Taiwan Mobile Co., Ltd. (Formerly Taiwan Cellular Corporation) and Subsidiaries

Consolidated Financial Statements for the Three Months Ended March 31, 2006 and 2005 and Independent Accountants' Review Report

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

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

We have reviewed the accompanying consolidated balance sheet of Taiwan Mobile Co., Ltd. (the "Corporation") and subsidiaries as of March 31, 2006 and 2005, and the related statements of income and cash flows for the periods then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to issue a report based on our review.

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

As disclosed in Note 2 to the consolidated financial statements as of and for the three months ended March 31, 2005, among the consolidated subsidiaries, financial statements of certain minor subsidiaries used as basis for the consolidated financial statements were unreviewed. As of March 31, 2005, the unreviewed assets amounted to NT$6,294,300 thousand (5.16% of the consolidated assets), and the unreviewed liabilities amounted to NT$1,495,839 thousand (4.29% of the consolidated liabilities). The unreviewed operating revenues and net loss for the three months ended March 31, 2005 were NT$548,952 thousand (3.80% of the consolidated operating revenues) and NT$3,307 thousand ((0.08%) of consolidated net income). As disclosed in Note 9 to the consolidated financial statements, net investment income recognized under the equity method for the three months ended March 31, 2005 included NT$40,076 thousand of investment loss from certain investees, for which the Corporation recorded based on the unreviewed financial statements of such investees as of and for the same period ended. Total carrying value of investments accounted for using equity method for these investees totaled NT$4,248,072 thousand at March 31, 2005.

Based on our review, except for such adjustments, if any, that might have been determined to be necessary had the above investment amounts been based on reviewed financial statements, we are not aware of any material modifications that should be made to the financial statements referred to above for them to be in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and accounting principles generally accepted in the Republic of China.

As disclosed in Note 3 to the consolidated financial statements, the Corporation and subsidiaries adopted the newly issued Statement of Financial Accounting Standards (SFAS) No. 34, “Accounting for Financial Instruments,” SFAS No. 36, “Disclosure and Presentation of Financial Instruments,” and the revisions on the related SFASs in harmonizing with SFAS No. 34 and 36 on January 1, 2006.

April 12, 2006

Notice to Readers

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

For the convenience of readers, the accountants’ review report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language accountants’ review report and financial statements shall prevail.

TAIWAN MOBILE CO., LTD. (FORMERLY TAIWAN CELLULAR CORPORATION) AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
MARCH 31, 2006 AND 2005
(In Thousands of New Taiwan Dollars, Except Par Value)
(Reviewed, Not Audited)

	2006		2005	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 2, 4 and 22)	$ 21,815,958	18	$ 7,771,826	6
Financial assets at fair value through profit or loss (Notes 2, 3 and 5)	-	-	2,667,116	2
Available-for-sale financial assets (Notes 2, 3 and 6)	9,180,000	8	9,277,177	8
Notes receivables	24,039	-	17,903	-
Accounts receivable - third parties (Notes 2 and 6)	6,163,295	5	5,814,001	5
Accounts receivable - related parties (Notes 2 and 22)	195,768	-	157,408	-
Other receivables - third parties	143,999	-	152,568	-
Other receivables - related parties (Note 22)	25,428	-	2,277,526	2
Inventories (Note 2)	1,537	-	9,640	-
Prepayments	416,942	-	487,216	-
Deferred income tax assets (Notes 2 and 18)	151,945	-	223,721	-
Pledged time deposits (Notes 22 and 23)	10,000	-	671,700	1
Other current assets	54,646	-	61,652	-
Total current assets	38,183,557	31	29,589,454	24
LONG-TERM INVESTMENTS				
Financial assets carried at cost (Notes 2, 3 and 8)	4,006,307	3	123,158	-
Investments accounted for using equity method (Notes 2 and 9)	-	-	4,248,072	4
Prepayment for long-term investments (Note 9)	-	-	69,194	-
Total long-term investments	4,006,307	3	4,440,424	4
PROPERTY, PLANT AND EQUIPMENT (Notes 2, 9, 20 and 21)				
Cost				
Land	3,971,337	3	3,342,616	3
Buildings	2,531,057	2	2,295,718	2
Telecommunication equipment	79,870,057	65	80,668,393	66
Office equipment	316,629	-	330,407	-
Leased assets	1,284,961	1	1,276,190	1
Leasehold improvements	185,042	-	659,723	1
Miscellaneous equipment	1,284,091	1	1,697,381	1
Total cost	89,443,174	72	90,270,428	74
Less accumulated depreciation	(29,384,313)	(24)	(28,841,423)	(23)
	60,058,861	48	61,429,005	51
Construction in progress and advance payments	2,152,807	2	5,156,275	4
Net property and equipment	62,211,668	50	66,585,280	55
INTANGIBLE ASSETS				
3G Concession (Note 2)	9,533,291	8	10,281,000	8
Goodwill (Notes 2 and 11)	6,459,168	5	6,701,172	6
Total intangible assets	15,992,459	13	16,982,172	14
OTHER ASSETS				
Non-operating assets (Notes 2, 12 and 23)	1,186,702	1	2,546,860	2
Refundable deposits	304,820	-	325,974	-
Deferred charges (Notes 2, 13 and 22)	560,521	1	642,690	-
Deferred income tax assets (Notes 2 and 18)	1,107,649	1	649,329	1
Other	87,052	-	111,220	-
Total other assets	3,246,744	3	4,276,073	3
TOTAL	$ 123,640,735	100	$ 121,873,403	100

	2006		2005	
LIABILITIES AND SHAREHOLDERS' EQUITY	**Amount**	**%**	**Amount**	**%**
CURRENT LIABILITIES				
Short-term borrowings	$ -	-	$ 120,000	-
Notes payable	9,657	-	68,424	-
Accounts payable (Note 22)	2,378,061	2	2,625,802	2
Income taxes payable (Notes 2 and 18)	2,155,561	2	2,796,300	2
Accrued expenses (Note 22)	4,457,364	4	3,340,927	3
Other payables (Note 22)	2,484,427	2	1,636,683	1
Advance receipts	785,684	1	971,026	1
Current portion of long-term liabilities (Notes 14, 15 and 23)	1,942,219	1	3,870,028	3
Guarantee deposits	170,947	-	171,198	-
Other current liabilities (Note 22)	629,062	-	622,093	1
Total current liabilities	15,012,982	12	16,222,481	13
LONG-TERM LIABILITIES				
Hedging derivative financial liabilities (Notes 2 and 3)	416,807	-	-	-
Bonds payable (Notes 2, 13 and 21)	14,478,137	12	16,911,750	14
Long-term bank loans (Notes 14 and 21)	-	-	1,200,000	1
Total long-term liabilities	14,894,944	12	18,111,750	15
OTHER LIABILITIES				
Accrued pension cost (Notes 2 and 16)	83,615	-	137,907	-
Guarantee deposits	235,073	-	275,839	1
Other	472,778	1	112,870	-
Total other liabilities	791,466	1	526,616	1
Total liabilities	30,699,392	25	34,860,847	29
SHAREHOLDERS' EQUITY (Notes 2, 3 and 17)				
Parent's shareholders' equity				
Capital stock - $10 par value				
Authorized: 6,000,000 thousand shares				
Issued: 4,955,602 thousand shares in 2006 and 4,925,458 thousand shares in 2005	49,556,024	40	49,254,582	40
Entitlement certificates	62,275	-	104,486	-
Capital surplus	8,080,161	6	7,611,545	6
Retained earnings				
Legal reserve	8,504,731	7	6,839,315	6
Special reserve	2,201,631	2	-	-
Unappropriated earnings	22,280,328	18	23,467,413	19
Other equity				
Cumulative translation adjustments	2,838	-	(1,638)	-
Unrealized gains on financial instruments	1,911,950	2	-	-
Treasury stock	(323,544)	-	(1,527,152)	(1)
	92,276,394	75	85,748,551	70
Minority interests	664,949	-	1,264,005	1
Total shareholders' equity	92,941,343	75	87,012,556	71
TOTAL	$ 123,640,735	100	$ 121,873,403	100

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

(With Deloitte & Touche review report dated April 12, 2006)

TAIWAN MOBILE CO., LTD. (FORMERLY TAIWAN CELLULAR CORPORATION) AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
THREE MONTHS ENDED MARCH 31, 2006 AND 2005
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)
(Reviewed, Not Audited)

	2006		2005	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUES (Notes 2 and 22)				
Telecommunication service revenue	$14,458,179	99	$14,255,368	99
Service revenue	36,643	-	39,803	-
Other revenue	101,074	1	164,975	1
Total operating revenues	14,595,896	100	14,460,146	100
OPERATING COSTS (Notes 2, 20 and 22)				
Telecommunication service cost	6,032,577	41	5,745,855	40
Cost of goods sold	409	-	86,054	1
Total operating costs	6,032,986	41	5,831,909	41
GROSS PROFIT	8,562,910	59	8,628,237	59
OPERATING EXPENSES (Notes 2, 19 and 20)				
Marketing	3,018,986	21	2,478,727	17
Administrative	1,014,198	7	1,033,633	7
Total operating expenses	4,033,184	28	3,512,360	24
OPERATING INCOME	4,529,726	31	5,115,877	35
NON-OPERATING INCOME AND GAINS				
Gain on disposal of investments, net (Note 2)	625,689	4	6,198	-
Interest income	58,655	1	17,463	-
Investment income recognized under the equity method, net (Notes 2 and 9)	16,126	-	-	-
Gain on disposal of property, plant and equipment (Notes 2 and 22)	7	-	70,905	1
Other	174,921	1	273,069	2
Total non-operating income and gains	875,398	6	367,635	3
NON-OPERATING EXPENSES AND LOSSES				
Loss on disposal and retirement of property, plant and equipment (Note 2)	1,257,688	9	180,205	1
Provision for losses on idle assets (Notes 2 and 10)	284,220	2	33,272	-
Interest expenses (Notes 2 and 10)	124,087	1	174,426	1
Loss on buyback of bonds payable (Note 22)	44,419	-	179,657	1

(Continued)

	2006 Amount	2006 %	2005 Amount	2005 %
Investment loss recognized under the equity method, net (Notes 2 and 8)	$ -	-	$ 40,076	1
Other	25,762	-	95,909	1
Total non-operating expenses and losses	1,736,176	12	703,545	5
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAX	3,668,948	25	4,779,967	33
INCOME TAX EXPENSE (Notes 2 and 18)	548,636	4	739,040	5
INCOME FROM CONTINUING OPERATIONS	3,120,312	21	4,040,927	28
CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLE (Note 3)	35	-	-	-
CONSOLIDATED NET INCOME	$ 3,120,347	21	$ 4,040,927	28
ATTRIBUTABLE TO				
Shareholders of the parent	$ 3,104,903		$ 3,941,401	
Minority interests	15,444		99,526	
	$ 3,120,347		$ 4,040,927	

	2006 Before Income Tax	2006 After Income Tax	2005 Before Income Tax	2005 After Income Tax
EARNINGS PER SHARE (Note 18)				
Basic	$ 0.65	$ 0.63	$ 0.93	$ 0.81
Diluted	$ 0.65	$ 0.62	$ 0.91	$ 0.79

The pro forma net income and earnings per share had Statement of Financial Accounting Standards (SFAS) No. 34, "Accounting for Financial Instruments," and SFAS No. 36, "Disclosure and Presentation of Financial Instruments," been adopted are as follows:

	2006	2005
CONSOLIDATED NET INCOME ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT	$ 3,104,868	$ 3,959,837
EARNINGS PER SHARE		
Basic	$0.63	$0.81
Diluted	$0.62	$0.80

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

(With Deloitte & Touche review report dated April 12, 2006) (Concluded)

