

Taiwan Mobile Co., Ltd.
Separate 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 balance sheets 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. These separate financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these separate 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 separate 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 separate financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the separate financial statements referred to above present fairly, in all material respects, the financial position of Taiwan Mobile Co., Ltd. as of December 31, 2013, and December 31 and January 1, 2012, and the results of its operations and its 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.

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

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

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

Notes to Readers

The accompanying separate 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 separate 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 separate financial statements shall prevail.

TAIWAN MOBILE CO., LTD.

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)	\$ 601,723	1	1,155,355	1	877,518	1	2100	Short-term borrowings (Notes 4,6(k) and 7)	\$ 37,170,000	28	9,800,000	10	9,000,000	10
1125	Current available-for-sale financial assets (Notes 4 and 6(b))	202,354	-	205,397	-	217,351	-	2110	Short-term notes and bills payable (Notes 4 and 6(k))	2,396,971	2	-	-	899,273	1
1170	Accounts and notes receivable, net (Notes 4, 5 and 6(d))	11,807,587	9	10,541,860	11	8,500,759	9	2170	Accounts payable	4,025,392	3	4,758,764	5	3,384,431	4
1180	Accounts receivable due from related parties, net (Note 7)	1,744,392	1	39,519	-	48,195	-	2180	Accounts payable to related parties (Note 7)	94,029	-	68,272	-	38,861	-
1200	Other receivables	335,115	-	285,429	-	308,288	-	2200	Other payables (Note 7)	8,884,409	7	7,906,499	8	8,196,162	9
1210	Other receivables due from related parties (Note 7)	2,433,533	2	1,891,140	2	1,378,892	2	2230	Current tax liabilities (Note 4)	470,808	-	791,790	1	668,216	1
130x	Inventories (Notes 4 and 6(e))	2,283,349	2	1,949,335	2	1,430,322	2	2250	Current provisions (Notes 4 and 6(o))	109,116	-	90,668	-	62,896	-
1410	Prepayments (Note 7)	409,844	-	395,330	1	135,425	-	2310	Advance receipts (Note 6(l))	1,973,963	1	2,268,697	2	2,151,157	2
1470	Other current assets	1,801	-	3,701	-	3,133	-	2320	Long-term liabilities, current portion (Notes 6(m) and (n))	1,000,000	1	4,000,000	4	4,000,000	4
	Total current assets	<u>19,819,698</u>	<u>15</u>	<u>16,467,066</u>	<u>17</u>	<u>12,899,883</u>	<u>14</u>	2399	Other current liabilities, others (Note 7)	<u>1,112,012</u>	<u>1</u>	<u>692,712</u>	<u>1</u>	<u>485,995</u>	<u>1</u>
									Total current liabilities	<u>57,236,700</u>	<u>43</u>	<u>30,377,402</u>	<u>31</u>	<u>28,886,991</u>	<u>32</u>
NON-CURRENT ASSETS								NON-CURRENT LIABILITIES							
1543	Non-current financial assets at cost (Notes 4 and 6(c))	50,324	-	50,324	-	50,324	-	2530	Bonds payable (Note 6(m))	14,792,647	11	8,995,180	9	4,000,000	4
1550	Investments accounted for using equity method (Notes 4, 5, 6(f) and 11)	39,513,049	30	33,667,654	34	25,648,641	29	2540	Long-term borrowings (Notes 4 and 6(n))	2,000,000	2	-	-	-	-
1600	Property, plant and equipment (Notes 4, 5, 6(g) and 7)	28,975,365	22	29,799,766	30	31,850,753	36	2550	Non-current provisions (Notes 4 and 6(o))	564,470	-	465,534	1	405,750	1
1760	Investment property, net (Notes 4 and 6(h))	1,765,018	1	2,061,874	2	1,966,590	2	2570	Deferred tax liabilities (Notes 4, 5 and 6 (r))	1,744,211	1	1,761,830	2	1,368,724	2
1791	Concession license (Notes 4 and 6(i))	32,748,545	24	4,486,254	5	5,233,964	6	2640	Accrued pension liabilities (Notes 4 and 6(q))	28,882	-	10,762	-	16,593	-
1805	Goodwill (Notes 4, 5 and 6(i))	7,121,871	5	7,121,871	7	7,121,871	8	2645	Guarantee deposits	<u>376,428</u>	<u>-</u>	<u>383,419</u>	<u>-</u>	<u>335,365</u>	<u>-</u>
1801	Computer software, net(Notes 4, 5 and 6(i))	376,627	-	324,723	-	353,622	-		Total non-current liabilities	<u>19,506,638</u>	<u>14</u>	<u>11,616,725</u>	<u>12</u>	<u>6,126,432</u>	<u>7</u>
1840	Deferred tax assets (Notes 4, 5 and 6(r))	815,573	1	964,327	1	1,090,060	1		Total liabilities	<u>76,743,338</u>	<u>57</u>	<u>41,994,127</u>	<u>43</u>	<u>35,013,423</u>	<u>39</u>
1900	Other non-current assets (Notes 6(j) and 8)	2,991,162	2	3,621,357	4	2,975,132	4		EQUITY (Note 6(s))						
	Total non-current assets	<u>114,357,534</u>	<u>85</u>	<u>82,098,150</u>	<u>83</u>	<u>76,290,957</u>	<u>86</u>	3110	Ordinary share	34,208,328	26	34,208,328	35	34,208,328	39
								3200	Capital surplus	12,456,891	9	12,431,851	13	12,431,851	14
									Retained earnings :						
								3310	Legal reserve	19,262,044	14	18,061,894	18	16,715,018	19
								3320	Special reserve	-	-	-	-	821,741	1
								3350	Unappropriated retained earnings	22,171,132	17	22,606,173	23	20,721,444	23
								3400	Other equity interest	412,682	-	340,026	-	356,218	-
								3500	Treasury shares	<u>(31,077,183)</u>	<u>(23)</u>	<u>(31,077,183)</u>	<u>(32)</u>	<u>(31,077,183)</u>	<u>(35)</u>
									Total equity	<u>57,433,894</u>	<u>43</u>	<u>56,571,089</u>	<u>57</u>	<u>54,177,417</u>	<u>61</u>
TOTAL		<u>\$ 134,177,232</u>	<u>100</u>	<u>98,565,216</u>	<u>100</u>	<u>89,190,840</u>	<u>100</u>	TOTAL		<u>\$ 134,177,232</u>	<u>100</u>	<u>98,565,216</u>	<u>100</u>	<u>89,190,840</u>	<u>100</u>

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

TAIWAN MOBILE CO., LTD.
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(u) and 7)	\$ 78,928,492	100	69,867,814	100
5000 OPERATING COSTS (Notes 4, 7 and 12)	<u>51,265,449</u>	<u>65</u>	<u>42,407,001</u>	<u>61</u>
5900 GROSS PROFIT FROM OPERATIONS	27,663,043	35	27,460,813	39
5950 Unrealized profit from sales	<u>33,405</u>	<u>-</u>	<u>-</u>	<u>-</u>
5900 GROSS PROFIT FROM OPERATIONS	<u>27,629,638</u>	<u>35</u>	<u>27,460,813</u>	<u>39</u>
6000 OPERATING EXPENSES (Notes 4, 7 and 12)				
6100 Marketing	15,989,050	20	11,051,075	16
6200 Administrative	<u>3,435,206</u>	<u>4</u>	<u>3,399,478</u>	<u>4</u>
	<u>19,424,256</u>	<u>24</u>	<u>14,450,553</u>	<u>20</u>
6500 NET OTHER INCOME AND EXPENSES (Note 6(v))	<u>52,635</u>	<u>-</u>	<u>53,320</u>	<u>-</u>
6900 NET OPERATING INCOME	<u>8,258,017</u>	<u>11</u>	<u>13,063,580</u>	<u>19</u>
NON-OPERATING INCOME AND EXPENSES				
7010 Other income (Notes 6(w) and 7)	229,807	-	219,742	-
7020 Other gains and losses, net (Note 6(w))	(1,318,154)	(2)	(607,898)	(1)
7050 Finance costs (Notes 6(w) and 7)	(444,094)	(1)	(386,107)	(1)
7070 Share of profits of subsidiaries and associates accounted for using equity method (Note 4)	<u>9,862,077</u>	<u>13</u>	<u>6,018,873</u>	<u>9</u>
7000 Total non-operating income and expenses	<u>8,329,636</u>	<u>10</u>	<u>5,244,610</u>	<u>7</u>
7900 PROFIT BEFORE TAX	16,587,653	21	18,308,190	26
7950 TAX EXPENSE (Note 6(r))	<u>1,004,206</u>	<u>1</u>	<u>1,982,177</u>	<u>3</u>
8200 PROFIT	<u>15,583,447</u>	<u>20</u>	<u>16,326,013</u>	<u>23</u>
8300 OTHER COMPREHENSIVE INCOME (LOSS) :				
8325 Unrealized losses on available-for-sale financial assets	(3,043)	-	(11,955)	-
8360 Actuarial losses on defined benefit plans	(17,260)	-	(19,946)	-
8380 Share of other comprehensive income of subsidiaries and associates accounted for using equity method	89,290	-	(22,879)	-
8399 Income tax generated from other comprehensive income	<u>2,934</u>	<u>-</u>	<u>3,391</u>	<u>-</u>
8300 OTHER COMPREHENSIVE INCOME (AFTER TAX)	<u>71,921</u>	<u>-</u>	<u>(51,389)</u>	<u>-</u>
8500 COMPREHENSIVE INCOME	<u>\$ 15,655,368</u>	<u>20</u>	<u>16,274,624</u>	<u>23</u>
EARNINGS PER SHARE(Notes 6(t))				
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 separate financial statements.

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

	Ordinary Share	Capital Surplus	Retained Earnings			Other Equity Interest		Treasury Shares	Total Equity
			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
Effects of retrospective application and retrospective restatement	-	-	-	-	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
Profit for the year ended December 31, 2012	-	-	-	-	16,326,013	-	-	-	16,326,013
Other comprehensive income for the year ended December 31, 2012	-	-	-	-	(35,197)	(8,748)	(7,444)	-	(51,389)
Total comprehensive income for the year ended December 31, 2012	-	-	-	-	16,290,816	(8,748)	(7,444)	-	16,274,624
Appropriation and distribution of retained earnings(Note1)									
Legal reserve	-	-	1,346,876	-	(1,346,876)	-	-	-	-
Cash dividends	-	-	-	-	(13,880,952)	-	-	-	(13,880,952)
Reversal of special reserve	-	-	-	(821,741)	821,741	-	-	-	-
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
Profit for the year ended December 31, 2013	-	-	-	-	15,583,447	-	-	-	15,583,447
Other comprehensive income for the year ended December 31, 2013	-	-	-	-	(735)	(535)	73,191	-	71,921
Total comprehensive income for the year ended December 31, 2013	-	-	-	-	15,582,712	(535)	73,191	-	15,655,368
Appropriation and distribution of retained earnings (Note2)									
Legal reserve	-	-	1,469,160	-	(1,469,160)	-	-	-	-
Cash dividends	-	-	-	-	(14,526,578)	-	-	-	(14,526,578)
Legal reserve used to distribute cash dividends	-	-	(269,010)	-	-	-	-	-	(269,010)
Changes in equity of associates accounted for using equity method	-	25,040	-	-	-	-	-	-	25,040
Adjustments arising from changes in percentage of ownership of subsidiaries	-	-	-	-	(22,015)	-	-	-	(22,015)
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

Note 1 : The remuneration to directors of \$36,284 thousand and the bonus to employees of \$362,844 thousand have been expensed and deducted from 2011 earnings.

