

Taiwan Mobile Co., Ltd. and Subsidiaries
Consolidated Financial Statements for the
Nine Months Ended September 30, 2014 and 2013, and
Independent Auditors' Review Report

Independent Auditors' Review Report

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

We have reviewed the accompanying consolidated balance sheets of Taiwan Mobile Co., Ltd. and subsidiaries as of September 30, 2014 and 2013, and the related consolidated statements of comprehensive income for the three months and the nine months ended September 30, 2014 and 2013, and statements of changes in equity and of cash flows for the nine months ended September 30, 2014 and 2013. These interim consolidated financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these interim consolidated financial statements based on our review.

We conducted our review in accordance with Statement of Auditing Standards No. 36 "Engagements to Review Financial Statements" of the Republic of China. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the Republic of China and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the consolidated interim financial statements referred to above are not prepared, in all material respects, in conformity with the "Regulations Governing the Preparation Financial Reports by Securities Issuers" and IAS 34 "Interim Financial Reporting" endorsed by the Financial Supervisory Commission.

KPMG
Taipei, Taiwan (the Republic of China)
October 31, 2014

Notes to Readers

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

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

(In Thousands of New Taiwan Dollars)

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TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE THREE MONTHS AND NINE MONTHS ENDED SEPTEMBER 30, 2014 AND 2013
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)
(Reviewed, Not Audited)

		For the Three Months Ended				For the Nine Months Ended			
		September 30				September 30			
		2014		2013		2014		2013	
		Amount	%	Amount	%	Amount	%	Amount	%
4000	OPERATING REVENUES (Notes 4, 6(x) and 7)	\$ 27,767,615	100	27,077,596	100	82,430,328	100	79,993,290	100
5000	OPERATING COSTS (Notes 4, 7 and 12)	18,319,096	66	17,309,266	64	53,642,168	65	50,748,249	63
5900	GROSS PROFIT FROM OPERATIONS	9,448,519	34	9,768,330	36	28,788,160	35	29,245,041	37
6000	OPERATING EXPENSES (Notes 4, 7 and 12)								
6100	Marketing	3,140,756	11	2,983,735	11	9,630,913	12	9,565,953	12
6200	Administrative	1,254,646	5	1,262,872	5	3,655,413	4	3,707,705	5
		4,395,402	16	4,246,607	16	13,286,326	16	13,273,658	17
6500	NET OTHER INCOME AND EXPENSES (Note 6(y))	33,277	-	26,112	-	89,323	-	49,946	-
6900	NET OPERATING INCOME	5,086,394	18	5,547,835	20	15,591,157	19	16,021,329	20
	NON-OPERATING INCOME AND EXPENSES(Notes 4, 6(z) and 7)								
7010	Other income	52,288	-	42,059	-	136,326	-	118,577	-
7020	Other gains and losses, net	(422,074)	(1)	(223,681)	(1)	(435,826)	-	(874,175)	(1)
7050	Finance costs	(174,384)	(1)	(105,086)	-	(470,699)	(1)	(268,662)	-
7060	Share of the profit (loss) of associates accounted for using equity method	(2,425)	-	(8,437)	-	(7,478)	-	(9,570)	-
7000	Total non-operating income and expenses	(546,595)	(2)	(295,145)	(1)	(777,677)	(1)	(1,033,830)	(1)
7900	PROFIT BEFORE TAX	4,539,799	16	5,252,690	19	14,813,480	18	14,987,499	19
7950	TAX EXPENSE (Notes 4 and 6(u))	623,194	2	894,045	3	2,375,115	3	2,598,475	4
8000	PROFIT FROM CONTINUING OPERATIONS	3,916,605	14	4,358,645	16	12,438,365	15	12,389,024	15
8100	LOSS FROM DISCONTINUED OPERATIONS, NET OF TAX (Notes 4 and 6(f))	-	-	(53,464)	-	(78,329)	-	(208,596)	-
8200	PROFIT	3,916,605	14	4,305,181	16	12,360,036	15	12,180,428	15
8300	OTHER COMPREHENSIVE INCOME (LOSS)								
8310	Exchange differences on translation	7,316	-	(1,138)	-	188	-	6,891	-
8325	Unrealized gains (losses) on available-for-sale financial assets	(85,736)	-	104,307	-	(284,477)	-	76,400	-
8370	Share of other comprehensive income (loss) of associates accounted for using equity method	466	-	(4,602)	-	33,500	-	(4,312)	-
8399	Income tax generated from other comprehensive income	-	-	-	-	-	-	-	-
8300	OTHER COMPREHENSIVE INCOME (AFTER TAX)	(77,954)	-	98,567	-	(250,789)	-	78,979	-
8500	COMPREHENSIVE INCOME	\$ 3,838,651	14	4,403,748	16	12,109,247	15	12,259,407	15
	PROFIT ATTRIBUTABLE TO								
8610	Owners of parent	\$ 3,737,133	13	4,271,058	16	11,958,266	15	12,034,668	15
8620	Non-controlling interests	179,472	1	34,123	-	401,770	-	145,760	-
		\$ 3,916,605	14	4,305,181	16	12,360,036	15	12,180,428	15
	COMPREHENSIVE INCOME ATTRIBUTABLE TO								
8710	Owners of parent	\$ 3,670,739	13	4,371,322	16	11,699,707	15	12,139,446	15
8720	Non-controlling interests	167,912	1	32,426	-	409,540	-	119,961	-
		\$ 3,838,651	14	4,403,748	16	12,109,247	15	12,259,407	15
	EARNINGS PER SHARE								
	BASIC (Note 6(w))								
9710	Basic earnings per share from continuing operations	\$	1.39		1.59		4.46		4.51
9720	Basic loss per share from discontinued operations		-		(0.01)		(0.01)		(0.04)
9750	Total basic earnings per share	\$	1.39		1.58		4.45		4.47
	DILUTED (Note 6(w))								
9810	Diluted earnings per share from continuing operations	\$	1.39		1.59		4.45		4.50
9820	Diluted loss per share from discontinued operations		-		(0.01)		(0.01)		(0.04)
9850	Total diluted earnings per share	\$	1.39		1.58		4.44		4.46

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

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014 AND 2013
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

Account Number	Equity Attributable to Owners of Parent									
	Ordinary Shares	Capital Surplus	Retained Earnings		Other Equity Interests		Treasury Shares	Total	Non- controlling Interests	Total Equity
			Legal Reserve	Unappropriated	Exchange Differences on Translation	Unrealized Gain (Loss) on Available-for-Sale Financial Assets				
A1 BALANCE, JANUARY 1, 2013	\$ 34,208,328	12,431,851	18,061,894	22,606,173	25,483	314,543	(31,077,183)	56,571,089	1,072,204	57,643,293
D1 Profit for the nine months ended September 30, 2013	-	-	-	12,034,668	-	-	-	12,034,668	145,760	12,180,428
D3 Other comprehensive income for the nine months ended September 30, 2013	-	-	-	-	5,828	98,950	-	104,778	(25,799)	78,979
D5 Total comprehensive income for the nine months ended September 30, 2013	-	-	-	12,034,668	5,828	98,950	-	12,139,446	119,961	12,259,407
Appropriation and distribution of retained earnings										
B1 Legal reserve	-	-	1,469,160	(1,469,160)	-	-	-	-	-	-
B5 Cash dividends	-	-	-	(14,526,578)	-	-	-	(14,526,578)	-	(14,526,578)
B5 Legal reserve used to distribute cash dividends	-	-	(269,010)	-	-	-	-	(269,010)	-	(269,010)
M7 Adjustments arising from changes in percentage of ownership of subsidiaries	-	-	-	(22,015)	-	-	-	(22,015)	22,015	-
O1 Cash dividends from subsidiaries paid to non-controlling interests	-	-	-	-	-	-	-	-	(247,986)	(247,986)
Z1 BALANCE, SEPTEMBER 30, 2013	<u>\$ 34,208,328</u>	<u>12,431,851</u>	<u>19,262,044</u>	<u>18,623,088</u>	<u>31,311</u>	<u>413,493</u>	<u>(31,077,183)</u>	<u>53,892,932</u>	<u>966,194</u>	<u>54,859,126</u>
A1 BALANCE, JANUARY 1, 2014	\$ 34,208,328	12,456,891	19,262,044	22,171,132	24,948	387,734	(31,077,183)	57,433,894	1,086,747	58,520,641
D1 Profit for the nine months ended September 30, 2014	-	-	-	11,958,266	-	-	-	11,958,266	401,770	12,360,036
D3 Other comprehensive income for the nine months ended September 30, 2014	-	-	-	-	250	(258,809)	-	(258,559)	7,770	(250,789)
D5 Total comprehensive income for the nine months ended September 30, 2014	-	-	-	11,958,266	250	(258,809)	-	11,699,707	409,540	12,109,247
Appropriation and distribution of retained earnings										
B1 Legal reserve	-	-	2,275,622	(2,275,622)	-	-	-	-	-	-
B5 Cash dividends	-	-	-	(15,064,599)	-	-	-	(15,064,599)	-	(15,064,599)
C7 Changes in equity of associates accounted for using equity method	-	112	-	-	-	-	-	112	(258)	(146)
M5 Difference between consideration and carrying amount of subsidiaries' shares disposed of	-	18,755	-	-	-	-	-	18,755	120,420	139,175
M7 Adjustments arising from changes in percentage of ownership of subsidiaries	-	13,385	-	-	-	-	-	13,385	36,135	49,520
O1 Cash dividends from subsidiaries paid to non-controlling interests	-	-	-	-	-	-	-	-	(224,481)	(224,481)
O1 Increase in non-controlling interests	-	-	-	-	-	-	-	-	1,736,460	1,736,460
Z1 BALANCE, SEPTEMBER 30, 2014	<u>\$ 34,208,328</u>	<u>12,489,143</u>	<u>21,537,666</u>	<u>16,789,177</u>	<u>25,198</u>	<u>128,925</u>	<u>(31,077,183)</u>	<u>54,101,254</u>	<u>3,164,563</u>	<u>57,265,817</u>

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

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014 AND 2013
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

		For the Nine Months Ended	
		September 30	
		2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES			
A00010	Profit from continuing operations before tax	\$ 14,813,480	14,987,499
A00020	Loss from discontinued operations before tax	(94,363)	(251,320)
A10000	Profit before tax	14,719,117	14,736,179
A20000	Adjustments		
A20010	Adjustments to reconcile profit (loss)		
A20100	Depreciation expense	7,195,050	6,508,962
A20200	Amortization expense	1,261,786	926,103
A23000	Gain on disposal of non-current assets held for sale, net	(153,706)	-
A22500	Loss on disposal of property, plant and equipment, net	595,408	876,132
A20300	Provision for bad debt expense	268,771	260,459
A20900	Finance costs	470,699	268,713
A21200	Interest income	(70,625)	(67,930)
A21300	Dividend income	(22,803)	(24,245)
A23700	Impairment loss on non-financial assets (from discontinued operations)	17,794	-
A22300	Share of loss of associates accounted for using equity method	7,478	9,570
A23100	Loss on disposal of investments	168	5,723
A29900	Others	(127)	113
A20010	Total adjustments to reconcile profit (loss)	9,569,893	8,763,600
A30000	Changes in operating assets and liabilities		
A31150	Accounts and notes receivable	(598,013)	(3,171,299)
A31160	Accounts receivable from related parties	8,297	2,357
A31180	Other receivables	(95,153)	301,258
A31200	Inventories	469,555	(586,177)
A31230	Prepayments	(119,259)	(98,247)
A31240	Other current assets	25,927	43,316
A31990	Other assets	14,180	6,861
A32130	Notes payable	(266,804)	(167,042)
A32150	Accounts payable	927,596	(1,037,101)
A32160	Accounts payable to related parties	16,873	(40,533)
A32180	Other payables	(518,052)	495,875
A32200	Provisions	9,358	26,106
A32210	Advance receipts	(192,302)	21,280
A32230	Other current liabilities	81,934	353,083
A32240	Accrued pension liabilities	(12,952)	(404)
A30000	Total changes in operating assets and liabilities	(248,815)	(3,850,667)
A33000	Net cash inflows generated from operating activities	24,040,195	19,649,112
A33100	Interest received	1,310	-
A33300	Interest paid	(5,348)	(58)
A33500	Income taxes paid	(2,931,162)	(2,395,328)
AAAA	Net cash flows from operating activities	21,104,995	17,253,726

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TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOW(Continued)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014 AND 2013
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

		For the Nine Months Ended September 30	
		2014	2013
CASH FLOWS FROM INVESTING ACTIVITIES			
B02700	Acquisition of property, plant and equipment	(9,906,310)	(8,957,318)
B04500	Acquisition of intangible assets	(505,596)	(118,254)
B07100	Increase in prepayments for equipment	(219,945)	(252,986)
B02200	Net cash inflows from new consolidated entities	1,193,252	-
B02300	Net cash inflows from disposal of subsidiaries	14,533	-
B01800	Acquisition of investments accounted for using equity method	(320,273)	(1,037,850)
B02000	Increase in prepayments for investments	-	(30,000)
B03700	Increase in refundable deposits	(122,294)	(1,173,735)
B03800	Decrease in refundable deposits	121,860	175,286
B06500	Increase in other financial assets	(295,520)	(325,253)
B06600	Decrease in other financial assets	233,817	351,659
B02600	Proceeds from disposal of non-current assets held for sale	250,291	-
B02800	Proceeds from disposal of property, plant and equipment	4,478	106,722
B04600	Proceeds from disposal of intangible assets	-	1
B00300	Acquisition of available-for-sale financial assets	-	(1,000,000)
B00400	Proceeds from disposal of available-for-sale financial assets	-	194,277
B06700	Other non-current assets	(3,706)	-
B01400	Proceeds from investees' capital reduction	2,399	-
B07500	Interest received	69,638	69,305
B07600	Dividend received	47,982	34,405
BBBB	Net cash used in investing activities	<u>(9,435,394)</u>	<u>(11,963,741)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
C00100	Increase in short-term borrowings	82,292,068	32,264,254
C00200	Decrease in short-term borrowings	(92,732,142)	(27,100,000)
C00500	Increase in short-term notes and bills payable	13,178,826	899,119
C00600	Decrease in short-term notes and bills payable	(9,786,477)	(499,894)
C01600	Proceeds from long-term borrowings	10,000,000	-
C01700	Repayments of long-term borrowings	(105,000)	-
C01200	Proceeds from issuance of bonds	-	5,796,043
C04500	Cash dividends paid (including paid to non-controlling interests)	(15,289,071)	(15,043,570)
C05500	Disposal of ownership interests in subsidiaries (without losing control)	142,246	-
C03000	Increase in guarantee deposits received	112,924	128,946
C03100	Decrease in guarantee deposits received	(146,136)	(116,044)
C05600	Interest paid	(354,399)	(27,920)
C05800	Increase in non-controlling interests	49,520	-
CCCC	Net cash flows used in financing activities	<u>(12,637,641)</u>	<u>(3,699,066)</u>
DDDD	EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		
		1,111	4,103
EEEE	NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(966,929)	1,595,022
E00100	CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	7,954,294	6,191,140
E00200	CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u><u>\$ 6,987,365</u></u>	<u><u>7,786,162</u></u>

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

(Concluded)

(Reviewed, Not Audited, for the Nine Months Ended September 30, 2014 and 2013)
TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014 AND 2013
(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 and sells mobile phones and accessories.

TWM's received a second-generation (2G) mobile telecommunications concession operation 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. 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.

TWM acquired the Mobile Broadband Spectrum frequency of 30 MHz x 2 (15 MHz x 2 in the 700 MHz frequency band and 15 MHz x 2 in the 1800 MHz frequency band of the 4G spectrum) on October 30, 2013. In April 2014, TWM acquired the concession license for the Mobile Broadband Spectrum frequency of 15 MHz x 2 in the 700 MHz frequency band. To accelerate the Mobile Broadband Spectrum service in the 1800 MHz frequency band, the NCC authorized TWM to return the mobile telephone service frequency of 5 MHz x 2 in the 1800 MHz frequency band for the exchange of Mobile Broadband Spectrum service. TWM acquired the concession license for the Mobile Broadband Spectrum frequency of 5 MHz x 2 in the 1800 MHz frequency band in August 2014.

The interim consolidated financial statements of TWM as of and for the nine months ended September 30, 2014, comprise TWM and its subsidiaries (the Group).

2. APPROVAL DATE AND PROCEDURES OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Board of Directors approved the interim consolidated financial statements on October 31, 2014.

3. NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

- a. 2013 International Financial Reporting Standards endorsed by the Financial Supervisory Commission, R.O.C., but not yet in effect

In accordance with Rule No. 1030010325 issued by the Financial Supervisory Commission ("FSC") on April 3, 2014, companies listed for trading on the stock exchange or over-the-counter market or for registration as emerging stock should adopt the 2013 IFRSs (excluding IFRS 9 *Financial Instruments*) endorsed by the FSC beginning in 2015. The new standards, amendments and interpretations which were announced by the International Accounting Standards Board ("IASB") are as follows:

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

New Standards, Amendments and Interpretations	Effective Date Issued by IASB
Amended IFRS 1 <i>Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters</i>	July 1, 2010
Amended IFRS 1 <i>Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters</i>	July 1, 2011
Amended IFRS 1 <i>Government Loans</i>	January 1, 2013
Amended IFRS 7 <i>Disclosures - Transfers of Financial Assets</i>	July 1, 2011
Amended IFRS 7 <i>Disclosures - Offsetting Financial Assets and Financial Liabilities</i>	January 1, 2013
IFRS 10 <i>Consolidated Financial Statements</i>	January 1, 2013 (Subsidiaries will adopt on January 1, 2014)
IFRS 11 <i>Joint Agreements</i>	January 1, 2013
IFRS 12 <i>Disclosure of Interests in Other Entities</i>	January 1, 2013
IFRS 13 <i>Fair Value Measurement</i>	January 1, 2013
Amended IAS 1 <i>Presentation of Items of Other Comprehensive Income</i>	July 1, 2012
Amended IAS 12 <i>Deferred Tax: Recovery of Underlying Assets</i>	January 1, 2012
Amended IAS 19 <i>Employee Benefits</i>	January 1, 2013
Amended IAS 27 <i>Separate Financial Statements</i>	January 1, 2013
Amended IAS 28 <i>Investments in Associates and Joint Ventures</i>	January 1, 2013
Amended IAS 32 <i>Offsetting Financial Assets and Financial Liabilities</i>	January 1, 2014
IFRIC 20 <i>Stripping Costs in the Production Phase of a Surface Mine</i>	January 1, 2013

In the Group's assessment, except for the following standards, the 2013 IFRSs will not have significant influence after their adoption:

(1) *IAS 19 Employee Benefits*

The amendments to IAS 19 require companies to calculate a "net interest" amount by applying the discount rate to the net defined benefit liability or asset to replace the interest cost and expected return on plan assets used in the previous IAS 19. In addition, the amendments eliminate the accounting treatment of either the corridor approach or the immediate recognition of actuarial gains and losses in profit or loss when they occur, and instead require companies to recognize all actuarial gains and losses immediately through other comprehensive income. The past service cost, on the other hand, will be expensed immediately when it is incurred and will no longer be amortized over the average period before meeting vesting conditions on a straight-line basis. In addition, the amendments also require a broader disclosure of defined benefit plans. In compliance with the standards above, the Group anticipates that accrued pension liabilities would increase by \$16,101 thousand and retained earnings would decrease by \$13,364 thousand on January 1, 2014; accrued pension liabilities would

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

increase by \$15,280 thousand and retained earnings would decrease by \$12,683 thousand on September 30, 2014, and operating expenses would decrease by \$821 thousand for the nine months ended September 30, 2014.