TAIWAN MOBILE CO., LTD. (FORMERLY TAIWAN CELLULAR CORPORATION) AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
THREE MONTHS ENDED MARCH 31, 2006 AND 2005
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES		
Consolidated net income	$ 3,120,347	$ 4,040,927
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	1,675,847	1,605,645
Loss on disposal of property, plant and equipment, net	1,257,681	109,300
Gain on disposal of available-for-sale financial assets, net	(625,506)	-
Deferred income taxes	(450,269)	90,754
Impairment loss	284,220	33,272
Amortization	276,858	217,789
Bad debts	224,444	214,820
Loss on buyback of bonds payable	44,419	179,657
Accrued interest compensation	23,910	34,834
Investment (gain) loss recognized under the equity method, net	(16,126)	40,076
Pension cost	(6,965)	6,984
Provision for loss on inventories, net	-	3,251
Impairment loss on long-term investments	-	2,268
Other	-	463
Net changes in operating assets and liabilities		
Financial assets held for trading	600,000	3,531,309
Notes receivable	(9,991)	7,258
Accounts receivable - third parties	85,018	(134,451)
Accounts receivable - related parties	(8,696)	41,986
Other receivables - third parties	135,437	232,490
Other receivables - related parties	(21,545)	(131,949)
Inventories	4,514	(3,046)
Prepayments	139,726	7,458
Other current assets	(36,890)	(7,079)
Notes payable	540	35,576
Accounts payable	617,490	627,508
Income taxes payable	982,992	643,342
Accrued expenses	181,579	(150,113)
Other payables	91,286	(528,644)
Advance receipts	(301,160)	(22,324)
Other current liabilities	(147,852)	(333,485)
Net cash provided by operating activities	8,121,308	10,395,876
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds on disposal of available-for-sale financial assets	2,944,800	-
Acquisition of property and equipment	(1,434,658)	(823,412)
Increase in goodwill	(45,139)	(176,028)

(Continued)

	2006	2005
(Increase) decrease in deferred charges	$ (23,888)	$ 237
Proceeds from disposal of property, plant and equipment	5,787	47,133
Decrease (increase) in refundable deposits	5,214	(3,558)
Decrease (increase) in other assets	125	(11,093)
Net cash provided by (used in) investing activities	1,452,241	(966,721)
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in bonds payable	(1,500,000)	(1,500,000)
Buyback of bonds payable	(936,524)	(1,040,317)
Decrease in minority interests	(182,150)	(519,782)
Increase in other liabilities	17,438	1,472
Increase (decrease) in guarantee deposits	1,146	(64,511)
Decrease in long-term bank loans	-	(6,001,289)
Decrease in short-term debts	-	(330,000)
Dividend paid to minority interests	-	(295,001)
Transfer of treasury stock to employees	-	286,151
Capital return to minority interests	-	(8,290)
Other	-	(1,947)
Net cash used in financing activities	(2,600,090)	(9,473,514)
EFFECT OF EXCHANGE RATE CHANGES	956	17
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	6,974,415	(44,342)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD (Note 2)	14,841,543	7,816,168
CASH AND CASH EQUIVALENTS, END OF PERIOD	$21,815,958	$ 7,771,826
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid - excluding interest capitalized	$ 104,354	$ 179,028
Income taxes paid	$ 15,913	$ 530
NONCASH INVESTING AND FINANCING ACTIVITIES		
Current portion of long-term liabilities	$ 1,942,219	$ 3,870,028
Conversion of convertible bonds to capital stock and entitlement certificates	$ 230,200	$ 488,200
CASH INVESTING AND FINANCING ACTIVITIES		
Acquisition of property, plant and equipment	$ 910,754	$ 422,908
Add decrease in other payables	523,904	400,504
Cash paid for acquisition of property and equipment	$ 1,434,658	$ 823,412

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

(With Deloitte & Touche review report dated April 12, 2006) (Concluded)

TAIWAN MOBILE CO., LTD. (FORMERLY TAIWAN CELLULAR CORPORATION) AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
THREE MONTHS ENDED MARCH 31, 2006 AND 2005
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)
(Reviewed, Not Audited)

1. ORGANIZATION AND OPERATIONS

Taiwan Mobile Co., Ltd. (the "Corporation," with the English company name of Taiwan Cellular Corporation until the first quarter of 2005) was incorporated in the Republic of China (ROC) on February 25, 1997. The Corporation's shares began to be traded on the ROC Over-the-Counter Securities Exchange (known as GreTai Securities Market) on September 19, 2000. On August 26, 2002, the Corporation's shares were listed on the Taiwan Stock Exchange. The Corporation mainly renders wireless communication services.

The Corporation's services are under the type I license (nation-wide GSM 1800 for all sectors; "GSM" means "global system for mobile communications") 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. 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 March 31, 2006 and 2005, the Corporation and subsidiaries had 3,534 and 4,105 employees, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying consolidated financial statements have been prepared in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and accounting principles generally accepted in the ROC. In conformity with these guidelines and principles, the Corporation and subsidiaries (hereinafter referred to as the "Group") are required to make certain estimates and assumptions that could affect the amounts of allowance for doubtful accounts, provision for loss on inventories, depreciation, pension, allowance for deferred income tax assets, impairment loss on assets, etc. Actual results may differ from these estimates.

For the convenience of readers, the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the ROC. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language financial statements shall prevail.

Consolidation

a. Basis of consolidation

The consolidated financial statements as of and for the three months ended March 31, 2006 have been prepared in accordance with the revised Statement of Financial Accounting Standards (SFAS) No. 7, "Consolidated Financial Statements," and included the financial statements of the Corporation, its direct and indirect subsidiaries with at least 50% shareholding and other investees controlled by the Corporation. All significant intercompany transactions and balances are eliminated on consolidation.

Due to an increase in the consolidated entities, the beginning balance of the cash and cash equivalents in the consolidated statement of cash flows is presented at the retroactively restated amount, which contains the beginning balance of those subsidiaries included in the current period but failed to meet the consolidation criteria in the prior year.

b. Under the above basis of consolidation, the consolidated entities were as follows:

Investor	Subsidiary	Nature of Business	Percentage of Ownership as of March 31 2006	2005	Note
Corporation	TransAsia Telecommunications Inc. (TAT)	Wireless service provider	-	92.32	-
Corporation	TAT International Telecommunications Co., Ltd. (TATIT)	Wireless service provider	100.00	-	Established in the first quarter of 2006 by investing TAT's shares
Corporation	Mobitai Communications (Mobitai)	Wireless service provider	-	84.65	Merged into Tai Ya International Telecommunications Co., Ltd. (TYIT) on January 1, 2006
Corporation	Taihsing Den Syun Co., Ltd. (TDS)	Equipment installation and IT service	100.00	-	Established in 2005 by investing Mobitai's shares
Corporation	Tai Fu Investment Ltd. (TFI)	Investment	-	99.99	Liquidated in December 2005
Corporation	Tai Hsuo Investment Ltd. (Tai Hsuo)	Investment	-	99.99	Liquidated in December 2005
Corporation	Tai Hung Investment Ltd. (Tai Hung)	Investment	-	99.99	Liquidated in December 2005
Corporation	T.I. Investment Ltd. (TII)	Investment	-	99.99	Liquidated in December 2005
Corporation	Taiwan Cellular Co., Ltd. (TCC; formerly Taihsing Den Den Co., Ltd.)	Telecommunication equipment retailing and wholesale	99.99	99.99	-
TATIT	TAT	Wireless service provider	92.32	-	-
TDS	Mobitai	Wireless service provider	100.00	-	Formerly Tai Ya International Telecommunications Co., Ltd.; merged with Mobitai on January 1, 2006 and renamed as Mobitai Telecommunications
TCC	Tai Yi Digital Broadcasting Co., Ltd. (TYDB)	Wireless service provider	49.90	-	-
TCC	Taiwan Teleservices & Technologies Co., Ltd. (TT&T)	Call center service	95.88	95.88	-
TCC	Taiwan Tele-Shop Co., Ltd.	Telecommunication equipment retailing and wholesale	-	50.02	Merged into TCC (formerly Taihsing Den Den Co., Ltd.) on June 30, 2005
TCC	Taiwan Elitec Corporation	Software solution provider, data processing services	-	-	Merged into the Corporation on March 30, 2005
TT&T	TT&T Casualty & Property Insurance Agency Co., Ltd. (TCPIA)	Insurance agency	100.00	100.00	-
TT&T	TT&T Life Insurance Agency Co., Ltd. (TLIA)	Insurance agency	100.00	100.00	-
TT&T	TT&T Holdings Co., Ltd. (TT&T Holding)	Investment	100.00	100.00	-
TT&T Holding	Dalian Xinkai Teleservices & Technologies Ltd.	Call center service	50.00	-	-
TT&T Holding	Xiamen Taifu Teleservices & Technologies Ltd.	Call center service	100.00	-	-

Among the consolidated subsidiaries, the financial statements as of and for the three months ended March 31, 2005 of TransAsia Telecommunications Inc. and Mobitai Communications had been reviewed, and the financial statements of the rest of the minor consolidated subsidiaries were unreviewed. As of March 31, 2005, the unreviewed assets amounted to NT$6,294,300 thousand (5.16% of the consolidated assets), and the unreviewed liabilities amounted to NT$1,495,839 thousand (4.29% of the consolidated liabilities). The unreviewed operating revenues and net loss for the three months ended March 31, 2005 were NT$548,952 thousand (3.80% of the consolidated operating revenues) and NT$3,307 thousand ((0.08%) of consolidated net income).

The Group's significant accounting policies are summarized as follows:

Current and Non-current Assets and Liabilities

Current assets include cash and cash equivalents and those expected to be converted to cash, sold or consumed within twelve months from the balance sheet date. Property and equipment, intangible assets and those not classified as current assets are non-current assets. Current liabilities are obligations expected to be due within twelve months from the balance sheet date. All other liabilities not classified as current liabilities are non-current liabilities.

Cash Equivalents

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

Financial Instruments at Fair Value through Profit or Loss

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

Available-for-sale Financial Assets

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

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

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

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

Allowance for Doubtful Accounts

Allowance for doubtful accounts is provided on the basis of past experiences and an evaluation of the aging and collectibility of all receivables on the balance sheet date.

Inventories

Inventories are stated at the lower of weighted average cost or market, which refers to replacement cost or net realizable value.

Financial Assets Carried at Cost

If there is no active market for an equity instrument and a reliable fair value can not be estimated, the equity instrument, including unlisted stocks and emerging stocks, etc, is measured at cost. The accounting for the dividends from financial asset 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 losses is not allowed.

Investments Accounted for Using 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.

On the acquisition date or the adoption of the equity method for the first time, the difference between the cost of acquisition and the equity in the investee's net asset value was amortized using the straight-line method over 8 to 20 years. Starting January 1, 2006, 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 but instead tested annually for impairment. An impairment test is also required if there is evidence indicating that goodwill might be impaired as a result of specific events or changes in economic environment. Starting January 1, 2006, the unamortized balance of the excess of the acquisition cost of the long-term investment by the equity method over the equity in the investee's net asset value is also no longer amortized and applies the same accounting treatment as goodwill.

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

Property, Plant and Equipment and Assets Leased to Others

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

Depreciation is calculated using the straight-line method over the estimated service lives, which range as follows: buildings - 50 to 55 years; telecommunication equipment - 3 to 15 years; office equipment - 1 to 6 years; leased assets - 20 years; leasehold improvements - 1 to 10 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.

Concession

Concession is the bid payment for the 3G mobile telecommunication service - License C. The 3G concession is recorded at acquisition cost and is amortized over 13 years and 9 months starting from the license issuance date.

Goodwill

Goodwill is the unidentifiable difference between the cost of acquisition and the equity in the investee's net asset value and was amortized over 8 to 20 years according to individual investee's circumstance. Starting January 1, 2006, in accordance with the newly revised SFAS, goodwill is no longer amortized. Please refer to the accounting policy of investments accounted for using equity method.

Idle Assets

Idle assets, which consist of land, buildings and equipment not currently used in operations, are stated at the lower of cost or net realizable value.

Deferred Charges

Deferred charges, which included interior decoration, computer software, bill issuance costs and issuance costs of bonds issued before December 31, 2005, are amortized by the straight-line method over 2 to 8 years or contract periods.

Asset Impairment

If the carrying value of assets (including property, plant and equipment, intangible assets, idle assets, assets leased to others and investments accounted for using equity method) is less than their recoverable amount, while 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 disallowed.

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.

Bonds Payable

Convertible bonds with redemption rights that were issued before December 31, 2005 are classified as current or non-current according to the redemption dates. The redemption price in excess of the face value of the bonds is amortized using the interest method from the issuance date through the maturity date and accounted for as accrued interest compensation. The accrued interest compensation is provided as a valuation account of convertible bonds. The issuance costs are recognized as deferred charges. The issuance costs for the non-convertible bonds are amortized over the term of the bond, and those for the convertible bonds with redemption rights are amortized from the issuance date to the maturity date of redemption rights.

When bondholders exercise their conversion rights, the face value of the bonds and the related accrued interest compensation are both transferred to capital stock or entitlement certificates and capital surplus.

Income Taxes

The inter-period allocation method is used for income taxes. Deferred income tax assets and liabilities are recognized for the tax effects of temporary differences, unused tax credits and net operating loss carryforwards. Valuation allowance is provided for income tax assets to the extent that more likely than not such assets will not be realized. Deferred tax assets or liabilities are classified as current or non-current according to the classification of related assets or liabilities for financial reports. 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 it is realized.