Note 2 : The remuneration to directors of \$39,667 thousand and the bonus to employees of \$396,673 thousand have been expensed and deducted from 2012 earnings.

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

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

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	\$ 16,587,653	18,308,190
Adjustments		
Adjustments to reconcile profit (loss)		
Share of profits of subsidiaries and associates accounted for using equity method	(9,862,077)	(6,018,873)
Depreciation expense	7,008,086	6,961,099
Amortization expense	994,221	1,022,316
Loss on disposal of property, plant and equipment, net	1,285,754	561,972
Interest expense	444,094	386,107
Provision for bad debt expense	286,698	286,414
Interest income	(38,975)	(35,379)
Dividend income	(11,628)	(11,869)
Unrealized profit from sales	33,405	-
Others	-	(8,652)
Total adjustments to reconcile profit (loss)	<u>139,578</u>	<u>3,143,135</u>
Changes in operating assets and liabilities		
Accounts and notes receivable	(941,074)	(2,958,768)
Accounts receivable due from related parties	(1,704,873)	8,676
Other receivables	211,472	533,814
Other receivables due from related parties	(542,393)	(512,248)
Inventories	(334,014)	(519,013)
Prepayments	(15,923)	(263,276)
Other current assets	1,900	(568)
Accounts payable	(733,372)	1,374,333
Accounts payable to related parties	25,757	29,411
Other payables	488,164	160,594
Provisions	(5,845)	(12,899)
Advance receipts	(294,734)	117,540
Other current liabilities	419,300	206,717
Accrued pension liabilities	860	(25,776)
Total changes in operating assets and liabilities	<u>(3,424,775)</u>	<u>(1,861,463)</u>
Net cash inflows generated from operating activities	13,302,456	19,589,862
Interest paid	(1,134)	(85)
Income taxes paid	(1,103,859)	(1,726,173)
Net cash flows from operating activities	<u>12,197,463</u>	<u>17,863,604</u>

(Continued)

TAIWAN MOBILE CO., LTD.
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	(138,300)	(77,877)
Acquisition of property, plant and equipment	(6,751,831)	(5,537,904)
Increase in prepayments for equipment	(137,989)	(130,288)
Acquisition of investments accounted for using equity method	(1,153,350)	(5,424,450)
Decrease in financing provided to investees	4,190,000	4,274,000
Increase in financing provided to investees	(4,445,000)	(4,784,000)
Increase in refundable deposits	(109,629)	(134,061)
Decrease in refundable deposits	88,819	88,298
Proceeds from disposal of computer software	20,394	1
Proceeds from disposal of property, plant and equipment	33,005	-
Interest received	33,085	34,516
Dividend received	5,240,570	3,413,300
Increase in other financial assets	(720)	-
Net cash used in investing activities	(32,140,946)	(8,278,465)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term borrowings	71,900,000	70,800,000
Decrease in short-term borrowings	(44,400,000)	(76,800,000)
Proceeds from issuance of bonds	5,796,043	8,995,117
Repayment of bonds	(4,000,000)	(4,000,000)
Repayment of financing from investee	(7,400,000)	(7,235,000)
Proceeds from financing from investee	7,270,000	14,035,000
Increase in short-term notes and bills payable	3,894,957	2,098,198
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)
Decrease in guarantee deposits received	(126,859)	(71,570)
Increase in guarantee deposits received	119,069	121,524
Interest paid	(369,233)	(372,184)
Net cash flows from (used in) financing activities	19,389,851	(9,307,302)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(553,632)	277,837
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,155,355	877,518
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 601,723	1,155,355

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

(Concluded)

TAIWAN MOBILE CO., LTD.

NOTES TO SEPARATE 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.

2. APPROVAL DATE AND PROCEDURES OF THE SEPARATE FINANCIAL STATEMENTS

The Board of Directors approved the separate 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 separate financial statements.

TAIWAN MOBILE CO., LTD.

NOTES TO SEPARATE 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 financial statements that have not yet been endorsed by the FSC:

<u>Issue Date</u>	<u>New Standards and Amendments</u>	<u>Description and Influence</u>	<u>Effective Date per IASB</u>
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, TWM 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.

NOTES TO SEPARATE FINANCIAL STATEMENTS (CONT'D)

<u>Issue Date</u>	<u>New Standards and Amendments</u>	<u>Description and Influence</u>	<u>Effective Date per IASB</u>
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 Provisions, <i>Contingent Liabilities and Contingent Assets is applicable.</i>	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.

NOTES TO SEPARATE 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 in all the separate financial statements.

The separate 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 separate financial statements are the first annual separate financial statements which have been prepared in accordance with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers (the Guidelines).

Basis of Preparation

a. Basis of measurement

The separate 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*. TWM retrospectively applied IFRSs except for the chosen exemptions and those parts which are forbidden retrospective application.

b. Functional and presentation currency

The functional currency of TWM is determined based on the primary economic environment in which the entity operates. The separate 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.

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.

TAIWAN MOBILE CO., LTD.

NOTES TO SEPARATE FINANCIAL STATEMENTS (CONT'D)

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 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 separate 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

TWM 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.

TWM 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

TAIWAN MOBILE CO., LTD.

NOTES TO SEPARATE FINANCIAL STATEMENTS (CONT'D)

- 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.

Voluntary Change of Accounting Policy

In response to the development of IAS 18 *Revenue*, TWM 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 TWM, 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 TWM becomes a party to the contractual provisions of the instruments.

TAIWAN MOBILE CO., LTD.

NOTES TO SEPARATE FINANCIAL STATEMENTS (CONT'D)

a. Financial assets

TWM adopts trade-date accounting to recognize and derecognize financial assets. Financial assets are classified into the following categories: loans and receivables, and available-for-sale financial assets.

(1) 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.

(2) 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.

(3) 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.

TAIWAN MOBILE CO., LTD.

NOTES TO SEPARATE FINANCIAL STATEMENTS (CONT'D)

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to TWM on terms that TWM 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.

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.

TAIWAN MOBILE CO., LTD.

NOTES TO SEPARATE FINANCIAL STATEMENTS (CONT'D)

(4) Derecognition of financial assets

TWM derecognizes financial assets when the contractual rights of the cash inflow from the asset are terminated, or when TWM 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

TWM 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.

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.

Investment in Associates

Associates are those entities in which TWM 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.

TAIWAN MOBILE CO., LTD.

NOTES TO SEPARATE FINANCIAL STATEMENTS (CONT'D)

The consolidated financial statements include TWM'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 TWM, from the date that significant influence commences until the date that significant influence ceases.

If TWM 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.

Unrealized profits resulting from the transactions between TWM and an associate are eliminated to the extent of TWM'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 TWM'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 TWM has an obligation or has made payments on behalf of the investee.

Subsidiaries

The subsidiaries which TWM are holding for controlling are measured under equity method in the separate financial statement. Under equity method, the net income, other comprehensive income and equity in the separate financial statement are equivalent to the net income, other comprehensive income and equity which are contributed to the owners of parent in the consolidated financial statement.

The changes in ownership of the subsidiaries are recognized as equity transaction.

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.

TAIWAN MOBILE CO., LTD.

NOTES TO SEPARATE FINANCIAL STATEMENTS (CONT'D)

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 TWM 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.

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(g).

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.

TAIWAN MOBILE CO., LTD.

NOTES TO SEPARATE FINANCIAL STATEMENTS (CONT'D)

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.

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 are measured at cost less accumulated amortization and any accumulated impairment losses.

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, 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(i).

TAIWAN MOBILE CO., LTD.

NOTES TO SEPARATE FINANCIAL STATEMENTS (CONT'D)

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

TWM 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 TWM 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 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.

TWM 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.

NOTES TO SEPARATE FINANCIAL STATEMENTS (CONT'D)

Provisions

A provision is recognized if, as a result of a past event, TWMM 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. The restoration cost for property, plant and equipment that were originally acquired or used by TWMM 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.

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 TWMM'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.

A defined benefit plan uses the projected unit credit method to calculate actuarial valuation at the end of the fiscal year. TWMM 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.

TAIWAN MOBILE CO., LTD.

NOTES TO SEPARATE FINANCIAL STATEMENTS (CONT'D)

TWM 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.

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.

TAIWAN MOBILE CO., LTD.

NOTES TO SEPARATE FINANCIAL STATEMENTS (CONT'D)

(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.

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 and wireless services, net of any applicable discount, are billed at predetermined rates.
- 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) TWM has transferred significant risks and returns of ownership to the counterparty;
- (2) TWM has not been involved in any control activities and has not maintained effective control over the goods sold;

TAIWAN MOBILE CO., LTD.

NOTES TO SEPARATE FINANCIAL STATEMENTS (CONT'D)

- (3) The amount can be reliably measured;
- (4) Economic benefits relevant to the transactions will probably flow to TWM;
- (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 TWM 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 TWM.

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 TWM, the dividend income attributable to investments is recognized on the date that it is certain that TWM will receive their dividend payments.

Interest which arose from financial instruments is recognized when the economic benefits will probably flow to TWM 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, TWM 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).

TAIWAN MOBILE CO., LTD.

NOTES TO SEPARATE FINANCIAL STATEMENTS (CONT'D)

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the separate financial statements in conformity with Guidelines Governing the Preparation of Financial Reports 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, TWM 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.

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

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 \$7,121,871 thousand. TWM 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.

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

TAIWAN MOBILE CO., LTD.

NOTES TO SEPARATE FINANCIAL STATEMENTS (CONT'D)

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 \$815,573 thousand, \$964,327 thousand and \$1,090,060 thousand, respectively; the carrying value of deferred income tax liabilities amounted to \$1,744,211 thousand, \$1,761,830 thousand and \$1,368,724 thousand, respectively.

e. Useful lives of property, plant and equipment

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

f. Impairment assessment of accounts receivable

If there is any objective evidence of impairment, TWM 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 \$11,804,813 thousand, \$10,541,503 thousand and \$8,499,968 thousand, respectively. They were the net amounts after subtracting the allowances for doubtful accounts amounting to \$263,918 thousand, \$257,724 thousand and \$234,646 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>
Cash in banks	\$ 431,763	518,369	503,044
Government bonds with repurchase rights	158,000	260,000	222,000
Time deposits	11,960	162,625	59,054
Cash on hand	-	207,375	86,870
Revolving funds	-	6,986	6,550
	<u>\$ 601,723</u>	<u>1,155,355</u>	<u>877,518</u>

TAIWAN MOBILE CO., LTD.