(2) IAS 1 *Presentation of Financial Statements*

The primary amendment of IAS 1 was requiring profit or loss and other comprehensive income to be presented together, requiring entities to group items presented in other comprehensive income based on whether they are potentially reclassifiable to profit or loss subsequently, and requiring tax associated with items presented before tax to be shown separately for each of the two groups of other comprehensive income items. The Group will follow the amendment of IAS 1 to present the comprehensive income statement.

(3) IFRS 12 *Disclosure of Interests in Other Entities*

IFRS 12 combines all related standards regarding the disclosures of financial reports of subsidiaries, joint ventures, associates, and non-consolidated entities. The Group will additionally disclose the information on consolidated and non-consolidated entities.

(4) IFRS 13 *Fair Value Measurement*

IFRS 13 defines the meaning of fair value and sets the method of calculation and the presentation of measurement of fair value. After assessing the standard, the Group does not expect any significant influence on the financial condition and performance, and will follow IFRS 13 to additionally disclose the information on measurement of fair value.

- b. New standards and interpretations of 2013 IFRSs issued by the IASB but not yet endorsed by the FSC

New Standards, Amendments and Interpretations	Effective Date Issued by IASB
IFRS 9 <i>Financial Instruments</i>	January 1, 2018
IFRS 14 <i>Regulatory Deferral Accounts</i>	January 1, 2016
IFRS 15 <i>Revenue from Contracts with Customers</i>	January 1, 2017
Amended IFRS 9 and IFRS 7 <i>Mandatory Effective Date and Offsetting Disclosures</i>	January 1, 2018
Amended IFRS 10 and IAS 28 <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	January 1, 2016

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

New Standards, Amendments and Interpretations	Effective Date Issued by IASB
Amended IFRS 11 <i>Accounting for Acquisitions of Interests in Joint Operations</i>	January 1, 2016
Amended IAS 16 and IAS 38 <i>Clarification of Acceptable Methods of Depreciation and Amortization</i>	January 1, 2016
Amended IAS16 and IAS 41 <i>Agriculture: Bearer Plants</i>	January 1, 2016
Amended IAS 19 <i>Defined Benefit Plans: Employee Contributions</i>	July 1, 2014
Amended IAS 36 <i>Recoverable Amount Disclosure for Non-Financial Assets</i>	January 1, 2014
Amended IAS 39 <i>Novation of Derivatives and Continuation of Hedge Accounting</i>	January 1, 2014
IFRIC 21 <i>Levies</i>	January 1, 2014

The Group is assessing the influence on financial condition and performance of the above standards and interpretations. The Group will disclose the related influence when the assessment is finished.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

The interim consolidated financial statements have been prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and IAS 34 *Interim Financial Reporting* endorsed by the FSC. The interim consolidated financial statements do not include all the information which should be disclosed in the annual consolidated financial statements in accordance with the IFRSs, IASs, IFRIC Interpretations, and SIC Interpretations endorsed by the FSC.

Basis of Preparation

a. Basis of measurement

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

b. Functional and presentation currency

The functional currency of each individual consolidated entity is determined based on the primary economic environment in which the entity operates. The Group’s interim consolidated financial statements are presented in New Taiwan Dollars, which is TWM’s

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

functional currency. All interim financial information presented in New Taiwan Dollars has been rounded to the nearest thousand.

Basis of Consolidation

a. Principles of preparation of interim consolidated financial statements

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

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

The consolidated statements of comprehensive income includes the result of a disposed subsidiary up to date of disposal.

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

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

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

b. The subsidiaries included in the consolidated financial statements

The consolidated entities were as follows:

Investor	Subsidiary	Main Business and Products	Percentage of Ownership			Note
			2014.9.30	2013.12.31	2013.9.30	
TWM	Wealth Media Technology Co., Ltd. (WMT)	Investment	100.00	100.00	100.00	-
WMT	momo.com Inc.(momo)	Wholesale and retail sales	49.93	50.64	50.64	Note 1
momo	Fu Sheng Travel Service Co., Ltd. (FST)	Travel agent	100.00	100.00	100.00	-

(Continued)

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

Investor	Subsidiary	Main Business and Products	Percentage of Ownership			Note
			2014.9.30	2013.12.31	2013.9.30	
momo	Fuli Life Insurance Agent Co., Ltd. (FLI)	Life insurance agent	100.00	100.00	100.00	-
momo	Fuli Property Insurance Agent Co., Ltd. (FPI)	Property insurance agent	100.00	100.00	100.00	-
momo	Asian Crown International Co., Ltd. (Asian Crown)	Investment	94.10	100.00	100.00	Note 2
Asian Crown	Fortune Kingdom Corporation (Fortune Kingdom)	Investment	100.00	100.00	100.00	-
Fortune Kingdom	Hong Kong Fubon Multimedia Technology Co., Ltd. (HK Fubon Multimedia)	Investment	100.00	100.00	100.00	-
HK Fubon Multimedia	Fubon Gehua (Beijing) Enterprise Ltd. (FGE)	Wholesale	89.47	87.50	87.50	Note 2
WMT	Global Wealth Media Technology Co., Ltd. (GWMT)	Investment	100.00	100.00	100.00	-
GWMT	Globalview Cable TV Co., Ltd. (GCTV)	Cable TV service provider	6.83	6.83	6.83	-
WMT	Global Forest Media Technology Co., Ltd. (GFMT)	Investment	100.00	100.00	100.00	-
GFMT	Union Cable TV Co., Ltd. (UCTV)	Cable TV service provider	0.76	0.76	0.76	-
WMT	Win TV Broadcasting Co., Ltd. (WTVB)	TV program provider	100.00	100.00	100.00	-
WMT	TFN Media Co., Ltd. (TFNM)	Cable broadband and value-added services provider	100.00	100.00	100.00	-
TFNM	UCTV	Cable TV service provider	99.22	99.22	99.22	-
TFNM	Yeong Jia Leh Cable TV Co., Ltd. (YJCTV)	Cable TV service provider	100.00	100.00	100.00	-

(Continued)

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

Investor	Subsidiary	Main Business and Products	Percentage of Ownership			Note
			2014.9.30	2013.12.31	2013.9.30	
TFNM	Mangrove Cable TV Co., Ltd. (MCTV)	Cable TV service provider	29.53	29.53	29.53	The other 70.47% of shares were held under trustee accounts.
TFNM	Phoenix Cable TV Co., Ltd. (PCTV)	Cable TV service provider	100.00	100.00	100.00	-
TFNM	GCTV	Cable TV service provider	92.38	92.38	92.38	-
TFNM	Taiwan Kuro Times Co., Ltd. (TKT)	Online music and game platform	100.00	100.00	100.00	-
TKT	ezPeer Multimedia Ltd. (ezPeer Samoa)	Investment	-	-	100.00	ezPeer Samoa was dissolved in November 2013.
TWM	Taiwan Cellular Co., Ltd. (TCC)	Investment	100.00	100.00	100.00	-
TCC	TCC Investment Co., Ltd. (TCCI)	Investment	100.00	100.00	100.00	TCCI, TID and TUI collectively owned 730,726 thousand shares of TWM representing 21.36% of total outstanding shares as of September 30, 2014.
TCCI	TCCI Investment & Development Co., Ltd. (TID)	Investment	100.00	100.00	100.00	-
TCC	Taiwan Fixed Network Co., Ltd. (TFN)	Fixed-line service provider	100.00	100.00	100.00	-
TFN	TFN Union Investment Co., Ltd. (TUI)	Investment	100.00	100.00	100.00	-
TFN	TFN HK Ltd.	Telecommunication service provider	100.00	100.00	100.00	-
TCC	Taiwan Digital Communications Co., Ltd. (TDC)	TV program production and mobile phones wholesaling	100.00	100.00	100.00	-
TCC	TWM Holding Co., Ltd. (TWM Holding)	Investment	100.00	100.00	100.00	-
TWM Holding	TWM Communications (Beijing) Co., Ltd. (TWMC)	Mobile application development and design	100.00	100.00	100.00	-

(Continued)

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

Investor	Subsidiary	Main Business and Products	Percentage of Ownership			Note
			2014.9.30	2013.12.31	2013.9.30	
TCC	Taiwan Teleservices & Technologies Co., Ltd. (TT&T)	Call center service and telephone marketing	100.00	100.00	100.00	-
TT&T	Taiwan Mobile Basketball Co., Ltd. (TMB)	Basketball team management	-	100.00	100.00	TMB was sold in September 2014
TT&T	TT&T Holdings Co., Ltd. (TT&T Holdings)	Investment	100.00	100.00	100.00	-
TT&T Holdings	Xiamen Taifu Teleservices & Technologies Co., Ltd.	System integration, management, analysis and development of CRM application and information consulting services	-	-	100.00	Xiamen Taifu Teleservices & Technologies Co., Ltd. was dissolved in November 2013.
TCC	Taiwan Digital Service Co., Ltd. (TDS)	Telecommunications service agencies and retail business	100.00	100.00	100.00	-
TWM	Taipei New Horizon Co., Ltd. (TNH)	Infrastructure projects and real estate leasing	49.90	Note 3	Note 3	Note 3

(Concluded)

Note 1: WMT disposed of part of its shareholding in momo as stock released for registration as emerging stock. Despite the reduction in the shareholding in momo to 49.93% in February 2014, WMT still has over half of the seats on the board of momo and maintains control over momo, so momo is included in the consolidated entities.

Note 2: In July 2014, an extraordinary shareholders' meeting of FGE resolved to inject capital by cash. Due to non-proportional investment in investees' capital increase, momo's percentage of ownership in Asian Crown decreased from 100% to 94.10%, and HK Fubon Multimedia's percentage of ownership in FGE increased from 87.5% to 89.47%.

Note 3: TWM subscribed for the shares based on its proportion of the shareholding in TNH, which remained at 49.9%. Since February 21, 2014, TWM has had control over TNH due to a change in the board members of TNH, and therefore TNH is included in the consolidated entities as a subsidiary.

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

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

Foreign Currency

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

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

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

Exchange differences arising on non-monetary items carried at fair value (for example, equity 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 interim consolidated financial statements, the assets and liabilities of foreign operations are translated to New Taiwan Dollars (NTD) using the exchange rates at the reporting date. The income and expenses of foreign operations are translated at the average exchange rate for the period. Exchange differences are recognized in other comprehensive income, and accumulated in equity.

Classification of Current and Non-current Assets and Liabilities

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

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

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

- a. It expects to settle the liability in its normal operating cycle;

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

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

Voluntary Change in Accounting Policy

In response to the development of the IAS regarding revenue, the Group consulted the practical experience of most of the telecommunication service providers abroad and professional investigations of accounting firms, and changed the recognition method for bundle sales from the residual value method to the relative fair value method on January 1, 2013. Instead of recognizing revenue from telecommunication service charges and sales of inventories, the total price of the contract is allocated based on the relative fair value of each component, which fairly presents transactions and attributes gain and loss to the correct accounting period.

Cash and Cash Equivalents

Cash and cash equivalents comprise cash, cash in bank, 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 which meet the above definition and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes should be recognized as cash equivalents. If they do not meet the above definition, time deposits should be recognized as other current and non-current financial assets.

Financial Instruments

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

a. Financial assets

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

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

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

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

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

(2) Available-for-sale financial assets

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

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

(3) Loans and receivables

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

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

(4) Impairment of financial assets

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

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

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

Trade receivables are assessed as to whether 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 any 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 deducted from the carrying amount except for trade receivables, for 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 account are recognized in profit or loss.

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES
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(5) Derecognition of financial assets

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

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

b. Financial liabilities

(1) Recognition

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

(2) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligation has been discharged or cancelled, or has expired. 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.

Non-current Assets Held for Sale and Discontinued Operations

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

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

Assets classified as non-current assets held for sale are measured at the lower of the carrying amount and fair value less costs to sell, and should not be depreciated. Impairment losses measured both at the time of classification as held for sale and subsequently should be recognized in profit or loss. A gain from any subsequent increase in the above measurement should be recognized in profit or loss to the extent that it is not in excess of the cumulative impairment loss.

A discontinued operation is a component of an entity that either has been disposed of or is classified as held for sale, and represents either a separate major line of business or a geographical area of operations. The operation should be classified as discontinued when the operation is ready for disposal or the criteria for discontinuing are met, whichever is earlier.

Investment in Associates

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

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

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

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

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

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

Property, Plant and Equipment

a. Recognition and measurement

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

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

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

b. Reclassification to investment property

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

c. Subsequent cost

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

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.

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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(i).

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

Investment Property

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

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

Leases

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

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

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

Intangible Assets

a. Goodwill

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

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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. Service concession agreement

The operator recognizes the right to charge users for a service as an intangible asset. The operator measures the intangible asset at fair value.

c. Other intangible assets

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

d. Amortization

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

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

Impairment of Non-financial Assets

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

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

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

Notwithstanding whether indicators exist, recoverability of goodwill and intangible assets with indefinite useful lives or those not yet in use is 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 units, the entity shall recognize the impairment loss, and the impairment loss shall be allocated to reduce the carrying amount of each asset in the units. Reversal of an impairment loss for goodwill is prohibited.

Provisions

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

a. Restoration

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

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b. Warranties

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

c. Decommissioning

For a service concession agreement, the concession receiver has an obligation for maintenance or decommissioning before returning the construction to the grantor as stated in the concession agreement. For a build-operate-transfer contract, the costs paid for the obligation for maintenance or decommissioning should be recognized as expense and liabilities.

Treasury Shares

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

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

Employee Benefits

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

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

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

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

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

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior fiscal year, adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events.

Income Tax

Income tax expense for the year is best estimated by multiplying pretax income for the interim reporting period by the effective annual tax rate as forecasted by the management. This should be recognized fully as tax expense for the current period and allocated to current and deferred taxes proportionally.

Income tax expenses include both current taxes and deferred taxes. Except for expenses 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, computed according to the ROC Income Tax Act, is recognized in current taxes in the year of approval by a shareholders' meeting resolution.

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

b. Deferred taxes

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

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

Deferred tax assets and liabilities are 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 tax rates that have been enacted or substantively enacted on the reporting date. The measurement reflects the entity's expectations on the reporting date as to the manner in which the carrying amount of its assets and liabilities will be recovered or settled.

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

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

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

Revenue

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

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

b. Sales of goods

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

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

Generally, revenue is recognized as goods are delivered and ownership is transferred.

c. Customer loyalty program

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

d. Commissions

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

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

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

e. Dividend and interest income

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

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

Business Combination

A business combination uses the acquisition method. Goodwill is measured as an aggregation of the consideration transferred, which is measured at fair value at the acquisition date, and the amount of any non-controlling interest in the acquiree, net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed at fair value. If the residual balance is negative, the Group shall re-assess whether it has correctly identified all of the assets acquired and liabilities assumed, and recognize a gain on the bargain purchase thereafter.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the consolidated financial statements in conformity with IAS 34 *Interim Financial Reporting* endorsed by the FSC requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

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

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

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

Except for the assets from discontinued operations, the Group has not recognized any impairment loss for the nine months ended September 30, 2014 and 2013. For the recognition of impairment loss on the assets from discontinued operations, please refer to Note 6(f).

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 September 30, 2014, and December 31 and September 30, 2013, the carrying value of goodwill amounted to \$15,845,930 thousand. The Group has not recognized any impairment loss on goodwill for the nine months ended September 30, 2014 and 2013.

c. Impairment assessment of investments accounted for using equity method

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

The Group has not recognized any impairment loss on investments accounted for using equity method for the nine months ended September 30, 2014 and 2013.

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 September 30, 2014, and December 31 and September 30, 2013, the carrying value of deferred income tax assets amounted to \$901,677 thousand, \$924,576 thousand, and \$973,957 thousand, respectively; and the carrying value of deferred income tax liabilities amounted to \$2,466,243 thousand, \$2,599,791 thousand, and \$2,491,672 thousand, respectively.

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

e. Useful lives of property, plant and equipment

Please refer to Note 6(i). The Group 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, the Group will take account of estimates of future cash flows. An impairment loss is calculated as the difference between an asset's 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 September 30, 2014, and December 31 and September 30, 2013, the carrying value of accounts receivable amounted to \$14,698,300 thousand, \$14,373,340 thousand, and \$14,093,419 thousand, respectively. They were the net amounts after subtracting the allowances for doubtful accounts amounting to \$284,349 thousand, \$288,620 thousand, and \$315,369 thousand, respectively.

