

**Taiwan Mobile Co., Ltd.**  
**Financial Statements**  
**December 31, 2011 and 2010**  
**(With Independent Auditors' Report Thereon)**

## INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders

Taiwan Mobile Co., Ltd.

We have audited the accompanying balance sheets of Taiwan Mobile Co., Ltd. (the Corporation) as of December 31, 2011 and 2010, and the related statements of income, changes in shareholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred above present fairly, in all material respects, the financial position of Taiwan Mobile Co., Ltd. as of December 31, 2011 and 2010, and the results of its operations and its cash flows for the years then ended, in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers 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 December 31, 2011 and 2010 and the related consolidated statements of income, changes in shareholders' equity, and cash flows for the years then ended, on which we have issued unqualified audit report and modified audit report dated January 19, 2012 and January 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)

January 19, 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**  
**DECEMBER 31, 2011 AND 2010**  
**(In Thousands of New Taiwan Dollars, Except Par Value)**

	2011		2010			2011		2010	
	Amount	%	Amount	%		Amount	%	Amount	%
<b>ASSETS</b>					<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>				
<b>CURRENT ASSETS :</b>					<b>CURRENT LIABILITIES :</b>				
Cash and cash equivalents (Notes 2, 4(a), 4(s) and 5)	\$ 877,518	1	3,880,881	4	Short-term borrowings (Notes 4(j), 4(s) and 5)	\$ 9,000,000	10	9,645,000	11
Available-for-sale financial assets-current (Notes 2, 4(b) and 4(s))	217,351	-	201,322	-	Short-term notes and bills payable (Notes 4(k) and 4(s))	899,273	1	499,732	1
Notes receivable, net (Note 4(s))	791	-	378	-	Accounts payable (Note 4(s))	3,384,431	4	2,739,933	3
Accounts receivable, net (Notes 2, 4(c) and 4(s))	5,865,783	7	5,493,572	6	Accounts payable-related parties (Note 4(s) and 5)	38,861	-	-	-
Accounts receivable-related parties (Notes 2, 4(s) and 5)	43,675	-	85,823	-	Income taxes payable (Notes 2, 4(q) and 4(s))	668,216	1	917,585	1
Other receivables (Note 4(s))	95,996	-	370,390	1	Accrued expenses (Notes 4(s) and 5)	5,092,903	6	4,471,500	5
Other receivables-related parties (Notes 4(s) and 5)	1,378,824	2	12,251,892	14	Other payables (Notes 2, 4(s) and 5)	3,125,316	4	4,348,846	5
Inventories (Note 2)	1,430,322	2	1,065,263	1	Advance receipts (Note 4(l))	3,105,012	4	2,500,500	3
Prepayments (Note 4(d))	393,694	-	463,123	1	Current portion of long-term liabilities (Notes 4(m) and 4(s))	4,000,000	5	-	-
Deferred income tax assets-current (Notes 2 and 4(q))	-	-	5,184	-	Guarantee deposits-current (Note 4(s))	103,813	-	65,194	-
Other current assets	3,133	-	1,857	-	Deferred income tax liability - current (Notes 2 and 4(q))	193	-	-	-
<b>Total current assets</b>	<b>10,307,087</b>	<b>12</b>	<b>23,819,685</b>	<b>27</b>	Other current liabilities (Note 5)	485,995	-	432,995	1
<b>INVESTMENTS :</b>					<b>Total current liabilities</b>	<b>29,904,013</b>	<b>35</b>	<b>25,621,285</b>	<b>30</b>
Investments accounted for using the equity method (Notes 2 and 4(e))	26,620,333	32	11,308,819	13	<b>LONG-TERM LIABILITIES :</b>				
Financial assets carried at cost-non-current (Notes 2, 4(f) and 4(s))	50,324	-	50,324	-	Bonds payable (Notes 4(m) and 4(s))	4,000,000	5	8,000,000	9
<b>Total investments</b>	<b>26,670,657</b>	<b>32</b>	<b>11,359,143</b>	<b>13</b>	Long-term borrowings (Notes 4(n) and 4(s))	-	-	800,000	1
<b>PROPERTY AND EQUIPMENT (Notes 2, 4(g) and 5) :</b>					<b>Total long-term liabilities</b>	<b>4,000,000</b>	<b>5</b>	<b>8,800,000</b>	<b>10</b>
Land	4,149,141	5	3,979,837	4	<b>OTHER LIABILITIES :</b>				
Buildings	2,177,293	3	2,448,616	3	Guarantee deposits (Note 4(s))	231,552	-	259,587	-
Telecommunication equipment	58,748,354	69	56,323,134	65	Deferred credits-gains on intercompany accounts (Notes 2 and 4(e))	1,238,378	2	1,238,378	2
Office equipment	11,308	-	9,377	-	Other (Note 2)	405,750	-	366,652	-
Leased assets	1,285,920	2	1,285,920	1	<b>Total other liabilities</b>	<b>1,875,680</b>	<b>2</b>	<b>1,864,617</b>	<b>2</b>
Miscellaneous equipment	2,788,789	3	2,448,210	3	<b>Total liabilities</b>	<b>35,779,693</b>	<b>42</b>	<b>36,285,902</b>	<b>42</b>
Less accumulated depreciation	(39,441,325)	(47)	(33,240,498)	(38)	<b>SHAREHOLDERS' EQUITY (Notes 2 and 4(p)) :</b>				
Less accumulated impairment property	(110,481)	-	(74,229)	-	Capital stock -NT\$10.00 par value				
Construction in progress and prepayments for equipment	2,068,952	2	1,834,018	2	Authorized: 6,000,000 thousand shares				
<b>Net property and equipment</b>	<b>31,677,951</b>	<b>37</b>	<b>35,014,385</b>	<b>40</b>	Issued: 3,420,833 thousand shares in 2011	34,208,328	40	38,009,254	44
<b>INTANGIBLE ASSETS (Note 2)</b>					3,800,925 thousand shares in 2010				
3G concession license	5,233,964	6	5,981,673	7	Capital surplus :				
Computer software cost	1,129	-	1,165	-	From convertible bonds	8,775,819	11	8,775,819	10
Goodwill (Note 4(h))	7,121,871	9	6,835,370	8	From treasury stock transactions	3,639,302	4	3,639,302	4
<b>Total intangible assets</b>	<b>12,356,964</b>	<b>15</b>	<b>12,818,208</b>	<b>15</b>	From long-term investments	4,485	-	4,528	-
<b>OTHER ASSETS :</b>					Other	12,840	-	12,840	-
Assets leased to others (Notes 2, 4(i) and 5)	2,016,031	2	2,202,746	3	Retained earnings :				
Idle assets (Notes 2 and 4(i))	10,864	-	64,822	-	Legal reserve	16,715,018	20	15,332,799	18
Refundable deposits (Note 4(s))	333,644	-	316,243	-	Special reserve	821,741	1	821,741	1
Deferred charges (Note 2)	584,533	1	396,430	1	Unappropriated earnings	15,735,518	18	16,088,941	18
Deferred income tax asset-non-current (Notes 2 and 4(q))	737,989	1	1,130,136	1	Other equity :				
Other (Notes 2 and 4(o))	31,984	-	33,659	-	Cumulative translation adjustments	17,612	-	(5,716)	-
<b>Total other assets</b>	<b>3,715,045</b>	<b>4</b>	<b>4,144,036</b>	<b>5</b>	Net loss not recognized as pension cost	(16,775)	-	(10,695)	-
<b>TOTAL</b>	<b>\$ 84,727,704</b>	<b>100</b>	<b>87,155,457</b>	<b>100</b>	Unrealized gains on financial instruments	111,306	-	89,842	-
					Treasury stock	(31,077,183)	(36)	(31,889,100)	(37)
					<b>Total shareholders' equity</b>	<b>48,948,011</b>	<b>58</b>	<b>50,869,555</b>	<b>58</b>
					<b>Commitments and Contingencies (Note 7)</b>				
					<b>TOTAL</b>	<b>\$ 84,727,704</b>	<b>100</b>	<b>87,155,457</b>	<b>100</b>

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

**TAIWAN MOBLIE CO., LTD.**

**STATEMENTS OF INCOME**

**YEARS ENDED DECEMBER 31, 2011 AND 2010**

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

	2011		2010	
	Amount	%	Amount	%
<b>OPERATING REVENUES (Notes 2 and 5)</b>				
Telecommunication service revenue	\$ 55,916,663	90	55,001,883	94
Other revenue	6,002,610	10	3,545,402	6
<b>Total operating revenues</b>	61,919,273	100	58,547,285	100
<b>OPERATING COSTS (Notes 2, 5 and 10)</b>	37,793,874	61	32,808,712	56
<b>GROSS PROFIT</b>	24,125,399	39	25,738,573	44
<b>OPERATING EXPENSES (Notes 2, 5 and 10)</b>				
Marketing	9,672,619	16	8,330,905	14
Administrative	3,283,056	5	3,707,102	6
<b>Total operating expenses</b>	12,955,675	21	12,038,007	20
<b>OPERATING INCOME</b>	11,169,724	18	13,700,566	24
<b>NON-OPERATING INCOME AND GAINS</b>				
Investment income recognized under the equity method, net (Notes 2 and 4(e))	3,743,703	6	3,658,491	6
Income from penalty charge	373,503	1	272,040	1
Rental income (Notes 2 and 5)	178,848	-	189,974	-
Interest income (Notes 5)	120,393	-	88,456	-
Dividend income (Note 2)	12,007	-	11,031	-
Gain on disposal of property and equipment	-	-	47,576	-
Other (Notes 2 and 4(c))	78,008	-	198,148	-
<b>Total non-operating income and gains</b>	4,506,462	7	4,465,716	7
<b>NON-OPERATING EXPENSES AND LOSSES</b>				
Loss on disposal and retirement of property and equipment (Note 2)	411,837	1	1,289,178	2
Interest expenses (Notes 2,4 (g) and 5)	238,856	-	327,998	1
financial charges	11,465	-	21,907	-
Other (Note 2)	171,032	-	129,055	-
<b>Total non-operating expenses and losses</b>	833,190	1	1,768,138	3
<b>INCOME BEFORE INCOME TAX</b>	14,842,996	24	16,398,144	28
<b>INCOME TAX EXPENSE (Notes 2 and 4(q))</b>	1,374,233	2	2,575,958	5
<b>NET INCOME</b>	\$ 13,468,763	22	13,822,186	23
	<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(r))</b>				
Basic	\$ 5.18	4.70	5.48	4.62
Diluted	\$ 5.17	4.69	5.47	4.61
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>	\$ 13,468,763		13,822,186	
<b>EARNINGS PER SHARE AFTER INCOME TAX</b>				
Basic	\$ 3.70		3.64	
Diluted	\$ 3.69		3.63	

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

**TAIWAN MOBILIE CO., LTD.**  
**STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**  
**YEARS ENDED DECEMBER 31, 2011 AND 2010**  
**(In Thousands of New Taiwan Dollars, Except Per Share Amounts)**

	<u>Retained Earnings</u>					<u>Cumulative Translation Adjustments</u>	<u>Net Loss Not Recognized as Pension Cost</u>	<u>Unrealized Gains 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, 2010</b>	\$ 38,009,254	12,431,704	13,943,913	3,350,000	16,155,617	33,449,530	12,011	(3,797)	63,624	(31,889,100)	52,073,226
Appropriation of the 2009 earnings :											
Legal reserve	-	-	1,388,886	-	(1,388,886)	-	-	-	-	-	-
Reversal of special reserve	-	-	-	(2,528,259)	2,528,259	-	-	-	-	-	-
Cash dividends-NT\$5.02783 per share	-	-	-	-	(15,028,235)	(15,028,235)	-	-	-	-	(15,028,235)
<b>Balance after appropriation</b>	38,009,254	12,431,704	15,332,799	821,741	2,266,755	18,421,295	12,011	(3,797)	63,624	(31,889,100)	37,044,991
Net income in 2010	-	-	-	-	13,822,186	13,822,186	-	-	-	-	13,822,186
Unrealized gain on financial instruments, net	-	-	-	-	-	-	-	-	26,218	-	26,218
Adjustment on change of equity-method investments	-	785	-	-	-	-	(17,727)	(6,898)	-	-	(23,840)
<b>BALANCE, DECEMBER 31, 2010</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>	38,009,254	12,432,489	16,715,018	821,741	2,266,755	19,803,514	(5,716)	(10,695)	89,842	(31,889,100)	38,429,588
Net income in 2011	-	-	-	-	13,468,763	13,468,763	-	-	-	-	13,468,763
Capital reduction (Note 4(p))	(3,800,926)	-	-	-	-	-	-	-	-	-	(3,800,926)
Adjustment of stock held by subsidiaries (Note 4(p))	-	-	-	-	-	-	-	-	-	811,917	811,917
Unrealized gain on financial instruments, net	-	-	-	-	-	-	-	-	21,464	-	21,464
Adjustment on change of equity-method investments	-	(43)	-	-	-	-	23,328	(6,080)	-	-	17,205
<b>BALANCE, DECEMBER 31, 2011</b>	<u>\$ 34,208,328</u>	<u>12,432,446</u>	<u>16,715,018</u>	<u>821,741</u>	<u>15,735,518</u>	<u>33,272,277</u>	<u>17,612</u>	<u>(16,775)</u>	<u>111,306</u>	<u>(31,077,183)</u>	<u>48,948,011</u>