NOTES TO SEPARATE FINANCIAL STATEMENTS (CONT'D)

b. Current Available-for-sale Financial Assets

	2013.12.31	2012.12.31	2012.1.1
Domestic listed stock – Chunghwa Telecom Co., Ltd.	\$ 202,354	205,397	217,351

c. Non-current Financial Assets at Cost

	2013.12.31	2012.12.31	2012.1.1
Foreign unlisted stock Bridge Mobile Pte Ltd.	\$ 50,324	50,324	50,324

The aforementioned investments held by TWM 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, TWM management has determined that the fair value cannot be measured reliably.

d. Accounts and Notes Receivable, Net

	2013.12.31	2012.12.31	2012.1.1
Notes receivable	\$ 2,774	357	791
Accounts receivable	12,068,731	10,799,227	8,734,614
Less: allowance for doubtful accounts	(263,918)	(257,724)	(234,646)
Accounts receivable, net	11,804,813	10,541,503	8,499,968
Total	\$ 11,807,587	10,541,860	8,500,759

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

	Years ended December 31	
	2013	2012
Beginning balance	\$ 257,724	234,646
Add: Provision	262,779	303,010
Reversal	120,169	123,262
Less: write-off	(376,754)	(403,194)
Ending balance	\$ 263,918	257,724

In January 2013 and 2012, TWM entered into an accounts receivable factoring contract with HC First Asset Management Co., Ltd. TWM sold \$1,238,163 thousand and \$2,368,798 thousand, respectively, of the overdue accounts receivable which had been written off to HC First Asset Management Co., Ltd. The aggregate selling price was \$40,116 thousand and \$59,220 thousand, respectively. Under this contract, TWM would no longer assume the risk on this receivable.

TAIWAN MOBILE CO., LTD.

NOTES TO SEPARATE FINANCIAL STATEMENTS (CONT'D)

e. Inventories

	<u>2013.12.31</u>	<u>2012.12.31</u>	<u>2012.1.1</u>
Merchandise	\$ 2,283,349	1,937,427	1,430,322
Materials for maintenance	-	11,908	-
	<u>\$ 2,283,349</u>	<u>1,949,335</u>	<u>1,430,322</u>

For the years ended December 31, 2013 and 2012, the cost of goods sold recognized in comprehensive income amounted to \$23,565,134 thousand and \$17,059,822 thousand, respectively, which included a gain of \$22,766 thousand and a loss of \$47,012 thousand, respectively, from the increase and decrease in net realizable value. The value of the inventories was recovered by clearing the inventories for the year 2013.

f. Investments Accounted for Using Equity Method

	<u>2013.12.31</u>	<u>2012.12.31</u>	<u>2012.1.1</u>
Subsidiaries	\$ 37,917,583	32,855,813	25,085,829
Associates			
Taipei New Horizon Co., Ltd.(TNH)	1,566,952	811,841	562,812
Alliance Digital Tech Co., Ltd. (ADT)	28,514	-	-
	<u>\$ 39,513,049</u>	<u>33,667,654</u>	<u>25,648,641</u>

(1)Subsidiaries

Please refer to the consolidated financial statements for the years ended December 31, 2013 and 2012.

(2)Associates

Financial information of TWM's associates is as follows:

	<u>2013.12.31</u>	<u>2012.12.31</u>	<u>2012.1.1</u>
Total assets	<u>\$ 7,768,095</u>	<u>4,951,097</u>	<u>2,250,148</u>
Total liabilities	<u>\$ 4,478,376</u>	<u>3,324,162</u>	<u>1,122,268</u>
		<u>Years ended December 31</u>	
		<u>2013</u>	<u>2012</u>
Operating revenues		<u>\$ 2,875,023</u>	<u>2,693,134</u>
Loss		<u>\$ 143,215</u>	<u>50,945</u>
Share of losses of associates accounted for using equity method		<u>\$ 69,725</u>	<u>25,421</u>

TAIWAN MOBILE CO., LTD.

NOTES TO SEPARATE FINANCIAL STATEMENTS (CONT'D)

(a) 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.

(b) 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.

TAIWAN MOBILE CO., LTD.

NOTES TO SEPARATE FINANCIAL STATEMENTS (CONT'D)

g. Property, Plant and Equipment

Movements of the cost, depreciation, and impairment of property, plant and equipment of TWM 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	\$ 4,040,056	2,551,870	61,272,984	4,243,731	2,581,974	74,690,615
Additions	-	-	114,199	338,225	6,755,580	7,208,004
Reclassification	228,646	60,403	7,471,680	60,045	(7,532,341)	288,433
Disposals	-	-	(5,720,169)	(70,279)	(11,344)	(5,801,792)
Balance, December 31, 2013	<u>\$ 4,268,702</u>	<u>2,612,273</u>	<u>63,138,694</u>	<u>4,571,722</u>	<u>1,793,869</u>	<u>76,385,260</u>
Balance, January 1, 2012	\$ 4,158,913	2,574,456	58,772,404	3,799,637	1,973,904	71,279,314
Additions	-	-	239,632	340,636	4,985,293	5,565,561
Reclassification	(118,857)	(22,586)	4,174,040	203,491	(4,375,731)	(139,643)
Disposals	-	-	(1,913,092)	(100,033)	(1,492)	(2,014,617)
Balance, December 31, 2012	<u>\$ 4,040,056</u>	<u>2,551,870</u>	<u>61,272,984</u>	<u>4,243,731</u>	<u>2,581,974</u>	<u>74,690,615</u>
Accumulated depreciation and impairment:						
Balance, January 1, 2013	\$ 67,280	760,044	41,366,103	2,697,422	-	44,890,849
Depreciation	-	64,926	6,434,764	491,340	-	6,991,030
Reclassification	(7,904)	17,153	-	1,800	-	11,049
Disposals	-	-	(4,452,733)	(30,300)	-	(4,483,033)
Balance, December 31, 2013	<u>\$ 59,376</u>	<u>842,123</u>	<u>43,348,134</u>	<u>3,160,262</u>	<u>-</u>	<u>47,409,895</u>
Balance, January 1, 2012	\$ 83,426	670,642	36,429,046	2,245,447	-	39,428,561
Depreciation	-	100,222	6,304,444	537,238	-	6,941,904
Reclassification	(16,146)	(10,820)	-	(5)	-	(26,971)
Disposals	-	-	(1,367,387)	(85,258)	-	(1,452,645)
Balance, June 30, 2012	<u>\$ 67,280</u>	<u>760,044</u>	<u>41,366,103</u>	<u>2,697,422</u>	<u>-</u>	<u>44,890,849</u>
Carrying amount:						
Balance, December 31, 2013	<u>\$ 4,209,326</u>	<u>1,770,150</u>	<u>19,790,560</u>	<u>1,411,460</u>	<u>1,793,869</u>	<u>28,975,365</u>
Balance, December 31, 2012	<u>\$ 3,972,776</u>	<u>1,791,826</u>	<u>19,906,881</u>	<u>1,546,309</u>	<u>2,581,974</u>	<u>29,799,766</u>
Balance, January 1, 2012	<u>\$ 4,075,487</u>	<u>1,903,814</u>	<u>22,343,358</u>	<u>1,554,190</u>	<u>1,973,904</u>	<u>31,850,753</u>

TAIWAN MOBILE CO., LTD.

NOTES TO SEPARATE FINANCIAL STATEMENTS (CONT'D)

(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 50~55years

Mechanical and electrical equipment 15years

(b) Telecommunication equipment 2~15years

(c) Miscellaneous equipment 3~20 years

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

	2013.12.31	2012.12.31
Acquisition of property and equipment	\$ 7,208,004	5,565,561
Changes in other payables	(317,854)	78,420
Changes in provisions	(114,065)	(91,810)
Capitalized interest of construction in progress	(24,254)	(14,267)
Cash paid for acquisition of property, plant and equipment	\$ 6,751,831	5,537,904

h. Investment Property

	2013.12.31	2012.12.31	2012.1.1
Land:			
Cost	\$ 1,337,972	1,574,523	1,471,811
Buildings:			
Cost	\$ 649,585	711,789	687,402
Accumulated depreciation	222,539	224,438	192,623
Carrying amount	\$ 427,046	487,351	494,779
Total investment property	\$ 1,765,018	2,061,874	1,966,590
Fair value	\$ 3,300,725	3,497,494	3,587,012

Properties were reclassified from property, plant and equipment to investment property since the properties were no longer used by TWM 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.

TAIWAN MOBILE CO., LTD.

NOTES TO SEPARATE FINANCIAL STATEMENTS (CONT'D)

i. Intangible Assets

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

	<u>Concession license</u>	<u>Goodwill</u>	<u>Computer software</u>	<u>Total</u>
Cost:				
Balance, January 1, 2013	\$ 10,281,000	7,121,871	1,315,126	18,717,997
Addition	29,010,000	-	138,300	29,148,300
Disposals	-	-	(54,782)	(54,782)
Reclassification	-	-	180,510	180,510
Balance, December 31, 2013	<u>\$ 39,291,000</u>	<u>7,121,871</u>	<u>1,579,154</u>	<u>47,992,025</u>
Balance, January 1, 2012	\$ 10,281,000	7,121,871	1,124,606	18,527,477
Addition	-	-	77,877	77,877
Disposals	-	-	(52,432)	(52,432)
Reclassification	-	-	165,075	165,075
Balance, December 31, 2012	<u>\$ 10,281,000</u>	<u>7,121,871</u>	<u>1,315,126</u>	<u>18,717,997</u>
Amortization:				
Balance, January 1, 2013	\$ 5,794,746	-	990,403	6,785,149
Amortization	747,709	-	246,512	994,221
Disposals	-	-	(34,388)	(34,388)
Balance, December 31, 2013	<u>\$ 6,542,455</u>	<u>-</u>	<u>1,202,527</u>	<u>7,744,982</u>
Balance, January 1, 2012	\$ 5,047,036	-	770,984	5,818,020
Amortization	747,710	-	274,606	1,022,316
Disposals	-	-	(52,431)	(52,431)
Reclassification	-	-	(2,756)	(2,756)
Balance, December 31, 2012	<u>\$ 5,794,746</u>	<u>-</u>	<u>990,403</u>	<u>6,785,149</u>
Carrying amounts:				
Balance, December 31, 2013	<u>\$ 32,748,545</u>	<u>7,121,871</u>	<u>376,627</u>	<u>40,247,043</u>
Balance, December 31, 2012	<u>\$ 4,486,254</u>	<u>7,121,871</u>	<u>324,723</u>	<u>11,932,848</u>
Balance, January 1, 2012	<u>\$ 5,233,964</u>	<u>7,121,871</u>	<u>353,622</u>	<u>12,709,457</u>

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 years |

TAIWAN MOBILE CO., LTD.