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

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

Income tax of 10% on unappropriated earnings generated is expensed in the year when the shareholders resolve the retention of the earnings.

Treasury Stock

The purchase of issued shares is accounted for by debiting treasury stock, which is a reduction of shareholders' equity.

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

Foreign-currency Transactions

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

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

Non-monetary assets or liabilities carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the 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 on the dates of transactions.

The above prevailing exchange rates are based on the average of bid and ask rates of principal 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 and are recognized on the basis of minutes of usage.

Sales revenues are stated at the fair values of settled prices (after consideration of business discount and volume discount) between the Corporation and the buyers. However, receivables from sales maturing within one year or less may not be valued at fair value according to the imputed interest rate when the discrepancy between their fair value and value at maturity is small, and they are frequently traded.

Promotion Expenses

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

Hedging Derivative Financial Instruments

The interest rate swap contracts which the Corporation entered into to manage its exposure to the interest rate risk are designated as a cash flow hedge. The hedging instrument is measured at fair value, and the change of fair value is recognized directly in equity and will be recognized as profit or loss when the hedged forecast transaction affects profit or loss. If the cumulative net loss recognized in equity is regarded as irrecoverable, it is immediately recognized as a loss in the current period.

Reclassification

Certain accounts in the financial statements as of and for the three months ended March 31, 2005 have been reclassified to conform to the presentation of financial statement as of and for the three months ended March 31, 2006.

3. REASONS AND EFFECT OF CHANGES IN ACCOUNTING PRINCIPLE

Effective January 1, 2006, the Group adopted newly issued SFAS No. 34, "Accounting for Financial Instruments," SFAS No. 36, "Disclosure and Presentation of Financial Instruments," and the revisions on the related SFASs.

a. Effect of the first time adoption of the newly issued and revised SFASs

Upon adoption of the newly issued and revised SFASs, the Group appropriately reclassified the financial assets and liabilities, including derivatives. The adjustments to the carrying values of the financial instruments at fair value through profit or loss were recorded in the cumulative effect of changes in accounting principles, and those of the available-for-sale financial assets measured at fair value and of the derivatives for cash flow hedge were recorded in equity.

The effect of the first time adoption of these SFASs is summarized as follows:

	Recognized as Cumulative Effect of Changes in Accounting Principle (Net of Tax)	Recognized in Equity (Net of Tax)
Financial assets at fair value through profit or loss	$ 35	$ -
Available-for-sale financial assets	-	2,082,823
Hedging derivative financial liabilities	-	(248,184)
	$ 35	$ 1,834,639

The changes in accounting policy resulted in a decrease in income from continuing operations of $35 thousand for the three months ended March 31, 2006, but had no effect on net income and earnings per share (net of tax).

b. Reclassifications by the adoption of these SFASs

The different accounting policies applied in measuring financial instruments in 2005 from 2006 are described as follows:

1) Short-term investments

Short-term investments are carried at the lower of aggregate cost or market value, and the loss on market value decline is recognized in current income. The market values of the investment in listed stocks are determined based on the average closing prices in the last month of an accounting period.

2) Long-term investments accounted for using cost method denominated in foreign currencies

The long-term investments accounted for using cost method denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. If the translated amount is less than the original cost amount, the resulting exchange differences are recognized as the cumulative translation adjustments in equity. If the translated amount is higher, no adjustment is made.

3) Interest rate swap contracts

The notional amounts of interest rate swap contracts, which are used for non-trading purposes, are not recognized in the financial statements because these contracts do not require initial settlements. However, a memorandum entry is made to note the transaction.

Due to the adoption of new and amended SFASs starting from January 1, 2006, certain accounts in the financial statements as of and for the three months ended March 31, 2005 have been reclassified as follows to conform to the presentation of the financial statements as of and for the three months ended March 31, 2006.

	Before Reclassification	**After Reclassification**
<u>Balance sheet</u>		
Short-term investments	$ 11,944,293	$ -
Long-term investments	123,158	-
Financial assets at fair value through profit or loss	-	2,667,116
Available-for-sale financial assets	-	9,277,177
Financial assets carried at cost	-	123,158

Starting on January 1, 2006, the Corporation adopted newly revised SFAS No. 1, "Conceptual Framework for Financial Accounting and Preparation of Financial Statements," SFAS No. 5, "Long-term Investments in Equity Securities," and SFAS No. 25, "Business Combinations - Accounting Treatment under Purchase Method." These revisions primarily included that goodwill is no longer amortized and that the difference between the cost of acquisition and the equity in the investee's net asset value is subjected to an initial analysis. If defined as goodwill, the difference is no longer amortized but instead tested annually for impairment. These adoptions increased the income from continuing operations by $115,595 thousand and had no effect on the cumulative effect of changes in accounting principle for the three months ended March 31, 2006.

4. CASH AND CASH EQUIVALENTS

	March 31 2006	March 31 2005
Government bonds with resale rights	$ 18,092,069	$ 2,706,919
Commercial papers	1,938,734	562,991
Time deposits	964,324	3,535,718
Cash in banks	790,130	939,416
Cash on hand	27,505	9,547
Revolving funds	3,196	6,597
Cash in transit	-	10,638
	$ 21,815,958	$ 7,771,826

5. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Information of financial instruments held for trading is summarized as follows:

	March 31, 2005
Financial assets held for trading	
Beneficiary certificates	
Open-end funds	$ 2,566,816
Closed-end funds	100,300
	$ 2,667,116

6. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	March 31 2006	March 31 2005
Domestic listed stocks		
Chunghwa Telecom Co., Ltd.	$ 9,180,000	$ 9,277,177

7. ACCOUNTS RECEIVABLE - THIRD PARTIES

	March 31 2006	March 31 2005
Accounts receivable	$ 6,629,366	$ 6,538,880
Less allowance for doubtful accounts	(466,071)	(724,879)
	$ 6,163,295	$ 5,814,001

8. FINANCIAL ASSETS CARRIED AT COST

	March 31 2006	March 31 2005
Domestic emerging stocks		
Taiwan Fixed Network Co., Ltd.	$ 3,869,976	$ -
Domestic unlisted stocks		
Arcoa Communication Co., Ltd.	67,731	50,000
Parawin Venture Capital Corp.	25,144	29,622
WEB Point Co., Ltd.	8,031	8,111
Sunnet Co., Ltd.	3,265	3,265
Foreign unlisted stocks		
Bridge Mobile Pte Ltd.	32,160	32,160
	$ 4,006,307	$ 123,158

9. LONG-TERM INVESTMENTS - EQUITY METHOD

	March 31			
	2006		2005	
	Carrying Value	% of Owner-ship	Carrying Value	% of Owner-ship
Taiwan Fixed Network Co., Ltd.	$ -	-	$ 4,220,746	9.95
Howin Technologies Co., Ltd.	-	-	27,326	27.50
	$ -		$ 4,248,072	
Credit balance (recorded as other liabilities - other)				
Howin Technologies Co., Ltd.	$ (454,051)	27.50		
Prepayment for long-term investments				
Dalian Xinkai Teleservices & Technologies Co., Ltd.	$ -		$ 66,699	
Tai Yi Digital Broadcasting Co., Ltd.	-		2,495	
	$ -		$ 69,194	

The investment income in Howin Technologies Co., Ltd. (HTC) was recognized under the equity method by debiting long-term investments. However, the accumulated receipts of cash dividends and capital reduction distributed by HTC and the accumulated profits from intercompany transactions between HTC and the consolidated entities were recognized by crediting long-term investments, which resulted in a credit balance on the long-term investment in HTC.

Previously, although the Group's equity in Taiwan Fixed Network Co., Ltd. (TFN) was less than 20%, the equity method was applied because of the Group's significant influence over TFN. The investment income or loss was recognized by the treasury stock method for the reciprocal investments between TFN and the Corporation. On July 19, 2005, however, the Group lost its significant influence over TFN and thus changed the accounting treatment to the cost method.

The financial statements used as the basis for calculating carrying value of the investments and the related investment income or loss were unreviewed. The Corporation's investment income or loss was as follows:

	Three Months Ended March 31	
	2006	2005
Howin Technologies Co., Ltd.	$ 16,126	$ 26,818
Taiwan Fixed Network Co., Ltd.	-	(66,894)
	$ 16,126	$ (40,076)

10. PROPERTY, PLANT AND EQUIPMENT - ACCUMULATED DEPRECIATION

	March 31	
	2006	2005
Buildings	$ 277,904	$ 234,107
Telecommunication equipment	28,060,719	26,799,347
Office equipment	149,843	201,674
Leased assets	251,133	180,794
Leasehold improvements	146,572	504,422
Miscellaneous equipment	498,142	921,079
	$ 29,384,313	$ 28,841,423

Depreciation expense for the three months ended March 31, 2006 and 2005 were $1,673,024 thousand and $1,592,115 thousand, respectively.

Interest expenses capitalized for the three months ended March 31, 2006 and 2005 amounted to $2,911 thousand and $25,320 thousand, respectively, with interest rates ranging from 2.76% to 3.12% and 2.64% to 3.24%, respectively.

11. GOODWILL

In conformity with the Statement of Financial Accounting Standards No. 35, "Accounting for Asset Impairment," the Group identified the Corporation, TAT and Mobitai, the subsidiary of TYIT, as the smallest identifiable group of cash-generating units. TAT and Mobitai mainly provide second-generation GSM wireless communication services. As of December 31, 2005, goodwill amounting to $5,881,350 thousand and $532,679 thousand was allocated to the carrying values of the operating assets of TAT and Mobitai, respectively. The recoverable amounts were measured by the asset values in use under the following critical assumptions, which indicated no asset impairment when the recoverable amounts were compared with TAT's and Mobitai's carrying values:

a. 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.

b. Assumptions on operating costs and expenses

The estimates of commissions, customer retention costs, customer service costs and bill processing costs were based on the projected changes in subscriber numbers. The estimates of remaining costs and expenses were based on the proportion of the actual costs and expenses to operating revenues in the 2005 financial statements.

c. The Group used the discount rates of 7.63% and 8.72% in calculating the asset recoverable amounts of TAT and Mobitai, respectively.

12. NON-OPERATING ASSETS

	March 31	
	2006	**2005**
Cost		
Assets leased to others	$ 987,396	$ 2,520,276
Idle assets	2,845,907	2,241,786
	3,833,303	4,762,062
Less accumulated depreciation	(797,758)	(279,286)
	3,035,545	4,482,776
Less allowance for losses	(1,848,843)	(1,935,916)
	$ 1,186,702	$ 2,546,860

The impairment losses of idle buildings and equipment were determined based on their appraised values and net realizable value, respectively, and the Corporation recognized impairment losses of $284,220 thousand and $33,272 thousand for the three months ended March 31, 2006 and 2005, respectively.

13. DEFERRED CHARGES

	March 31	
	2006	**2005**
Computer software	$ 214,107	$ 230,797
Interior decoration	162,346	121,118
Construction expenditures	129,483	202,335
Other	54,585	88,440
	$ 560,521	$ 642,690

14. BONDS PAYABLE

	December 31			
	2006		2005	
	Current	**Non-current**	**Current**	**Non-current**
Domestic secured bonds	$ -	$ -	$ 1,500,000	$ -
Domestic unsecured bonds	1,250,000	13,750,000	-	15,000,000
1st domestic unsecured convertible bonds	565,200	-	-	1,631,200
2nd domestic unsecured convertible bonds	-	647,200	1,074,300	-
Add accrued interest compensation	127,019	80,937	95,728	280,550
	$ 1,942,219	$ 14,478,137	$ 2,670,028	$ 16,911,750

a. Domestic secured bonds

On February 1, 2001, the Corporation issued $3,000,000 thousand of five-year domestic secured bonds, with each bond having a face value of $1,000 thousand with a coupon rate of 5.31% per annum. The bonds will be redeemed in the fourth and fifth years after the issuance date at $1,500,000 thousand for each of those years. Interest is payable annually. The bonds were repaid by the Corporation in February 2006.