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

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

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

**TAIWAN MOBLIE CO., LTD.**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2011 AND 2010**  
**(In Thousands of New Taiwan Dollars)**

	<u>2011</u>	<u>2010</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ 13,468,763	13,822,186
<b>Adjustments to reconcile net income to net cash provided by operating activities</b>		
Depreciation	7,010,357	7,184,516
Investment income recognized under the equity method	(3,743,703)	(3,658,491)
Cash dividends received from equity-method investees	3,310,805	2,383,941
Amortization	1,059,449	878,155
Loss on disposal and retirement of property and equipment, net	411,837	1,241,602
Deferred income taxes	397,523	518,387
Bad debts	139,185	436,428
Provision of allowance for loss on inventories	9,888	22,704
Pension cost	3,036	3,125
<b>Changes in operating assets and liabilities</b>		
Notes receivable	(414)	16,394
Accounts receivable	(526,602)	(392,042)
Accounts receivable - related parties	42,148	(63,155)
Other receivables	274,423	(290,621)
Other receivables - related parties	50,068	(45,577)
Inventories	(374,946)	(658,838)
Prepayments	69,429	19,475
Other current assets	(1,276)	677
Accounts payable	644,498	684,175
Accounts payable-related parties	38,861	-
Income taxes payable	(249,368)	(560,768)
Accrued expenses	621,403	(77,706)
Other payables	(1,138,316)	494,630
Advance receipts	604,512	1,304,668
Other current liabilities	53,000	54,189
Other liabilities	(3,284)	-
<b>Net cash provided by operating activities</b>	<u>22,171,276</u>	<u>23,318,054</u>

**TAIWAN MOBLIE CO., LTD.**  
**STATEMENTS OF CASH FLOWS (CONT'D)**  
**YEARS ENDED DECEMBER 31, 2011 AND 2010**  
**(In Thousands of New Taiwan Dollars)**

	<u>2011</u>	<u>2010</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Increase in long-term investments accounted for using the equity method	(14,049,600)	(299,600)
Decrease (increase) in financing provided to investees, net	10,823,000	(10,098,000)
Acquisition of property and equipment	(4,308,374)	(4,193,402)
Increase in deferred charges	(351,765)	(121,722)
Increase in refundable deposits	(17,402)	(3,328)
Proceeds from investees' capital reduction	5,540	3,502,717
Increase in computer software cost	(1,049)	-
Proceeds from disposal of property and equipment	110	93,367
Decrease in pledged time deposits	-	10,000
Decrease in other assets	-	142
<b>Net cash used in investing activities</b>	<u>(7,899,540)</u>	<u>(11,109,826)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Cash dividends paid	(12,439,928)	(15,028,201)
Capital reduction	(3,800,295)	-
Decrease in long-term borrowings	(3,466,667)	-
Increase in long-term borrowings	2,666,667	800,000
(Decrease) increase in short-term borrowings	(645,000)	4,645,000
Increase in short-term notes and bills payable	399,541	199,860
Increase (decrease) in guarantee deposits	10,583	(1,048)
<b>Net cash used in financing activities</b>	<u>(17,275,099)</u>	<u>(9,384,389)</u>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	(3,003,363)	2,823,839
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	3,880,881	1,057,042
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 877,518</u>	<u>3,880,881</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Interest paid	\$ 395,861	261,635
Less interest capitalized	10,244	7,753
Interest paid - excluding interest capitalized	<u>\$ 385,617</u>	<u>253,882</u>
Income tax paid	<u>\$ 2,347,903</u>	<u>2,110,960</u>
<b>NON-CASH INVESTING AND FINANCING ACTIVITIES</b>		
Current portion of long-term liabilities	<u>\$ 4,000,000</u>	-
Reclassification of the corporation's shares held by its subsidiaries to treasury stock	<u>\$ 31,077,183</u>	<u>31,889,100</u>
<b>CASH AND NON-CASH INVESTING AND FINANCING ACTIVITIES</b>		
Acquisition of property and equipment	\$ 3,992,189	4,344,632
Decrease (increase) in other payables	358,567	(137,972)
Increase in other liabilities-other	(42,382)	(13,258)
<b>Cash paid for acquisition of property and equipment</b>	<u>\$ 4,308,374</u>	<u>4,193,402</u>

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

**TAIWAN MOBILE CO., LTD.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2011 AND 2010**  
**(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 December 31, 2011 and 2010, the Corporation had 2,651 and 2,548 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 and supervisors, impairment loss on assets, etc. Actual results may differ from these estimates.

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

The significant accounting policies and measurement basis are as follows:



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

**Classification of Current and Non-current Assets and Liabilities**

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

**Cash Equivalents**

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

**Financial Instruments at Fair Value through Profit or Loss**

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

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

**Available-for-sale Financial Assets**

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

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

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

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

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

**Receivables**

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

**Inventories**

Inventories are recorded at the lower of weighted-average cost or net realizable value. When comparing cost and net realizable value, inventories are evaluated by individual item.

**Investments Accounted for Using the Equity Method**

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

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

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

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

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

**Financial Assets Carried at Cost**

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

**Property and Equipment, and Assets Leased to Others**

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

For cost associated with dismantling and relocating fixed assets and restoring the leased premises housing fixed assets to the previous state should be recognized as an addition to the fixed assets and accrued as a potential liability accordingly.

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

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

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

**Accounting for Leases**

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

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

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

**Intangible Assets**

a. Franchise

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

b. Computer software

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

c. Goodwill

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

**Idle Assets**

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

**Deferred Charges**

Deferred charges, mainly interior decoration costs for offices and directly-managed stores, are amortized by the straight-line method over two to five years.

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

**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.

**Pension Costs**

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

**Income Taxes**

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

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

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

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

**Treasury Stock**

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

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

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

**Foreign-currency Transactions**

Assets, liabilities, revenues or expenses denominated in foreign currencies as a result of foreign-currency transactions 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”. The information for the period ended December 31, 2011, has been recast to reflect the new segment reporting requirement.

Effective from January 1, 2011, the Corporation adopted the third amended SFAS No. 34 “Financial Instruments: Recognition and Measurement”. In accordance with the revised SFAS No. 34, initial receivables are used in the recognition, valuation, and impairment of receivables. There was no impact on the profit or loss for the year ended December 31, 2011.

**4. SUMMARY OF MAJOR ACCOUNTS**

a. Cash and cash equivalents

	<b>December 31</b>	
	<b>2011</b>	<b>2010</b>
Cash in banks	\$ 503,044	300,484
Government bonds with repurchase rights	222,000	1,885,059
Cash on hand	86,870	50,514
Time deposits	59,054	1,437,775
Revolving funds	6,550	7,025
Short-term notes and bills with repurchase rights	-	200,024
	<b>\$ 877,518</b>	<b>3,880,881</b>

b. Available-for-sale financial assets – current

	<b>December 31</b>	
	<b>2011</b>	<b>2010</b>
Domestic listed stocks		
Chunghwa Telecom Co., Ltd.	<b>\$ 217,351</b>	<b>201,322</b>

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

c. Accounts receivable

	December 31	
	2011	2010
Accounts receivable	\$ 6,059,947	5,860,597
Less allowance for doubtful accounts	(194,164)	(367,025)
	<b>\$ 5,865,783</b>	<b>5,493,572</b>

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

d. Prepayments

	December 31	
	2011	2010
Prepaid commissions	\$ 263,048	290,648
Prepaid rents	77,963	73,425
Other	52,683	99,050
	<b>\$ 393,694</b>	<b>463,123</b>

e. Investments accounted for using the equity method

	December 31			
	2011		2010	
	Carrying Value	% of Owner- ship	Carrying Value	% of Owner- ship
Taiwan Cellular Co., Ltd. (TCC)	\$ 17,195,352	100	10,618,840	100
Wealth Media Technology Co., Ltd. (WMT)	8,862,169	100	301,977	100
Taipei New Horizons Co., Ltd. (TNH)	562,812	49.90	388,002	49.90
	<b>\$ 26,620,333</b>		<b>11,308,819</b>	



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

(1) Taiwan Cellular Co., Ltd.

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

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

- (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 under Equity Method," unrealized gains and losses on downstream transactions should be deferred. Thus, the difference between the original carrying cost and the investment price of the former TFN shares in this transaction should be treated as deferred gains. As of December 31, 2011, the amount of deferred credits recognized by the Corporation was \$1,238,378 thousand.

As of December 31, 2011, TCC Investment Co., Ltd. (TCCI, 100% owned by TCC), TCCI Investment & Development Co., Ltd. (TID, 100% owned by TCCI), and TFN Union Investment Co., Ltd. (TUI, 100% owned by TFN) collectively held 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 the treasury stock account value of \$31,077,183 thousand. Please refer to Note 4(p) for details.

(2) Wealth Media Technology Co., Ltd.

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

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

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 for all the shares.

(3) Taipei New Horizons Co., Ltd.

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

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

On June 2, 2011, TNH's board of directors resolved to increase TNH's capital by \$400,000 thousand, divided into 40,000 thousand shares with par value of \$10 per share, with a record date of August 1, 2011. The Corporation subscribed for the shares based on its proportion of the shareholding, which remains at 49.9%.

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

(4) Equity in investees' net gains or losses

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

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

	<b>For the year ended</b>	
	<b>December 31</b>	
	<b>2011</b>	<b>2010</b>
TCC	\$ 3,575,190	3,672,572
WMT	193,303	9,491
TNH	(24,790)	(23,572)
	<b>\$ 3,743,703</b>	<b>3,658,491</b>

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

f. Financial assets carried at cost — non-current

	<b>December 31</b>	
	<b>2011</b>	<b>2010</b>
Foreign unlisted stocks		
Bridge Mobile Pte Ltd.	<b>\$ 50,324</b>	<b>50,324</b>

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

g. Property and equipment — accumulated depreciation

	<b>December 31</b>	
	<b>2011</b>	<b>2010</b>
Buildings	\$ 465,049	454,417
Telecommunication equipment	36,394,541	30,865,040
Office equipment	6,910	5,253
Leased assets	615,702	550,606
Miscellaneous equipment	1,959,123	1,365,182
	<b>\$ 39,441,325</b>	<b>33,240,498</b>

Capitalized interest for the years ended December 31, 2011 and 2010 was \$ 10,244 thousand and \$7,753 thousand, respectively, with capitalization rates ranging from 1.68% to 2.88% and 1.56% to 2.88%, respectively.

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

h. 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.

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.

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

i. Assets leased to others and idle assets

	<b>December 31</b>	
	<b>2011</b>	<b>2010</b>
Assets leased to others		
Cost	\$ 2,159,213	2,360,147
Less accumulated depreciation	(143,182)	(146,810)
Less accumulated impairment	-	(10,591)
	<b>\$ 2,016,031</b>	<b>2,202,746</b>
Idle assets		
Cost	\$ 68,840	155,771
Less allowance for decline in value	(35,928)	(35,928)
Less accumulated depreciation	(17,434)	(24,745)
Less accumulated impairment	(4,614)	(30,276)
	<b>\$ 10,864</b>	<b>64,822</b>

j. Short-term borrowings

	<b>December 31</b>	
	<b>2011</b>	<b>2010</b>
Unsecured loans provided from financial institutions	\$ 9,000,000	3,000,000
Unsecured loans provided by related party	-	6,645,000
	<b>\$ 9,000,000</b>	<b>9,645,000</b>
Interest rate	0.89%~0.98%	0.69%~0.893%

k. Short-term notes and bills payable

	<b>December 31</b>	
	<b>2011</b>	<b>2010</b>
Commercial paper payable		
China Bills Financial Corporation	\$ 600,000	500,000
Mega Bills Financial Corporation	300,000	-
Less discount on short-term notes and bills payable	(727)	(268)
Net carrying value	<b>\$ 899,273</b>	<b>499,732</b>
Interest rate	0.948%~0.958%	0.46%
Period	2011.12.30~ 2012.01.31	2010.12.31~ 2011.01.28

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

l. Advance receipts

In accordance with NCC's policy, the Corporation entered into a contract with First Commercial Bank Co., Ltd. which provided a performance guarantee for advance receipts from prepaid card customers. The guaranteed advance receipts from prepaid card customers were \$938,905 thousand as of December 31, 2011.

m. Bonds payable

	December 31			
	2011		2010	
	Current	Non-current	Current	Non-current
2nd Domestic unsecured bonds	\$ 4,000,000	4,000,000	-	8,000,000

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

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

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

n. Long-term borrowings

	December 31	
	2011	2010
Unsecured loans	\$ -	800,000
Interest rate	-	0.8832%

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

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

o. Pension plan

The Labor Pension Act (LPA) provides for a defined contribution pension plan. Starting from July 1, 2005, the Corporation should contribute monthly an amount equal to 6% of the employees' monthly salaries to the employees' individual pension accounts. The contributed amount was \$ 108,584 thousand and \$106,195 thousand for the years ended December 31, 2011 and 2010, respectively.