6. DESCRIPTION OF SIGNIFICANT ACCOUNTS

a. Cash and cash equivalents

	<u>2014.9.30</u>	<u>2013.12.31</u>	<u>2013.9.30</u>
Government bonds with repurchase rights	\$ 4,202,087	4,070,060	4,275,781
Cash in banks	1,779,940	2,053,132	2,414,937
Time deposits	901,781	1,748,153	960,391
Cash on hand	94,648	73,530	125,269
Revolving funds	8,909	9,419	9,784
	<u>\$ 6,987,365</u>	<u>7,954,294</u>	<u>7,786,162</u>

b. Available-for-sale financial assets

	<u>2014.9.30</u>	<u>2013.12.31</u>	<u>2013.9.30</u>
Domestic emerging stock	\$ 963,017	1,226,889	1,253,952
Beneficiary certificates	740,729	758,591	749,668
Domestic listed stock	199,311	202,354	205,832
	<u>\$ 1,903,057</u>	<u>2,187,834</u>	<u>2,209,452</u>
Current	<u>\$ 940,040</u>	<u>960,945</u>	<u>955,500</u>
Non-current	<u>\$ 963,017</u>	<u>1,226,889</u>	<u>1,253,952</u>

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

c. Non-current financial assets at cost

	<u>2014.9.30</u>	<u>2013.12.31</u>	<u>2013.9.30</u>
Domestic unlisted stocks	\$ 125,602	128,001	131,004
Foreign unlisted stock	50,324	50,324	50,324
	<u><u>\$ 175,926</u></u>	<u><u>178,325</u></u>	<u><u>181,328</u></u>

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

For the nine months ended September 30, 2014 and 2013, there was no impairment loss.

d. Accounts and notes receivable, net

	<u>2014.9.30</u>	<u>2013.12.31</u>	<u>2013.9.30</u>
Notes receivable	\$ 27,220	210,559	36,096
Accounts receivable	14,982,649	14,661,960	14,408,788
Less: allowance for doubtful accounts	(284,349)	(288,620)	(315,369)
Accounts receivable, net	14,698,300	14,373,340	14,093,419
Total	<u><u>\$ 14,725,520</u></u>	<u><u>14,583,899</u></u>	<u><u>14,129,515</u></u>

The Group entered into accounts receivable factoring contracts with asset management companies. The Group sold the asset management companies the overdue accounts receivable that had been written off. Under the contracts, the Group would no longer assume the risk on the receivables. The related information was as follows:

	<u>Amount of</u> <u>Accounts</u> <u>Receivable Sold</u>	<u>Proceeds of the</u> <u>Sale of Accounts</u> <u>Receivable</u>
<u>January 2014</u>		
Long Sun Asset Management Co., Ltd.	<u><u>\$ 991,966</u></u>	<u><u>42,699</u></u>
<u>January 2013</u>		
Hui Cheng First Asset Management Co., Ltd.	<u><u>\$ 1,242,340</u></u>	<u><u>40,249</u></u>

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

The accounts receivable aging analysis of the Group was as follows:

	<u>2014.9.30</u>	<u>2013.12.31</u>	<u>2013.9.30</u>
Neither past due nor impaired	\$ 14,343,620	13,992,823	13,687,770
Past due but not impaired			
Past due within 180 days	350,214	373,592	396,965
Past due over 180 days	4,466	6,925	8,684
	<u><u>\$ 14,698,300</u></u>	<u><u>14,373,340</u></u>	<u><u>14,093,419</u></u>

Movements of allowance for doubtful receivables for the nine months ended September 30, 2014 and 2013, were as follows:

	For the Nine Months Ended	
	September 30	
	<u>2014</u>	<u>2013</u>
Beginning balance	\$ 288,620	267,589
Add: Provision	239,918	232,770
Reversal	94,371	98,767
Less: Write-off	(338,560)	(283,757)
Ending balance	<u><u>\$ 284,349</u></u>	<u><u>315,369</u></u>

e. Inventories

	<u>2014.9.30</u>	<u>2013.12.31</u>	<u>2013.9.30</u>
Merchandise	\$ 3,239,710	3,708,181	3,078,831
Materials for maintenance	72,071	73,173	75,733
	<u><u>\$ 3,311,781</u></u>	<u><u>3,781,354</u></u>	<u><u>3,154,564</u></u>

For the three months and nine months ended September 30, 2014, the cost of goods sold recognized in consolidated comprehensive income amounted to \$10,028,410 thousand and \$29,493,070 thousand, respectively, which included the inventory write-downs amounting to \$20,462 thousand and \$34,526 thousand, respectively.

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

For the three months and nine months ended September 30, 2013, the cost of goods sold recognized in consolidated comprehensive income amounted to \$9,216,917 thousand and \$27,306,788 thousand, respectively, which included the inventory write-downs amounting to \$63,935 thousand and \$63,651 thousand, respectively.

f. Non-current assets held for sale and discontinued operations

(1) Non-current assets held for sale

(a) In November 2013, TFN decided to dispose of a piece of land and sold it to Chii Lih Development Enterprise Co., Ltd. The land was recorded as assets held for sale amounting to \$50,275 thousand at the end of December 2013, and the transfer of the ownership, which was finished on January 28, 2014, led to a gain of \$158,568 thousand.

(b) In March 2014, the Board of Directors of momo resolved to sell the traditional retail business to We Can Medicines Co., Ltd. At the end of March 2014, the total value of machinery and equipment, storage equipment, and telecommunication equipment held for sale was \$46,310 thousand, and a total impairment loss of \$17,794 thousand was recognized through measurement at the lower of carrying amount and fair value less costs to sell. The above equipment was disposed of in June 2014, and a loss of \$4,862 thousand was recognized under discontinued operations.

(2) Disclosure of profit and loss, and cash flows from discontinued operations

The profit and loss, and cash flows from discontinued operations are summarized as follows:

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2014	2013	2014	2013
Profit and loss from discontinued operations:				
Operating revenue	\$ -	183,914	172,273	595,596
Operating costs	-	112,797	138,848	370,873
Gross profit	-	71,117	33,425	224,723
Operating expenses	-	133,523	102,382	463,581
Other income and expenses	-	(445)	(1,727)	(1,716)
Loss from discontinued operations before tax	-	(62,851)	(70,684)	(240,574)
Non-operating income and expenses				
Loss on disposal of property, plant, and equipment	-	(2,707)	(2,148)	(12,343)
Interest income	-	137	39	542
Finance costs	-	(11)	-	(51)
Others	-	1,018	1,086	1,106
Tax revenue	-	10,950	12,183	42,724
Loss from discontinued operations after tax	-	(53,464)	(59,524)	(208,596)
Gain (loss) on disposal of the assets from discontinued operations				
Loss recognized on measurement of fair value less costs to sell of the assets from discontinued operations before tax	-	-	(17,794)	-
Loss recognized on the disposal of the assets from discontinued operations before tax	-	-	(4,862)	-
Tax revenue	-	-	3,851	-
Loss recognized on measurement of fair value less costs to sell of the assets disposed of from discontinued operations after tax	-	-	(18,805)	-
Loss from discontinued operations after tax	\$ -	(53,464)	(78,329)	(208,596)
Cash flows from (used in) discontinued operations:				
Net cash from operating activities	\$ 22,133	(32,041)	62,745	(125,762)
Net cash from investing activities	1,470	60,452	59,740	39,503
Net cash from financing activities	(2,825)	(1,799)	(4,621)	(6,346)
Net cash inflow (outflow)	\$ 20,778	(26,612)	117,864	(92,605)

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(3) Profit (loss) from discontinued operations attributable to owners of parent:

Please refer to Note 6(w).

g. Investments accounted for using equity method

Investee Company	2014.9.30		2013.12.31		2013.9.30	
	Amount	% of Ownership	Amount	% of Ownership	Amount	% of Ownership
TNH	\$ -	-	1,566,952	49.90	1,601,580	49.90
Taiwan Pelican Express Co., Ltd. (TPE)	427,800	17.70	409,142	17.70	370,329	20.00
Kbro Media Co., Ltd.	280,853	32.50	284,748	32.50	290,301	32.50
TVD Shopping Co., Ltd. (TVD Shopping)	142,244	35.00	-	-	-	-
Alliance Digital Tech Co., Ltd. (ADT)	23,135	16.67	28,514	19.23	-	-
	<u>\$ 874,032</u>		<u>2,289,356</u>		<u>2,262,210</u>	

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

Investee Company	2014.9.30	2013.12.31	2013.9.30
TPE	<u>\$ 844,650</u>	<u>1,140,278</u>	<u>-</u>

(1) TNH

TNH was established with the approval of the Taipei City Government and entered into “the Build-operate-transfer project of investment in Songshan Tobacco Plant culture park contract” (the “BOT contract”) with the Department of Cultural Affairs, Taipei City Government, in 2009. TNH began to operate in May 2013.

On January 22, 2014, the Board of Directors of 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 remained at 49.9%, and paid \$172,155 thousand on January 27, 2014.

On February 21, 2014, TWM obtained control of TNH due to a change in the Board members of TNH, and therefore, TNH is included in the consolidated entities as a subsidiary. For the acquisition of subsidiaries, please refer to Note 6(h).

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(2) TPE

In August 2012, momo, a subsidiary of TWM, acquired 20% of TPE.

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

(3) Kbro Media Co., Ltd.

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

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

(4) TVD Shopping

In April 2014, momo acquired 35% of TVD Shopping.

(5) ADT

In November 2013, TWM acquired 19.23% of ADT.

In April 2014, TWM held 16.67% of ADT due to not subscribing for new shares.

TWM holds less than 20% of ADT but still has significant influence on ADT due to a seat on the Board.

h. Subsidiaries and transactions with non-controlling interests

(1) Acquisition of subsidiaries

TWM obtained control of TNH due to the change in the members on the Board of TNH through the election on February 21, 2014. TWM's shareholding remained at 49.9%. TNH mainly engages in infrastructure projects and real estate leasing.

(a) Assets acquired and liabilities assumed

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

	<u>TNH</u>
Current assets	
Cash and cash equivalents	\$ 1,193,252
Others	79,777
Non-current assets	
Service concession	7,460,415
Others	5,656
Current liabilities	(647,681)
Non-current liabilities	
Long-term borrowings	(3,285,841)
Others	(1,339,944)
	<u><u>\$ 3,465,634</u></u>

The Group's shareholding of TNH was 49.9% before obtaining control of TNH, at which time the book value and fair value were equivalent. Therefore, the gain and loss arising from remeasurement were not significant.

(b) Operating influences of combination

The Group's share of operating revenue of TNH was \$66,398 thousand and \$160,171 thousand and the Group's share of the net income or loss was income of \$3,783 thousand and loss of \$1,087 thousand for the three months ended September 30 and the period from February 21 to September 30, 2014, respectively. If the business combination had occurred at the beginning of the fiscal year, the pro forma operating revenue and net loss in the Group's consolidated comprehensive income statement would have been \$196,347 thousand and \$20,283 thousand, respectively, for the nine months ended September 30, 2014. The pro forma revenue and net loss could not be regarded as the actual operating outcome on the basis that the business combination occurred at the beginning of the year and revenue and net loss were projected into the future.

(2) Disposal of subsidiaries

In September 2014, TT&T disposed of all of its ownership in TMB to Fubon Financial Holding Venture Co., Ltd. which caused a disposal loss of \$168 thousand and the loss of control to TMB. Net cash inflow from the disposal of TMB was as follows :

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Cash consideration received	\$ 21,360
Less: Cash and cash equivalent in TMB	6,827
Net cash inflow	<u><u>\$ 14,533</u></u>

(3) Transactions with non-controlling interests

i.WMT disposed of part of its shareholding in momo in February 2014. Despite the decrease in the shareholding in momo from 50.64% to 49.93%, WMT still maintains control of momo and therefore deemed it an equity transaction.

Cash consideration received	\$ 142,246
Increase in non-controlling interests due to equity transaction of subsidiary	(120,420)
Other adjustments	(3,071)
Capital surplus - difference between consideration and carrying amounts of subsidiaries' shares acquired or disposed of	<u><u>\$ 18,755</u></u>

ii.Due to non-proportional investment in investees' increase in capital in September 2014 (Tong-An Investment Co., Ltd. and TPE newly participated in the capital increase), momo's ownership percentage in Asian Crown decreased from 100% to 94.10%, and HK Fubon Multimedia's ownership percentage in FGE increased from 87.5% to 89.47%. The change of momo's ownership interest in FGE that didn't result in losing control of FGE was an equity transaction.

Cash consideration received	\$ 49,520
Increase in non-controlling interests due to equity transaction of subsidiary	(36,135)
Capital surplus - changes in equity of subsidiaries for using equity method	<u><u>\$ 13,385</u></u>

Due to non-proportional investment in investees' increase in capital in September 2013, momo's ownership percentage in FGE increased from 80% to 87.5%. The change of momo's ownership interest in FGE that didn't result in losing control of FGE was an equity transaction, decreasing unappropriated retained earnings and increasing non-controlling interests amounting to \$22,015 thousand.

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

i. Property, plant and equipment

Movements of the cost, depreciation, and impairment of property, plant and equipment of the Group for the nine months ended September 30, 2014 and 2013, were as follows:

	Land	Buildings	Telecommunication equipment and machinery	Miscellaneous equipment	Construction in progress and equipment to be inspected	Total
Cost:						
Balance, January 1, 2014	\$ 8,675,595	4,961,737	73,940,408	6,049,561	3,162,832	96,790,133
Additions	1,717,927	2,061	199,426	332,751	9,887,129	12,139,294
Acquisition from combination	-	-	-	10,232	-	10,232
Reclassification	(18,227)	(10,758)	7,601,077	529,246	(8,270,421)	(169,083)
Disposals	-	-	(3,459,272)	(152,848)	(4,512)	(3,616,632)
Effect of deconsolidation of subsidiaries	-	-	-	(1,463)	-	(1,463)
Effect of exchange rate changes	-	-	739	325	-	1,064
Balance, September 30, 2014	<u>\$ 10,375,295</u>	<u>4,953,040</u>	<u>78,282,378</u>	<u>6,767,804</u>	<u>4,775,028</u>	<u>105,153,545</u>
Balance, January 1, 2013	6,735,900	4,145,550	70,234,280	5,540,378	3,915,581	90,571,689
Additions	-	748	227,601	374,588	8,839,311	9,442,248
Reclassification	1,983,782	814,705	4,964,121	312,859	(8,133,327)	(57,860)
Disposals	-	-	(3,035,720)	(330,478)	(32,229)	(3,398,427)
Effect of exchange rate changes	-	-	6,599	2,986	-	9,585
Balance, September 30, 2013	<u>\$ 8,719,682</u>	<u>4,961,003</u>	<u>72,396,881</u>	<u>5,900,333</u>	<u>4,589,336</u>	<u>96,567,235</u>
Accumulated depreciation and impairment:						
Balance, January 1, 2014	83,426	1,260,526	48,470,898	3,989,482	-	53,804,332
Depreciation	-	108,083	6,420,505	663,940	-	7,192,528
Acquisition from combination	-	-	-	835	-	835
Reclassification	-	(4,130)	(80,643)	15,082	-	(69,691)
Disposals	-	-	(2,872,946)	(143,800)	-	(3,016,746)
Effect of deconsolidation of subsidiaries	-	-	-	(1,257)	-	(1,257)
Effect of exchange rate changes	-	-	500	283	-	783
Balance, September 30, 2014	<u>\$ 83,426</u>	<u>1,364,479</u>	<u>51,938,314</u>	<u>4,524,565</u>	<u>-</u>	<u>57,910,784</u>
Balance, January 1, 2013	\$ 83,426	1,127,005	45,302,209	3,465,876	-	49,978,516
Depreciation	-	103,101	5,782,301	621,295	-	6,506,697
Reclassification	-	(4,698)	-	(18,342)	-	(23,040)
Disposals	-	-	(2,190,429)	(225,460)	-	(2,415,889)
Effect of exchange rate changes	-	-	1,141	726	-	1,867
Balance, September 30, 2013	<u>\$ 83,426</u>	<u>1,225,408</u>	<u>48,895,222</u>	<u>3,844,095</u>	<u>-</u>	<u>54,048,151</u>
Carrying amount:						
Balance, January 1, 2014	<u>\$ 8,592,169</u>	<u>3,701,211</u>	<u>25,469,510</u>	<u>2,060,079</u>	<u>3,162,832</u>	<u>42,985,801</u>
Balance, September 30, 2014	<u>\$ 10,291,869</u>	<u>3,588,561</u>	<u>26,344,064</u>	<u>2,243,239</u>	<u>4,775,028</u>	<u>47,242,761</u>
Balance, January 1, 2013	<u>\$ 6,652,474</u>	<u>3,018,545</u>	<u>24,932,071</u>	<u>2,074,502</u>	<u>3,915,581</u>	<u>40,593,173</u>
Balance, September 30, 2013	<u>\$ 8,636,256</u>	<u>3,735,595</u>	<u>23,501,659</u>	<u>2,056,238</u>	<u>4,589,336</u>	<u>42,519,084</u>

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED 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 20~55 years

Mechanical and electrical equipment 15 years

(b) Telecommunication equipment and machinery 2~20 years

(c) Miscellaneous equipment 2~20 years

- (2) The non-cash investing of the Group for the nine months ended September 30, 2014 and 2013, was as follows:

	For the Nine Months Ended September 30	
	2014	2013
Acquisition of property, plant and equipment	\$ 12,139,294	9,442,248
Changes in other payables	(2,162,589)	(378,564)
Changes in provisions	(70,395)	(106,366)
Cash paid for acquisition of property, plant and equipment	<u><u>\$ 9,906,310</u></u>	<u><u>8,957,318</u></u>

j. Investment property

	2014.9.30	2013.12.31	2013.9.30
Land:			
Cost	<u><u>\$ 253,296</u></u>	<u><u>235,068</u></u>	<u><u>241,257</u></u>
Buildings:			
Cost	\$ 132,125	121,367	122,101
Accumulated depreciation	42,694	36,041	34,804
Carrying amount	<u><u>\$ 89,431</u></u>	<u><u>85,326</u></u>	<u><u>87,297</u></u>
Total investment property	<u><u>\$ 342,727</u></u>	<u><u>320,394</u></u>	<u><u>328,554</u></u>
Fair value	<u><u>\$ 53,587</u></u>	<u><u>717,142</u></u>	<u><u>722,122</u></u>
Capitalization rate	<u><u>1.19%~3.12%</u></u>	<u><u>1.19%~3.12%</u></u>	<u><u>1.19%~3.12%</u></u>

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

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

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

k. Intangible assets

The cost, amortization, and impairment of intangible assets of the Group for the nine months ended September 30, 2014 and 2013, were as follows:

	Concessions			Other intangible assets					
	Concession	Service	Goodwill	Computer	Customer	Operating	Trademarks	Others	Total
	license	concession		software	relationship	rights			
Cost:									
Balance, January 1, 2014	\$ 39,291,000	-	15,845,930	2,020,208	2,849,197	1,382,000	2,517,860	5,107	63,911,302
Addition	-	145,287	-	109,563	-	-	6	-	254,856
Acquisition from combination	-	7,460,415	-	-	-	-	-	-	7,460,415
Disposals	-	-	-	(3,157)	-	-	-	-	(3,157)
Adjustment and reclassification	-	(87,874)	-	192,248	-	-	-	-	107,374
Effect of exchange rate changes	-	-	-	93	-	-	-	13	106
Balance, September 30, 2014	<u>\$ 39,291,000</u>	<u>7,517,828</u>	<u>15,845,930</u>	<u>2,321,955</u>	<u>2,849,197</u>	<u>1,382,000</u>	<u>2,517,866</u>	<u>5,120</u>	<u>71,730,896</u>
Balance, January 1, 2013	\$ 10,281,000	-	15,845,930	1,664,031	2,849,197	1,382,000	2,517,290	5,631	34,545,079
Addition	-	-	-	119,375	-	-	570	-	119,945
Deduction	-	-	-	(48,744)	-	-	-	(724)	(49,468)
Reclassification	-	-	-	154,368	-	-	-	-	154,368
Effect of exchange rate changes	-	-	-	836	-	-	-	136	972
Balance, September 30, 2013	<u>\$ 10,281,000</u>	<u>-</u>	<u>15,845,930</u>	<u>1,889,866</u>	<u>2,849,197</u>	<u>1,382,000</u>	<u>2,517,860</u>	<u>5,043</u>	<u>34,770,896</u>
Amortization and impairment:									
Balance, January 1, 2014	\$ 6,542,455	-	-	1,502,406	1,023,771	-	579	4,820	9,074,031
Amortization	803,040	98,069	-	257,942	102,300	-	150	285	1,261,786
Disposals	-	-	-	(3,157)	-	-	-	-	(3,157)
Reclassification	-	-	-	13	-	-	-	-	13
Effect of exchange rate changes	-	-	-	62	-	-	-	15	77
Balance, September 30, 2014	<u>\$ 7,345,495</u>	<u>98,069</u>	<u>-</u>	<u>1,757,266</u>	<u>1,126,071</u>	<u>-</u>	<u>729</u>	<u>5,120</u>	<u>10,332,750</u>
Balance, January 1, 2013	\$ 5,794,746	-	-	1,232,525	860,198	-	400	3,056	7,890,925
Amortization	560,781	-	-	234,822	129,473	-	130	897	926,103
Deduction	-	-	-	(48,416)	-	-	-	-	(48,416)
Effect of exchange rate changes	-	-	-	282	-	-	-	44	326
Balance, September 30, 2013	<u>\$ 6,355,527</u>	<u>-</u>	<u>-</u>	<u>1,419,213</u>	<u>989,671</u>	<u>-</u>	<u>530</u>	<u>3,997</u>	<u>8,768,938</u>
Carrying amounts:									
Balance, January 1, 2014	<u>\$ 32,748,545</u>	<u>-</u>	<u>15,845,930</u>	<u>517,802</u>	<u>1,825,426</u>	<u>1,382,000</u>	<u>2,517,281</u>	<u>287</u>	<u>54,837,271</u>
Balance, September 30, 2014	<u>\$ 31,945,505</u>	<u>7,419,759</u>	<u>15,845,930</u>	<u>564,689</u>	<u>1,723,126</u>	<u>1,382,000</u>	<u>2,517,137</u>	<u>-</u>	<u>61,398,146</u>
Balance, January 1, 2013	<u>\$ 4,486,254</u>	<u>-</u>	<u>15,845,930</u>	<u>431,506</u>	<u>1,988,999</u>	<u>1,382,000</u>	<u>2,516,890</u>	<u>2,575</u>	<u>26,654,154</u>
Balance, September 30, 2013	<u>\$ 3,925,473</u>	<u>-</u>	<u>15,845,930</u>	<u>470,653</u>	<u>1,859,526</u>	<u>1,382,000</u>	<u>2,517,330</u>	<u>1,046</u>	<u>26,001,958</u>

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

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

(1) 4G concession license	16 years and 4 months ~16 years and 7 months
(2) 3G concession license	13 years and 9 months
(3) Service concession	45 years and 5 months ~50 years
(4) Computer software	2~10 years
(5) Customer relationship	20 years
(6) Trademarks	10 years
(7) Others	1~3 years

(1) 4G concession license

TWM won the Mobile Broadband Spectrum frequency of 30 MHz x 2 for 4G service on October 30, 2013. The bid of \$29,010,000 thousand (\$10,485,000 thousand for 15 MHz x 2 in the 700 MHz frequency band and \$18,525,000 thousand for 15 MHz x 2 in the 1800 MHz frequency band) has been paid.

(2) Service concession

On January 15, 2009, TNH signed the BOT contract with the Department of Cultural Affairs, Taipei City Government. Under the BOT contract, TNH obtained the right to build and operate the development project on the location of old Songshan Tobacco Plant. The development concession premium of superficies is amortized on a straight-line basis during the contract period, and the construction costs are amortized on a straight-line basis from the completion date of the construction to the BOT contract expiry date.

(3) Customer relationship, trademarks, and operating rights

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

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

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

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

(4) Goodwill

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

	2014.9.30	2013.12.31	2013.9.30
Mobile communication service	\$ 7,238,758	7,238,758	7,238,758
Fixed network service	357,970	357,970	357,970
Cable television business	3,269,636	3,269,636	3,269,636
Retail business	4,979,566	4,979,566	4,979,566
	<u><u>\$ 15,845,930</u></u>	<u><u>15,845,930</u></u>	<u><u>15,845,930</u></u>

(5) Impairment of assets

In conformity with IAS 36 *Impairment of Assets*, the Group identified mobile communication service, fixed network service, the cable television business, and the retail business as the smallest identifiable units which can generate cash inflows independently.

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

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES
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(a) Mobile communication service

(i) Assumptions on cash flows

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

(ii) Assumptions on operating revenues

After taking changes in the telecom industry and competitive landscape into consideration, operating revenues were estimated on the basis of the projected changes in subscriber numbers, minutes of incoming and outgoing calls, and average revenue per minute.

(iii) Assumptions on operating costs and expenses

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

(iv) Assumptions on discount rate

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

(b) Fixed network service

(i) Assumptions on cash flows

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

(ii) Assumptions on operating revenues

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

(iii) Assumptions on operating costs and expenses

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

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

(iv) Assumptions on discount rate

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

(c) Cable television business

(i) Assumptions on cash flows

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

(ii) Assumptions on operating revenues

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

(iii) Assumptions on operating costs and expenses

The estimates of cost of commissions, customer service costs, and bill processing costs were based on the projected changes in subscriber numbers. The estimates of remaining costs and expenses were based on the actual costs and expenses as a proportion of operating revenues.

(iv) Assumptions on discount rate

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

(d) Retail business

(i) Assumptions on cash flows

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

(ii) Assumptions on operating revenues

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

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

(iii) Assumptions on operating costs and expenses

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

(iv) Assumptions on discount rate

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

Based on the key assumptions of each cash-generating unit, the Group's management believes that the carrying amounts of these operating assets and intangible assets will not exceed their recoverable amounts even if there are any reasonable changes in the critical assumptions used to estimate recoverable amounts. Thus, there was no impairment of intangible assets for the years ended December 31, 2013 and 2012, and no significant evidence indicating impairment of intangible assets as of September 30, 2014.

l. Other non-current assets

	2014.9.30	2013.12.31	2013.9.30
Long-term accounts receivable	\$ 3,906,577	4,198,548	4,029,386
Refundable deposits	569,104	561,223	1,572,991
Prepayments for equipment	113,698	59,619	212,854
Prepayments for investments	-	-	30,000
Others	525,937	525,792	531,353
	<u>\$ 5,115,316</u>	<u>5,345,182</u>	<u>6,376,584</u>

m. Short-term borrowings and short-term notes and bills payable

	2014.9.30	
	Annual interest rate	Amount
Unsecured loans — financial institutions	0.82%~1.21%	\$ 19,950,000
Secured loans — financial institutions (related parties)	7.2%	216,146
		<u>\$ 20,166,146</u>
Short-term notes and bills payable	0.838%~0.878%	\$ 5,800,000
Less: Discount on short-term notes and bills payable		(6,147)
		<u>\$ 5,793,853</u>

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

2013.12.31		
	Annual interest rate	Amount
Unsecured loans — financial institutions	0.83%~1.15%	\$ 30,500,000
Secured loans — financial institutions (related parties)	6.3%~7.224%	105,813
		\$ 30,605,813
Short-term notes and bills payable	0.62%~0.72%	\$ 2,400,000
Less: Discount on short-term notes and bills payable		(3,029)
		\$ 2,396,971
2013.9.30		
	Annual interest rate	Amount
Unsecured loans — financial institutions	0.83%~1.25%	\$ 8,000,000
Secured loans — financial institutions (related parties)	6.3%~7.224%	328,480
		\$ 8,328,480
Short-term notes and bills payable	0.7%~0.742%	\$ 400,000
Less: Discount on short-term notes and bills payable		(400)
		\$ 399,600

For financial risk information of the Group, please refer to Note 6(ac); for the information on loans from related parties, please refer to Note 7; and for the information on time deposits pledged as collateral for bank loans and commitments, please refer to Note 8 and Table 2.

n. Advance receipts

	2014.9.30	2013.12.31	2013.9.30
Advance receipts from customers	\$ 2,208,576	2,405,345	2,935,805
Deferred customer loyalty revenues	58,365	51,116	72,163
Others	106,632	163,445	123,136
	\$ 2,373,573	2,619,906	3,131,104

(1) In accordance with the NCC's policy, TWM entered into a contract with First Commercial Bank Co., Ltd. which provided a performance guarantee for advance receipts from prepaid cards and electronic gift certificates amounting to \$627,329 thousand and \$10,080 thousand, respectively, as of September 30, 2014. The guarantee will last for a year.

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

- (2) In accordance with the NCC's policy, TFN entered into a contract with First Commercial Bank Co., Ltd. which provided a performance guarantee for advance receipts from International Direct Dialing (IDD) calling cards amounting to \$43 thousand as of September 30, 2014. The guarantee will last for a year.
- (3) In accordance with the NCC's policy, cable television companies should provide a performance deposit based on a certain proportion of the advance receipts for a prepaid period. As of September 30, 2014, the cable television companies had provided \$55,576 thousand as a performance deposit, classified as other non-current financial assets.
- (4) In accordance with the Ministry of Economic Affairs' policy, momo entered into a contract with First Commercial Bank Co., Ltd. which provided a performance guarantee for advance receipts from prepaid bonus amounting to \$17,756 thousand as of September 30, 2014. The guarantee will last for a year.
- (5) In accordance with the NCC's and the Ministry of Economic Affairs' policies, TKT entered into a contract with Mega International Commercial Bank Co., Ltd. which provided a performance guarantee for advance receipts from prepaid music cards amounting to \$1,603 thousand as of September 30, 2014. The guarantee will last for a year.

o. Bonds payable

	2014.9.30	2013.12.31	2013.9.30
2nd domestic unsecured bonds	\$ -	-	4,000,000
3rd domestic unsecured bonds	8,996,503	8,995,936	8,995,747
4th domestic unsecured bonds	5,797,378	5,796,711	5,796,488
	14,793,881	14,792,647	18,792,235
Less: current portion	-	-	(4,000,000)
	<u>\$ 14,793,881</u>	<u>14,792,647</u>	<u>14,792,235</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.

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

(2) 3rd domestic unsecured bonds

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

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

<u>Year</u>	<u>Amount</u>
2018	\$ 4,500,000
2019	4,500,000
	<u>\$ 9,000,000</u>

(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:

<u>Year</u>	<u>Amount</u>
2017	\$ 2,900,000
2018	2,900,000
	<u>\$ 5,800,000</u>

p. Long-term borrowings

	<u>2014.9.30</u>	
	<u>Annual interest rate</u>	<u>Amount</u>
Unsecured loans — financial institutions	1.05%~1.095%	\$ 13,000,000
Secured loans — financial institutions	2.2526%	3,390,099
Less: current portion		(2,208,218)
		<u>\$ 14,181,881</u>

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

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

(1) Unsecured loans

TWM obtained credit facilities from banks for mid-term operating capital. The facilities will last 2 years from the date of drawing, and the interest will be paid quarterly. The credit facilities are subject to covenants regarding debt ratio and interest protection multiples during the facility period.

(2) Secured loans

On January 22, 2010, TNH entered into a syndicated loan agreement with Bank of Taiwan, Taipei Fubon Bank, etc., nine banks in total, for the investment under the BOT contract. The aggregate credit and guarantee amount were up to \$3,565,000 thousand for 7 years, including the grace period of 4 years. TWM would pay interest monthly. In accordance with the contract, the financial covenants regarding the current ratio, equity ratio, and interest protection multiples must be complied with during the facility period. TNH has pledged the property of the BOT contract and its superficies as collateral; please refer to Note 8.

q. Provisions

	<u>2014.9.30</u>	<u>2013.12.31</u>	<u>2013.9.30</u>
Restoration	\$ 1,083,573	1,021,896	973,753
Warranties	52,947	52,059	45,148
Decommissioning	51,920	-	-
	<u>\$ 1,188,440</u>	<u>1,073,955</u>	<u>1,018,901</u>
Current	\$ 205,361	193,886	181,331
Non-current	983,079	880,069	837,570
	<u>\$ 1,188,440</u>	<u>1,073,955</u>	<u>1,018,901</u>

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

	Restoration	Warranties	Decommis- sioning	Total
Balance, January 1, 2014	\$ 1,021,896	52,059	-	1,073,955
Provision	83,582	69,847	25,773	179,202
Acquisition from combination	-	-	25,494	25,494
Reversal	-	(28,273)	-	(28,273)
Unwinding of discount	9,908	-	653	10,561
Payment	(31,813)	(40,686)	-	(72,499)
Balance, September 30, 2014	\$ 1,083,573	52,947	51,920	1,188,440
Balance, January 1, 2013	\$ 875,805	-	-	875,805
Provision	122,377	70,757	-	193,134
Unwinding of discount	10,625	-	-	10,625
Payment	(35,054)	(25,609)	-	(60,663)
Balance, September 30, 2013	\$ 973,753	45,148	-	1,018,901

r. Other non-current liabilities

	2014.9.30	2013.12.31	2013.9.30
Construction retainage payable	\$ 96,846	-	-
Concession payable	905,357	-	-
Less: Discounts on concession payable	(129,632)	-	-
Others	19,744	19,744	19,744
	\$ 892,315	19,744	19,744

Concession payable is the development concession from the BOT contract between the Department of Cultural Affairs and TNH; please refer to Note 9(b).

s. Operating lease

(1) Lessee

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

	2014.9.30	2013.12.31	2013.9.30
Less than one year	\$ 2,952,303	2,920,143	2,874,057
Between one and five years	4,920,122	5,403,480	5,543,869
More than five years	105,757	123,538	136,308
	\$ 7,978,182	8,447,161	8,554,234

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

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

As of September 30, 2014, and December 31 and September 30, 2013, the Group anticipated it would receive total future minimum sublease payments under the non-cancellable sublease contracts in the amount of \$10,240 thousand, \$9,930 thousand, and \$10,129 thousand, respectively.

For the three months and nine months ended September 30, 2014 and 2013, the payment of leases and subleases, recognized as gains or losses, was as follows:

	For the Three Months		For the Nine Months	
	Ended September 30		Ended September 30	
	2014	2013	2014	2013
Minimum lease payment	\$ 854,450	845,295	2,569,615	2,437,003
Sublease payment	(162)	(300)	(487)	(709)
	\$ 854,288	844,995	2,569,128	2,436,294

(2) Lessor

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

	2014.9.30	2013.12.31	2013.9.30
Less than one year	\$ 17,177	20,036	20,314
Between one and five years	16,839	22,220	27,105
	\$ 34,016	42,256	47,419

t. Employee benefits

(1) Defined benefit plan

According to the actuarial reports, the Group recognized \$1,487 thousand and \$1,103 thousand of pension for the three months ended September 30, 2014 and 2013, respectively, and \$4,461 thousand and \$3,310 thousand for the nine months ended September 30, 2014 and 2013, respectively, by using the actuarially determined pension cost rate on December 31, 2013 and 2012, respectively.

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

(2) Defined contribution plans

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

The contribution to the pension funds of the Group under the pension plan amounted to \$63,695 thousand and \$60,869 thousand for the three months ended September 30, 2014 and 2013, respectively, and \$192,338 thousand and \$180,729 thousand for the nine months ended September 30, 2014 and 2013, respectively.

u. Income tax from continuing operations

The reconciliation of income tax expense was as follows:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2014	2013	2014	2013
Current income tax expense				
Current period	\$ 781,733	796,746	2,484,354	2,104,434
Prior years' adjustment	(165,242)	(1,118)	(131,611)	23,229
	<u>616,491</u>	<u>795,628</u>	<u>2,352,743</u>	<u>2,127,663</u>
Deferred income tax expense				
Current period	6,703	98,417	22,372	470,812
Income tax expense	<u>\$ 623,194</u>	<u>894,045</u>	<u>2,375,115</u>	<u>2,598,475</u>

Integrated income tax information was as follows:

	2014.9.30	2013.12.31	2013.9.30
Balance of the Group's imputation credit account (ICA)	<u>\$ 684,402</u>	<u>1,312,654</u>	<u>849,547</u>

As of September 30, 2014, there were no unappropriated earnings generated before 1997.

The estimated tax creditable ratio for 2013 and tax creditable ratio for 2012 were 14.14% and 12.05%, respectively, based on Decree No. 10204562810 announced on October 17, 2013, by the Ministry of Finance of the Republic of China. Under the Integrated Income Tax System, ROC resident shareholders are allowed a tax credit for the income tax paid by TWM. An imputation credit account (ICA) is maintained by TWM for such income tax, and a tax credit is allocated to each shareholder. Actual allocation of the imputation credit account is based on the balance on the date of dividend distribution. Therefore, the estimated tax creditable ratio may differ from the actual tax creditable ratio for the 2013 earnings appropriation.

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

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

	<u>Year</u>
TWM	2012
TCC	2011
WMT	2012
GWMT	2012
GFMT	2012
TDC	2012
TDS (established on April 2, 2013)	-
TCCI	2012
TID	2012
TFN	2011
TT&T	2012
TUI	2012
TFNI	2008
WTVB	2011
TFNM	2011
UCTV	2011
YJCTV	2012
MCTV	2012
PCTV	2012
GCTV	2012
TKT	2012
momo	2012
FST	2012
FLI	2012
FPI	2012
TNH	2012

TWM's income tax returns for the years up to 2012 have been examined by the tax authorities. TWM disagreed with the examination results of the income tax return for 2011 and requested a reexamination and planned to request a reexamination for 2012.

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

TFNM's income tax returns up to 2011 have been examined by the tax authorities. TFNM disagreed with the examination results of the income tax return for 2008 and requested a reexamination.

UCTV's income tax returns up to 2011 have been examined by the tax authorities. UCTV disagreed with the examination results from 2006 to 2010 and filed an appeal and requested a reexamination for 2011.

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

v. Capital and other equity

(1) Ordinary shares

As of September 30, 2014, TWM had authorized 6,000,000 thousand ordinary shares, with 3,420,833 thousand shares outstanding (par value \$10).

