	-	-	-	18,529,503 (Note 2)	18,529,503 (Note 2)
		Taiwan Cellular Co., Ltd.	Other receivables	8,170,000	-	-	1.093%~1.164%	Short-term financing	-	Operation requirements	-	-	-	18,529,503 (Note 2)	18,529,503 (Note 2)
3	TCC Investment Co., Ltd.	TCCI Investment and Development Co., Ltd.	Other receivables	500	-	-	1.087%	Short-term financing	-	Operation requirements	-	-	-	11,911,867 (Note 2)	11,911,867 (Note 2)
4	Union Cable TV Co., Ltd.	TFN Media Co., Ltd.	Other receivables	715,000	175,000	-	1.087%~1.190%	Short-term financing	-	Repayment of financing	-	-	-	731,602 (Note 3)	13,500,000 (Note 3)
5	Globalview Cable TV Co., Ltd.	TFN Media Co., Ltd.	Other receivables	250,000	250,000	250,000	1.087%~1.190%	Short-term financing	-	Repayment of financing	-	-	-	259,812 (Note 4)	497,175 (Note 4)

(Continued)



**TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES**

**FINANCING PROVIDED**

**FOR THE SIX MONTHS ENDED JUNE 30, 2012**

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	\$ 596,000	\$ 580,000	\$ 580,000	1.092%~1.190%	Transactions	\$ 584,008	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	544,000	400,000	344,000	1.092%~1.208%	Transactions	535,559	Business requirements	-	-	-	24,000,000 (Note 5)	24,000,000 (Note 5)
8	Wealth Media Technology Co., Ltd.	Win TV Broadcasting Co., Ltd.	Other receivables	600,000	600,000	110,000	1.600%~1.608%	Short-term financing	-	Operation requirements	-	-	-	5,929,992 (Note 2)	5,929,992 (Note 2)
		Global Wealth Media Co., Ltd.(Note 6)	Other receivables	10,000	-	-	1.087%	Short-term financing	-	Repayment of financing	-	-	-	5,929,992 (Note 2)	5,929,992 (Note 2)
		Tai Fu Media Technology Co., Ltd. (Note 7)	Other receivables	50,000	-	-	1.186%	Short-term financing	-	Operation requirements	-	-	-	5,929,992 (Note 2)	5,929,992 (Note 2)
9	TFN Media Co., Ltd	Taiwan Kuro Times Co., Ltd.	Other receivables	100,000	100,000	30,000	1.578%~1.590%	Short-term financing	-	Repayment of financing	-	-	-	3,222,524 (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 in)\* (the total loaning amounts of the loaning entities). In the event that a lending company directly or indirectly owns 100% of the counter-party, or the company directly or indirectly owns 100% of the lending company, 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.

Note 6: TFMT assumed the amount of financing from related parties derived by Wealth Media Technology Co., Ltd because of the merge.

Note 7: TFMT was dissolved due to the merging on March 1, 2012.

**TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES**

**ENDORSEMENT/ GUARANTEE PROVIDED**

**JUNE 30, 2012**

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)	\$ 21,147,375	\$ 21,147,375	\$ -	49.98%	\$ 42,315,346 (Note 3)
1	Fubon Multimedia Technology Co., Ltd.	Fubon Gehua (Beijing) Enterprise Co., Ltd.	(Note 2)	368,745 (Note 4)	170,573	170,573	104,738	8.96%	1,903,218 (Note 4)

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: FGE is directly and indirectly owned by FMT more than 50%. The aggregate endorsement/guarantee amount provided by FMT shall be limited to the net worth of FMT, and the individual amount shall be limited to the investment amount in FGE. The above amounts were translated into New Taiwan dollars at the exchange rate of US\$1 = NT\$29.925 as of June 30, 2012.

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

JUNE 30, 2012

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	June 30, 2012				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	\$ 204,310	0.028	\$ 204,310 (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 2)	
	Wealth Media Technology Co., Ltd.	Subsidiary	Long-term investments - equity method	39,065	14,824,981	100	14,824,981	
	Taiwan Cellular Co., Ltd.	Subsidiary	Long-term investments - equity method	370,896	15,706,021	100	77,659,163 (Note 4)	
	Taipei New Horizons Co., Ltd.	Equity-method investee	Long-term investments - equity method	64,870	550,281	49.9	550,281	
			Prepayment for long-term investments	-	74,850	-	74,850	
Wealth Media Technology Co., Ltd.	<u>Stock</u> Fubon Multimedia Technology Co., Ltd.	Subsidiary	Long-term investments - equity method	64,742	8,440,593	50.64	963,710	
	Win TV Broadcasting Co., Ltd.	Subsidiary	Long-term investments - equity method	18,177	243,570	100	235,953	
	TFN Media Co., Ltd.	Subsidiary	Long-term investments - equity method	230,921	5,875,546	100	8,056,309	
	Global Wealth Media Technology Co., Ltd.	Subsidiary	Long-term investments - equity method	8,945	94,026	100	94,026	
	Global Forest Media Technology Co., Ltd.	Subsidiary	Long-term investments - equity method	1,500	17,330	100	17,330	
Global Wealth Media Technology Co., Ltd.	<u>Stock</u> Globalview Cable TV Co., Ltd.	Subsidiary	Long-term investments - equity method	3,825	92,377	6.83	44,369	
Global Forest Media Technology Co., Ltd.	<u>Stock</u> Union Cable TV Co., Ltd.	Subsidiary	Long-term investments - equity method	1,300	15,514	0.76	13,952	

