

## Letter to Shareholders

Dear Shareholders,

Taiwan Mobile (“the Company”) completed its merger of Taiwan Fixed Network Co., Ltd. (TFN) and Taiwan Telecommunication Network Services Co., Ltd. (TTN) last year, allowing the Company to expand its telecommunications footprint from mobile communications to fixed-line and cable services. Bolstered by the acquisitions, the Company has become an integrated information, communication and entertainment provider that offers mobile, cable TV, broadband and fixed line services.

### Transition to digital age

Taiwan Mobile’s consolidated revenue and EBITDA, including fixed-line and cable business, reached NT\$66.1 billion and NT\$30.2 billion in 2007, rising 12% and 11%, respectively, compared with its performance a year ago as a pure mobile service operator. Its consolidated net income and earnings per share were NT\$6.6 billion and NT\$1.68, respectively, achieving 96% of its target for 2007. Mobile services continued to be the Company’s major profit generator in 2007, accounting for 89% of its consolidated EBITDA. Despite a sluggish wireless market and a stricter regulatory environment, the Company still outpaced the industry and saw a 1% YoY rise in telecom service revenue, driven by sound growth in prepaid and value-added services. Annual growth in its mobile EBITDA was also far ahead of its closest rival. As for fixed-line, although its performance



### Group and Divisional Performance

Unit: NT\$m

		Mobile	Cable MSO	Fixed-line	Consolidated
Revenue	2007	59,252	4,024	8,225	66,095
	YoY	1%	9%	9%	12%
EBITDA	2007	27,490	2,106	1,343	30,153
	YoY	1%	12%	97%	11%
Operating Income	2007	19,390	1,624	16	21,317
	YoY	0%	20%	Turned Positive	10%

was constrained by the major operator's ownership of the last mile and voice revenue was affected by rising substitute technologies, the Company's revenue and EBITDA grew 9% and 97% respectively from 2006, thanks to a better product mix and synergy. Cable multi-system operator (MSO) revenue and EBITDA also increased 9% and 12% YoY, respectively, aided by 44% and 6% in revenue additions from broadband and pay-TV.

## Enhancing company value and shareholders' interests

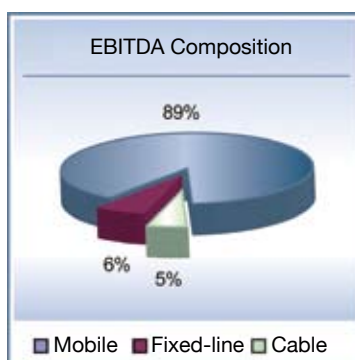
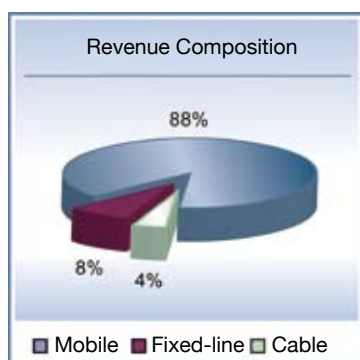
To enhance its core competitiveness, the Company focused on maximizing shareholders' interests by adjusting its capital structure and strengthening corporate governance in 2007.

### 1. Capital reduction

To compensate for lower distributable earnings as a result of asset write-offs, the Company declared a capital reduction of NT\$12 billion and returned NT\$2.4 in cash per share to shareholders in February 2008. Adding the cash return in its declared cash dividend for 2007 earnings, total cash distributed to shareholders hit a record high.

### 2. Treasury stock to support future investments

TFN's original 21.4% holding in Taiwan Mobile is treated as treasury stock after the acquisition. Valued at over NT\$49 billion\*, this shareholding can be used to purchase or acquire investments that can expand the Company's cable MSO market share or explore other financial opportunities to maximize shareholders' interests.