(2) Capital surplus

	<u>2014.9.30</u>	<u>2013.12.31</u>	<u>2013.9.30</u>
Additional paid-in capital from convertible corporate bonds	\$ 8,775,820	8,775,820	8,775,820
Treasury share transactions	3,639,301	3,639,301	3,639,301
Difference between consideration and carrying amount of subsidiaries' shares disposed of	18,755	-	-
Changes in equity of subsidiaries	14,698	1,313	1,313
Changes in equity of associates accounted for using equity method	25,151	25,039	-
Others	15,418	15,418	15,417
	<u>\$12,489,143</u>	<u>12,456,891</u>	<u>12,431,851</u>

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, the conversion premium from convertible corporate bonds, the difference between consideration and carrying amount of subsidiaries' shares acquired or disposed of, 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. If the ownership of subsidiaries is not actually acquired or disposed of, the capital surpluses which are recognized from changes in percentage of ownership of subsidiaries or from adjustments of capital surplus of subsidiaries due to using equity method could only be applied to cover the deficit.

(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 and distributed 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. AND SUBSIDIARIES
NOTES TO CONSOLIDATED 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 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, after setting aside amounts for retained earnings based on TWM's capital budget plan, the residual profits 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.

In accordance with Rule No. 1010012865 announced by FSC on April 6, 2012, TWM should appropriate a special reserve from the unappropriated earnings equivalent to the debit balance of any account (except for treasury shares) shown in other shareholders' equity when distributing surplus profits. The special reserve appropriated will be reversed to the extent that the net debit balance of the other shareholders' equity reverses.

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

TWM's estimated bonuses to employees amounted to \$100,902 thousand and \$115,319 thousand for the three months ended September 30, 2014 and 2013, respectively, and \$322,873 thousand and \$324,936 thousand for the nine months ended September 30, 2014 and 2013, respectively and estimated remuneration to directors amounted to \$10,090 thousand and \$11,532 thousand for the three months

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

ended September 30, 2014 and 2013, respectively, and \$32,287 thousand and \$32,494 thousand for the nine months ended September 30, 2014 and 2013, respectively.

TWM's bonuses to employees and remuneration to directors were accrued at 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 a change in accounting estimate and will be adjusted in profit and losses in the year of the AGM. 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 2013 and 2012 earnings appropriations resolved by the AGM on June 12, 2014, and June 21, 2013, were as follows:

	Appropriation of Earnings		Dividend per Share (NT\$)	
	For Fiscal Year 2013	For Fiscal Year 2012	For Fiscal Year 2013	For Fiscal Year 2012
Appropriation of legal reserve \$	2,275,622	1,469,160		
Cash dividends	15,064,599	14,526,578	5.6	5.4
	\$ 17,340,221	15,995,738		

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 12, 2014, and June 21, 2013, resolved to distribute bonuses to employees amounting to \$420,753 thousand and \$396,673 thousand, respectively, and remuneration to directors amounting to \$42,075 thousand and \$39,667 thousand, respectively, for the years ended December 31, 2013 and 2012. There were no differences between the above actual distributions and the amounts recognized in the financial statements for 2013 and 2012.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

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

(5) Other equity interest

	Exchange Differences on Translation	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Total
Balance, January 1, 2014	\$ 24,948	387,734	412,682
The Group	241	(275,540)	(275,299)
Associates	9	16,731	16,740
Balance, September 30, 2014	<u><u>\$ 25,198</u></u>	<u><u>128,925</u></u>	<u><u>154,123</u></u>
Balance, January 1, 2013	\$ 25,483	314,543	340,026
The Group	5,666	101,247	106,913
Associates	162	(2,297)	(2,135)
Balance, September 30, 2013	<u><u>\$ 31,311</u></u>	<u><u>413,493</u></u>	<u><u>444,804</u></u>

(6) Treasury shares

As of September 30, 2014, and December 31 and September 30, 2013, 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 \$67,445,996 thousand, \$70,368,899 thousand, and \$76,726,214 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, subsidiaries with over 50% shareholding by TWM cannot exercise the voting rights over their treasury shares.

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

(7) Non-controlling interests

	For the Nine Months Ended September 30	
	2014	2013
Beginning balance	\$ 1,086,747	1,072,204
Portion attributable to non-controlling interests		
Profit	401,770	145,760
Unrealized gain (loss) on available-for-sale financial assets	7,812	(27,085)
Exchange differences on translation	(42)	1,286
Changes in equity of associates accounted for using equity method	(258)	-
Disposal of partial ownership interests in subsidiaries	120,420	-
Adjustments arising from changes in percentage of ownership of subsidiaries	36,135	22,015
Cash dividends from subsidiaries paid to non-controlling interests	(224,481)	(247,986)
Increase in non-controlling interests	1,736,460	-
Ending balance	<u><u>\$ 3,164,563</u></u>	<u><u>966,194</u></u>

w. Earnings per share

The calculations of the basic and diluted EPS were as follows:

	For the Three Months Ended September 30, 2014		
	Amount after income tax	Weighted-average number of ordinary shares	EPS
Basic EPS			
Profit from continuing operations attributable to owners of parent	\$ 3,737,133	2,690,107	\$ 1.39
Loss from discontinued operations attributable to owners of parent	-	2,690,107	-
Profit attributable to owners of parent	<u><u>\$ 3,737,133</u></u>	<u><u>2,690,107</u></u>	<u><u>\$ 1.39</u></u>
Diluted EPS			
Profit from continuing operations attributable to owners of parent	\$ 3,737,133	2,690,107	
Effect of potential dilutive ordinary shares:			
Effect of employees' bonuses	-	3,498	
Profit from continuing operations attributable to owners of parent	<u><u>\$ 3,737,133</u></u>	<u><u>2,693,605</u></u>	<u><u>\$ 1.39</u></u>
Loss from discontinued operations attributable to owners of parent	-	2,693,605	-
Profit attributable to owners of parent (adjusted for potential effect of dilutive ordinary shares)	<u><u>\$ 3,737,133</u></u>	<u><u>2,693,605</u></u>	<u><u>\$ 1.39</u></u>

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

	For the Three Months Ended September 30, 2013		
	Amount after income tax	Weighted-average number of ordinary shares	EPS
Basic EPS			
Profit from continuing operations attributable to owners of parent	\$ 4,298,130	2,690,107	\$ 1.59
Loss from discontinued operations attributable to owners of parent	(27,072)	2,690,107	(0.01)
Profit attributable to owners of parent	<u>\$ 4,271,058</u>	<u>2,690,107</u>	<u>\$ 1.58</u>
Diluted EPS			
Profit from continuing operations attributable to owners of parent	\$ 4,298,130	2,690,107	
Effect of potential dilutive ordinary shares:			
Effect of employees' bonuses	-	3,095	
Profit from continuing operations attributable to owners of parent	\$ 4,298,130	2,693,202	\$ 1.59
Loss from discontinued operations attributable to owners of parent	(27,072)	2,693,202	(0.01)
Profit attributable to owners of parent (adjusted for potential effect of dilutive ordinary shares)	<u>\$ 4,271,058</u>	<u>2,693,202</u>	<u>\$ 1.58</u>

	For the Nine Months Ended September 30, 2014		
	Amount after income tax	Weighted-average number of ordinary shares	EPS
Basic EPS			
Profit from continuing operations attributable to owners of parent	\$ 11,997,375	2,690,107	\$ 4.46
Loss from discontinued operations attributable to owners of parent	(39,109)	2,690,107	(0.01)
Profit attributable to owners of parent	<u>\$ 11,958,266</u>	<u>2,690,107</u>	<u>\$ 4.45</u>
Diluted EPS			
Profit from continuing operations attributable to owners of parent	\$ 11,997,375	2,690,107	
Effect of potential dilutive ordinary shares:			
Effect of employees' bonuses	-	6,174	
Profit from continuing operations attributable to owners of parent	\$ 11,997,375	2,696,281	\$ 4.45
Loss from discontinued operations attributable to owners of parent	(39,109)	2,696,281	(0.01)
Profit attributable to owners of parent (adjusted for potential effect of dilutive ordinary shares)	<u>\$ 11,958,266</u>	<u>2,696,281</u>	<u>\$ 4.44</u>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

	For the Nine Months Ended September 30, 2013		
	Amount after income tax	Weighted-average number of ordinary shares	EPS
Basic EPS			
Profit from continuing operations attributable to owners of parent	\$ 12,140,292	2,690,107	\$ 4.51
Loss from discontinued operations attributable to owners of parent	(105,624)	2,690,107	(0.04)
Profit attributable to owners of parent	<u><u>\$ 12,034,668</u></u>	<u><u>2,690,107</u></u>	<u><u>\$ 4.47</u></u>
Diluted EPS			
Profit from continuing operations attributable to owners of parent	\$ 12,140,292	2,690,107	
Effect of potential dilutive ordinary shares:			
Effect of employees' bonuses	-	5,417	
Profit from continuing operations attributable to owners of parent	\$ 12,140,292	2,695,524	\$ 4.50
Loss from discontinued operations attributable to owners of parent	(105,624)	2,695,524	(0.04)
Profit attributable to owners of parent (adjusted for potential effect of dilutive ordinary shares)	<u><u>\$ 12,034,668</u></u>	<u><u>2,695,524</u></u>	<u><u>\$ 4.46</u></u>

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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

x. Operating revenues from continuing operations

The Group's operating revenues were as follows:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2014	2013	2014	2013
Telecommunication service	\$14,681,187	15,193,875	43,817,074	44,679,086
Sales revenue	10,734,759	9,749,342	31,589,052	29,158,708
Cable TV and broadband	1,558,550	1,504,941	4,632,710	4,476,979
Other operating revenues	793,119	629,438	2,391,492	1,678,517
	\$27,767,615	27,077,596	82,430,328	79,993,290

y. Other income and expenses from continuing operations

The Group's other income and expenses were as follows:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2014	2013	2014	2013
Police inquiry	\$ 3,688	8,475	20,575	24,025
Government subsidy	8,418	989	25,160	3,590
Others	21,171	16,648	43,588	22,331
	\$ 33,277	26,112	89,323	49,946

z. Non-operating income and expenses from continuing operations

(1) Other income

The Group's other income was as follows:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2014	2013	2014	2013
Interest income	\$ 20,743	26,530	70,586	67,388
Dividend income	9,836	11,628	22,803	24,245
Other income	21,709	3,901	42,937	26,944
	\$ 52,288	42,059	136,326	118,577

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(2) Other gains and losses, net

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

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2014	2013	2014	2013
Gain on disposal of non-current assets held for sale	\$ -	-	158,658	-
Loss on disposal of property, plant and equipment	(433,779)	(199,052)	(593,260)	(863,789)
Foreign exchange gains (losses)	14,736	(17,020)	7,188	3,865
Loss on disposal of investments	(168)	(5,723)	(168)	(5,723)
Others	(2,863)	(1,886)	(8,154)	(8,528)
	\$ (422,074)	(223,681)	(435,826)	(874,175)

(3) Finance costs

The Group's finance costs were as follows:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2014	2013	2014	2013
Interest expense	\$ 105,577	23,169	283,842	45,729
Bank loans	49,668	79,107	147,398	211,013
Corporate bonds	22,329	9,854	48,637	28,067
Others	177,574	112,130	479,877	284,809
Less: capitalized interest	(3,190)	(7,044)	(9,178)	(16,147)
	\$ 174,384	105,086	470,699	268,662

Capitalization rates were as follows:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2014	2013	2014	2013
Capitalization rates	1.30%~1.36%	1.41%~1.42%	1.20%~1.36%	1.36%~1.60%

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

aa. Capital management

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

ab. Financial instruments

(1) Categories of financial instruments

Financial assets

	<u>2014.9.30</u>	<u>2013.12.31</u>	<u>2013.9.30</u>
Available-for-sale financial assets (including current and non-current portions)	\$ 1,903,057	2,187,834	2,209,452
Financial assets carried at cost	175,926	178,325	181,328
Loans and receivables:			
Cash and cash equivalents	6,987,365	7,954,294	7,786,162
Receivables (including current and non-current portions)	19,727,850	19,326,352	18,666,868
Bond investment without an active market	500,000	500,000	500,000
Other financial assets (including current and non-current portions)	1,378,399	1,296,774	1,522,654
Refundable deposits	569,104	561,223	1,572,991
Subtotal	<u>29,162,718</u>	<u>29,638,643</u>	<u>30,048,675</u>
Total	<u>\$ 31,241,701</u>	<u>32,004,802</u>	<u>32,439,455</u>

Financial liabilities

	<u>2014.9.30</u>	<u>2013.12.31</u>	<u>2013.9.30</u>
Short-term borrowings	\$ 20,166,146	30,605,813	8,328,480
Short-term notes and bills payable	5,793,853	2,396,971	399,600
Payables (including current and non-current portions)	22,469,260	18,801,314	17,131,466
Bonds payable (including current portion)	14,793,881	14,792,647	18,792,235
Long-term borrowings (including current portion)	16,390,099	3,000,000	-
Guarantee deposits	831,492	818,386	822,537
Total	<u>\$ 80,444,731</u>	<u>70,415,131</u>	<u>45,474,318</u>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(2) Credit risk

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

(3) Liquidity risk

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

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

	Carrying amount	Contractual cash flows	Within 1 year	1~5 years	More than 5 years
2014.9.30					
Unsecured loans	\$ 32,950,000	33,195,517	22,119,026	11,076,491	-
Secured loans	3,606,245	3,615,055	430,055	3,185,000	-
Short-term notes and bills payable	5,793,853	5,800,000	5,800,000	-	-
Bonds payable	14,793,881	15,725,170	195,420	10,969,450	4,560,300
	\$ 57,143,979	58,335,742	28,544,501	25,230,941	4,560,300
2013.12.31					
Unsecured loans	\$ 33,500,000	33,623,454	31,607,747	2,015,707	-
Secured loans	105,813	111,349	111,349	-	-
Short-term notes and bills payable	2,396,971	2,400,000	2,400,000	-	-
Bonds payable	14,792,647	15,799,990	195,420	11,044,270	4,560,300
	\$ 50,795,431	51,934,793	34,314,516	13,059,977	4,560,300
2013.9.30					
Unsecured loans	\$ 8,000,000	8,012,872	8,012,872	-	-
Secured loans	328,480	331,849	331,849	-	-
Short-term notes and bills payable	399,600	400,000	400,000	-	-
Bonds payable	18,792,235	20,035,790	4,310,620	6,544,270	9,180,900
	\$ 27,520,315	28,780,511	13,055,341	6,544,270	9,180,900

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

(4) Exchange rate risk

(a) Exposure to exchange rate risk

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

	2014.9.30			2013.12.31			2013.9.30		
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD
Financial Assets									
RMB	66,015	4.945	326,888	27,917	4.926	137,521	89,124	4.827	430,205
USD	41,645	30.475	1,269,128	33,167	29.90	991,719	39,339	29.54	1,162,091
JPY	339	0.2781	94	110	0.2838	31	183	0.2998	55
HKD	3,955	3.926	15,528	3,394	3.856	13,087	3,214	3.809	12,242
EUR	266	38.64	10,272	870	41.14	35,820	886	39.88	35,344
Financial Liabilities									
RMB	66,337	4.945	328,036	37,460	4.926	184,532	79,658	4.827	384,515
USD	22,596	30.475	688,613	4,187	29.90	125,213	14,636	29.54	432,349
JPY	7,598	0.2781	2,113	5,280	0.2838	1,499	9,716	0.2998	2,913
HKD	8,005	3.926	31,428	6,712	3.856	25,882	7,894	3.809	30,071
EUR	13	38.64	488	10	41.14	431	18	39.88	730
GBP	-	49.5	-	6	49.33	321	3	47.52	155

(b) Sensitivity analysis

The Group's exchange rate risk comes mainly from conversion gains and losses of accounts measured in foreign currencies such as cash and cash equivalents, accounts receivable, other receivables, refundable deposits, loans, accounts payable, other payables, guarantee deposits, etc. If the NTD, when compared with the RMB, USD, JPY, HKD, EUR, and GBP, had 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 by \$28,560 thousand and by \$39,460 thousand for the nine months ended September 30, 2014 and 2013, respectively.

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

(5) Interest rate analysis

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

	Carrying amount		
	2014.9.30	2013.12.31	2013.9.30
Fair value interest rate risk			
Financial assets	\$ 6,233,078	6,982,121	6,642,534
Financial liabilities	53,537,734	50,689,618	27,191,835
Cash flow interest rate risk			
Financial assets	2,018,071	2,177,000	2,466,635
Financial liabilities	3,606,245	105,813	328,480

The following sensitivity analysis is based on 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 that the changes in interest rates are reasonable. If the interest rate had increased by 0.5% (with other factors remaining constant on the reporting date and with analyses of the two periods on the same basis), for the nine months ended September 30, 2014 and 2013, the Group's profit would have decreased by \$5,956 thousand and increased by \$8,018 thousand, respectively.

(6) Fair value of financial instruments

(a) Financial instruments not at fair value

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

	2014.9.30		2013.12.31		2013.9.30	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial liabilities						
Corporate bonds payable (including portion due within a year)	\$ 14,793,881	14,725,231	14,792,647	14,713,072	18,792,235	18,731,684

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

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

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

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

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

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

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

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
2014.9.30				
<u>Available-for-sale financial assets</u>				
Domestic emerging stock	\$ 963,017	-	-	963,017
Beneficiary certificates	740,729	-	-	740,729
Domestic listed stock	199,311	-	-	199,311
	<u>\$ 1,903,057</u>	<u>-</u>	<u>-</u>	<u>1,903,057</u>
2013.12.31				
<u>Available-for-sale financial assets</u>				
Domestic emerging stock	\$ 1,226,889	-	-	1,226,889
Beneficiary certificates	758,591			758,591
Domestic listed stock	202,354	-	-	202,354
	<u>\$ 2,187,834</u>	<u>-</u>	<u>-</u>	<u>2,187,834</u>

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

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
2013.9.30				
<u>Available-for-sale financial assets</u>				
Domestic emerging stock	\$ 1,253,952	-	-	1,253,952
Beneficiary certificates	749,668	-	-	749,668
Domestic listed stock	205,832	-	-	205,832
	<u>\$ 2,209,452</u>	<u>-</u>	<u>-</u>	<u>2,209,452</u>

There was no transfer between the fair value levels for the nine months ended September 30, 2014 and 2013.

ac. Financial risk management

(1) Overview

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

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

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

(2) Risk management framework

(a) Decision-making mechanism:

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

(b) Risk management policies:

- (i) Promote a risk-management-based business model.
- (ii) Establish a risk management mechanism that can effectively recognize, evaluate, supervise and control risk.
- (iii) Create a company-wide risk management structure that can limit risk to an acceptable level.