NOTES TO SEPARATE FINANCIAL STATEMENTS (CONT'D)

(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) Goodwill

The goodwill resulted from the merger of TransAsian Telecommunications Inc.(TAT) on September 2, 2008.

In conformity with IAS 36 *Impairment of Assets*, TWM identified the smallest identifiable group of cash-generating units, which was engaged in mobile communication service, 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:

(a) 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.

(b) 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.

(c) 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.

(d) 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.

TAIWAN MOBILE CO., LTD.

NOTES TO SEPARATE FINANCIAL STATEMENTS (CONT'D)

Based on the key assumptions of each cash-generating unit, TWM'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.

j. Other Non-current Assets

	2013.12.31	2012.12.31	2012.1.1
Non-current:			
Long-term accounts receivable	\$ 2,546,264	3,157,883	2,526,725
Refundable deposits	400,218	379,408	333,645
Prepayments for equipment	43,960	84,066	114,762
Other financial assets –			
Pledged time deposits	720	-	-
	\$ 2,991,162	3,621,357	2,975,132

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

	2013.12.31	
	Annual interest rate	Amount
Unsecured loans – financial institutions	0.83%~1.15%	\$ 30,500,000
Unsecured loans – related parties	1.183%~1.196%	6,670,000
		\$ 37,170,000
Bills payable	0.62%~0.72%	\$ 2,400,000
Less: Discount on bills payable		(3,029)
		\$ 2,396,971
	2012.12.31	
	Annual interest rate	Amount
Unsecured loans – financial institutions	0.88%~1.15%	\$ 3,000,000
Unsecured loans – related parties	1.195 %~1.199%	6,800,000
		\$ 9,800,000
	2012.1.1	
	Annual interest rate	Amount
Unsecured loans – financial institutions	0.89%~0.98%	\$ 9,000,000
Bills payable	0.948%~0.958%	\$ 900,000
Less: Discount on bills payable		(727)
		\$ 899,273

For financial risk information of TWM, please refer to Note 6(z); and for the information on loans from related parties, please refer to Note 7.

TAIWAN MOBILE CO., LTD.

NOTES TO SEPARATE FINANCIAL STATEMENTS (CONT'D)

l. Advance Receipts

	<u>2013.12.31</u>	<u>2012.12.31</u>	<u>2012.1.1</u>
Advance receipts from customers	\$ 1,854,177	2,201,272	2,106,241
Deferred customer loyalty revenues	47,879	50,130	41,479
Others	71,907	17,295	3,437
	<u>\$ 1,973,963</u>	<u>2,268,697</u>	<u>2,151,157</u>

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

m. 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	5,796,711	-	-
	14,792,647	12,995,180	8,000,000
Less: current portion	-	(4,000,000)	(4,000,000)
	<u>\$ 14,792,647</u>	<u>8,995,180</u>	<u>4,000,000</u>

(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.

TAIWAN MOBILE CO., LTD.

NOTES TO SEPARATE FINANCIAL STATEMENTS (CONT'D)

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

n. Long-term Borrowings

The summary of terms and covenants of long-term borrowings are as follows:

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

o. Provisions

	2013.12.31	2012.12.31	2012.1.1
Current	\$ 109,116	90,668	62,896
Non-current	564,470	465,534	405,750
	\$ 673,586	556,202	468,646

TAIWAN MOBILE CO., LTD.

NOTES TO SEPARATE FINANCIAL STATEMENTS (CONT'D)

The changes of provisions for the years ended December 31, 2013 and 2012 are as follows:

	Years ended December 31	
	2013	2012
Beginning balance	\$ 556,202	468,646
Provision	122,600	101,325
Discounted or amortized	9,165	8,645
Payment	(14,381)	(22,414)
Ending balance	\$ 673,586	556,202

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.

p. Operating Lease

(1) Lessee

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

	2013.12.31	2012.12.31	2012.1.1
Less than one year	\$ 2,614,701	2,212,642	1,725,599
Between one and five years	4,688,430	4,213,521	2,732,853
More than five years	30,953	54,541	71,091
	\$ 7,334,084	6,480,704	4,529,543

TWM leases offices, maintenance centers, stores, base transceiver stations 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, TWM anticipated it would receive total future minimum sublease payments under the non-cancelable sublease contracts in the amount of \$1,616,357 thousand, \$14,582 thousand and \$7,733 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:

	Years ended December 31	
	2013	2012
Minimum lease payment	\$ 2,788,581	2,294,425
Sublease payment	(279,119)	(3,733)
	\$ 2,509,462	2,290,692

TAIWAN MOBILE CO., LTD.

NOTES TO SEPARATE FINANCIAL STATEMENTS (CONT'D)

(2) Lessor

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

	2013.12.31	2012.12.31	2012.1.1
Less than one year	\$ 124,556	119,310	123,193
Between one and five years	29,782	42,139	20,576
More than five years	405	585	-
	\$ 154,743	162,034	143,769

q. Employee Benefits

(1) Defined benefit plan

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

	2013.12.31	2012.12.31	2012.1.1
Present value of defined benefit obligations	\$ 486,172	471,990	446,193
Fair value of plan assets	(456,979)	(460,895)	(429,245)
Unfunded defined benefit obligation	29,193	11,095	16,948
Unrecognized prior service cost	(311)	(333)	(355)
Accrued pension liability	\$ 28,882	10,762	16,593

TWM 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.

NOTES TO SEPARATE 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	\$ 471,990	446,193
Benefits unpaid by the plan	(9,654)	-
Current service costs and interest	9,480	10,273
Actuarial losses	14,356	15,524
Defined benefit obligation, December 31	\$ 486,172	471,990

(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	\$ 460,895	429,245
Contributions made	-	27,487
Benefits paid by the plan	(9,654)	-
Expected return on plan assets	8,642	8,585
Actuarial losses	(2,904)	(4,422)
Fair value of plan assets, December 31	\$ 456,979	460,895

(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	\$ 2,400	2,465
Interest on obligation	7,080	7,808
Past service costs	22	22
Expected return on plan assets	(8,642)	(8,585)
	\$ 860	1,710

TAIWAN MOBILE CO., LTD.

NOTES TO SEPARATE FINANCIAL STATEMENTS (CONT'D)

	Years ended December 31	
	2013	2012
Actual return on assets	\$ 5,739	4,163

(e) Actuarial losses recognized in other comprehensive income

TWM's actuarial 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	\$ 16,555	-
Recognized during the period	14,326	16,555
Cumulative amount, December 31	\$ 30,881	16,555

(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	2.00%	1.875%	2.00%
Long- term average adjustment rate of salary	2.75%	2.75%	2.75%

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.

TWM expected \$20,000 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

	2013.12.31	2012.12.31	2012.1.1
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	-
	100.00	100.00	100.00

TAIWAN MOBILE CO., LTD.

NOTES TO SEPARATE FINANCIAL STATEMENTS (CONT'D)

(h) Historical information

	2013.12.31	2012.12.31	2012.1.1
Present value of the defined benefit obligation	\$ (486,172)	(471,990)	(446,193)
Fair value of plan assets	456,979	460,895	429,245
Deficit in the plan	\$ (29,193)	(11,095)	(16,948)
Experience adjustments arising on plan liabilities	\$ (14,356)	(15,524)	-
Experience adjustments arising on plan assets	\$ (2,904)	(4,422)	-

(2) Defined contribution plans

TWM 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. TWM contributed a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligations.

TWM recognized \$113,417 thousand and \$116,185 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, \$26,434 thousand and \$30,416 thousand, respectively, were payable to the Bureau of Labor Insurance. The amounts were all paid after the reporting date.

r. Income Tax

(1) Income tax expense recognized in profits or losses

	Years ended December 31	
	2013	2012
Current income tax expense		
Current period	\$ 945,214	1,539,894
Prior years' adjustment on current income tax	(75,077)	(79,946)
	870,137	1,459,948
Deferred income tax expense		
Current period	134,069	522,229
Income tax expense	\$ 1,004,206	1,982,177

TAIWAN MOBILE CO., LTD.

NOTES TO SEPARATE FINANCIAL STATEMENTS (CONT'D)

(2) Income tax recognized in other comprehensive income

	Years ended December 31	
	2013	2012
Defined benefit plan actuarial losses	\$ 2,934	3,391

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

	Years ended December 31	
	2013	2012
Profit before tax	\$ 16,587,653	18,308,190
Income tax expense at domestic statutory tax rate	2,819,901	3,112,392
Investment gain from domestic investees accounted for using equity method	(1,676,553)	(1,023,208)
Temporary differences	(179,164)	(542,741)
Deferred income taxes	134,069	522,229
Prior years' adjustment	(75,077)	(79,946)
Investment tax credits	-	(4,437)
Others	(18,970)	(2,112)
	\$ 1,004,206	1,982,177

(4) Deferred Tax Assets and Liabilities

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	\$ 857,820	6,812	99,695	964,327
Recognized in profit or loss	(126,720)	-	(24,968)	(151,688)
Recognized in other comprehensive income	-	2,934	-	2,934
Balance, December 31, 2013	\$ 731,100	9,746	74,727	815,573
Balance, January 1, 2012	\$ 1,024,711	3,421	61,928	1,090,060
Recognized in profit or loss	(166,891)	-	37,767	(129,124)
Recognized in other comprehensive income	-	3,391	-	3,391
Balance, December 31, 2012	\$ 857,820	6,812	99,695	964,327

TAIWAN MOBILE CO., LTD.

NOTES TO SEPARATE FINANCIAL STATEMENTS (CONT'D)

Deferred Tax Liabilities:

	Accounts	Intangible		Total
	Receivable	Assets	Others	
Balance, January 1, 2013	\$ 1,404,763	335,693	21,374	1,761,830
Recognized in profit or loss	(79,341)	77,467	(15,745)	(17,619)
Balance, December 31, 2013	<u>\$ 1,325,422</u>	<u>413,160</u>	<u>5,629</u>	<u>1,744,211</u>
Balance, January 1, 2012	\$ 1,090,944	258,225	19,555	1,368,724
Recognized in profit or loss	313,819	77,468	1,819	393,106
Balance, December 31, 2012	<u>\$ 1,404,763</u>	<u>335,693</u>	<u>21,374</u>	<u>1,761,830</u>

Integrated income tax information was as follows:

	<u>2013.12.31</u>	<u>2012.12.31</u>	<u>2012.1.1</u>
Balance of TWM's imputation credit account (ICA)	<u>\$ 1,312,831</u>	<u>1,145,595</u>	<u>2,442,957</u>

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.

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
TAT	All examined

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.

TAIWAN MOBILE CO., LTD.