The bond covenant requires the Corporation to maintain its year-end current ratio at above 100%, debt-to-equity ratio at below 100% and solvency ratio [(Net income + Depreciation + Amortization + Interest expense)/(Long-term bank loan repayments + Interest expense)] at above 150%.

b. Domestic unsecured bonds

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

	Principal	Rate	Terms
Type I	$ 2,500,000	2.60%	Repayment of $1,250,000 thousand each in the fourth and fifth years, interest payable annually
Type II	2,500,000	5.21%-6M LIBOR	Repayment on maturity date, interest payable semiannually
Type III	5,000,000	2.80%	Repayment of $2,500,000 thousand each in the sixth and seventh years, interest payable annually
Type IV	5,000,000	5.75%-6M LIBOR	Repayment on maturity date, interest payable semiannually
	$ 15,000,000		

c. 1st domestic convertible bonds

On August 25, 2001, the Corporation issued $10,000,000 thousand of five-year domestic convertible bonds, with each bond having a face value of $100 thousand and 0% interest. Within the conversion period, starting from 3 months after the issuance date to 10 days before maturity, the bondholders may ask for bond conversion into common stocks or entitlement certificates of the Corporation. Cash is paid for those bonds that cannot be converted into one share. The conversion price is subject to adjustment based on the prescribed formula. The conversion price has been NT$23.3 per share since July 20, 2005. As of March 31, 2006, bonds amounting to $6,460,400 thousand have been converted to 205,484 thousand of common shares and 6,227 thousand units of entitlement certificates. Each certificate can be converted into one common share. The bonds amounting to $2,974,400 thousand were purchased and canceled by the Corporation.

If the closing price of the Corporation’s share is above 50% of the conversion price for 30 consecutive trading days of the Taiwan Stock Exchange from 3 months after bond issuance to 40 days before maturity, the Corporation has the option to convert the bonds to entitlement certificates at the conversion price or to redeem the bonds by cash at face value. If the total value of outstanding convertible bonds becomes less than 10% of the total principal, the Corporation also has the option, at any time, to convert the bonds to entitlement certificates at the conversion price or to redeem the bonds by cash at face value.

On the third year after the issuance date, the holders may redeem the bonds by cash at face value plus interest accrued, which is 113.3% of face value calculated based on an implied yield rate of 4.25%. Upon maturity, the Corporation will redeem the bonds by cash at face value plus interest accrued, which is 124.62% of face value, calculated based on an implied yield rate of 4.5%.

d. 2nd domestic convertible bonds

On August 16, 2002, the Corporation issued $6,000,000 thousand of five-year domestic convertible bonds, with each bond having a face value of $100 thousand and 0% interest. Within the conversion period from 3 months after issuance date to the 10th day before maturity, the bondholders may have the bonds converted into common stocks of the Corporation. Cash is paid for bonds that cannot be converted into one share. The conversion price is subject to adjustment based on the prescribed formula. The conversion price has been NT$24.7 per share since July 20, 2005. As of March 31, 2006, bonds amounting to $4,853,400 thousand have been converted to 186,780 thousand of common shares. Bonds amounting to $499,400 thousand were purchased and canceled by the Corporation.

If the closing price of the Corporation's share is above 50% of the conversion price for 30 consecutive trading days of the Taiwan Stock Exchange from 3 months after bond issuance to 40 days before maturity, the Corporation has the option to convert the bonds to common stocks at conversion price or to redeem the bonds by cash at face value. If the total value of outstanding convertible bonds becomes less than 10% of the total principal, the Corporation also has the option - from 3 months after bond issuance to the 40th day before maturity - to convert the bonds to common stocks at the conversion price or to redeem the bonds by cash at face value.

On the third year after the issuance date, the holders may redeem the bonds by cash at face value plus interest accrued, which is 109.59% of face value, calculated based on an implied yield rate of 3.1%. Upon maturity, the Corporation will redeem the bonds by cash at face value plus interest accrued, which is 117.63% of face value, calculated based on implied yield rate of 3.3%.

Future repayments of corporate bonds, excluding convertible bonds, are as follows:

Year	Amount
From the second to fourth quarter, 2006	$ 1,250,000
2007	3,750,000
2008	2,500,000
2009	7,500,000
	$ 15,000,000

15. LONG-TERM BANK LOANS

	March 31, 2005
Secured loans	$ 2,400,000
Less current portion	(1,200,000)
	$ 1,200,000

The secured loans had interest rates ranging from 2.0666% to 2.2040% as of March 31, 2005. The loans will mature on September 1, 2010, and interest is payable monthly. The Corporation made an early repayment of all long-term bank loans in the second quarter of 2005.

16. PENSION PLAN

The Labor Pension Act (LPA) became effective on July 1, 2005. Employees on board before June 30, 2005 may choose to continue to be subject to the pension plan under the Labor Standards Act (LSA) or be subject to the new pension plan under LPA, with their service years accumulated as of July 1, 2005 to be retained and subject to the pension plan under LSA. Starting from July 1, 2005, new employees may only choose to be subject to the new pension plan under LPA.

The new 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 wages to the employees' individual pension accounts. The Corporation recognized a pension cost of $19,828 thousand for the three months ended March 31, 2006.

The 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 wages to a pension fund. The pension fund is managed by an independently administered pension fund committee and deposited in the committee's name in the Central Trust of China.

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

a. Changes in the pension fund

	Three Months Ended March 31	
	2006	**2005**
Balance, beginning of period	$ 405,713	$ 226,994
Contribution	4,569	7,851
Payments and refund	(47,791)	(3,401)
Interests earned	1,981	3,603
Balance, end of period	$ 364,472	$ 235,047

b. Changes in the accrued pension cost

	2006	2005
Balance, beginning of period	$ 90,580	$ 134,843
Contribution (gain on pension adjustment)	(361)	15,046
Payments	(4,569)	(7,851)
Balance, end of period	$ 85,650	$ 142,038

A portion of the above ending balance was recorded as accrued pension cost, and the other portion, as accrued expenses.

17. SHAREHOLDERS' EQUITY

a. Capital surplus

Under the Company Law, capital surplus may only be used to offset a deficit. However, capital surplus generated from the excess of the issue price over the par value of capital stock, including the stock issued for new capital and the buyback of treasury stock, may be transferred to capital as stock dividends, and this transfer is restricted to a certain percentage of the capital surplus and may be made only within prescribed limits each time.

b. 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:

1) Dividends and bonus to preferred shareholders
2) Remuneration to directors and supervisors - up to 0.3%
3) Bonus to employees - 1%-3%
4) 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. Any 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 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 to 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 to 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.

The 2005 earnings appropriation proposed by the Board of Directors on March 29, 2006 and the 2004 earnings appropriation resolved by the shareholders in their meeting on June 14, 2005 were as follows:

	Appropriation of Earnings		**Dividend Per Share (NT$)**	
	For Fiscal Year 2005	**For Fiscal Year 2004**	**For Fiscal Year 2005**	**For Fiscal Year 2004**
Legal reserve	$ 1,623,670	$ 1,665,416		
Special reserve	1,150,000	2,201,631		
Remuneration to directors and supervisors	40,394	63,936		
Cash bonus to employees	403,940	383,613		
Cash dividends	12,843,997	12,126,821	$2.6	$2.47302
	$ 16,062,001	$ 16,441,417		

The Corporation's 2005 earnings appropriation had not been proposed by the Board of Directors as of April 12, 2006, the independent accountants' report date. Information on the 2005 earnings appropriation proposed by the Board of Directors and resolved by the shareholders can be accessed through the Market Observation Post System on the Taiwan Stock Exchange Corporation's website.

c. Treasury stock

(Shares in Thousands)

Purpose of Buyback	Beginning Shares	Increase	Decrease	Ending Shares
Three months ended March 31, 2006				
To be transferred to employees	11,551	-	-	11,551
Three months ended March 31, 2005				
To be transferred to employees	65,368	-	11,156	54,212

On March 31, 2005, the Corporation transferred 11,156 thousand shares of treasury stock to employees at NT$25.65 per share, resulting in a reduction of retained earnings by $28,113 thousand.

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

d. Unrealized gains (losses) on financial instruments

Unrealized gains or losses on financial instruments for the three months ended March 31, 2006 were summarized as follows:

	Three Months Ended March 31, 2006
Available-for-sale financial assets	
Effect of the first time adoption of new issued SFASs	$ 2,082,823
Fair value changes recognized directly in equity	764,800
Transfer to current gains or loss upon sales of financial assets	(625,506)
	$ 2,222,117
Changes in unrealized gains (losses) of cash flow hedge	
Effect of the first time adoption of new issued SFASs	$ (248,184)
Fair value changes recognized directly in equity	(64,421)
	$ (312,605)
Recognition of investees' changes in unrealized gains or losses by the equity method	$ 2,438

18. INCOME TAX EXPENSE

a. The reconciliation of imputed income taxes on pretax income at statutory tax rate to current income taxes payable was as follows:

	Three Months Ended March 31	
	2006	2005
Tax on pretax income at statutory tax rate (25%)	$ 979,614	$ 1,385,102
Add (deduct) tax effects of		
Permanent differences		
Investment income from domestic investees accounted for by the equity method	(61,771)	(151,167)
Gain on disposal of marketable securities	(156,422)	52,798
Other	7,484	40,344
Temporary differences	55,078	(66,623)
Tax-exempt income	(78,172)	(488,046)
Tax on unappropriated earnings (10%)	242,811	23,883
Prior year's loss carryforward	(5,948)	-
Investment tax credits	-	(148,539)
Current income taxes payable	$ 982,674	$ 647,752

b. Under Article 8 of the Statue for Upgrading Industries (SUI) before the SUI amendment in 1999, the Corporation is considered an important technology-based enterprise. Thus, the Corporation's net operating income generated from the following expansion of its equipment is exempt from income taxes for five years during the period specified, as approved by the Ministry of Finance.

Equipment Expansion Projects	Tax-exempt Period
Switches, base transmission station (BTS) and related telecommunication equipment, acquired from July 31, 1999 to December 31, 1999	2001 to 2005
Switches, BTS and related telecommunication equipment, acquired from September 30, 2000 to September 30, 2001	2002 to 2006

Under Article 8 of SUI before the amendment in 1999, TAT is also considered an important technology-based enterprise. Thus, TAT's net operating income generated from the expansion of its equipment is exempt from income taxes for five years from January 1, 2001, as approved by the Ministry of Finance.

c. The components of income tax expense were as follows:

	Three Months Ended March 31	
	2006	2005
Current income taxes payable	$ 982,674	$ 647,752
Deferred income taxes	(450,269)	90,754
Prior year's adjustment	11,809	233
Tax on short-term bills	4,422	301
Income tax expense	$ 548,636	$ 739,040

d. Deferred income tax assets and liabilities as of March 31, 2006 and 2005 were as follows:

	March 31	
	2006	2005
Provision for doubtful accounts	$ 749,255	$ 802,328
Provision for impairment losses on idle assets	435,833	450,721
Unrealized loss on retirement of property, plant and equipment	263,033	-
Unrealized loss on financial liabilities	104,202	-
Prior year's loss carryforward	61,256	72,682
Accrued interest compensation	51,989	94,069
Accrued pension cost	16,719	17,980
Accrued loss on the dispute of international simple resale (ISR)	-	26,541
Other	7,577	92,022
	1,689,864	1,556,343
Less valuation allowance	(430,270)	(683,293)
	$ 1,259,594	$ 873,050
Deferred income tax assets		
Current	$ 151,945	$ 223,721
Non-current	1,107,649	649,329
	$ 1,259,594	$ 873,050

e. Integrated income tax information was as follows:

	March 31	
	2006	2005
Balance of imputation credit account (ICA)		
Corporation	$ 1,532,129	$ 1,103,441
TAT	$ 375,004	$ 370
TATIT	$ -	
Mobitai	$ 2,625	$ 240
TDS	$ -	
TFI		$ 1,127
Tai Hsuo		$ 800
Tai Hung		$ 2,321
TII		$ 253
TDD	$ 360,126	$ 236,533
TT&T	$ 25,599	$ 25,028
TTS		$ 64,885
TCPIA	$ -	$ -
TLIA	$ -	$ -
TYDB	$ -	

As of March 31, 2006, there were no unappropriated earnings generated before January 1, 1998. The estimated creditable ratio for the 2005 earnings appropriation and the actual creditable ratio for the 2004 earnings appropriation were as follows:

	2006 (Estimated)	**2005 (Actual)**
Corporation	13.70%	13.25%
TAT	13.63%	2.25%
Mobitai	-	-
TDS	-	
TFI		30.54%
Tai Hsuo		23.06%
Tai Hung		35.49%
TII	-	-
TDD	-	-
TTS		34.25%
TT&T	-	-
TCPIA	-	-
TLIA	-	-

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 2005 earnings appropriation may be adjusted when the imputation credits are distributed.

f. As of March 31, 2006, the years through which income tax returns had been examined and cleared by the tax authorities were as follows:

	Year
Corporation	1999
TAIT	-
TAT	2003
Mobitai	-
TDS	-
TCC (formerly Taihsing Den Den Co., Ltd.)	2003
TT&T	2003
TCPIA	-
TLIA	-
TYDB	-

The Corporation, however, disagreed with the examination result on the 1999 income tax return and filed a request for reexamination in July 2005.