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

(iv) Introduce best risk management practices and continue to seek improvements.

(c) Monitoring mechanism:

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

(3) Credit risk

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

(4) Liquidity risk

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

The Group ensures sufficient cash for the requirements of paying estimated operating expenditures, including financial obligations. The Group also monitors its bank credit facilities and ensures that the provisions of loan contracts are all complied with properly. As of September 30, 2014, and December 31 and September 30, 2013, the Group had unused bank facilities of \$53,270,175 thousand, \$49,957,934 thousand, and \$63,036,821 thousand, respectively.

(5) Market risk

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

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

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

(a) Exchange rate risk

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

(b) Interest rate risk

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

(c) Other market price risk

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

Sensitivity analysis: If the equity securities price had increased by 5% (with other factors remaining constant and with the analyses of the two periods on the same basis), for the nine months ended September 30, 2014 and 2013, other comprehensive income would have increased by \$95,153 thousand and \$110,473 thousand, respectively.

7. RELATED-PARTY TRANSACTIONS

a. Parent company and ultimate controlling party

TWM is the ultimate controlling party of the Group.

b. Significant transactions with related parties

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

(1) Operating revenue

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2014	2013	2014	2013
Associates	\$ 4,388	3,859	13,210	9,580
Other related parties	60,736	60,215	146,131	158,172
Less: operating revenue from discontinued operations	-	(27)	-	(135)
	\$ 65,124	64,047	159,341	167,617

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

(2) Purchases

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2014	2013	2014	2013
Associates	\$ 112,189	128,928	341,903	446,052
Other related parties	70,644	58,930	189,696	148,169
Less: purchases from discontinued operations	-	(7,273)	(6,370)	(24,198)
	\$ 182,833	180,585	525,229	570,023

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

(3) Receivables from related parties

The amount of receivables from related parties was as follows:

Account	Related Party Category	2014.9.30	2013.12.31	2013.9.30
Accounts receivable	Associates	\$ 3,052	3,720	4,974
Accounts receivable	Other related parties	38,208	45,837	63,708
		\$ 41,260	49,557	68,682
Other receivables	Associates	\$ 102,876	53,587	96,985
Other receivables	Other related parties	97,891	29,125	56,970
		\$ 200,767	82,712	153,955

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

Receivables from related parties were not secured with collateral, and no provisions for bad debt expenses were accrued.

(4) Payables to related parties

The amount of payables to related parties was as follows:

Account	Related Party Category	2014.9.30	2013.12.31	2013.9.30
Accounts payable	Associates	\$ 40,221	73,080	46,821
Accounts payable	Other related parties	49,732	-	58,089
		\$ 89,953	73,080	104,910
Other payables	Other related parties	\$ 70,278	35,144	14,796

(5) Prepayments

The amount of prepayments to related parties was as follows:

	2014.9.30	2013.12.31	2013.9.30
Other related parties	\$ 25,120	15,394	23,081

(6) Borrowings from related parties

The amount of borrowings from related parties was as follows:

	2014.9.30	2013.12.31	2013.9.30
Other related parties	\$ 943,646	105,813	328,480

The rate on borrowings from related parties was equivalent to the rate in the market.

Additionally, the group had drawn \$32,500 thousand of performance guarantee from related parties as of September 30, 2014.

(7) Bank deposits

	2014.9.30	2013.12.31	2013.9.30
<u>(a) Bank deposits and time deposits</u>			
Other related parties	\$ 1,119,129	1,563,806	1,116,558
<u>(b) Other financial assets (including current and non-current)</u>			
Other related parties	\$ 790,536	984,684	989,027

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

(8) Mutual funds purchased from related parties

	<u>2014.9.30</u>	<u>2013.12.31</u>	<u>2013.9.30</u>
Other related parties	\$ -	200,000	200,000

(9) Acquisition of investments accounted for using equity method

In April 2014, the Group acquired 35% of TVD Shopping, and the investment amount was \$148,118 thousand.

In June 2013, the Group acquired 19.23% of ADT, and the investment amount was \$30,000 thousand, which was recognized as prepayments for investments.

(10) Disposal of investments accounted for using equity method

In September 2014, the Group sold all of its ownership in TMB to Fubon Financial Holding Venture Co., Ltd. The proceeds from the disposal were \$21,360 thousand, and the Group recognized a loss on disposal of investments of \$168 thousand.

(11) Others

	<u>2014.9.30</u>	<u>2013.12.31</u>	<u>2013.9.30</u>
(a) <u>Guarantee deposits</u>			
Other related parties	\$ 32,417	30,682	30,640

	<u>For the Three Months Ended September 30</u>		<u>For the Nine Months Ended September 30</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
(b) <u>Donation expense</u>				
Other related parties	\$ 7,910	-	22,910	14,540

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
(c) <u>Other expense</u>				
Other related parties	\$ 70,557	66,480	247,150	159,664
Less: other expense from discontinued operations	-	(2,211)	(314)	(9,393)
	<u>\$ 70,557</u>	<u>64,269</u>	<u>246,836</u>	<u>150,271</u>
(d) <u>Repair and maintenance expense</u>				
Other related parties	<u>\$ 6,331</u>	<u>6,666</u>	<u>19,181</u>	<u>20,216</u>
(e) <u>Insurance expenses</u>				
Other related parties	<u>\$ 6,233</u>	<u>10,990</u>	<u>6,233</u>	<u>10,990</u>
(f) <u>Other income</u>				
Associates	<u>\$ 12,189</u>	<u>-</u>	<u>12,189</u>	<u>-</u>
(g) <u>Finance costs</u>				
Other related parties	<u>\$ 10,756</u>	<u>11,631</u>	<u>10,756</u>	<u>11,631</u>
(h) <u>Rental expenses</u>				
Other related parties	\$ 19,668	29,400	58,854	88,335
Less: rental expenses from discontinued operations	-	(20,349)	(1,557)	(79,070)
	<u>\$ 19,668</u>	<u>9,051</u>	<u>57,297</u>	<u>9,265</u>

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

c. Key management personnel compensation

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2014	2013	2014	2013
Short-term employee benefits	\$ 66,660	65,918	210,330	214,291
Termination benefits	-	3,575	27,560	34,245
Post-employment benefits	723	616	2,125	2,008
	<u>\$ 67,383</u>	<u>70,109</u>	<u>240,015</u>	<u>250,544</u>

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

8. ASSETS PLEDGED

The assets pledged as collateral for bank loans, syndicated loans, and performance bonds for construction contracts were as follows:

	<u>2014.9.30</u>	<u>2013.12.31</u>	<u>2013.9.30</u>
Other current financial assets			
Time deposits and restricted deposits	\$ 124,724	66,070	446,696
Services concession	7,419,759	-	-
Other non-current financial assets			
Time deposits and restricted deposits	429,214	250,717	93,542
	<u><u>\$ 7,973,697</u></u>	<u><u>316,787</u></u>	<u><u>540,238</u></u>

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

a. Unrecognized commitments

	<u>2014.9.30</u>	<u>2013.12.31</u>	<u>2013.9.30</u>
Purchases of property, plant and equipment	<u><u>\$ 9,768,612</u></u>	<u><u>5,213,950</u></u>	<u><u>6,022,737</u></u>
Purchases of cellular phones	<u><u>\$ 7,699,075</u></u>	<u><u>3,462,588</u></u>	<u><u>1,720,363</u></u>

b. On January 15, 2009, TNH signed a BOT contract with the Department of Cultural Affairs, Taipei City Government. The primary terms of the contract are summarized as follows:

(1) Construction and operating period:

The construction and operating period is 50 years from the day following the signing of the contract.

(2) Development concession:

The amount of concession was \$1,238,095 thousand (tax excluded) to be paid in two phases.

The first phase starts within 30 days from the day following the signing of the BOT contract, and 10% of total development concession would be paid. The second phase starts from the fifth year after the date of contract, and 90% of total development concession would be paid in 16 yearly installments (5.625% of total concession per installment). As of September 30, 2014, TNH had paid \$123,810 thousand and \$139,286 thousand for the first and second phases, respectively.

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(3) Operating concession

TNH has to pay 0.5% of total sales revenue as operating concession.

(4) Performance guarantee

As of September 30, 2014, TNH had provided a \$65,000 thousand performance guarantee regarding the BOT contract.

(5) Rental of land

During the construction period, TNH should pay land value tax (1% of the announced land value) and other expenses.

During the operating period, TNH should pay 60% of 5% of the announced land value, that is, 3% of the announced land value.

10. SIGNIFICANT CASUALTY LOSS: NONE

11. SIGNIFICANT SUBSEQUENT EVENTS

- a. In July 2014, an extraordinary shareholders' meeting of FGE resolved to increase capital by RMB 70,000 thousand, and momo's Board of Directors resolved to invest RMB 20,000 thousand indirectly in FGE. As of September 30, 2014, FGE had completed the phase one RMB 30,000 thousand capital injection, and the remaining RMB 40,000 thousand increase was completed in October 2014.
- b. In September 2014, TID's Board of Directors resolved to dispose of 31,974 thousand shares of TWM in October 2014.
- c. In September 2014, TWM's Board of Directors resolved to participate in the rights issue of Ambit Microsystems Corporation to acquire 14.9% ownership for \$2,980,000 thousand in October 2014.
- d. In September 2014, TWM's Board of Directors resolved to acquire a Mobile Broadband Spectrum of 5 MHz from Ambit Microsystems Corporation. The transaction will be paid in cash on the determined date upon the approval from the authority.

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- e. On October 21, 2014, the Taiwan Stock Exchange's Board of Directors approved the listing application of momo. According to the resolution of momo's Board of Directors in August 2014, momo planned to increase capital about 14,200 thousand to 25,300 thousand shares for public offering.

12. OTHERS

Employee benefits, depreciation, and amortization are summarized as follows:

For the Three Months Ended September 30						
2014			2013			
Classified as Operating Costs	Classified as Operating Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Total	
Employee benefits						
Salary	\$ 510,883	984,569	1,495,452	524,393	990,324	1,514,717
Labor and health insurance	41,575	81,316	122,891	41,300	78,409	119,709
Pension	21,851	41,082	62,933	22,196	39,801	61,997
Others	24,566	47,732	72,298	23,339	49,296	72,635
Depreciation	2,336,865	136,787	2,473,652	2,046,388	143,500	2,189,888
Amortization	458,662	83,664	542,326	232,793	76,657	309,450
For the Nine Months Ended September 30						
2014			2013			
Classified as Operating Costs	Classified as Operating Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Total	
Employee benefits						
Salary	\$ 1,549,360	3,012,647	4,562,007	1,534,243	3,062,549	4,596,792
Labor and health insurance	127,625	250,176	377,801	118,706	236,067	354,773
Pension	66,291	125,250	191,541	63,831	120,208	184,039
Others	73,445	142,156	215,601	63,956	143,043	206,999
Depreciation	6,798,689	393,839	7,192,528	6,044,196	462,501	6,506,697
Amortization	1,022,943	238,843	1,261,786	701,555	224,548	926,103

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

For the three months and nine months ended September 30, 2014 and 2013, the depreciation expense in non-operating expenses was \$810 thousand, \$200 thousand, \$2,522 thousand and \$2,265 thousand, respectively.

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) Financing extended to other parties: Table 1 (attached)
- (2) Endorsements/guarantees provided to other parties: Table 2 (attached)
- (3) Marketable securities held: Table 3 (attached) (excluding investments in subsidiaries and associates)
- (4) Marketable securities for which the accumulated purchase or sale amounting to at least NT\$300 million or 20% of the paid-in capital: Table 4 (attached)
- (5) Acquisition of real estate amounting to at least NT\$300 million or 20% of the paid-in capital: Table 5 (attached)
- (6) Disposal of real estate amounting to at least NT\$300 million or 20% of the paid-in capital: None
- (7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 6 (attached)
- (8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 7 (attached)
- (9) Names, locations and related information of investees on which TWM exercised significant influence: Table 8 (attached) (excluding information on investment in Mainland China)
- (10) Trading in derivative instruments: None
- (11) Business relationships and significant intercompany transactions: Table 9 (attached)

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

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 10 (attached)
- (2) Significant direct or indirect transactions with the investee companies, 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: Please refer to "Information on significant transactions" above.

14. SEGMENT INFORMATION

The amount of discontinued operations is not included in the following segment information. For the information about discontinued operations, please refer to Note 6(f).

For the Three Months Ended September 30, 2014	Telecommu- nication	Retail	Cable Television	Others	Adjustments and Eliminations	Total
Operating revenues	\$ 19,870,841	6,282,622	1,602,849	112,104	(100,801)	27,767,615
Operating costs	12,122,969	5,365,962	770,075	72,893	(12,803)	18,319,096
Operating expenses	3,733,020	491,474	190,802	13,325	(33,219)	4,395,402
Other gains and losses, net	23,781	101	9,378	-	17	33,277
Profit	4,038,633	425,287	651,350	25,886	(54,762)	5,086,394
EBITDA (Note)	6,728,311	459,766	862,400	67,626	(14,920)	8,103,183

For the Three Months Ended September 30, 2013						
Operating revenues	\$ 20,454,956	5,188,325	1,566,422	-	(62,107)	27,077,596
Operating costs	12,060,464	4,535,430	728,708	-	(15,336)	17,309,266
Operating expenses	3,667,341	391,339	193,494	-	(5,567)	4,246,607
Other gains and losses, net	28,051	(2,809)	870	-	-	26,112
Profit	4,755,202	188,747	645,090	-	(41,204)	5,547,835
EBITDA (Note)	6,989,712	216,319	820,387	-	(2,314)	8,024,104

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

For the Nine Months Ended September 30, 2014	Telecommu- nication	Retail	Cable Television	Others	Adjustments and Eliminations	Total
Operating revenues	\$ 60,131,827	17,562,819	4,765,725	260,178	(290,221)	82,430,328
Operating costs	36,155,032	15,131,197	2,249,665	181,806	(75,532)	53,642,168
Operating expenses	11,411,913	1,355,559	557,861	27,448	(66,455)	13,286,326
Other gains and losses, net	61,759	1,143	26,404	-	17	89,323
Profit	12,626,641	1,077,206	1,984,603	50,924	(148,217)	15,591,157
EBITDA (Note)	20,156,282	1,176,965	2,582,540	150,326	(26,997)	24,039,116

For the Nine Months Ended September 30, 2013						
Operating revenues	\$ 60,571,643	14,948,482	4,654,834	-	(181,669)	79,993,290
Operating costs	35,542,958	13,131,935	2,128,027	-	(54,671)	50,748,249
Operating expenses	11,577,375	1,154,087	553,200	-	(11,004)	13,273,658
Other gains and losses, net	48,979	(409)	1,376	-	-	49,946
Profit	13,500,289	662,051	1,974,983	-	(115,994)	16,021,329
EBITDA (Note)	20,187,044	741,057	2,470,442	-	(2,633)	23,395,910

The basis of segmentation in 2014 is different from the prior year. In response to internal management needs, the Group has changed the segments to telecommunication, retail, cable television, and others.

The Group divides its business into four reportable segments with different market attributes and operation modes. The four segments are described as follows.

Telecommunication: Providing mobile communication services, data mobile services, and fixed-line services.

Retail: Providing TV shopping, online shopping, and catalog shopping.

Cable Television: Providing pay TV and cable broadband services.

Others: Business other than telecommunication, retail, and cable television.

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

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES
FINANCING EXTENDED TO OTHER PARTIES
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014

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	\$ 0	\$ 0	1.176%~1.197%	Short-term financing	-	Operating requirements	-	—	—	\$ 21,640,501 (Note 2)	\$ 21,640,501 (Note 2)
		Win TV Broadcasting Co., Ltd.	Other receivables	Yes	600,000	0	0	1.196%~1.197%	Short-term financing	-	Operating requirements	-	—	—	21,640,501 (Note 2)	21,640,501 (Note 2)
1	Taiwan Fixed Network Co., Ltd.	TWM	Other receivables	Yes	9,000,000	9,000,000	8,180,000	1.183%~1.200%	Short-term financing	-	Operating requirements	-	—	—	19,284,635 (Note 2)	19,284,635 (Note 2)
2	Globalview Cable TV Co., Ltd.	TFN Media Co., Ltd.	Other receivables	Yes	251,000	250,000	250,000	1.184%~1.194%	Short-term financing	-	Repayment of financing	-	—	—	273,701 (Note 3)	490,244 (Note 3)
3	Phoenix Cable TV Co., Ltd.	TFN Media Co., Ltd.	Other receivables	Yes	545,000	545,000	545,000	1.184%~1.194%	Transactions	548,543	-	-	—	—	548,543 (Note 3)	964,865 (Note 3)
4	Yeong Jia Leh Cable TV Co., Ltd.	TFN Media Co., Ltd.	Other receivables	Yes	495,000	360,000	360,000	1.184%~1.197%	Transactions	498,650	-	-	—	—	498,650 (Note 3)	774,132 (Note 3)
5	Wealth Media Technology Co., Ltd.	TWM	Other receivables	Yes	800,000	800,000	800,000	1.184%~1.201%	Short-term financing	-	Operating requirements	-	—	—	7,714,138 (Note 2)	7,714,138 (Note 2)
		Taiwan Kuro Times Co., Ltd.	Other receivables	Yes	100,000	100,000	0	1.196%~1.197%	Short-term financing	-	Operating requirements	-	—	—	7,714,138 (Note 2)	7,714,138 (Note 2)
		Win TV Broadcasting Co., Ltd.	Other receivables	Yes	600,000	600,000	300,000	1.294%~1.29475%	Short-term financing	-	Operating requirements	-	—	—	7,714,138 (Note 2)	7,714,138 (Note 2)
		TFN Media Co., Ltd.	Other receivables	Yes	3,000,000	3,000,000	1,900,000	1.294%	Short-term financing	-	Operating requirements	-	—	—	7,714,138 (Note 2)	7,714,138 (Note 2)
6	Taiwan Cellular Co., Ltd.	TWM	Other receivables	Yes	300,000	300,000	250,000	1.186%~ 1.197%	Short-term financing	-	Operating requirements	-	—	—	31,494,062 (Note 2)	31,494,062 (Note 2)

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

Note 2: Where funds are loaned for reasons of business dealings and short-term financing needs, the amount of loaned funds shall be limited to 40% of the lending company's net worth. For 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) an amount equal to (the share portion of the borrowing entities that the lending company invests in)* (the total loaning amounts of the lending company). In the event that a lending company directly or indirectly owns 100% of the borrowing company, or the borrowing company directly or indirectly owns 100% of the lending company, the individual lending amount and the aggregate amount of loaned 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 loaned funds shall be limited to the total amount of business dealings and 40% of the lending company's net worth. A) For reasons of business dealings: the individual lending amount and the aggregate amount of loaned funds shall not exceed the amount of business dealings. B) For short-term financing needs: the individual lending amount and the aggregate amount of loaned funds shall not exceed 40% of the lending company's net worth.