NOTES TO SEPARATE FINANCIAL STATEMENTS (CONT'D)

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.

s. 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>

(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.

TAIWAN MOBILE CO., LTD.

NOTES TO SEPARATE FINANCIAL STATEMENTS (CONT'D)

(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 a 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. TWM 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.

TAIWAN MOBILE CO., LTD.

NOTES TO SEPARATE FINANCIAL STATEMENTS (CONT'D)

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:

	Appropriation of Earnings		Dividend per Share (NT\$)	
	For Fiscal Year 2012	For Fiscal Year 2011	For Fiscal Year 2012	For Fiscal Year 2011
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)		
	\$ 15,995,738	14,406,087		

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.

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.

TAIWAN MOBILE CO., LTD.

NOTES TO SEPARATE FINANCIAL STATEMENTS (CONT'D)

(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
TWM	-	(3,043)	(3,043)
Subsidiaries	(708)	78,266	77,558
Associates	173	(2,032)	(1,859)
Balance, December 31, 2013	<u>\$ 24,948</u>	<u>387,734</u>	<u>412,682</u>
Balance, January 1, 2012	\$ 34,231	321,987	356,218
TWM	-	(11,955)	(11,955)
Subsidiaries	(8,550)	4,511	(4,039)
Associates	(198)	-	(198)
Balance, December 31, 2012	<u>\$ 25,483</u>	<u>314,543</u>	<u>340,026</u>

(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.

t. Earnings per Share

TWM calculated the basic and diluted EPS as follows:

	Years ended December 31	
	2013	2012
Basic EPS		
Profit attributable to ordinary shareholders	<u>\$ 15,583,447</u>	<u>16,326,013</u>
Weighted-average number of ordinary shares	<u>2,690,107</u>	<u>2,690,107</u>
	<u>\$ 5.79</u>	<u>6.07</u>

TAIWAN MOBILE CO., LTD.

NOTES TO SEPARATE FINANCIAL STATEMENTS (CONT'D)

	Years ended December 31	
	2013	2012
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

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.

u. Operating Revenues

TWM's operating revenues are detailed as follows:

	Years ended December 31	
	2013	2012
Telecommunication service	\$ 55,034,285	53,797,100
Sales revenue	22,089,510	14,961,508
Other operating revenues	1,804,697	1,109,206
	\$ 78,928,492	69,867,814

v. Other Income and Expenses

TWM's other income and expenses are detailed as follows:

	Years ended December 31	
	2013	2012
Police inquiry	\$ 30,141	29,134
Others	22,494	24,186
	\$ 52,635	53,320

TAIWAN MOBILE CO., LTD.

NOTES TO SEPARATE FINANCIAL STATEMENTS (CONT'D)

w. Non-operating Income and Expenses

(1) Other income

TWM's other income was as follows:

	Years ended December 31	
	2013	2012
Rent income	\$ 176,994	168,003
Interest income	38,975	35,379
Dividend income	11,628	11,869
Other income	2,210	4,491
	\$ 229,807	219,742

(2) Other gains and losses, net

TWM's other gains and losses were as follows:

	Years ended December 31	
	2013	2012
Loss on disposal of property, plant and equipment	\$ (1,285,754)	(561,972)
Foreign exchange gains (losses)	6,985	(6,876)
Others	(39,385)	(39,050)
	\$ (1,318,154)	(607,898)

(3) Finance costs

TWM's finance costs were as follows:

	Years ended December 31	
	2013	2012
Interest expense		
Corporate bonds	\$ 274,442	222,731
Bank loans	93,642	89,885
Fund financing	69,800	64,038
Others	30,464	23,720
	468,348	400,374
Less: capitalized interest	(24,254)	(14,267)
	\$ 444,094	386,107

Capitalization rates were as follows:

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

TAIWAN MOBILE CO., LTD.

NOTES TO SEPARATE FINANCIAL STATEMENTS (CONT'D)

x. Capital Management

TWM 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, TWM 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.

y. Financial Instruments

(1) Categories of financial instruments

Financial assets

	<u>2013.12.31</u>	<u>2012.12.31</u>	<u>2012.1.1</u>
Current available-for-sale financial assets	\$ 202,354	205,397	217,351
Non-current financial assets carried at cost	50,324	50,324	50,324
Loans and receivables:			
Cash and cash equivalents	601,723	1,155,355	877,518
Accounts and notes receivable (including related parties)	13,551,979	10,581,379	8,548,954
Other receivables (including related parties)	2,768,648	2,176,569	1,687,180
Non-current financial assets	720	-	-
Refundable deposits	400,218	379,408	333,645
Subtotal	<u>17,323,288</u>	<u>14,292,711</u>	<u>11,447,297</u>
Total	<u>\$ 17,575,966</u>	<u>14,548,432</u>	<u>11,714,972</u>

Financial liabilities

	<u>2013.12.31</u>	<u>2012.12.31</u>	<u>2012.1.1</u>
Short-term borrowings	\$ 37,170,000	9,800,000	9,000,000
Short-term notes and bills payable	2,396,971	-	899,273
Accounts payable (including related parties)	4,119,421	4,827,036	3,423,292
Other payables	8,884,409	7,906,499	8,196,162
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	376,428	383,419	335,365
Total	<u>\$ 70,739,876</u>	<u>35,912,134</u>	<u>29,854,092</u>

TAIWAN MOBILE CO., LTD.

NOTES TO SEPARATE FINANCIAL STATEMENTS (CONT'D)

(2) Credit risk

(a) The maximum credit risk exposure of TWM'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:

	2013.12.31		2012.12.31		2012.1.1	
	Total amount	Impairment	Total amount	Impairment	Total amount	Impairment
Not overdue	\$ 11,660,009	142,910	10,314,293	145,507	8,274,347	118,069
Overdue within 180 days	402,422	118,617	480,331	112,217	456,628	116,577
Overdue more than 180 days	6,300	2,391	4,603	-	3,639	-
	\$ 12,068,731	263,918	10,799,227	257,724	8,734,614	234,646

(3) Liquidity risk

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

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

	Carrying amount	Contractual cash flows	Within 1 year	1~5 years	More than 5 years
2013.12.31					
Unsecured loans	\$ 33,500,000	33,623,454	31,607,747	2,015,707	-
Unsecured loans – related parties	6,670,000	6,741,664	6,741,664	-	-
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
	\$ 57,359,618	58,565,108	40,944,831	13,059,977	4,560,300
2012.12.31					
Unsecured loans	\$ 3,000,000	3,004,073	3,004,073	-	-
Unsecured loans – related parties	6,800,000	6,858,077	6,858,077	-	-
Bonds payable	12,995,180	13,899,100	4,235,800	482,400	9,180,900
	\$ 22,795,180	23,761,250	14,097,950	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	-

TAIWAN MOBILE CO., LTD.

NOTES TO SEPARATE FINANCIAL STATEMENTS (CONT'D)

(4) Exchange rate risk

(a) Exposure to exchange rate risk

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

	2013.12.31			2012.12.31			2012.1.1		
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD
Financial Assets									
USD	20,230	29.90	604,884	13,865	29.04	402,638	7,086	30.28	214,567
EUR	844	41.14	34,707	59	38.48	2,286	20	39.17	766
Financial Liabilities									
USD	456	29.90	13,654	3,974	29.04	115,392	3,225	30.28	97,657
EUR	2	41.14	85	-	38.48	-	-	39.17	-

(b) Sensitivity analysis

TWM'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, other receivables, accounts payable, other payables, etc. If the NTD, when compared with USD and EUR, 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 \$31,300 thousand and by \$14,475 thousand for the years ended December 31, 2013 and 2012, respectively.

(5) Interest rate analysis

The balances of TWM'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	\$ 2,254,960	2,252,625	1,601,054
Financial liabilities	57,359,618	22,795,180	17,899,273
Cash flow interest rate risk			
Financial assets	\$ 426,010	514,878	501,011

TAIWAN MOBILE CO., LTD.

NOTES TO SEPARATE FINANCIAL STATEMENTS (CONT'D)

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, TWM's profit would have increased or decreased by \$2,130 thousand and \$2,574 thousand, respectively.

(6) Fair value of financial instruments

(a) Financial instruments not at fair value

Except for the table listed below, the management of TWM 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

TWM 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 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.

TAIWAN MOBILE CO., LTD.

NOTES TO SEPARATE FINANCIAL STATEMENTS (CONT'D)

(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).

	<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	\$ 202,354	-	-	202,354
2012.12.31				
<u>Available-for-sale financial assets</u>				
Domestic emerging stock	\$ 205,397	-	-	205,397
2012.1.1				
<u>Available-for-sale financial assets</u>				
Domestic emerging stock	\$ 217,351	-	-	217,351

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

z. Financial Risk Management

(1) Overview

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

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

This note describes TWM's information concerning risk exposure, and TWM'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 TWM's operating target and performance to meet TWM's guidance and budget.

TAIWAN MOBILE CO., LTD.

NOTES TO SEPARATE FINANCIAL STATEMENTS (CONT'D)

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

(4) Liquidity risk

Liquidity risk is the risk that TWM fails to meet the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. TWM'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 TWM's reputation.

TWM ensures sufficient cash for the requirements of paying estimated operating expenditures, including financial obligations. TWM 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, TWM had unused bank facilities of \$36,943,800 thousand, \$52,715,210 thousand and \$42,250,350 thousand, respectively.

TAIWAN MOBILE CO., LTD.

NOTES TO SEPARATE FINANCIAL STATEMENTS (CONT'D)

(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 TWM'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.

TWM 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, TWM's market risk is insignificant.

(a) Exchange rate risk

TWM 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, TWM 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 TWM significantly.

(b) Interest rate risk

TWM 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 TWM significantly. Also, interest rate risk does not impact short-term bank loans significantly.

(c) Other market price risk

TWM's exposure to equity price risk is mainly due to holding equity financial instruments. TWM 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 \$10,118 thousand and \$10,270 thousand, respectively.

TAIWAN MOBILE CO., LTD.