The Labor Standards Act (LSA) provides for a defined benefit pension plan. Benefits are based on the length of service and average basic pay of the six months before retirement. The Corporation contributes monthly an amount equal to 2% of the employees' monthly salaries to a pension fund. The pension fund is managed by an independently administered pension fund committee and deposited in the committee's name in Bank of Taiwan (formerly the Central Trust of China, which was merged into Bank of Taiwan in July 2007.) As approved by the Department of Labor of the Taipei City Government, the Corporation suspended contributing from February 2007 to January 2012.

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

(1) Pension cost

	<b>Years Ended December 31</b>	
	<b>2011</b>	<b>2010</b>
Service cost	\$ 2,390	3,004
Interest cost	8,373	8,215
Projected return of pension assets	(8,636)	(8,631)
Amortization	909	537
Pension cost	<b>\$ 3,036</b>	<b>3,125</b>

(2) Changes in the prepaid pension cost

	<b>December 31</b>	
	<b>2011</b>	<b>2010</b>
Benefit obligation		
Vested	\$ (13,919)	(1,085)
Non-vested	(247,489)	(259,291)
Accumulated	(261,408)	(260,376)
Additional benefits based on future salaries	(164,660)	(158,286)
Projected benefit obligation	(426,068)	(418,662)
Fair value of plan assets	429,245	431,815
Funded status	3,177	13,153
Unrecognized net transition obligation	5,324	6,211
Unrecognized prior service cost	355	377
Unrecognized net gain or loss	(5,324)	(13,173)
Prepaid pension cost	<b>\$ 3,532</b>	<b>6,568</b>

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

	<b>December 31</b>	
	<b>2011</b>	<b>2010</b>
(3) Vested benefit	\$ (18,521)	(1,342)

(4) Actuarial assumptions

	<b>Years Ended December 31</b>	
	<b>2011</b>	<b>2010</b>
Discount rate used in determining present values	2.00%	2.00%
Future salary increase rate	2.75%	2.50%
Expected rate of return on plan assets	2.00%	2.00%

p. Shareholders' equity

(1) Capital surplus

Under the Company Act, capital surplus may only be used to offset a deficit. However, capital surplus, generated from the excess of the issue price over the par value of capital stock, including the stock issued for new capital and the buyback of 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 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 special reserve based on relevant laws or regulations or business requirements, should be distributed as follows:

- (a) Dividends and bonus to preferred shareholders
- (b) Remuneration to directors and supervisors - up to 0.3%



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

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

(d) Remainder, to be appropriated as dividends as determined in the shareholders' meeting

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

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

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

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

For the year ended December 31, 2011, the bonuses to employees and remuneration to directors and supervisors were accrued based on 3% and 0.3%, respectively, of net income (not including the bonuses to employees and remuneration to directors and supervisors) after setting aside 10% of net income as legal reserve. Any significant difference between annual accruals and the amount approved by the board of directors shall be adjusted in the current year. If the board of directors' approval differs from the amount ratified at the annual general shareholders' meeting (AGM), the difference will be treated as changes in accounting estimate and will be adjusted in 2012's P&L. If employee bonuses are paid in the form of company shares, the number of employee bonus shares shall be derived from dividing the approved bonus amount by the closing price one day prior to the AGM, adjusted for cash and/or stock dividends if any.

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

The 2010 and 2009 earnings appropriations resolved by the AGMs on June 15, 2011, and June 18, 2010, were as follows:

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

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

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

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

(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

<b>Purpose of Buyback</b>	<b>(Shares in Thousands)</b>			
	<b>Beginning Shares</b>	<b>Increase</b>	<b>Decrease</b>	<b>Ending Shares</b>
<u>Year ended December 31, 2011</u>				
Shares held by subsidiaries	811,918	-	81,192	730,726
<u>Year ended December 31, 2010</u>				
Shares held by subsidiaries	811,918	-	-	811,918

As of December 31, 2011, 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 \$68,980,520 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 exercise their rights over these shares, except for the participation in capital injection by cash. In addition, based on the ROC Company Act, the holders of treasury stock cannot exercise the voting rights.

(5) Unrealized gain or loss on financial instruments

Unrealized gain or loss on financial instruments for the years ended December 31, 2011 and 2010, is summarized as follows:

	<b>Years ended December 31</b>	
	<b>2011</b>	<b>2010</b>
Available-for-sale financial assets		
Balance, beginning of period	\$ 89,842	63,624
Fair value changes recognized directly in equity	21,464	26,218
Unrealized gains on financial instruments	<b>\$ 111,306</b>	<b>89,842</b>

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

q. Income tax expense

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

	<b>Years ended</b>	
	<b>December 31</b>	
	<b>2011</b>	<b>2010</b>
Tax on pretax income at statutory tax rate	\$ 2,523,309	2,787,684
Add (deduct) tax effects of:		
Permanent differences		
Investment income from domestic investees accounted for using the equity method	(636,430)	(621,943)
Other	(13,899)	(1,015)
Temporary differences	(399,185)	(174,571)
Prior years' adjustment	(491,616)	69,335
Deferred income taxes	397,524	518,387
Investment tax credits	(5,470)	(1,919)
<b>Income tax expense</b>	<b>\$ 1,374,233</b>	<b>2,575,958</b>

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

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

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

	<b>December 31</b>	
	<b>2011</b>	<b>2010</b>
Unrealized loss on retirement of property and equipment	\$ 846,775	1,093,815
Amortization of goodwill	(258,225)	(180,758)
Provision for doubtful accounts	129,691	250,056
Depreciation resulting from the differences in estimated service lives of properties	126,264	117,618
Provision for impairment losses on idle assets	20,979	21,650
Other	33,516	28,295
	899,000	1,330,676
Less valuation allowance	(161,204)	(195,356)
	<b>\$ 737,796</b>	<b>1,135,320</b>
Deferred income tax assets		
Current	\$ -	5,184
Non-current	737,989	1,130,136
	<b>\$ 737,989</b>	<b>1,135,320</b>
Deferred income tax liabilities		
Current	\$ 193	-
	<b>\$ 193</b>	<b>-</b>

(3) Integrated income tax information was as follows:

	<b>December 31</b>	
	<b>2011</b>	<b>2010</b>
Balance of imputation credit account (ICA)	<b>\$ 2,394,350</b>	<b>1,438,180</b>

As of December 31, 2011, there were no unappropriated earnings generated before January 1, 1998. The estimated and actual creditable ratios for the 2011 and 2010 earnings appropriation were 22.28% and 17.68%, respectively.

The imputation credits allocated to the shareholders are based on the ICA balance as of the date of dividend distribution. The estimated creditable ratio for the 2011 earnings appropriation may be adjusted when the imputation credits are distributed.

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

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

	Year
The Corporation	2009, except 2006 and 2008
TAT	2007
Trans Asian Telecommunications Inc. (the former TAT)	All applicable
Mobitai Communications	2006

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

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

The former TAT's income tax returns up to 2006 had been examined by the tax authorities. The Corporation filed for corrections of its 2002 through 2004 income tax returns.

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

r. Earnings per share

	Amounts (Numerator)			EPS (NT\$)	
	Before Income Tax	After Income Tax	Shares (Denominator) (Thousands)	Before Income Tax	After Income Tax
<u>Year ended December 31, 2011</u>					
Basic EPS					
Income of common shareholders	\$ 14,842,996	13,468,763	2,863,715	\$ 5.18	\$ 4.70
Add effect of dilutive potential common stock—bonus to employees	-	-	6,030		
Diluted EPS					
Income of common shareholders with dilutive effect of potential common shares	\$ 14,842,996	13,468,763	2,869,745	\$ 5.17	\$ 4.69

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

	Amounts (Numerator)			EPS (NT\$)	
	Before	After	Shares	Before	After
	Income Tax	Income Tax	(Denominator)	Income	Income
			(Thousands)	Tax	Tax
<u>Year ended December 31, 2010</u>					
Basic EPS					
Income of common shareholders	\$ 16,398,144	13,822,186	2,989,008	<u>\$ 5.48</u>	<u>\$ 4.62</u>
Add effect of dilutive potential common stock – bonus to employees	-	-	8,234		
Diluted EPS					
Income of common shareholders with dilutive effect of potential common shares	<u>\$ 16,398,144</u>	<u>13,822,186</u>	<u>2,997,242</u>	<u>\$ 5.47</u>	<u>\$ 4.61</u>

The Accounting Research Development Foundation (ARDF) issued Interpretation No. 2007-052, which requires companies to recognize bonuses paid to employees and remuneration to directors and supervisors as compensation expenses beginning January 1, 2008. These bonuses and remuneration were previously recorded as appropriations from earnings. If the Corporation may settle the bonus to employees by cash or shares, the Corporation should presume that the entire amount of the bonus will be settled in shares, and the potential share dilution should be included 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)**

s. Financial instrument transactions

(1) Fair value information

	December 31			
	2011		2010	
	Carrying Value	Fair Value	Carrying Value	Fair Value
<u>Financial instruments</u>				
<u>Assets</u>				
Cash and cash equivalents	\$ 877,518	877,518	3,880,881	3,880,881
Available-for-sale financial assets – current	217,351	217,351	201,322	201,322
Notes receivable	791	791	378	378
Accounts receivable (including related parties )	5,909,458	5,909,458	5,579,395	5,579,395
Other receivables (including related parties )	1,474,820	1,474,820	12,622,282	12,622,282
Financial assets carried at cost – non-current	50,324	-	50,324	-
Refundable deposits	333,644	333,644	316,243	316,243
<u>Liabilities</u>				
Short-term borrowings	9,000,000	9,000,000	9,645,000	9,645,000
Short-term notes and bills payable	899,273	899,273	499,732	499,732
Accounts payable (including related parties)	3,423,292	3,423,292	2,739,933	2,739,933
Income taxes payable	668,216	668,216	917,585	917,585
Accrued expenses	5,092,903	5,092,903	4,471,500	4,471,500
Other payables	3,125,316	3,125,316	4,348,846	4,348,846
Guarantee deposits (including current portion )	335,365	335,365	324,781	324,781
Bonds payable	8,000,000	8,192,952	8,000,000	8,264,392
Long-term borrowings	-	-	800,000	800,000

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

- (a) Available-for-sale financial assets—based on quoted prices in an active market at the balance sheet date.
- (b) Financial assets carried at cost—non-current—based on the net worth of the investee or estimated book value; this is because there is no active market for unlisted stocks, and a reliable fair value could only be verified at a more than reasonable cost.
- (c) Bonds payable—based on the over-the-counter quotations in December.
- (d) Long-term borrowings—based on the present value of future cash flows discounted by the interest rates the Corporation may obtain for similar loans.



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

- (e) The book values of short-term financial instruments approximate their fair value due to their short maturities; short-term financial instruments include cash and cash equivalents, receivables, refundable deposits, short-term borrowings, short-term notes, payables, and guarantee deposits.
- (3) The fair values of financial assets and liabilities were not simultaneously determined by quoted prices in active markets and by estimations using a valuation technique.
- (4) The financial assets exposed to fair value interest rate risk amounted to \$1,601,054 thousand and \$15,665,858 thousand as of December 31, 2011 and 2010, respectively, and the financial liabilities exposed to fair value interest rate risk amounted to \$17,899,273 thousand and \$18,944,732 thousand as of December 31, 2011 and 2010, respectively. The financial assets exposed to cash flow interest rate risk amounted to \$501,011 thousand and \$297,728 thousand as of December 31, 2011 and 2010, respectively, and the financial liabilities exposed to cash flow interest rate risk amounted to zero.
- (5) Information on financial risks

(a) Market risk

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

(b) Credit risk

Credit risk represents the potential impacts on financial assets that the Corporation might encounter if counter-parties or third parties breach the contracts. Factors that affect the impacts include credit risk concentration, components of financial instruments, contract amount, and other receivables. The Corporation's evaluation of credit risk exposure as of December 31, 2011 and 2010, was zero because all counter-parties were reputable financial institutions with good credit ratings.

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

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

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.