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES
ENDORSEMENTS/GUARANTEES PROVIDED TO OTHER PARTIES
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014

TABLE 2

(In Thousands of New Taiwan Dollars)

No.	Company Providing Endorsements/Guarantees	Receiving Party		Limit on Endorsements/ Guarantees Amount Provided to Each Entity	Maximum Balance for the Period (Note 1)	Ending Balance (Note 1)	Drawdown Amounts (Note 1)	Amount of Endorsements/ Guarantees Collateralized by Property	Ratio of Accumulated Endorsements/ Guarantees to Net Worth of the Guarantor (Note 1)	Maximum Endorsements /Guarantees 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	\$11,557,125 (Note 4)	\$ -	39.74%	\$ 54,101,254 (Note 3)	Y	N	N
		Taiwan Kuro Times Co., Ltd.	(Note 2)	259,800 (Note 3)	50,000	50,000	50,000	-	0.09%	54,101,254 (Note 3)	Y	N	N
1	momo.com Inc.	Fubon Gehua (Beijing) Enterprise Ltd.	(Note 2)	771,389 (Note 5)	487,600	487,600	487,600	283,418	18.79%	2,595,099 (Note 5)	N	N	Y

Note 1: The 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 double the investment amount.

Note 4: Including USD15,000 thousand.

Note 5: FGE is more than 50% directly and indirectly owned by momo. The aggregate endorsement/guarantee amount provided by momo shall be limited to the net worth of momo, and the individual amount shall be limited to the investment amount in FGE.

※Limit for individual amount: The limit of guarantee/endorsement provided by momo to FGE is limited to the investment amount (USD12,322,314 × 30.475+ RMB60,000,000 × 4.945 + US\$3,254,043.15 × 30.475 =NTD771,389 thousand)

※The momo Board of Directors authorized the guarantee amount (USD16,000,000 × 30.475 = NTD487,600 thousand).

※Drawn-down amount: USD16,000,000 × 30.475 = NTD487,600 thousand.

※Amount of guarantee collateralized by property: USD9,300,000 × 30.475 = NTD283,418 thousand.

Note 6: The above amounts were translated into New Taiwan dollars at the exchange rate of US\$1 = NT\$30.475 and RMB 1 = NT\$4.945 at the end of the period.

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES
MARKETABLE SECURITIES HELD (EXCLUDING INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES)
SEPTEMBER 30, 2014

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	September 30, 2014				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	\$ 199,311	0.028	\$ 199,311	
	Bridge Mobile Pte Ltd.	—	Financial assets at cost—non-current	2,200	50,324	10	-	
	Yes Mobile Holdings Company	—	Financial assets at cost—non-current	74	-	0.19	-	Note1
momo. com Inc.	<u>Beneficiary Certificate</u>							
	Fubon Strategic High Income—Type B	Related party in substance	Available-for-sale financial assets—current	18,302	188,966	-	188,966	
	FuhHwa Emerging Market High Yield Bond—Type B	—	Available-for-sale financial assets—current	10,225	80,470	-	80,470	
	PineBridge Global Multi-Strategy High Yield Bond—Type B	—	Available-for-sale financial assets—current	17,089	141,592	-	141,592	
	Eastspring Global High Income Bond Fund—Type B	—	Available-for-sale financial assets—current	19,028	188,474	-	188,474	
	Morgan Asia High Yield Total Return Bond Fund—Type B	—	Available-for-sale financial assets—current	13,909	141,277	-	141,227	
Taiwan Cellular Co., Ltd.	<u>Stock</u>							
	Arcoa Communication Co., Ltd.	—	Financial assets at cost—non-current	6,998	67,731	5.21	-	
	Parawin Venture Capital Corp.	—	Financial assets at cost—non-current	2,160	11,471	3	-	
	Transportation High Tech Inc.	—	Financial assets at cost—non-current	1,200	-	12	-	Note1
	WEB Point Co., Ltd.	—	Financial assets at cost—non-current	803	6,773	3.17	-	
TCC Investment Co., Ltd.	<u>Stock</u>							
	TWM	TWM	Available-for-sale financial assets—non-current	200,497	18,505,851	5.86	18,505,851	
	Great Taipei Broadband Co., Ltd.	—	Financial assets at cost—non-current	10,000	39,627	6.67	-	

(Continued)

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES
MARKETABLE SECURITIES HELD (EXCLUDING INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES)
SEPTEMBER 30, 2014

Investing Company	Marketable Securities Type and Name	Relationship with the Securities Issuer	Financial Statement Account	September 30, 2014				Note
				Shares/Units (Thousands)	Carrying Value	Percentage of Ownership	Market Value or Net Worth	
TCCI Investment and Development Co., Ltd. Taiwan Fixed Network Co., Ltd. TFN Union Investment Co., Ltd.	<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	\$ -	
	<u>Stock</u> TWM	TWM	Available-for-sale financial assets–non-current	119,564	11,035,739	3.5	11,035,739	
	<u>Stock</u> Taiwan High Speed Rail Corporation	—	Available-for-sale financial assets–non-current	225,531	963,017	3.46	963,017	
	<u>Stock</u> TWM	TWM	Available-for-sale financial asset –non-current	410,665	37,904,406	12	37,904,406	

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

(Concluded)

Note 2: For the information on investments in subsidiaries and associates, please refer to table 8 and table 10.

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES
MARKETABLE SECURITIES FOR WHICH THE ACCUMULATED PURCHASE OR SALE AMOUNTING TO AT LEAST \$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014

TABLE 4

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> Wealth Media Technology Co., Ltd.	Investments accounted for using equity method	Wealth Media Technology Co., Ltd.	Subsidiary	39,065	\$ 16,157,062	3,000 (Note 1)	\$ 3,000,000	-	-	-	-	42,065	\$ 19,285,344 (Note 2)

Note 1: The Shares/Units purchased for the period were obtained from capital increase by cash.
Note 2: The ending balance includes adjustments of subsidiaries and associates accounted for using equity method.

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES
ACQUISITION OF REAL ESTATE AMOUNTING TO AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014

TABLE 5

(In Thousands of New Taiwan Dollars)

Company Name	Type of Property	Transaction Date	Transaction Amount	Payment	Counter-party	Nature of Relationship	Prior Transaction with Related Party				Price Reference	Purpose of Acquisition	Other Terms
							Owner	Relationship	Transfer Date	Amount			
momo.com Inc.	Land	May 14, 2014	\$ 1,708,270	As of September 30, 2014, \$10,000 thousand had not been paid	Natural person	Unrelated parties	-	-	-	-	The appraisal reports of Jin Han Real Estate Appraiser Joint Firm and G-Beam Real Estate Appraiser Firm.	Operating usage	None

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014**

TABLE 6

(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	\$ (1,392,761)	2	Based on contract terms	—	—	296,988	3	Note 1
			Purchase	5,741,232	(Note 2)	Based on contract terms	—	—	(958,065)	(Note 3)	
	Taiwan Kuro Times Co., Ltd.	Subsidiary	Purchase	269,961	1	Based on contract terms	—	—	(88,197)	2	Note 1
	Taiwan Teleservices & Technologies Co., Ltd.	Subsidiary	Purchase	793,877	(Note 2)	Based on contract terms	—	—	(88,360)	(Note 3)	
Taiwan Teleservices & Technologies Co., Ltd.	Taiwan Digital Service Co., Ltd.	Subsidiary	Sale	(7,979,148)	14	Based on contract terms	—	—	1,321,188	11	Note 1
			Purchase	7,704,252	(Note 4)	Based on contract terms	—	—	(1,435,403)	(Note 1)	
	TWM	Ultimate parent	Sale	(793,877)	91	Based on contract terms	—	—	88,360	91	
Taiwan Fixed Network Co., Ltd.	TWM	Ultimate parent	Sale	(5,741,232)	53	Based on contract terms	—	—	954,161	66	Note 1
			Purchase	1,392,761	(Note 2)	Based on contract terms	—	—	(296,956)	46	Note 1
	TFN Media Co., Ltd.	The same parent company	Sale	(105,834)	1	Based on contract terms	—	—	37,442	3	
Taiwan Digital Service Co., Ltd.	TWM	Ultimate parent	Sale	(7,704,313)	69	Based on contract terms	—	—	1,435,403	99	
			Purchase	7,979,141	(Note 2)	Based on contract terms	—	—	(1,321,188)	99	Note 1
Taiwan Kuro Times Co., Ltd.	TWM	Ultimate parent	Sale	(269,961)	43	Based on contract terms	—	—	88,197	73	Note 1
	TFN Media Co., Ltd.	Subsidiary	Channel leasing fee	(349,602)	15	Based on contract terms	(Note 5)	(Note 5)	-	-	
Yeong Jia Leh Cable TV Co., Ltd.	Yeong Jia Leh Cable TV Co., Ltd.	Subsidiary	Channel leasing fee	(314,926)	14	Based on contract terms	(Note 5)	(Note 5)	-	-	
	Union Cable TV Co., Ltd.	Subsidiary	Channel leasing fee	(160,716)	7	Based on contract terms	(Note 5)	(Note 5)	-	-	
	Globalview Cable TV Co., Ltd.	Subsidiary	Channel leasing fee	(136,954)	6	Based on contract terms	(Note 5)	(Note 5)	-	-	
	Taiwan Fixed Network Co., Ltd.	The same parent company	Operating costs	102,307	11	Based on contract terms	—	—	(36,352)	6	
Yeong Jia Leh Cable TV Co., Ltd.	TFN Media Co., Ltd.	Parent	Royalty for copyright	314,926	56	Based on contract terms	(Note 5)	(Note 5)	-	-	
Phoenix Cable TV Co., Ltd.	TFN Media Co., Ltd.	Parent	Royalty for copyright	349,602	58	Based on contract terms	(Note 5)	(Note 5)	-	-	
Union Cable TV Co., Ltd.	TFN Media Co., Ltd.	Parent	Royalty for copyright	160,716	50	Based on contract terms	(Note 5)	(Note 5)	-	-	
Globalview Cable TV Co., Ltd.	TFN Media Co., Ltd.	Parent	Royalty for copyright	136,954	53	Based on contract terms	(Note 5)	(Note 5)	-	-	
Mangrove Cable TV Co., Ltd.	Dai-Ka Ltd.	Related party in substance	Royalty for copyright	113,704	50	Based on contract terms	(Note 5)	(Note 5)	50,535	92	
momo.com Inc.	Taiwan Pelican Express Co., Ltd.	Equity-method investee	Purchase	330,842	2	Based on contract terms	—	—	(38,776)	2	

Note 1: Accounts receivable (payable) was the net amount of accounts receivable minus accounts payable, custodial receipts, and payment on behalf of others.

Note 2: Including operating costs and operating expenses.

Note 3: Including accounts payable and other payables.

Note 4: Recognized as operating expenses.

Note 5: The companies authorized a related party to deal with the copyright fees for cable television. As said account item is the only one, there is no comparable transaction.

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

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

SEPTEMBER 30, 2014

TABLE 7

(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	\$ 296,988	6.2	\$ -	—	\$ 284,796	\$ -
			Other receivables	48,573		-	—	46,578	-
	Taiwan Digital Service Co., Ltd.	Subsidiary	Accounts receivable	1,321,188	5.09	-	—	1,321,188	-
			Other receivables	269,235		-	—	252,745	-
Taiwan Cellular Co., Ltd.	TWM	Parent	Other receivables	250,995		-	—	250,995	-
Wealth Media Technology Co., Ltd.	TWM	Parent	Other receivables	801,472		-	—	801,472	-
	Win TV Broadcasting Co., Ltd	Subsidiary	Other receivables	300,438		-	—	-	-
	TFN Media Co., Ltd.	Subsidiary	Other receivables	1,903,772		-	—	-	-
Taiwan Fixed Network Co., Ltd.	TWM	Ultimate parent	Accounts receivable	954,161	8.91	-	—	921,860	-
			Other receivables	8,353,292		-	—	8,223,452	-
Taiwan Digital Service Co., Ltd.	TWM	Ultimate parent	Accounts receivable	1,435,403	6.89	-	—	329,689	-
			Other receivables	3,361		-	—	-	-
Phoenix Cable TV Co., Ltd.	TFN Media Co., Ltd.	Parent	Accounts receivable	19,304	3.23	-	—	-	-
			Other receivables	546,825		-	—	-	-
Globalview Cable TV Co., Ltd.	TFN Media Co., Ltd.	Parent	Accounts receivable	7,905	3.25	-	—	-	-
			Other receivables	250,747		-	—	-	-
Yeong Jia Leh Cable TV Co., Ltd.	TFN Media Co., Ltd.	Parent	Accounts receivable	18,778	3.23	-	—	-	-
			Other receivables	361,050		-	—	-	-

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES
NAMES, LOCATIONS AND RELATED INFORMATION OF INVESTEEES ON WHICH TWM EXERCISED SIGNIFICANT INFLUENCE
(EXCLUDING INFORMATION ON INVESTMENT IN MAINLAND CHINA)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014

TABLE 8

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

Investor	Investee	Location	Main Businesses and Products	Investment Amount		Balance as of September 30, 2014			Net Income (Loss) of the Investee	Investment Income (Loss)	Note
				September 30, 2014	December 31, 2013	Shares (Thousands)	Percentage of Ownership	Carrying Value			
TWM	Taiwan Cellular Co., Ltd.	Taiwan	Investment	\$ 44,767,288	\$ 44,767,288	371,196	100	\$ 22,678,432	\$ 4,505,437	\$ 6,024,246	Note 1
	Taipei New Horizon Co., Ltd.	Taiwan	Infrastructure projects and real estate leasing	1,918,655	1,746,500	191,866	49.90	1,728,985	(20,283)	(10,121)	
	Wealth Media Technology Co., Ltd.	Taiwan	Investment	16,802,000	13,802,000	42,065	100	19,285,344	2,065,351	2,065,351	
	Alliance Digital Tech Co., Ltd.	Taiwan	Technology development of mobile payment and information processing services	30,000	30,000	3,000	16.67	23,135	(34,723)	(5,748)	
Wealth Media Technology Co., Ltd.	momo.com Inc.	Taiwan	Wholesale and retail sales	8,231,515	8,347,949	63,839	49.93	8,666,534	845,005	-	Note 2
	Win TV Broadcasting Co., Ltd.	Taiwan	TV program provider	222,417	222,417	18,177	100	248,759	29,840	-	Note 2
	TFN Media Co., Ltd.	Taiwan	Cable broadband and value added service provider	5,210,443	5,210,443	230,921	100	6,624,002	1,700,483	-	Note 2
Global Wealth Media Technology Co., Ltd.	Global Wealth Media Technology Co., Ltd.	Taiwan	Investment	92,189	92,189	8,945	100	96,320	4,094	-	Note 2
	Global Forest Media Technology Co., Ltd.	Taiwan	Investment	16,984	16,984	1,500	100	17,494	409	-	Note 2
	Globalview Cable TV Co., Ltd.	Taiwan	Cable TV service provider	91,910	91,910	3,825	6.83	94,749	62,199	-	Note 2
	Union Cable TV Co., Ltd.	Taiwan	Cable TV service provider	16,218	16,218	1,300	0.76	15,764	81,247	-	Note 2
Global Forest Media Technology Co., Ltd.	Fu Sheng Travel Service Co., Ltd.	Taiwan	Travel agent	6,000	6,000	2,500	100	44,978	15,716	-	Note 2
	Fuli Life Insurance Agent Co., Ltd.	Taiwan	Life insurance agent	3,000	3,000	300	100	10,703	2,208	-	Note 2
	Fuli Property Insurance Agent Co., Ltd.	Taiwan	Property insurance agent	3,000	3,000	300	100	12,245	3,349	-	Note 2
	Asian Crown (BVI)	British Virgin Islands	Investment	789,864	690,824	85	94.10	104,830	(140,728)	-	Note 2
momo.com Inc.	Taiwan Pelican Express Co., Ltd.	Taiwan	Logistics industry	337,860	337,860	16,893	17.70	427,800	99,480	-	Note 2
	TVD Shopping Co., Ltd.	Thailand	TV shopping	147,402	-	31,150	35	142,244	1,128	-	Note 2
				(THB155,750)							
Asian Crown (BVI)	Fortune Kingdom	Samoa	Investment	837,315	690,824	25,537	100	109,302	(140,761)	-	Note 2
Fortune Kingdom	HK Fubon Multimedia	Hong Kong	Investment	837,315	690,824	25,537	100	109,302	(140,761)	-	Note 2
Taiwan Cellular Co., Ltd.	TWM Holding	British Virgin Islands	Investment	347,951	347,951	-	100	252,442	3,335	-	Notes 2 & 7
	Taiwan Fixed Network Co., Ltd.	Taiwan	Fixed line service provider	21,000,000	21,000,000	2,100,000	100	48,263,854	4,223,837	-	Note 2
	Taiwan Digital Communication Co., Ltd.	Taiwan	TV program production and mobile phones wholesaling	112,000	112,000	11,200	100	116,259	(107)	-	Note 2
Taiwan Teleservices & Technologies Co., Ltd.	TCC Investment Co., Ltd.	Taiwan	Investment	20,680,441	20,680,441	22,103	100	28,415,771	5,149	-	Note 2
	Taiwan Teleservices & Technologies Co., Ltd.	Taiwan	Call center service and telephone marketing	56,210	56,210	2,484	100	94,879	42,677	-	Note 2
	Taiwan Digital Service Co., Ltd.	Taiwan	Telecommunications service agencies and retail business	1,000,000	1,000,000	20,000	100	1,238,612	215,968	-	Note 2
Taiwan Teleservices & Technologies Co., Ltd.	TT&T Holdings	Samoa	Investment	36,284	36,284	1,300	100	50,175	1,151	-	Note 2
	Taiwan Mobile Basketball Co., Ltd.	Taiwan	Basketball team management	-	3,511	-	-	-	959	-	Notes 2 & 3
TCC Investment Co., Ltd.	TCCI Investment and Development Co., Ltd.	Taiwan	Investment	6,498,076	6,498,076	400	100	9,560,533	(106)	-	Note 2
	Yeong Jia Leh Cable TV Co., Ltd.	Taiwan	Cable TV service provider	2,061,522	2,061,522	33,940	100	2,213,186	165,383	-	Note 2
	Mangrove Cable TV Co., Ltd	Taiwan	Cable TV service provider	510,724	510,724	6,248	29.53	622,543	79,968	-	Notes 2 & 4
	Phoenix Cable TV Co., Ltd.	Taiwan	Cable TV service provider	3,261,073	3,261,073	68,090	100	3,365,591	162,748	-	Note 2
	Union Cable TV Co., Ltd.	Taiwan	Cable TV service provider	1,986,250	1,986,250	169,141	99.22	2,050,567	81,247	-	Note 2

(Continued)

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES
NAMES, LOCATIONS AND RELATED INFORMATION OF INVESTEEES ON WHICH TWM EXERCISED SIGNIFICANT INFLUENCE
(EXCLUDING INFORMATION ON INVESTMENT IN MAINLAND CHINA)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014

Investor	Investee	Location	Main Businesses and Products	Investment Amount		Balance as of September 30, 2014			Net Income (Loss) of the Investee	Investment Income (Loss)	Note
				September 30, 2014	December 31, 2013	Shares (Thousands)	Percentage of Ownership	Carrying Value			
Taiwan Fixed Network Co., Ltd.	Globalview Cable TV Co., Ltd.	Taiwan	Cable TV service provider	\$ 1,221,002	1,221,002	51,733	92.38	\$ 1,254,638	\$ 62,199	-	Note 2
	Taiwan Kuro Times Co., Ltd.	Taiwan	Online music and game platform	129,900	129,900	14	100	256,990	109,546	-	Note 2
	Kbro Media Co., Ltd.	Taiwan	Film distribution, arts and literature service and entertainment	292,500	292,500	29,250	32.5	280,853	(12,023)	-	Note 2
	TFN Union Investment Co., Ltd.	Taiwan	Investment	22,314,536	22,314,536	400	100	32,817,602	(106)	-	Note 2
	TFN HK LIMITED	Hong Kong	Telecommunications service provider	2,921 (HK\$744)	2,921 (HK\$744)	1,300	100	15,236	2,215	-	Note 2

Note 1: Downstream transactions, upstream transactions, and consolidated unrealized gain or loss with intercompany effect are included.