Based on the examination results of tax returns, TAT was assessed surtaxes of $14,286 thousand for 2003 and $28,976 thousand for 2002. However, TAT disagreed with the results and filed requests for administrative appeals in January 2006 and April 2005.

19. EARNINGS PER SHARE

(Shares in Thousands)

	Three Months Ended March 31			
	2006		2005	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
Basic EPS				
Income from continuing operations	$ 0.65	$ 0.63	$ 0.93	$ 0.81
Cumulative effect of changes in accounting principle	-	-	-	-
Net income	$ 0.65	$ 0.63	$ 0.93	$ 0.81
Diluted EPS				
Income from continuing operations	$ 0.65	$ 0.62	$ 0.91	$ 0.79
Cumulative effect of changes in accounting principle	-	-	-	-
Net income	$ 0.65	$ 0.62	$ 0.91	$ 0.79

The numerators and denominators used in calculating earnings per share (EPS) were as follows:

	Amounts (Numerator)		Shares (Denominator) (Thousands)	EPS (NT$)	
	Before Income Tax	After Income Tax		Before Income Tax	After Income Tax
Three months ended March 31, 2006					
Weighted-average number of outstanding shares			4,954,893		
Less buyback of issued shares			(11,551)		
Basic EPS					
Income of common shareholders	$ 3,227,541	$ 3,104,903	4,943,342	$ 0.65	$ 0.63
Add effect of potentially dilutive convertible bonds					
1st convertible bonds (with implied yield rate of 4.5%)	17,443	13,083	56,574		
2nd convertible bonds (with implied yield rate of 3.3%)	6,467	4,850	29,521		
Diluted EPS					
Income of common shareholders with dilutive effect of potential common shares	$ 3,251,451	$ 3,122,836	5,029,437	$ 0.65	$ 0.62
Three months ended March 31, 2005					
Weighted-average number of outstanding shares			4,931,653		
Less buyback of issued shares			(65,244)		
Basic EPS					
Income of common shareholders	$ 4,534,361	$ 3,941,401	4,866,409	$ 0.93	$ 0.81
Add effect of potentially dilutive convertible bonds					
1st convertible bonds (with implied yield rate of 4.5%)	22,578	16,934	73,374		
2nd convertible bonds (with implied yield rate of 3.3%)	12,256	9,192	54,907		
Diluted EPS					
Income of common shareholders with dilutive effect of potential common shares	$ 4,569,195	$ 3,967,527	4,994,690	$ 0.91	$ 0.79

20. LABOR COST, DEPRECIATION AND AMORTIZATION EXPENSE

	Three Months Ended March 31					
	2006			2005		
	Classified as Operating Cost	Classified as Operating Expenses	Total	Classified as Operating Cost	Classified as Operating Expenses	Total
Labor cost						
Salary	$ 286,894	$ 390,015	$ 676,909	$ 366,970	$ 422,380	$ 789,350
Labor and health insurance	21,907	21,682	43,589	24,631	21,057	45,688
Pension	15,294	19,611	34,905	7,700	10,771	18,471
Other	12,144	18,190	30,334	15,812	18,930	34,742
	$ 336,239	$ 449,498	$ 785,737	$ 415,113	$ 473,138	$ 888,251
Depreciation	$ 1,571,656	$ 101,368	$ 1,673,024	$ 1,512,438	$ 79,677	$ 1,592,115
Amortization	216,967	57,678	274,645	48,816	158,423	207,239

21. FINANCIAL INSTRUMENT TRANSACTIONS

a. Fair value information

	March 31			
	2006		2005	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Non-derivative financial instruments				
Assets				
Cash and cash equivalents	$ 21,815,958	$ 21,815,958	$ 7,771,826	$ 7,771,826
Financial assets at fair value through profit or loss	-	-	2,667,116	2,630,037
Available-for-sale financial assets	9,180,000	9,180,000	9,277,177	12,826,000
Notes receivable	24,039	24,039	17,903	17,903
Accounts receivable	6,359,063	6,359,063	5,971,409	5,971,409
Other receivables	169,427	169,427	2,430,094	2,430,094
Pledged time deposits	10,000	10,000	671,700	671,700
Refundable deposits	304,820	304,820	325,974	325,974
Financial assets carried at cost	4,006,307	-	123,158	-
Liabilities				
Short-term borrowings	-	-	120,000	120,000
Notes payable	9,657	9,657	68,424	68,424
Accounts payable	2,378,061	2,378,061	2,625,802	2,625,802
Accrued expenses	4,457,364	4,457,364	3,340,927	3,340,927
Other payables	2,429,147	2,429,147	1,764,074	1,764,074
Guarantee deposits	406,020	406,020	447,037	447,037
Bonds payable (including current portion)	16,420,356	21,448,724	19,581,778	20,222,484
Long-term bank loans (including current portion)	-	-	2,400,000	2,400,000
Derivative financial instruments				
Liabilities				
Interest rate swap contracts	416,807	416,807	-	302,387

Effective January 1, 2006, the Corporation adopted newly issued SFAS No. 34, "Accounting for Financial Instruments," and, therefore, the derivative financial instruments were not recognized in the 2005 financial statements. Please refer to Note 3 for the related description of the cumulative effect of changes in accounting principle and the adjustments in equity as a result of the adoption of newly issued SFASs.

b. The methods and significant assumptions applied in determining fair values of financial instruments were as follows:

1) Short-term financial instruments - based on the carrying value reported in the balance sheets, which approximates the fair value of these assets, including cash and cash equivalents, notes and accounts receivables, pledged time deposits, notes and accounts payable because of the short maturities of these instruments;

2) Refundable deposits and guarantee deposits - based on their carrying value;

3) Financial assets at fair value through profit or loss and available-for-sale financial assets - based on quoted prices in an active market on the balance sheet date.

4) Bonds payable - based on the over-the-counter quotations in March;

5) Long-term bank loans - based on the discounted present value of expected cash flows. Since the Corporation's long-term bank loans had floating interest rates, their fair values were equivalent to carrying value;

6) Derivative financial instruments - based on valuation results provided by banks.

c. The fair values of financial assets and liabilities determined by quoted prices in active markets or by estimations using valuation technique were as follows:

	By Quoted Price		By Estimation Using Valuation Technique	
	March 31		March 31	
	2006	2005	2006	2005
Non-derivative financial instruments				
Assets				
Cash and cash equivalents	$ 21,815,958	$ 7,771,826	$ -	$ -
Financial assets at fair value through profit or loss	-	2,630,037	-	-
Available-for-sale financial assets	9,180,000	12,826,000	-	-
Notes receivable	-	-	24,039	17,903
Accounts receivable	-	-	6,359,063	5,971,409
Other receivables	-	-	169,427	2,430,094
Pledged time deposits	-	-	10,000	671,700
Refundable deposits	-	-	304,820	325,974
Liabilities				
Short-term borrowings	-	-	-	120,000
Notes payable	-	-	9,657	68,424
Accounts payable	-	-	2,378,061	2,625,802
Accrued expenses	-	-	4,457,364	3,340,927
Other payables	-	-	2,429,147	1,764,074
Guarantee deposits	-	-	406,020	447,037

(Continued)

	By Quoted Price		By Estimation Using Valuation Technique	
	March 31		March 31	
	2006	2005	2006	2005
Bonds payable (including current portion)	$ 21,448,724	$ 20,222,484	$ -	$ -
Long-term bank loans (including current portion)	-	-	-	2,400,000
Derivative financial instruments				
Liabilities				
Interest rate swap contracts	-	-	416,807	302,387

d. The financial assets exposed to fair value interest rate risk amounted to $36,078,152 thousand and $24,761,102 thousand as of March 31, 2006 and 2005, respectively, and the financial liabilities exposed to fair value interest rate risk amounted to $18,600,605 thousand and $20,287,021 thousand as of March 31, 2006 and 2005, respectively. The financial assets exposed to cash flow interest rate risk amounted to $1,754,454 thousand and $4,475,134 thousand as of March 31, 2006 and 2005, respectively, and the financial liabilities exposed to cash flow interest rate risk amounted to $7,916,807 thousand and $10,202,387 thousand as of March 31, 2006 and 2005, respectively.

e. Information on financial risks:

1) Market risk

The interest rate swap (IRS) contracts are used to hedge interest rate fluctuation on its liabilities with floating interest rates. Since the interest receivable and payable are settled at net amounts on the settlement date. The market risk is immaterial.

2) Credit risk

Credit risk represents the potential impacts to financial assets that the Corporation might encounter if counter-parties or third parties breach the contracts. Factors that affect the impacts include credit risk concentration, components of financial instruments, contract amount and other receivables. The Corporation's evaluation of credit risk exposure as of March 31, 2006 and 2005 were both zero because all of counter-parties are reputable financial institutions with good credit ratings.

Except the amount listed as follows, the maximum credit risk exposure of each financial instrument is the same as its carrying value.

	March 31			
	2006		2005	
Hedging derivative financial instrument	Carrying Value	Maximum Credit Risk Exposure	Carrying Value	Maximum Credit Risk Exposure
Interest rate swap contracts	$ 416,807	$ -	$ -	$ 9,390

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

The contract amounts in which credit risk significantly concentrates in the same region are summarized as follows:

	March 31			
	2006		2005	
Region	Carrying Value	Maximum Credit Risk Exposure	Carrying Value	Maximum Credit Risk Exposure
Domestic	$ 416,807	$ -	$ -	$ 9,390

3) Liquidity risk

The Corporation entered into IRS transactions to hedge cash flow risks. Because the IRS contracts are settled at net amounts, the expected cash demand is insignificant. The Corporation has sufficient operating capital to meet cash demand.

f. The purpose of derivative financial instruments held or issued and the strategies to meet the purpose

The Corporation uses IRS contracts to hedge fluctuation on its liabilities with floating interest rates. The overall purpose of these contracts is to hedge the Corporation's exposure to cash flow risks. The Corporation uses interest rate swaps to hedge interest rate fluctuation risk and periodically evaluates the effectiveness of the hedging instruments.

22. RELATED-PARTY TRANSACTIONS

a. The related parties and their relationships with the Group are as follows:

Related Party	Relationship with the Consolidated Group
Taiwan Mobile Foundation (TWM Foundation; formerly TCC Foundation)	Over one third of the Foundation's issued fund came from the Corporation
Howin Technologies Co., Ltd. (HTC)	Equity-method investee
Taiwan Fixed Network Co., Ltd. (TFN)	Same chairman as the Corporation
Chung Hsing Constructions Co., Ltd.	Same chairman as the Corporation
Fubon Land Development Co., Ltd.	Same chairman as the Corporation
Fubon Financial Holding Co., Ltd.	Related party in substance
Taipei Fubon Commercial Bank Co., Ltd. (TFCB)	Related party in substance

(Continued)

Related Party	Relationship with the Consolidated Group
Fubon Securities Co., Ltd. (FSC)	Related party in substance
Fubon Securities Investment Trust Co., Ltd.	Related party in substance
Fubon Life Assurance Co., Ltd.	Related party in substance
Fubon Insurance Co., Ltd. (Fubon Ins.)	Related party in substance
Fubon Direct Marketing Consulting Co., Ltd.	Related party in substance
Fubon Asset Management Co., Ltd.	Related party in substance (since August 17, 2004)
Fubon Financial Holding Venture Capital Co., Ltd.	Related party in substance
Fubon Venture Capital Consulting Co., Ltd.	Related party in substance
Taiwan Telecom (Aust) Pty Ltd.	Subsidiary (liquidated in November 2005)
The Tele-World Shop Pte Ltd.	Indirect investee under Corporation's control (liquidated in July 2005)
Supreme-Tech (Aust) Pty Ltd.	Subsidiary (liquidated in January 2005)

b. Significant transactions with related parties were summarized below:

1) Operating revenues

	Three Months Ended March 31			
	2006		2005	
	Amount	% of Total Sales	Amount	% of Total Sales
TFN	$ 689,185	5	$ 615,666	4

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

2) Operating costs

	Three Months Ended March 31			
	2006		2005	
	Amount	% of Total Costs	Amount	% of Total Costs
TFN	$ 228,545	4	$ 218,968	4
Fubon Inc.	25,804	-	31,519	-
	$ 254,349		$ 250,487	

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

3) Property transactions

Disposal of property and equipment

	Three Months Ended March 31, 2005	
	Description	Amount
TFN	Telecommunication equipment, miscellaneous equipment and deferred charges	$ 2,093,154

The above disposal was made at arm's length and resulted in a gain of $70,085 thousand.