**5. RELATED-PARTY TRANSACTIONS**

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

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

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

<b>Related Party</b>	<b>Relationship with the Corporation</b>
Win TV Broadcasting Co., Ltd. (WTB)	Subsidiary
TFN Media Co., Ltd. (TFNM)	Subsidiary
Yeong Jia Leh Cable TV Co., Ltd.	Subsidiary
Mangrove Cable TV Co., Ltd.	Related party in substance
Phoenix Cable TV Co., Ltd.	Subsidiary
Globalview Cable TV Co., Ltd.	Subsidiary
Union Cable TV Co., Ltd.	Subsidiary
TFN HK LIMITED	Subsidiary
TWM Communications (Beijing) Co., Ltd. (TWMC)	Subsidiary
Taiwan Win TV Broadcasting Co., Ltd.	Subsidiary
Taiwan Kuro Times Co., Ltd. (TKT)	Subsidiary (changed relationship with the Corporation on September 1, 2010)
ezPeer Multimedia Limited	Subsidiary (changed relationship with the Corporation on September 1, 2010)
Fubon Multimedia Technology Co., Ltd. (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)
Fuli Life Insurance Agent Co.,Ltd.	Subsidiary (changed relationship with the Corporation on July 13, 2011)
Asian Crown International Co.,Ltd.	Subsidiary (changed relationship with the Corporation on July 13, 2011)
Fortune Kingdom Corporation	Subsidiary (changed relationship with the Corporation on July 13, 2011)
Hong Kong Fubon Multimedia Technology Co.,Ltd.	Subsidiary (changed relationship with the Corporation on July 13, 2011)
Fubon Gehua (Beijing) Enterprise Co., Ltd.	Subsidiary (changed relationship with the Corporation on July 13, 2011)
Taiwan Mobile Foundation (TWM Foundation)	Over one-third of the Foundation's funds came from the Corporation
Taipei New Horizons Co., Ltd. (TNH)	Equity-method investee
Fubon Life Assurance Co., Ltd.	Related party in substance

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

<b>Related Party</b>	<b>Relationship with the Corporation</b>
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
Fubon Property Management Co., Ltd. (FPM)	Related party in substance
Fubon Real Estate Management Co., Ltd.	Related party in substance
Taiwan Sport Lottery Corporation (TSL)	Related party in substance

b. Significant transactions with related parties are summarized below:

(1) Operating revenues

	<b>Years Ended December 31</b>			
	<b>2011</b>		<b>2010</b>	
	<b>Amount</b>	<b>% of Total Revenues</b>	<b>Amount</b>	<b>% of Total Revenues</b>
TFN	\$ 2,372,054	4	2,216,854	4
TFCB	12,859	-	11,732	-
	<b>\$ 2,384,913</b>		<b>2,228,586</b>	

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

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

(2) Operating costs

	Years Ended December 31			
	2011		2010	
	Amount	% of Total Costs	Amount	% of Total Costs
	Amount	%	Amount	%
TFN	\$ 3,312,417	9	2,015,734	6
TKT	105,157	-	11,920	-
Fubon Ins.	36,344	-	43,889	-
	<b>\$ 3,453,918</b>		<b>2,071,543</b>	

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

(3) Property transaction

	Year Ended December 31, 2011	
	Description of Property	Amount
TWMC	Telecommunication equipment	\$ 42,274

  

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

(4) Rental income

	Leased Property	Years Ended December 31, 2011	
		2011	2010
		2011	2010
TFN	Offices and BTS, etc.	\$ 106,280	119,094
FMT	Office appliance, etc.	35,048	35,317
TFNM	Offices	10,784	10,784
		<b>\$ 152,112</b>	<b>165,195</b>

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

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

(5) Cash in banks

	December 31			
	2011		2010	
	Amount	%	Amount	%
TFCB	\$ 188,741	22	94,136	2

(6) Receivables and payables

	December 31			
	2011		2010	
	Amount	%	Amount	%
<b>(a) Accounts receivable</b>				
TFN	\$ 37,125	1	75,990	1
Other	6,550	-	9,833	-
	\$ 43,675		85,823	
<b>(b) Other receivables</b>				
TFNM (Note 1)	\$ 852,867	58	3,725,325	30
WTB (Note 1)	471,421	32	-	-
TFN	48,058	3	59,310	-
TCC (Notes 1)	-	-	8,397,799	67
TFMT (Note 1)	-	-	33,055	-
TDC	-	-	30,040	-
Other	6,478	-	6,363	-
	\$ 1,378,824		12,251,892	

Note 1: Financing to related parties was as follows:

	Year Ended December 31, 2011				
	Drawdown Amount	Ending Balance (Note 1)	Maximum Balance (Notes 1 and 2)	Interest Rate %	Interest Income
TFNM	\$ 850,000	4,500,000	5,000,000	0.893~1.186	16,760
WTB	470,000	550,000	550,000	1.092~1.190	1,712
TCC	-	-	9,000,000	0.893~0.950	29,220
TDC	-	-	300,000	0.948~1.002	279
TFMT	-	-	50,000	0.950~1.095	312
	\$ 1,320,000	5,050,000			48,283

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

Related Party	Year Ended December 31, 2010				
	Drawdown Amount	Ending Balance (Note 1)	Maximum Balance (Notes 1 and 2)	Interest Rate %	Interest Income
TCC	\$ 8,370,000	9,000,000	9,000,000	0.893	28,252
TFNM	3,710,000	5,000,000	7,000,000	0.893	28,651
TFMT	33,000	50,000	50,000	0.950	55
TDC	30,000	300,000	300,000	0.948	40
	<b>\$ 12,143,000</b>	<b>14,350,000</b>			<b>56,998</b>

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

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

	December 31			
	2011		2010	
	Amount	%	Amount	%
(c) Accounts payable				
TKT	\$ 36,470	1	-	-
Other	2,391	-	-	-
	<b>\$ 38,861</b>		<b>-</b>	
(d) Accrued expenses				
TFN	\$ 399,783	8	248,681	6
TT&T	88,870	2	67,278	2
TDC	78,505	2	42	-
TWMC	20,646	-	38,250	1
	<b>\$ 587,804</b>		<b>354,251</b>	
(e) Other payables				
TFN	\$ 130,082	4	147,841	3
TDC	20,835	1	11	-
TWMC	15,559	-	-	-
	<b>\$ 166,476</b>		<b>147,852</b>	
(f) Other current liabilities - collections and temporary credits for the following				
TFN	<b>\$ 24,326</b>	5	<b>88,814</b>	21

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

(7) Other

	<b>Years Ended December 31</b>	
	<b>2011</b>	<b>2010</b>
(a) Telecommunication service expenses		
TFN	<b>\$ 84,226</b>	<b>79,373</b>
(b) Professional service fees		
TT&T	\$ 907,559	841,116
TWMC	20,573	38,250
	<b>\$ 928,132</b>	<b>879,366</b>
(c) Advertisement expenses		
TSB	<b>\$ 33,500</b>	<b>32,850</b>
(d) Insurance expenses		
Fubon Ins.	<b>\$ 9,733</b>	<b>10,658</b>
(e) Repairs and maintenance		
FPM	<b>\$ 24,513</b>	<b>23,000</b>
(f) Other expense		
TFCB	\$ 62,518	22,679
FPM	25,640	25,244
	<b>\$ 88,158</b>	<b>47,923</b>
(g) Commission expense		
TDC	<b>\$ 237,728</b>	<b>40</b>
(h) Donation expense		
TWM Foundation	<b>\$ 11,713</b>	<b>13,007</b>
(i) Rental expenses		
TFN	<b>\$ 8,824</b>	<b>11,437</b>

(8) Financing from related parties was as follows:

	<b>Year Ended December 31, 2011</b>				
	<b>Drawdown</b>	<b>Ending</b>	<b>Maximum</b>	<b>Interest Rate</b>	<b>Interest</b>
<b>Related Party</b>	<b>Amount</b>	<b>Balance</b>	<b>Balance</b>	<b>%</b>	<b>Expense</b>
		(Note 1)	(Notes 1 and 2)		
TFN	\$ -	-	<b>9,000,000</b>	0.893	<b>18,987</b>



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

Year Ended December 31, 2010					
Related Party	Drawdown Amount	Ending Balance (Note 1)	Maximum Balance (Notes 1 and 2)	Interest Rate %	Interest Expense
TFN	<u>\$ 6,645,000</u>	<u>9,000,000</u>	<u>9,000,000</u>	0.893	<u>25,603</u>

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

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

(9) Endorsement/guarantee provided

The Corporation provided a \$21,500,000 thousand guarantee for TFN's bank loans. The Corporation also provided \$19,759,800 thousand in promissory notes outstanding for TFN's borrowings from banks.

(10) Other

(a) For the years ended December 31, 2011 and 2010, the Corporation provided services to companies below and received fees, which were recorded as deductions from related costs and expenses. The Corporation's service charges received were as follows:

	Years Ended December 31	
	2011	2010
TFN	<u>\$ 462,334</u>	<u>449,133</u>

(b) For the year ended December 31, 2011 and 2010, the company below provided services to the Corporation and received fees. The Corporation's service charges paid were as follows:

	Years Ended December 31	
	2011	2010
TFN	<u>\$ 60,760</u>	<u>87,085</u>

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

c. Compensation to directors, supervisors, and managers:

	<b>Years Ended December 31</b>	
	<b>2011</b>	<b>2010</b>
Salaries, incentives, and special compensation	\$ 154,181	242,394
Earnings paid as remunerations to directors	36,284	37,306
Earnings paid as bonus to employees	38,251	64,203
Professional fee	2,360	2,120
	<b>\$ 231,076</b>	<b>346,023</b>

The compensation to directors, supervisors and managers for the year ended December 31, 2010 included the bonus appropriation from 2010 earnings approved in 2011 AGM. While that for the year ended December 31, 2011 included the bonus appropriation from 2011 earnings subject to approval in 2012 AGM. More detailed information may be referred in the Corporation's annual reports.

**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 \$3,840,861 thousand in May 2009 and \$6,650,000 thousand in February 2011. As of December 31, 2011, the purchase amount was \$3,779,485 thousand and \$1,980,972 thousand, respectively.
- b. Future minimum rental payments as of December 31, 2011, for significant operating lease agreements, are summarized as follows:

	<b>Amount</b>
2012	\$ 90,314
2013	72,335
2014	66,306
2015	47,957
2016	22,468

**8. SIGNIFICANT CASUALTY LOSS: NONE**

**9. SIGNIFICANT SUBSEQUENT EVENTS: NONE**

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

**10. OTHER**

Labor cost, depreciation, and amortization

	Years ended December 31					
	2011			2010		
	Classified as Operating Costs	Classified as Operating Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Total
Labor cost						
Salary	\$ 924,423	1,769,392	2,693,815	929,563	1,839,472	2,769,035
Labor and health insurance	56,209	103,176	159,385	53,886	95,467	149,353
Pension	37,470	62,699	100,169	37,041	63,038	100,079
Other	43,635	83,392	127,027	44,363	82,823	127,186
Depreciation	6,395,906	599,477	6,995,383	6,591,479	573,741	7,165,220
Amortization	913,907	145,332	1,059,239	756,797	120,754	877,551

**11. ADDITIONAL DISCLOSURES**

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

- a. Financing provided: Table 1 (attached)
- b. Endorsement/guarantee provided: Table 2 (attached)
- c. Marketable securities held: Table 3 (attached)
- d. Marketable securities acquired and disposed of at costs or prices of at least \$100 million or 20% of the paid-in capital: Table 4 (attached)
- e. Acquisition of individual real estate at costs of at least \$100 million or 20% of the paid-in capital: Table 5 (attached)
- f. Disposal of individual real estate at prices of at least \$100 million or 20% of the paid-in capital: None
- g. Total purchases from or sales to related parties amounting to at least \$100 million or 20% of the paid-in capital: Table 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 on which the Corporation exercised significant influence: Table 8 (attached)
- j. Derivative transactions: None

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

k. Investment in Mainland China:

- (1) The name of the investee company in Mainland China, the main businesses and products, issued capital, method of investment, information on inflow or outflow of capital, ownership, investment gain or loss, ending balance, amount received as earnings distributions from the investment, and the limitation on investment: Table 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 should be disclosed in the consolidated financial report by the Corporation, but it does not need to be disclosed in the individual financial report.

**TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES**  
**FINANCING PROVIDED**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

TABLE 1

(In Thousands of New Taiwan Dollars)

No.	Lending Company	Borrowing Company	Financial Statement Account	Maximum Balance for the Period (Note 1)	Ending Balance (Note 1)	Drawdown Amounts	Interest Rate	Financing Purpose	Transaction Amounts	Reasons for Short-term Financing	Allowance for Doubtful Accounts	Collateral		Lending Limit for Each Borrowing Company	Lending Company's Lending Amount Limits
												Item	Value		
0	Taiwan Mobile Co., Ltd. (the "Corporation")	TFN Media Co., Ltd.	Other receivables	\$ 5,000,000	\$ 4,500,000	\$ 850,000	0.893%~1.186%	Short-term financing	-	Operation requirements	-	-	-	\$ 19,579,204 (Note 2)	19,579,204 (Note 2)
		Taiwan Cellular Co., Ltd.	Other receivables	9,000,000	-	-	0.893%~0.95%	Short-term financing	-	Operation requirements	-	-	-	19,579,204 (Note 2)	19,579,204 (Note 2)
		Taiwan Digital Communication Co., Ltd.	Other receivables	300,000	-	-	0.948%~1.002%	Short-term financing	-	Operation requirements	-	-	-	19,579,204 (Note 2)	19,579,204 (Note 2)
		Tai Fu Media Technology Co., Ltd.	Other receivables	50,000	-	-	0.95%~1.095%	Short-term financing	-	Operation requirements	-	-	-	19,579,204 (Note 2)	19,579,204 (Note 2)
		Win TV Broadcasting Co., Ltd.	Other receivables	550,000	550,000	470,000	1.092%~1.190%	Short-term financing	-	Operation requirements	-	-	-	19,579,204 (Note 2)	19,579,204 (Note 2)
1	Taiwan Cellular Co., Ltd.	Win TV Broadcasting Co., Ltd.	Other receivables	360,000	-	-	0.847%~1.009%	Short-term financing	-	Operation requirements	-	-	-	30,582,980 (Note 2)	30,582,980 (Note 2)
		Taiwan Digital Communications Co., Ltd.	Other receivables	150,000	150,000	40,000	1.590%	Short-term financing	-	Operation requirements	-	-	-	30,582,980 (Note 2)	30,582,980 (Note 2)
		TFN Media Co., Ltd.	Other receivables	7,000,000	5,000,000	4,100,000	1.35%~1.564%	Short-term financing	-	Operation requirements	-	-	-	30,582,980 (Note 2)	30,582,980 (Note 2)
2	Taiwan Fixed Network Co., Ltd.	The Corporation	Other receivables	9,000,000	-	-	0.893%	Short-term financing	-	Operation requirements	-	-	-	17,906,179 (Note 2)	17,906,179 (Note 2)
		TFN Union Investment Co., Ltd.	Other receivables	500	500	-	1.087%	Short-term financing	-	Operation requirements	-	-	-	17,906,179 (Note 2)	17,906,179 (Note 2)
		Taiwan Cellular Co., Ltd.	Other receivables	11,000,000	8,170,000	4,670,000	1.093%~1.164%	Short-term financing	-	Operation requirements	-	-	-	17,906,179 (Note 2)	17,906,179 (Note 2)
3	TCC Investment Co., Ltd.	TCCI Investment and Development Co., Ltd.	Other receivables	500	500	-	1.087%	Short-term financing	-	Operation requirements	-	-	-	12,579,226 (Note 2)	12,579,226 (Note 2)
4	Union Cable TV Co., Ltd.	TFN Media Co., Ltd.	Other receivables	739,000	715,000	645,000	0.851%~1.190%	Short-term financing	-	Repayment of financing	-	-	-	749,281 (Note 3)	13,500,000 (Note 3)
5	Globalview Cable TV Co., Ltd.	TFN Media Co., Ltd.	Other receivables	233,000	-	-	0.851%~1.000%	Transactions	242,276	Business requirements	-	-	-	242,276 (Note 4)	518,711 (Note 4)
		TFN Media Co., Ltd.	Other receivables	250,000	250,000	250,000	1.087%	Short-term financing	-	Repayment of financing	-	-	-	276,435 (Note 4)	518,711 (Note 4)

(Continued)

**TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES**  
**FINANCING PROVIDED**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

No.	Lending Company	Borrowing Company	Financial Statement Account	Maximum Balance for the Period (Note 1)	Ending Balance (Note 1)	Drawdown Amounts	Interest Rate	Financing Purpose	Transaction Amounts	Reasons for Short-term Financing	Allowance for Doubtful Accounts	Collateral		Lending Limit for Each Borrowing Company	Lending Company's Lending Amount Limits
6	Phoenix Cable TV Co., Ltd.	TFN Media Co., Ltd.	Other receivables	\$ 584,000	\$ 580,000	\$ 580,000	0.854%~1.092%	Transactions	\$ 596,517	Business requirements	\$ -	-	-	\$ 12,000,000 (Note 5)	\$ 12,000,000 (Note 5)
7	Yeong Jia Leh Cable TV Co., Ltd.	TFN Media Co., Ltd.	Other receivables	409,000	351,000	351,000	0.854%~1.186%	Transactions	544,349	Business requirements	-	-	-	24,000,000 (Note 5)	24,000,000 (Note 5)
8	Wealth Media Technology Co., Ltd.	Global Wealth Media Technology Co., Ltd.	Other receivables	15,000	-	-	0.851%	Short-term financing	-	Repayment of financing	-	-	-	3,544,867 (Note 2)	3,544,867 (Note 2)
		Tai Fu Media Technology Co., Ltd.	Other receivables	50,000	50,000	43,000	1.186%	Short-term financing	-	Operation requirements	-	-	-	3,544,867 (Note 2)	3,544,867 (Note 2)
9	Tai Fu Media Technology Co., Ltd.	Global Wealth Media Technology Co., Ltd.	Other receivables	10,000	10,000	4,000	1.087%	Short-term financing	-	Repayment of financing	-	-	-	86,240 (Note 2)	86,240 (Note 2)
10	TFN Media Co., Ltd	Taiwan Kuro Times Co., Ltd.	Other receivables	100,000	100,000	30,000	1.578%~1.590%	Short-term financing	-	Operation requirements	-	-	-	1,926,046 (Note 3)	15,000,000 (Note 3)

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

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

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

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

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

**TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES**  
**ENDORSEMENT/GUARANTEE PROVIDED**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

TABLE 2

(In Thousands of New Taiwan Dollars)

No.	Endorsement/Guarantor (A)	Receiving Party		Maximum Guarantee/ Endorsement Amount That Can Be Provided to Each Receiving Party	Maximum Balance for the Period (Note 1)	Ending Balance (Note 1)	Value of Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Worth of the Guarantor (Note 1)	Maximum Guarantee/ Endorsement That Can Be Provided by the Guarantor/Endorser
		Name (B)	Nature of Relationship (B is A's)						
0	Taiwan Mobile Co., Ltd. (the "Corporation")	Taiwan Fixed Network Co., Ltd.	(Note 2)	\$ 42,000,000 (Note 3)	\$ 26,557,595	\$ 19,759,800	\$ -	40.37%	\$ 48,948,011
1	Taiwan Teleservices & Technologies Co., Ltd.	Taiwan Fixed Network Co., Ltd.	(Note 4)  (Note 6)	20,000 (Note 5)/ (Note 6)	146	-	-	0.00%	101,959 (Note 5)

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

Note 2: Direct/indirect subsidiary

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

Note 4: Parent company

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

Note 6: Following the sale by TFN of its 100% shareholding in TT&T on May 14, 2010, the endorsement/guarantee provided by TT&T is for transactions. The aggregate endorsement/guarantee amount shall not exceed the net worth of TT&T, and the individual endorsement/guarantee amount shall not exceed the amount of business dealings. The amount of business dealings is \$132,614 thousand.

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

DECEMBER 31, 2011

TABLE 3

(In Thousands of New Taiwan Dollars unless stated otherwise)

Investing Company (A)	Marketable Securities Invested (B)	Relationship with the Investing Company (B is A's)	Financial Statement Account	DECEMBER 31, 2011				Note
				Shares/Units (Thousands)	Carrying Value	Percentage of Ownership	Market Value (Note 1)	
Taiwan Mobile Co., Ltd. (the "Corporation")	<u>Stock</u> Chunghwa Telecom Co., Ltd.	-	Available-for-sale financial assets - current	2,174	\$ 217,351	0.028	\$ 217,351 (Note 5)	
	Bridge Mobile Pte Ltd.	-	Financial assets carried at cost - non-current	2,200	50,324	10	- (Note 3)	
	Yes Mobile Holdings Company	-	Financial assets carried at cost - non-current	74	-	0.19	- (Note 3)	
	Wealth Media Technology Co., Ltd.	Subsidiary	Long-term investments - equity method	38,550	8,862,169	100	8,862,169	
	Taiwan Cellular Co., Ltd.	Subsidiary	Long-term investments - equity method	370,896	17,195,352 (Note 4)	100	76,457,449	
	Taipei New Horizons Co., Ltd.	Equity-method investee	Long-term investments - equity method	64,870	562,812	49.9	562,812	
Wealth Media Technology Co., Ltd.	<u>Stock</u> Tai Fu Media Technology Co., Ltd.	Subsidiary	Long-term investments - equity method	20,090	215,600	100	215,600	
	Taiwan Win TV Broadcasting Co., Ltd.	Subsidiary	Long-term investments - equity method	16	9,858	100	9,858	
	Fubon Multimedia Technology Co., Ltd.	Subsidiary	Long-term investments - equity method	58,857	8,543,487	50.64	1,067,828	
Tai Fu Media Technology Co., Ltd.	<u>Stock</u> Global Wealth Media Technology Co., Ltd.	Subsidiary	Long-term investments - equity method	8,400	91,291	100	91,291	
	Fu Jia Leh Media Technology Co., Ltd.	Subsidiary	Long-term investments - equity method	100	423	100	423	
	Fu Sin Media Technology Co., Ltd.	Subsidiary	Long-term investments - equity method	13,500	143,971	100	143,971	
	Global Forest Media Technology Co., Ltd.	Subsidiary	Long-term investments - equity method	1,500	16,868	100	16,868	
Global Wealth Media Technology Co., Ltd.	<u>Stock</u> Globalview Cable TV Co., Ltd.	Subsidiary	Long-term investments - equity method	3,825	95,216	6.83	47,208	
Fu Sin Media Technology Co., Ltd.	<u>Stock</u> Phoenix Cable TV Co., Ltd.	Subsidiary	Long-term investments - equity method	2,272	135,050	3.34	34,770	
Global Forest Media Technology Co., Ltd.	<u>Stock</u> Union Cable TV Co., Ltd.	Subsidiary	Long-term investments - equity method	1,300	15,851	0.76	14,289	

(Continued)



TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

DECEMBER 31, 2011

Investing Company (A)	Marketable Securities Invested (B)	Relationship with the Investing Company (B is A's)	Financial Statement Account	DECEMBER 31, 2011				Note
				Shares/Units (Thousands)	Carrying Value	Percentage of Ownership	Market Value (Note 1)	
Fubon Multimedia Technology Co., Ltd.	<u>Beneficiary certificates</u>							
	Fuh Hwa Money Market Funds	-	Financial assets at fair value through profit or loss-current	4,314	\$ 60,186	-	\$ 60,186 (Note 5)	
	<u>Stock</u>							
	Fu Sheng Travel Service Co.,Ltd.	Subsidiary	Long-term investments - equity method	600	7,112	100	7,112	
	Fuli Life Insurance Agent Co.,Ltd.	Subsidiary	Long-term investments - equity method	300	12,925	100	12,925	
Asian Crown International Co., Ltd.	Fuli Property Insurance Agent Co.,Ltd.	Subsidiary	Long-term investments - equity method	300	17,872	100	17,872	
	Asian Crown International Co., Ltd.	Subsidiary	Long-term investments - equity method	47	US\$ 10,733	100	US\$ 10,733	
	<u>Stock</u>							
	Fortune Kingdom Corporation	Subsidiary	Long-term investments - equity method	14,000	US\$ 10,733	100	US\$ 10,733	
	Fortune Kingdom Corporation							
Hong Kong Fubon Multimedia Technology Co., Ltd.	<u>Stock</u>							
	Hong Kong Fubon Multimedia Technology Co., Ltd.	Subsidiary	Long-term investments - equity method	14,000	US\$ 10,733	100	US\$ 10,733	
Taiwan Cellular Co., Ltd.	<u>Stock</u>							
	Fubon Gehua (Beijing) Enterprise Ltd.	Subsidiary	Long-term investments - equity method	-	US\$ 9,138	80	US\$ 9,138	
Taiwan Cellular Co., Ltd.	<u>Stock</u>							
	Arcoa Communication Co., Ltd.	-	Financial assets carried at cost - non-current	6,998	67,731	5.21	- (Note 3)	
	Parawin Venture Capital Corp.	-	Financial assets carried at cost - non-current	3,000	20,207	3	- (Note 3)	
	Transportation High Tech Inc.	-	Financial assets carried at cost - non-current	1,200	- (Note 2)	12	- (Note 3)	

(Continued)