(Continued)

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

JUNE 30, 2012

Investing Company (A)	Marketable Securities Invested (B)	Relationship with the Investing Company (B is A's)	Financial Statement Account	June 30, 2012				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	4,314	\$ 60,407	-	\$ 60,407 (Note 5)	
	<u>Stock</u>							
	Fu Sheng Travel Service Co.,Ltd.	Subsidiary	Long-term investments - equity method	600	16,502	100	16,502	
	Fuli Life Insurance Agent Co.,Ltd.	Subsidiary	Long-term investments - equity method	300	10,658	100	10,658	
Asian Crown International Co., Ltd.	Fuli Property Insurance Agent Co.,Ltd.	Subsidiary	Long-term investments - equity method	300	12,650	100	12,650	
	Asian Crown International Co., Ltd.	Subsidiary	Long-term investments - equity method	47	US\$ 7,253	100	US\$ 7,253	
	<u>Stock</u>							
	Fortune Kingdom Corporation	Subsidiary	Long-term investments - equity method	14,000	US\$ 7,253	100	US\$ 7,253	
Fortune Kingdom Corporation	<u>Stock</u>							
	Hong Kong Fubon Multimedia Technology Co., Ltd.	Subsidiary	Long-term investments - equity method	14,000	US\$ 7,253	100	US\$ 7,253	
Hong Kong Fubon Multimedia Technology Co., Ltd.	<u>Stock</u>							
	Fubon Gehua (Beijing) Enterprise Ltd.	Subsidiary	Long-term investments - equity method	-	US\$ 5,656	80	US\$ 5,656	
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	19,873	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

JUNE 30, 2012

Investing Company (A)	Marketable Securities Invested (B)	Relationship with the Investing Company (B is A's)	Financial Statement Account	June 30, 2012				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\$ 8,325	100	US\$ 8,325	
	Taiwan Fixed Network Co., Ltd.	Subsidiary	Long-term investments - equity method	2,100,000	46,323,758	100	46,323,758	
	Taiwan Digital Communication Co., Ltd.	Subsidiary	Long-term investments - equity method	11,200	102,114	100	102,114	
	TCC Investment Co., Ltd.	Subsidiary	Long-term investments - equity method	22,103	29,906,850	100	29,779,667	
	Taiwan Teleservices & Technologies Co., Ltd.	Subsidiary	Long-term investments - equity method	2,484	78,201	100	78,201	
TWM Holding Co., Ltd.	<u>Stock</u> TWM Communications (Beijing) Co., Ltd.	Subsidiary	Long-term investments - equity method	-	US\$ 3,761	100	US\$ 2,871	
Taiwan Teleservices & Technologies Co., Ltd.	<u>Stock</u> TT & T Holdings Co., Ltd.	Subsidiary	Long-term investments - equity method	1,300	47,213	100	47,213	
	Taiwan Super Basketball Co., Ltd.	Subsidiary	Long-term investments - equity method	2,000	24,073	100	24,073	
TT&T Holdings Co., Ltd.	<u>Stock</u> Xiamen Taifu Teleservices & Technologies Co., Ltd.	Subsidiary	Long-term investments - equity method	-	46,579	100	46,579	
TCC Investment Co., Ltd.	<u>Stock</u> Taiwan Mobile Co., Ltd. (the "Corporation")	The Corporation	Available-for-sale financial assets - non-current	200,497	19,748,931	5.86	19,748,931 (Note 5)	
	TCCI Investment and Development Co., Ltd.	Subsidiary	Long-term investments - equity method	400	11,250,532	100	11,250,532	
	Great Taipei Broadband Co., Ltd.	-	Financial assets carried at cost - non-current	10,000	39,627	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	119,564	11,777,035	3.50	11,777,035 (Note 5)	
TFN Media Co., Ltd.	<u>Stock</u> Yeong Jia Leh Cable TV Co., Ltd.	Subsidiary	Long-term investments - equity method	33,940	2,119,923	100	595,442	

(Continued)

**TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES**

**MARKETABLE SECURITIES HELD**

**JUNE 30, 2012**

Investing Company (A)	Marketable Securities Invested (B)	Relationship with the Investing Company (B is A's)	Financial Statement Account	June 30, 2012				Note
				Shares/Units (Thousands)	Carrying Value	Percentage of Ownership	Market Value (Note 1)	
TFN Media Co., Ltd.	Mangrove Cable TV Co., Ltd.	Related party in substance	Long-term investments - equity method	6,248	\$ 574,747	29.53	\$ 311,572 (Note 6)	
	Phoenix Cable TV Co., Ltd.	Subsidiary	Long-term investments - equity method	68,090	3,274,090	100	949,305	
	Union Cable TV Co., Ltd.	Subsidiary	Long-term investments - equity method	169,141	2,018,004	99.22	1,814,819	
	Globalview Cable TV Co., Ltd.	Subsidiary	Long-term investments - equity method	51,733	1,222,562	92.38	600,042	
	Taiwan Kuro Times Co., Ltd.	Subsidiary	Long-term investments - equity method	1,214	124,502	100	33,648	
Taiwan Kuro Times Co., Ltd.	<u>Stock</u> ezPeer Multimedia Limited	Subsidiary	Long-term investments - equity method	1 share	US\$ 591	100	US\$ 591	
Taiwan Fixed Network Co., Ltd.	<u>Stock</u> TFN Union Investment Co., Ltd.	Subsidiary	Long-term investments - equity method	400	38,638,195	100	38,638,195	
	TFN HK LIMITED	Subsidiary	Long-term investments - equity method	1,300	HK\$ 2,353	100	HK\$ 2,353	
	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	410,665	40,450,530	12.00	40,450,530 (Note 5)	

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

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

Note 3: As of July 26, 2012, 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 \$ 77,659,163 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 \$(31,332,696) 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 \$(19,170) thousand.