	March 31			
	2006		2005	
	Amount	%	Amount	%
4) Cash in banks				
a) Cash in banks				
TFCB	$ 549,714	3	$ 3,135,535	40
b) Pledged time deposits				
TFCB	$ 10,000	100	$ 610,000	91
5) Receivables and payables				
a) Accounts receivable				
TFN	$ 181,180	3	$ 145,200	2
Other	14,588	-	12,208	-
	$ 195,768		$ 157,408	
b) Other receivables				
TFN*	$ 14,672	9	$ 2,210,889	91
TFCB	10,666	6	15,268	1
HTC	-	-	47,603	2
Other	90	-	3,766	-
	$ 25,428		$ 2,277,526	

* Other receivable resulted mainly from the sale of the Corporation's transmission networks to TFN.

	March 31			
	2006		2005	
	Amount	%	Amount	%
c) Accounts payable				
TFN	$ 4,026	-	$ 12,113	-
d) Accrued expense				
TFN	$ 69,685	2	$ 133,622	4
Fubon Ins.	11,759	-	12,455	-
HTC	488	-	14,470	-
	$ 81,932		$ 160,547	

(Continued)

e) Other payables

	March 31				
	2006		2005		
	Amount	%	Amount	%	
TFN	$ 110,761	4	$ 264,553	16
HTC	-	-	75,644	5
	$ 110,761		$ 340,197	

f) Other current liabilities - collections and advanced receipts for the following

	2006 Amount	%	2005 Amount	%
TFN	$ 28,297	4	$ 26,197	4
TFCB	2,907	-	12,711	2
	$ 31,204		$ 38,908	

6) Other

a) On March 8, 2005, the Corporation bought back 750 units of its outstanding 2nd domestic convertible bonds from FSC for $131,800 per unit. The aggregate purchase price was $98,850 thousand and resulted in a loss of $17,341 thousand.

b) HTC entered into an agreement to provide the Corporation with GSM-1800 network maintenance. As of March 31, 2005, the Corporation had received promissory note of $630,000 thousand as performance guarantee deposits.

c) HTC entered into a purchase and installation agreement of network system equipment with TAT. As of March 31, 2005, TAT had received a promissory note of $185,773 thousand as performance guarantee deposits. The agreement was completed in 2005 and TAT had returned the note to HTC.

23. ASSETS PLEDGED

The assets pledged as collaterals for bank loans, bond issuance and credit line of deposit overdraft were as follows:

	March 31	
	2006	2005
Fixed assets, net carrying value	$ 10,633,913	$ 28,100,836
Time deposits	10,000	671,700
Other assets - time deposits	2000	-
Idle assets*	-	613,216
Assets leased to others, net carrying value	-	170,891
	$ 10,645,913	$ 29,556,643

* Net carrying value before deducting the allowance for losses on idle assets.

24. COMMITMENTS AND CONTINGENT EVENTS

a. To enhance the intensity and widen the coverage of the 3G signal and to increase the service functions and items provided by 3G mobile telecommunications, the Corporation entered into a 3G expansion contract with Nokia for $4,800,000 thousand in September 2004. As of March 31, 2006, total amount paid was $2,026,275 thousand.

b. To provide better communication quality and more diverse service functions, the Corporation entered into agreements for upgrading and optimizing the existing network equipment with Siemens in September 2004 with the contract value of US$17,310 thousand and NT$67,472 thousand, respectively. In accordance with the terms of the agreements, as of March 31, 2006, payments of US$17,214 thousand and NT$66,102 thousand have been made, respectively.

c. Future minimum rental payments as of March 31, 2006, for significant operating lease agreements are summarized as follows:

	Amount
From the second to the fourth quarter, 2006	$ 13,163
2007	14,868
2008	7,062

25. ADDITIONAL DISCLOSURES

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

a. Financing provided: None.

b. Endorsement/guarantee provided: None.

c. Marketable securities held: Table 1 (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 2 (attached).

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

f. Disposal of individual real estate at prices of at least $100 million or 20% of the paid-in capital: None.

g. Total purchase from or sale to related parties amounting to at least $100 million or 20% of the paid-in capital: Table 3 (attached).

h. Receivables from related parties amounting to at least $100 million or 20% of the paid-in capital: Table 4 (attached).

i. Names, locations, and related information of investees on which the Corporation exercised significant influence: Table 5 (attached).

j. Derivative transactions

The Corporation entered into interest rate swap (IRS) contracts in December 2002 to hedge fluctuation on floating interest rates of bonds, which are settled semiannually. Please refer to Note 21 for the related information.

Financial Instrument	Term	Contract Amount
Interest rate swap contracts	Floating interest rate in exchange for fixed interest rates of 2.25%	$ 2,500,000
	Floating interest rate in exchange for fixed interest rate of 2.45%	5,000,000

The Corporation entered into IRS contracts to hedge interest rate fluctuation. For the three months ended March 31, 2006 and 2005, the Corporation recognized losses of $27,595 and gains of $8,356 thousand, respectively, recorded as addition to and deduction from interest expense.

k. Information on 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 6 (attached).

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

l. Business relationship and significant intercompany transactions: Table 7 and Table 8 (attached).

TAIWAN MOBILE CO., LTD. (FORMERLY TAIWAN CELLULAR CORPORATION) AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
MARCH 31, 2006
(In Thousands of New Taiwan Dollars)

Holding Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	March 31, 2006				Note
				Shares/Units (Thousands)	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value (Note 1)	
The Corporation	Stock							
	Chunghwa Telecom Co., Ltd.	-	Available-for-sale financial assets	150,000	$ 9,180,000	1.55	$ 9,180,000 (Note 3)	
	TAT International Telecommunications Co., Ltd.	Subsidiary	Long-term investments	1,245,846	12,639,277	100.00	12,644,292 (Note 6)	
	Taiwan Cellular Co., Ltd. (formerly Taihsing Den Den Co., Ltd.)	Subsidiary	Long-term investments	44,300	1,014,341	99.99	1,508,514 (Note 6)	
	TransAsia Telecommunications Inc.	Subsidiary	Long-term investments	-	2	-	2 (Note 6)	
	Taihsing Den Syun Co., Ltd.	Subsidiary	Long-term investments	386,972	3,828,336	100.00	3,831,932 (Note 6)	
	Bridge Mobile Pte Ltd.	-	Long-term investments	1,000	32,160	12.50	24,751	
	Taiwan Fixed Network Co., Ltd.	Same chairman as the Corporation	Long-term investments	637,000	3,826,148	9.87	6,932,450	
Taiwan Cellular Co., Ltd. (formerly Taihsing Den Den Co., Ltd.)	Stock							
	Arcoa Communication Co., Ltd.	-	Long-term investments	6,998	67,731	5.21	- (Note 4)	
	Taiwan Teleservices & Technologies Co., Ltd.	Subsidiary	Long-term investments	89,732	665,469	95.88	673,269 (Note 6)	
	Sunnet Technologies Co., Ltd.	-	Long-term investments	375	3,265	1.51	- (Note 4)	
	WEB Point Co., Ltd.	-	Long-term investments	803	8,031	3.17	- (Note 4)	
	Parawin Venture Capital Corp.	-	Long-term investments	3,000	25,144	3.00	- (Note 4)	
	Howin Technologies Co., Ltd.	Equity-method investee of subsidiary	Long-term investments	5,450	89,819	25.00	90,570	
	Taiwan Fixed Network Co., Ltd.	Same chairman as the Corporation	Long-term investments	4,900	43,826	0.08	56,190	
	Transportation High Tech Inc.	-	Long-term investments	1,200	- (Note 5)	12.00	- (Note 4)	
	Tai Yi Digital Broadcasting Co., Ltd.	Equity-method investee of subsidiary	Long-term investments	2,495	24,672	49.90	24,672	
Taiwan Teleservices & Technologies Co., Ltd.	Stock							
	TT&T Life Insurance Agency Co., Ltd.	Subsidiary	Long-term investments	300	3,087	100.00	3,087 (Note 6)	
	TT&T Casualty & Property Insurance Agency Co., Ltd.	Subsidiary	Long-term investments	300	2,731	100.00	2,731 (Note 6)	
	TT&T Holdings Co., Ltd.	Subsidiary	Long-term investments	2,600	81,334	100.00	81,334 (Note 6)	

(Continued)

Holding Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	March 31, 2006 Shares/Units (Thousands)	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value (Note 1)	Note
TT&T Holdings Co., Ltd.	Stock							
	Dalian Xinkai Teleservices & Technologies Ltd.	Subsidiary	Long-term investments	-	US$ 1,449	50.00	US$ 1,449 (Note 6)	
	Xiamen Taifu Teleservices & Technologies Ltd.	Subsidiary	Long-term investments	-	US$ 952	100.00	US$ 952 (Note 6)	
	Stock							
TAT International Telecommunications Co., Ltd.	TransAsia Telecommunications Inc.	Subsidiary	Long-term investments	328,645	$ 12,647,590	92.32	$ 6,878,258 (Note 6)	
TransAsia Telecommunications Inc.	Stock			545	(5,158)	2.50	9,057	
	Howin Technologies Co., Ltd.	Equity-method investee of subsidiary	Long-term investments					
Taihsing Den Syun Co., Ltd.	Stock			365,078	3,582,171	100.00	3,582,171 (Note 6)	
	Mobitai Communications	Subsidiary	Long-term investments					
Mobitai Communications	Stock			74	- (Note 5)	0.19	- (Note 4)	
	Yes Mobile Holdings Company	-	Long-term investments					

Note 1: Based on the investee's net value as shown in its latest financial statements.

Note 2: Based on the net asset value of the fund as of March 31, 2006.

Note 3: Based on the closing price in March 2006.

Note 4: As of April 12, 2006, the independent accountants' report date, the investee's net value was unavailable.

Note 5: Deducted impairment loss recognized in 2004.

Note 6: The transactions among the Group had been eliminated.

TABLE 2

TAIWAN MOBILE CO., LTD. (FORMERLY TAIWAN CELLULAR CORPORATION) AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
THREE MONTHS ENDED MARCH 31, 2006
(In Thousands of New Taiwan Dollars)

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Units/Shares (Thousands)	Amount	Units/Shares (Thousands)	Amount	Units/Shares (Thousands)	Amount	Carrying Value	Gain (Loss) on Disposal	Units/Shares (Thousands)	Amount
The Corporation	Beneficiary certificate													
	Fubon Ju-I Fund	Financial assets at fair value through profit or loss	-	-	25,522	$ 400,000	-	$ -	25,522	$ 400,145	$ 400,023	$ 122	-	$ -
	Fubon Ju-I II Fund	Financial assets at fair value through profit or loss	-	-	13,916	200,000	-	-	13,916	200,072	200,012	60	-	-
	Stock													
	TransAsia Telecommunications Inc.	Long-term investments	TAT International Telecommunications Co., Ltd.	Subsidiary	328,645	12,458,466	-	-	328,645	-	12,458,463	- (Note 1)	-	2 (Notes 1 and 4)
	TAT International Telecommunications Co., Ltd.	Long-term investments	-	-	-	-	1,245,846	12,458,463	-	-	-	-	1,245,846	12,639,277 (Notes 2 and 4)
TAT International Telecommunications Co., Ltd.	Beneficiary certificate													
	TransAsia Telecommunications Inc.	Long-term investments	The Corporation	Parent	-	-	328,645	12,458,463	-	-	-	-	328,645	12,647,590 (Notes 3 and 4)

Note 1: The amount included the investment loss adjustment of $1 thousand. For its reorganization, the Corporation established TAT International Telecommunications Co., Ltd. by investing TransAsia Telecommunications Inc., with a carrying value of $12,458,463 thousand. There was no gain or loss on this share disposal.

Note 2: The amount included the investment income adjustment of $180,608 thousand and unrealized gain on available-for-sale financial assets $206 thousand.

Note 3: The amount included the investment income adjustment of $188,921 thousand and unrealized gain on available-for-sale financial assets $206 thousand.

Note 4: The transactions among the Group had been eliminated.