NOTES TO SEPARATE FINANCIAL STATEMENTS (CONT'D)

7. RELATED-PARTY TRANSACTIONS

a. Relationships between TWM and Subsidiaries

The subsidiaries were as follows:

Subsidiary	Percentage of Ownership		
	2013.12.31	2012.12.31	2012.1.1
Wealth Media Technology Co., Ltd. (WMT)	100.00	100.00	100.00
Taiwan Win TV Broadcasting Co., Ltd. (TWTV)	-	-	100.00
Fubon Multimedia Technology Co., Ltd. (FBM)	50.64	50.64	50.64
Fu Sheng Travel Service Co., Ltd. (FST)	100.00	100.00	100.00
Fuli Life Insurance Agent Co., Ltd. (FLI)	100.00	100.00	100.00
Fuli Property Insurance Agent Co., Ltd. (FPI)	100.00	100.00	100.00
Asian Crown International Co., Ltd (Asian Crown (BVI))	100.00	100.00	100.00
Fortune Kingdom Corporation (Fortune Kingdom)	100.00	100.00	100.00
Hong Kong Fubon Multimedia Technology Co., Ltd. (HK Fubon Multimedia)	100.00	100.00	100.00
Fubon Gehua (Beijing) Enterprise Ltd. (FGE)	87.50	80.00	80.00
Tai Fu Media Technology Co., Ltd. (TFMT)	-	-	100.00
Global Wealth Media Technology Co., Ltd. (GWMT)	100.00	100.00	100.00
Globalview Cable TV Co., Ltd. (GCTV)	99.21	99.21	99.21
Fu Jia Leh Media Technology Co., Ltd. (FJLMT)	-	-	100.00
Fu Sin Media Technology Co., Ltd. (FSMT)	-	-	100.00
Global Forest Media Technology Co., Ltd. (GFMT)	100.00	100.00	100.00
Union Cable TV Co., Ltd. (UCTV)	99.98	99.98	99.98
Win TV Broadcasting Co., Ltd. (WTVB)	100.00	100.00	100.00
TFN Media Co., Ltd. (TFNM)	100.00	100.00	100.00
Yeong Jia Leh Cable TV Co., Ltd. (YJCTV)	100.00	100.00	100.00
Mangrove Cable TV Co., Ltd. (MCTV)	29.53	29.53	29.53
Phoenix Cable TV Co., Ltd. (PCTV)	100.00	100.00	100.00
Taiwan Kuro Times Co., Ltd. (TKT)	100.00	100.00	100.00
ezPeer Multimedia Ltd. (ezPeer Samoa)	-	100.00	100.00
Taiwan Cellular Co., Ltd. (TCC)	100.00	100.00	100.00
Taiwan Fixed Network Co., Ltd. (TFN)	100.00	100.00	100.00
TFN HK Ltd.	100.00	100.00	100.00
TFN Union Investment Co., Ltd. (TUI)	100.00	100.00	100.00
Taiwan Digital Communications Co., Ltd. (TDC)	100.00	100.00	100.00
TCC Investment Co., Ltd. (TCCI)	100.00	100.00	100.00
TCCI Investment & Development Co., Ltd. (TID)	100.00	100.00	100.00
TWM Holding Co., Ltd. (TWM Holding)	100.00	100.00	100.00
TWM Communications (Beijing) Co., Ltd. (TWMC)	100.00	100.00	100.00
Taiwan Teleservices & Technologies Co., Ltd. (TT&T)	100.00	100.00	100.00
Taiwan Mobile Basketball Co., Ltd. (TMB)	100.00	100.00	100.00
TT&T Holdings Co., Ltd. (TT&T Holdings)	100.00	100.00	100.00
Xiamen Taifu Teleservices & Technologies Co., Ltd.	-	100.00	100.00
Taiwan Digital Service Co., Ltd. (TDS)	100.00	-	-

b. Parent Company and Ultimate Controlling Party

TWM is the ultimate controlling party of TWM and subsidiaries.

TAIWAN MOBILE CO., LTD.

NOTES TO SEPARATE FINANCIAL STATEMENTS (CONT'D)

c. Significant Transactions with Related Parties are Summarized Below:

(1) Operating revenue

	Years ended December 31	
	2013	2012
Subsidiaries	\$ 9,876,317	2,514,419
Associates	10,812	-
Other related parties	15,074	13,953
	\$ 9,902,203	2,528,372

TWM renders telecommunication services and sales goods 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
Subsidiaries	\$ 7,109,659	4,435,353
Other related parties	25,452	31,844
	\$ 7,135,111	4,467,197

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

(3) Receivables and payables

	Accounts receivable		
	2013.12.31	2012.12.31	2012.1.1
Subsidiaries	\$ 1,735,253	32,349	40,837
Associates	3,251	-	-
Other related parties	5,888	7,170	7,358
	\$ 1,744,392	39,519	48,195

	Accounts payable		
	2013.12.31	2012.12.31	2012.1.1
Subsidiaries	\$ 94,029	68,272	38,861

(4) Bank deposits

	2013.12.31	2012.12.31	2012.1.1
Other related parties	\$ 159,962	150,317	188,741

TAIWAN MOBILE CO., LTD.

NOTES TO SEPARATE FINANCIAL STATEMENTS (CONT'D)

(5) Property transactions

	Years ended December 31	
	2013	2012
(a) <u>Acquisition of property, plant and equipment</u>		
Subsidiaries	\$ -	3,360

	Years ended December 31			
	2013		2012	
	Amount	Gain(Loss)	Amount	Gain(Loss)
(b) <u>Proceeds from disposal of property, plant and equipment</u>				
Subsidiaries	\$ 51,648	-	-	-

(6) Loans to related parties

	Other Receivables		
	2013.12.31	2012.12.31	2012.1.1
Subsidiaries	\$ 2,085,000	1,830,000	1,320,000

(7) Borrowings from related parties

	Short-term Borrowings		
	2013.12.31	2012.12.31	2012.1.1
Subsidiaries	\$ 6,670,000	6,800,000	-

(8) Endorsement/guarantee provided

- a. 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 draw down \$0, \$500 thousand and \$0, respectively, from the banks within the guarantee amount.

TAIWAN MOBILE CO., LTD.

NOTES TO SEPARATE FINANCIAL STATEMENTS (CONT'D)

- b. TW M provided a maximum \$50,000 thousand guarantee for TKT's bank guarantee. Under bank practices, TW M also provided \$50,000 thousand in promissory notes outstanding for TKT's guarantee from banks. As of December 31, 2013, TKT had draw down \$1,906 thousand from the banks within the guarantee amount.

(9) Others

	2013.12.31	2012.12.31	2012.1.1
(a) <u>Other receivables</u>			
Subsidiaries	\$ 319,445	61,092	58,425
Other related parties	29,088	48	467
	\$ 348,533	61,140	58,892

Accounts receivable and other receivables from related parties were not secured with collaterals, and not provisions for bad debt expenses were accrued.

(b) <u>Prepayments</u>			
Subsidiaries	\$ 102,715	-	-

(c) <u>Other payables</u>			
Subsidiaries	\$ 931,934	783,184	762,580

(d) <u>Other current liabilities – collections and temporary receipts</u>			
Subsidiaries	\$ 47,884	68,365	24,326

	Years ended December 31	
	2013	2012
(e) <u>Freights</u>		
Subsidiaries	\$ 122,515	-
(f) <u>Telecommunication service expenses</u>		
Subsidiaries	\$ 84,585	75,926
(g) <u>Repairs and maintenance expense</u>		
Other related parties	\$ 26,539	24,479
(h) <u>Warranty expense</u>		
Subsidiaries	\$ 267,214	-

TAIWAN MOBILE CO., LTD.

NOTES TO SEPARATE FINANCIAL STATEMENTS (CONT'D)

	Years ended December 31	
	2013	2012
(i) <u>Advertisement expenses</u>		
Subsidiaries	\$ 47,000	34,425
(j) <u>Insurance expense</u>		
Other related parties	\$ 11,341	9,703
(k) <u>Donation expense</u>		
Other related parties	\$ 14,540	7,900
(l) <u>Commission</u>		
Subsidiaries	\$ 5,778,404	531,830
(m) <u>Professional service fees</u>		
Subsidiaries	\$ 1,053,933	966,868
(n) <u>Other expenses</u>		
Subsidiaries	\$ 110,913	-
Other related parties	148,086	127,862
	\$ 258,999	127,862

(o) Management service charges

(i) For the years ended December 31, 2013 and 2012, TWM provided services to related parties, which were recorded as deductions from related costs and expenses. TWM's service charges received were as follows:

	Years Ended December 31	
	2013	2012
Subsidiaries	\$ 522,018	473,697

TAIWAN MOBILE CO., LTD.

NOTES TO SEPARATE FINANCIAL STATEMENTS (CONT'D)

	Years Ended December 31	
	2013	2012
Subsidiaries	\$ 61,650	62,651
(p) <u>Interest income</u>		
Subsidiaries	\$ 23,134	27,957
(q) <u>Finance costs</u>		
Subsidiaries	\$ 69,800	64,038
(r) <u>Rent income</u>		
Subsidiaries	\$ 132,771	137,249
(s) <u>Rental expenses</u>		
Subsidiaries	\$ 13,651	8,824

Leases mentioned above were conducted through market price, and the rental was received and paid by month.

d. Key Management Personnel Compensation

	Years ended December 31	
	2013	2012
Short-term employee benefits	\$ 238,698	258,821
Post-employment benefits	1,593	2,025
Termination benefits	43,989	3,057
	\$ 284,280	263,903

8. ASSETS PLEDGED

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

	2013.12.31	2012.12.31	2012.1.1
Other non-current assets – time deposits	\$ 720	-	-

TAIWAN MOBILE CO., LTD.

NOTES TO SEPARATE 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.

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	\$ 1,020,683	1,832,656	2,853,339	985,268	1,956,667	2,941,935
Labor and health insurance	69,345	124,061	193,406	65,006	129,564	194,570
Pension	39,189	64,512	103,701	28,772	53,381	82,153
Others	50,787	90,889	141,676	44,540	90,873	135,413
Depreciation	6,552,378	438,652	6,991,030	6,442,933	498,971	6,941,904
Amortization	748,585	245,636	994,221	749,248	273,068	1,022,316

TAIWAN MOBILE CO., LTD.

NOTES TO SEPARATE FINANCIAL STATEMENTS (CONT'D)

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

- 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)
- (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 TWM'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".

TAIWAN MOBILE CO., LTD.

NOTES TO SEPARATE FINANCIAL STATEMENTS (CONT'D)

14. SEGMENT INFORMATION

Please refer to the consolidated financial report for the year ended December 31, 2013 and 2012.

15. FIRST-TIME ADOPTION OF IFRSs

TWM's 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 which are endorsed by the FSC.

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

In preparing the financial statements for the year 2012, TWM 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 separate 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.