(Concluded)

Note 2: The income/loss of the investee was already included in the income/ loss of the investor, and is not presented in this table.

Note 3: The investee has been disposed in September 2014. The net income or loss for the period from January 1, 2014, to the disposal date of the subsidiary was listed in the net income (loss) of the investee.

Note 4: 70.47% of shares are held under trustee accounts.

Note 5: The above amounts were translated into New Taiwan dollars at the exchange rate of HK\$1=NT\$3.926 and THB1=NT\$0.9464 at the end of the period.

Note 6: For information on investment in Mainland China, please refer to table 10.

Note 7: Held 1 share on September 30, 2014.

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES
BUSINESS RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014

TABLE 9
(In Thousands of New Taiwan Dollars)

Number	Company Name	Counterparty	Nature of Relationship (Note)	Transaction Details			
				Account	Amount	Transaction Terms	Percentage of Consolidated Total Operating Revenues or Total Assets
0	TWM	Taiwan Fixed Network Co., Ltd.	1	Accounts receivable	\$ 28,123	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		momo.com Inc.	1	Accounts receivable	5,931	"	-
		Taiwan Digital Service Co., Ltd.	1	Accounts receivable	261,865	"	-
		Taiwan Fixed Network Co., Ltd.	1	Other receivables	48,573	"	-
		Taiwan Kuro Times Co., Ltd.	1	Other receivables	4,604	"	-
		momo.com Inc.	1	Other receivables	3,196	"	-
		Taiwan Digital Service Co., Ltd.	1	Other receivables	269,235	"	-
		Taiwan Digital Service Co., Ltd.	1	Prepayments	57,854	"	-
		Taipei New Horizon Co., Ltd.	1	Refundable deposits	16,757	"	-
		Wealth Media Technology Co., Ltd.	1	Short-term borrowings	800,000	"	1%
		Taiwan Cellular Co., Ltd.	1	Short-term borrowings	250,000	"	-
		Taiwan Fixed Network Co., Ltd.	1	Short-term borrowings	8,180,000	"	6%
		Taiwan Fixed Network Co., Ltd.	1	Accounts payable	1,690	"	-
		Taiwan Kuro Times Co., Ltd.	1	Accounts payable	88,013	"	-
		Wealth Media Technology Co., Ltd.	1	Other payables	1,472	"	-
		Taiwan Fixed Network Co., Ltd.	1	Other payables	1,072,796	"	1%
		Taiwan Teleservices & Technologies Co., Ltd.	1	Other payables	88,351	"	-
		Yeong Jia Leh Cable TV Co., Ltd.	1	Other payables	1,808	"	-
		Phoenix Cable TV Co., Ltd.	1	Other payables	1,224	"	-
		Taiwan Kuro Times Co., Ltd.	1	Other payables	1,350	"	-
		Taiwan Digital Service Co., Ltd.	1	Other payables	3,361	"	-
		Taipei New Horizon Co., Ltd.	1	Other payables	1,772	"	-
		Taiwan Digital Service Co., Ltd.	1	Advance receipts	9,057	"	-
		Taiwan Fixed Network Co., Ltd.	1	Other current liabilities, others	43,142	"	-
		Taiwan Kuro Times Co., Ltd.	1	Other current liabilities, others	2,216	"	-
		Taiwan Fixed Network Co., Ltd.	1	Operating revenues	1,392,761	"	2%
		Union Cable TV Co., Ltd.	1	Operating revenues	1,256	"	-
		Yeong Jia Leh Cable TV Co., Ltd.	1	Operating revenues	1,716	"	-
		Phoenix Cable TV Co., Ltd.	1	Operating revenues	1,830	"	-

(Continued)

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES
BUSINESS RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014

Number	Company Name	Counterparty	Nature of Relationship (Note)	Transaction Details			
				Account	Amount	Transaction Terms	Percentage of Consolidated Total Operating Revenues or Total Assets
1	Wealth Media Technology Co., Ltd.	Taiwan Kuro Times Co., Ltd.	1	Operating revenues	\$ 2,349	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		momo.com Inc.	1	Operating revenues	81,125	"	-
		Taiwan Digital Service Co., Ltd.	1	Operating revenues	8,138,237	"	10%
		Taiwan Fixed Network Co., Ltd.	1	Operating costs	5,710,946	"	7%
		TFN Media Co., Ltd.	1	Operating costs	3,108	"	-
		Yeong Jia Leh Cable TV Co., Ltd.	1	Operating costs	7,357	"	-
		Globalview Cable TV Co., Ltd.	1	Operating costs	1,937	"	-
		Taiwan Kuro Times Co., Ltd.	1	Operating costs	269,961	"	-
		momo.com Inc.	1	Operating costs	1,166	"	-
		Taiwan Digital Service Co., Ltd.	1	Operating costs	1,361	"	-
		Taipei New Horizon Co., Ltd.	1	Operating costs	20,750	"	-
		Taiwan Digital Service Co., Ltd.	1	Unrealized gain on sales	7,545	"	-
		Taiwan Digital Communications Co., Ltd.	1	Operating expenses	20,480	"	-
		Taiwan Fixed Network Co., Ltd.	1	Operating expenses	54,092	"	-
		Taiwan Teleservices & Technologies Co., Ltd.	1	Operating expenses	793,800	"	1%
		TCC Investment Co., Ltd.	1	Operating expenses	6,732	"	-
		Taiwan Digital Service Co., Ltd.	1	Operating expenses	7,704,252	"	9%
		Taipei New Horizon Co., Ltd.	1	Operating expenses	41,113	"	-
		Taiwan Mobile Basketball Co., Ltd.	1	Operating expenses	34,057	"	-
		Wealth Media Technology Co., Ltd.	1	Finance costs	5,076	"	-
		Taiwan Fixed Network Co., Ltd.	1	Finance costs	68,569	"	-
		TFN Media Co., Ltd.	1	Interest income	11,030	"	-
		Taiwan Fixed Network Co., Ltd.	1	Rental income	52,492	"	-
		Taiwan Kuro Times Co., Ltd.	1	Rental income	5,999	"	-
		momo.com Inc.	1	Rental income	27,660	"	-
		Taiwan Digital Service Co., Ltd.	1	Rental income	10,541	"	-
		Taiwan Fixed Network Co., Ltd.	1	Other income, others	1,751	"	-
		Win TV Broadcasting Co., Ltd.	1	Other receivables	300,438	"	-
		TFN Media Co., Ltd.	1	Other receivables	1,903,772	"	1%
		TFN Media Co., Ltd.	1	Interest income	4,475	"	-
2	momo.com Inc.	Fu Sheng Travel Service Co., Ltd.	1	Accounts receivable	19,096	"	-

(Continued)

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES
BUSINESS RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014

Number	Company Name	Counterparty	Nature of Relationship (Note)	Transaction Details			
				Account	Amount	Transaction Terms	Percentage of Consolidated Total Operating Revenues or Total Assets
3	TFN Media Co., Ltd.	Fu Sheng Travel Service Co., Ltd.	1	Operating revenue	\$ 7,667	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		Mangrove Cable TV Co., Ltd.	3	Operating costs	6,669	"	-
		Union Cable TV Co., Ltd.	1	Accounts receivable	22,315	"	-
		Yeong Jia Leh Cable TV Co., Ltd.	1	Accounts receivable	33,854	"	-
		Mangrove Cable TV Co., Ltd.	1	Accounts receivable	12,367	"	-
		Phoenix Cable TV Co., Ltd.	1	Accounts receivable	31,301	"	-
		Globalview Cable TV Co., Ltd.	1	Accounts receivable	13,593	"	-
		Yeong Jia Leh Cable TV Co., Ltd.	1	Short-term borrowings	360,000	"	-
		Phoenix Cable TV Co., Ltd.	1	Short-term borrowings	545,000	"	-
		Globalview Cable TV Co., Ltd.	1	Short-term borrowings	250,000	"	-
		Union Cable TV Co., Ltd.	1	Accounts payable	7,868	"	-
		Yeong Jia Leh Cable TV Co., Ltd.	1	Accounts payable	15,175	"	-
		Phoenix Cable TV Co., Ltd.	1	Accounts payable	16,170	"	-
		Globalview Cable TV Co., Ltd.	1	Accounts payable	6,488	"	-
		Win TV Broadcasting Co., Ltd.	3	Accounts payable	46,625	"	-
		Union Cable TV Co., Ltd.	1	Other payables	2,388	"	-
		Yeong Jia Leh Cable TV Co., Ltd.	1	Other payables	4,653	"	-
		Mangrove Cable TV Co., Ltd.	1	Other payables	1,260	"	-
		Phoenix Cable TV Co., Ltd.	1	Other payables	4,959	"	-
		Globalview Cable TV Co., Ltd.	1	Other payables	2,167	"	-
		Union Cable TV Co., Ltd.	1	Operating revenues	160,716	"	-
		Yeong Jia Leh Cable TV Co., Ltd.	1	Operating revenues	343,109	"	-
		Mangrove Cable TV Co., Ltd.	1	Operating revenues	12,587	"	-
		Phoenix Cable TV Co., Ltd.	1	Operating revenues	380,982	"	-
		Globalview Cable TV Co., Ltd.	1	Operating revenues	149,529	"	-
		Union Cable TV Co., Ltd.	1	Operating costs	16,170	"	-
		Yeong Jia Leh Cable TV Co., Ltd.	1	Operating costs	27,347	"	-
		Mangrove Cable TV Co., Ltd.	1	Operating costs	4,937	"	-
		Phoenix Cable TV Co., Ltd.	1	Operating costs	28,463	"	-
		Globalview Cable TV Co., Ltd.	1	Operating costs	11,422	"	-
		Win TV Broadcasting Co., Ltd.	3	Operating costs	44,405	"	-

(Continued)

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES
BUSINESS RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014

Number	Company Name	Counterparty	Nature of Relationship (Note)	Transaction Details			
				Account	Amount	Transaction Terms	Percentage of Consolidated Total Operating Revenues or Total Assets
		Yeong Jia Leh Cable TV Co., Ltd.	1	Operating expenses	\$ 2,245	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		Phoenix Cable TV Co., Ltd.	1	Operating expenses	1,438	"	-
		Yeong Jia Leh Cable TV Co., Ltd.	1	Finance costs	3,536	"	-
		Phoenix Cable TV Co., Ltd.	1	Finance costs	4,820	"	-
4	Union Cable TV Co., Ltd.	Globalview Cable TV Co., Ltd.	1	Finance costs	2,216	"	-
		Yeong Jia Leh Cable TV Co., Ltd.	3	Operating revenues	1,168	"	-
		Yeong Jia Leh Cable TV Co., Ltd.	3	Operating costs	1,168	"	-
		Yeong Jia Leh Cable TV Co., Ltd.	3	Operating revenues	1,002	"	-
5	Phoenix Cable TV Co., Ltd.	Yeong Jia Leh Cable TV Co., Ltd.	3	Operating revenues	1,002	"	-
6	Taiwan Fixed Network Co., Ltd.	Yeong Jia Leh Cable TV Co., Ltd.	3	Operating costs	1,002	"	-
		TFN Media Co., Ltd.	3	Accounts receivable	37,442	"	-
		momo.com Inc.	3	Accounts receivable	3,900	"	-
		Taiwan Digital Service Co., Ltd.	3	Other receivables	2,678	"	-
		Taipei New Horizon Co., Ltd.	3	Prepayments	6,161	"	-
		Taipei New Horizon Co., Ltd.	3	Refundable deposits	8,778	"	-
		TFN HK LIMITED	1	Other payables	30,444	"	-
		Taiwan Teleservices & Technologies Co., Ltd.	3	Other payables	8,271	"	-
		Taiwan Digital Service Co., Ltd.	3	Advance receipts	1,347	"	-
		TFN Media Co., Ltd.	3	Operating revenues	105,834	"	-
		Union Cable TV Co., Ltd.	3	Operating revenues	3,213	"	-
		Mangrove Cable TV Co., Ltd.	3	Operating revenues	1,666	"	-
		Phoenix Cable TV Co., Ltd.	3	Operating revenues	3,705	"	-
		Globalview Cable TV Co., Ltd.	3	Operating revenues	1,333	"	-
		Taiwan Kuro Times Co., Ltd.	3	Operating revenues	4,396	"	-
		momo.com Inc.	3	Operating revenues	18,293	"	-
		TFN HK LIMITED	1	Operating costs	61,276	"	-
		Union Cable TV Co., Ltd.	3	Operating costs	1,327	"	-
		Yeong Jia Leh Cable TV Co., Ltd.	3	Operating costs	1,341	"	-
7	Taiwan Teleservices & Technologies Co., Ltd.	Taiwan Teleservices & Technologies Co., Ltd.	3	Operating expenses	76,039	"	-
		Taipei New Horizon Co., Ltd.	3	Operating expenses	19,668	"	-
		Win TV Broadcasting Co., Ltd.	3	Rental income	4,094	"	-
		Taiwan Kuro Times Co., Ltd.	3	Operating revenues	3,695	"	-

(Continued)

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES
BUSINESS RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014

Number	Company Name	Counterparty	Nature of Relationship (Note)	Transaction Details			
				Account	Amount	Transaction Terms	Percentage of Consolidated Total Operating Revenues or Total Assets
8	Taiwan Digital Service Co., Ltd.	Taipei New Horizon Co., Ltd.	3	Refundable deposits	\$ 5,841	The terms of transaction are determined in accordance with mutual agreements or general business practices	-
		Taipei New Horizon Co., Ltd.	3	Operating costs	2,457	"	-
		Taipei New Horizon Co., Ltd.	3	Operating expenses	16,950	"	-

(Concluded)

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

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES
INFORMATION ON INVESTMENT IN MAINLAND CHINA
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014

TABLE 10

(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, 2014	Investment Flows		Accumulated Outflow of Investment from Taiwan as of September 30, 2014	Net (Loss) Income of Investee	% Ownership through Direct or Indirect Investment	Investment Income (Loss)	Carrying Value as of September 30, 2014	Accumulated Inward Remittance of Earnings as of September 30, 2014
					Outflow	Inflow						
Xiamen Taifu Teleservices & Technologies Co., Ltd.	System integration, management, analysis and development of CRM application and information consulting services	NT\$ - (Note 3)	2	NT\$ 39,618 (US\$ 1,300)	\$ -	\$ -	NT\$ 39,618 (US\$ 1,300)	\$ -	100% indirect ownership through TWM's subsidiary	\$ -	\$ - (Note 3)	\$ -
TWM Communications (Beijing) Co. Ltd.	Mobile application development and design	NT\$ 91,425 (US\$ 3,000)	2	NT\$ 148,474 (US\$ 4,872)	-	-	NT\$ 148,474 (US\$ 4,872)	(128)	100% indirect ownership through TWM's subsidiary	(128)	111,245	-
Fubon Gehua (Beijing) Enterprise Ltd.	Wholesale	NT\$ 939,550 (RMB 190,000)	2	NT\$ 672,619 (US\$ 14,000, RMB 49,741)	98,900 (RMB 20,000)	-	NT\$ 771,519 (US\$ 14,000, RMB 69,741)	(160,604)	84.19% indirect ownership through TWM's subsidiary	(140,232)	102,312	-

Investee Company Name	Accumulated Investment in Mainland China as of September 30, 2014	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment Authorized by Investment Commission, MOEA
Xiamen Taifu Teleservices & Technologies Co., Ltd.	NT\$39,618 (US\$1,300)	NT\$39,618 (US\$1,300)	\$80,000
TWM Communications (Beijing) Co., Ltd.	NT\$148,474 (US\$4,872)	NT\$148,474 (US\$4,872)	\$47,241,093
Fubon Gehua (Beijing) Enterprise Ltd.	NT\$771,519 (US\$14,000, RMB69,741)	NT\$852,725 (US\$15,000, RMB80,000)	\$1,568,681

Note 1: The investment types are as follows:

- a. Direct investment in Mainland China.
- b. Indirect investment in Mainland China through a subsidiary in a third place, e.g. TT&T, TCC and momo.
- c. Others.

Note 2: The above amounts were translated into New Taiwan dollars at the exchange rate of US\$1 = NT\$30.475 and RMB1 = NT\$4.945 at the end of the period.

Note 3: Xiamen Taifu Teleservices & Technologies Co., Ltd. was dissolved in November 2013 and contributed capital to the parent company, TT&T Holdings.

Note 4: The amount was calculated based on the reviewed financial statements.