TAIWAN MOBILE CO., LTD. (FORMERLY TAIWAN CELLULAR CORPORATION) AND SUBSIDIARIES

TOTAL PURCHASE FROM OR SALE TO RELATED PARTIES AMOUNTING TO AT LEAST $100 MILLION OR 20% OF THE PAID-IN CAPITAL
THREE MONTHS ENDED MARCH 31, 2006
(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction		Note/Accounts Payable or Receivable		Note
			Purchase/ Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
The Corporation	TransAsia Telecommunications Inc.	Subsidiary	Sale	$ (330,711)	(3)	Based on contract terms	-	-	$ 145,202	3	Note 2
			Purchase	146,451	3	Based on contract terms	-	-	(16,029)	(1)	Note 2
	Taiwan Fixed Network Co., Ltd.	Same chairman as the Corporation	Sale	(657,252)	(6)	Based on contract terms	-	-	154,844	3	
			Purchase	216,507	4	Based on contract terms	-	-	-	-	
	Taiwan Teleservices & Technologies Co., Ltd.	Subsidiary	(Note 1)	280,136	(Note 1)	Based on contract terms	-	-	-	-	Note 2
TransAsia Telecommunications Inc.	The Corporation	Parent	Sale	(145,412)	(7)	Based on contract terms	-	-	323,322	29	Note 2
			Purchase	332,402	31	Based on contract terms	-	-	(142,790)	(30)	Note 2
Taiwan Teleservices & Technologies Co., Ltd.	The Corporation	Ultimate parent	Sale	(280,423)	(75)	Based on contract terms	-	-	284,023	76	Note 2

Note 1: Recognized as operating expense.

Note 2: The transactions among the Group had been eliminated.

TABLE 4

TAIWAN MOBILE CO., LTD. (FORMERLY TAIWAN CELLULAR CORPORATION) AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST $100 MILLION OR 20% OF THE PAID-IN CAPITAL
MARCH 31, 2006
(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Ending Balance		Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Bad Debts
						Amount	Action Taken		
The Corporation	TransAsia Telecommunications Inc.	Subsidiary	Accounts receivable	$ 145,202 (Note 2)	8.89	$ -	-	$ -	$ -
			Other receivables	385,889 (Note 2)	-	-	-	33,483	-
	Mobitai Communications	Subsidiary	Accounts receivable	12,523 (Note 2)	1.12	-	-	-	-
			Other receivables	488,081 (Note 2)	-	-	-	-	-
	Taiwan Fixed Network Co., Ltd.	Same chairman as the Corporation	Accounts receivable	154,844	17.52	-	-	-	-
			Other receivables	14,672	-	-	-	-	-
TransAsia Telecommunications Inc.	The Corporation	Parent	Accounts receivable	323,322 (Note 2)	(Note 1)	-	-	-	-
			Other receivables	141 (Note 2)	-	-	-	-	-
Mobitai Communications	The Corporation	Ultimate parent	Accounts receivable	47,930 (Note 2)	(Note 1)	-	-	-	-
			Other receivables	202,716 (Note 2)	-	-	-		-
Taiwan Teleservices & Technologies Co., Ltd.	The Corporation	Ultimate parent	Accounts receivable	284,023 (Note 2)	3.86	-	-	-	-

Note 1: Not applicable because telecommunication service revenue was collected on behalf of these companies.

Note 2: The transactions among the Group had been eliminated.

TAIWAN MOBILE CO., LTD. (FORMERLY TAIWAN CELLULAR CORPORATION) AND SUBSIDIARIES

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
THREE MONTHS ENDED MARCH 31, 2006
(In Thousands of New Taiwan Dollars or U.S. Dollars)

Investor	Investee	Location	Main Businesses and Products	Original Investment Amount		Balance as of March 31, 2006			Net Income (Loss) of the Investee	Investment Income (Loss)	Note
				March 31, 2006	January 1, 2006	Shares (Thousands)	Percentage of Ownership	Carrying Value			
The Corporation	Taiwan Cellular Co., Ltd. (formerly Taihsing Den Den Co., Ltd.)	Taipei, Taiwan	Telecommunication equipment retailing and wholesale	$ 1,420,017	$ 1,420,017	44,300	99.99	$ 1,014,341	$ 7,079	$ 19,961	Note
	TransAsia Telecommunications Inc.	Taipei, Taiwan	Wireless service provider	-	10,408,388	-	-	2	204,644	(1)	Note
	TAT International Telecommunications Co., Ltd.	Taipei, Taiwan	Wireless service provider	12,458,463	-	1,245,846	100.00	12,639,277	185,623	180,608	Note
	Taihsing Den Syun Co., Ltd.	Taipei, Taiwan	Equipment installation and IT service	3,869,715	3,869,715	386,972	100.00	3,828,336	49,935	46,340	Note
Taiwan Cellular Co., Ltd. (formerly Taihsing Den Den Co., Ltd.)	Taiwan Teleservices & Technologies Co., Ltd.	Taipei, Taiwan	Call center service	327,146	327,146	89,732	95.88	665,469	22,090	NA	Note
	Howin Technologies Co., Ltd.	Taipei, Taiwan	Communication engineering and equipment installation	131,700	131,700	5,450	25.00	89,819	(6,570)	NA	
	Tai Yi Digital Broadcasting Co., Ltd.	Taipei, Taiwan		24,950	24,950	2,495	49.90	24,672	(123)	NA	
Taiwan Teleservices & Technologies Co., Ltd.	TT&T Life Insurance Agency Co., Ltd.	Taipei, Taiwan	Insurance agent	3,000	3,000	300	100.00	3,087	18	NA	Note
	TT&T Casualty & Property Insurance Agency Co., Ltd.	Taipei, Taiwan	Insurance agent	3,000	3,000	300	100.00	2,731	(34)	NA	Note
	TT&T Holdings Co., Ltd.	Samoa	Investment	83,530	83,530	2,600	100.00	81,334	(US$ 2)	NA	Note
TT&T Holdings Co., Ltd.	Dalian Xinkai Teleservices & Technologies Ltd.	Dalian	Call center service	US$ 1,511	US$ 1,511	-	50.00	US$ 1,449	(RMB 423)	NA	Note
	Xiamen Taifu Teleservices & Technologies Ltd.	Xiamen	Call center service	US$ 1,000	US$ 1,000	-	100.00	US$ 952	RMB 125	NA	Note
TAT International Telecommunications Co., Ltd.	TransAsia Telecommunications Inc.	Taipei, Taiwan	Wireless service provider	$ 12,458,463	-	328,645	100.00	$ 12,647,590	$ 204,644	NA	Note
TransAsia Telecommunications Inc.	Howin Technologies Co., Ltd.	Taipei, Taiwan	Communication engineering and equipment installation	2,250	2,250	545	2.50	(5,158)	(6,570)	NA	
Taihsing Den Syun Co., Ltd.	Mobitai Communications	Taipei, Taiwan	Wireless service provider	3,650,782	3,650,782	365,078	100.00	3,582,171	49,378	NA	Note

Note: The transactions among the Group had been eliminated.

TAIWAN MOBILE CO., LTD. (FORMERLY TAIWAN CELLULAR CORPORATION) AND SUBSIDIARIES

INVESTMENT IN MAINLAND CHINA
THREE MONTHS ENDED MARCH 31, 2006
(In Thousands of New Taiwan Dollars or U.S. 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, 2006	Investment Flows		Accumulated Outflow of Investment from Taiwan as of March 31, 2006	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Value as of March 31, 2006	Accumulated Inward Remittance of Earnings as of March 31, 2006
					Outflow	Inflow					
Dalian Xinkai Teleservices & Technologies Ltd.	Call center service	RMB25,011 (NT$101,295)	Indirect investment in the Company of Mainland China through a third place by the Corporation's subsidiary, Taiwan Teleservices & Technologies Co., Ltd.	US$666 (NT$21,618)	$ -	$ -	US$666 (NT$21,618)	50% ownership of indirect investment by the Corporation's subsidiary	(US$26)	US$1,499 (NT$47,035) (Notes 2 and 4)	$ -
Xiamen Taifu Teleservices & Technologies Ltd.	Call center service	US$1,000 (NT$32,460)	Indirect investment in the Company of Mainland China through a third place by the Corporation's subsidiary, Taiwan Teleservices & Technologies Co., Ltd.	US$1,000 (NT$32,460)	-	-	US$1,000 (NT$32,460)	100% ownership of indirect investment by the Corporation's subsidiary	US$ 19	US$952 (NT$30,902) (Note 4)	-

Accumulated Investment in Mainland China as of March 31, 2006	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment Authorized by Investment Commission, MOEA
US$1,666	Note 3	Note 3

Note 1: The above amounts were translated into New Taiwan Dollars at the exchange rate of US$1=NT$32.46 and RMB1=NT$4.05 as of March 31, 2006.

Note 2: The carrying value as of March 31, 2006 included the investment of US$845 thousand in the form of technology transferred to the investee from TT&T Holdings Co., Ltd. in Samoa.

Note 3: The indirect investment made by Taiwan Teleservices & Technologies Co., Ltd., a subsidiary of the Corporation.

Note 4: The transactions among the Group had been eliminated.

TABLE 7

TAIWAN MOBILE CO., LTD. (FORMERLY TAIWAN CELLULAR CORPORATION) AND SUBSIDIARIES

BUSINESS RELATIONSHIP AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
THREE MONTHS ENDED MARCH 31, 2006
(In Thousands of New Taiwan Dollars)

Number	Company Name	Counterparty	Transaction Details				
			Nature of Relationship (Note)	Account	Amount	Transaction Terms	Percentage of Consolidated Total Operating Revenues or Total Assets
0	The Corporation	TransAsia Telecommunications Inc.	1	Accounts receivable	$ 145,202	Based on regular terms	-
		Mobitai Communications	1	Accounts receivable	12,523	Based on regular terms	-
		TransAsia Telecommunications Inc.	1	Other receivables	385,889	Based on regular terms	-
		Mobitai Communications	1	Other receivables	488,081	Based on regular terms	-
		Taiwan Cellular Co., Ltd. (formerly Taihsing Den Den Co., Ltd.)	1	Other receivables	18,684	Based on regular terms	-
		Taiwan Teleservices & Technologies Co., Ltd.	1	Other receivables	4,988	Based on regular terms	-
		TransAsia Telecommunications Inc.	1	Accounts payable	16,029	Based on regular terms	-
		Mobitai Communications	1	Accounts payable	45,526	Based on regular terms	-
		TransAsia Telecommunications Inc.	1	Other payables	219,813	Based on regular terms	-
		Mobitai Communications	1	Other payables	135,888	Based on regular terms	-
		Taiwan Cellular Co., Ltd. (formerly Taihsing Den Den Co., Ltd.)	1	Accrued expenses	20,513	Based on regular terms	-
		Taiwan Teleservices & Technologies Co., Ltd.	1	Accrued expenses	289,741	Based on regular terms	-
		TransAsia Telecommunications Inc.	1	Other current liabilities	93,463	Based on regular terms	-
		Mobitai Communications	1	Other current liabilities	71,335	Based on regular terms	-
		TransAsia Telecommunications Inc.	1	Operating revenues	330,711	Based on regular terms	2%
		Mobitai Communications	1	Operating revenues	34,321	Based on regular terms	-
		Taiwan Teleservices & Technologies Co., Ltd.	1	Operating revenues	5,264	Based on regular terms	-
		TransAsia Telecommunications Inc.	1	Operating costs	145,416	Based on regular terms	1%
		Mobitai Communications	1	Operating costs	68,180	Based on regular terms	-
		Taiwan Teleservices & Technologies Co., Ltd.	1	Marketing expenses	250,005	Based on regular terms	2%
		Taiwan Teleservices & Technologies Co., Ltd.	1	Administrative expenses	34,549	Based on regular terms	-
		Taiwan Cellular Co., Ltd. (formerly Taihsing Den Den Co., Ltd.)	1	Rental income	34	Based on regular terms	-
		Taiwan Teleservices & Technologies Co., Ltd.	1	Rental income	34	Based on regular terms	-
1	TransAsia Telecommunications Inc.	The Corporation	2	Accounts receivable	323,232	Based on regular terms	-
		Mobitai Communications	3	Accounts receivable	1,901	Based on regular terms	-
		Taiwan Teleservices & Technologies Co., Ltd.	3	Other receivables	1,776	Based on regular terms	-
		The Corporation	2	Accounts payable	142,790	Based on regular terms	-
		Mobitai Communications	3	Accounts payable	448	Based on regular terms	-
		The Corporation	2	Other payables	343,336	Based on regular terms	-
		The Corporation	2	Operating revenues	145,412	Based on regular terms	1%
		Mobitai Communications	3	Operating revenues	4,280	Based on regular terms	-
		The Corporation	2	Operating costs	330,671	Based on regular terms	2%
		Mobitai Communications	3	Operating costs	2,213	Based on regular terms	-

