

Taiwan Mobile Co., Ltd. and Subsidiaries
Consolidated Financial Statements for the
Years Ended December 31, 2013 and 2012, and
Independent Auditors' Report

Independent Auditors' Report

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

We have audited the accompanying consolidated balance sheets of Taiwan Mobile Co., Ltd. and subsidiaries as of December 31, 2013, and December 31 and January 1, 2012, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2013 and 2012. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Taiwan Mobile Co., Ltd. And subsidiaries as of December 31, 2013, and December 31 and January 1, 2012, and the consolidated results of their operations and their consolidated cash flows for the years ended December 31, 2013 and 2012, in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and with the IFRSs, IASs, IFRIC Interpretations and SIC Interpretations endorsed by the FSC.

As discussed in Notes 4 and 15 to the consolidated financial statements, effective January 1, 2013, Taiwan Mobile Co., Ltd. and subsidiaries changed the recognition method for bundle sales from the residual value method to the relative fair value method, and retrospectively restated all the comparative consolidated financial statements for 2012.

We have also audited the standalone financial statements of Taiwan Mobile Co., Ltd. as of December 31, 2013, and December 31 and January 1, 2012, and the related statements of comprehensive income, changes in equity, and cash flows for the years ended December 31, 2013 and 2012, on which we have issued an unqualified audit report.

KPMG
Taipei, Taiwan (the Republic of China)
January 28, 2014

Notes to Readers

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

For the convenience of readers, the auditors' report and the accompanying consolidated 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 auditors' report and consolidated financial statements shall prevail.

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2013, DECEMBER 31, AND JANUARY 1, 2012
(In Thousands of New Taiwan Dollars)

ASSETS		2013.12.31		2012.12.31		2012.1.1		LIABILITIES AND EQUITY		2013.12.31		2012.12.31		2012.1.1	
		Amount	%	Amount	%	Amount	%			Amount	%	Amount	%	Amount	%
CURRENT ASSETS								CURRENT LIABILITIES							
1100	Cash and cash equivalents (Notes 4, 6(a) and 7)	\$ 7,954,294	6	6,191,140	6	6,572,192	7	2100	Short-term borrowings (Notes 4, 6(n) and 7)	\$ 30,605,813	22	3,158,440	3	9,000,000	9
1110	Current financial assets at fair value through profit or loss (Notes 4 and 6(b))	-	-	-	-	60,186	-	2110	Short-term notes and bills payable (Notes 4 and 6(n))	2,396,971	2	-	-	899,273	1
1125	Current available-for-sale financial assets (Notes 4, 6(c) and 7)	960,945	1	205,397	-	217,351	-	2150	Notes payable	408,904	-	360,669	-	641,166	1
1170	Accounts and notes receivable, net (Notes 4, 5 and 6(f))	14,583,899	10	12,059,034	12	10,209,865	10	2170	Accounts payable	6,661,431	5	7,131,402	7	5,481,389	6
1180	Accounts receivable due from related parties, net (Note 7)	49,557	-	71,039	-	129,019	-	2180	Accounts payable to related parties (Note 7)	73,080	-	64,377	-	-	-
1200	Other receivables (Note 7)	494,348	-	485,879	-	520,487	1	2200	Other payables (Note 7)	11,657,899	9	9,492,635	10	9,911,877	10
130x	Inventories (Notes 4 and 6(g))	3,781,354	3	2,566,900	3	2,004,103	2	2230	Current tax liabilities (Note 4)	1,512,072	1	1,523,604	2	1,331,623	1
1410	Prepayments (Note 7)	521,368	-	569,967	1	406,484	1	2250	Current provisions (Notes 4 and 6(r))	193,886	-	120,610	-	90,014	-
1460	Non-current assets classified as held for sale (Notes 4 and 6(h))	50,275	-	-	-	-	-	2310	Advance receipts (Note 6(o))	2,619,906	2	3,109,824	3	3,053,670	3
1470	Other current assets (Notes 6(m), 7 and 8)	1,097,828	1	1,623,562	2	346,025	-	2320	Long-term liabilities, current portion (Notes 6(p) and (q))	1,000,000	1	4,000,000	4	4,000,000	4
	Total current assets	<u>29,493,868</u>	<u>21</u>	<u>23,772,918</u>	<u>24</u>	<u>20,465,712</u>	<u>21</u>	2399	Other current liabilities, others	1,475,676	1	968,832	1	774,831	1
									Total current liabilities	<u>58,605,638</u>	<u>43</u>	<u>29,930,393</u>	<u>30</u>	<u>35,183,843</u>	<u>36</u>
NON-CURRENT ASSETS								NON-CURRENT LIABILITIES							
1523	Non-current available-for-sale financial assets (Notes 4 and 6(c))	1,226,889	1	1,127,655	1	1,123,144	1	2530	Bonds payable (Note 6(p))	14,792,647	11	8,995,180	9	4,000,000	4
1543	Non-current financial assets at cost (Notes 4 and 6(d))	178,325	-	181,328	-	186,276	-	2540	Long-term borrowings (Note 6(q))	2,000,000	1	-	-	-	-
1546	Non-current bond investment without active market (Notes 4 and 6(e))	500,000	-	500,000	1	500,000	1	2550	Non-current provisions (Notes 4 and 6(r))	880,069	1	755,195	1	670,001	1
1550	Investments accounted for using equity method (Notes 4, 5, 6(i) and 11)	2,289,356	2	1,248,562	1	562,812	1	2570	Deferred tax liabilities (Notes 4, 5 and 6(u))	2,599,791	2	2,119,747	2	1,628,204	1
1600	Property, plant and equipment (Notes 4, 5 and 6(j))	42,985,801	31	40,737,678	41	41,694,459	43	2640	Accrued pension liabilities (Notes 4 and 6(t))	115,463	-	116,237	-	106,748	-
1760	Investment property, net (Notes 4 and 6(k))	320,394	-	299,991	-	302,799	-	2645	Guarantee deposits	818,386	-	810,436	1	738,932	1
1791	Concession license (Notes 4 and 6(l))	32,748,545	24	4,486,254	4	5,233,964	5	2670	Other non-current liabilities, others	19,744	-	19,744	-	19,744	-
1805	Goodwill (Notes 4, 5 and 6(l))	15,845,930	11	15,845,930	16	15,845,930	16		Total non-current liabilities	<u>21,226,100</u>	<u>15</u>	<u>12,816,539</u>	<u>13</u>	<u>7,163,629</u>	<u>7</u>
1821	Other intangible assets, net (Notes 4, 5 and 6(l))	6,242,796	5	6,321,970	6	6,525,944	7		Total liabilities	<u>79,831,738</u>	<u>58</u>	<u>42,746,932</u>	<u>43</u>	<u>42,347,472</u>	<u>43</u>
1840	Deferred tax assets (Notes 4, 5 and 6(u))	924,576	1	1,072,844	1	1,181,857	1	EQUITY ATTRIBUTABLE TO OWNERS OF PARENT (Note 6(v))							
1900	Other non-current assets (Notes 6(m), 7 and 8)	5,595,899	4	4,795,095	5	4,008,419	4	3110	Ordinary share	34,208,328	25	34,208,328	34	34,208,328	35
		108,858,511	79	76,617,307	76	77,165,604	79	3200	Capital surplus	12,456,891	9	12,431,851	12	12,431,851	13
									Retained earnings:						
								3310	Legal reserve	19,262,044	14	18,061,894	18	16,715,018	17
								3320	Special reserve	-	-	-	-	821,741	1
								3350	Unappropriated retained earnings	22,171,132	16	22,606,173	23	20,721,444	21
								3400	Other equity interest	412,682	-	340,026	-	356,218	1
								3500	Treasury shares	(31,077,183)	(23)	(31,077,183)	(31)	(31,077,183)	(32)
									Total equity attributable to owners of parent	<u>57,433,894</u>	<u>41</u>	<u>56,571,089</u>	<u>56</u>	<u>54,177,417</u>	<u>56</u>
								36xx	Non-controlling interests	1,086,747	1	1,072,204	1	1,106,427	1
									Total equity	<u>58,520,641</u>	<u>42</u>	<u>57,643,293</u>	<u>57</u>	<u>55,283,844</u>	<u>57</u>
TOTAL		<u>\$ 138,352,379</u>	<u>100</u>	<u>100,390,225</u>	<u>100</u>	<u>97,631,316</u>	<u>100</u>	TOTAL		<u>\$ 138,352,379</u>	<u>100</u>	<u>100,390,225</u>	<u>100</u>	<u>97,631,316</u>	<u>100</u>

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

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2013		2012	
	Amount	%	Amount	%
4000 OPERATING REVENUES (Notes 4, 6(x) and 7)	\$ 109,143,367	100	99,740,256	100
5000 OPERATING COSTS (Notes 4, 7 and 12)	<u>70,033,319</u>	<u>64</u>	<u>61,625,644</u>	<u>62</u>
5900 GROSS PROFIT FROM OPERATIONS	<u>39,110,048</u>	<u>36</u>	<u>38,114,612</u>	<u>38</u>
6000 OPERATING EXPENSES (Notes 4, 7 and 12)				
6100 Marketing	13,375,927	12	12,599,262	12
6200 Administrative	<u>4,998,627</u>	<u>5</u>	<u>4,803,152</u>	<u>5</u>
	<u>18,374,554</u>	<u>17</u>	<u>17,402,414</u>	<u>17</u>
6500 NET OTHER INCOME AND EXPENSES (Note 6(y))	<u>59,343</u>	<u>-</u>	<u>70,012</u>	<u>-</u>
6900 NET OPERATING INCOME	<u>20,794,837</u>	<u>19</u>	<u>20,782,210</u>	<u>21</u>
NON-OPERATING INCOME AND EXPENSES				
7010 Other income (Note 6(z))	158,090	-	122,028	-
7020 Other gains and losses, net (Note 6(z))	(1,381,610)	(1)	(620,297)	(1)
7050 Finance costs (Notes 6(z) and 7)	(397,373)	-	(332,114)	-
7060 Share of losses of associates accounted for using equity method (Note 4)	<u>(55,403)</u>	<u>-</u>	<u>(10,502)</u>	<u>-</u>
7000 Total non-operating income and expenses	<u>(1,676,296)</u>	<u>(1)</u>	<u>(840,885)</u>	<u>(1)</u>
7900 PROFIT BEFORE TAX	19,118,541	18	19,941,325	20
7950 TAX EXPENSE (Note 6(u))	<u>3,300,760</u>	<u>3</u>	<u>3,391,126</u>	<u>3</u>
8200 PROFIT	<u>15,817,781</u>	<u>15</u>	<u>16,550,199</u>	<u>17</u>
8300 OTHER COMPREHENSIVE INCOME (LOSS) :				
8310 Exchange differences on translation	303	-	(13,466)	-
8325 Unrealized gains on available-for-sale financial assets	54,782	-	(7,444)	-
8360 Actuarial gains (losses) on defined benefit plans	560	-	(43,286)	-
8370 Share of other comprehensive income of associates accounted for using equity method	<u>(1,859)</u>	<u>-</u>	<u>(198)</u>	<u>-</u>
8399 Income tax generated from other comprehensive income	<u>(95)</u>	<u>-</u>	<u>7,359</u>	<u>-</u>
8300 OTHER COMPREHENSIVE INCOME (AFTER TAX)	<u>53,691</u>	<u>-</u>	<u>(57,035)</u>	<u>-</u>
8500 COMPREHENSIVE INCOME	<u>\$ 15,871,472</u>	<u>15</u>	<u>16,493,164</u>	<u>17</u>
PROFIT, ATTRIBUTABLE TO:				
8610 Owners of parent	\$ 15,583,447	15	16,326,013	17
8620 Non-controlling interests	<u>234,334</u>	<u>-</u>	<u>224,186</u>	<u>-</u>
	<u>\$ 15,817,781</u>	<u>15</u>	<u>16,550,199</u>	<u>17</u>
COMPREHENSIVE INCOME, ATTRIBUTABLE TO:				
8710 Owners of parent	15,655,368	15	16,274,624	17
8720 Non-controlling interests	<u>216,104</u>	<u>-</u>	<u>218,540</u>	<u>-</u>
	<u>\$ 15,871,472</u>	<u>15</u>	<u>16,493,164</u>	<u>17</u>
EARNINGS PER SHARE (Note 6(w))				
9750 BASIC	<u>\$ 5.79</u>		<u>6.07</u>	
9850 DILUTED	<u>\$ 5.78</u>		<u>6.06</u>	

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

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of Parent											
	Retained Earnings					Other Equity Interest			Treasury Shares	Total	Non-controlling Interests	Total Equity
	Ordinary Share	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated	Exchange Differences on Translation	Unrealized Gain (Loss) on Available-for-Sale Financial Assets					
BALANCE, JANUARY 1, 2012	\$ 34,208,328	12,431,851	16,715,018	821,741	15,297,352	34,231	321,987	(31,077,183)	48,753,325	1,106,427	49,859,752	
Effects of retrospective application and retrospective restatement	-	-	-	-	5,424,092	-	-	-	5,424,092	-	5,424,092	
Balance after adjustments	34,208,328	12,431,851	16,715,018	821,741	20,721,444	34,231	321,987	(31,077,183)	54,177,417	1,106,427	55,283,844	
Profit for the year ended December 31, 2012	-	-	-	-	16,326,013	-	-	-	16,326,013	224,186	16,550,199	
Other comprehensive income for the year ended December 31, 2012	-	-	-	-	(35,197)	(8,748)	(7,444)	-	(51,389)	(5,646)	(57,035)	
Total comprehensive income for the year ended December 31, 2012	-	-	-	-	16,290,816	(8,748)	(7,444)	-	16,274,624	218,540	16,493,164	
Appropriation and distribution of retained earnings												
Legal reserve	-	-	1,346,876	-	(1,346,876)	-	-	-	-	-	-	
Cash dividends	-	-	-	-	(13,880,952)	-	-	-	(13,880,952)	-	(13,880,952)	
Reversal of special reserve	-	-	-	(821,741)	821,741	-	-	-	-	-	-	
Cash dividends from subsidiaries paid to non-controlling interests	-	-	-	-	-	-	-	-	-	(252,763)	(252,763)	
BALANCE, DECEMBER 31, 2012	34,208,328	12,431,851	18,061,894	-	22,606,173	25,483	314,543	(31,077,183)	56,571,089	1,072,204	57,643,293	
Profit for the year ended December 31, 2013	-	-	-	-	15,583,447	-	-	-	15,583,447	234,334	15,817,781	
Other comprehensive income for the year ended December 31, 2013	-	-	-	-	(735)	(535)	73,191	-	71,921	(18,230)	53,691	
Total comprehensive income for the year ended December 31, 2013	-	-	-	-	15,582,712	(535)	73,191	-	15,655,368	216,104	15,871,472	
Appropriation and distribution of retained earnings												
Legal reserve	-	-	1,469,160	-	(1,469,160)	-	-	-	-	-	-	
Cash dividends	-	-	-	-	(14,526,578)	-	-	-	(14,526,578)	-	(14,526,578)	
Legal reserve used to distribute cash dividends	-	-	(269,010)	-	-	-	-	-	(269,010)	-	(269,010)	
Changes in equity of associates accounted for using equity method	-	25,040	-	-	-	-	-	-	25,040	24,410	49,450	
Adjustments arising from changes in percentage of ownership of subsidiaries	-	-	-	-	(22,015)	-	-	-	(22,015)	22,015	-	
Cash dividends from subsidiaries paid to non-controlling interests	-	-	-	-	-	-	-	-	-	(247,986)	(247,986)	
BALANCE, DECEMBER 31, 2013	\$ 34,208,328	12,456,891	19,262,044	-	22,171,132	24,948	387,734	(31,077,183)	57,433,894	1,086,747	58,520,641	

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

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(In Thousands of New Taiwan Dollars)

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	\$ 19,118,541	19,941,325
Adjustments		
Adjustments to reconcile profit (loss)		
Depreciation expense	8,767,518	8,468,623
Amortization expense	1,234,149	1,278,454
Loss on disposal of property, plant and equipment, net	1,395,538	587,918
Interest expense	397,373	332,114
Provision for bad debt expense	321,110	295,494
Interest income	(95,023)	(55,497)
Share of losses of associates accounted for using equity method	55,403	10,502
Dividend income	(24,246)	(19,888)
Gain on disposal of investments accounted for using equity method	(5,874)	-
Gain on disposal of investments	(4,046)	(287)
Impairment loss on financial assets	-	1,948
Others	184	(7,920)
Total adjustments to reconcile profit (loss)	<u>12,042,086</u>	<u>10,891,461</u>
Changes in operating assets and liabilities		
Current financial assets at fair value through profit or loss	-	60,473
Accounts and notes receivable	(3,590,403)	(2,926,523)
Accounts receivable due from related parties	21,482	57,980
Other receivables	(9,118)	36,149
Inventories	(1,212,808)	(564,368)
Prepayments	47,189	(166,854)
Other current assets	30,630	(32,900)
Other non-current assets	18,265	36,334
Notes payable	48,235	(280,497)
Accounts payable	(469,971)	1,650,009
Accounts payable to related parties	8,703	64,377
Other payables	1,079,894	2,033
Provisions	41,840	(18,501)
Advance receipts	(489,918)	56,154
Other current liabilities	506,844	194,001
Accrued pension liabilities	(213)	(33,797)
Total changes in operating assets and liabilities	<u>(3,969,349)</u>	<u>(1,865,930)</u>
Net cash inflows generated from operating activities	27,191,278	28,966,856
Interest paid	(1,165)	(101)
Income taxes paid	<u>(2,357,102)</u>	<u>(2,982,027)</u>
Net cash flows from operating activities	<u>24,833,011</u>	<u>25,984,728</u>

(Continued)

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(In Thousands of New Taiwan Dollars)

	2013	2012
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of concession license	(29,010,000)	-
Acquisition of computer software and other intangible assets	(180,087)	(129,735)
Acquisition of property, plant and equipment	(11,501,652)	(7,977,023)
Increase in prepayments for equipment	(303,046)	(187,345)
Acquisition of investments accounted for using equity method	(1,067,850)	(696,450)
Acquisition of available-for-sale financial assets	(1,000,000)	-
Decrease in other financial assets	1,471,101	1,128,581
Increase in other financial assets	(1,218,816)	(2,391,954)
Decrease in refundable deposits	220,613	141,303
Increase in refundable deposits	(207,141)	(198,926)
Proceeds from disposal of available-for-sale financial assets	194,277	-
Proceeds from disposal of property, plant and equipment	110,239	6,801
Proceeds from disposal of investments accounted for using equity method	12,855	-
Proceeds from disposal of computer software and other intangible assets	1	1
Interest received	95,940	54,050
Dividends received	34,566	19,888
Proceeds from investees' capital reduction	3,002	3,000
Net cash used in investing activities	(42,345,998)	(10,227,809)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term borrowings	73,873,936	70,958,440
Decrease in short-term borrowings	(46,435,716)	(76,800,000)
Proceeds from issuance of bonds	5,796,043	8,995,117
Repayment of bonds	(4,000,000)	(4,000,000)
Increase in short-term notes and bills payable	3,894,957	2,098,197
Decrease in short-term notes and bills payable	(1,498,542)	(2,997,447)
Proceeds from long-term borrowings	3,000,000	-
Cash dividends paid	(14,795,584)	(13,880,940)
Cash dividends paid to non-controlling interests	(247,986)	(252,763)
Increase in guarantee deposits received	193,527	162,778
Decrease in guarantee deposits received	(186,458)	(89,418)
Interest paid	(326,658)	(326,031)
Net cash flows from (used in) financing activities	19,267,519	(16,132,067)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	8,622	(5,904)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,763,154	(381,052)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	6,191,140	6,572,192
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 7,954,294	6,191,140

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

(Concluded)

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. ORGANIZATION AND OPERATIONS

Taiwan Mobile Co., Ltd. (TWM) was incorporated in the Republic of China (ROC) on February 25, 1997. TWM's shares began to trade on the ROC Over-the-Counter Securities Exchange (known as the GreTai Securities Market) on September 19, 2000. On August 26, 2002, TWM's shares were listed on the Taiwan Stock Exchange. TWM mainly renders wireless communication services.

TWM's services are under the type I license issued by the Directorate General of Telecommunications (DGT) of the ROC. The license allows TWM to provide services for 15 years from 1997 onwards. The license was renewed and its expiry date was extended to June 2017 by the National Communications Commission (NCC) on November 14, 2012. It entails the payment of an annual license fee consisting of 2% of the second-generation (2G) wireless communication service revenues. On March 24, 2005, TWM received a third-generation (3G) concession operation license issued by the DGT. The 3G license allows TWM to provide services from the issuance date of the license to December 31, 2018.

To provide a high-speed broadband wireless communication service for long-term business development, the Board of Directors resolved to submit an application to the NCC for the auction of Mobile Broadband Business licenses. TWM acquired the Mobile Broadband Spectrum of 30 MHz x 2 bandwidth (700MHz 15 MHz x 2 bandwidth and 1800MHz 15MHz x 2 bandwidth) on October 30, 2013 and acquired network construction permit on January 27, 2014.

The consolidated financial statements of TWM as at and for the year ended December 31, 2013, comprise TWM and its subsidiaries (the Group).

2. APPROVAL DATE AND PROCEDURES OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Board of Directors approved the consolidated financial statements on January 28, 2014.

3. NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

- a. New standards and interpretations endorsed by the Financial Supervisory Commission, R.O.C. ("FSC") but not yet in effect

The International Accounting Standards Board ("IASB") issued International Financial Reporting Standard 9 *Financial Instruments* ("IFRS 9"), which took effect on January 1, 2013. (The IASB extended the effective date to January 1, 2015, on December 2011, and announced the repeal of the mandatory effective date on January 1, 2015, to have more time to transition to the new standards for financial statement preparation. The new effective date has not been announced yet.) This standard has been endorsed by the FSC; however, at the end of the reporting periods (the reporting date), the effective date has not been announced. In accordance with FSC rules, early adoption is not permitted, and companies shall follow the guidance in the 2009 version of International Accounting Standard 39 *Financial Instruments* ("IAS 39"). At the adoption of this new standard, it is expected there will be impacts on the classification and measurement of financial instruments in the consolidated financial statements.

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

b New standards and interpretations not yet endorsed by the FSC

A summary of the new standards and amendments issued by the IASB that may have an impact on the consolidated financial statements that have not yet been endorsed by the FSC:

Issue Date	New Standards and Amendments	Description and Influence	Effective Date per IASB
May 12, 2011	<i>IFRS 10 Consolidated Financial Statements</i>	On May 12, 2011, the IASB issued a series of standards and amendments related to consolidation, joint arrangements, and investments. The new standards provide a single model in determining whether an entity has control over an investee (including special purpose entities) other than the consolidation process, for which the original guidance and method applies. In addition, joint arrangements are separated into joint operations (concepts from jointly controlled assets and jointly controlled operations), and joint ventures (concepts from jointly controlled entities), and the new standards remove the proportionate consolidation method.	January 1, 2013
June 28, 2012	<i>IFRS 11 Joint Arrangements</i> <i>IFRS 12 Disclosure of Interests in Other Entities</i> <i>Amended IAS 27 Separate Financial Statements</i> <i>Amended IAS 28 Investments in Associates and Joint Ventures</i>	On June 28, 2012, amendments were issued clarifying the guidance over the transition period. At the adoption of the above standards, some of the determinations of the investees could be changed, which would increase the disclosure of the equity of the subsidiaries and associates.	
May 12, 2011	<i>IFRS 13 Fair Value Measurement</i>	IFRS 13 replaces fair value measurement guidance in other standards and integrates them as one single guidance. At the adoption of this standard, the Group should analyze the impact on the measurement of assets and liabilities. The amendment could also increase the disclosure of their fair value.	January 1, 2013

(Continued)

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

Issue Date	New Standards and Amendments	Description and Influence	Effective Date per IASB
June 16, 2011	Amended IAS 1 <i>Presentation of Financial Statements</i>	Items presented in other comprehensive income shall be expressed based on whether they are potentially reclassifiable to profit or loss subsequently. Upon adoption, this standard could change the disclosure of the other comprehensive income in the comprehensive income statement.	July 1, 2012
June 16, 2011	Amended IAS 19 <i>Employee Benefits</i>	The amendments eliminate the corridor method and require enterprises to recognize changes in the net defined benefit liability (asset) in profit or loss; in addition, require the immediate recognition of past service cost. Upon adoption, the standard could change the measurement and presentation of the pension liability and actuarial gains or losses.	January 1, 2013
May 20, 2013	IFRIC 21 <i>Levies</i>	IFRS21 addresses the timing for recognizing liabilities and the relevant accounting treatment for levies collected by governments if IFRS 37 <i>Provisions, Contingent Liabilities and Contingent Assets</i> is applicable.	January 1, 2014
May 29, 2013	Amended IAS 36 <i>Impairment of Assets</i>	The previous version of IAS 36, effective January 1, 2013, required an entity to disclose the recoverable amount of each cash-generating unit (group of units) for which the carrying amount of goodwill or intangible assets with indefinite useful lives allocated to that unit (group of units) was significant. The narrow-scope amendments require an entity to disclose the recoverable amount of an individual asset (including goodwill) or a cash-generating unit for which the entity has recognized or reversed an impairment loss. In addition, the amendments to IAS 36 require an entity to disclose additional information about the fair value less costs of disposal for an individual asset including the level of the fair value hierarchy and key assumptions used in the measurement of fair value categorized within “Level 2” and “Level 3” of the fair value hierarchy.	January 1, 2014 Early adoption is permitted.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies presented in the financial statements are summarized as follows. Except for those described individually, the significant accounting policies have been applied consistently to all periods presented in these financial statements, and have been applied consistently to the opening balance sheet as of January 1, 2012, which is prepared for the purpose of transition to the IFRSs endorsed by the FSC (R.O.C).

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

Statement of Compliance

The consolidated financial statements have been prepared in accordance with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers (the Guidelines) and with the IFRSs, IASs, IFRIC Interpretations and SIC Interpretations endorsed by the FSC (collectively, "Taiwan-IFRSs").

The consolidated financial statements are the first annual financial statements that apply the Guidelines and Taiwan-IFRSs. The consolidated financial statements also apply IFRS 1 *First-time Adoption of International Financial Reporting Standards*. An explanation of how the transition to IFRSs has affected the reported financial position, financial performance, and cash flows of the Group is provided in Note 15.