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

DECEMBER 31, 2011

Investing Company (A)	Marketable Securities Invested (B)	Relationship with the Investing Company (B is A's)	Financial Statement Account	DECEMBER 31, 2011				Note
				Shares/Units (Thousands)	Carrying Value	Percentage of Ownership	Market Value (Note 1)	
Taiwan Cellular Co., Ltd.	WEB Point Co., Ltd.	-	Financial assets carried at cost - non-current	803	\$ 6,773	3.17	\$ - (Note 3)	
	TWM Holding Co. Ltd.	Subsidiary	Long-term investments - equity method	1 share	US\$ 8,745	100	US\$ 8,745	
	Taiwan Fixed Network Co., Ltd.	Subsidiary	Long-term investments - equity method	2,100,000	44,765,447	100	44,765,447	
	Taiwan Digital Communication Co., Ltd.	Subsidiary	Long-term investments - equity method	11,200	119,161	100	119,161	
	TCC Investment Co., Ltd.	Subsidiary	Long-term investments - equity method	24,076	31,575,249	100	31,448,066	
	Taiwan Teleservices & Technologies Co., Ltd.	Subsidiary	Long-term investments - equity method	2,484	101,959	100	101,959	
TWM Holding Co., Ltd.	<u>Stock</u> TWM Communications (Beijing) Co., Ltd.	Subsidiary	Long-term investments - equity method	-	US\$ 4,198	100	US\$ 3,307	
Taiwan Teleservices & Technologies Co., Ltd.	<u>Stock</u> TT & T Holdings Co., Ltd.	Subsidiary	Long-term investments - equity method	1,300	US\$ 1,609	100	US\$ 1,609	
	Taiwan Super Basketball Co., Ltd.	Subsidiary	Long-term investments - equity method	2,000	22,864	100	22,864	
TT&T Holdings Co., Ltd.	<u>Stock</u> Xiamen Taifu Teleservices & Technologies Co., Ltd.	Subsidiary	Long-term investments - equity method	-	US\$ 1,588	100	US\$ 1,588	
TCC Investment Co., Ltd.	<u>Stock</u> Taiwan Mobile Co., Ltd. (the "Corporation")	The Corporation	Available-for-sale financial assets - non-current	200,497	18,926,894	5.86	18,926,894 (Note 5)	
	Win TV Broadcasting Co., Ltd.	Subsidiary	Long-term investments - equity method	18,177	264,364	100	256,747	
	TFN Media Co., Ltd.	Subsidiary	Long-term investments - equity method	230,526	2,702,551	100	4,815,115	
	TCCI Investment and Development Co., Ltd.	Subsidiary	Long-term investments - equity method	400	10,809,387	100	10,809,387	
	Great Taipei Broadband Co., Ltd.	-	Financial assets carried at cost - non-current	10,000	41,241	6.67	- (Note 3)	
	<u>Preferred stock</u> Taiwan High Speed Rail Corporation Unlisted Convertible Preferred Stock - Series A	-	Bonds measured at amortized cost - non-current	50,000	500,000	1.24	- (Note 3)	
TCCI Investment and Development Co., Ltd.	<u>Stock</u> Taiwan Mobile Co., Ltd. (the "Corporation")	The Corporation	Available-for-sale financial assets - non-current	119,564	11,286,823	3.50	11,286,823 (Note 5)	
TFN Media Co., Ltd.	<u>Stock</u> Yeong Jia Leh Cable TV Co., Ltd.	Subsidiary	Long-term investments - equity method	33,940	2,216,624	100	692,144	

(Continued)

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

**MARKETABLE SECURITIES HELD**

**DECEMBER 31, 2011**

Investing Company (A)	Marketable Securities Invested (B)	Relationship with the Investing Company (B is A's)	Financial Statement Account	DECEMBER 31, 2011				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	\$ 612,879	29.53	\$ 349,704 (Note 6)	
	Phoenix Cable TV Co., Ltd.	Subsidiary	Long-term investments - equity method	65,818	3,231,826	96.66	1,007,321	
	Union Cable TV Co., Ltd.	Subsidiary	Long-term investments - equity method	169,141	2,061,857	99.22	1,858,671	
	Globalview Cable TV Co., Ltd.	Subsidiary	Long-term investments - equity method	51,733	1,260,952	92.38	638,432	
	Taiwan Kuro Times Co., Ltd.	Subsidiary	Long-term investments - equity method	1,214	114,755	100	30,225	
Taiwan Kuro Times Co., Ltd.	<u>Stock</u> ezPeer Multimedia Limited	Subsidiary	Long-term investments - equity method	1 share	US\$ 844	100	US\$ 844	
Taiwan Fixed Network Co., Ltd.	<u>Stock</u> TFN Union Investment Co., Ltd.	Subsidiary	Long-term investments - equity method	400	37,122,885	100	37,122,885	
	TFN HK LIMITED	Subsidiary	Long-term investments - equity method	1,300	HK\$ 2,019	100	HK\$ 2,019	
	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	38,766,803	12.00	38,766,803 (Note 5)	

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

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

Note 3: As of January 19, 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 \$76,457,449 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 \$(28,636,318) 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 \$(24,503) thousand.

Note 5: Based on the closing price or net asset value of funds on December 31, 2011.

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

Note 7: The above amounts were translated into New Taiwan dollars at the exchange rate of US\$1 = NT\$30.28 and HK\$1 = NT\$3.896 as of December 31, 2011.

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED OR DISPOSED AMOUNTING TO AT LEAST \$100 MILLION

FOR THE YEAR ENDED DECEMBER 31, 2011

TABLE 4

(In Thousands of New Taiwan Dollars unless stated otherwise)

Company Name	Marketable Securities Type and Issuer	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal			Ending Balance		
					Shares/Units (Thousands)	Amount	Shares/Units (Thousands)	Amount	Shares/Units (Thousands)	Amount	Carrying Value	Gain (Loss) on Disposal	Shares/Units (Thousands)	Amount
Taiwan Mobile Co., Ltd. (the "Corporation")	Stock Taiwan Cellular Co., Ltd.	Long-term investment-equity method	Taiwan Cellular Co., Ltd.	Subsidiary	30,000	\$ 10,618,840	340,896 (Note 1,2)	\$ 5,500,000	-	\$ -	\$ -	\$ -	370,896	\$ 17,195,352 (Note 7)
	Wealth Media Technology Co., Ltd.	Long-term investment-equity method	Wealth Media Technology Co., Ltd.	Subsidiary	37,200	301,977	1,350 (Note 1,3)	8,349,894 (Note 4)	-	-	-	-	38,550	8,862,169 (Note 7)
	Taipei New Horizons Co., Ltd.	Long-term investment-equity method	Taipei New Horizons Co., Ltd.	Equity-method investee	44,910	388,002	19,960 (Note 1)	199,600	-	-	-	-	64,870	562,812 (Note 7)
Wealth Media Technology Co., Ltd.	Stock Fubon Multimedia Technology Co., Ltd.	Long-term investment-equity method	Fubon Financial Venture Capital Co., Ltd.	Related party in substance	-	-	58,857 (Note 1)	8,347,949	-	-	-	-	58,857	8,543,487 (Note 7)
Taiwan Cellular Co., Ltd.	Stock Taiwan Digital Communication Co., Ltd.	Long-term investment-equity method	Taiwan Digital Communication Co., Ltd.	Subsidiary	1,200	11,604	10,000 (Note 1)	100,000	-	-	-	-	11,200	119,161 (Note 7)
	TCC Investment Co., Ltd.	Long-term investment-equity method	TCC Investment Co., Ltd.	Subsidiary	3,950	26,428,349	20,126 (Note 1,4)	(500,000) (Note 4)	-	-	-	-	24,076	31,575,249 (Note 7)
Taiwan Fixed Network Co., Ltd.	Stock TFN Union Investment Co., Ltd.	Long-term investment-equity method	TFN Union Investment Co., Ltd.	Subsidiary	400	30,900,208	- (Note 5)	(454,573) (Note 6)	-	-	-	-	400	37,122,885 (Note 7)
TCC Investment Co., Ltd.	Stock TCCI Investment and Development Co., Ltd.	Long-term investment-equity method	TCCI Investment and Development Co., Ltd.	Subsidiary	400	8,996,439	- (Note 5)	(131,073) (Note 6)	-	-	-	-	400	10,809,387 (Note 7)
Fubon Multimedia Technology Co., Ltd.	Beneficiary certificates Fuh Hwa Money Market Funds	Financial assets at fair value through profit or loss-current	-	-	-	-	164,804	2,280,000	160,490	2,221,267	2,220,000	1,267	4,314	60,186 (Note 7)
	Fuh Hwa You Li Money Market Funds	Financial assets at fair value through profit or loss-current	-	-	7,739	100,113	-	-	7,739	100,277	100,000	277	-	-
	Fubon Chi-Hsiang Money Market Funds	Financial assets at fair value through profit or loss-current	Fubon Securities Investment Trust Co., Ltd.	Related party in substance	7,641	115,013	138,359	2,015,000	146,000	2,130,781	2,130,000	781	-	-
Fuli Life Insurance Agent Co., Ltd.	Beneficiary certificates Fubon Chi-Hsiang Money Market Funds	Financial assets at fair value through profit or loss-current	Fubon Securities Investment Trust Co., Ltd.	Related party in substance	7,676	115,541	398	6,000	8,074	121,654	121,500	154	-	-
Hong Kong Fubon Multimedia Technology Co., Ltd.	Stock Fubon Gehua (Beijing) Enterprise Ltd.	Long-term investment-equity method	Fubon Gehua (Beijing) Enterprise Ltd.	Subsidiary	-	-	-	US \$12,319	-	-	-	-	-	US\$ 9,138 (Note 7)

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

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

Note 3: The shares/units and amount of marketable securities acquired include capital reduction to make up for losses and issued to stock by cash.

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

Note 5: The shares/units and amount of marketable securities acquired include transferred to capital by capital surplus and capital reduction.

Note 6: The amount of marketable securities acquired include capital surplus used to cover accumulated deficits and returned to investors by cash.

Note 7: The ending balance includes the unrealized gain or loss on financial instruments, cumulative translation adjustments, investment income or loss recognized under the equity method, and other adjustments in long-term investment using equity method.

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

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

FOR THE YEAR ENDED DECEMBER 31, 2011

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 Transaction	Amount			
Taiwan Fixed Network Co., Ltd.	Land and Building	100/7/18	2,868,000	Outstanding amount is 2,543 as of December 31, 2011	HAN YA Co., Ltd.	Third party	-	-	-	-	Based on valuation report of the DTZ Real Estate Appraisers Firm and REPro Real Estate 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 YEAR ENDED DECEMBER 31, 2011**

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	\$ (2,372,054)	(4)	Based on contract terms	-	-	\$ 433,991	7	(Note 1)
			Purchase	3,396,643	(Note 2)	Based on contract terms	-	-	(418,791)	(Note 3)	
	Taiwan Digital Communications Co., Ltd.	Subsidiary	Purchase	237,728	(Note 4)	Based on contract terms	-	-	(99,340)	(Note 5)	
	Taiwan Kuro Times Co., Ltd. Taiwan Teleservices & Technologies Co., Ltd.	Subsidiary	Purchase	105,157	-	Based on contract terms	-	-	(36,470)	1	
		Subsidiary	Purchase	907,559	(Note 4)	Based on contract terms	-	-	(88,870)	(Note 6)	
Taiwan Teleservices & Technologies Co., Ltd.	The Corporation	Ultimate parent	Sale	(907,732)	(87)	Based on contract terms	-	-	88,894	90	
	Taiwan Fixed Network Co., Ltd.	Related party in substance	Sale	(132,614)	(13)	Based on contract terms	-	-	9,954	10	
Taiwan Fixed Network Co., Ltd.	The Corporation	Ultimate parent	Sale	(3,388,316)	(29)	Based on contract terms	-	-	418,791	38	(Note 7)
			Purchase	2,375,441	32	Based on contract terms	-	-	(433,148)	(52)	
	TFN Media Co., Ltd.	Related party in substance	Sale	(103,425)	(1)	Based on contract terms	-	-	19,362	2	
	Taiwan Teleservices & Technologies Co., Ltd.	Related party in substance	Purchase	132,614	(Note 4)	Based on contract terms	-	-	(9,954)	(Note 6)	
Taiwan Digital Communications Co., Ltd.	The Corporation	Ultimate parent	Sale	(237,956)	(75)	Based on contract terms	-	-	99,352	97	
Taiwan Kuro Times Co., Ltd.	The Corporation	Ultimate parent	Sale	(104,763)	(47)	Based on contract terms	-	-	39,104	70	
TFN Media Co., Ltd.	Phoenix Cable TV Co., Ltd.	Subsidiary	Channel leasing fee	(496,561)	(17)	Based on contract terms	(Note 8)	(Note 8)	1,423	1	
	Yeong Jia Leh Cable TV Co., Ltd.	Subsidiary	Channel leasing fee	(449,909)	(15)	Based on contract terms	(Note 8)	(Note 8)	2,174	1	
	Globalview Cable TV Co., Ltd.	Subsidiary	Channel leasing fee	(201,408)	(7)	Based on contract terms	(Note 8)	(Note 8)	910	-	
	Union Cable TV Co., Ltd.	Subsidiary	Channel leasing fee	(232,630)	(8)	Based on contract terms	(Note 8)	(Note 8)	795	-	
	Taiwan Fixed Network Co., Ltd.	Related party in substance	Operating cost-rent	100,393	8	Based on contract terms	-	-	(18,946)	(3)	

(Continued)

**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 YEAR ENDED DECEMBER 31, 2011**

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	
Yeong Jia Leh Cable TV Co., Ltd.	TFN Media Co., Ltd.	Parent	Royalty for copyright	\$ 449,909	65	Based on contract terms	(Note 8)	(Note 8)	(2,174)	(16)	
Phoenix Cable TV Co., Ltd.	TFN Media Co., Ltd.	Parent	Royalty for copyright	496,561	67	Based on contract terms	(Note 8)	(Note 8)	(1,423)	(16)	
Union Cable TV Co., Ltd.	TFN Media Co., Ltd.	Parent	Royalty for copyright	232,630	62	Based on contract terms	(Note 8)	(Note 8)	(795)	(14)	
Globalview Cable TV Co., Ltd.	TFN Media Co., Ltd.	Parent	Royalty for copyright	201,408	63	Based on contract terms	(Note 8)	(Note 8)	(910)	(14)	
Mangrove Cable TV Co., Ltd	Dai-Ka Ltd.	Related party in substance	Royalty for copyright	162,898	60	Based on contract terms	(Note 8)	(Note 8)	-	-	

Note 1: The \$37,125 thousand accounts receivable amount was expressed on a gross basis in accordance with the sales amount. The net accounts receivable should be \$396,866 thousand after deducting accounts payable and accrued custodial receipts/payments totaling \$433,991 thousand.