Note 5: Based on the closing price or net asset value of funds on June 30, 2012.

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\$29.925 and HK\$1 = NT\$3.858 as of June 30, 2012.

**TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES**  
**MARKETABLE SECURITIES ACQUIRED OR DISPOSED AMOUNTING TO AT LEAST \$100 MILLION**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2012**

TABLE 4  
(In Thousands of New Taiwan Dollars)

Company Name	Marketable Securities Type and Issuer	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal			Ending Balance		
					Shares/Units (Thousands)	Amount	Shares/Units (Thousands)	Amount	Shares/Units (Thousands)	Amount	Carrying Value	Gain (Loss) on Disposal	Shares/Units (Thousands)	Amount
Taiwan Mobile Co., Ltd. (the "Corporation")	Stock Wealth Media Technology Co., Ltd.	Long-term investment-equity method	Wealth Media Technology Co., Ltd.	Subsidiary	38,550	\$ 8,862,168	515 (Note 1)	\$5,150,000	-	\$ -	\$ -	\$ -	39,065	\$14,824,981 (Note 2)
Wealth Media Technology Co., Ltd.	Stock Tai Fu Media Technology Co., Ltd.	Long-term investment-equity method	Tai Fu Media Technology Co., Ltd.	Subsidiary	20,090	215,600	6,715 (Note 3)	5,342,474 (Note 4)	26,805	-	-	- (Note 5)	-	- (Note 5)
Tai Fu Media Technology Co., Ltd.	Stock TFN Media Co., Ltd.	Long-term investment-equity method	TFN Media Co., Ltd	Subsidiary	-	-	395 (Note 1)	3,950,000	-	-	-	-	-	-
Taiwan Cellular Co., Ltd(TCC)	Stock Tai Fu Media Technology Co., Ltd.	Long-term investment-equity method	Wealth Media Technology Co., Ltd.	Subsidiary	-	-	- (Note 6)	- (Note 6)	6,315	1,342,474	1,343,055 (Note 7)	-	-	-
TCC Investment Co., Ltd.	Stock Win TV Broadcasting Co., Ltd.	Long-term investment-equity method	Tai Fu Media Technology Co., Ltd.	Subsidiary	18,177	264,364	-	-	18,177	215,575	216,370 (Note 8)	-	-	-
	TFN Media Co., Ltd.	Long-term investment-equity method	Tai Fu Media Technology Co., Ltd.	Subsidiary	230,526	2,702,552	-	-	230,526	1,084,150	1,093,195 (Note 8)	-	-	-

Note 1: The shares/units of marketable securities acquired represent new shares issued for capital injection by cash.

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

Note 3: The shares/units of marketable securities acquired include new shares issued for capital injection and shares by procurement.

Note 4: The amount of marketable securities acquired include capital injection by cash and shares by procurement.

Note 5: TFMT was dissolved due to the organization reengineering, so it has no gain(loss) from disposal.

Note 6: TCC had no acquisition of marketable securities of TFMT, which came from TFMT's acquisition of WTVB and TFNM from TCCI. Therefore, TCC's investment on TCCI was replaced by TFMT.

Note 7: The difference between the proceeds from the disposal of stock and the book value was adjusted by an additional paid-in capital.

Note 8: On February 8, 2012, TFMT acquired WTVB and TFNM which were 100% held by TCCI and issued new shares to TCC. The difference between the selling price and the book value was adjusted by the additional paid-in capital.

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL

FOR THE SIX MONTHS ENDED JUNE 30, 2012

TABLE 5

(In Thousands of New Taiwan Dollars)

Company Name	Type of Properties	Transaction Date	Transaction Amount	Payment Status	Counter-Party	Relationship	Where Counter-party is a Related, Details of Prior Transaction				Price Reference	Date of Acquisition and Status of Utilization	Other Commitments
							Owner	Relationships	Date of Ownership Transfer	Amount			
Taiwan Fixed Network Co., Ltd.	Land and Building	101/6/22	\$ 318,088	Paying \$95,000 thousand as of June 30, 2012, recognized as prepayments for equipment	DSM-AGI Co., Ltd.	Third party	-	-	-	-	Based on valuation report of the Top Real Estate Joint Appraisers Firm	Operating requirement	None