Basis of Preparation

a. Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis except for financial instruments measured at fair value through profit or loss, which are measured at fair value.

The first balance sheet at the date of transition has been measured and recognized in accordance with IFRS 1 *First-time Adoption of International Financial Reporting Standards*. The Group retrospectively applied IFRSs except for the chosen exemptions and those parts which are forbidden retrospective application.

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

b. Functional and presentation currency

The functional currency of each individual consolidated entity is determined based on the primary economic environment in which the entity operates. The Group's consolidated financial statements are presented in New Taiwan Dollars, which is TWM's functional currency. All financial information presented in New Taiwan Dollars has been rounded to the nearest thousand.

Basis of Consolidation

a. Principles of preparation of consolidated financial statements

The consolidated financial statements incorporated the financial statements of TWM and its controlled entities (the subsidiaries). Control is achieved where TWM has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The financial statements of the subsidiaries are included in the consolidated financial statements from the date of obtaining control and are excluded from the date of losing control. The comprehensive income from subsidiaries is allocated to TWM and its non-controlling interests, even if the non-controlling interests have a deficit balance.

Changes in the ownership of a subsidiary that do not result in loss of control are accounted for as equity transactions.

Financial statements of subsidiaries are adequately adjusted to align their accounting policies with those of the Group.

Transactions and balances, and any unrealized income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

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

b. The subsidiaries included in the consolidated financial statements

The consolidated entities were as follows:

Investor	Subsidiary	Main Business and Products	Percentage of Direct Ownership			Note
			2013.12.31	2012.12.31	2012.1.1	
TWM	Wealth Media Technology Co., Ltd. (WMT)	Investment	100.00	100.00	100.00	-
WMT	Taiwan Win TV Broadcasting Co., Ltd. (TWTV)	Entertainment	-	-	100.00	TWTV merged with WMT and was dissolved in March 2012.
WMT	Fubon Multimedia Technology Co., Ltd. (FBM)	Wholesale and retail sales via traditional and online shopping channels	50.64	50.64	50.64	-
FBM	Fu Sheng Travel Service Co., Ltd. (FST)	Travel agent	100.00	100.00	100.00	-
FBM	Fuli Life Insurance Agent Co., Ltd. (FLI)	Life insurance agent	100.00	100.00	100.00	-
FBM	Fuli Property Insurance Agent Co., Ltd. (FPI)	Property insurance agent	100.00	100.00	100.00	-
FBM	Asian Crown International Co., Ltd. (Asian Crown (BVI))	Investment	100.00	100.00	100.00	-
Asian Crown (BVI)	Fortune Kingdom Corporation (Fortune Kingdom)	Investment	100.00	100.00	100.00	-
Fortune Kingdom	Hong Kong Fubon Multimedia Technology Co., Ltd. (HK Fubon Multimedia)	Investment	100.00	100.00	100.00	-
HK Fubon Multimedia	Fubon Gehua (Beijing) Enterprise Ltd. (FGE)	Wholesale and retail sales	87.50	80.00	80.00	-

(Continued)

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

Investor	Subsidiary	Main Business and Products	Percentage of Direct Ownership			Note
			2013.12.31	2012.12.31	2012.1.1	
WMT	Tai Fu Media Technology Co., Ltd. (TFMT)	Investment	-	-	100.00	TFMT merged with WMT and was dissolved in March 2012.
WMT	Global Wealth Media Technology Co., Ltd. (GWMT)	Investment	100.00	100.00	100.00	(Note 1)
WMT	Globalview Cable TV Co., Ltd. (GCTV)	Cable TV service provider	6.83	6.83	6.83	-
WMT	Fu Jia Leh Media Technology Co., Ltd. (FJLMT)	Investment	-	-	100.00	Note 1; FJLMT merged with TFNM and was dissolved in March 2012.
WMT	Fu Sin Media Technology Co., Ltd. (FSMT)	Investment	-	-	100.00	Note 1; FSMT merged with TFNM and was dissolved in March 2012.
WMT	Global Forest Media Technology Co., Ltd. (GFMT)	Investment	100.00	100.00	100.00	(Note 1)
GFMT	Union Cable TV Co., Ltd. (UCTV)	Cable TV service provider	0.76	0.76	0.76	-
WMT	Win TV Broadcasting Co., Ltd. (WTVB)	TV program provider	100.00	100.00	100.00	(Note 2)
WMT	TFN Media Co., Ltd. (TFNM)	Cable broadband and value-added services provider	100.00	100.00	100.00	(Note 2)
TFNM	UCTV	Cable TV service provider	99.22	99.22	99.22	-
TFNM	Yeong Jia Leh Cable TV Co., Ltd. (YJCTV)	Cable TV service provider	100.00	100.00	100.00	-
TFNM	Mangrove Cable TV Co., Ltd. (MCTV)	Cable TV service provider	29.53	29.53	29.53	The other 70.47% of shares were held under trustee accounts
TFNM	Phoenix Cable TV Co., Ltd. (PCTV)	Cable TV service provider	100.00	100.00	100.00	(Note 3)

(Continued)

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

Investor	Subsidiary	Main Business and Products	Percentage of Direct Ownership			Note
			2013.12.31	2012.12.31	2012.1.1	
TFNM	GCTV	Cable TV service provider	92.38	92.38	92.38	-
TFNM	Taiwan Kuro Times Co., Ltd. (TKT)	Online music platform	100.00	100.00	100.00	-
TKT	ezPeer Multimedia Ltd. (ezPeer Samoa)	Investment	-	100.00	100.00	ezPeer Samoa was dissolved in November 2013.
TWM	Taiwan Cellular Co., Ltd. (TCC)	Investment	100.00	100.00	100.00	-
TCC	Taiwan Fixed Network Co., Ltd. (TFN)	Fixed-line service provider	100.00	100.00	100.00	-
TFN	TFN HK Ltd.	Telecommunications service provider	100.00	100.00	100.00	-
TFN	TFN Union Investment Co., Ltd. (TUI)	Investment	100.00	100.00	100.00	-
TCC	Taiwan Digital Communications Co., Ltd. (TDC)	TV program production and mobile phones wholesaling	100.00	100.00	100.00	-
TCC	TCC Investment Co., Ltd. (TCCI)	Investment	100.00	100.00	100.00	TCCI, TID and TUI collectively owned 730,726 thousand shares of TWM representing 21.36% of total outstanding shares as of December 31, 2013.
TCCI	TCCI Investment & Development Co., Ltd. (TID)	Investment	100.00	100.00	100.00	-
TCC	TWM Holding Co., Ltd. (TWM Holding)	Investment	100.00	100.00	100.00	-
TWM Holding	TWM Communications (Beijing) Co., Ltd. (TWMC)	Mobile application development and design	100.00	100.00	100.00	-
TCC	Taiwan Teleservices & Technologies Co., Ltd. (TT&T)	Call center service and telephone marketing	100.00	100.00	100.00	-

(Continued)

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

Investor	Subsidiary	Main Business and Products	Percentage of Direct Ownership			Note
			2013.12.31	2012.12.31	2012.1.1	
TT&T	Taiwan Mobile Basketball Co., Ltd. (TMB)	Basketball team management	100.00	100.00	100.00	-
TT&T	TT&T Holdings Co., Ltd. (TT&T Holdings)	Investment	100.00	100.00	100.00	-
TT&T Holdings	Xiamen Taifu Teleservices & Technologies Co., Ltd.	System integration, management, analysis and development of CRM application and information consulting services	-	100.00	100.00	Xiamen Taifu Teleservices & Technologies Co., Ltd. was dissolved in November 2013.
TCC	Taiwan Digital Service Co., Ltd. (TDS)	Telecommunications service agencies and retail business	100.00	-	-	TDS was established in April 2013.

Note 1: Became a subsidiary of WMT, which merged with TFMT in March 2012.

Note 2: Became a subsidiary of WMT due to the spin-off of WTVB and TFNM into TFMT from TCCI in February 2012. Then, TFMT merged with WMT in March 2012.

Note 3: FSMT originally owned 3.34% of PCTV's shares. 96.66% of shares of PCTV were originally owned by TFNM. FSMT merged with TFNM in March 2012. Thereafter, TFNM owned all the shares of PCTV.

c. Subsidiaries excluded from the consolidated financial statements: None.

Foreign Currency

Foreign currency transactions are recorded at the spot exchange rate on the date of the transaction. At each subsequent reporting date, foreign currency monetary amounts are reported using the closing rate.

Non-monetary items carried at fair value should be reported at the rate that existed when the fair values were determined. Non-monetary items carried at historical cost are reported using the exchange rate at the date of the transaction.

Exchange differences due to settlement of transactions or translation for monetary items are recognized in profit or loss.

Exchange differences arising on non-monetary items carried at fair value (for example, equity

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

instruments) are recognized in profit or loss. If a gain or loss on a non-monetary item is recognized in other comprehensive income, any foreign exchange component of that gain or loss is also recognized in other comprehensive income.

For the purpose of preparing consolidated financial statements, the assets and liabilities of foreign operations are translated to New Taiwan Dollars (NTD) using exchange rates at the reporting date. The income and expenses of foreign operations are translated at the average exchange rate for the period. Exchange differences are recognized in other comprehensive income, and accumulated in equity.

Classification of Current and Non-current Assets and Liabilities

The Group classifies an asset as current when any one of the following requirements is met. Assets that are not classified as current are non-current assets.

- a. It expects to realize the asset, or intends to sell or consume it, in its normal operating cycle;
- b. It holds the asset primarily for the purpose of trading;
- c. It expects to realize the asset within twelve months after the reporting period; or
- d. The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

The Group classifies a liability as current when any one of the following requirements is met. Liabilities that are not classified as current are non-current liabilities.

- a. It expects to settle the liability in its normal operating cycle;
- b. It holds the liability primarily for the purpose of trading;
- c. The liability is due to be settled within twelve months after the reporting period; or
- d. It does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

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

Voluntary Change of Accounting Policy

In response to the development of IAS 18 *Revenue*, the Group consulted the practical experience of most of the telecommunication service providers abroad and professional investigations of accounting firms, and changed the recognition method for bundle sales from the residual value method to the relative fair value method on January 1, 2013. Instead of recognizing revenue from telecommunication service charges and sales of inventories, the total price of the contract is allocated based on the relative fair value of each component, which fairly presents transactions and attributes gain and loss to the correct accounting period. The change stated above contributed a \$5,424,092 thousand increase in retained earnings on January 1, 2012, and a \$1,748,679 thousand increase in consolidated profit for the year ended December 31, 2012. Please refer to Note 15 for the balances and accounts which have been retrospectively applied in each period.

KPMG Taiwan, which provides attestation services to the Group, was designated to issue an opinion on the change of accounting policy. The report was approved by the Board of Directors on January 31, 2013, and was subsequently declared. It was submitted to the shareholders' meeting on June 21, 2013.

Cash and Cash Equivalents

Cash and cash equivalents comprise cash, cash in bank, time deposits which will originally mature within three months, and short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits with original maturities of more than three months are classified as other financial assets—current or non-current.

Financial Instruments

Financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instruments.

a. Financial assets

The Group adopts trade-date accounting to recognize and derecognize financial assets. Financial assets are classified into the following categories: financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial assets.

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

(1) Financial assets at fair value through profit or loss

A financial asset classified in this category is for the purpose of trading or is at fair value through profit or loss.

This type of financial asset is measured at fair value at the time of initial recognition, and transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein, which take into account any dividend and interest income, are recognized in profit or loss, and are included in non-operating income and expenses.

(2) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified in any of the other categories of financial assets. Available-for-sale financial assets are recognized initially at fair value, plus any directly attributable transaction cost. Subsequent to initial recognition, they are measured at fair value, and changes therein, other than impairment losses and dividend income, are recognized in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognized, the gain or loss accumulated in equity is reclassified to profit or loss, and is included in non-operating income and expenses.

Investments in equity instruments that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured, are measured at cost less impairment loss, and are included in financial assets measured at cost.

(3) Loans and receivables

Receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value, plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables other than insignificant interest on short-term receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Loans and receivables comprise cash and cash equivalents, trade receivables, other receivables, investment in debt security with no active market, other financial assets, and refundable deposits.

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

(4) Impairment of financial assets

A financial asset is impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial assets that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults, or the disappearance of an active market for a security. In addition, for an available-for-sale investment in an equity security, a significant or prolonged decline in its fair value below its cost is considered objective evidence of impairment.

Trade receivables are assessed if any impairment has occurred at every reporting date. A trade receivable is impaired if, and only if, there is any objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the asset that can be estimated reliably. An impairment loss is calculated as the difference between its carrying amount and the present value of the estimated future cash flows (taking into account the guarantee and collateral) discounted at the asset's original effective interest rate.

Impairment losses on available-for-sale financial assets are recognized by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss.

Impairment losses recognized on an available-for-sale equity security are not reversed through profit or loss. Any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognized in other comprehensive income, and accumulated in other equity.

An impairment loss in respect of a financial asset measured at cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss is not reversible in subsequent periods.

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

An impairment loss in respect of a financial asset is reduced from the carrying amount except for trade receivables, in which an impairment loss is reflected in an allowance account against the receivables. When it is determined a trade receivable is uncollectible, it is written off from the allowance account. Any subsequent recovery of the receivable written off is recorded in the allowance account. Changes in the amount of the allowance accounts are recognized in profit or loss.

Impairment losses and recoveries are recognized in profit or loss, and are included in non-operating income and expenses.

(5) Derecognition of financial assets

The Group derecognizes financial assets when the contractual rights of the cash inflow from the asset are terminated, or when the Group transfers substantially all the risks and rewards of ownership of the financial assets.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received or receivable and any cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

b. Financial liabilities

(1) Recognition

Financial liabilities not classified as held for trading, or designated as at fair value through profit or loss, which comprise loans and borrowings, short-term notes and bills payable, bonds payable, notes payable, trade payables, other payables, and guarantee deposits received, are measured at fair value, plus any directly attributable transaction cost at the time of initial recognition. Subsequent to initial recognition, they are measured at amortized cost calculated using the effective interest method.

(2) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligation has been discharged or cancelled, or expires. The difference between the carrying amount of a financial liability removed and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

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

Inventories

Inventories are measured at the lower of cost and net realizable value. Inventories are assessed item by item, except those with similar characteristics are collectively assessed. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated selling expenses. The weighted-average method is used in calculation of cost.

Non-current Assets Held for Sale

The book value of non-current assets classified as held for sale is expected to be recovered primarily through sale rather than held for usage. Being classified as held for sale, the assets should be available for immediate sale. As the management is committed to plan a sale and the sale is highly probable within 12 months, the assets are defined as available for immediate sale.

Assets classified as non-current assets held for sale are measured at the lower of carrying amount and fair value less costs to sell, and should not be depreciated.

Investment in Associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies.

Investments in associates are accounted for using equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill arising from the acquisition less any accumulated impairment losses. Goodwill is not amortized.

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity-accounted investees, after adjustments to align their accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

If the Group does not subscribe the newly issued shares of associates in accordance with the percentage of ownership, which causes a change in percentage of ownership and net worth of the investment, the adjustment should be reflected in capital surplus and investments accounted for using equity method. If there is insufficient capital surplus from the investments accounted for using equity method to offset the change, then such insufficiency should be accounted for under retained earnings.

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

Unrealized profits resulting from the transactions between the Group and an associate are eliminated to the extent of the Group's interest in the associate. Unrealized losses on transactions with associates are eliminated in the same way, except to the extent that the underlying asset is impaired.

When the Group's share of losses exceeds its interest in an associate, the carrying amount of the investment, including any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

Property, Plant and Equipment

a. Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributed to the acquisition of the asset, the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, and any borrowing cost that is eligible for capitalization.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated with a separate depreciation rate or depreciation method.

Property, plant and equipment are derecognized when disposed of or expected to have no future economic benefits generated through usage. The gain or loss arising from the derecognition of an item of property, plant and equipment shall be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, and it shall be recognized as profit and loss.

b. Reclassification to investment property

Property is reclassified to investment property at its carrying amount when the use of the property changes from owner-occupied to investment property.

c. Subsequent cost

Subsequent expenditure is capitalized only when it is probable that the future economic benefits associated with the expenditure will flow to the Group and the amount can be reliably measured. The carrying amount of those parts that are replaced is derecognized. Ongoing repairs and maintenance are expensed as incurred.

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

d. Depreciation

The depreciable amount of an asset is determined after deducting its residual amount, and the net amount shall be allocated with the direct method over its useful life. Each significant item of property, plant and equipment shall be evaluated and depreciated separately if it possesses a different useful life. The depreciation charge for each period shall be recognized in profit or loss.

The depreciable amount of a leased asset is allocated to each accounting period during the period of expected use on a systematic basis consistent with the depreciation policy the lessee adopts for depreciable assets that are owned. The asset is depreciated over the shorter of the lease term and its useful life.

Land has an unlimited useful life and therefore is not depreciated. For the estimated useful lives for the current and comparative years of significant items of property, plant and equipment, please refer to Note 6(j).

Depreciation methods, useful lives, and residual values are reviewed at each reporting date. If expectations differ from the previous estimates, the change is accounted for as a change in accounting estimate.

Investment Property

Investment property is the property held either to earn rental income or for capital appreciation or for both. Investment property is measured at cost on initial recognition and subsequently at fair value with any change therein recognized in profit or loss. Cost includes expenditure that is directly attributable to the acquisition of the investment property.

When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

Leases

Leases in which the lessee assumes substantially all of the risks and rewards of ownership are classified as finance leases. Other leases are operating leases. Receivables collected are periodically recognized as rental income during the lease contract.

Under an operating lease, rental income or lease payments are recognized as income or expense, respectively, on a straight-line basis over the lease term.

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

Under a finance lease, the proceeds from the lessee should be recognized on a net basis as lease receivable when the Group is the lessor. The finance income is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the receivable.

Intangible Assets

a. Goodwill

Goodwill acquired in a business combination is included in intangible assets.

Goodwill is measured at cost less accumulated impairment losses. The carrying amount of the investments in associates includes goodwill. The impairment losses on investments would not be allocated to goodwill or any other assets.

b. Other intangible assets

Other intangible assets that are acquired through business combinations or are internally developed are measured at cost less accumulated amortization and any accumulated impairment losses. Intangible assets that are acquired through business combinations are measured at acquisition-date fair value, and recognized along with goodwill.

c. Amortization

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill and intangible assets with an indefinite useful life, from the date that they are available for use. For the estimated useful lives for the current and comparative periods, please refer to Note 6(1).

The amortization method, the amortization period, and the residual value for an intangible asset with a finite useful life shall be reviewed at each fiscal year-end. Any changes shall be accounted for as changes in accounting estimates.

Impairment of Non-financial Assets

The Group measures whether impairment occurred in non-financial assets (except for inventories, deferred income tax assets, and employee benefits) on every reporting date, and estimates the recoverable amount. If it is not possible to determine the recoverable amount (fair value less cost to sell and value in use) for the individual asset, then the Group will determine the recoverable amount for the asset's cash-generating unit.

The recoverable amount for an individual asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use. If, and only if, the recoverable amount of an

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

asset is less than its carrying amount, the carrying amount of the asset shall be reduced to its recoverable amount. That reduction is an impairment loss. An impairment loss shall be recognized immediately in profit or loss.

The Group should assess at the end of each reporting period whether there is any indication that an impairment loss recognized in prior periods for an asset other than goodwill may no longer exist or may have decreased. If any such indication exists, the entity shall estimate the recoverable amount of that asset. An impairment loss recognized in prior periods for an asset other than goodwill shall be reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If this is the case, the carrying amount of the asset shall be increased to its recoverable amount. That increase is a reversal of an impairment loss. An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Notwithstanding whether indicators exist, recoverability of goodwill and intangible assets with indefinite useful lives or those not yet in use are required to be tested at least annually. Impairment loss is recognized if the recoverable amount is less than the carrying amount.

For the purpose of impairment testing, goodwill acquired in a business combination shall, from the acquisition date, be allocated to each of the acquirer's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination. If the carrying amount of the cash-generating units exceeds the recoverable amount of the unit, the entity shall recognize the impairment loss, and the impairment loss shall be allocated to reduce the carrying amount of each asset in the unit. Reversal of an impairment loss for goodwill is prohibited.

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

Provisions

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

a. Restoration

The restoration cost for property, plant and equipment that were originally acquired or used by the Group for a period of time with dismantling, relocating, and restoring to the previous state should be recognized as an addition to the assets and accrued as a potential liability accordingly.

b. Warranties

A provision for warranties is recognized when the underlying products or services are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

Treasury Shares

Repurchased shares are recognized under treasury shares (a contra-equity account) based on their repurchase price (including all directly accountable costs), net of tax. Shares that are owned by TWM's subsidiaries are seen as identical to treasury shares.

Gains on disposal of treasury shares should be recognized under "capital reserve – treasury share transactions"; Losses on disposal of treasury shares should be offset against existing capital reserves arising from similar types of treasury shares. If there is insufficient capital reserve to offset the losses, then such losses should be accounted for under retained earnings. The carrying amount of treasury shares should be calculated using the weighted-average method and grouped by the type of repurchase.

Employee Benefits

Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

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

A defined benefit plan uses the projected unit credit method to calculate actuarial valuation at the end of the fiscal year. The Group recognizes actuarial gains and losses from the defined benefit obligation in other comprehensive income immediately when the gains and losses occur. When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized in profit or loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognized immediately in profit or loss.

The Group recognizes gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on curtailment comprises any resulting change in the fair value of plan assets, any change in the present value of the defined benefit obligation, and any related actuarial gains or losses and past service cost that had not previously been recognized.

The rate used to discount post-employment benefit obligations is determined by reference to market yields at the end of the reporting period on high-quality corporate bonds or government bonds. The currency and term of the bonds are consistent with those of the obligations.

Income Tax

Income tax expenses include both current taxes and deferred taxes. Except for expenses that are related to business combinations, expenses recognized in equity or other comprehensive income directly, and other related expenses, all current and deferred taxes shall be recognized in profit or loss.

a. Current taxes

Current taxes include tax payables and tax deduction receivables on taxable gains (losses) for the year calculated using the statutory tax rate on the reporting date or the actual legislative tax rate, as well as tax adjustments related to prior years.

An additional 10% surtax on undistributed earnings calculated through income tax laws is recognized in current taxes in the year of approval by a shareholders' meeting resolution.

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

b. Deferred taxes

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred tax assets are generally recognized for all deductible temporary differences, net operating loss carryforwards, and unused tax credits to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Deferred taxes shall not be recognized for temporary differences from the following:

- (1) Assets and liabilities that are initially recognized but not related to the business combination and have no effect on net income or taxable gains (losses) during the combination.
- (2) Temporary differences arising from equity investments in subsidiaries or joint ventures where there is a high probability that such temporary differences will not reverse.
- (3) Initial recognition of goodwill.

Deferred taxes are measured based on the statutory tax rate on the reporting date or the actual legislative tax rate during the year of expected asset realization or debt liquidation. The measurement of deferred tax liabilities and deferred tax assets shall reflect the tax influences on the assets and liabilities which are recovered or settled in the carrying amount that the entity expects at the reporting date.

A deferred tax asset should be recognized for the carry-forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized. Such unused tax losses, unused tax credits, and deductible temporary differences shall also be re-evaluated every year on the financial reporting date, and adjusted based on the probability that future taxable profit will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized.

Income tax expenses recognized in equity balances or other comprehensive income shall be measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled based on the temporary differences between the carrying amount and the tax basis of related assets and liabilities on the reporting date.

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

Revenue

Revenue is measured at the fair value of the consideration received or receivable, net of returns, trade discounts, and volume rebates. Revenue from bundle sales is recognized with the relative fair value method, and the total price of the contract is allocated to each component as revenue based on relative fair values.

a. Service revenues from mobile communication services, wireless services, fixed network services, and value-added services, net of any applicable discount, are billed at predetermined rates; the fixed monthly fees on the basic cable TV services are accrued.

b. Sales of goods

Revenue from sales of goods is recognized as the conditions mentioned below are all satisfied; the amount of sales allowance is reasonably estimated based on previous experience and other relevant factors.

- (1) The Group has transferred significant risks and returns of ownership to the counterparty;
- (2) The Group has not been involved in any control activities and has not maintained effective control over the goods sold;
- (3) The amount can be reliably measured;
- (4) Economic benefits relevant to the transactions will probably flow to the Group;
- (5) Costs related to the transactions, whether incurred or expected, can be reliably measured.

Generally, revenue is recognized as goods and ownerships are delivered.

c. Customer loyalty program

The deferred revenue allocated to the customer loyalty program is estimated at fair value and is recognized as revenue when obligations have been fulfilled.

d. Commissions

Revenue from services rendered is recognized in profit or loss in proportion to the stage of completion of the transaction at the reporting date.

When the Group acts in the capacity of an agent rather than as the principal in a transaction, the revenue recognized is the net amount of commission made by the Group.

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

e. Dividend and interest income

If it is highly probable that the economic benefit associated with the transactions made by the investee will flow to the Group, the dividend income attributable to investments is recognized on the date that it is certain that the Group will receive their dividend payments.

Interest which arose from financial instruments is recognized when the economic benefits will probably flow to the Group and the amount can be reliably measured. Recognition is based on an accrual basis, and revenue is in accordance with the weighted-average outstanding principal and effective interest rate.

Business Combination

Upon conversion to IFRSs endorsed by the FSC, the Group recognized the amount of goodwill for those acquisitions that occurred prior to January 1, 2012, based on the guidelines issued by the Financial Supervisory Commission on January 10, 2009, and the financial accounting standards and interpretations issued by the Accounting Research and Development Foundation (the former GAAP).

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the consolidated financial statements in conformity with IFRSs endorsed by the FSC requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The management will continually review the estimates and basic assumptions. Changes in accounting estimates will be recognized in the period of change and the future period of their impact.

a. Impairment assessment of tangible and intangible assets (goodwill is excluded)

In the process of impairment assessment, the Group should rely on subjective judgment to determine the individual cash flows of a specific group of assets and estimate future gain and loss according to the usage of assets and business characteristics. Alteration of estimations from any change in economic conditions or business strategy may lead to significant impairment loss in the future.

The Group has not recognized any impairment loss for the years ended December 31, 2013 and 2012.