Number	Company Name	Counterparty	Transaction Details: Nature of Relationship (Note)	Account	Amount	Transaction Terms	Percentage of Consolidated Total Operating Revenues or Total Assets
2	Mobitai Communications	The Corporation	2	Accounts receivable	$ 250,533	Based on regular terms	-
		TransAsia Telecommunications Inc.	3	Accounts receivable	449	Based on regular terms	-
		The Corporation	2	Accounts payable	27,190	Based on regular terms	-
		TransAsia Telecommunications Inc.	3	Accounts payable	1,921	Based on regular terms	-
		The Corporation	2	Other payables	479,914	Based on regular terms	-
		The Corporation	2	Accrued expenses	620	Based on regular terms	-
		The Corporation	2	Operating revenues	68,180	Based on regular terms	-
		TransAsia Telecommunications Inc.	3	Operating revenues	2,213	Based on regular terms	-
		The Corporation	2	Operating costs	34,321	Based on regular terms	-
		TransAsia Telecommunications Inc.	3	Operating costs	4,280	Based on regular terms	-
3	Taiwan Cellular Co., Ltd. (formerly Taihsing Den Den Co., Ltd.)	The Corporation	2	Administrative expenses	34	Based on regular terms	-
4	TAT International Telecommunications Co., Ltd.	The Corporation	2	Accrued expenses	3,298	Based on regular terms	-
5	Taiwan Teleservices & Technologies Co., Ltd.	The Corporation	2	Accounts receivable	284,023	Based on regular terms	-
		TransAsia Telecommunications Inc.	3	Accounts receivable	1,312	Based on regular terms	-
		TT&T Holding Co., Ltd.	1	Other payables	43,215	Based on regular terms	-
		The Corporation	2	Accrued expenses	3,699	Based on regular terms	-
		The Corporation	2	Operating revenues	284,553	Based on regular terms	2%
		The Corporation	2	Operating costs	2,008	Based on regular terms	-
		TT&T Holding Co., Ltd.	1	Marketing expenses	15,239	Based on regular terms	-
		The Corporation	2	Administrative expenses	3,290	Based on regular terms	-
6	TT&T Holding Co., Ltd.	Taiwan Teleservices & Technologies Co., Ltd.	2	Accounts receivable	11,900	Based on regular terms	-
		Taiwan Teleservices & Technologies Co., Ltd.	2	Other receivables	30,430	Based on regular terms	-
		Dalian Xinkai Teleservices & Technologies Ltd.	1	Accounts payable	3,868	Based on regular terms	-
		Xiamen Taifu Teleservices & Technologies Ltd.	1	Accounts payable	5,652	Based on regular terms	-
		Dalian Xinkai Teleservices & Technologies Ltd.	1	Deferred credits	27,321	Based on regular terms	-
		Taiwan Teleservices & Technologies Co., Ltd.	2	Operating revenues	15,239	Based on regular terms	-
		Dalian Xinkai Teleservices & Technologies Ltd.	1	Operating costs	3,848	Based on regular terms	-
		Xiamen Taifu Teleservices & Technologies Ltd.	1	Operating costs	8,343	Based on regular terms	-
7	Dalian Xinkai Teleservices & Technologies Ltd.	TT&T Holding Co., Ltd.	2	Accounts receivable	2,521	Based on regular terms	-
		TT&T Holding Co., Ltd.	2	Patent right	28,223	Based on regular terms	-
		TT&T Holding Co., Ltd.	2	Operating revenues	2,521	Based on regular terms	-
8	Xiamen Taifu Teleservices & Technologies Ltd.	TT&T Holding Co., Ltd.	2	Accounts receivable	5,655	Based on regular terms	-
		TT&T Holding Co., Ltd.	2	Operating revenues	8,343	Based on regular terms	-

Note 1: Parent to subsidiary.

Note 2: Subsidiary to parent.

Note 3: Between subsidiaries.

TAIWAN MOBILE CO., LTD. (FORMERLY TAIWAN CELLULAR CORPORATION) AND SUBSIDIARIES

BUSINESS RELATIONSHIP AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
THREE MONTHS ENDED MARCH 31, 2005
(In Thousands of New Taiwan Dollars)

Number	Company Name	Counterparty	Transaction Details				
			Nature of Relationship (Note)	Account	Amount	Transaction Terms	Percentage of Consolidated Total Operating Revenues or Total Assets
0	The Corporation	TransAsia Telecommunications Inc.	1	Accounts receivable	$ 167,883	Based on regular terms	-
		Mobitai Communications	1	Accounts receivable	17,327	Based on regular terms	-
		Taiwan Tele-Shop Co., Ltd.	1	Accounts receivable	240,506	Based on regular terms	-
		TransAsia Telecommunications Inc.	1	Other receivable	293,294	Based on regular terms	-
		Taiwan Tele-Shop Co., Ltd.	1	Other receivable	111,937	Based on regular terms	-
		Taiwan Teleservices & Technologies Co., Ltd.	1	Other receivable	14,197	Based on regular terms	-
		TransAsia Telecommunications Inc.	1	Accounts payable	17,861	Based on regular terms	-
		TransAsia Telecommunications Inc.	1	Other payable	128,414	Based on regular terms	-
		Taiwan Tele-Shop Co., Ltd.	1	Other payable	12,337	Based on regular terms	-
		Taiwan Tele-Shop Co., Ltd.	1	Accrued expenses	310,273	Based on regular terms	-
		Taiwan Teleservices & Technologies Co., Ltd.	1	Accrued expenses	99,539	Based on regular terms	-
		TransAsia Telecommunications Inc.	1	Advance receipts	119	Based on regular terms	-
		TransAsia Telecommunications Inc.	1	Other current liabilities	8,216	Based on regular terms	-
		TransAsia Telecommunications Inc.	1	Operating revenues	556,833	Based on regular terms	4%
		Mobitai Communications	1	Operating revenues	64,002	Based on regular terms	-
		Taiwan Teleservices & Technologies Co., Ltd.	1	Operating revenues	5,101	Based on regular terms	-
		TransAsia Telecommunications Inc.	1	Operating costs	156,523	Based on regular terms	1%
		Mobitai Communications	1	Operating costs	41,957	Based on regular terms	-
		Taiwan Tele-Shop Co., Ltd.	1	Marketing expenses	164,395	Based on regular terms	1%
		Taiwan Teleservices & Technologies Co., Ltd.	1	Marketing expenses	244,825	Based on regular terms	2%
		Taiwan Tele-Shop Co., Ltd.	1	Rental income	4,716	Based on regular terms	-
		Taiwan Teleservices & Technologies Co., Ltd.	1	Rental income	23,918	Based on regular terms	-
1	TransAsia Telecommunications Inc.	The Corporation	2	Accounts receivable	155,101	Based on regular terms	-
		Mobitai Communications	3	Accounts receivable	1,948	Based on regular terms	-
		Taiwan Tele-Shop Co., Ltd.	3	Accounts receivable	40,693	Based on regular terms	-
		Taiwan Tele-Shop Co., Ltd.	3	Other receivable	3,900	Based on regular terms	-
		The Corporation	2	Accounts payable	166,997	Based on regular terms	-
		Mobitai Communications	3	Accounts payable	2,164	Based on regular terms	-
		The Corporation	2	Other payable	118,707	Based on regular terms	-
		The Corporation	2	Accrued expenses	177,766	Based on regular terms	-
		Taiwan Tele-Shop Co., Ltd.	3	Accrued expenses	43,593	Based on regular terms	-
		Taiwan Teleservices & Technologies Co., Ltd.	3	Accrued expenses	67,973	Based on regular terms	-
		The Corporation	2	Other current liabilities	2,147	Based on regular terms	-
		Taiwan Tele-Shop Co., Ltd.	3	Other current liabilities	4,936	Based on regular terms	-
		The Corporation	2	Operating revenues	156,279	Based on regular terms	1%

(Continued)

Number	Company Name	Counterparty	Transaction Details				
			Nature of Relationship (Note)	Account	Amount	Transaction Terms	Percentage of Consolidated Total Operating Revenues or Total Assets
		Mobitai Communications	3	Operating revenues	$ 12,366	Based on regular terms	-
		The Corporation	2	Operating costs	429,305	Based on regular terms	3%
		Mobitai Communications	3	Operating costs	12,313	Based on regular terms	-
		Taiwan Elitec Corporation	3	Operating costs	22	Based on regular terms	-
		Taiwan Tele-Shop Co., Ltd.	3	Marketing expenses	5,265	Based on regular terms	-
		Taiwan Teleservices & Technologies Co., Ltd.	3	Marketing expenses	68,348	Based on regular terms	-
		The Corporation	2	Administrative expenses	101,727	Based on regular terms	1%
2	Mobitai Communications	The Corporation	2	Accounts receivable	170	Based on regular terms	-
		TransAsia Telecommunications Inc.	3	Accounts receivable	2,213	Based on regular terms	-
		The Corporation	2	Accounts payable	17,325	Based on regular terms	-
		TransAsia Telecommunication Inc.	3	Accounts payable	2,857	Based on regular terms	-
		The Corporation	2	Other payable	78,449	Based on regular terms	--
		TransAsia Telecommunications Inc.	3	Other payable	7,921	Based on regular terms	-
		The Corporation	2	Operating revenues	41,962	Based on regular terms	-
		TransAsia Telecommunications Inc.	3	Operating revenues	12,183	Based on regular terms	-
		The Corporation	2	Operating costs	64,010	Based on regular terms	-
		TransAsia Telecommunications Inc.	3	Operating costs	12,328	Based on regular terms	-
3	Taiwan Tele-Shop Co., Ltd.	The Corporation	2	Accounts receivable	2,934	Based on regular terms	-
		TransAsia Telecommunications Inc.	3	Accounts receivable	42,332	Based on regular terms	-
		Taiwan Teleservices & Technologies Co., Ltd.	3	Accounts receivable	305	Based on regular terms	-
		Taiwan Teleservices & Technologies Co., Ltd.	3	Other receivable	744	Based on regular terms	-
		TransAsia Telecommunications Inc.	3	Accounts payable	33,349	Based on regular terms	-
		Taiwan Teleservices & Technologies Co., Ltd.	3	Accounts payable	239	Based on regular terms	-
		The Corporation	2	Operating revenues	105,232	Based on regular terms	1%
		TransAsia Telecommunications Inc.	3	Operating revenues	1,105	Based on regular terms	-
		Taiwan Teleservices & Technologies Co., Ltd.	3	Operating revenues	1,014	Based on regular terms	-
4	Taiwan Teleservices & Technologies Co., Ltd.	The Corporation	2	Accounts receivable	98,011	Based on regular terms	-
		TransAsia Telecommunications Inc.	3	Accounts receivable	65,261	Based on regular terms	-
		Mobitai Communication	3	Accounts receivable	4,527	Based on regular terms	-
		Taiwan Tele-Shop Co., Ltd.	3	Accounts receivable	787	Based on regular terms	-
		The Corporation	2	Other receivable	101	Based on regular terms	-
		TransAsia Telecommunications Inc.	3	Other receivable	276	Based on regular terms	-
		The Corporation	2	Prepayments	52,963	Based on regular terms	-
		The Corporation	2	Other current assets	171	Based on regular terms	-
		TransAsia Telecommunications Inc.	3	Other current assets	5,675	Based on regular terms	-
		The Corporation	2	Accrued expenses	68,341	Based on regular terms	-
		TransAsia Telecommunications Inc.	3	Accrued expenses	3,201	Based on regular terms	-
		Taiwan Tele-Shop Co., Ltd.	3	Accrued expenses	972	Based on regular terms	-
		The Corporation	2	Advance receipts	6,628	Based on regular terms	-
		The Corporation	2	Operating revenues	238,075	Based on regular terms	2%
		TransAsia Telecommunications Inc.	3	Operating revenues	63,380	Based on regular terms	-
		Mobitai Communications	3	Operating revenues	4,311	Based on regular terms	-

(Continued)

Number	Company Name	Counterparty	Transaction Details				
			Nature of Relationship (Note)	Account	Amount	Transaction Terms	Percentage of Consolidated Total Operating Revenues or Total Assets
		Taiwan Tele-Shop Co., Ltd.	3	Operating revenues	$ 563	Based on regular terms	-
		The Corporation	2	Administrative expenses	28,521	Based on regular terms	-
		Taiwan Tele-Shop Co., Ltd.	3	Administrative expenses	1,087	Based on regular terms	-
5	TT&T Holdings Co., Ltd.	Taiwan Teleservices & Technologies Co., Ltd.	2	Other receivable	40,898	Based on regular terms	-

Note 1: Parent to subsidiary.

Note 2: Subsidiary to parent.

Note 3: Between subsidiaries.