**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 SIX MONTHS ENDED JUNE 30, 2012**

TABLE 6

(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	\$ (1,275,057)	(4)	Based on contract terms	-	-	\$ 419,936	6	(Note 1)
	Taiwan Teleservices & Technologies Co., Ltd.	Subsidiary	Purchase	1,898,997	(Note 2)	Based on contract terms	-	-	(241,656)	(Note 3)	
			Purchase	468,333	(Note 4)	Based on contract terms	-	-	(78,354)	(Note 5)	
	Taiwan Digital Communication Co., Ltd.	Subsidiary	Purchase	260,379	(Note 4)	Based on contract terms	-	-	(79,462)	(Note 3)	
Taiwan Teleservices & Technologies Co., Ltd.	The Corporation	Ultimate parent	Sale	(468,401)	(89)	Based on contract terms	-	-	78,369	89	
Taiwan Fixed Network Co., Ltd.	The Corporation	Ultimate parent	Sale	(1,893,368)	(31)	Based on contract terms	-	-	241,656	28	(Note 6)
			Purchase	1,276,675	33	Based on contract terms	-	-	(419,564)	(53)	
Taiwan Digital Communication Co., Ltd.	The Corporation	Ultimate parent	Sale	(260,379)	(74)	Based on contract terms	-	-	79,461	99	
TFN Media Co., Ltd.	Phoenix Cable TV Co., Ltd.	Subsidiary	Channel leasing fee	(243,380)	(16)	Based on contract terms	(Note 7)	(Note 7)	1,169	1	
	Yeong Jia Leh Cable TV Co., Ltd.	Subsidiary	Channel leasing fee	(222,862)	(15)	Based on contract terms	(Note 7)	(Note 7)	1,848	1	
	Union Cable TV Co., Ltd.	Subsidiary	Channel leasing fee	(113,718)	(8)	Based on contract terms	(Note 7)	(Note 7)	613	-	
Yeong Jia Leh Cable TV Co., Ltd.	TFN Media Co., Ltd.	Parent	Royalty for copyright	222,862	65	Based on contract terms	(Note 7)	(Note 7)	(1,848)	(19)	
Phoenix Cable TV Co., Ltd.	TFN Media Co., Ltd.	Parent	Royalty for copyright	243,380	66	Based on contract terms	(Note 7)	(Note 7)	(1,169)	(18)	
Union Cable TV Co., Ltd.	TFN Media Co., Ltd.	Parent	Royalty for copyright	113,718	59	Based on contract terms	(Note 7)	(Note 7)	(613)	(19)	

Note 1: The \$419,936 thousand accounts receivable amount was expressed on a gross basis in accordance with the sales amount. The net accounts receivable should be \$26,709 thousand after deducting accounts payable and accrued custodial receipts/payments totaling \$393,227 thousand.

Note 2: Included operating costs and operating expenses.

Note 3: Included accrued expenses and other payable.

Note 4: Recognized as operating expenses.

Note 5: Recognized as accrued expenses.

Note 6: The \$241,656 thousand accounts receivable amount was expressed on a gross basis in accordance with the sales amount. The net accounts receivable should be \$225,412 thousand after deducting accounts payable and accrued custodial receipts/payments totaling \$16,244 thousand.

Note 7: The company authorized related party to deal with the copyright fees from cable television. As said account item is the only one, there are no comparables.

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL

JUNE 30, 2012

TABLE 7

(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 \$419,936	5.97	\$ -	-	\$ -	\$ -
			Other receivables 42,399					
	TFN Media Co., Ltd.	Subsidiary	Other receivables 2,489,880		-	-	-	-
Taiwan Cellular Co., Ltd.	The Corporation	Parent	Other receivables 767,995		-	-	-	-
Taiwan Fixed Network Co., Ltd.	The Corporation	Ultimate parent	Accounts receivable 241,656	11.47	-	-	208,604	-
			Other receivables 5,244,874				-	57,494
Phoenix Cable TV Co., Ltd.	TFN Media Co., Ltd.	Parent	Accounts receivable 6,603	4.92	-	-	-	-
			Other receivables 580,001				-	-
Globalview Cable TV Co., Ltd.	TFN Media Co., Ltd.	Parent	Accounts receivable 2,911	4.64	-	-	-	-
			Other receivables 250,001				-	-
Yeong Jia Leh Cable TV Co., Ltd.	TFN Media Co., Ltd.	Parent	Accounts receivable 7,168	5.26	-	-	-	-
			Other receivables 344,267				-	-

**TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES**  
**NAMES AND LOCATIONS OF, AND OTHER INFORMATION ON INVESTEEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2012**