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

b. Impairment assessment of goodwill

The use value of the cash-generating units to which goodwill is allocated should be predetermined when assessing whether the goodwill is impaired. Management estimates the future cash flows from cash-generating units and assigns an appropriate discount rate in calculating present value. Significant impairment loss may occur if actual cash flows are less than forecasted.

As of December 31, 2013, and December 31 and January 1, 2012, the carrying value of goodwill amounted to \$15,845,930 thousand. The Group has not recognized any impairment loss on goodwill for the years ended December 31, 2013 and 2012.

c. Impairment assessment of investments accounted for using equity method

Impairment assessment is required if, and only if, there is objective evidence of impairment of investments accounted for using equity method and the carrying value may not be recoverable. Management assesses the impairment based on the expected future cash flows from the investee, including the growth rate of revenues estimated by the management of the investee. The general situation of the market and businesses which share similar characteristics is taken into consideration to assess the rationality of relevant assumptions.

The Group has not recognized any impairment loss on investments accounted for using equity method for the years ended December 31, 2013 and 2012.

d. Income tax

The realizability of deferred income tax assets (liabilities) depends on sufficient future profits or a taxable temporary difference. Any changes in the industry environment or amendments of law can result in significant adjustment of deferred income tax.

As of December 31, 2013, and December 31 and January 1, 2012, the carrying value of deferred income tax assets amounted to \$924,576 thousand, \$1,072,844 thousand and \$1,181,857 thousand, respectively; the carrying value of deferred income tax liabilities amounted to \$2,599,791 thousand, \$2,119,747 thousand and \$1,628,204 thousand, respectively.

e. Useful lives of property, plant and equipment

Please refer to Note 6(j). The Group reviews the estimated useful lives of property, plant and equipment periodically.

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

f. Impairment assessment of accounts receivable

If there is any objective evidence of impairment, the Group will take account of estimates of future cash flows. An impairment loss is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Significant impairment loss may occur if actual cash flows are less than forecasted.

As of December 31, 2013, and December 31 and January 1, 2012, the carrying value of accounts receivable amounted to \$14,373,340 thousand, \$12,016,324 thousand and \$10,186,442 thousand, respectively. They were the net amounts after subtracting the allowances for doubtful accounts amounting to \$288,620 thousand, \$267,589 thousand and \$247,803 thousand, respectively.

6. DESCRIPTION OF SIGNIFICANT ACCOUNTS

a. Cash and Cash Equivalents

	<u>2013.12.31</u>	<u>2012.12.31</u>	<u>2012.1.1</u>
Government bonds with repurchase rights	\$ 4,070,060	2,316,352	2,607,596
Cash in banks	2,053,132	1,317,845	1,135,422
Time deposits	1,748,153	2,336,475	2,709,645
Cash on hand	73,530	207,380	19,989
Revolving funds	9,419	13,088	12,558
Short-term notes and bills with repurchase rights	-	-	86,982
	<u><u>\$ 7,954,294</u></u>	<u><u>6,191,140</u></u>	<u><u>6,572,192</u></u>

As of December 31, 2013, and December 31 and January 1, 2012, the time deposits with original maturities of more than three months amounted to \$979,987 thousand, \$1,032,500 thousand and \$121,800 thousand, respectively, which were classified as other financial assets under current assets. Please refer to Note 6(m) Other Assets.

b. Current Financial Assets at Fair Value through Profit or Loss

	<u>2013.12.31</u>	<u>2012.12.31</u>	<u>2012.1.1</u>
Beneficiary certificates	<u>\$ -</u>	<u>-</u>	<u>60,186</u>

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

c. Available-for-sale Financial Assets

	<u>2013.12.31</u>	<u>2012.12.31</u>	<u>2012.1.1</u>
Domestic emerging stock – Taiwan High Speed Rail	\$ 1,226,889	1,127,655	1,123,144
Beneficiary certificates	758,591	-	-
Domestic listed stock – Chunghwa Telecom Co., Ltd.	202,354	205,397	217,351
	<u>\$ 2,187,834</u>	<u>1,333,052</u>	<u>1,340,495</u>
Current	<u>\$ 960,945</u>	<u>205,397</u>	<u>217,351</u>
Non-current	<u>\$ 1,226,889</u>	<u>1,127,655</u>	<u>1,123,144</u>

d. Non-current Financial Assets at Cost

	<u>2013.12.31</u>	<u>2012.12.31</u>	<u>2012.1.1</u>
Domestic unlisted stocks			
Arcoa Communication Co., Ltd.	\$ 67,731	67,731	67,731
Great Taipei Broadband Co., Ltd.	39,627	39,627	41,241
Parawin Venture Capital Corp.	13,870	16,873	20,207
WEB Point Co., Ltd.	6,773	6,773	6,773
Foreign unlisted stock			
Bridge Mobile Pte Ltd.	50,324	50,324	50,324
	<u>\$ 178,325</u>	<u>181,328</u>	<u>186,276</u>

The aforementioned investments held by the Group are measured at cost less impairment loss at year-end given that the range of reasonable fair value estimates is significant and the probability for each estimate cannot be reasonably determined. Therefore, the Group management has determined that the fair value cannot be measured reliably.

For the years ended December 31, 2013 and 2012, the Group recognized an impairment loss of \$0 and \$1,948 thousand, respectively.

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

e. Non-current Bond Investment without Active Market

	<u>2013.12.31</u>	<u>2012.12.31</u>	<u>2012.1.1</u>
Taiwan High Speed Rail Corporation – unlisted convertible preferred stock – series A	<u>\$ 500,000</u>	<u>500,000</u>	<u>500,000</u>

f. Accounts and Notes Receivable, Net

	<u>2013.12.31</u>	<u>2012.12.31</u>	<u>2012.1.1</u>
Notes receivable	\$ 210,559	42,710	23,423
Accounts receivable	14,661,960	12,283,913	10,434,245
Less: allowance for doubtful accounts	(288,620)	(267,589)	(247,803)
Accounts receivable, net	<u>14,373,340</u>	<u>12,016,324</u>	<u>10,186,442</u>
Total	<u>\$ 14,583,899</u>	<u>12,059,034</u>	<u>10,209,865</u>

Movements of allowance for doubtful receivables for the years ended December 31, 2013 and 2012 are as follows:

	<u>Years ended December 31</u>	
	<u>2013</u>	<u>2012</u>
Beginning balance	\$ 267,589	247,803
Add: Provision	284,130	314,574
Reversal	120,596	124,461
Less: write-off	(383,695)	(419,234)
Effects of exchange rate changes	-	(15)
Ending balance	<u>\$ 288,620</u>	<u>267,589</u>

In January 2013 and 2012, the Group entered into an accounts receivable factoring contract with HC First Asset Management Co., Ltd. The Group sold \$1,242,340 thousand and \$2,380,002 thousand, respectively, of the overdue accounts receivable which had been written off to HC First Asset Management Co., Ltd. The aggregate selling price was \$40,249 thousand and \$59,558 thousand, respectively. Under this contract, the Group would no longer assume the risk on this receivable.

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

g. Inventories

	<u>2013.12.31</u>	<u>2012.12.31</u>	<u>2012.1.1</u>
Merchandise	\$ 3,708,181	2,554,992	2,004,103
Materials for maintenance	73,173	11,908	-
	<u>\$ 3,781,354</u>	<u>2,566,900</u>	<u>2,004,103</u>

For the years ended December 31, 2013 and 2012, the cost of goods sold recognized in consolidated comprehensive income amounted to \$38,099,625 thousand and \$29,832,306 thousand, respectively, which included a loss of \$21,738 thousand and \$42,532 thousand, respectively, from the decrease in net realizable value.

h. Non-current Assets Held for Sale

In November 2013, Taiwan Fixed Network Co., Ltd. decided to dispose of a land and sign a contract for the transaction with Chii Lih Development Enterprise Co., Ltd.. The land was recorded as held for sale which amounted to \$50,275 on December 31, 2013, and the transfer of the ownership was finished on January 28, 2014.

i. Investments Accounted for Using Equity Method

<u>Investee Company</u>	<u>2013.12.31</u>		<u>2012.12.31</u>		<u>2012.1.1</u>	
	Amount	% of Ownership	Amount	% of Ownership	Amount	% of Ownership
Taipei New Horizons Co., Ltd. (TNH)	\$ 1,566,952	49.90	811,841	49.90	562,812	49.90
Taiwan Pelican Express Co., Ltd. (TPE)	409,142	17.70	359,643	20.00	-	-
Kbro Media Co., Ltd.	284,748	32.50	77,078	32.50	-	-
Alliance Digital Tech Co., Ltd. (ADT)	28,514	19.23	-	-	-	-
	<u>\$ 2,289,356</u>		<u>1,248,562</u>		<u>562,812</u>	

The fair value of the investments accounted for equity method measured at the closing price in the open market on the reporting date is as follows:

<u>Investee Company</u>	<u>2013.12.31</u>	<u>2012.12.31</u>	<u>2012.1.1</u>
TPE	<u>\$ 1,140,278</u>	<u>-</u>	<u>-</u>

Financial information on the Group's associates is as follows:

	<u>2013.12.31</u>	<u>2012.12.31</u>	<u>2012.1.1</u>
Total assets	<u>\$ 10,659,757</u>	<u>7,145,291</u>	<u>2,250,148</u>
Total liabilities	<u>\$ 4,994,076</u>	<u>4,047,207</u>	<u>1,122,268</u>

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

	Years ended December 31	
	2013	2012
Operating revenues	\$ 5,438,800	5,239,981
Profit	\$ 17,845	183,515
Other comprehensive income	\$ (22,144)	(610)
Share of losses of associates accounted for using equity method	\$ (55,403)	(10,502)

(1) TNH

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

On May 15, 2012, TNH's Board of Directors resolved to increase TNH's capital by \$550,000 thousand, divided into 55,000 thousand shares with par value of \$10 per share, with a record date of November 6, 2012. TWM subscribed for the shares based on its proportion of the shareholding, which remained at 49.9%. On December 19, 2012, TNH's Board of Directors resolved to increase TNH's capital by \$1,650,000 thousand, divided into 165,000 thousand shares with par value of \$10 per share, with a record date of August 1, 2013. TWM subscribed for the shares based on its proportion of the shareholding, which remains at 49.9%.

In compliance with International Financial Reporting Standards Interpretations Committee Interpretation 12 (IFRIC 12), the construction of the infrastructure of TNH was entirely contracted out to professional construction companies; thus, the fair value of the infrastructure was measured using the construction costs, and no construction profits were gained during construction. The revenue and cost from the construction were recognized in accordance with the degree of completion on each reporting date. TNH disclosed only the operating revenue in the above summary of the revenue and profit of the associates.

(2) TPE

In August 2012, FBM, TWM's subsidiary, acquired 20% of TPE.

As of December 2013, FBM held 17.70% of TPE due to not subscribing to new shares and selling part of its shares when TPE went public. FBM still has significant influence on TPE due to two seats on the Board.

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

(3) Kbro Media Co., Ltd.

In August 2012, TFNM, TWM's subsidiary, acquired 32.5% of Kbro Media Co., Ltd.

On December 26, 2012, Kbro Media Co., Ltd.'s Board of Directors resolved to increase Kbro Media Co., Ltd.'s capital by \$660,000 thousand, divided into 66,000 thousand shares with par value of \$10 per share, with a record date of January 31, 2013. TFNM subscribed for the shares based on its proportion of the shareholding, which remains at 32.5%.

(4) ADT

In November 2013, TWM acquired 19.23% of ADT. TWM holds less than 20% of ADT but still has significant influence on ADT due to a seat on the Board.

j. Property, Plant and Equipment

Movements of the cost, depreciation, and impairment of property, plant and equipment of the Group for the years ended December 31, 2013 and 2012, are as follows:

	<u>Land</u>	<u>Buildings</u>	<u>Telecommunication equipment</u>	<u>Miscellaneous equipment</u>	<u>Construction in progress</u>	<u>Total</u>
Cost:						
Balance, January 1, 2013	\$ 6,735,900	4,145,550	70,234,280	5,540,378	4,060,086	90,716,194
Additions	-	748	284,480	504,004	11,662,533	12,451,765
Reclassification	1,939,695	815,439	9,386,062	411,398	(12,522,151)	30,443
Disposals	-	-	(5,974,854)	(410,944)	(37,636)	(6,423,434)
Effect of exchange rate changes	-	-	10,440	4,725	-	15,165
Balance, December 31, 2013	<u>\$ 8,675,595</u>	<u>4,961,737</u>	<u>73,940,408</u>	<u>6,049,561</u>	<u>3,162,832</u>	<u>96,790,133</u>
Balance, January 1, 2012	\$ 6,457,641	4,102,798	66,400,797	4,852,387	3,012,001	84,825,624
Additions	278,261	40,950	357,118	414,249	6,984,794	8,075,372
Reclassification	(2)	1,802	5,540,836	427,819	(5,932,926)	37,529
Disposals	-	-	(2,059,362)	(151,304)	(3,783)	(2,214,449)
Effect of exchange rate changes	-	-	(5,109)	(2,773)	-	(7,882)
Balance, December 31, 2012	<u>\$ 6,735,900</u>	<u>4,145,550</u>	<u>70,234,280</u>	<u>5,540,378</u>	<u>4,060,086</u>	<u>90,716,194</u>
Accumulated depreciation and impairment:						
Balance, January 1, 2013	\$ 83,426	1,127,005	45,302,209	3,465,876	-	49,978,516
Depreciation	-	138,216	7,795,085	830,711	-	8,764,012
Reclassification	-	(4,695)	-	(19,452)	-	(24,147)
Disposals	-	-	(4,628,743)	(289,112)	-	(4,917,855)
Effect of exchange rate changes	-	-	2,347	1,459	-	3,806
Balance, December 31, 2013	<u>\$ 83,426</u>	<u>1,260,526</u>	<u>48,470,898</u>	<u>3,989,482</u>	<u>-</u>	<u>53,804,332</u>
Balance, January 1, 2012	\$ 83,426	977,746	39,285,292	2,784,701	-	43,131,165
Depreciation	-	147,349	7,505,907	812,449	-	8,465,705
Reclassification	-	1,910	-	537	-	2,447
Disposals	-	-	(1,488,754)	(130,988)	-	(1,619,742)
Effect of exchange rate changes	-	-	(236)	(823)	-	(1,059)
Balance, June 30, 2012	<u>\$ 83,426</u>	<u>1,127,005</u>	<u>45,302,209</u>	<u>3,465,876</u>	<u>-</u>	<u>49,978,516</u>

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

	<u>Land</u>	<u>Buildings</u>	<u>Telecommunication equipment</u>	<u>Miscellaneous equipment</u>	<u>Construction in progress</u>	<u>Total</u>
Carrying amount:						
Balance, December 31, 2013	\$ 8,592,169	3,701,211	25,469,510	2,060,079	3,162,832	42,985,801
Balance, December 31, 2012	\$ 6,652,474	3,018,545	24,932,071	2,074,502	4,060,086	40,737,678
Balance, January 1, 2012	\$ 6,374,215	3,125,052	27,115,505	2,067,686	3,012,001	41,694,459

(1) The estimated useful lives, for the current and comparative years, of significant items of property, plant and equipment are as follows:

(a) Buildings

Primary buildings 20~55years

Mechanical and electrical equipment 15years

(b) Telecommunication equipment 2~15years

(c) Miscellaneous equipment 2~20 years

(2) The non-cash investing of the Group for the years ended December 31, 2013 and 2012, is as follows:

	<u>2013.12.31</u>	<u>2012.12.31</u>
Acquisition of property and equipment	\$ 12,451,765	8,075,372
Changes in other payables	(783,810)	35,770
Changes in provisions	(142,049)	(119,852)
Capitalized interest of construction in progress	(24,254)	(14,267)
Cash paid for acquisition of property, plant and equipment	<u>\$ 11,501,652</u>	<u>7,977,023</u>

k. Investment Property

	<u>2013.12.31</u>	<u>2012.12.31</u>	<u>2012.1.1</u>
Land:			
Cost	<u>\$ 235,068</u>	<u>216,465</u>	<u>216,465</u>
Buildings:			
Cost	\$ 121,367	113,168	113,168
Accumulated depreciation	36,041	29,642	26,834
Carrying amount	<u>\$ 85,326</u>	<u>83,526</u>	<u>86,334</u>
Total investment property	<u>\$ 320,394</u>	<u>299,991</u>	<u>302,799</u>
Fair value	<u>\$ 717,142</u>	<u>654,623</u>	<u>667,514</u>

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

Properties were reclassified from property, plant and equipment to investment property since the properties were no longer used by the Group and it was decided to lease them to a third party.

Fair value of a property is determined through the income approach, comparative approach, and cost approach by an independent appraisal company.

1. Intangible Assets

The cost, amortization, and impairment of intangible assets of the Group for the years ended December 31, 2013 and 2012, are as follows:

	Other intangible assets							Total
	Concession license	Goodwill	Computer software	Customer relationship	Operating rights	Trademarks	Others	
Cost:								
Balance, January 1, 2013	\$ 10,281,000	15,845,930	1,664,031	2,849,197	1,382,000	2,517,290	5,631	34,545,079
Addition	29,010,000	-	181,894	-	-	570	-	29,192,464
Disposals	-	-	(51,979)	-	-	-	(739)	(52,718)
Reclassification	-	-	224,939	-	-	-	-	224,939
Effect of exchange rate changes	-	-	1,323	-	-	-	215	1,538
Balance, December 31, 2013	<u>\$ 39,291,000</u>	<u>15,845,930</u>	<u>2,020,208</u>	<u>2,849,197</u>	<u>1,382,000</u>	<u>2,517,860</u>	<u>5,107</u>	<u>63,911,302</u>
Balance, January 1, 2012	\$ 10,281,000	15,845,930	1,399,057	2,849,197	1,382,000	2,516,947	2,864	34,276,995
Addition	-	-	126,598	-	-	343	2,794	129,735
Disposals	-	-	(55,760)	-	-	-	-	(55,760)
Reclassification	-	-	194,644	-	-	-	-	194,644
Effect of exchange rate changes	-	-	(508)	-	-	-	(27)	(535)
Balance, December 31, 2012	<u>\$ 10,281,000</u>	<u>15,845,930</u>	<u>1,664,031</u>	<u>2,849,197</u>	<u>1,382,000</u>	<u>2,517,290</u>	<u>5,631</u>	<u>34,545,079</u>
Amortization and impairment:								
Balance, January 1, 2013	\$ 5,794,746	-	1,232,525	860,198	-	400	3,056	7,890,925
Amortization	747,709	-	321,025	163,573	-	179	1,663	1,234,149
Disposals	-	-	(51,651)	-	-	-	-	(51,651)
Effect of exchange rate changes	-	-	507	-	-	-	101	608
Balance, December 31, 2013	<u>\$ 6,542,455</u>	<u>-</u>	<u>1,502,406</u>	<u>1,023,771</u>	<u>-</u>	<u>579</u>	<u>4,820</u>	<u>9,074,031</u>
Balance, January 1, 2012	\$ 5,047,036	-	940,532	681,090	-	273	2,226	6,671,157
Amortization	747,710	-	350,658	179,108	-	127	851	1,278,454
Disposals	-	-	(55,760)	-	-	-	-	(55,760)
Reclassification	-	-	(2,755)	-	-	-	-	(2,755)
Effect of exchange rate changes	-	-	(150)	-	-	-	(21)	(171)
Balance, December 31, 2012	<u>\$ 5,794,746</u>	<u>-</u>	<u>1,232,525</u>	<u>860,198</u>	<u>-</u>	<u>400</u>	<u>3,056</u>	<u>7,890,925</u>
Carrying amounts:								
Balance, December 31, 2013	<u>\$ 32,748,545</u>	<u>15,845,930</u>	<u>517,802</u>	<u>1,825,426</u>	<u>1,382,000</u>	<u>2,517,281</u>	<u>287</u>	<u>54,837,271</u>
Balance, December 31, 2012	<u>\$ 4,486,254</u>	<u>15,845,930</u>	<u>431,506</u>	<u>1,988,999</u>	<u>1,382,000</u>	<u>2,516,890</u>	<u>2,575</u>	<u>26,654,154</u>
Balance, January 1, 2012	<u>\$ 5,233,964</u>	<u>15,845,930</u>	<u>458,525</u>	<u>2,168,107</u>	<u>1,382,000</u>	<u>2,516,674</u>	<u>638</u>	<u>27,605,838</u>

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

The estimated useful lives for the current and comparative periods are as follows:

(1) 3G concession license	13 years and 9 months
(2) Computer software	3~10 years
(3) Customer relationship	20 years
(4) Trademarks	10 years
(5) Others	1~3 years

(1) Concession license

TWM won the Mobile Broadband spectrum of 30 MHz x 2 bandwidth for 4G service on October 30, 2013. The bid of \$29,010,000 thousand (\$10,485,000 thousand for 700MHz 15MHz x 2 bandwidth and \$18,525,000 thousand for 1800MHz 15MHz x 2 bandwidth) has been paid. TWM deposited \$1,000,000 thousand as a bid bond (recorded as guarantee deposits paid) and transferred the bid bond to the down payment of the bid price with no interest in accordance with Article 34 of the Mobile Broadband spectrum regulations. TWM acquired network construction permit on January 27, 2014.

(2) Customer relationship, trademarks and operating rights

The Group measures the fair value of the acquired assets when acquisition occurs, and identifies the fair value and amortization periods of the intangible assets which conform to materiality and related standards. Although some of the intangible assets such as operating rights and trademarks have a legal useful life, which can be extended, the Group regards these assets as intangible assets with indefinite useful life.

(a) On April 17, 2007, TFN, TWM's 100%-owned subsidiary, acquired more than 50% of the former Taiwan Fixed Network Co., Ltd. (the former TFN) through a public tender offer. TWM divided the former TFN and its subsidiaries into two cash-generating units: fixed network service and cable television business. Accordingly, customer relationship and operating rights are identified as major intangible assets.

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

- (b) Taiwan United Communication Co., Ltd. (TUC) was established on April 14, 2007, and was merged into TFN on January 1, 2008. In September 2007, TUC, TWM's 100%-owned subsidiary, acquired more than 50% of Taiwan Telecommunication Network Services Co., Ltd. (TTN) shares. TTN was merged into TFN on August 1, 2008. TWM measured the fair value of the acquired assets and viewed TTN's ISP services as one cash-generating unit. Accordingly, customer relationship is identified as a major intangible asset.
- (c) On September 1, 2010, TFNM, TWM's 100%-owned subsidiary, acquired 55% of TKT. On August 12, 2011, TFNM acquired 45% of TKT. TWM measured the fair value of the acquired assets and viewed TKT's wireless services as one cash-generating unit. Accordingly, trademarks and customer relationship are identified as major intangible assets.
- (d) On July 13, 2011, WMT, TWM's 100%-owned subsidiary, acquired more than 50% of FBM. TWM measured the fair value of the acquired assets and viewed FBM's retail business as one cash-generating unit. Accordingly, trademarks are identified as major intangible assets.

(3) Goodwill

The carrying amounts of goodwill allocated to above units were as follows:

	2013.12.31	2012.12.31	2012.1.1
Mobile communication service	\$ 7,238,758	7,238,758	7,238,758
Fixed network service	357,970	357,970	357,970
Cable television business	3,269,636	3,269,636	3,269,636
Retail business	4,979,566	4,979,566	4,979,566
	\$15,845,930	15,845,930	15,845,930

(4) Impairment of assets

In conformity with IAS 36 *Impairment of Assets*, the Group identified the smallest identifiable group of cash-generating units, which were engaged in mobile communication service, fixed network service, the cable television business, and the retail business, as separate, independent cash-generating units.

The recoverable amounts of the operating assets and intangible assets were evaluated by business type, and the critical assumptions used for this evaluation were as follows:

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

(a) Mobile communication service

(i) Assumptions on cash flows

The five-year cash flow projections were estimated on the basis of previous experience, actual operating results, and the financial budget.

(ii) 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.

(iii) Assumptions on operating costs and expenses

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

(iv) Assumptions on discount rate

For the years ended December 31, 2013 and 2012, the discount rate used to calculate the asset recoverable amounts of TWM was 4.68% and 6.20%, respectively.

(b) Fixed network service

(i) Assumptions on cash flows

The five-year cash flow projections were estimated on the basis of previous experience, actual operating results, and the financial budget.

(ii) Assumptions on operating revenues

After taking into consideration the changes in the telecom industry and TWM's growth of operations, the operating revenues were estimated based on the demand for the various types of data transmission and broadband volume.

(iii) Assumptions on operating costs and expenses

The estimates of operating costs and expenses were based on the cost drivers of each cost and expense.

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

(iv) Assumptions on discount rate

For the years ended December 31, 2013 and 2012, the discount rates were 5.31% and 6.44%, respectively, in calculating the asset recoverable amounts of TFN.

(c) Cable television business

(i) Assumptions on cash flows

The five-year cash flow projections were estimated on the basis of previous experience, actual operating results, and the financial budget.

(ii) Assumptions on operating revenues

After taking changes in the cable television industry and competitive landscape into consideration, operating revenues were estimated on the basis of the projected changes in subscriber numbers and average revenue per subscriber.

(iii) Assumptions on operating costs and expenses

The estimates of cost of commissions, 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 actual costs and expenses as a proportion of operating revenues.

(iv) Assumptions on discount rate

The discount rates used to calculate the asset recoverable amounts for each system operator ranged from 8.28% to 8.38% and from 10.36% to 11.12% for the years ended December 31, 2013 and 2012, respectively.

(d) Retail business

(i) Assumptions on cash flows

The five-year cash flow projections were estimated on the basis of previous experience, actual operating results, and the financial budget.

(ii) Assumptions on operating revenues

After taking into consideration the changes in the retail business industry and competitiveness of the market, the operating revenues were estimated based on the classification and the average price of commodities, and the degree of the contribution of the customers.

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

(iii) Assumptions on operating costs and expenses

The costs and expenses were based on the actual costs and expenses as a proportion of operating revenues.

(iv) Assumptions on discount rate

For the years ended December 31, 2013 and 2012, the discount rates in calculating the asset recoverable amounts were 7.29% and 6.89%, respectively.