Note 2: Included operating costs and operating expenses.

Note 3: Included accounts payable and accrued expenses.

Note 4: Recognized as operating expenses.

Note 5: Included accrued expenses and other payable.

Note 6: Recognized as accrued expenses.

Note 7: The \$398,558 thousand accounts receivable amount was expressed on a gross basis in accordance with the sales amount. The net accounts receivable should be \$20,233 thousand after deducting accounts payable and accrued custodial receipts/payments totaling \$418,791 thousand.

Note 8: 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

DECEMBER 31, 2011

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	5.89	\$ -	-	\$ 732	\$ -
			Other receivables					
	TFN Media Co., Ltd. Win TV Broadcasting Co., Ltd.	Subsidiary Subsidiary	Other receivables Other receivables	852,867 471,421	- -	- -	- -	- -
Taiwan Cellular Co., Ltd.	TFN Media Co., Ltd.	Subsidiary	Other receivables		-	-	-	-
Taiwan Teleservices & Technologies Co., Ltd.	The Corporation	Ultimate parent	Accounts receivable	11.62	-	-	-	-
	Taiwan Fixed Network Co., Ltd.	Related party in substance	Accounts receivable	13.61	-	-	-	-
Taiwan Kuro Times Co., Ltd.	The Corporation	Ultimate parent	Accounts receivable	4.08	-	-	13,552	-
Taiwan Fixed Network Co., Ltd.	The Corporation	Ultimate parent	Accounts receivable	10.20	-	-	10,898	-
			Other receivables				158,055	68,288
	Taiwan Cellular Co., Ltd.	Parent	Other receivables	4,679,230	-	-	-	-
Phoenix Cable TV Co., Ltd.	TFN Media Co., Ltd.	Parent	Accounts receivable	6.21	-	-	-	-
			Other receivables				580,050	-
Union Cable TV Co., Ltd.	TFN Media Co., Ltd.	Parent	Accounts receivable	4.37	-	-	-	-
			Other receivables				645,020	-
Globalview Cable TV Co., Ltd.	TFN Media Co., Ltd.	Parent	Accounts receivable	5.69	-	-	-	-
			Other receivables				250,055	-
Yeong Jia Leh Cable TV Co., Ltd.	TFN Media Co., Ltd.	Parent	Accounts receivable	5.92	-	-	-	-
			Other receivables				351,285	-



**TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES**  
**NAMES AND LOCATIONS OF, AND OTHER INFORMATION ON INVESTEEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

TABLE 8

(In Thousands of New Taiwan Dollars unless stated otherwise)

Investor	Investee	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2011			Net Income (Loss) of the Investee	Investment Income (Loss)	Note
				December 31, 2011	December 31, 2010	Shares (Thousands)	Percentage of Ownership	Carrying Value			
Taiwan Mobile Co., Ltd. (the "Corporation")	Taiwan Cellular Co., Ltd.	Taipei, Taiwan	Telecom engineering and IT service	\$ 44,467,288	\$ 37,558,330	370,896	100	\$ 17,195,352	\$ 3,586,064	\$ 3,575,190	
	Taipei New Horizons Co., Ltd.	Taipei, Taiwan	Real estate rental and sale	648,700	449,100	64,870	49.9	(Note 1) 562,812	(49,679)	(24,790)	
	Wealth Media Technology Co., Ltd.	Taipei, Taiwan	Investment	8,652,000	372,000	38,550	100	8,862,169	193,303	193,303	
Wealth Media Technology Co., Ltd.	Tai Fu Media Technology Co., Ltd.	Taipei, Taiwan	Investment	200,898	270,000	20,090	100	215,600	12,958	NA	
	Taiwan Win TV Broadcasting Co., Ltd.	Taipei, Taiwan	TV program producing	10,000	10,000	16	100	9,858	(54)	NA	
	Fubon Multimedia Technology Co., Ltd.	Taipei, Taiwan	Wholesale and retailing on virtual channel and physical channel	8,347,949	-	58,857	50.64	8,543,487	695,940	NA	
Tai Fu Media Technology Co., Ltd.	Global Wealth Media Technology Co., Ltd.	New Taipei City, Taiwan	Investment	84,000	84,000	8,400	100	91,291	6,054	NA	
	Fu Jia Leh Media Technology Co., Ltd.	Taipei, Taiwan	Investment	1,700	1,700	100	100	423	(344)	NA	
	Fu Sin Media Technology Co., Ltd.	Taipei, Taiwan	Investment	135,000	135,000	13,500	100	143,971	7,585	NA	
	Global Forest Media Technology Co., Ltd.	Taipei, Taiwan	Investment	15,000	1,000	1,500	100	16,868	275	NA	
Global Wealth Media Technology Co., Ltd.	Globalview Cable TV Co., Ltd.	New Taipei City, Taiwan	Cable TV service provider	91,910	91,691	3,825	6.83	95,216	92,483	NA	
Fu Sin Media Technology Co., Ltd.	Phoenix Cable TV Co., Ltd.	Kaohsiung County, Taiwan	Cable TV service provider	133,358	133,358	2,272	3.34	135,050	231,568	NA	
Global Forest Media Technology Co., Ltd.	Union Cable TV Co., Ltd.	Yilan County, Taiwan	Cable TV service provider	16,218	4	1,300	0.76	15,851	126,786	NA	
Fubon Multimedia Technology Co., Ltd.	Fu Sheng Travel Service Co., Ltd.	Taipei, Taiwan	Travel	10,000	6,000	600	100	7,112	3,850	NA	
	Fuli Life Insurance Agent Co., Ltd.	Taipei, Taiwan	Life Insurance Agent	3,000	3,000	300	100	12,925	5,420	NA	
	Fuli Property Insurance Agent Co., Ltd.	Taipei, Taiwan	Property Insurance Agent	3,000	3,000	300	100	17,872	10,932	NA	
	Asian Crown International Co., Ltd.	British Virgin Islands	Investment	US\$ 14,000	US\$ 14,000	47	100	US\$ 10,733	US\$ (3,479)	NA	
Asian Crown International Co., Ltd.	Fortune Kingdom Corporation	Samoa	Investment	US\$ 14,000	US\$ 14,000	14,000	100	US\$ 10,733	US\$ (3,479)	NA	
Fortune Kingdom Corporation	Hong Kong Fubon Multimedia Technology Co., Ltd.	Hong Kong	Investment	US\$ 14,000	US\$ 14,000	14,000	100	US\$ 10,733	US\$ (3,479)	NA	
Hong Kong Fubon Multimedia Technology Co., Ltd.	Fubon Gehua (Beijing) Enterprise Ltd.	Beijing, China	Wholesale	US\$ 12,319	-	-	80	US\$ 9,138	US\$ (4,367)	NA	
Taiwan Cellular Co., Ltd.	TWM Holding Co. Ltd.	British Virgin Islands	Investment	US\$ 10,800	US\$ 10,800	1 share	100	US\$ 8,475	US\$ 18	NA	
	Taiwan Fixed Network Co., Ltd.	Taipei, Taiwan	Fixed line service provider	21,000,000	21,000,000	2,100,000	100	44,765,447	1,650,340	NA	
	Taiwan Digital Communication Co., Ltd.	Taipei, Taiwan	Telecom engineering and IT service	112,000	12,000	11,200	100	119,161	7,556	NA	
	TCC Investment Co., Ltd.	Taipei, Taiwan	Investment	22,002,255	22,301,000	24,076	100	31,575,249	1,898,069	NA	
	Taiwan Teleservices & Technologies Co., Ltd.	Taipei, Taiwan	Call center service and ISR (international simple resales)	24,843	10,000	2,484	100	101,959	55,615	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\$ 4,198	US\$ 18	NA	
Taiwan Teleservices & Technologies Co., Ltd.	TT&T Holdings Co., Ltd.	Samoa	Investment	US\$ 1,300	US\$ 1,300	1,300	100	US\$ 1,609	US\$ 159	NA	
	Taiwan Super Basketball Co., Ltd.	Taipei, Taiwan	Basketball team management	20,000	20,000	2,000	100	22,864	2,847	NA	
TT&T Holdings Co., Ltd.	Xiamen Taifu Teleservices & Technologies Co., Ltd.	Xiamen, China	Call center service	US\$ 1,300	US\$ 1,300	-	100	US\$ 1,588	US\$ 164	NA	
TCC Investment Co., Ltd.	Win TV Broadcasting Co., Ltd.	Taipei, Taiwan	TV program provider	188,047	188,047	18,177	100	264,364	59,765	NA	
	TFN Media Co., Ltd.	Taipei, Taiwan	Cable broadband and value added service provider	2,035,714	2,035,714	230,526	100	2,702,551	1,970,548	NA	
	TCCI Investment and Development Co., Ltd.	Taipei, Taiwan	Investment	6,498,149	6,629,149	400	100	10,809,387	(160)	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	2,216,624	234,389	NA	
	Mangrove Cable TV Co., Ltd.	New Taipei City, Taiwan	Cable TV service provider	397,703	397,703	6,248	29.53	612,879	103,066	NA	
	Phoenix Cable TV Co., Ltd.	Kaohsiung County, Taiwan	Cable TV service provider	2,294,967	2,294,967	65,818	96.66	3,231,826	231,568	NA	
	Union Cable TV Co., Ltd.	Yilan County, Taiwan	Cable TV service provider	1,889,910	1,904,436	169,141	99.22	2,061,857	126,786	NA	
	Globalview Cable TV Co., Ltd.	New Taipei City, Taiwan	Cable TV service provider	841,413	841,413	51,733	92.38	1,260,952	92,483	NA	
	Taiwan Kuro Times Co., Ltd.	Taipei, Taiwan	The platform of music supplied	129,900	63,900	1,214	100	114,755	(23,107)	NA	
	ezPeer Multimedia Limited	Samoa	Investment	US\$ 1,522	US\$ 1,522	1 share	100	US\$ 844	US\$ (652)	NA	
Taiwan Kuro Times Co., Ltd.	TFN Union Investment Co., Ltd.	Taipei, Taiwan	Investment	22,314,536	22,769,109	400	100	37,122,885	(241)	NA	
Taiwan Fixed Network Co., Ltd.	TFN HK LIMITED	Hong Kong	Telecommunications service provider	HK\$ 1,300	HK\$ 1,300	1,300	100	HK\$ 2,019	HK\$ 655	NA	

Note 1: The Corporation's shares held by TCCI, TID and TUI (all are subsidiaries 100% owned by TCC) are classified as treasury shares. Therefore, the Corporation's carrying cost of \$76,457,449 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 \$(28,636,318) 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 \$(24,503) thousand.

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

Note 3: The above amounts were translated into New Taiwan dollars at the exchange rate of US\$1 = NT\$30.28 and HK\$1 = NT\$3.896 as of December 31, 2011.

**TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES**  
**INVESTMENT IN MAINLAND CHINA**  
**FOR THE YEAR ENDED DECEMBER 31, 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, 2011	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2011	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 3)	Carrying Value as of December 31, 2011	Accumulated Inward Remittance of Earnings as of December 31, 2011
					Outflow	Inflow					
Xiamen Taifu Teleservices & Technologies Co., Ltd.	Call center service	US\$ 1,300 (NT\$ 39,364)	Indirect investment in Mainland China through a third place by the Corporation's subsidiary Taiwan Teleservices & Technologies Co., Ltd.	US\$ 1,300 (NT\$ 39,364)	\$ -	\$ -	US\$ 1,300 (NT\$ 39,364)	100% ownership of indirect investment by the Corporation's subsidiary	US\$ 164 (NT\$ 4,966)	US\$ 1,588 (NT\$ 48,085)	\$ -
TWM Communications (Beijing) Co. Ltd.	Mobile application development and design	US\$ 3,000 (NT\$ 90,840)	Indirect investment in Mainland China through a third place by the Corporation's subsidiary Taiwan Cellular Co., Ltd.	US\$ 4,872 (NT\$ 147,524)	-	-	US\$ 4,872 (NT\$ 147,524)	100% ownership of indirect investment by the Corporation's subsidiary	US\$ 18 (NT\$ 545)	US\$ 4,198 (NT\$ 127,115)	-
Fubon Gehua (Beijing) Enterprise Ltd.	Wholesale	RMB100,000 (NT\$479,304)	Indirect investment in Mainland China through a third place by the Corporation's subsidiary Fubon Multimedia Technology Co., Ltd.	-	US\$ 12,319 (NT\$ 373,019)	-	US\$ 12,319 (NT\$ 373,019)	80% ownership of indirect investment by the Corporation's subsidiary	US\$ (3,494) (NT\$(105,798))	US\$ 9,138 (NT\$ 276,699)	-

Accumulated Investment in Mainland China as of June 30, 2011	Investment Amounts Authorized by Investment Commission, MOEA (Note 2)	Upper Limit on Investment Authorized by Investment Commission, MOEA (Note 2)
US\$1,300 (NT\$39,364)	US\$1,300 (NT\$39,364)	\$30,038,331
US\$4,872 (NT\$147,524)	US\$4,872 (NT\$147,524)	\$45,874,469
US\$12,319 (NT\$373,019)	US\$15,000 (NT\$454,200)	\$30,038,331

Note 1: The above amounts were translated into New Taiwan dollars at the exchange rate of US\$1=NT\$30.28 and US\$1=RMB\$6.3175 as of December 31, 2011.

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

Note 3: Calculation was based on audited financial statements.

**TAIWAN MOBILE CO., LTD.**  
**CASH AND CASH EQUIVALENTS**  
**DECEMBER 31, 2011**  
(In Thousands of New Taiwan Dollars)

<u>Item</u>	<u>Due Date</u>	<u>Amount</u>
Cash in banks		
Foreign-currency deposits		
EUR19,545.76 (exchange rate at 39.17)		\$ 766
US\$998,059.70 (exchange rate at 30.28)		30,221
Checking deposits		2,033
Demand deposits		<u>470,024</u>
		<u>503,044</u>
Government bonds with repurchase rights	101.01.04	<u>222,000</u>
Cash on hand		<u>86,870</u>
Time deposits		
US\$1,950,278.86 (exchange rate at 30.28)		<u>59,054</u>
Revolving funds		<u>6,550</u>
		<u><u>\$ 877,518</u></u>

**TAIWAN MOBILE CO., LTD.**  
**ACCOUNTS RECEIVABLE**  
**DECEMBER 31, 2011**  
(In Thousands of New Taiwan Dollars)

Client	Amount
Related parties	
Taiwan Fixed Network Co., Ltd.	\$ 37,125
Other (Note)	6,550
	43,675
Third parties	
Chunghwa Telecom Co., Ltd.	423,010
Other (Note)	5,636,937
	6,059,947
Less allowance for doubtful accounts	(194,164)
	5,865,783
	<b>\$ 5,909,458</b>

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

**TAIWAN MOBILE CO., LTD.**  
**CHANGES IN INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD**  
**YEAR ENDED DECEMBER 31, 2011**  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

	Par Value	Beginning Balance		Increase		Decrease		Adjustments on Equity Method (Note 2)	Ending Balance			Market Price or Net Asset Value (Notes 3 and 4)
		Thousand Shares	Amount	Thousand Shares	Amount	Thousand Shares	Amount (Note 1)		Thousand Shares	% of Ownership	Amount	
Taiwan Cellular Co., Ltd.	NT\$ 10	30,000	\$ 10,618,840	340,896	5,500,000	-	3,310,805	4,387,317	370,896	100	17,195,352	76,457,449
Wealth Media Technology Co., Ltd.	10	37,200	301,977	8,350	8,350,000	7,000	106	210,298	38,550	100	8,862,169	8,862,168
Taipei New Horizons Co., Ltd.	10	44,910	388,002	19,960	199,600	-	-	(24,790)	64,870	49.9	562,812	562,812
<b>Total</b>			<b>\$ 11,308,819</b>		<b>14,049,600</b>		<b>3,310,911</b>	<b>4,572,825</b>			<b>26,620,333</b>	

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

Distributing of cash dividends by Taiwan Cellular Co., Ltd.	\$ 3,310,805
Receivables from capital reduction of Wealth Media Technology Co., Ltd.	106
	<b>\$ 3,310,911</b>

Note 2: Other adjustment from evaluation included the following:

a. Recognized investment income from investees	\$ 3,743,703
b. Recognized changes in cumulative translation adjustment of investees	23,328
c. Recognized changes in net loss not recognized as pension cost of investees	(6,080)
d. Recognized changes in paid-in capital of investees	(43)
f. Decrease in treasury stock held by subsidiaries	811,917
	<b>\$ 4,572,825</b>

Note 3: The net asset value of Taiwan Cellular Co., Ltd., Taipei New Horizons Co., Ltd. and Wealth Media Technology Co., Ltd. were calculated based on audited financial statements as of December 31, 2011.

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

**TAIWAN MOBILE CO., LTD.**  
**CHANGES IN PROPERTY AND EQUIPMENT**  
**YEAR ENDED DECEMBER 31, 2011**  
**(In Thousands of New Taiwan Dollars)**

Item	Beginning Balance	Changes for the Period			Ending Balance
		Increase	Decrease	Reclassification	
Cost					
Land	\$ 3,979,837	-	-	169,304	4,149,141
Buildings	2,448,616	-	-	(271,323 )	2,177,293
Telecommunication equipment	56,323,134	22,133	1,191,798	3,594,885	58,748,354
Office equipment	9,377	-	137	2,068	11,308
Leased assets	1,285,920	-	-	-	1,285,920
Miscellaneous equipment	2,448,210	-	745	341,324	2,788,789
	<u>66,495,094</u>	<u>22,133</u>	<u>1,192,680</u>	<u>3,836,258</u>	<u>69,160,805</u>
Accumulated depreciation					
Buildings	454,417	50,855	-	(40,223 )	465,049
Telecommunication equipment	30,865,040	6,283,277	786,005	32,229	36,394,541
Office equipment	5,253	1,765	108	-	6,910
Leased assets	550,606	65,096	-	-	615,702
Miscellaneous equipment	1,365,182	594,390	449	-	1,959,123
	<u>33,240,498</u>	<u>6,995,383</u>	<u>786,562</u>	<u>(7,994 )</u>	<u>39,441,325</u>
Construction in progress and advance payments	<u>1,834,018</u>	<u>3,970,056</u>	<u>1,242</u>	<u>(3,733,880 )</u>	<u>2,068,952</u>
Accumulated impairment					
Land	52,902	-	-	27,331	80,233
Building	21,327	-	-	8,921	30,248
	<u>74,229</u>	<u>-</u>	<u>-</u>	<u>36,252</u>	<u>110,481</u>
Net property and equipment	<u><b>\$35,014,385</b></u>				<u><b>31,677,951</b></u>

Note 1: The total insurance for property, equipment, and assets leased to others amounted to \$21,339,335 thousand.

Note 2: The increase of the construction in progress and advance payments included capitalized interests amounting to \$10,244 thousand.

**TAIWAN MOBILE CO., LTD.**  
**NON-OPERATING ASSETS**  
**DECEMBER 31, 2011**  
(In Thousands of New Taiwan Dollars)

<u>Item</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Carrying Value</u>
Assets leased to others			
Land	\$ 1,471,811	-	1,471,811
Buildings	687,402	143,182	544,220
	<u>\$ 2,159,213</u>	<u>143,182</u>	<u>2,016,031</u>
Idle assets			
Land	\$ 9,772	-	9,772
Buildings	7,490	1,784	5,706
Telecommunication equipment	51,578	15,650	35,928
	<u>\$ 68,840</u>	<u>17,434</u>	51,406
Less allowance for losses			(35,928)
Less accumulated impairment			(4,614)
			<u>\$ 10,864</u>

**TAIWAN MOBILE CO., LTD.**  
**SHORT-TERM BORROWINGS**  
**DECEMBER 31, 2011**  
(In Thousands of New Taiwan Dollars)

<u>Loan Type and Creditor</u>	<u>Financing Period</u>	<u>Interest Rate</u>	<u>Amount</u>	<u>Credit Line</u>	<u>Mortgage Guarantee</u>
Unsecured loans					
First Commercial Bank	December 30, 2011 ~March 30, 2012	0.96	\$ 2,000,000	3,000,000	None
Mizuho Corporate Bank	November 30, 2011 ~January 31, 2012	0.90	1,900,000	3,000,000	None
Sumitomo Mitsui Bank	December 30, 2011 ~January 31, 2012	0.93	1,600,000	1,600,000	None
Bank of Tokyo-Mitsubishi UFJ, Ltd.	November 30, 2011 ~February 29, 2012	0.89	1,500,000	1,500,000	None
The Hongkong and Shanghai Banking Corporation Limited	December 30, 2011 ~January 31, 2012	0.92	1,000,000	1,210,000	None
Taiwan Cooperation Bank	December 30, 2011 ~February 29, 2012	0.98	1,000,000	2,200,000	None
			<u><b>\$ 9,000,000</b></u>	<u><b>12,510,000</b></u>	



**TAIWAN MOBILE CO., LTD.**  
**ACCOUNTS PAYABLE**  
**DECEMBER 31, 2011**  
(In Thousands of New Taiwan Dollars)

<u>Suppliers</u>	<u>Amount</u>
Related parties	
Taiwan Kuro Times Co., Ltd.	\$ 36,470
Other (Note)	2,391
	<u>38,861</u>
Third parties	
National Communication Commission	1,567,273
Apple Asia, LLC. Taiwan Branch(U.S.A)	813,674
Synnex Technology International Corporation	327,806
Other (Note)	675,678
	<u>3,384,431</u>
	<u><u>\$ 3,423,292</u></u>

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

**TAIWAN MOBILE CO., LTD.**  
**ACCRUED EXPENSES**  
**DECEMBER 31, 2011**  
**(In Thousands of New Taiwan Dollars)**

<u>Item</u>	<u>Amount</u>
Commissions	\$ 1,195,735
Salaries and bonuses	1,166,220
Radio base stations related expenses	523,425
Professional service fees	427,037
Bonus to directors, supervisors, and employees	393,369
Repair and maintenance expense	256,511
Other (Note)	1,130,606
	<u>\$ 5,092,903</u>

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

**TAIWAN MOBILE CO., LTD.**  
**OTHER PAYABLES**  
**DECEMBER 31, 2011**  
**(In Thousands of New Taiwan Dollars)**

<u>Item</u>	<u>Amount</u>
Payable for equipment and constructions	\$ 1,208,801
Other(Note)	1,916,515
	<u>\$ 3,125,316</u>

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

**TAIWAN MOBILE CO., LTD.**  
**OPERATING REVENUES**  
**YEAR ENDED DECEMBER 31, 2011**  
**(In Thousands of New Taiwan Dollars)**

<u>Item</u>	<u>Amount</u>
Telecom service revenues	
Monthly access fee and activation fee	\$ 20,465,432
Airtime usage	22,551,909
Interconnection revenue (Note 1)	12,899,322
	<u>55,916,663</u>
Other operating revenues (Note 2)	6,002,610
	<u><u>\$ 61,919,273</u></u>

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

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

**TAIWAN MOBILE CO., LTD.**  
**OPERATING COSTS**  
**YEAR ENDED DECEMBER 31, 2011**  
**(In Thousands of New Taiwan Dollars)**

<b>Item</b>	<b>Amount</b>
Telecom service costs	
Cost of goods sold	\$ 12,944,255
Interconnection cost (Note 1)	8,054,431
Depreciation	6,395,906
Leased-line charges	3,518,684
Rents	1,650,082
2G concession fee and 3G license amortization	1,361,934
Administrative and utilities expense of radio base stations	869,124
Maintenance materials and constructions	824,839
Frequency usage fee	515,668
Other (Note 2)	1,658,951
	<b>\$ 37,793,874</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**  
**YEAR ENDED DECEMBER 31, 2011**  
**(In Thousands of New Taiwan Dollars)**

<u>Item</u>	<u>Marketing</u>	<u>Administrative</u>	<u>Total</u>
Commissions	\$ 5,701,522	-	5,701,522
Salaries and pension	893,892	938,199	1,832,091
Professional service fees	1,345,639	234,892	1,580,531
Service charges	211,504	451,255	662,759
Depreciation	12,813	586,664	599,477
Advertising	358,309	45,073	403,382
Telecommunication service fees	104,713	205,667	310,380
Maintenance	52,604	197,139	249,743
Bad debts	-	139,214	139,214
Other (Note)	991,623	484,953	1,476,576
	<u>\$ 9,672,619</u>	<u>3,283,056</u>	<u>12,955,675</u>

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