NOTES TO SEPARATE FINANCIAL STATEMENTS (CONT'D)

a. Reconciliation of Balance Sheet

	2012.12.31			IFRSs
	Former ROC GAAP	Changes in accounting policy (Note)	Effects of transition to IFRSs	
ASSETS:				
CURRENT ASSETS:				
Cash and cash equivalents	\$ 1,155,355	-	-	1,155,355
Investments	205,397	-	-	205,397
Accounts receivable and other receivables	8,601,033	4,156,915	-	12,757,948
Inventories	1,949,335	-	-	1,949,335
Prepayments	771,016	-	(375,686)	395,330
Other current assets	20,420	-	(16,719)	3,701
Total current assets	<u>12,702,556</u>	<u>4,156,915</u>	<u>(392,405)</u>	<u>16,467,066</u>
NON-CURRENT ASSETS:				
Investments	34,466,074	400,127	(1,148,223)	33,717,978
Property, plant and equipment	29,131,007	-	668,759	29,799,766
Investment property	2,061,874	-	-	2,061,874
Intangible assets	12,014,914	-	(82,066)	11,932,848
Deferred income tax assets	487,787	-	476,540	964,327
Other non-current assets	1,100,490	3,132,323	(611,456)	3,621,357
Total non-current assets	<u>79,262,146</u>	<u>3,532,450</u>	<u>(696,446)</u>	<u>82,098,150</u>
TOTAL ASSETS	<u>\$ 91,964,702</u>	<u>7,689,365</u>	<u>(1,088,851)</u>	<u>98,565,216</u>
LIABILITIES AND EQUITY:				
CURRENT LIABILITIES:				
Short-term borrowings	\$ 9,800,000	-	-	9,800,000
Notes payable and accounts payable	4,827,036	-	-	4,827,036
Current tax liability	791,790	-	-	791,790
Other payables	7,859,001	-	47,498	7,906,499
Current provisions	90,668	-	-	90,668
Long-term liabilities, current portion	4,000,000	-	-	4,000,000
Advance receipts and other current liabilities, others	3,789,759	(870,574)	42,224	2,961,409
Total current liabilities	<u>31,158,254</u>	<u>(870,574)</u>	<u>89,722</u>	<u>30,377,402</u>
NON-CURRENT LIABILITIES:				
Bonds payable	8,995,180	-	-	8,995,180
Deferred tax liabilities	-	1,387,168	374,662	1,761,830
Accrued pension liabilities	-	-	10,762	10,762
Guarantee deposits	383,419	-	-	383,419
Deferred credits – gains on intercompany accounts	1,238,378	-	(1,238,378)	-
Other non-current liabilities, others	465,534	-	-	465,534
Total non-current liabilities	<u>11,082,511</u>	<u>1,387,168</u>	<u>(852,954)</u>	<u>11,616,725</u>
TOTAL LIABILITIES	<u>42,240,765</u>	<u>516,594</u>	<u>(763,232)</u>	<u>41,994,127</u>
EQUITY				
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	<u>49,723,937</u>	<u>7,172,771</u>	<u>(325,619)</u>	<u>56,571,089</u>
TOTAL LIABILITIES AND EQUITY	<u>\$ 91,964,702</u>	<u>7,689,365</u>	<u>(1,088,851)</u>	<u>98,565,216</u>

TAIWAN MOBILE CO., LTD.

NOTES TO SEPARATE 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	\$ 877,518	-	-	877,518
Investments	217,351	-	-	217,351
Accounts receivable and other receivables	7,385,069	2,851,065	-	10,236,134
Inventories	1,430,322	-	-	1,430,322
Prepayments	393,694	-	(258,269)	135,425
Other current assets	3,133	-	-	3,133
Total current assets	10,307,087	2,851,065	(258,269)	12,899,883
NON-CURRENT ASSETS:				
Investments	26,670,657	160,759	(1,132,451)	25,698,965
Property, plant and equipment	31,268,171	-	582,582	31,850,753
Investment property	1,966,590	-	-	1,966,590
Intangible assets	12,816,185	-	(106,728)	12,709,457
Deferred income tax assets	737,989	-	352,071	1,090,060
Other non-current assets	961,025	2,498,274	(484,167)	2,975,132
Total non-current assets	74,420,617	2,659,033	(788,693)	76,290,957
TOTAL ASSETS	\$ 84,727,704	5,510,098	(1,046,962)	89,190,840
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	3,423,292	-	-	3,423,292
Current tax liability	668,216	-	-	668,216
Other payables	8,155,323	-	40,839	8,196,162
Current provisions	62,896	-	-	62,896
Long-term liabilities, current portion	4,000,000	-	-	4,000,000
Advance receipts and other current liabilities	3,591,200	(992,027)	37,979	2,637,152
Total current liabilities	29,800,200	(992,027)	78,818	28,886,991
NON-CURRENT LIABILITIES:				
Bonds payable	4,000,000	-	-	4,000,000
Deferred tax liabilities	-	1,078,033	290,691	1,368,724
Accrued pension liabilities	-	-	16,593	16,593
Guarantee deposits	335,365	-	-	335,365
Deferred credits – gains on intercompany accounts	1,238,378	-	(1,238,378)	-
Other non-current liabilities, others	405,750	-	-	405,750
Total non-current liabilities	5,979,493	1,078,033	(931,094)	6,126,432
TOTAL LIABILITIES	35,779,693	86,006	(852,276)	35,013,423
EQUITY				
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	48,948,011	5,424,092	(194,686)	54,177,417
TOTAL LIABILITIES AND EQUITY	\$ 84,727,704	5,510,098	(1,046,962)	89,190,840

TAIWAN MOBILE CO., LTD.

NOTES TO SEPARATE 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	\$ 68,025,875	1,845,991	(4,052)	69,867,814
OPERATING COSTS	42,409,711	-	(2,710)	42,407,001
GROSS PROFIT FROM OPERATIONS	25,616,164	1,845,991	(1,342)	27,460,813
OPERATING EXPENSES				
Marketing	10,931,346	-	119,729	11,051,075
Administrative	3,374,075	27,544	(2,141)	3,399,478
	14,305,421	27,544	117,588	14,450,553
NET OTHER INCOME AND EXPENSES	-	-	53,320	53,320
NET OPERATING INCOME	11,310,743	1,818,447	(65,610)	13,063,580
NON-OPERATING INCOME AND EXPENSES				
Other income	219,742	-	-	219,742
Other gains and losses, net	(554,706)	-	(53,192)	(607,898)
Finance costs	(386,107)	-	-	(386,107)
Share of profit (loss) of subsidiaries and associates accounted for using equity method	5,795,170	239,368	(15,665)	6,018,873
	5,074,099	239,368	(68,857)	5,244,610
PROFIT BEFORE TAX	16,384,842	2,057,815	(134,467)	18,308,190
LESS: TAX EXPENSE	1,693,237	309,136	(20,196)	1,982,177
PROFIT	14,691,605	1,748,679	(114,271)	16,326,013
OTHER COMPREHENSIVE INCOME (LOSS)				
Unrealized losses on available-for-sale financial assets				(11,955)
Actuarial losses on defined benefit plans				(19,946)
Share of other comprehensive income of subsidiaries and associates accounted for using equity method				(22,879)
Income tax generated from other comprehensive income				3,391
OTHER COMPREHENSIVE INCOME (AFTER TAX)				(51,389)
COMPREHENSIVE INCOME				\$ 16,274,624
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(e) for illustrations of changes in accounting principles.

TAIWAN MOBILE CO., LTD.

NOTES TO SEPARATE 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:

	2012	
Statement of comprehensive income		
Operating revenues	\$	(4,052)
	2012.12.31	2012.1.1
Balance sheets		
Deferred revenue	\$	42,224
	42,224	38,172

(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:

	2012	
Statement of comprehensive income		
Commission expenses	\$	114,048
	114,048	114,048
Balance sheets		
Prepaid commissions	\$	(377,096)
	(377,096)	(263,048)

TAIWAN MOBILE CO., LTD.

NOTES TO SEPARATE FINANCIAL STATEMENTS (CONT'D)

(3) 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:

	2012
Statement of comprehensive income	
Wages and salaries	\$ 894
	2012.12.31
Balance sheets	2012.1.1
Wages and salaries payable	\$ 19,814
	18,920

(4) 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
Statement of comprehensive income	
Rent expense	\$ 5,765
	2012.12.31
Balance sheets	2012.1.1
Rents payable	\$ 27,684
	21,919

(5) 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*.

TAIWAN MOBILE CO., LTD.

NOTES TO SEPARATE FINANCIAL STATEMENTS (CONT'D)

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:

	2012
Statement of comprehensive income	
Pension expenses	\$ (5,957)
Actuarial losses on defined benefit plans	\$ 16,555

	2012.12.31	2012.1.1
Balance sheet		
Prepaid pension cost	\$ (23,353)	(3,534)
Accrued pension liabilities	\$ 10,762	16,593
Net loss not recognized as pension cost	\$ 24,050	16,775

(6) Investments Accounted for Using Equity Method

The adjustments to the difference between GAAP and IFRS are summarized as follows:

	2012	
Statements of comprehensive income		
Share of other comprehensive income of subsidiaries and associates accounted for using equity method	\$	(15,665)
	2012.12.31	2012.1.1
Balance sheet		
Investments accounted for using equity method	\$ (1,148,223)	(1,132,451)
Other equity	238,560	227,300

TAIWAN MOBILE CO., LTD.

NOTES TO SEPARATE FINANCIAL STATEMENTS (CONT'D)

(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
Balance sheets		
Capital surplus	\$ (595)	(595)

(8) 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:

	2012.12.31	2012.1.1
Balance sheet		
Leased assets	\$ (2,061,874)	(1,966,590)
Investment property	2,061,874	1,966,590

(9) 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:

	2012
Statements of comprehensive income	
Depreciation expenses	\$ 128
Non-operating expenses—others	(128)

TAIWAN MOBILE CO., LTD.

NOTES TO SEPARATE FINANCIAL STATEMENTS (CONT'D)

	2012.12.31	2012.1.1
Balance sheets		
Idle assets	\$ (10,737)	(10,864)
Property, plant and equipment	10,737	10,864

(10) 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:

	2012.12.31	2012.1.1
Balance sheets		
Fixed assets	\$ -	(8,034)
Computer software	(84,066)	(106,728)
Other assets—prepayments for business facilities	84,066	114,762

(11) 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
Balance sheets		
Other assets – deferred charges	\$ (661,432)	(584,531)
Prepayments	1,410	4,779
Property, plant and equipment	658,022	579,752
Intangible assets – computer software costs	2,000	-

(12) 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 a company has a legally enforceable right to set off current tax assets against current tax liabilities and meets other related requirements may the company offset deferred tax assets and deferred tax liabilities.

TAIWAN MOBILE CO., LTD.

NOTES TO SEPARATE FINANCIAL STATEMENTS (CONT'D)

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:

	2012.12.31	2012.1.1
Balance sheets		
Non-current deferred tax assets	\$ 476,540	352,071
Non-current deferred tax liabilities	476,540	352,071

(13) Classification of deferred credits - gains on intercompany accounts

Under former GAAP, unrealized gains and losses on downstream transactions should be deferred and recognized as deferred credits-gains on intercompany accounts. After the adoption of IFRSs, deferred credits-gains on intercompany accounts are reclassified as Investments accounted for using equity method in accordance with IAS 28 *Investments in Associates*. The effects of changes are summarized as follows:

	2012.12.31	2012.1.1
Balance sheets		
Investments accounted for using equity method	\$ 1,238,378	1,238,378
Deferred credits – gains on intercompany accounts	(1,238,378)	(1,238,378)

(14) Classification of income and expenses

In the separate income statements under former GAAP, the operating income only included operating revenues, operating costs, and operating expenses. After the adoption of IFRSs, TWM 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
Statements of comprehensive income	
Non-operating income and expenses	\$ (53,320)
Other operating revenues and expenses	53,320

d. In accordance with IFRS 1, except for the optional exemptions and mandatory exceptions, TWM 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.