Based on the key assumptions of each cash-generating unit, the Group's management believes that the carrying amounts of these operating assets and intangible assets will not exceed their recoverable amounts even if there are any reasonable changes in the critical assumptions used to estimate recoverable amounts. Thus, there was no impairment of intangible assets for the years ended December 31, 2013 and 2012.

m. Other Assets

	<u>2013.12.31</u>	<u>2012.12.31</u>	<u>2012.1.1</u>
Current:			
Other financial assets –			
Time deposits with original maturity of more than three months	\$ 979,987	1,032,500	121,800
Pledged time deposits and restricted deposits	66,070	406,030	73,062
Current tax assets	3,460	106,091	105,122
Others	48,311	78,941	46,041
	<u>\$ 1,097,828</u>	<u>1,623,562</u>	<u>346,025</u>
Non-current:			
Long-term accounts receivable	\$ 4,198,548	3,477,817	2,726,570
Refundable deposits	561,223	574,301	516,978
Other financial assets –			
Pledged time deposits and restricted deposits	250,717	110,530	90,825
Prepayments for equipment	59,619	111,821	147,618
Others	525,792	520,626	526,428
	<u>\$ 5,595,899</u>	<u>4,795,095</u>	<u>4,008,419</u>

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

n. Short-term Borrowings and Short-term Notes and Bills Payable

	2013.12.31	
	<u>Annual interest rate</u>	<u>Amount</u>
Unsecured loans— financial institutions	0.83%~1.15%	\$ 30,500,000
Secured loans— related parties	6.3%~7.224%	105,813
		<u>\$ 30,605,813</u>
Bills payable	0.62%~0.72%	\$ 2,400,000
Less: Discount on bills payable		(3,029)
		<u>\$ 2,396,971</u>
	2012.12.31	
	<u>Annual interest rate</u>	<u>Amount</u>
Unsecured loans— financial institutions	0.88%~1.15%	\$ 3,000,000
Secured loans— related parties	6.3 %	158,440
		<u>\$ 3,158,440</u>
	2012.1.1	
	<u>Annual interest rate</u>	<u>Amount</u>
Unsecured loans— financial institutions	0.89%~0.98%	<u>\$ 9,000,000</u>
Bills payable	0.948%~0.958%	\$ 900,000
Less: Discount on bills payable		(727)
		<u>\$ 899,273</u>

For financial risk information of the Group, please refer to Note 6(ac); for the information on loans from related parties, please refer to Note 7; and for the information on time deposits pledged as collateral of bank loans and commitments, please refer to Notes 8 and 9.

o. Advance Receipts

	<u>2013.12.31</u>	<u>2012.12.31</u>	<u>2012.1.1</u>
Advance receipts from customers	\$ 2,405,345	2,942,912	2,937,104
Deferred customer loyalty revenues	51,116	77,824	39,326
Others	163,445	89,088	77,240
	<u>\$ 2,619,906</u>	<u>3,109,824</u>	<u>3,053,670</u>

(1) In accordance with the NCC's policy, TWM entered into a contract with First Commercial Bank Co., Ltd. which provided a performance guarantee for advance receipts from prepaid cards and electronic gift certificates amounting to \$639,869

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

thousand and \$8,126 thousand, respectively, as of December 31, 2013. The guaranty will last for a year.

- (2) In accordance with the NCC's policy, TFN entered into a contract with First Commercial Bank Co., Ltd. which provided a performance guarantee for advance receipts from International Direct Dialing (IDD) calling cards amounting to \$203 thousand as of December 31, 2013. The guaranty will last for a year.
- (3) In accordance with the NCC's policy, cable television companies should provide a performance deposit based on a certain proportion of the advance receipts for a prepaid period. As of December 31, 2013, the cable television companies had provided \$55,081 thousand as a performance deposit, classified as other non-current assets – other financial asset.
- (4) In accordance with the Ministry of Economic Affairs' policy, FBM entered into a contract with Taipei Fubon Commercial Bank Co., Ltd. In order to provide a performance deposit, the trust account balance maintained monthly by FBM should be the same as the amount of the outstanding gift certificates. As of December 31, 2013, FBM had provided \$843 thousand as a performance deposit, classified as other current assets – other financial asset.
- (5) In accordance with the NCC's and the Ministry of Economic Affairs' policies, TKT entered into a contract with Mega International Commercial Bank Co., Ltd. which provided a performance guarantee for advance receipts from prepaid music cards amounting to \$1,906 thousand as of December 31, 2013. The guaranty will last for a year.

p. Bonds Payable

	<u>2013.12.31</u>	<u>2012.12.31</u>	<u>2012.1.1</u>
2nd domestic unsecured bonds	\$ -	4,000,000	8,000,000
3rd domestic unsecured bonds	8,995,936	8,995,180	-
4th domestic unsecured bonds	<u>5,796,711</u>	<u>-</u>	<u>-</u>
	14,792,647	12,995,180	8,000,000
Less: current portion	<u>-</u>	<u>(4,000,000)</u>	<u>(4,000,000)</u>
	<u>\$ 14,792,647</u>	<u>8,995,180</u>	<u>4,000,000</u>

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

(1) 2nd domestic unsecured bonds

On November 14, 2008, TWM issued \$8,000,000 thousand of five-year 2nd domestic unsecured bonds, each having a face value of \$10,000 thousand and a coupon rate of 2.88% per annum, with simple interest due annually. Repayment will be made in the fourth and fifth years with equal installments, i.e., \$4,000,000 thousand.

The above-mentioned corporate bonds were liquidated in November 2013.

(2) 3rd domestic unsecured bonds

On December 20, 2012, TWM issued \$9,000,000 thousand of seven-year 3rd domestic unsecured bonds, each having a face value of \$10,000 thousand and a coupon rate of 1.34% per annum, with simple interest due annually. Repayment will be made in the sixth and seventh years with equal installments, i.e., \$4,500,000 thousand.

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

Year	Amount
2018	\$ 4,500,000
2019	4,500,000
	\$ 9,000,000

(3) 4th domestic unsecured bonds

On April 25, 2013, TWM issued \$5,800,000 thousand of five-year 4th domestic unsecured bonds, each having a face value of \$10,000 thousand and a coupon rate of 1.29% per annum, with simple interest due annually. Repayment will be made in the fourth and fifth years with equal installments, i.e., \$2,900,000 thousand.

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

Year	Amount
2017	\$ 2,900,000
2018	2,900,000
	\$ 5,800,000

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

q. Long-term Borrowings

	2013.12.31	
	Annual interest rate	Amount
Unsecured loans—financial institutions	1.05%	\$ 3,000,000
Less: current portion		(1,000,000)
		\$ 2,000,000

TWM obtained a credit facility from The Bank of Tokyo-Mitsubishi UFJ, Ltd. The aggregate facility amount was up to \$3,000,000 thousand in the 2 years of the facility availability period, from December 31, 2013. TWM will repay the principal on December 31, 2014, and June 30 and December 31, 2015, and pay interest quarterly. In accordance with the contract, the financial covenants regarding the debt ratio and interest protection multiples should be complied with during the facility period.

r. Provisions

	2013.12.31	2012.12.31	2012.1.1
Restoration	\$ 1,021,896	875,805	760,015
Warranties	52,059	-	-
	\$ 1,073,955	875,805	760,015
Current	\$ 193,886	120,610	90,014
Non-current	880,069	755,195	670,001
	\$ 1,073,955	875,805	760,015
		Restoration	Warranties
Balance, January 1, 2013	\$ 875,805	-	875,805
Provision	175,766	91,050	266,816
Discounted or amortized	14,261	-	14,261
Payment	(43,936)	(38,991)	(82,927)
Balance, December 31, 2013	\$ 1,021,896	52,059	1,073,955
Balance, January 1, 2012	\$ 760,015	-	760,015
Provision	146,274	-	146,274
Discounted or amortized	14,439	-	14,439
Payment	(44,923)	-	(44,923)
Balance, December 31, 2012	\$ 875,805	-	875,805

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

(1) Restoration

The provisions recognized for the obligation of dismantling, moving and restoring telecommunication equipment and leased assets are calculated with appropriate discount rates. The primary uncertainty in estimation resides in costs that are expected to be incurred in the future.

(2) Warranties

The Group estimates provisions based on the expected expenses from sales contracts which provide a warranty for a period of one to two years.

s. Operating Lease

(1) Lessee

Non-cancellable rentals payable of operating leases are as follows:

	<u>2013.12.31</u>	<u>2012.12.31</u>	<u>2012.1.1</u>
Less than one year	\$ 2,920,143	2,781,216	2,187,976
Between one and five years	5,403,480	5,725,608	3,910,579
More than five years	123,538	124,612	146,613
	<u><u>\$ 8,447,161</u></u>	<u><u>8,631,436</u></u>	<u><u>6,245,168</u></u>

The Group leases offices, maintenance centers, stores, base transceiver stations, machine rooms, etc., under operating leases. The leases typically run for a period of 1 to 5 years, with an option to renew the lease.

As of December 31, 2013, and December 31 and January 1, 2012, the Group anticipated it would receive total future minimum sublease payments under the non-cancelable sublease contracts in the amount of \$20,787 thousand, \$11,844 thousand and \$5,754 thousand, respectively.

For the years ended December 31, 2013 and 2012, the payment of leases and subleases, recognized as gains or losses, was as follows:

	<u>Years ended December 31</u>	
	<u>2013</u>	<u>2012</u>
Minimum lease payment	\$ 3,435,399	2,795,993
Sublease payment	(3,263)	(2,804)
	<u><u>\$ 3,432,136</u></u>	<u><u>2,793,189</u></u>

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

(2) Lessor

The Group leases out investment properties under operating leases. The future minimum lease payment receivables under non-cancellable leases are as follows:

	<u>2013.12.31</u>	<u>2012.12.31</u>	<u>2012.1.1</u>
Less than one year	\$ 20,036	20,710	12,624
Between one and five years	22,220	40,800	20,108
	<u>\$ 42,256</u>	<u>61,510</u>	<u>32,732</u>

t. Employee Benefits

(1) Defined benefit plan

The present value of the defined benefit obligations and fair value of plan assets are as follows:

	<u>2013.12.31</u>	<u>2012.12.31</u>	<u>2012.1.1</u>
Present value of defined benefit obligations	\$ 851,574	851,210	808,208
Fair value of plan assets	<u>(720,010)</u>	<u>(717,130)</u>	<u>(680,678)</u>
Unfunded defined benefit obligation	131,564	134,080	127,530
Unrecognized prior service cost	(16,101)	(17,843)	(20,782)
Accrued pension liability	<u>\$ 115,463</u>	<u>116,237</u>	<u>106,748</u>

The Group established the pension fund account for the defined benefit plan in Bank of Taiwan. The plan, under the Labor Standards Law, provides benefits based on an employee's length of service and average monthly salary for six-month period prior to retirement.

(a) Composition of plan assets

According to the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund", with regard to the utilization of the Fund, its minimum earnings in the annual distributions shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks.

The information for the utilization of the pension fund includes the asset allocation and yield of the fund. Please refer to the information published on the website of the Council of Labor Affairs.

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

(b) Movements in present value of the defined benefit obligations

The movements in present value of defined benefit obligations for the years ended December 31, 2013 and 2012, were as follows:

	Years ended December 31	
	2013	2012
Defined benefit obligation, January 1	\$ 851,210	808,208
Benefits unpaid by the plan	(10,805)	(2,508)
Current service costs and interest	16,097	17,508
Curtailement gains	-	(8,379)
Actuarial losses (gains)	(4,928)	36,381
Defined benefit obligation, December 31	\$ 851,574	851,210

(c) Movements of defined benefit plan assets

The movements in the present value of the defined benefit plan assets for the years ended December 31, 2013 and 2012, were as follows:

	Years ended December 31	
	2013	2012
Fair value of plan assets, January 1	\$ 717,130	680,705
Contributions made	4,610	32,194
Benefits paid by the plan	(10,805)	(2,508)
Expected return on plan assets	13,398	13,643
Actuarial losses	(4,323)	(6,904)
Fair value of plan assets, December 31	\$ 720,010	717,130

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

(d) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the years ended December 31, 2013 and 2012, were as follows:

	Years ended December 31	
	2013	2012
Current service costs	\$ 3,295	3,391
Interest on obligation	12,802	14,117
Past service costs	1,742	1,859
Settlement gains	-	(7,300)
Expected return on plan assets	(13,398)	(13,643)
	\$ 4,441	(1,576)

	Years ended December 31	
	2013	2012
Actual return on assets	\$ 9,033	6,739

(e) Actuarial gains (losses) recognized in other comprehensive income

The Group's actuarial gains and losses recognized in other comprehensive income for the years ended December 31, 2013 and 2012, were as follows:

	Years ended December 31	
	2013	2012
Cumulative amount, January 1	\$ (35,927)	-
Recognized during the period	465	(35,927)
Cumulative amount, December 31	\$ (35,462)	(35,927)

(f) Actuarial assumptions

The following are the principal actuarial assumptions at the measurement date:

	2013.12.31	2012.12.31	2012.1.1
Discount rate	1.875%	1.50%	1.75%
Expected return on plan assets	1.75%~2.00%	1.50%~1.875%	1.75%~2.00%
Long-term average adjustment rate of salary	2.50%~3.00%	2.50%~3.00%	2.50%~3.00%

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

The expected rate of return of plan assets is based on the portfolio as a whole and not on the sum of the returns on individual asset categories. The return is based exclusively on historical returns, without adjustments.

The Group expected \$24,691 thousand in contributions to be paid to its benefit plans within a year of the December 31, 2013, reporting date.

(g) Fair value in percentage of plan assets on reporting date

	<u>2013.12.31</u>	<u>2012.12.31</u>	<u>2012.1.1</u>
Cash	22.86	24.51	23.87
Short-term notes and bills	4.10	9.88	7.61
Government loans	-	0.66	0.13
Bonds	9.37	10.45	11.45
Fixed-return categories	18.11	16.28	16.19
Equity securities	44.77	37.43	40.75
Others	0.79	0.79	-
	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>

(h) Historical information

	<u>2013.12.31</u>	<u>2012.12.31</u>	<u>2012.1.1</u>
Present value of the defined benefit obligation	\$ (851,574)	(851,210)	(808,208)
Fair value of plan assets	720,010	717,130	680,705
Deficit in the plan	<u>\$ (131,564)</u>	<u>(134,080)</u>	<u>(127,503)</u>
Experience adjustments arising on plan liabilities	<u>\$ 4,928</u>	<u>(36,381)</u>	<u>-</u>
Experience adjustments arising on plan assets	<u>\$ (4,323)</u>	<u>(6,904)</u>	<u>-</u>

(2) Defined contribution plans

The Group contributed 6% of each employee's monthly wages to a labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. The Group contributed a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligations.

The Group recognized \$245,044 thousand and \$224,832 thousand of pension costs under the pension plan for the years ended December 31, 2013 and 2012, respectively. As of December 31, 2013 and 2012, \$52,169 thousand and \$46,771 thousand, respectively, were payable to the Bureau of Labor Insurance. The amounts were all paid after the reporting date.

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

u. Income Tax

(1) Income tax expense recognized in profits or losses

	Years ended December 31	
	2013	2012
Current income tax expense		
Current period	\$ 2,634,084	2,815,928
Prior years' adjustment on current income tax	38,459	(32,717)
	<u>2,672,543</u>	<u>2,783,211</u>
Deferred income tax expense		
Current period	628,217	607,915
Income tax expense	<u>\$ 3,300,760</u>	<u>3,391,126</u>

(2) Income tax recognized in other comprehensive income

	Years ended December 31	
	2013	2012
Defined benefit plan actuarial gains and losses	<u>\$ (95)</u>	<u>7,359</u>

(3) The reconciliation of profit before tax to income tax expense was as follows:

	Years ended December 31	
	2013	2012
Profit before tax	\$ 19,118,541	19,941,325
Income tax expense at domestic statutory tax rate	3,250,152	3,390,025
Effect of different tax rates on the Group entities	(19,694)	(17,913)
Investment loss from domestic investees accounted for using equity method	9,418	1,785
Temporary differences	(672,325)	(628,268)
Deferred income taxes	628,217	607,915
Prior years' loss carryforwards	59,336	67,741
Prior years' adjustment	38,459	(32,717)
Others	7,197	2,558
	<u>\$ 3,300,760</u>	<u>3,391,126</u>

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

(4) Deferred Tax Assets and Liabilities

(a) Unrecognized deferred tax assets

	2013.12.31	2012.12.31	2012.1.1
Loss carry-forwards	<u>\$ 186,444</u>	<u>127,626</u>	<u>75,593</u>

As the Group likely will not have enough taxable income in the future, the above losses were not recognized as deferred tax assets.

As of December 31, 2013, the Group had not recognized the prior years' loss carry-forwards as deferred tax assets. The expiry years are as follows:

Remaining Creditable Amount	Expiry Year
\$ 29,329	2016
74,845	2017
71,047	2018
11,223	2021
\$ 186,444	

(b) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for the years ended December 31, 2013 and 2012, are as follows:

Deferred Tax Assets:

	Property, Plant and Equipment	Defined Benefit Plans	Others	Total
Balance, January 1, 2013	\$ 889,773	37,264	145,807	1,072,844
Recognized in profit or loss	(117,152)	-	(30,930)	(148,082)
Recognized in other comprehensive income	-	(186)	-	(186)
Balance, December 31, 2013	<u>\$ 772,621</u>	<u>37,078</u>	<u>114,877</u>	<u>924,576</u>
Balance, January 1, 2012	\$ 1,048,620	29,192	104,045	1,181,857
Recognized in profit or loss	(158,847)	-	41,762	(117,085)
Recognized in other comprehensive income	-	8,072	-	8,072
Balance, December 31, 2012	<u>\$ 889,773</u>	<u>37,264</u>	<u>145,807</u>	<u>1,072,844</u>

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

Deferred Tax Liabilities:

	Accounts Receivable	Intangible Assets	Defined Benefit Plans	Others	Total
Balance, January 1, 2013	\$ 1,487,266	594,229	3,140	35,112	2,119,747
Recognized in profit or loss	367,805	125,356	-	(13,026)	480,135
Recognized in other comprehensive income	-	-	(91)	-	(91)
Balance, December 31, 2013	\$ 1,855,071	719,585	3,049	22,086	2,599,791
Balance, January 1, 2013	\$ 1,124,343	468,873	2,427	32,561	1,628,204
Recognized in profit or loss	362,923	125,356	-	2,551	490,830
Recognized in other comprehensive income	-	-	713	-	713
Balance, December 31, 2013	\$ 1,487,266	594,229	3,140	35,112	2,119,747

Integrated income tax information was as follows:

	2013.12.31	2012.12.31	2012.1.1
Balance of the Group's imputation credit account (ICA)	\$ 1,312,831	1,145,595	2,442,957

As of December 31, 2013, there were no unappropriated earnings generated before 1997.

The actual tax creditable ratio for 2012 and the estimated tax creditable ratio for 2013 were 12.05% and 13.75%, respectively, based on Decree No. 10204562810 announced on October 17, 2013, by the Ministry of Finance of the Republic of China. Under the Integrated Income Tax System, ROC resident shareholders are allowed a tax credit for the income tax paid by TWM. An imputation credit account (ICA) is maintained by TWM for such income tax, and a tax credit is allocated to each shareholder. Actual allocation of the imputation credit account is based on the balance on the date of dividend distribution. Therefore, the estimated tax creditable ratio may differ from the actual tax creditable ratio for the 2013 earnings appropriation.

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

The latest years for which income tax returns have been examined and cleared by the tax authorities were as follows:

	<u>Year</u>
TWM	2011
TransAsian Telecommunications Inc. (TAT)	All examined
TCC	2011
WMT	2011
GWMT	2011
GFMT	2011
TDC	2012
TDS (established on April 2, 2013)	-
TCCI	2011
TID	2011
TMB	2011
TFN	2011
TT&T	2010
TUI	2011
TFNI	2008
WTVB	2011
TFNM	2011
UCTV	2010
YJCTV	2011
MCTV	2011
PCTV	2011
GCTV	2011
TKT	2011
FBM	2011
FST	2011
FLI	2011
FPI	2011
FSMT	2011

TWM's income tax returns for the years up to 2011 have been examined by the tax authorities. TWM disagreed with the examination results of the income tax returns for the years 2008, 2009, 2010 and 2011 and requested a reexamination.

TAT's income tax returns up to 2008 have been examined by the tax authorities. TAT disagreed with the examination results of the income tax returns for 2006 and 2007 and filed an appeal. TAT also requested a reexamination of the tax return for 2008.

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

TFN's income tax returns up to 2011 have been examined by the tax authorities. TFN disagreed with the examination results of the income tax return for 2009 and requested a reexamination. TFN planned to request a reexamination for the year 2010.

TFNM's income tax returns up to 2011 have been examined by the tax authorities. TFNM disagreed with the examination results of the income tax returns for 2006 and 2007 and filed an appeal. TFNM also requested a reexamination of the tax return for 2009. TFNM planned to request a reexamination for the years 2008 and 2010.

UCTV's income tax returns up to 2010 have been examined by the tax authorities. UCTV disagreed with the examination results from 2006 to 2010 and filed an appeal.

v. Capital and Other Equities

(1) Ordinary share

As of December 31, 2013, TWM had authorized 6,000,000 thousand ordinary shares, with 3,420,833 thousand shares outstanding (par value \$10).

(2) Capital surplus

Under the Company Act, capital surplus generated from the excess of the issue price over the par value of capital stock, including the stock issued for new capital, provisions for convertible corporate bonds, and treasury share transactions, may be applied to cover a deficit, or be transferred to capital as stock dividends, or be distributed as cash dividends when there is no deficit, and this transfer is restricted to a certain percentage of the paid-in capital. The capital surplus recognized from changes of net value of investments accounted for using equity method should be refrained from any usage.

The capital surplus on December 31, 2013, and December 31 and January 1, 2012, was as follows:

	<u>2013.12.31</u>	<u>2012.12.31</u>	<u>2012.1.1</u>
Additional paid-in capital from convertible corporate bonds	\$ 8,775,820	8,775,820	8,775,820
Treasury share transaction	3,639,301	3,639,301	3,639,301
Others	41,770	16,730	16,730
	<u>\$ 12,456,891</u>	<u>12,431,851</u>	<u>12,431,851</u>

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

(3) Legal reserve

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

(4) Appropriation of earnings and dividend policy

TWM's articles of incorporation provide that, in the event that TWM, according to the financial report, earns profits in a fiscal year, such profits shall first be applied to pay the applicable taxes, recover losses, set aside legal reserve pursuant to laws and regulations, and set aside or reverse a special reserve in accordance with the law or to satisfy the business needs of TWM. Any balance left over shall be applied to the following items:

- (a) Remuneration to directors, not exceeding 0.3%;
- (b) Employee bonuses in the sum of 1% to 3%;
- (c) The remaining balance and any unappropriated earnings of the previous fiscal years shall be distributed to the shareholders as dividends in accordance with resolutions of the shareholders' meetings.

TWM adopts a dividend distribution policy whereby only surplus profits of TWM shall be distributed to shareholders. That is, only the surplus profit, after setting aside amounts for retained earnings based on TWM's capital budget plan, shall be distributed as cash dividends. The value of stock dividends in a particular year shall not be more than 80% of the value of dividends distributed for that year. The amount of the distributable dividends, the forms in which dividends shall be distributed, and the ratio thereof shall depend on the actual profit and cash positions of TWM and shall be approved by resolutions of the Board, who shall, upon such approval, recommend the same to the shareholders for approval by resolution at the shareholders' meetings.

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 (except for treasury shares) shown in other shareholders' equity. The special reserve appropriated will be reversed to the extent that the net debit balance reverses. The

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

Group is not subject to the previous provisions in Decree No. 1010012865 by the FSC for recognizing special reserve.

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

TWM's estimated bonuses to employees amounted to \$420,753 thousand and \$396,673 thousand for the years ended December 31, 2013 and 2012, respectively. The estimated remuneration to directors amounted to \$42,075 thousand and \$39,667 thousand for the years ended December 31, 2013 and 2012, respectively.

TWM's bonuses to employees and remuneration to directors were accrued based on 3% and 0.3%, respectively, of the net income (which did not include the bonuses to employees and remuneration to directors) after setting aside 10% of net income as legal reserve. The significant difference between annual accruals and the amount approved by the Board of Directors shall be adjusted in the current year. If the Board of Directors' approval differs from the amount ratified at the annual general shareholders' meeting (AGM), the difference will be treated as changes in accounting estimates and will be adjusted in 2013's profit and losses. If employee bonuses are paid in the form of company shares, the number of employee bonus shares shall be derived by dividing the approved bonus amount by the closing price one day prior to the AGM, adjusted for cash and/or stock dividends if any.

The 2012 and 2011 earnings appropriations resolved by the AGM on June 21, 2013, and June 22, 2012, were as follows:

	<u>Appropriation of Earnings</u>		<u>Dividend per Share (NT\$)</u>	
	<u>For Fiscal Year 2012</u>	<u>For Fiscal Year 2011</u>	<u>For Fiscal Year 2012</u>	<u>For Fiscal Year 2011</u>
Appropriation of legal reserve \$	1,469,160	1,346,876		
Cash dividends	14,526,578	13,880,952	5.4	5.16
Reversal of special reserve	-	(821,741)		
	<u>\$ 15,995,738</u>	<u>14,406,087</u>		

The cash dividends of \$5.4 per share mentioned above were distributed from unappropriated earnings. In addition, the Board of Directors resolved another cash appropriation from legal reserve amounting to \$269,010 thousand, that is, \$0.1 per share. Total appropriation distributed in 2012 was \$5.5 per share.

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

The AGM on June 21, 2013, and June 22, 2012, resolved to distribute bonuses to employees amounting to \$396,673 thousand and \$362,844 thousand, respectively, and remuneration to directors amounting to \$39,667 thousand and \$36,284 thousand, respectively, for the years ended December 31, 2012 and 2011. There were no differences between the above actual distributions and the amounts recognized in the financial statements for 2012 and 2011.

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

(5) Other equity interest

	Exchange differences on translation	Unrealized gain (loss) on available-for-sale financial assets	Total
Balance, January 1, 2013	\$ 25,483	314,543	340,026
— The Group	(708)	75,223	74,515
— Associates	173	(2,032)	(1,859)
Balance, December 31, 2013	\$ 24,948	387,734	412,682
Balance, January 1, 2012	\$ 34,231	321,987	356,218
— The Group	(8,550)	(7,444)	(15,994)
— Associates	(198)	-	(198)
Balance, December 31, 2012	\$ 25,483	314,543	340,026

(6) Treasury shares

As of December 31, 2013, and December 31 and January 1, 2012, TWM's stock held by TCCI, TUI and TID (all are subsidiaries 100% owned by TWM) was 730,726 thousand shares, and the carrying and market values were \$70,368,899 thousand, \$78,187,666 thousand and \$68,980,520 thousand, respectively. Since the shares held by subsidiaries are regarded as treasury shares, TWM reclassified \$31,077,183 thousand from investments accounted for using equity method to treasury shares. Although these shares are treated as treasury shares in the financial statements, the shareholders are entitled to excise their rights over these shares, except for participation in capital injection by cash. In addition, based on the ROC Company Act, the holders of treasury shares, which are subsidiaries over 50% owned by TWM, cannot exercise the voting rights.