TABLE 8  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor	Investee	Location	Main Businesses and Products	Investment Amount		Balance as of June 30, 2012			Net Income (Loss) of the Investee	Investment Income (Loss)	Note
				June 30, 2012	December 31, 2011	Shares (Thousands)	Percentage of Ownership	Carrying Value			
Taiwan Mobile Co., Ltd. (the "Corporation")	Taiwan Cellular Co., Ltd.	Taipei, Taiwan	Equipment installation and IT service provider	\$ 44,467,288	\$ 44,467,288	370,896	100	\$ 15,706,021 (Note 1)	\$ 1,746,366	\$ 1,751,699	
	Taipei New Horizons Co., Ltd.	Taipei, Taiwan	Real estate rental and sale	648,700	648,700	64,870	49.9	550,281	(25,113)	(12,531)	
	Wealth Media Technology Co., Ltd.	Taipei, Taiwan	Investment	13,802,000	8,652,000	39,065	100	14,824,981	980,534	980,534	
Wealth Media Technology Co., Ltd.	Fubon Multimedia Technology Co., Ltd.	Taipei, Taiwan	Wholesale and retail sales via traditional and online shopping channels	8,347,949	8,347,949	64,742	50.64	8,440,593	310,923	NA	
	Win TV Broadcasting Co., Ltd.	Taipei, Taiwan	TV program provider	222,417	188,047 (Note 2)	18,177	100	243,570	32,995	NA	
	TFN Media Co., Ltd.	Taipei, Taiwan	Cable broadband and value added service provider	5,210,443	2,035,714 (Note 2)	230,921	100	5,875,546	1,063,739	NA	
	Global Wealth Media Technology Co., Ltd.	New Taipei City, Taiwan	Investment	92,189	84,000 (Note 2)	8,945	100	94,026	2,736	NA	
	Global Forest Media Technology Co., Ltd.	Taipei, Taiwan	Investment	16,984	15,000 (Note 3)	1,500	100	17,330	463	NA	
Global Wealth Media Technology Co., Ltd.	Globalview Cable TV Co., Ltd.	New Taipei City, Taiwan	Cable TV service provider	91,910	91,910	3,825	6.83	92,377	41,678	NA	
Global Forest Media Technology Co., Ltd.	Union Cable TV Co., Ltd.	Yilan County, Taiwan	Cable TV service provider	16,218	16,218	1,300	0.76	15,514	69,912	NA	
Fubon Multimedia Technology Co., Ltd.	Fu Sheng Travel Service Co., Ltd.	Taipei, Taiwan	Travel agent	10,000	10,000	600	100	16,502	10,296	NA	
	Fuli Life Insurance Agent Co., Ltd.	Taipei, Taiwan	Life Insurance Agent	3,000	3,000	300	100	10,658	2,611	NA	
	Fuli Property Insurance Agent Co., Ltd.	Taipei, Taiwan	Property Insurance Agent	3,000	3,000	300	100	12,650	4,618	NA	
	Asian Crown International Co., Ltd.	British Virgin Islands	Investment	US\$ 14,000	US\$ 14,000	47	100	US\$ 7,253	US\$ (3,442)	NA	
Asian Crown International Co., Ltd.	Fortune Kingdom Corporation	Samoa	Investment	US\$ 14,000	US\$ 14,000	14,000	100	US\$ 7,253	US\$ (3,442)	NA	
Fortune Kingdom Corporation	Hong Kong Fubon Multimedia Technology Co., Ltd.	Hong Kong	Investment	US\$ 14,000	US\$ 14,000	14,000	100	US\$ 7,253	US\$ (3,442)	NA	
Hong Kong Fubon Multimedia Technology Co., Ltd.	Fubon Gehua (Beijing) Enterprise Ltd.	Beijing, China	Wholesale and retail sales	US\$ 12,319	US\$ 12,319	-	80	US\$ 5,656	US\$ (4,305)	NA	
Taiwan Cellular Co., Ltd.	TWM Holding Co. Ltd.	British Virgin Islands	Investment	US\$ 10,800	US\$ 10,800	1 share	100	US\$ 8,325	US\$ (403)	NA	
	Taiwan Fixed Network Co., Ltd.	Taipei, Taiwan	Fixed line service provider	21,000,000	21,000,000	2,100,000	100	46,323,758	1,529,069	NA	
	Taiwan Digital Communication Co., Ltd.	Taipei, Taiwan	Retail seller of mobile devices	112,000	112,000	11,200	100	102,114	(10,602)	NA	
	TCC Investment Co., Ltd.	Taipei, Taiwan	Investment	20,680,441	22,002,255	22,103	100	29,906,850	168,842	NA	
	Taiwan Teleservices & Technologies Co., Ltd.	Taipei, Taiwan	Call center service and telephone marketing	39,060	39,060	2,484	100	78,201	27,078	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\$ 3,761	US\$ (419)	NA	
Taiwan Teleservices & Technologies Co., Ltd.	TT&T Holdings Co., Ltd.	Samoa	Investment	36,284	36,284	1,300	100	47,213	(740)	NA	
	Taiwan Super Basketball Co., Ltd.	Taipei, Taiwan	Basketball team management	3,511	3,511	2,000	100	24,073	3,771	NA	
TT&T Holdings Co., Ltd.	Xiamen Taifu Teleservices & Technologies Co., Ltd.	Xiamen, China	System integration, management, analysis, and development of CRM application and information consulting services	41,050	41,050	-	100	46,579	(660)	NA	
TCC Investment Co., Ltd.	TCCI Investment and Development Co., Ltd.	Taipei, Taiwan	Investment	6,498,076	6,498,076	400	100	11,250,532	(45)	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	2,119,923	114,249	NA	
	Mangrove Cable TV Co., Ltd.	New Taipei City, Taiwan	Cable TV service provider	397,703	397,703	6,248 (Note 4)	29.53	574,747	54,628	NA	
	Phoenix Cable TV Co., Ltd.	Kaohsiung County, Taiwan	Cable TV service provider	2,431,263	2,428,325 (Note 5)	68,090	100	3,274,090	115,625	NA	
	Union Cable TV Co., Ltd.	Yilan County, Taiwan	Cable TV service provider	1,889,910	1,889,910	169,141	99.22	2,018,004	69,912	NA	
Taiwan Kuro Times Co., Ltd.	Globalview Cable TV Co., Ltd.	New Taipei City, Taiwan	Cable TV service provider	841,413	841,413	51,733	92.38	1,222,562	41,678	NA	
	Taiwan Kuro Times Co., Ltd.	Taipei, Taiwan	Online music platform	129,900	129,900	1,214	100	124,502	3,790	NA	
	ezPeer Multimedia Limited	Samoa	Investment	US\$ 1,522	US\$ 1,522	1 share	100	US\$ 591	US\$ (253)	NA	
	TFN Union Investment Co., Ltd.	Taipei, Taiwan	Investment	22,314,536	22,314,536	400	100	38,638,195	(45)	NA	
Taiwan Fixed Network Co., Ltd.	TFN HK LIMITED	Hong Kong	Telecommunications service provider	HK\$ 1,300	HK\$ 1,300	1,300	100	HK\$ 2,353	HK\$ 334	NA	

**TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES**  
**NAMES AND LOCATIONS OF, AND OTHER INFORMATION ON INVESTEEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2012**

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 \$71,240,737 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 \$(31,332,696) 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 \$(19,170) thousand.

Note 2: Became a subsidiary of WMT due to the merging of WTB and TFNM into TFMT on February 8, 2012. Then, TFMT was merged by WMT on March 1, 2012.

Note 3: Became a subsidiary of WMT, which merged TFMT on March 1, 2012.

Note 4: 70.47% of shares are held under trustee accounts.

Note 5: FSMT originally owned 3.34% of the shares of PCTV. Then, FSMT was merged by TFNM on March 2, 2012 which subscribed all the shares.

Note 6: The above amounts were translated into New Taiwan dollars at the exchange rate of US\$1=NT\$29.925 and HK\$1=NT\$3.858 as of June 30, 2012.

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

TABLE 9  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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, 2012	Investment Flows		Accumulated Outflow of Investment from Taiwan as of June 30, 2012	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Value as of June 30, 2012	Accumulated Inward Remittance of Earnings as of June 30, 2012
					Outflow	Inflow					
Xiamen Taifu Teleservices & Technologies Co., Ltd.	System integration, management, analysis, and development of CRM application and information consulting services	US\$ 1,300 (NT\$ 38,903)	Indirect investment in Mainland China through a third place by the Corporation's subsidiary Taiwan Teleservices & Technologies Co., Ltd.	US\$ 1,300 (NT\$ 38,903)	\$ -	\$ -	US\$ 1,300 (NT\$ 38,903)	100% ownership of indirect investment by the Corporation's subsidiary	\$ (660) (Note 3)	\$ 46,579	\$ -
TWM Communications (Beijing) Co. Ltd.	Mobile application development and design	US\$ 3,000 (NT\$ 89,775)	Indirect investment in Mainland China through a third place by the Corporation's subsidiary Taiwan Cellular Co., Ltd.	US\$ 4,872 (NT\$ 145,795)	-	-	US\$ 4,872 (NT\$ 145,795)	100% ownership of indirect investment by the Corporation's subsidiary	US\$ (419) (NT\$ (12,539)) (Note 3)	US\$ 3,761 (NT\$ 112,548)	-
Fubon Gehua (Beijing) Enterprise Ltd.	Wholesale and retail sales	RMB100,000 (NT\$ 471,000)	Indirect investment in Mainland China through a third place by the Corporation's subsidiary Fubon Multimedia Technology Co., Ltd.	US\$ 12,319 (NT\$ 368,646)	-	-	US\$ 12,319 (NT\$ 368,646)	80% ownership of indirect investment by the Corporation's subsidiary	US\$ (3,444) (NT\$ (103,062)) (Note 4)	US\$ 5,656 (NT\$ 169,256)	-

Accumulated Investment in Mainland China as of June 30, 2012	Investment Amounts Authorized by Investment Commission, MOEA (Note 2)	Upper Limit on Investment Authorized by Investment Commission, MOEA (Note 2)
US\$1,300 (NT\$38,903)	US\$1,300 (NT\$38,903)	\$25,981,515
US\$4,872 (NT\$145,795)	US\$4,872 (NT\$145,795)	\$46,595,498
US\$12,319 (NT\$368,646)	US\$15,000 (NT\$448,875)	\$25,981,515

Note 1: The above amounts were translated into New Taiwan dollars at the exchange rate of US\$1 = NT\$29.925 and US\$1 = RMB\$6.3535 as of June 30, 2012.

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 unaudited financial statements.

Note 4: Calculation was based on audited financial statements.

**TAIWAN MOBILE CO., LTD.**  
**CASH AND CASH EQUIVALENTS**

**JUNE 30, 2012**

**(In Thousands of New Taiwan Dollars/unless Stated Otherwise)**

<b>Item</b>	<b>Due Date</b>	<b>Amount</b>
Cash in banks		
Foreign-currency deposits		
EUR34,335.71 (exchange rate at 37.23)		\$ 1,278
US\$1,892,039.91 (exchange rate at 29.925)		56,619
Checking deposits		2,725
Demand deposits		<u>263,304</u>
		<u>323,926</u>
Government bonds with repurchase rights	2012.07.04	<u>305,000</u>
Cash on hand		<u>88,555</u>
Revolving funds		<u>6,970</u>
		<u><u>\$ 724,451</u></u>