TAIWAN MOBILE CO., LTD.

NOTES TO SEPARATE FINANCIAL STATEMENTS (CONT'D)

The optional exemptions are set out as follows:

(1) Business combinations

TWM 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

TWM 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	<u>Stock</u> 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.	<u>Stock</u> 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)	
			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
BUSINESS RELATIONSHIP AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
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.
CASH AND CASH EQUIVALENTS
DECEMBER 31, 2013
(In Thousands of New Taiwan Dollars)

<u>Item</u>	<u>Summary</u>	<u>Amount</u>
Cash in banks		
Foreign-currency deposits		
	EUR\$32,657.60 (exchange rate at 41.14)	\$ 1,344
	US\$2,668,975.41(exchange rate at 29.90)	79,802
Checking deposits		6,473
Demand deposits		344,144
		<u>431,763</u>
Government bonds with repurchase rights	Due on January 2, 2014, with interest rate 0.47%	<u>158,000</u>
Time deposits		<u>11,960</u>
		<u>\$ 601,723</u>

TAIWAN MOBILE CO., LTD.
ACCOUNTS AND NOTES RECEIVABLE
DECEMBER 31, 2013
(In Thousands of New Taiwan Dollars)

Client	Amount
Related parties	
Taiwan Digital Service Co., Ltd.	\$ 1,705,948
Fubon Multimedia Technology Co., Ltd.	24,183
Other (Note)	14,261
	1,744,392
Third parties	
Other (Note)	12,071,505
Less: allowance for doubtful accounts	(263,918)
	11,807,587
	\$ 13,551,979

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

TAIWAN MOBILE CO., LTD.
OTHERS RECEIVABLES
DECEMBER 31, 2013
(In Thousands of New Taiwan Dollars)

<u>Item</u>	<u>Amount</u>
Receivable for financing provided	\$ 2,085,000
Temporary receipts by distribution channel	550,740
Other (Note)	132,908
	<u><u>\$ 2,768,648</u></u>

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

TAIWAN MOBILE CO., LTD.
CHANGES IN INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD
YEAR ENDED DECEMBER 31, 2013
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

	Par Value	Beginning Balance		Increase		Decrease		Adjustments on Equity Method	Ending Balance		Market Price or Net Asset Value	
		Thousand Shares	Amount	Thousand Shares	Amount	Thousand Shares	Amount (Note 1)		Thousand Shares	% of Ownership		Amount
Taiwan Cellular Co., Ltd.	NT\$ 10	370,896	\$ 17,013,104	300	300,000	-	3,325,723	7,773,140	371,196	100	21,760,521	82,126,591
Wealth Media Technology Co., Ltd.	10	39,065	15,842,709	-	-	-	1,903,219	2,217,573	39,065	100	16,157,062	16,157,062
Taipei New Horizons Co., Ltd.	10	92,135	811,841	82,335	823,350	-	-	(68,240)	174,650	49.9	1,566,952	1,566,952
Alliance Digital Tech. Co., Ltd.	10	-	-	3,000	30,000	-	-	(1,486)	3,000	19.23	28,514	28,514
			\$ 33,667,654		1,153,350		5,228,942	9,920,987			39,513,049	

Note 1: The decrease of investments result from receiving dividends of investees.

Note 2: None of the above long-term investments were provided as collateral.

TAIWAN MOBILE CO., LTD.
CHANGES IN PROPERTY, PLANT AND EQUIPMENT
YEAR ENDED DECEMBER 31, 2013
(In Thousands of New Taiwan Dollars)

Please refer to Note 6(g) for related information.

TAIWAN MOBILE CO., LTD.
CHANGES IN INVESTMENT PROPERTY
YEAR ENDED DECEMBER 31, 2013
(In Thousands of New Taiwan Dollars)

<u>Item</u>	<u>Beginning Balance</u>	<u>Changes for the Period</u>		<u>Ending Balance</u>
		<u>Increase</u>	<u>Reclassification</u>	
Cost				
Land	\$ 1,590,668	-	(228,646)	1,362,022
Buildings	711,789	-	(62,204)	649,585
	<u>\$ 2,302,457</u>	<u>-</u>	<u>(290,850)</u>	<u>2,011,607</u>
Accumulated depreciation and impairment				
Land	\$ 16,145	-	7,905	24,050
Buildings	224,438	17,056	(18,955)	222,539
	<u>\$ 240,583</u>	<u>17,056</u>	<u>(11,050)</u>	<u>246,589</u>
Property and equipment, net	<u>\$ 2,061,874</u>	<u>(17,056)</u>	<u>(279,800)</u>	<u>1,765,018</u>

TAIWAN MOBILE CO., LTD.
CHANGES IN INTANGIBLE ASSETS
YEAR ENDED DECEMBER 31, 2013
(In Thousands of New Taiwan Dollars)

Please refer to Note 6(i) for related information.

TAIWAN MOBILE CO., LTD.
SHORT-TERM BORROWINGS
DECEMBER 31, 2013
(In Thousands of New Taiwan Dollars)

<u>Loan Type</u>	<u>Amount</u>	<u>Financing Period</u>	<u>Interest Rate</u>	<u>Credit Line</u>	<u>Mortgage Guarantee</u>
Unsecured loans	\$ 30,500,000	August 23, 2013 ~May 6, 2014	0.83~1.15	67,880,300	None
Credit loans-related parties					
Taiwan Fixed Network Co., Ltd.	6,270,000	July 31, 2013 ~ July 30, 2014	1.183~1.196	7,830,000	None
Wealth Media Technology Co., Ltd.	400,000	July 31, 2013 ~ July 30, 2014	1.196	500,000	None
	<u>6,670,000</u>			<u>8,330,000</u>	
	<u>\$ 37,170,000</u>			<u>76,210,300</u>	

TAIWAN MOBILE CO., LTD.
SHORT-TERM NOTES AND BILLS PAYABLE
DECEMBER 31, 2013
(In Thousands of New Taiwan Dollars)

<u>Item</u>	<u>Institute of Guarantee or Acceptance</u>	<u>Due Date</u>	<u>Interest Rate</u>	<u>Issuing Amount</u>	<u>Discount on Short-term Notes and Bills Payable</u>	<u>Net Carrying Value</u>
Notes and Bills Payable	International Bills Financial Corporation	February 27, 2014	0.62	\$ 2,000,000	(2,963)	1,997,037
	China Bills Financial Corporation	January 6, 2014	0.72	400,000	(66)	399,934
				\$ 2,400,000	(3,029)	2,396,971

TAIWAN MOBILE CO., LTD.
ACCOUNTS PAYABLE
DECEMBER 31, 2013
(In Thousands of New Taiwan Dollars)

<u>Suppliers</u>	<u>Amount</u>
Related parties	
Taiwan Kuro Times Co., Ltd.	\$ 91,575
Others (Note)	2,454
	<u>94,029</u>
Third parties	
A Company	1,424,175
B Company	1,306,240
C Company	409,955
D Company	396,183
Others (Note)	488,839
	<u>4,025,839</u>
	<u>\$ 4,119,421</u>

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

TAIWAN MOBILE CO., LTD.
OTHER PAYABLES
DECEMBER 31, 2013
(In Thousands of New Taiwan Dollars)

<u>Item</u>	<u>Amount</u>
Equipments and constructions	\$ 1,417,264
Commissions	1,246,089
Salaries and bonuses	1,176,007
Rents and utilities expense	955,615
Repair and maintenance expense	538,252
Bonus to employees and compensation to directors	462,828
Professional service fees	325,430
Others (Note)	2,762,924
	<u>\$ 8,884,409</u>

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

TAIWAN MOBILE CO., LTD.
LONG-TERM BORROWINGS
DECEMBER 31, 2013
(In Thousands of New Taiwan Dollars)

<u>Creditor</u>	<u>Amount</u>	<u>Financing Period</u>	<u>Interest Rate</u>	<u>Mortgage or Guarantee</u>
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	\$ 3,000,000	December 31, 2013 ~ December 31, 2015	1.05	None
Less: current portion	(1,000,000)		1.05	None
	<u>\$ 2,000,000</u>			

TAIWAN MOBILE CO., LTD.
OPERATING REVENUES
YEAR ENDED DECEMBER 31, 2013
(In Thousands of New Taiwan Dollars)

<u>Item</u>	<u>Amount</u>
Airtime usage	\$ 26,964,056
Sales revenue	22,089,510
Monthly access fee and activation fee	18,667,823
Interconnection revenue (Note 1)	9,402,406
Other operating revenues (Note 2)	1,804,697
	<u>\$ 78,928,492</u>

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

Note 2: This includes service revenues, etc.

TAIWAN MOBILE CO., LTD.
OPERATING COSTS
YEAR ENDED DECEMBER 31, 2013
(In Thousands of New Taiwan Dollars)

<u>Item</u>	<u>Amount</u>
Cost of goods sold	\$ 23,535,824
Leased-line charges	6,901,612
Depreciation	6,552,378
Interconnection cost (Note 1)	6,233,886
Rents and utilities expense	3,179,804
Maintenance materials and constructions	1,062,167
2G concession fee and 3G license amortization	964,228
Frequency usage fee	610,093
Others (Note 2)	2,225,457
	<u>\$ 51,265,449</u>

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

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

TAIWAN MOBILE CO., LTD.
OPERATING EXPENSES
YEAR ENDED DECEMBER 31, 2013
(In Thousands of New Taiwan Dollars)

<u>Item</u>	<u>Marketing</u>	<u>Administrative</u>	<u>Total</u>
Commissions	\$ 11,387,934	-	11,387,934
Salaries and pension	895,524	1,001,644	1,897,168
Professional service fees	1,472,331	256,052	1,728,383
Service charges	333,936	471,729	805,665
Depreciation	173,270	265,382	438,652
Amortization	1,064	244,572	245,636
Telecommunication service fees	97,409	200,550	297,959
Warranty expense	270,333	180,007	450,340
Bad debts	2,390	284,576	286,966
Others (Note)	1,354,859	530,694	1,885,553
	<u>\$ 15,989,050</u>	<u>3,435,206</u>	<u>19,424,256</u>

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

TAIWAN MOBILE CO., LTD.
NET OTHER INCOME AND EXPENSES
YEAR ENDED DECEMBER 31, 2013
(In Thousands of New Taiwan Dollars)

Please refer to Note 6(v) for related information.

TAIWAN MOBILE CO., LTD.
FINANCE COSTS
YEAR ENDED DECEMBER 31, 2013
(In Thousands of New Taiwan Dollars)

Please refer to Note 6(w) for related information.