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

(7) Non-controlling interests

	Years ended December 31	
	2013	2012
Beginning balance	\$ 1,072,204	1,106,427
Portion attributable to non-controlling interests		
Profit	234,334	224,186
Unrealized loss on available-for-sale financial assets	(20,441)	-
Exchange differences on translation	1,011	(4,916)
Actuarial gains (losses) on defined benefit plans	1,200	(730)
Cash dividends from subsidiaries paid to non-controlling interests	(247,986)	(252,763)
Changes in equity of associates accounted for using equity method	24,410	-
Changes in ownership percentage of subsidiaries	22,015	-
Ending balance	\$ 1,086,747	1,072,204

w. Earnings per Share

The Group calculated the basic and diluted EPS as follows:

	Years ended December 31	
	2013	2012
Basic EPS		
Profit attributable to ordinary shareholders	\$ 15,583,447	16,326,013
Weighted-average number of ordinary shares	2,690,107	2,690,107
	\$ 5.79	6.07
Diluted EPS		
Profit attributable to ordinary shareholders	\$ 15,583,447	16,326,013
Weighted-average number of ordinary shares (adjusted with potential effect of diluted ordinary shares)	2,690,107	2,690,107
Effect of employees' bonuses	6,106	5,649
Weighted-average number of ordinary shares (adjusted with potential effect of diluted ordinary shares)	2,696,213	2,695,756
	\$ 5.78	6.06

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

If TWM may settle the bonus to employees by cash or shares, TWM should presume that the entire amount of the bonus will be settled in shares, and the potential share dilution should be included in the weighted-average number of shares outstanding used in the calculation of diluted EPS, if the shares have a dilutive effect. In the calculation of diluted EPS, the number of outstanding shares is derived by dividing the entire amount of the bonus by the closing price of the shares at the reporting date. Such potential dilutive effect should be taken into consideration in the calculation of diluted EPS until the shareholders resolve the actual number of shares to be distributed to employees at the AGM of the following year.

x. Operating Revenues

The Group's operating revenues are detailed as follows:

	Years ended December 31	
	2013	2012
Telecommunication service	\$ 59,591,951	59,116,397
Sales revenue	41,125,917	33,090,157
Cable TV and broadband	5,993,284	5,926,775
Other operating revenues	2,432,215	1,606,927
	\$ 109,143,367	99,740,256

y. Other Income and Expenses

The Group's other income and expenses are detailed as follows:

	Years ended December 31	
	2013	2012
Police inquiry	\$ 32,679	31,160
Government subsidy	3,762	3,414
Others	22,902	35,438
	\$ 59,343	70,012

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

z. Non-operating Income and Expenses

(1) Other income

The Group's other income was as follows:

	Years ended December 31	
	2013	2012
Interest income	\$ 95,023	55,497
Dividend income	24,246	19,888
Rent income	34,510	33,825
Other income	4,311	12,818
	\$ 158,090	122,028

(2) Other gains and losses, net

The Group's other gains and losses were as follows:

	Years ended December 31	
	2013	2012
Loss on disposal of property, plant and equipment	\$ (1,395,538)	(587,918)
Foreign exchange gains (losses)	16,395	(18,396)
Gain on disposal of investments	9,920	287
Others	(12,387)	(14,270)
	\$ (1,381,610)	(620,297)

(3) Finance costs

The Group's finance costs were as follows:

	Years ended December 31	
	2013	2012
Interest expense		
Corporate bonds	\$ 274,442	222,731
Bank loans	109,744	93,462
Others	37,441	30,188
	421,627	346,381
Less: capitalized interest	(24,254)	(14,267)
	\$ 397,373	332,114

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

Capitalization rates were as follows:

	Years ended December 31	
	2013	2012
Capitalization rates	1.24%~1.60%	1.44%~1.92%

aa. Capital Management

The Group manages its capital to maintain a healthy capital base, to meet the minimal paid-in capital required by the authority-in-charge, and to optimize the balance of liabilities and equity in order to maximize shareholders' return. By periodically reviewing and measuring relative cost, risk, and rate of return to ensure profit and maintain financial ratios, the Group may adopt various financing approaches to balance its capital structure in order to meet the demands for capital expenditures, working capital, settlements of liabilities, and dividend payments in the future.

ab. Financial Instruments

(1) Categories of financial instruments

Financial assets

	2013.12.31	2012.12.31	2012.1.1
Fair value through profit or loss	\$ -	-	60,186
Available-for-sale financial assets (including current and non-current portions)	2,187,834	1,333,052	1,340,495
Financial assets carried at cost	178,325	181,328	186,276
Loans and receivables:			
Cash and cash equivalents	7,954,294	6,191,140	6,572,192
Notes and accounts receivable (including related parties)	14,633,456	12,130,073	10,338,884
Other receivables	494,348	485,879	520,487
Bond investment without an active market	500,000	500,000	500,000
Other financial assets (including current and non-current)	1,296,774	1,549,060	285,687
Refundable deposits	561,223	574,301	516,978
Subtotal	25,440,095	21,430,453	18,734,228
Total	\$ 27,806,254	22,944,833	20,321,185

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

Financial liabilities

	<u>2013.12.31</u>	<u>2012.12.31</u>	<u>2012.1.1</u>
Short-term borrowings	\$ 30,605,813	3,158,440	9,000,000
Short-term notes and bills payable	2,396,971	-	899,273
Notes payable and accounts payable (including related parties)	7,143,415	7,556,448	6,122,555
Other payables	11,657,899	9,492,635	9,911,877
Bonds payable (including current portion)	14,792,647	12,995,180	8,000,000
Long-term borrowings (including current portion)	3,000,000	-	-
Guarantee deposits	818,386	810,436	738,932
Total	<u>\$ 70,415,131</u>	<u>34,013,139</u>	<u>34,672,637</u>

(2) Credit risk

(a) The maximum credit risk exposure of the Group's financial instruments is equal to the carrying amount.

(b) Impairment loss

The aging of accounts receivable as of the reporting date was as follows:

	<u>2013.12.31</u>		<u>2012.12.31</u>		<u>2012.1.1</u>	
	Total		Total		Total	
	amount	Impairment	amount	Impairment	amount	Impairment
Not overdue	\$ 14,156,092	163,269	11,512,903	150,687	9,881,377	126,473
Overdue within 180 days	495,753	122,161	742,229	115,653	539,807	120,081
Overdue more than 180 days	10,115	3,190	28,781	1,249	13,061	1,249
	<u>\$ 14,661,960</u>	<u>288,620</u>	<u>12,283,913</u>	<u>267,589</u>	<u>10,434,245</u>	<u>247,803</u>

(3) Liquidity risk

The Group's working capital is sufficient to meet the cash flow demand; therefore, liquidity risk is not considered to be significant.

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

The table below summarizes the maturity profile of the Group's financial liabilities based on contractual undiscounted payments, but not including the financial liabilities whose carrying amounts approximate contractual cash flows.

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 1 year</u>	<u>1~5 years</u>	<u>More than 5 years</u>
2013.12.31					
Unsecured loans	\$ 33,500,000	33,623,454	31,607,747	2,015,707	-
Secured loans	105,813	111,349	111,349	-	-
Bills payable	2,396,971	2,400,000	2,400,000	-	-
Bonds payable	14,792,647	15,799,990	195,420	11,044,270	4,560,300
	\$ 50,795,431	51,934,793	34,314,516	13,059,977	4,560,300
2012.12.31					
Unsecured loans	\$ 3,000,000	3,004,073	3,004,073	-	-
Secured loans	158,440	168,422	168,422	-	-
Bonds payable	12,995,180	13,899,100	4,235,800	482,400	9,180,900
	\$ 16,153,620	17,071,595	7,408,295	482,400	9,180,900
2012.1.1					
Unsecured loans	\$ 9,000,000	9,010,726	9,010,726	-	-
Bills payable	899,273	900,000	900,000	-	-
Bonds payable	8,000,000	8,345,600	4,230,400	4,115,200	-
	\$ 17,899,273	18,256,326	14,141,126	4,115,200	-

(4) Exchange rate risk

(a) Exposure to exchange rate risk

The Group's financial assets and liabilities exposed to exchange rate risk were as follows:

	<u>2013.12.31</u>			<u>2012.12.31</u>			<u>2012.1.1</u>		
	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>NTD</u>	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>NTD</u>	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>NTD</u>
Financial Assets									
RMB	27,917	4.926	137,521	32,213	4.657	150,019	45,755	4.793	219,304
USD	33,167	29.90	991,719	26,814	29.04	778,753	20,009	30.28	605,864
JPY	110	0.2838	31	69	0.3391	24	245	0.3897	95
HKD	3,394	3.856	13,087	2,593	3.747	9,717	1,807	3.896	7,039
EUR	870	41.14	35,820	110	38.48	4,223	20	39.17	765
Financial Liabilities									
RMB	37,460	4.926	184,532	49,280	4.657	229,494	12,602	4.793	60,403
USD	4,187	29.90	125,213	8,172	29.04	236,900	8,264	30.28	250,284
JPY	5,280	0.2838	1,499	11,932	0.3391	4,046	13,126	0.3897	5,115
HKD	6,712	3.856	25,882	7,881	3.747	29,529	12,733	3.896	49,607
EUR	10	41.14	431	6	38.48	224	9	39.17	339
GBP	6	49.33	321	3	46.89	145	33	46.87	1,547

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

(b) Sensitivity analysis

The Group's exchange rate risk comes mainly from conversion gains and losses of accounts measured in foreign currencies such as cash and cash equivalents, accounts receivable and other receivables, refundable deposits, loans, accounts payable, other payables, guarantee deposits, etc. If the NTD, when compared with CNY, USD, JPY, HKD, EUR, and GBP, had appreciated or depreciated 5% (with other factors remaining constant on the reporting date and with analyses of the two periods on the same basis), profit would have increased or decreased by \$42,022 thousand and by \$21,633 thousand for the years ended December 31, 2013 and 2012, respectively.

(5) Interest rate analysis

The balances of the Group's financial instruments exposed to interest rate risk were as follows:

	Carrying amount		
	2013.12.31	2012.12.31	2012.1.1
Fair value interest rate risk			
Financial assets	\$ 6,982,121	3,480,906	2,861,092
Financial liabilities	50,689,618	15,995,180	17,899,273
Cash flow interest rate risk			
Financial assets	2,177,000	3,946,856	3,812,744
Financial liabilities	105,813	158,440	-

The following sensitivity analysis is determined through the exposure to interest rate risk of derivative and non-derivative instruments on the reporting date. For floating-rate assets and liabilities, the analysis assumes that the balances of outstanding assets and liabilities on the reporting date have been outstanding for the whole period, and their rational change intervals are being estimated. If the interest rate had increased/decreased by 0.5% (with other factors remaining constant on reporting date and with analyses of the two periods on the same basis), for the years ended December 31, 2013 and 2012, the Group's profit would have increased or decreased by \$10,356 thousand and \$18,942 thousand, respectively.

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

(6) Fair value of financial instruments

(a) Financial instruments not at fair value

Except for the table listed below, the management of the Group considers that the book value of financial assets and liabilities that are not at fair value is close to its fair value or the fair value cannot be reliably measured.

	2013.12.31		2012.12.31		2012.1.1	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial liabilities						
Corporate bonds payable (including portion due within a year)	\$14,792,647	14,713,072	12,995,180	13,071,134	8,000,000	8,192,952

(b) Valuation techniques and assumptions used in fair value determination

The Group uses the following methods in determining the fair value of its financial assets and liabilities:

- (i) The fair value of financial assets and liabilities traded in active markets is based on quoted market prices (including investments in stocks and funds from listed entities).
- (ii) The fair value of corporate bonds payable is measured based on a volume-weighted average price on the OTC on the reporting date.

(c) Fair value measurements recognized in the consolidated balance sheets

Fair value levels are defined based on the extent that fair value can be observed. Definitions are as follows:

- (i) Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- (ii) Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- (iii) Level 3: Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

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

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
2013.12.31				
<u>Available-for-sale financial assets</u>				
Domestic emerging stock	\$ 1,226,889	-	-	1,226,889
Beneficiary certificates	758,591	-	-	758,591
Domestic listed stock	202,354	-	-	202,354
	<u>\$ 2,187,834</u>	<u>-</u>	<u>-</u>	<u>2,187,834</u>
2012.12.31				
<u>Available-for-sale financial assets</u>				
Domestic emerging stock	\$ 1,127,655	-	-	1,127,655
Domestic listed stock	205,397	-	-	205,397
	<u>\$ 1,333,052</u>	<u>-</u>	<u>-</u>	<u>1,333,052</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
2012.1.1				
<u>Financial asset at fair value through profit and loss</u>				
Beneficiary certificates	<u>\$ 60,186</u>	<u>-</u>	<u>-</u>	<u>60,186</u>
<u>Available-for-sale financial assets</u>				
Domestic emerging stock	\$ 1,123,144	-	-	1,123,144
Domestic listed stock	217,351	-	-	217,351
	<u>\$ 1,340,495</u>	<u>-</u>	<u>-</u>	<u>1,340,495</u>

There was no transfer between the fair value levels for the years ended December 31, 2013 and 2012.

ac. Financial Risk Management

(1) Overview

The Group is exposed to the following risks due to usage of financial instruments:

- (a) Credit risk
- (b) Liquidity risk
- (c) Market risk

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

This note describes the Group's information concerning risk exposure, and the Group's targets, policies and procedures to measure and manage the risks.

(2) Risk management framework

(a) Decision-making mechanism:

The Board of Directors is the highest supervisory and decision-making body responsible for assessing material risks, designating actions to control these risks, and keeping track of their execution. In addition, the Operations and Management Committee conducts periodic reviews of each business group's operating target and performance to meet companies' guidance and budget.

(b) Risk management policies:

- i. Promote a risk management-based business model.
- ii. Establish a risk management mechanism that can effectively recognize, evaluate, supervise and control risk.
- iii. Create a company-wide risk management structure that can limit risk to an acceptable level.
- iv. Introduce best risk management practices and continue to seek improvements.

(c) Monitoring mechanism:

The Internal Audit Office regularly monitors and assesses potential and varying levels of risks that companies may face and uses this information as a reference for drafting its annual audit plan. The Internal Audit Office should report any discrepancy to the concerned unit chief and ensure that remediation efforts are completed.

(3) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty of a financial instrument fails to meet its contractual obligations, which arises principally from the Group's receivables from customers and financial instruments. The Group deals with customers with good reputations and monitors customers' credit risk and credit ratings continuously. The Group does not concentrate transactions significantly with any single customer or counterparty or in similar areas.

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

(4) Liquidity risk

Liquidity risk is the risk that the Group fails to meet the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to manage liquidity is to ensure, as far as possible, that it always has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable loss or damage to the Group's reputation.

The Group ensures sufficient cash for the requirements of paying estimated operating expenditures, including financial obligations. The Group also monitors its bank credit facilities and ensures that the provisions of loan contracts are all complied with properly. As of December 31, 2013, December 31, 2012, and January 1, 2012, the Group had unused bank facilities of \$49,499,337 thousand, \$67,537,430 thousand and \$58,131,014 thousand, respectively.

(5) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within an acceptable range and to optimize the return.

The Group engages in financial instrument transactions without involving any significant risk such as exchange rate risk, fair value risk arising from interest rate changes, and market price risk; therefore, the Group's market risk is insignificant.

(a) Exchange rate risk

The Group mainly operates in Taiwan, except for international roaming services. Most of the operating revenues and expenses are measured in NTD. A small portion of the expenses is paid in EUR and USD; thus, the Group purchases currency at the spot rate based on the conservative principle in order to hedge exchange rate risk. Overall, exchange rate risk does not affect the Group significantly.

(b) Interest rate risk

The Group issued unsecured corporate bonds and signed facility letters with banks, locking in medium- and long-term fixed interest rates. In respect of interest payables, the fluctuation of interest rates does not affect the Group significantly. Also, interest rate risk does not impact short-term bank loans significantly.

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

(c) Other market price risk

The Group's exposure to equity price risk is mainly due to holding equity financial instruments. The Group supervises the equity price risk actively and manages the risk based on fair value.

Sensitivity analysis: If the equity securities price had increased/decreased by 5% (with other factors remaining constant and with the analyses of the two periods on the same basis), for the years ended December 31, 2013 and 2012, other comprehensive income would have increased or decreased by \$109,392 thousand and \$66,653 thousand, respectively.

7. RELATED-PARTY TRANSACTIONS

a. Parent Company and Ultimate Controlling Party

TWM is the ultimate controlling party of the Group.

b. Other Related-Party Transactions

(1) Operating revenue

	Years ended December 31	
	2013	2012
Associates	\$ 13,841	341
Other related parties	205,127	212,595
	\$ 218,968	212,936

The Group renders telecommunication services to other related parties. The transaction terms with related parties were not significantly different from those of sales to third parties.

(2) Purchases

	Years ended December 31	
	2013	2012
Associates	\$ 583,206	292,422
Other related parties	223,774	201,322
	\$ 806,980	493,744

The entities mentioned above provide logistics, copyright, insurance, and other services. The transaction terms with related parties were not significantly different from those of purchases from third parties.

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

(3) Receivables and payables

	Accounts receivable (Notes)		
	2013.12.31	2012.12.31	2012.1.1
Associates	\$ 3,720	107	-
Other related parties	45,837	70,932	129,019
	\$ 49,557	71,039	129,019

Receivables from related parties were not secured with collateral, and not provisions for bad debt expenses were accrued.

Note: Information on leasehold receivable from other related parties mentioned above is as follows (long-term receivables are recognized in non-current assets):

	Leasehold receivable		Unrealized income	
	Short-term	Long-term	Short-term	Long-term
2013.12.31	\$ 15,775	11,140	(537)	(500)
2012.12.31	37,874	26,570	(881)	(1,270)
2012.1.1	56,952	62,164	(2,139)	(3,020)

	Accounts payable		
	2013.12.31	2012.12.31	2012.1.1
Associates	\$ 73,080	64,377	-

(4) Bank deposits

	2013.12.31	2012.12.31	2012.1.1
(a) <u>Bank deposits and time deposits</u>			
Other related parties	\$ 1,563,806	791,993	814,306
(b) <u>Other financial assets —</u>			
<u>Pledged time deposits and restricted deposits</u>			
Other related parties	\$ 55,924	28,796	39,252
<u>Time deposits with maturities of more than three months</u>			
Other related parties	\$ 928,760	923,000	22,300

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

(5) Borrowings from related parties

	2013.12.31	2012.12.31	2012.1.1
Other related parties	\$ 105,813	158,440	-

(6) Mutual funds purchased from related parties

Other related parties	\$ 200,000	-	-
-----------------------	-------------------	----------	----------

(7) Government bonds with repurchase rights purchased from related parties

Other related parties	\$ -	339,156	407,459
-----------------------	-------------	----------------	----------------

(8) Others

(a) Other receivables

Associates	\$ 53,587	166,868	-
Other related parties	29,125	49	467
	\$ 82,712	166,917	467

(b) Prepayments

Other related parties	\$ 15,394	9,758	11,244
-----------------------	------------------	--------------	---------------

(c) Guarantee deposits

Other related parties	\$ 27,768	56,306	56,201
-----------------------	------------------	---------------	---------------

(d) Other payables

Other related parties	\$ 27,601	6,862	4,949
-----------------------	------------------	--------------	--------------

Years ended December 31

2013	2012
-------------	-------------

(e) Insurance expense

Other related parties	\$ 24,036	22,287
-----------------------	------------------	---------------

(f) Repair and maintenance expense

Other related parties	\$ 27,087	24,618
-----------------------	------------------	---------------

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

	Years ended December 31	
	2013	2012
(g) <u>Donation expense</u>		
Other related parties	\$ 14,540	7,900
(h) <u>Other expense</u>		
Other related parties	\$ 244,692	150,501
(i) <u>Finance costs</u>		
Other related parties	\$ 14,077	-
(j) <u>Rental expenses</u>		
Other related parties	\$ 123,134	117,862

Leases mentioned above were conducted at market prices, and the rental was paid by the month.

c. Key Management Personnel Compensation

	Years ended December 31	
	2013	2012
Short-term employee benefits	\$ 307,803	329,241
Post-employment benefits	2,749	3,300
Termination benefits	47,564	3,057
	\$ 358,116	335,598

8. ASSETS PLEDGED

The assets pledged as collateral for bank loans and refundable deposits for construction contracts were as follows:

	2013.12.31	2012.12.31	2012.1.1
Other current assets – time deposits	\$ 65,227	403,000	73,062
Other non-current assets – time deposits	195,636	56,110	28,369
	\$ 260,863	459,110	101,431

FBM used the above current assets – time deposits as collateral for issuance of a letter of credit (LC) as a guarantee for the loan of Fubon Gehua (Beijing) Enterprise Ltd. Please refer to Note 9(h).

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

9. COMMITMENTS AND CONTINGENCIES

- a. To enhance 3G mobile communications, expand network coverage, and increase the service functions, TWM entered into 3G expansion contracts with Nokia Siemens Networks Taiwan Co., Ltd. for \$6,650,000 thousand in February 2011. TWM increased the total amount of the contract to not higher than \$14,600,000 thousand in September 2012. As of December 31, 2013, December 31, 2012, and January 1, 2012, the purchase amount was \$10,223,388 thousand, \$5,526,374 thousand and \$1,980,972 thousand, respectively.
- b. For the construction of future mobile broadband internet infrastructure and offering better broadband coverage when TWM begins to operate, TWM entered into a purchase contract for broadband internet equipment with Nokia Siemens Networks Taiwan Co., Ltd. in December 2013 and January 2014. The total amount of the contract will be no higher than \$11,563,602 thousand. As of December 31, 2013, the purchase amount was \$347,160 thousand.
- c. TWM provided a maximum \$21,500,000 thousand guarantee for TFN's bank loans. Under bank practices, TWM also provided \$14,146,500 thousand, \$21,116,400 thousand and \$19,759,800 thousand of promissory notes outstanding for TFN's borrowings from banks as of December 31, 2013, December 31, 2012, and January 1, 2012, respectively. As of December 31, 2013, December 31, 2012, and January 1, 2012, TFN had drawn down \$0, \$500 thousand and \$0, respectively, from the banks within the guarantee amount.
- d. TWM provided a maximum \$50,000 thousand guarantee for TKT's bank guarantee. Under bank practices, TWM also provided \$50,000 thousand in promissory notes outstanding for TKT's guarantee from banks. As of December 31, 2013, TKT had drawn down \$1,906 thousand from the banks within the guarantee amount.
- e. To improve the network quality and bandwidth, TFN entered into a purchase contract for transmission facilities and IP equipment with Nokia Siemens Networks Taiwan Co., Ltd. in July 2011. The total amount of the contract will be no higher than \$769,576 thousand. As of December 31, 2013, December 31, 2012, and January 1, 2012, the purchase amount was \$679,558 thousand, \$448,776 thousand and \$46,123 thousand, respectively.
- f. To improve the cloud service, TFN entered into an engineering contract for cloud service facilities with Shen Ton Information Technology Co., Ltd. in October 2012. The total amount of the contract will be no higher than \$443,990 thousand. As of December 31, 2013, and December 31, 2012, \$133,197 thousand and \$0, respectively, had been paid.

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

- g. In accordance with NCC's policy to establish network equipment that meets the Fixed Network Regulations, TFN entered into a contract with CommVerge Solutions (BVI) Taiwan branch to displace the existing Carrier Ethernet Network in March 2013. The total amount of the contract will be no higher than \$357,739 thousand. As of December 31, 2013, the purchase amount was \$235,027 thousand.
- h. As of December 31, 2013, and December 31, 2012, FBM had provided a guarantee for Fubon Gehua (Beijing) Enterprise Ltd. (FGE) with a ceiling of US\$8,000 thousand and US\$11,400 thousand, respectively. The amount of the LC, under bank practices, was US\$6,000 thousand and US\$11,400 thousand, respectively, derived from bank loans; and time deposits of \$200,000 thousand and \$380,000 thousand, respectively, were pledged as a guarantee for the LC. The ending drawdown balance within the guarantee and endorsement was CNY 21,480 thousand and CNY 34,022 thousand, respectively, and there was no balance as of January 1, 2012.

10. SIGNIFICANT CASUALTY LOSS: NONE

11. SIGNIFICANT SUBSEQUENT EVENTS

On January 22, 2014, the Board of Directors of Taipei New Horizon Co., Ltd. (TNH) resolved to increase TNH's capital by \$345,000 thousand, divided into 34,500 thousand shares with a par value of \$10 per share. TWM subscribed for the shares based on its proportion of the shareholding, which remains at 49.9%. TWM paid \$172,155 thousand for subscribing shares on January 27, 2014.

12. OTHERS

- a. Employee benefits, depreciation, and amortization are summarized as follows:

	Years ended December 31					
	2013			2012		
	Classified as Operating Costs	Classified as Operating Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Total
Employee benefits						
Salary	\$ 2,023,125	4,043,104	6,066,229	1,906,382	3,692,941	5,599,323
Labor and health insurance	161,285	319,449	480,734	148,881	284,460	433,341
Pension	86,814	162,671	249,485	67,531	155,725	223,256
Others	91,335	194,135	285,470	82,146	167,035	249,181
Depreciation	8,174,885	589,127	8,764,012	7,803,026	662,679	8,465,705
Amortization	928,611	305,538	1,234,149	935,602	342,852	1,278,454

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

- b. Certain accounts in the consolidated financial statements as of and for the year ended December 31, 2012, have been reclassified to conform to the presentation of consolidated financial statements as of and for the year ended December 31, 2013.