**TAIWAN MOBILE CO., LTD.**  
**NOTES AND ACCOUNTS RECEIVABLE**  
**JUNE 30, 2012**  
(In Thousands of New Taiwan Dollars)

<b>Client</b>	<b>Amount</b>
Related parties	
Taiwan Fixed Network Co., Ltd.	\$ 26,709
Other (Note)	11,760
Subtotal	38,469
Third parties	
Chunghwa Telecom Co., Ltd.	407,271
President Chain Store Corporation	333,875
Other (Note)	5,515,017
	6,256,163
Less allowance for doubtful accounts	(188,472)
Subtotal	6,067,691
Total	<b>\$ 6,106,160</b>

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

**TAIWAN MOBILE CO., LTD.**  
**OTHERS RECEIVABLES**  
**JUNE 30, 2012**  
**(In Thousands of New Taiwan Dollars)**

<u>Item</u>	<u>Amount</u>
Receivable for financing provided	\$ 2,484,000
Other (Note)	165,020
Total	<u><u>\$ 2,649,020</u></u>

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



**TAIWAN MOBILE CO., LTD.**  
**CHANGES IN LONG-TERM INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2012**  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

	Par Value	Thousand Shares	Beginning Balance		Increase		Decrease		Adjustments on Equity Method (Note 2)	Ending Balance		Market Price or Net Asset Value (Note 3)	
			Thousand Shares	Amount	Thousand Shares	Amount	Thousand Shares	Amount (Note 1)		Thousand Shares	% of Ownership		Amount
Taiwan Cellular Co., Ltd.	NT\$ 10	370,896	\$ 17,195,352	-	-	-	3,227,458	1,738,127	370,896	100	15,706,021	77,659,163	
Wealth Media Technology Co., Ltd.	10	38,550	8,862,169	515	5,150,000	-	173,973	986,785	39,065	100	14,824,981	14,824,981	
Taipei New Horizons Co., Ltd.	10	64,870	562,812	-	-	-	-	(12,531)	64,870	49.9	550,281	550,281	
Subtotal			\$ 26,620,333		5,150,000		3,401,431	2,712,381			31,081,283		
Prepayment for long-term investments													
Taipei New Horizons Co., Ltd.			-		74,850		-	-			74,850		
<b>Total</b>			<b>\$ 26,620,333</b>		<b>5,224,850</b>		<b>3,401,431</b>	<b>2,712,381</b>			<b>31,156,133</b>		

Note 1: The decrease included the following:

Distributing of cash dividends by Taiwan Cellular Co., Ltd.	\$ 3,227,458
Distributing of cash dividends by Wealth Media Technology Co., Ltd.	173,973
	<u>\$ 3,401,431</u>

Note 2: Other adjustment from equity method evaluation included the following:

a. Recognized investment income according to investees' financial report	\$ 2,719,702
b. Recognized changes in cumulative translation adjustment of investees	(7,321)
	<u>\$ 2,712,381</u>

Note 3: The net asset value was calculated based on investees' unaudited financial statements as of June 30, 2012.

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

**TAIWAN MOBILE CO., LTD.**  
**CHANGES IN PROPERTY AND EQUIPMENT**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2012**  
(In Thousands of New Taiwan Dollars)

Item	Beginning Balance	Changes for the Period			Ending Balance
		Increase	Decrease	Reclassification	
Cost					
Land	\$ 4,149,141	-	-	(42,328)	4,106,813
Buildings	2,566,966	-	-	(23,289)	2,543,677
Telecommunication equipment	58,358,681	18,539	715,943	1,948,813	59,610,090
Office equipment	11,308	1,182	-	-	12,490
Leased assets	1,285,920	-	-	-	1,285,920
Miscellaneous equipment	1,669,633	62,555	34,475	59,471	1,757,184
Total	68,041,649	<b>82,276</b>	<b>750,418</b>	<b>1,942,667</b>	69,316,174
Accumulated depreciation					
Buildings	637,188	31,764	-	(5,181)	663,771
Telecommunication equipment	36,172,961	3,014,926	509,908	-	38,677,979
Office equipment	6,910	1,002	-	-	7,912
Leased assets	615,702	32,240	-	-	647,942
Miscellaneous equipment	1,192,460	152,949	32,968	1,926	1,314,367
Total	38,625,221	<b>3,232,881</b>	<b>542,876</b>	<b>(3,255)</b>	41,311,971
Construction in progress and advance payments	1,962,224	<b>2,182,021</b>	<b>161</b>	<b>(2,006,694)</b>	2,137,390
Accumulated impairment					
Land	80,233	-	-	(16,146)	64,087
Building	30,248	-	-	(5,832)	24,416
Total	110,481	-	-	<b>(21,978)</b>	88,503
Net property and equipment	<b>\$31,268,171</b>				<b>30,053,090</b>

Note 1: The total insurance for property, equipment, and assets leased to others amounted to \$20,919,680 thousand.

Note 2: The increase of the construction in progress and advance payments included capitalized interests amounting to \$7,189 thousand.