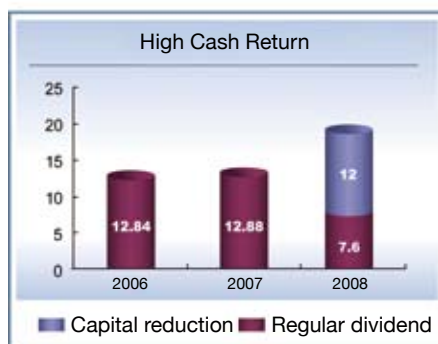
### 3. Recognition for corporate governance

Taiwan Mobile's commitment to corporate governance was recognized for the second year in a row with a "CG6002 certification" from the Corporate Governance Association and with an A+ honor rating in the "2007 Information Transparency and Disclosure Ranking Results in Taiwan" conducted by the Securities and Futures Institute. The Company also won recognition for its dedication and care for customers and employees, including the "Gold Trusted Brand Award" from *Reader's Digest*; the "2007 Information Security Dedicated Award" from *Information Security Taiwan*, the only telecommunication operator to receive such an award; and the "Happy Workers – Best Employer Award" from *Cheers Magazine* and global consulting firm, Watson Wyatt. Moreover, the Company was ranked as Taiwan's top 10 of "Asia's 200 Most-admired Companies" by *The Wall Street Journal* in 2008. Taiwan Mobile was the sole telecom awardee.

### Geared up towards growth

To meet the challenges of the trend toward digital convergence, the Company launched "Taiwan Mobile," "TWM Broadband" and "TWM Solution" early this year to target the consumer, home and corporate markets. Aside from market segmentation, the Company hopes to boost customer subscription to different services through effective cross-selling and product bundling strategies to drive revenue growth.

(Unit: NT\$bn)



(Unit: NT\$)

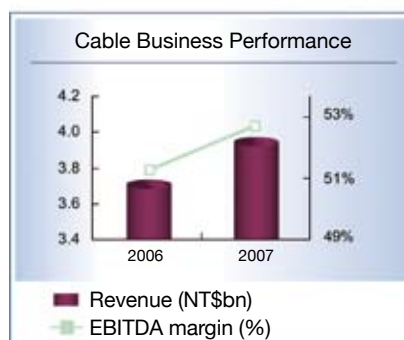
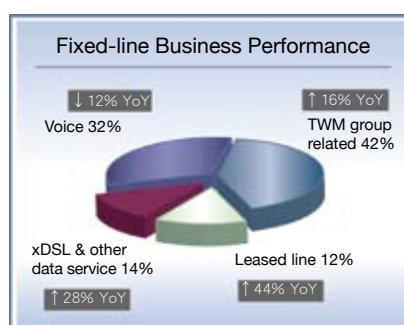
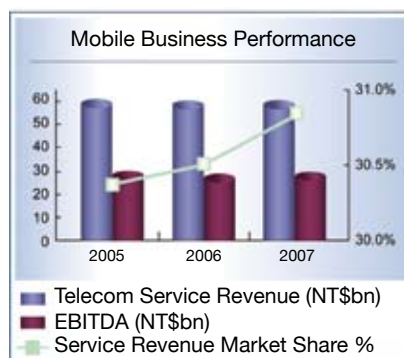


To attract new subscribers, Taiwan Mobile launched a new rate plan early this year, which allows users to choose a time slot when they can make 8 or 12 hours of free intranet call.

With more users migrating to 3G, the Company aims to introduce more multimedia handset models and aggressively expand 3.5G (HSDPA) coverage to offer more value-added and faster data services. On the cable business front, the Company will continue to stimulate subscriber growth in cable broadband and invest in digital network to provide premium services in the future. Future focuses of enterprise solutions would be on leased line revenue growth and further growth in integrated mobile and fixed-line services.

Digital convergence promises to be the wave of the future, offering new opportunities in an already saturated telecommunications market. Taiwan Mobile has defined this year as the “Year of Digital Convergence,” signifying its readiness to meet the challenges of this new age. Consolidation and integration have strengthened and expanded the Company’s role in wireless communication, broadband and cable TV media businesses, further differentiating it from the competition. Taiwan Mobile aims to become a leader in the convergent service market.

\* : The number of treasury shares and market value on January 31, 2008, the last trading date before trading suspension for capital reduction



Chairman

Richard Tsai

President

Harvey Chang