13. ADDITIONAL DISCLOSURES

- a. Information on Significant Transactions and b. Information on Investees:

The following were the additional disclosures required by the Securities and Futures Bureau for TWM and its investees:

- (1) Fund financing to other parties: Table 1 (attached)
- (2) Guarantees and endorsements for other parties: Table 2 (attached)
- (3) Marketable securities held at reporting date: Table 3 (attached)
- (4) Marketable securities for which the accumulated purchase or sale amounts for the period exceed NT\$300 million or 20% of the paid-in capital: Table 4 (attached)
- (5) Acquisition of real estate which exceeds NT\$300 million or 20% of the paid-in capital: None
- (6) Disposal of real estate which exceeds NT\$300 million or 20% of the paid-in capital: None
- (7) Total purchases from and sales to related parties which exceed NT\$100 million or 20% of the paid-in capital: Table 5 (attached)
- (8) Receivables from related parties which exceed NT\$100 million or 20% of the paid-in capital: Table 6 (attached)
- (9) Names and locations of, and related information on, investees (on which TWM exercised significant influence): Table 7 (attached)
- (10) Trading in derivative instruments: None
- (11) Business relationships and significant intercompany transactions: Table 9 (attached)

- c. Information on investment In Mainland China:

- (1) The names of investees 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 limitation on investment: Table 8 (attached)

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(2) Significant direct or indirect transactions with the investee company, the 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: For the Group's significant direct or indirect transactions (eliminated when compiling the consolidated financial report) with investee companies in Mainland China for the year ended December 31, 2013, please refer to "Information on significant transactions" and "Business relationships and significant intercompany transactions" above.

14. SEGMENT INFORMATION

Year ended December 31, 2013	Consumer Business Group (CBG)	Enterprise Business Group (EBG)	Home Business Group (HBG)	Fubon Multimedia Technology (FBM)	Adjustments and Eliminations	Total
Operating revenues	\$ 71,198,984	10,733,914	6,243,668	21,278,277	(311,476)	109,143,367
Operating costs	41,728,661	7,040,001	2,896,106	18,449,893	(81,342)	70,033,319
Operating expenses	14,521,097	1,005,030	753,420	2,163,161	(68,154)	18,374,554
Other gains and losses, net	52,763	12,078	2,049	(7,438)	(109)	59,343
Profit	15,001,989	2,700,961	2,596,191	657,785	(162,089)	20,794,837
EBITDA (Note)	22,945,067	3,748,166	3,277,981	832,640	(7,350)	30,796,504
Year ended December 31, 2012						
Operating revenues	\$ 65,628,685	10,465,652	6,126,701	17,746,940	(227,722)	99,740,256
Operating costs	36,877,964	6,934,317	2,710,126	15,126,661	(23,424)	61,625,644
Operating expenses	13,705,103	1,022,639	739,241	1,989,630	(54,199)	17,402,414
Other gains and losses, net	55,736	10,713	1,559	2,004	-	70,012
Profit	15,101,354	2,519,409	2,678,893	632,653	(150,099)	20,782,210
EBITDA (Note)	23,006,389	3,449,512	3,253,584	818,885	917	30,529,287

The Group's reportable segments are determined by types of customers to whom it provides different services and products. The Group divides its business into four reportable segments with different market attributes and marketing strategies. The four segments are described as follows.

CBG: Providing voice and data mobile services for individual users.

EBG: Providing integrated mobile and fixed-line services for enterprise users.

HBG: Providing pay TV and cable broadband services for home users.

FBM: TV shopping / E-shopping / Catalog shopping / Physical channel marketing.

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

Note: The Group uses EBIDTA as the measurement for segment profit and the basis of performance assessment.

a. Foreign Operations

The Group has no revenue-generating unit that operates outside the ROC.

b. Foreign Revenues

The Group has no foreign revenues.

c. Information of Major Customers

The Group's revenues from a single customer do not exceed 10% of the total net operating revenues.

15. FIRST-TIME ADOPTION OF IFRSs

TWM's consolidated financial statements as of December 31, 2012, were prepared in accordance with accounting principles generally accepted in the Republic of China. As described in Note 4, these financial statements have been prepared in accordance with the Guidelines and IAS 34 *Interim Financial Reporting* endorsed by the FSC. The consolidated financial statements are for part of the period covered by the first annual financial statements that apply the Guidelines and Taiwan-IFRSs. The consolidated financial statements also apply IFRS 1 *First-time Adoption of international Financial Reporting Standards*.

The accounting policies described in Note 4 have been adopted for the comparative consolidated financial statements for the year ended December 31, 2012, the consolidated balance sheet as of December 31, 2012, and the initial IFRS consolidated balance sheet as of January 1, 2012 (the Group's conversion date).

In preparing the financial statements for the year 2012, the Group adopted the financial statements prepared in accordance with accounting principles generally accepted in the Republic of China as the initial transfer point. Assessments were made of the material differences between TWM's consolidated financial statements prepared using the prior accounting principles generally accepted in the Republic of China and those of IFRSs as follows:

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

a. Reconciliation of Balance Sheet

	2012.12.31			
	Former ROC GAAP	Changes in accounting policy (Note)	Effects of transition to IFRSs	IFRSs
ASSETS:				
CURRENT ASSETS:				
Cash and cash equivalents	\$ 7,223,640	-	(1,032,500)	6,191,140
Investments	205,397	-	-	205,397
Accounts receivable and other receivables	8,282,404	4,333,548	-	12,615,952
Inventories	2,566,900	-	-	2,566,900
Prepayments	968,893	-	(398,926)	569,967
Other current assets	637,702	-	985,860	1,623,562
Total current assets	19,884,936	4,333,548	(445,566)	23,772,918
NON-CURRENT ASSETS:				
Investments	2,842,353	-	215,192	3,057,545
Property, plant and equipment	39,978,686	-	758,992	40,737,678
Investment property	299,991	-	-	299,991
Intangible assets	26,781,024	-	(126,870)	26,654,154
Deferred income tax assets	496,957	550	575,337	1,072,844
Other non-current assets	2,068,071	3,402,679	(675,655)	4,795,095
Total non-current assets	72,467,082	3,403,229	746,996	76,617,307
TOTAL ASSETS	\$ 92,352,018	7,736,777	301,430	100,390,225
LIABILITIES AND EQUITY:				
CURRENT LIABILITIES:				
Short-term borrowings	\$ 3,158,440	-	-	3,158,440
Notes payable and accounts payable	7,556,448	-	-	7,556,448
Current tax liability	1,523,604	-	-	1,523,604
Other payables	9,425,186	-	67,449	9,492,635
Current provisions	120,610	-	-	120,610
Long-term liabilities, current portion	4,000,000	-	-	4,000,000
Advance receipts and other current liabilities, others	4,942,192	(905,666)	42,130	4,078,656
Total current liabilities	30,726,480	(905,666)	109,579	29,930,393
NON-CURRENT LIABILITIES:				
Bonds payable	8,995,180	-	-	8,995,180
Accrued pension liabilities	-	-	116,237	116,237
Deferred tax liabilities	239,163	1,469,672	410,912	2,119,747
Guarantee deposits	810,436	-	-	810,436
Other non-current liabilities, others	774,939	-	-	774,939
Total non-current liabilities	10,819,718	1,469,672	527,149	12,816,539
TOTAL LIABILITIES	41,546,198	564,006	636,728	42,746,932
EQUITY ATTRIBUTABLE TO OWNERS OF PARENT				
Ordinary share	34,208,328	-	-	34,208,328
Capital surplus	12,432,446	-	(595)	12,431,851
Retained earnings	34,082,930	7,172,771	(587,634)	40,668,067
Other equity interest	77,416	-	262,610	340,026
Treasury shares	(31,077,183)	-	-	(31,077,183)
Total equity attributable to owners of parent	49,723,937	7,172,771	(325,619)	56,571,089
Non-controlling interests	1,081,883	-	(9,679)	1,072,204
TOTAL EQUITY	50,805,820	7,172,221	(335,298)	57,643,293
TOTAL LIABILITIES AND EQUITY	\$ 92,352,018	7,736,777	301,430	100,390,225

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

	2012.1.1			
	Former ROC GAAP	Changes in accounting policy (Note)	Effects of transition to IFRSs	IFRSs
ASSETS:				
CURRENT ASSETS:				
Cash and cash equivalents	\$ 6,693,992	-	(121,800)	6,572,192
Investments	277,537	-	-	277,537
Accounts receivable and other receivables	7,953,882	2,905,489	-	10,859,371
Inventories	2,004,103	-	-	2,004,103
Prepayments	661,318	-	(254,834)	406,484
Other current assets	252,616	-	93,409	346,025
Total current assets	17,843,448	2,905,489	(283,225)	20,465,712
NON-CURRENT ASSETS:				
Investments	2,161,551	-	210,681	2,372,232
Property, plant and equipment	41,024,944	-	669,515	41,694,459
Investment property	302,799	-	-	302,799
Intangible assets	27,760,674	-	(154,836)	27,605,838
Deferred income tax assets	743,916	472	437,469	1,181,857
Other non-current assets	1,948,468	2,616,895	(556,944)	4,008,419
Total non-current assets	73,942,352	2,617,367	605,885	77,165,604
TOTAL ASSETS	\$ 91,785,800	5,522,856	322,660	97,631,316
LIABILITIES AND EQUITY:				
CURRENT LIABILITIES:				
Short-term borrowings	\$ 9,000,000	-	-	9,000,000
Short-term notes and bills payable	899,273	-	-	899,273
Notes payable and accounts payable	6,122,555	-	-	6,122,555
Current tax liability	1,331,623	-	-	1,331,623
Other payables	9,850,737	-	61,140	9,911,877
Current provisions	90,014	-	-	90,014
Long-term liabilities, current portion	4,000,000	-	-	4,000,000
Advance receipts and other current liabilities	4,803,189	(1,012,667)	37,979	3,828,501
Total current liabilities	36,097,391	(1,012,667)	99,119	35,183,843
NON-CURRENT LIABILITIES:				
Bonds payable	4,000,000	-	-	4,000,000
Accrued pension liabilities	-	-	106,748	106,748
Deferred tax liabilities	195,847	1,111,431	320,926	1,628,204
Guarantee deposits	738,932	-	-	738,932
Other non-current liabilities, others	689,745	-	-	689,745
Total non-current liabilities	5,624,524	1,111,431	427,674	7,163,629
TOTAL LIABILITIES	41,721,915	98,764	526,793	42,347,472
EQUITY ATTRIBUTABLE TO OWNERS OF PARENT				
Ordinary share	34,208,328	-	-	34,208,328
Capital surplus	12,432,446	-	(595)	12,431,851
Retained earnings	33,272,277	5,424,092	(438,166)	38,258,203
Other equity interest	112,143	-	244,075	356,218
Treasury shares	(31,077,183)	-	-	(31,077,183)
Total equity attributable to owners of parent	48,948,011	5,424,092	(194,686)	54,177,417
Non-controlling interests	1,115,874	-	(9,447)	1,106,427
TOTAL EQUITY	50,063,885	5,424,092	(204,133)	55,283,844
TOTAL LIABILITIES AND EQUITY	\$ 91,785,800	5,522,856	322,660	97,631,316

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

b. Reconciliation of Comprehensive Income Statement

	For the year ended December 31, 2012			
	Former ROC GAAP	Changes in accounting policy (Note)	Effects of transition to IFRSs	IFRSs
OPERATING REVENUES	\$ 98,250,353	2,138,282	(648,379)	99,740,256
OPERATING COSTS	62,278,244	-	(652,600)	61,625,644
GROSS PROFIT FROM OPERATIONS	35,972,109	2,138,282	4,221	38,114,612
OPERATING EXPENSES				
Marketing	12,458,657	-	140,605	12,599,262
Administrative	4,778,611	31,440	(6,899)	4,803,152
	17,237,268	31,440	133,706	17,402,414
NET OTHER INCOME AND EXPENSES	-	-	70,012	70,012
NET OPERATING INCOME	18,734,841	2,106,842	(59,473)	20,782,210
NON-OPERATING INCOME AND EXPENSES				
Other income	122,034	-	(6)	122,028
Other gains and losses, net	(542,837)	-	(77,460)	(620,297)
Finance costs	(332,114)	-	-	(332,114)
Share of losses of associates accounted for using equity method	(10,502)	-	-	(10,502)
	(763,419)	-	(77,466)	(840,885)
PROFIT BEFORE TAX	17,971,422	2,106,842	(136,939)	19,941,325
LESS: TAX EXPENSE	3,055,140	358,163	(22,177)	3,391,126
PROFIT	14,916,282	1,748,679	(114,762)	16,550,199
OTHER COMPREHENSIVE INCOME (LOSS)				
Exchange differences on translation				(13,466)
Unrealized gains on available-for-sale financial assets				(7,444)
Actuarial losses on defined benefit plans				(43,286)
Share of other comprehensive income of associates accounted for using equity method				(198)
Income tax generated from other comprehensive income				7,359
OTHER COMPREHENSIVE INCOME (AFTER TAX)				(57,035)
COMPREHENSIVE INCOME				\$ 16,493,164
Earnings per share				
Basic	\$ 5.46	0.65	(0.04)	6.07
Diluted	\$ 5.45	0.65	(0.04)	6.06

Note: Please refer to Note 4(f) for illustrations of changes in accounting principles.

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

c. Explanation of the Reconciliation of Primary Significant Differences

(1) Customer loyalty programs

Under former GAAP, expenses arising from the credit award plan were estimated and recognized in the financial statements as an obligation the plan had incurred. After the adoption of IFRSs, credit awards, which are allocated based on the relative fair value method, should be included in deferred revenue and recognized as revenue when the redemption obligations are fulfilled, in accordance with IFRIC 13 *Customer Loyalty Programs*. The effects of the changes are summarized as follows:

		<u>2012</u>
Consolidated statements of comprehensive income		
Operating revenues		<u>\$ (4,052)</u>
	<u>2012.12.31</u>	<u>2012.1.1</u>
Consolidated balance sheets		
Deferred revenue	<u>\$ 42,224</u>	<u>38,172</u>

(2) Prepaid card commission

Former GAAP adopted a revenue and cost matching principle. Revenue from selling prepaid cards and its corresponding commission were recognized as revenue received in advance and expense payment in advance, which would then be recognized as service revenue and selling expense, respectively, based on the customer's usage. After the adoption of IFRSs, upon the sales of prepaid cards to customers, the commission paid to the distributors shall be recognized as commission expense, in accordance with IAS (International Accounting Standard) 38 *Intangible Assets*. The effects of the changes are summarized as follows:

		<u>2012</u>
Consolidated statements of comprehensive income		
Commission expenses		<u>\$ 137,288</u>
	<u>2012.12.31</u>	<u>2012.1.1</u>
Consolidated balance sheets		
Prepaid commissions	<u>\$ (400,336)</u>	<u>(263,048)</u>

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

(3) Financial assets – equity instruments

Based on former SFAS No. 34 and other standards, if the fair value of the financial instruments could not be measured objectively (including emerging and non-listed stock), the instruments should be measured at cost. Should any objective evidence of impairment occur, an impairment loss should be recognized. After the adoption of IFRSs, if the fair value (such as market prices) of financial instruments can be obtained, the instruments should be reclassified as available-for-sale financial assets, with subsequent re-evaluation based on their fair value. After adopting IFRSs, the Group reclassified the portion of financial assets carried at cost – non-current to available-for-sale financial assets – non-current. The relevant adjustments are as follows:

Former GAAP		IFRSs		
Item	Amount of measurement	Item	Amount of measurement	Difference
As of December 31, 2012				
		Non-current available-for-sale financial assets	1,127,655	1,127,655
Non-current financial assets carried at cost	\$ 1,093,791	Non-current financial assets carried at cost	181,328	(912,463)
	<u>\$ 1,093,791</u>		<u>1,308,983</u>	<u>215,192</u>
As of January 1, 2012				
		Non-current available-for-sale financial assets	1,123,144	1,123,144
Non-current financial assets carried at cost	\$ 1,098,739	Non-current financial assets carried at cost	186,276	(912,463)
	<u>\$ 1,098,739</u>		<u>1,309,420</u>	<u>210,681</u>
		As of	As of	
Adjustment of above differences:		December 31, 2012	January 1, 2012	
Other equity interest – unrealized gains on available-for-sale financial assets		<u>\$ 215,192</u>	<u>210,681</u>	

(4) Employee benefits – compensated absences

Under former GAAP, there were no principles regarding the accumulated compensated absences. After the adoption of IFRSs, if employees' vacation rights are a form of accumulated compensated absences, the expected cost of accumulated compensated absences should be recognized when the employees render service and thus increase future compensated absence rights, in accordance with IAS 19 *Employee Benefits*. The effects of the changes are summarized as follows:

	<u>2012</u>
Consolidated statements of comprehensive income	
Wages and salaries	<u>\$ 550</u>

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

	2012.12.31	2012.1.1
Consolidated balance sheets		
Wages and salaries payable	\$ 39,596	39,046

(5) Leases

Under former GAAP, the rent expense of the leased objective was recognized as expense when paid. After the adoption of IFRSs, it has to be recognized as expense using the straight-line method in accordance with the amount of the contract or the amount of the actual hike over the lease term in accordance with IAS 17 *Leases*. The effects of the changes are summarized as follows:

	2012
Consolidated statements of comprehensive income	
Rent expense	\$ 5,765

	2012.12.31	2012.1.1
Consolidated balance sheets		
Rents payable	\$ 27,853	22,088

(6) Employee benefits – post-employment defined benefit plan

Under former GAAP, the pension cost and pension liability under the defined benefit pension plan were recognized on the basis of actuarial calculations. After the adoption of IFRSs, the actuarial calculation for the defined benefit obligation is determined in accordance with IAS 19 *Employee Benefits*.

Under former GAAP, unrecognized net transition assets or obligations were amortized on a straight-line basis over the employee's remaining service period. After the adoption of IFRSs, the aforementioned assets or obligations shall be recognized as an addition to/deduction from retained earnings on the date of transition to IFRSs due to the absence of the requirement under IAS 19 *Employee Benefits*.

Under former GAAP, pension actuarial gain and loss were recognized as current pension cost by the corridor approach in the income statement. After the adoption of IFRSs, the abovementioned gain or loss shall be recognized as other comprehensive income in the statement of comprehensive income, in accordance with IAS 19 *Employee Benefits*. The effects of the changes are summarized as follows:

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

	2012
Consolidated statements of comprehensive income	
Pension expenses	\$ (17,334)
Actuarial losses on defined benefit plans	\$ 35,927

	2012.12.31	2012.1.1
Consolidated balance sheets		
Prepaid pension cost	\$ (21,050)	(8,504)
Deferred pension cost	\$ (22,039)	(25,409)
Accrued pension liabilities	\$ 116,237	106,748
Net loss not recognized as pension cost	\$ 24,050	16,775

(7) Affiliated companies

Under former GAAP, the variation in the proportion of share equity arising from the additional share issuance by affiliated companies in which the original shareholders do not acquire new shares proportionately would be adjusted in additional paid-in capital or retained earnings. After the adoption of IFRSs, the resulting differences between the net fair value of the identifiable assets and liabilities in excess of the investment cost are reflected in additional paid-in capital. If the equity has decreased, other comprehensive income and loss generated from affiliated companies are reclassified as profit and loss in proportion to the company's loss on its share. The effects of the changes are summarized as follows:

	2012.12.31	2012.1.1
Consolidated balance sheets		
Capital surplus	\$ (595)	(595)

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

(8) Functional currency

Under former GAAP, the investment holding companies which were consolidated entities used US dollars as their functional currency. After the adoption of IFRSs, they have to determine the functional currency based on the requirement under IAS 21 *The Effects of Changes in Foreign Exchange Rates*. The effects of the changes are summarized as follows:

	2012	
Consolidated statements of comprehensive income		
Amortizations	\$	(963)
Interest income		(6)
Exchange losses		7,576
	2012.12.31	2012.1.1
Consolidated balance sheets		
Goodwill	\$	966
Other payables	-	6
Exchange differences on translation of foreign statements	23,368	16,619

(9) Time deposits with original maturities of more than three months

Under former GAAP, deposits which could be canceled at any time without losing any principal were classified as cash and cash equivalents. After adoption of IFRSs, an investment qualified as a cash equivalent must be readily convertible to a known amount of cash and should not subject to a significant risk of changes in value. Therefore, an investment can generally be qualified as a cash equivalent only if it has a short maturity (three months or less from the date of acquisition). The effects of the changes are summarized as follows:

	2012.12.31		2012.1.1	
Consolidated balance sheets				
Cash and cash equivalents	\$	(1,032,500)	(121,800)	
Other financial assets		1,032,500	121,800	

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

(10) Classification of leased assets

Under former GAAP, leased offices were classified as leased assets under other assets. After the adoption of IFRSs, they are reclassified as investment properties in accordance with IAS 40 *Investment Property*. The effects of the changes are summarized as follows:

	<u>2012.12.31</u>	<u>2012.1.1</u>
Consolidated balance sheets		
Leased assets	\$ (299,991)	(302,799)
Investment property	299,991	302,799

(11) Classification of idle assets

Under former GAAP, idle assets were classified as other assets. After the adoption of IFRSs, they are reclassified as property, plant and equipment, depending on their nature, in accordance with IAS 16 *Property, Plant and Equipment*. The effects of the changes are summarized as follows:

	<u>2012</u>	
Consolidated statements of comprehensive income		
Depreciation expenses	\$	128
Non-operating expenses—others		(128)
	<u>2012.12.31</u>	<u>2012.1.1</u>
Consolidated balance sheets		
Idle assets	\$ (99,685)	(99,813)
Property, plant and equipment	99,685	99,813

(12) Classification of prepayments for property, plant and equipment and computer software costs

Under former GAAP, the prepayments item for purchasing property, plant and equipment and computer software costs were classified as fixed assets and computer software costs. Under IFRSs, they are reclassified as prepaid items in the category of other assets. The effects of the changes are summarized as follows:

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

	2012.12.31	2012.1.1
Consolidated balance sheets		
Fixed assets	\$ (353)	(14,341)
Computer software	(111,468)	(133,277)
Other assets — prepayments for business facilities	111,821	147,618

(13) Classification of deferred charges

Under former GAAP, deferred expenses were classified as other assets. After the adoption of IFRSs, they are reclassified as prepayments; property, plant and equipment; computer software costs; and prepayments for equipment. The effects of changes are summarized as follows:

	2012.12.31	2012.1.1
Consolidated balance sheets		
Other assets – deferred charges	\$ (666,741)	(596,245)
Prepayments	1,410	8,214
Property, plant and equipment	659,660	584,043
Intangible assets – computer software costs	5,671	3,988

(14) Classifications of deferred income tax assets/liabilities and valuation allowance

Under former GAAP, deferred income tax assets or liabilities were classified as current or non-current according to the classification of related assets or liabilities. However, if deferred income tax assets or liabilities did not relate to assets or liabilities in the financial statements, they were classified as either current or non-current based on the expected length of time before being realized. After the adoption of IFRSs, deferred tax assets or liabilities are all classified as non-current assets or liabilities. Only if the Group has a legally enforceable right to set off current tax assets against current tax liabilities and meets other related requirements may the Group offset deferred tax assets and deferred tax liabilities.

Under former GAAP, a valuation allowance was provided for deferred income tax assets to the extent that it is more likely than not that the assets would not be realized. Under IFRSs, deferred tax assets are only recognized to the extent that it is probable that there will be sufficient tax benefits, and a valuation allowance account is no longer used. The effects of the changes are summarized as follows:

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

	2012.12.31	2012.1.1
Consolidated balance sheets		
Non-current deferred tax assets	\$ 453,107	362,336
Non-current deferred tax liabilities	453,107	362,336

(15) Revenue recognition

There are some differences between the definition of clients and agents under former GAAP and the requirement of IFRSs. After the adoption of IFRSs, a re-assessment is required in accordance with IAS 18 *Revenue*. If the transaction is an agent relationship, commission will be recognized as revenue instead of as amounts received from clients.

Under former GAAP, the slotting fee, promotion fee, and other fees which were charged to suppliers were classified as operating revenue. Under IFRSs, the above-mentioned linked transactions should be recognized as purchase discounts and allowances in accordance with IAS 18 *Revenue*. The effects of the changes are summarized as follows:

	2012
Consolidated statements of comprehensive income	
Operating revenues	\$ (644,327)
Operating costs	(644,327)

(16) Classification of income and expenses

In the consolidated income statements under former GAAP, the operating income only included operating revenues, operating costs, and operating expenses. After the adoption of IFRSs, the Group reclassified operating transactions (such as revenue from police inquiries) to other operating revenues and expenses, included in operating income. The effects of the changes are summarized as follows:

	2012
Consolidated statements of comprehensive income	
Non-operating income and expenses	\$ (70,012)
Other operating revenues and expenses	70,012

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

d. In accordance with IFRS 1, except for the optional exemptions and mandatory exceptions, the Group applies the accounting policies which comply with each IFRS effective reporting period and applied them retroactively to the differences between IFRSs and ROC GAAP in its first IFRS financial statements.

The optional exemptions are set out as follows:

(1) Business combinations

The Group elected not to apply IFRS 3 *Business Combinations* and IAS 27 *Consolidated and Separate Financial Statements* retroactively to business combinations that occurred prior to the date of transition, including investments in associates.

(2) Pension

The Group elected to recognize all unrecognized accumulated actuarial gain and loss arising from the pension plan as retained earnings at the date of transition.