**TAIWAN MOBILE CO., LTD.**  
**ASSETS LEASED TO OTHERS AND IDLE ASSETS**  
**JUNE 30, 2012**  
(In Thousands of New Taiwan Dollars)

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Carrying Value</u>
Assets leased to others			
Land	\$ 1,514,139	-	1,514,139
Buildings	710,692	207,097	503,595
	<u>\$ 2,224,831</u>	<u>207,097</u>	2,017,734
Less accumulated impairment			(21,978)
			<u>\$ 1,995,756</u>
Idle assets			
Land	\$ 9,772	-	9,772
Buildings	7,490	1,848	5,642
Telecommunication equipment	51,578	15,650	35,928
	<u>\$ 68,840</u>	<u>17,498</u>	51,342
Less allowance for losses			(35,928)
Less accumulated impairment			(4,614)
			<u>\$ 10,800</u>

**TAIWAN MOBILE CO., LTD.**  
**SHORT-TERM BORROWINGS**  
**JUNE 30, 2012**  
(In Thousands of New Taiwan Dollars)

<b>Loan Type and Creditor</b>	<b>Financing Period</b>	<b>Annual Interest Rate</b>	<b>Amount</b>	<b>Credit Line</b>	<b>Mortgage Guarantee</b>
Unsecured loans					
Bank of Taiwan Co., Ltd	June 29, 2012 ~ July 31, 2012	1.025	\$ 1,500,000	10,000,000	None
Cathay Financial Holding Co., Ltd	June 29, 2012 ~ July 31, 2012	1.300	300,000	1,000,000	None
Subtotal			1,800,000	11,000,000	
Credit loans-related parties					
Taiwan Fixed Network Co., Ltd.	January 20, 2012 ~ June 26, 2013	1.190~1.208	5,080,000	7,500,000	None
Taiwan Cellular Co., Ltd.	March 02, 2012 ~ March 28, 2013	1.198	765,000	900,000	None
Subtotal			5,845,000	8,400,000	
			<b>\$ 7,645,000</b>	<b>19,400,000</b>	

**TAIWAN MOBILE CO., LTD.**  
**ACCOUNTS PAYABLE**  
**JUNE 30, 2012**  
**(In Thousands of New Taiwan Dollars)**

<u>Suppliers</u>	<u>Amount</u>
Related parties	
Taiwan Kuro Times Co., Ltd.	\$ 52,129
Other (Note)	15
Subtotal	<u>52,144</u>
Third parties	
National Communication Commission	1,590,688
Synnex Technology International Corporation	449,634
Other (Note)	947,745
Subtotal	<u>2,988,067</u>
Total	<u><u>\$ 3,040,211</u></u>

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

**TAIWAN MOBILE CO., LTD.**  
**ACCRUED EXPENSES**  
**JUNE 30, 2012**  
**(In Thousands of New Taiwan Dollars)**

<u>Item</u>	<u>Amount</u>
Commissions	\$ 1,145,641
Salaries and bonuses	888,740
Bonus to employees and remuneration to directors	607,030
Professional service fees	390,739
Radio base stations related expenses	372,057
Repair and maintenance expense	306,559
Other (Note)	1,272,000
	<u>\$ 4,982,766</u>

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

**TAIWAN MOBILE CO., LTD.**  
**OTHER PAYABLES**  
**JUNE 30, 2012**  
**(In Thousands of New Taiwan Dollars)**

<u>Item</u>	<u>Amount</u>
Dividends payable	\$ 13,881,685
Payable for equipment and constructions	1,549,415
Other(Note)	1,548,682
	<u>\$ 16,979,782</u>

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

**TAIWAN MOBILE CO., LTD.**  
**OPERATING REVENUES**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2012**  
**(In Thousands of New Taiwan Dollars)**

<u>Item</u>	<u>Amount</u>
Telecom service revenues	
Monthly access fee and activation fee	\$ 10,276,570
Airtime usage	12,521,082
Interconnection revenue (Note 1)	6,276,859
	<u>29,074,511</u>
Other operating revenues (Note 2)	3,932,341
	<u><u>\$ 33,006,852</u></u>

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

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



**TAIWAN MOBILE CO., LTD.**  
**OPERATING COSTS**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2012**  
**(In Thousands of New Taiwan Dollars)**

<b>Item</b>	<b>Amount</b>
Telecom service costs	
Cost of goods sold	\$ 8,165,750
Interconnection cost (Note 1)	3,847,696
Depreciation	3,075,663
Leased-line monthly charges	1,960,765
Rents	846,766
2G concession fee and 3G license amortization	575,636
Maintenance materials and constructions	443,925
Administrative and utilities expense of radio base stations	436,710
Frequency usage fee	306,848
Other (Note 2)	886,539
	<b>\$ 20,546,298</b>

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

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

**TAIWAN MOBILE CO., LTD.**  
**OPERATING EXPENSES**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2012**  
**(In Thousands of New Taiwan Dollars)**

<u>Item</u>	<u>Marketing</u>	<u>Administrative</u>	<u>Total</u>
Commissions	\$ 3,142,264	-	3,142,264
Salaries and pension	493,828	472,167	965,995
Professional service fees	766,215	113,379	879,594
Service charges	100,887	217,282	318,169
Depreciation	7,736	149,482	157,218
Advertising	179,525	21,401	200,926
Telecommunication service fees	51,945	98,832	150,777
Maintenance	47,127	100,043	147,170
Bad debts	-	91,237	91,237
Other (Note)	559,248	392,137	951,385
	<b>\$ 5,348,775</b>	<b>1,655,960</b>	<b>7,004,735</b>

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