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

ENDORSEMENT/GUARNTTEE PROVIDED

FOR THE YEAR ENDED DECEMBER 31, 2013

TABLE 1

(In Thousands of New Taiwan Dollars)

No.	Lending Company	Borrowing Company	Financial Statement Account	Related Parties	Maximum Balance for the Period (Note 1)	Ending Balance (Note 1)	Drawdown Amounts	Interest Rate	Nature of Financing	Transaction Amounts	Reasons for Short-term Financing	Allowance for Doubtful Accounts	Collateral		Lending Limit for Each Borrowing Company	Lending Company's Lending Amount Limits
													Item	Value		
0	TWM	TFN Media Co., Ltd.	Other receivables	Yes	\$ 4,000,000	\$ 4,000,000	\$ 1,790,000	1.194%~1.199%	Short-term financing	-	Operation requirements	-	-	-	\$ 22,973,558 (Note 2)	22,973,558 (Note 2)
		Global Wealth Media Technology Co., Ltd.	Other receivables	Yes	10,000	-	-	-	Short-term financing	-	Operation requirements	-	-	-	22,973,558 (Note 2)	22,973,558 (Note 2)
		Win TV Broadcasting Co., Ltd.	Other receivables	Yes	600,000	600,000	295,000	1.196%	Short-term financing	-	Operation requirements	-	-	-	22,973,558 (Note 2)	22,973,558 (Note 2)
		Taiwan Kuro Times Co., Ltd.	Other receivables	Yes	100,000	-	-	1.193%	Short-term financing	-	Operation requirements	-	-	-	22,973,558 (Note 2)	22,973,558 (Note 2)
		Wealth Media Technology Co., Ltd.	Other receivables	Yes	600,000	-	-	-	Short-term financing	-	Operation requirements	-	-	-	22,973,558 (Note 2)	22,973,558 (Note 2)
1	Taiwan Cellular Co., Ltd.	TWM	Other receivables	Yes	800,000	-	-	1.199%	Short-term financing	-	Operation requirements	-	-	-	32,724,866 (Note 2)	32,724,866 (Note 2)
		Taiwan Digital Communications Co., Ltd.	Other receivables	Yes	200,000	-	-	1.198%~1.199%	Short-term financing	-	Operation requirements	-	-	-	32,724,866 (Note 2)	32,724,866 (Note 2)
2	Taiwan Fixed Network Co., Ltd.	TWM	Other receivables	Yes	8,000,000	7,830,000	6,270,000	1.183%~1.199%	Short-term financing	-	Operation requirements	-	-	-	20,085,126 (Note 2)	20,085,126 (Note 2)
3	Union Cable TV Co., Ltd.	TFN Media Co., Ltd.	Other receivables	Yes	175,000	-	-	-	Short-term financing	-	Repayment of financing	-	-	-	727,003 (Note 3)	966,905 (Note 3)
4	Globalview Cable TV Co., Ltd.	TFN Media Co., Ltd.	Other receivables	Yes	261,000	251,000	251,000	1.190%~1.194%	Short-term financing	-	Repayment of financing	-	-	-	269,568 (Note 3)	488,151 (Note 3)
5	Phoenix Cable TV Co., Ltd.	TFN Media Co., Ltd.	Other receivables	Yes	560,000	532,000	532,000	1.190%~1.194%	Transactions	551,878	-	-	-	-	551,878 (Note 3)	967,353 (Note 3)
6	Yeong Jia Leh Cable TV Co., Ltd.	TFN Media Co., Ltd.	Other receivables	Yes	491,000	391,000	391,000	1.187%~1.200%	Transactions	502,365	-	-	-	-	502,365 (Note 3)	783,068 (Note 3)
7	Wealth Media Technology Co., Ltd.	TWM	Other receivables	Yes	500,000	500,000	400,000	1.196%	Short-term financing	-	Operation requirements	-	-	-	6,462,825 (Note 2)	6,462,825 (Note 2)
		Win TV Broadcasting Co., Ltd.	Other receivables	Yes	600,000	-	-	1.593%~1.608%	Short-term financing	-	Operation requirements	-	-	-	6,462,825 (Note 2)	6,462,825 (Note 2)
		Taiwan Kuro Times Co., Ltd.	Other receivables	Yes	100,000	100,000	30,000	1.196%	Short-term financing	-	Operation requirements	-	-	-	6,462,825 (Note 2)	6,462,825 (Note 2)

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

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

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

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

ENDORSEMENT/GUARNTTEE PROVIDED

FOR THE YEAR ENDED DECEMBER 31, 2013

TABLE 2

(In Thousands of New Taiwan Dollars)

No.	Endorsement/Guarantor	Receiving Party		Limits on Guarantee/Endorsement Amount Provided to Each Entity	Maximum Balance for the Period (Note 1)	Ending Balance (Note 1)	Drawdown Amounts (Note 1)	Amount of Endorsement/Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/Guarantee to Net Worth of the Guarantor (Note 1)	Maximum Guarantee/Endorsement Amount Allowable	Guarantee Provided by Parent Company	Guarantee Provided by A Subsidiary	Guarantee Provided to Subsidiaries in Mainland China
		Name	Nature of Relationship										
0	TWM	Taiwan Fixed Network Co., Ltd.	(Note 2)	\$ 42,000,000 (Note 3)	\$ 21,500,000	\$ 21,500,000	\$14,146,500	\$ -	37.43%	\$ 57,433,894 (Note 3)	Y	N	N
		Taiwan Kuro Times Co., Ltd.	(Note 2)	259,800 (Note 3)	50,000	50,000	50,000	-	0.09%	57,433,894 (Note 3)	Y	N	N
1	Fubon Multimedia Technology Co., Ltd.	Fubon Gehua (Beijing) Enterprise Ltd.(FGE)	(Note 2)	663,997 (Note 4)	597,205	239,200	239,200	179,400	11.09%	2,156,040 (Note 4)	N	N	Y

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

Note 2: Direct/indirect subsidiary.

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

Note 4: FGE is directly and indirectly owned by FBM more than 50%. The aggregate endorsement/guarantee amount provided by FBM shall be limited to the net worth of FBM, and the individual amount shall be limited to the investment amount in FGE. The above amounts were translated into New Taiwan dollars at the exchange rate of US\$1 = NT\$29.90 and at the exchange rate of RMB 1 = NT\$4.926 as of December 31, 2013.

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

DECEMBER 31, 2013

TABLE 3

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

Investing Company	Marketable Securities Type and Name	Relationship with the Securities Issuer	Financial Statement Account	December 31, 2013				Note
				Shares/Units (Thousands)	Carrying Value	Percentage of Ownership	Fair Value	
TWM	<u>Stock</u>							
	Chunghwa Telecom Co., Ltd.	—	Available-for-sale financial assets –current	2,174	\$ 202,354	0.028	\$ 202,354	Note 3
	Bridge Mobile Pte Ltd.	—	Financial assets at cost –non-current	2,200	50,324	10	-	Note 2
	Yes Mobile Holdings Company	—	Financial assets at cost–non-current	74	-	0.19	-	Note1& Note2
Fubon Multimedia Technology Co., Ltd.	<u>Beneficiary Certificate</u>							
	Fubon Strategic High Income	Related party in substance	Available-for-sale financial assets –current	18,302	192,115	-	192,115	Note 3
	Emerging Market High Yield Bond	—	Available-for-sale financial assets –current	10,225	86,707	-	86,707	Note 3
	Global Multi-Strategy High Yield Bond	—	Available-for-sale financial assets –current	17,089	144,581	-	144,581	Note 3
	Global High Income Bond Fund	—	Available-for-sale financial assets –current	19,028	193,915	-	193,915	Note 3
	Asia High Yield Total Return Bond Fund	—	Available-for-sale financial assets –current	13,909	141,273	-	141,273	Note 3
Taiwan Cellular Co., Ltd.	<u>Stock</u>							
	Arcoa Communication Co., Ltd.	—	Financial assets at cost –non-current	6,998	67,731	5.21	-	Note 2
	Parawin Venture Capital Corp.	—	Financial assets at cost –non-current	2,400	13,870	3	-	Note 2
	Transportation High Tech Inc.	—	Financial assets at cost –non-current	1,200	-	12	-	Note1& Note2
	WEB Point Co., Ltd.	—	Financial assets at cost –non-current	803	6,773	3.17	-	Note 2
TCC Investment Co., Ltd.	<u>Stock</u>							
	TWM	TWM	Available-for-sale financial assets –non-current	200,497	19,307,838	5.86	19,307,838	Note 3
	Great Taipei Broadband Co., Ltd.	—	Financial assets at cost –non-current	10,000	39,627	6.67	-	Note 2

(Continued)

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

DECEMBER 31, 2013

Investing Company	Marketable Securities Type and Name	Relationship with the Securities Issuer	Financial Statement Account	December 31, 2013				Note
				Shares/Units (Thousands)	Carrying Value	Percentage of Ownership	Market Value or Net Worth	
	<u>Preferred stock</u> Taiwan High Speed Rail Corporation Unlisted Convertible Preferred Stock – Series A	—	Bond investment without active market - non-current	50,000	500,000	1.24	\$ -	Note 2
TCCI Investment and Development Co., Ltd.	<u>Stock</u> TWM	TWM	Available-for-sale financial assets –non-current	119,564	11,513,994	3.5	11,513,994	Note 3
Taiwan Fixed Network Co., Ltd.	<u>Stock</u> Taiwan High Speed Rail Corporation	—	Available-for-sale financial assets –non-current	225,531	1,226,889	3.46	1,226,889	Note 3
TFN Union Investment Co., Ltd.	<u>Stock</u> TWM	TWM	Available-for-sale financial assets –non-current	410,665	39,547,067	12	39,547,067	Note 3

Note 1: Impairment loss was recognized in 2004. The value was reduced to zero.

Note 2: As of the issuance date of the report, the investee's net worth of December 31, 2013 was not available.

Note 3: Based on the closing price or net worth of beneficiary certificate on December 31, 2013.

Note 4: For the information of investments in subsidiaries and associates, please refer to table 7 and table 8.

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED OR DISPOSED AMOUNTING TO AT LEAST \$300 MILLION OR 20% OF THE PAID-IN CAPITAL

FOR THE YEAR ENDED DECEMBER 31, 2013

TABLE 4

(In Thousands of New Taiwan Dollars)

Company Name	Marketable Securities Type and Issuer	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Shares/Units (Thousands)	Amount	Shares/Units (Thousands)	Amount	Shares/Units (Thousands)	Amount	Carrying Value	Gain (Loss) on Disposal	Shares/Units (Thousands)	Amount
TWM	Stock Taipei New Horizons Co., Ltd.	Investments accounted for using equity method	Taipei New Horizons Co., Ltd.	Equity-method investee	92,315	\$ 811,841	82,335 (Note 1)	\$ 823,350	-	-	-	-	174,650	\$ 1,566,952 (Note 2)
	Taiwan Cellular Co., Ltd.	Investments accounted for using equity method	Taiwan Cellular Co., Ltd.	Subsidiary	370,896	17,013,105	300 (Note 1)	300,000	-	-	-	-	371,196	21,760,521 (Note 2)
Taiwan Cellular Co., Ltd.	Stock Taiwan Digital Service Co., Ltd.	Investments accounted for using equity method	Taiwan Digital Service Co., Ltd.	Subsidiary	-	-	20,000	1,000,000	-	-	-	-	20,000	1,226,448 (Note 2)

Note 1: Shares /Units purchased this period were from capital cash injection.

Note 2: The ending balance includes the exchange differences on translation of foreign financial statements, share of profit or loss of subsidiaries and associates accounted for using equity method, unrealized income or loss from available-for-sale financial assets, unrealized profit from sales and actuarial gains (losses) on defined pension plans.

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES
TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2013

TABLE 5
(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Transaction Details				Transactions with Terms Different from Others		Notes/Accounts Payable or Receivable		Note
			Purchase/Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
TWM	Taiwan Fixed Network Co., Ltd.	Subsidiary	Sale	\$ (2,035,758)	3	Based on contract terms	—	—	\$ 301,944	2	Note 1
			Purchase	6,867,304	(Note 2)	Based on contract terms	—	—	(767,796)	(Note 3)	
	Taiwan Kuro Times Co., Ltd.	Subsidiary	Purchase	326,939	1	Based on contract terms	—	—	(91,797)	2	Note 8
	Taiwan Teleservices & Technologies Co., Ltd.	Subsidiary	Purchase	1,013,457	(Note 4)	Based on contract terms	—	—	(87,897)	(Note 3)	
	Taiwan Digital Service Co., Ltd.	Subsidiary	Sale	(7,762,958)	10	Based on contract terms	—	—	2,855,126	21	Note 10
			Purchase	5,991,633	(Note 4)	Based on contract terms	—	—	(1,545,219)	(Note 3)	
	Taiwan Digital Communication Co., Ltd.	Subsidiary	Purchase	343,035	(Note 5)	Based on contract terms	—	—	-	-	
Taiwan Teleservices & Technologies Co., Ltd.	TWM	Ultimate parent	Sale	(1,013,593)	90	Based on contract terms	—	—	87,917	90	
	Taiwan Fixed Network Co., Ltd.	Related party in substance	Sale	(105,496)	9	Based on contract terms	—	—	9,411	10	
Taiwan Fixed Network Co., Ltd.	TWM	Ultimate parent	Sale	(6,851,392)	48	Based on contract terms	—	—	764,682	60	Note 6
			Purchase	2,040,334	29	Based on contract terms	—	—	(301,764)	45	Note 1
	TFN Media Co., Ltd.	Related party in substance	Sale	(135,455)	1	Based on contract terms	—	—	25,481	2	
	Taiwan Teleservices & Technologies Co., Ltd.	Related party in substance	Purchase	105,496	(Note 4)	Based on contract terms	—	—	(9,411)	(Note 3)	
Taiwan Digital Service Co., Ltd.	TWM	Ultimate parent	Sale	(5,990,012)	69	Based on contract terms	—	—	1,545,219	97	
			Purchase	7,762,999	(Note 5)	Based on contract terms	—	—	(2,855,126)	99	Note 11
Taiwan Digital Communication Co., Ltd.	TWM	Ultimate parent	Sale	(343,039)	81	Based on contract terms	—	—	-	-	
Taiwan Kuro Times Co., Ltd.	TWM	Ultimate parent	Sale	(326,939)	69	Based on contract terms	—	—	91,797	85	Note 9
TFN Media Co., Ltd.	Phoenix Cable TV Co., Ltd.	Subsidiary	Channel leasing fee	(473,672)	15	Based on contract terms	(Note 7)	(Note 7)	-	-	
	Yeong Jia Leh Cable TV Co., Ltd.	Subsidiary	Channel leasing fee	(429,039)	14	Based on contract terms	(Note 7)	(Note 7)	-	-	
	Union Cable TV Co., Ltd.	Subsidiary	Channel leasing fee	(218,704)	7	Based on contract terms	(Note 7)	(Note 7)	-	-	
	Globalview Cable TV Co., Ltd.	Subsidiary	Channel leasing fee	(186,725)	6	Based on contract terms	(Note 7)	(Note 7)	-	-	
	Taiwan Fixed Network Co., Ltd.	Related party in substance	Operating Costs	131,113	11	Based on contract terms	—	—	(24,318)	8	
	Fubon Multimedia Technology Co., Ltd.	Related party in substance	Channel leasing fee	(114,071)	4	Based on contract terms	—	—	-	-	

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES
TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2013

Company Name	Related Party	Nature of Relationship	Transaction Details				Transactions with Terms Different from Others		Notes/Accounts Payable or Receivable		Note
			Purchase/Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
Yeong Jia Leh Cable TV Co., Ltd.	TFN Media Co., Ltd.	Parent	Royalty for copyright	429,039	59	Based on contract terms	(Note 7)	(Note 7)	-	-	
Phoenix Cable TV Co., Ltd.	TFN Media Co., Ltd.	Parent	Royalty for copyright	473,672	61	Based on contract terms	(Note 7)	(Note 7)	-	-	
Union Cable TV Co., Ltd.	TFN Media Co., Ltd.	Parent	Royalty for copyright	218,704	54	Based on contract terms	(Note 7)	(Note 7)	-	-	
Globalview Cable TV Co., Ltd.	TFN Media Co., Ltd.	Parent	Royalty for copyright	186,725	56	Based on contract terms	(Note 7)	(Note 7)	-	-	
Mangrove Cable TV Co., Ltd.	Dai-Ka Ltd.	Related party in substance	Royalty for copyright	155,122	54	Based on contract terms	(Note 7)	(Note 7)	-	-	
Fubon Multimedia Technology Co., Ltd.	Taiwan Pelican Express Co., Ltd.	Equity-method investee	Purchase	571,193	4	Based on contract terms	—	—	(71,331)	3	
Fubon Multimedia Technology Co., Ltd.	TFN Media Co., Ltd.	Related party in substance	Purchase	114,071	1	Based on contract terms	—	—	-	-	

Note 1: The \$4,453 thousand accounts receivable on the book was the net amount of accounts receivable \$301,944 thousand deducting accounts payable and custodial receipts \$297,491 thousand.

Note 2: Included operating costs and operating expenses.

Note 3: Included accounts payable and other payables.

Note 4: Recognized as operating expenses.

Note 5: Included operating costs, operating expenses, or inventories.

Note 6: The \$753,885 thousand accounts receivable on the book was the net amount of accounts receivable \$764,682 thousand deducting custodial receipts \$10,797 thousand.

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

Note 8: The \$91,575 thousand accounts payable on the book was the net amount of accounts payable \$91,797 thousand deducting accounts receivable \$222 thousand.

Note 9: The \$94,240 thousand accounts receivable on the book was the net amount of accounts receivable \$91,797 thousand deducting accounts payable and custodial receipts \$(2,443) thousand.

Note 10: The \$1,755,283 thousand accounts receivable on the book was the net amount of accounts receivable \$2,855,126 thousand deducting accounts payable \$1,099,843 thousand.

Note 11: The \$1,705,918 thousand accounts payable on the book was the net amount of accounts payable \$2,855,126 thousand deducting accounts receivable \$1,149,208 thousand.

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

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

DECEMBER 31, 2013

TABLE 6

(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		
TWM	Taiwan Fixed Network Co., Ltd.	Subsidiary	Accounts receivable	\$ 301,944	5.89	\$ -	—	\$ 298,038	\$ -
			Other receivables	55,653		-	—	359	-
	TFN Media Co., Ltd.	Subsidiary	Other receivables	1,799,215	-	—	124	-	
	Win TV Broadcasting Co., Ltd.	Subsidiary	Other receivables	295,971	-	—	-	-	
	Taiwan Digital Service Co., Ltd.	Subsidiary	Accounts receivable	2,855,126	5.44	-	—	1,099,843	-
			Other receivables	248,236		-	—	219,792	-
Wealth Media Technology Co., Ltd.	TWM	Parent	Other receivables	402,005	-	—	-	-	
Taiwan Fixed Network Co., Ltd.	TWM	Ultimate parent	Accounts receivable	764,682	11	-	—	23,069	-
			Other receivables	6,394,752		-	—	42,453	-
Taiwan Digital Service Co., Ltd.	TWM	Ultimate parent	Accounts receivable	1,545,219	7.75	-	—	1,545,219	-
			Other receivables	2,586		-	—	-	-
Phoenix Cable TV Co., Ltd.	TFN Media Co., Ltd.	Parent	Accounts receivable	4,980	5.49	-	—	-	-
			Other receivables	532,193		-	—	-	-
Globalview Cable TV Co., Ltd.	TFN Media Co., Ltd.	Parent	Accounts receivable	2,205	5.21	-	—	-	-
			Other receivables	251,001		-	—	-	-
Yeong Jia Leh Cable TV Co., Ltd.	TFN Media Co., Ltd.	Parent	Accounts receivable	5,632	5.02	-	—	-	-
			Other receivables	391,002		-	—	-	-

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES
NAMES AND LOCATIONS OF, AND OTHER INFORMATION ON INVESTEES ON WHICH TWM EXERCISES SIGNIFICANT INFLUENCE
FOR THE YEAR ENDED DECEMBER 31, 2013

TABLE 7
(In Thousands of New Taiwan Dollars and other currencies, Unless Stated Otherwise)

Investor	Investee	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2013			Net Income (Loss) of the Investee	Investment Income (Loss)	Note
				December 31, 2013	December 31, 2012	Shares (Thousands)	Percentage of Ownership	Carrying Value			
TWM	Taiwan Cellular Co., Ltd.	Taiwan	Investment	\$ 44,767,288	\$ 44,467,288	371,196	100	\$ 21,760,521	\$ 5,534,367	\$ 7,714,104	Note 1
	Taipei New Horizons Co., Ltd.	Taiwan	Real estate rental and sale	1,746,500	923,150	174,650	49.9	1,566,952	(136,751)	(68,239)	
	Wealth Media Technology Co., Ltd.	Taiwan	Investment	13,802,000	13,802,000	39,065	100	16,157,062	2,217,698	2,217,698	
	Alliance Digital Tech Co., Ltd.	Taiwan	Electronic information providing services	30,000	-	3,000	19.23	28,514	(7,729)	(1,486)	
Wealth Media Technology Co., Ltd.	Fubon Multimedia Technology Co., Ltd.	Taiwan	Wholesale and retail sales via traditional and online shopping channels	8,347,949	8,347,949	64,742	50.64	8,567,490	561,668	-	Note 2
	Win TV Broadcasting Co., Ltd.	Taiwan	TV program provider	222,417	222,417	18,177	100	251,727	36,842	-	Note 2
	TFN Media Co., Ltd.	Taiwan	Cable broadband and value added service provider	5,210,443	5,210,443	230,921	100	6,757,884	2,025,585	-	Note 2
	Global Wealth Media Technology Co., Ltd.	Taiwan	Investment	92,189	92,189	8,945	100	95,628	4,739	-	Note 2
	Global Forest Media Technology Co., Ltd.	Taiwan	Investment	16,984	16,984	1,500	100	17,268	441	-	Note 2
Global Wealth Media Technology Co., Ltd.	Globalview Cable TV Co., Ltd.	Taiwan	Cable TV service provider	91,910	91,910	3,825	6.83	94,043	71,637	-	Note 2
Global Forest Media Technology Co., Ltd.	Union Cable TV Co., Ltd.	Taiwan	Cable TV service provider	16,218	16,218	1,300	0.76	15,426	72,055	-	Note 2
Fubon Multimedia Technology Co., Ltd.	Fu Sheng Travel Service Co., Ltd.	Taiwan	Travel agent	6,000	6,000	2,500	100	46,624	19,291	-	Note 2
	Fuli Life Insurance Agent Co., Ltd.	Taiwan	Life Insurance Agent	3,000	3,000	300	100	10,157	1,673	-	Note 2
	Fuli Property Insurance Agent Co., Ltd.	Taiwan	Property Insurance Agent	3,000	3,000	300	100	15,182	6,301	-	Note 2
	Asian Crown (BVI)	British Virgin Islands	Investment	690,824	443,450	74	100	118,883	(199,960)	-	Note 2
	Taiwan Pelican Express Co., Ltd.	Taiwan	Logistics industry	337,860	344,000	16,893	17.70	409,142	182,484	-	Note 2
Asian Crown (BVI)	Fortune Kingdom	Samoa	Investment	690,824	443,450	22,237	100	118,883	(199,960)	-	Note 2
Fortune Kingdom	HK Fubon Multimedia	Hong Kong	Investment	690,824	443,450	22,237	100	118,883	(199,960)	-	Note 2
Taiwan Cellular Co., Ltd.	TWM Holding	British Virgin Islands	Investment	347,951	347,951	1 share	100	248,784	943	-	Note 2
	Taiwan Fixed Network Co., Ltd.	Taiwan	Fixed line service provider	21,000,000	21,000,000	2,100,000	100	50,528,955	5,209,062	-	Note 2
	Taiwan Digital Communication Co., Ltd.	Taiwan	TV program production and mobile phones wholesale	112,000	112,000	11,200	100	128,028	12,958	-	Note 2
	TCC Investment Co., Ltd.	Taiwan	Investment	20,680,441	20,680,441	22,103	100	29,614,050	5,885	-	Note 2
	Taiwan Teleservices & Technologies Co., Ltd.	Taiwan	Call center service and telephone marketing	56,210	56,210	2,484	100	92,680	62,311	-	Note 2
	Taiwan Digital Service Co., Ltd.	Taiwan	Telecommunications Service Agencies and retail business	1,000,000	-	20,000	100	1,226,448	226,448	-	Note 2
Taiwan Teleservices & Technologies Co., Ltd.	TT&T Holdings	Samoa	Investment	36,284	36,284	1,300	100	49,024	10,992	-	Note 2
	Taiwan Mobile Basketball Co., Ltd.	Taiwan	Basketball team management	3,511	3,511	2,000	100	21,728	1,288	-	Note 2

(Continued)

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES
NAMES AND LOCATIONS OF, AND OTHER INFORMATION ON INVESTEES ON WHICH TWM EXERCISES SIGNIFICANT INFLUENCE
FOR THE YEAR ENDED DECEMBER 31, 2013

Investor	Investee	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2013			Net Income (Loss) of the Investee	Investment Income (Loss)	Note
				December 31, 2013	December 31, 2012	Shares (Thousands)	Percentage of Ownership	Carrying Value			
TCC Investment Co., Ltd.	TCCI Investment and Development Co., Ltd.	Taiwan	Investment	\$ 6,498,076	\$ 6,498,076	400	100	\$ 10,010,219	\$ (69)	\$ -	Note 2
TFN Media Co., Ltd.	Yeong Jia Leh Cable TV Co., Ltd.	Taiwan	Cable TV service provider	2,061,522	2,061,522	33,940	100	2,226,237	210,144	-	Note 2
	Mangrove Cable TV Co., Ltd	Taiwan	Cable TV service provider	510,724	510,724	6,248	29.53	621,956	102,997	-	Note 2& Note3
	Phoenix Cable TV Co., Ltd.	Taiwan	Cable TV service provider	3,261,073	3,261,073	68,090	100	3,363,472	207,334	-	Note 2
	Union Cable TV Co., Ltd.	Taiwan	Cable TV service provider	1,986,250	1,986,250	169,141	99.22	2,006,596	72,055	-	Note 2
	Globalview Cable TV Co., Ltd.	Taiwan	Cable TV service provider	1,221,002	1,221,002	51,733	92.38	1,245,092	71,637	-	Note 2
	Taiwan Kuro Times Co., Ltd.	Taiwan	Online music platform	129,900	129,900	14	100	158,178	16,397	-	Note 2
	Kbro Media Co., Ltd.	Taiwan	Film distribution, art and literature service and entertainer	292,500	78,000	29,250	32.5	284,748	(21,423)	-	Note 2
	Taiwan Kuro Times Co., Ltd.	ezPeer Multimedia Limited	Samoa	Investment	-	48,700	-	-	-	(10,800)	-
Taiwan Fixed Network Co., Ltd.	TFN Union Investment Co., Ltd.	Taiwan	Investment	22,314,536	22,314,536	400	100	34,361,810	(69)	-	Note 2
	TFN HK LIMITED	Hong Kong	Telecommunications service provider	2,869	2,869	1,300	100	12,765	2,387	-	Note 2
				(HK\$744)	(HK\$744)						

Note 1: TWM's shares held by TCCI, TID and TUI (all are subsidiaries 100% owned by TCC) are classified as treasury shares. Therefore, TWM's carrying cost of \$82,126,591 thousand for TCC shall be reduced by 1) downward adjusting \$(31,077,183) thousand, the carrying value of total treasury shares on TWM's books, 2) excluding \$(31,061,712) thousand of unrealized gain from financial asset investment, 3) adding back \$475,907 thousand of income tax expenses resulting from TFN's and TFNI's disposal gain from TWM's shares, 4) excluding recognition of upstream transactions gain and consolidated adjustment of unrealized gain \$1,296,918 thousand.

Note 2: Income/Loss of the investee is already included in the investor, so it is not mentioned in this table.

Note 3: 70.47% of shares are held under trustee accounts.

Note 4: The above amounts were translated into New Taiwan dollars at the exchange rate of HK\$1 = NT\$3.856 as of December 31, 2013.

Note 5: ezPeer Samoa was dissolved in November 2013.

Note 6: Information on investment in Mainland China, please refer to table 8.

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES
INFORMATION ON INVESTMENT IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2013

TABLE 8
(In Thousands of New Taiwan Dollars and other currencies, 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, 2013	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2013	Net Income(Loss) of Investee	% Ownership of Direct or Indirect Investment	Investment Income (Loss)	Carrying Value as of December 31, 2013	Accumulated Inward Remittance of Earnings as of December 31, 2013
					Outflow	Inflow						
Xiamen Taifu Teleservices & Technologies Co., Ltd.	System integration, and development, installation, maintenance, technical support and personal training of CRM and IM application and relative information consulting services	NT\$ - (Note 2)	Indirect investment in Mainland China through a third place by TWM's subsidiary Taiwan Teleservices & Technologies Co., Ltd.	NT\$ 38,870 (US\$ 1,300)	\$ -	\$ - (Note 2)	NT\$ 38,870 (US\$ 1,300)	\$ 707	100% ownership of indirect investment by TWM's subsidiary	\$ 707	\$ - (Note 2)	\$ -
TWM Communications (Beijing) Co. Ltd.	Mobile application development and design	NT\$ 89,700 (US\$ 3,000)	Indirect investment in Mainland China through a third place by TWM's subsidiary Taiwan Cellular Co., Ltd.	NT\$ 145,673 (US\$ 4,872)	-	-	NT\$ 145,673 (US\$ 4,872)	(3,719)	100% ownership of indirect investment by TWM's subsidiary	(3,719)	111,051	-
Fubon Gehua (Beijing) Enterprise Ltd.	Wholesale and retail sales	NT\$ 788,160 (RMB 160,000)	Indirect investment in Mainland China through a third place by TWM's subsidiary Fubon Multimedia Technology Co., Ltd.	NT\$ 368,338 (US\$ 12,319)	NT\$295,286 (US\$1,681, RMB49,741)	-	NT\$663,624 (US\$14,000, RMB49,741)	(240,563)	87.5% ownership of indirect investment by TWM's subsidiary	(197,060)	118,218	-

Investee Company Name	Accumulated Investment in Mainland China as of December 31, 2013	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment Authorized by Investment Commission, MOEA
Xiamen Taifu Teleservices & Technologies Co., Ltd.	NT\$38,870 (US\$1,300)	NT\$38,870 (US\$1,300)	\$80,000
TWM Communications (Beijing) Co., Ltd.	NT\$145,673 (US\$4,872)	NT\$145,673 (US\$4,872)	\$49,275,954
Fubon Gehua (Beijing) Enterprise Ltd.	NT\$663,624 (US\$14,000, RMB49,741)	NT\$744,060 (US\$15,000, RMB60,000)	\$1,303,757

Note 1: The above amounts were translated into New Taiwan dollars at the exchange rate of US\$1 = NT\$29.90 and US\$1 = RMB4.926 as of December 31, 2013.

Note 2: Xiamen Taifu Teleservices & Technologies Co., Ltd. was dissolved in November 2013, and contributed capital to the parent company, TT&T Holdings.

Note 3: Calculation was base on audited financial statements.

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES
BUSINESS RELATIONSHIP AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2013

TABLE 9
(In Thousands of New Taiwan Dollars)

Number	Company Name	Counterparty	Nature of Relationship (Note)	Transaction Details			Percentage of Consolidated Total Operating Revenues or Total Assets
				Account	Amount	Transaction Terms	
0	TWM	Taiwan Digital Service Co., Ltd.	1	Accounts receivable	\$ 1,705,948	Payment terms varied depend on the agreements and Based on regular terms	2%
		Taiwan Fixed Network Co., Ltd.	1	Accounts receivable	4,452	Payment terms varied depend on the agreements and Based on regular terms	-
		Fubon Multimedia Technology Co., Ltd.	1	Accounts receivable	24,183	Payment terms varied depend on the agreements and Based on regular terms	-
		TFN Media Co., Ltd.	1	Other receivables	1,799,215	Payment terms varied depend on the agreements and Based on regular terms	2%
		Taiwan Digital Service Co., Ltd.	1	Other receivables	248,236	Payment terms varied depend on the agreements and Based on regular terms	-
		Taiwan Fixed Network Co., Ltd.	1	Other receivables	55,653	Payment terms varied depend on the agreements and Based on regular terms	-
		Taiwan Kuro Times Co., Ltd.	1	Other receivables	1,527	Payment terms varied depend on the agreements and Based on regular terms	-
		Fubon Multimedia Technology Co., Ltd.	1	Other receivables	3,427	Payment terms varied depend on the agreements and Based on regular terms	-
		Taiwan Win TV Broadcasting Co., Ltd.	1	Other receivables	295,971	Payment terms varied depend on the agreements and Based on regular terms	-
		Taiwan Digital Service Co., Ltd.	1	Prepayments	102,715	Payment terms varied depend on the agreements and Based on regular terms	-
		Wealth Media Technology Co., Ltd.	1	Short-term borrowings	400,000	Payment terms varied depend on the agreements and Based on regular terms	-
		Taiwan Fixed Network Co., Ltd.	1	Short-term borrowings	6,270,000	Payment terms varied depend on the agreements and Based on regular terms	6%
		Taiwan Fixed Network Co., Ltd.	1	Accounts payable	1,001	Payment terms varied depend on the agreements and Based on regular terms	-
		Taiwan Kuro Times Co., Ltd.	1	Accounts payable	91,575	Payment terms varied depend on the agreements and Based on regular terms	-
Yeong Jia Leh Cable TV Co., Ltd.	1	Accounts payable	1,349	Payment terms varied depend on the agreements and Based on regular terms	-		

(Continued)

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES
BUSINESS RELATIONSHIP AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2013

Number	Company Name	Counterparty	Nature of Relationship (Note)	Transaction Details			Percentage of Consolidated Total Operating Revenues or Total Assets
				Account	Amount	Transaction Terms	
		Wealth Media Technology Co., Ltd.	1	Other payables	\$ 2,005	Payment terms varied depend on the agreements and Based on regular terms	-
		Taiwan Digital Communications Co., Ltd.	1	Other payables	4,224	Payment terms varied depend on the agreements and Based on regular terms	-
		Taiwan Digital Service Co., Ltd.	1	Other payables	2,594	Payment terms varied depend on the agreements and Based on regular terms	-
		Taiwan Mobile Basketball Co., Ltd.	1	Other payables	11,590	Payment terms varied depend on the agreements and Based on regular terms	-
		Taiwan Fixed Network Co., Ltd.	1	Other payables	828,215	Payment terms varied depend on the agreements and Based on regular terms	1%
		Taiwan Teleservices & Technologies Co., Ltd.	1	Other payables	87,905	Payment terms varied depend on the agreements and Based on regular terms	-
		Taiwan Kuro Times Co., Ltd.	1	Other payables	1,185	Payment terms varied depend on the agreements and Based on regular terms	-
		Yeong Jia Leh Cable TV Co., Ltd.	1	Other payables	1,148	Payment terms varied depend on the agreements and Based on regular terms	-
		Phoenix Cable TV Co., Ltd.	1	Other payables	2,234	Payment terms varied depend on the agreements and Based on regular terms	-
		Taiwan Digital Service Co., Ltd.	1	Advance receipts	10,779	Payment terms varied depend on the agreements and Based on regular terms	-
		Taiwan Fixed Network Co., Ltd.	1	Other current liabilities, others	47,884	Payment terms varied depend on the agreements and Based on regular terms	-
		Taiwan Kuro Times Co., Ltd.	1	Other current liabilities, others	2,174	Payment terms varied depend on the agreements and Based on regular terms	-
		Yeong Jia Leh Cable TV Co., Ltd.	1	Other current liabilities, others	1,925	Payment terms varied depend on the agreements and Based on regular terms	-
		Phoenix Cable TV Co., Ltd.	1	Other current liabilities, others	3,311	Payment terms varied depend on the agreements and Based on regular terms	-
		Union Cable TV Co., Ltd.	1	Other current liabilities, others	1,176	Payment terms varied depend on the agreements and Based on regular terms	-

(Continued)

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES
BUSINESS RELATIONSHIP AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2013

Number	Company Name	Counterparty	Nature of Relationship (Note)	Transaction Details			Percentage of Consolidated Total Operating Revenues or Total Assets
				Account	Amount	Transaction Terms	
		Taiwan Digital Communications Co., Ltd.	1	Operating revenues	\$ 9,147	Payment terms varied depend on the agreements and Based on regular terms	-
		Taiwan Digital Service Co., Ltd.	1	Operating revenues	7,829,437	Payment terms varied depend on the agreements and Based on regular terms	7%
		Taiwan Fixed Network Co., Ltd.	1	Operating revenues	2,035,758	Payment terms varied depend on the agreements and Based on regular terms	2%
		Taiwan Kuro Times Co., Ltd.	1	Operating revenues	1,999	Payment terms varied depend on the agreements and Based on regular terms	-
		Yeong Jia Leh Cable TV Co., Ltd.	1	Operating revenues	2,100	Payment terms varied depend on the agreements and Based on regular terms	-
		Fubon Multimedia Technology Co., Ltd.	1	Operating revenues	68,506	Payment terms varied depend on the agreements and Based on regular terms	-
		Phoenix Cable TV Co., Ltd.	1	Operating revenues	2,373	Payment terms varied depend on the agreements and Based on regular terms	-
		Union Cable TV Co., Ltd.	1	Operating revenues	1,521	Payment terms varied depend on the agreements and Based on regular terms	-
		Globalview Cable TV Co., Ltd.	1	Operating revenues	1,067	Payment terms varied depend on the agreements and Based on regular terms	-
		TFN Media Co., Ltd.	1	Operating costs	2,304	Payment terms varied depend on the agreements and Based on regular terms	-
		Taiwan Digital Communications Co., Ltd.	1	Operating costs	7,927	Payment terms varied depend on the agreements and Based on regular terms	-
		Taiwan Fixed Network Co., Ltd.	1	Operating costs	6,796,635	Payment terms varied depend on the agreements and Based on regular terms	6%
		Taiwan Kuro Times Co., Ltd.	1	Operating costs	326,939	Payment terms varied depend on the agreements and Based on regular terms	-
		Yeong Jia Leh Cable TV Co., Ltd.	1	Operating costs	7,194	Payment terms varied depend on the agreements and Based on regular terms	-
		Globalview Cable TV Co., Ltd.	1	Operating costs	1,983	Payment terms varied depend on the agreements and Based on regular terms	-

(Continued)

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES
BUSINESS RELATIONSHIP AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2013

Number	Company Name	Counterparty	Nature of Relationship (Note)	Transaction Details			Percentage of Consolidated Total Operating Revenues or Total Assets
				Account	Amount	Transaction Terms	
		Taiwan Digital Service Co., Ltd.	1	Unrealized profit from sales	\$ 33,405	Payment terms varied depend on the agreements and Based on regular terms	-
		TCC Investment Co., Ltd.	1	Operating expenses	6,347	Payment terms varied depend on the agreements and Based on regular terms	-
		Taiwan Digital Communications Co., Ltd.	1	Operating expenses	287,888	Payment terms varied depend on the agreements and Based on regular terms	-
		Taiwan Digital Service Co., Ltd.	1	Operating expenses	5,991,633	Payment terms varied depend on the agreements and Based on regular terms	5%
		Taiwan Mobile Basketball Co., Ltd.	1	Operating expenses	47,000	Payment terms varied depend on the agreements and Based on regular terms	-
		Taiwan Fixed Network Co., Ltd.	1	Operating expenses	84,422	Payment terms varied depend on the agreements and Based on regular terms	-
		Taiwan Teleservices & Technologies Co., Ltd.	1	Operating expenses	1,013,457	Payment terms varied depend on the agreements and Based on regular terms	1%
		Taiwan Digital Service Co., Ltd.	1	Other income and expenses	2,783	Payment terms varied depend on the agreements and Based on regular terms	-
		Wealth Media Technology Co., Ltd.	1	Finance costs	2,005	Payment terms varied depend on the agreements and Based on regular terms	-
		Taiwan Cellular Co., Ltd.	1	Finance costs	4,678	Payment terms varied depend on the agreements and Based on regular terms	-
		Taiwan Fixed Network Co., Ltd.	1	Finance costs	63,117	Payment terms varied depend on the agreements and Based on regular terms	-
		TFN Media Co., Ltd.	1	Interest income	21,184	Payment terms varied depend on the agreements and Based on regular terms	-
		Taiwan Win TV Broadcasting Co., Ltd.	1	Interest income	1,747	Payment terms varied depend on the agreements and Based on regular terms	-
		TFN Media Co., Ltd.	1	Rental income	6,351	Payment terms varied depend on the agreements and Based on regular terms	-
		Taiwan Digital Service Co., Ltd.	1	Rental income	8,482	Payment terms varied depend on the agreements and Based on regular terms	-

(Continued)

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES
BUSINESS RELATIONSHIP AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2013

Number	Company Name	Counterparty	Nature of Relationship (Note)	Transaction Details			Percentage of Consolidated Total Operating Revenues or Total Assets
				Account	Amount	Transaction Terms	
1	Wealth Media Technology Co., Ltd.	Taiwan Fixed Network Co., Ltd.	1	Rental income	\$ 87,249	Payment terms varied depend on the agreements and Based on regular terms	-
		Taiwan Kuro Times Co., Ltd.	1	Rental income	5,336	Payment terms varied depend on the agreements and Based on regular terms	-
		Fubon Multimedia Technology Co., Ltd.	1	Rental income	39,170	Payment terms varied depend on the agreements and Based on regular terms	-
		Taiwan Kuro Times Co., Ltd.	1	Other receivables	30,155	Payment terms varied depend on the agreements and Based on regular terms	-
2	Fubon Multimedia Technology Co., Ltd.	Fu Sheng Travel Service Co.,Ltd.	1	Accounts receivable	40,511	Payment terms varied depend on the agreements and Based on regular terms	-
		Fu Sheng Travel Service Co.,Ltd.	1	Operating revenues	13,102	Payment terms varied depend on the agreements and Based on regular terms	-
3	Taiwan Win TV Broadcasting Co., Ltd.	TFN Media Co., Ltd.	3	Operating costs	114,071	Payment terms varied depend on the agreements and Based on regular terms	-
		Mangrove Cable TV Co., Ltd.	3	Operating costs	11,123	Payment terms varied depend on the agreements and Based on regular terms	-
		Phoenix Cable TV Co., Ltd.	3	Operating costs	1,125	Payment terms varied depend on the agreements and Based on regular terms	-
		Fu Sheng Travel Service Co.,Ltd.	1	Operating expenses	1,709	Payment terms varied depend on the agreements and Based on regular terms	-
		Yeong Jia Leh Cable TV Co., Ltd.	3	Operating revenues	3,684	Payment terms varied depend on the agreements and Based on regular terms	-
		Mangrove Cable TV Co., Ltd.	3	Operating revenues	1,564	Payment terms varied depend on the agreements and Based on regular terms	-
		Phoenix Cable TV Co., Ltd.	3	Operating revenues	4,012	Payment terms varied depend on the agreements and Based on regular terms	-
		Union Cable TV Co., Ltd.	3	Operating revenues	1,880	Payment terms varied depend on the agreements and Based on regular terms	-
		Globalview Cable TV Co., Ltd.	3	Operating revenues	1,609	Payment terms varied depend on the agreements and Based on regular terms	-

(Continued)

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES
BUSINESS RELATIONSHIP AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2013

Number	Company Name	Counterparty	Nature of Relationship (Note)	Transaction Details			Percentage of Consolidated Total Operating Revenues or Total Assets
				Account	Amount	Transaction Terms	
4	TFN Media Co., Ltd.	Yeong Jia Leh Cable TV Co., Ltd.	1	Accounts receivable	\$ 32,467	Payment terms varied depend on the agreements and Based on regular terms	-
		Mangrove Cable TV Co., Ltd.	1	Accounts receivable	11,172	Payment terms varied depend on the agreements and Based on regular terms	-
		Phoenix Cable TV Co., Ltd.	1	Accounts receivable	31,231	Payment terms varied depend on the agreements and Based on regular terms	-
		Union Cable TV Co., Ltd.	1	Accounts receivable	21,520	Payment terms varied depend on the agreements and Based on regular terms	-
		Globalview Cable TV Co., Ltd.	1	Accounts receivable	13,048	Payment terms varied depend on the agreements and Based on regular terms	-
		Yeong Jia Leh Cable TV Co., Ltd.	1	Short-term borrowings	391,000	Payment terms varied depend on the agreements and Based on regular terms	-
		Phoenix Cable TV Co., Ltd.	1	Short-term borrowings	532,000	Payment terms varied depend on the agreements and Based on regular terms	-
		Globalview Cable TV Co., Ltd.	1	Short-term borrowings	251,000	Payment terms varied depend on the agreements and Based on regular terms	-
		Taiwan Win TV Broadcasting Co., Ltd.	3	Notes payable	15,681	Payment terms varied depend on the agreements and Based on regular terms	-
		Yeong Jia Leh Cable TV Co., Ltd.	1	Accounts payable	2,184	Payment terms varied depend on the agreements and Based on regular terms	-
		Phoenix Cable TV Co., Ltd.	1	Accounts payable	1,921	Payment terms varied depend on the agreements and Based on regular terms	-
		Union Cable TV Co., Ltd.	1	Accounts payable	1,027	Payment terms varied depend on the agreements and Based on regular terms	-
		Yeong Jia Leh Cable TV Co., Ltd.	1	Other payables	3,449	Payment terms varied depend on the agreements and Based on regular terms	-
		Mangrove Cable TV Co., Ltd.	1	Other payables	1,174	Payment terms varied depend on the agreements and Based on regular terms	-
Phoenix Cable TV Co., Ltd.	1	Other payables	3,260	Payment terms varied depend on the agreements and Based on regular terms	-		

(Continued)

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES
BUSINESS RELATIONSHIP AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2013

Number	Company Name	Counterparty	Nature of Relationship (Note)	Transaction Details			Percentage of Consolidated Total Operating Revenues or Total Assets
				Account	Amount	Transaction Terms	
		Union Cable TV Co., Ltd.	1	Other payables	\$ 2,225	Payment terms varied depend on the agreements and Based on regular terms	-
		Globalview Cable TV Co., Ltd.	1	Other payables	1,388	Payment terms varied depend on the agreements and Based on regular terms	-
		Yeong Jia Leh Cable TV Co., Ltd.	1	Operating revenues	466,616	Payment terms varied depend on the agreements and Based on regular terms	-
		Mangrove Cable TV Co., Ltd.	1	Operating revenues	11,401	Payment terms varied depend on the agreements and Based on regular terms	-
		Phoenix Cable TV Co., Ltd.	1	Operating revenues	515,512	Payment terms varied depend on the agreements and Based on regular terms	-
		Union Cable TV Co., Ltd.	1	Operating revenues	218,704	Payment terms varied depend on the agreements and Based on regular terms	-
		Globalview Cable TV Co., Ltd.	1	Operating revenues	203,490	Payment terms varied depend on the agreements and Based on regular terms	-
		Taiwan Win TV Broadcasting Co., Ltd.	3	Operating revenues	1,327	Payment terms varied depend on the agreements and Based on regular terms	-
		Yeong Jia Leh Cable TV Co., Ltd.	1	Operating costs	33,180	Payment terms varied depend on the agreements and Based on regular terms	-
		Mangrove Cable TV Co., Ltd.	1	Operating costs	5,981	Payment terms varied depend on the agreements and Based on regular terms	-
		Phoenix Cable TV Co., Ltd.	1	Operating costs	35,010	Payment terms varied depend on the agreements and Based on regular terms	-
		Union Cable TV Co., Ltd.	1	Operating costs	20,060	Payment terms varied depend on the agreements and Based on regular terms	-
		Globalview Cable TV Co., Ltd.	1	Operating costs	13,856	Payment terms varied depend on the agreements and Based on regular terms	-
		Taiwan Win TV Broadcasting Co., Ltd.	3	Operating costs	59,736	Payment terms varied depend on the agreements and Based on regular terms	-
		Yeong Jia Leh Cable TV Co., Ltd.	1	Operating expenses	2,593	Payment terms varied depend on the agreements and Based on regular terms	-

(Continued)

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES
BUSINESS RELATIONSHIP AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2013

Number	Company Name	Counterparty	Nature of Relationship (Note)	Transaction Details			Percentage of Consolidated Total Operating Revenues or Total Assets
				Account	Amount	Transaction Terms	
		Phoenix Cable TV Co., Ltd.	1	Operating expenses	\$ 1,772	Payment terms varied depend on the agreements and Based on regular terms	-
		Union Cable TV Co., Ltd.	1	Operating expenses	1,172	Payment terms varied depend on the agreements and Based on regular terms	-
		Globalview Cable TV Co., Ltd.	1	Operating expenses	1,247	Payment terms varied depend on the agreements and Based on regular terms	-
		Yeong Jia Leh Cable TV Co., Ltd.	1	Finance costs	5,054	Payment terms varied depend on the agreements and Based on regular terms	-
		Phoenix Cable TV Co., Ltd.	1	Finance costs	6,377	Payment terms varied depend on the agreements and Based on regular terms	-
		Globalview Cable TV Co., Ltd.	1	Finance costs	3,070	Payment terms varied depend on the agreements and Based on regular terms	-
5	Taiwan Kuro Times Co., Ltd.	TWM Communications (Beijing) Co., Ltd.	3	Operating costs	1,382	Payment terms varied depend on the agreements and Based on regular terms	-
6	Taiwan Fixed Network Co., Ltd.	TFN Media Co., Ltd.	3	Accounts receivable	25,481	Payment terms varied depend on the agreements and Based on regular terms	-
		Fubon Multimedia Technology Co., Ltd.	3	Accounts receivable	7,257	Payment terms varied depend on the agreements and Based on regular terms	-
		Taiwan Digital Service Co., Ltd.	3	Other receivables	2,002	Payment terms varied depend on the agreements and Based on regular terms	-
		Fubon Multimedia Technology Co., Ltd.	3	Other non-current assets, others	1,551	Payment terms varied depend on the agreements and Based on regular terms	-
		TFN Media Co., Ltd.	3	Accounts payable	5,328	Payment terms varied depend on the agreements and Based on regular terms	-
		TFN HK LIMITED	1	Other payables	26,262	Payment terms varied depend on the agreements and Based on regular terms	-
		Taiwan Teleservices & Technologies Co., Ltd.	3	Other payables	9,411	Payment terms varied depend on the agreements and Based on regular terms	-
		TFN Media Co., Ltd.	3	Operating revenues	135,455	Payment terms varied depend on the agreements and Based on regular terms	-

(Continued)

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES
BUSINESS RELATIONSHIP AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2013

Number	Company Name	Counterparty	Nature of Relationship (Note)	Transaction Details			Percentage of Consolidated Total Operating Revenues or Total Assets
				Account	Amount	Transaction Terms	
		Taiwan Kuro Times Co., Ltd.	3	Operating revenues	\$ 5,270	Payment terms varied depend on the agreements and Based on regular terms	-
		Mangrove Cable TV Co., Ltd.	3	Operating revenues	2,479	Payment terms varied depend on the agreements and Based on regular terms	-
		Fubon Multimedia Technology Co., Ltd.	3	Operating revenues	26,826	Payment terms varied depend on the agreements and Based on regular terms	-
		Phoenix Cable TV Co., Ltd.	3	Operating revenues	5,490	Payment terms varied depend on the agreements and Based on regular terms	-
		Union Cable TV Co., Ltd.	3	Operating revenues	4,277	Payment terms varied depend on the agreements and Based on regular terms	-
		Globalview Cable TV Co., Ltd.	3	Operating revenues	2,090	Payment terms varied depend on the agreements and Based on regular terms	-
		TFN HK LIMITED	1	Operating costs	66,839	Payment terms varied depend on the agreements and Based on regular terms	-
		TFN Media Co., Ltd.	3	Operating costs	30,762	Payment terms varied depend on the agreements and Based on regular terms	-
		Yeong Jia Leh Cable TV Co., Ltd.	3	Operating costs	1,095	Payment terms varied depend on the agreements and Based on regular terms	-
		Union Cable TV Co., Ltd.	3	Operating costs	1,769	Payment terms varied depend on the agreements and Based on regular terms	-
		Taiwan Teleservices & Technologies Co., Ltd.	3	Operating expenses	105,496	Payment terms varied depend on the agreements and Based on regular terms	-
		Taiwan Kuro Times Co., Ltd.	3	Rental income	1,128	Payment terms varied depend on the agreements and Based on regular terms	-
		Taiwan Win TV Broadcasting Co., Ltd.	3	Rental income	5,459	Payment terms varied depend on the agreements and Based on regular terms	-
7	Taiwan Teleservices & Technologies Co., Ltd.	Taiwan Kuro Times Co., Ltd.	3	Operating revenues	3,902	Payment terms varied depend on the agreements and Based on regular terms	-
8	Taiwan Digital Service Co., Ltd.	Yeong Jia Leh Cable TV Co., Ltd.	3	Other current liabilities, others	1,907	Payment terms varied depend on the agreements and Based on regular terms	-

(Continued)

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES
BUSINESS RELATIONSHIP AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2013

Number	Company Name	Counterparty	Nature of Relationship (Note)	Transaction Details			
				Account	Amount	Transaction Terms	Percentage of Consolidated Total Operating Revenues or Total Assets
		Phoenix Cable TV Co., Ltd.	3	Other current liabilities, others	\$ 1,305	Payment terms varied depend on the agreements and Based on regular terms	-
		Globalview Cable TV Co., Ltd.	3	Other current liabilities, others	1,014	Payment terms varied depend on the agreements and Based on regular terms	-

Note : 1.Parent to subsidiary
2.Subsidiary to parent
3.Between subsidiaries