

Taiwan Mobile Co., Ltd. and Subsidiaries
Consolidated Financial Statements for the
Nine Months Ended September 30, 2013 and 2012, and
Independent Accountants' Review Report

Independent Accountants' Review Report

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

We have reviewed the accompanying consolidated balance sheets of Taiwan Mobile Co., Ltd. and subsidiaries as of September 30, 2013, December 31, September 30 and January 1, 2012, and the related consolidated statements of comprehensive income for the three months and for the nine months ended September 30, 2013 and 2012, and changes in equity and cash flows for the nine months ended September 30, 2013 and 2012. 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 reviews.

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

Based on our reviews, we are not aware of any material modifications that should be made to the interim consolidated financial statements referred to in the first paragraph in order for them to be in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, International Financial Reporting Standard No. 1 "First-time Adoption of International Financial Reporting Standards" and International Accounting Standards No. 34 "Interim Financial Reporting" endorsed by Financial Supervisory Commission of the Republic of China.

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

KPMG
Taipei, Taiwan (the Republic of China)
October 31, 2013

Notes to Readers

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

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

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

SEPTEMBER 30, 2013, DECEMBER 31, 2012, SEPTEMBER 30, 2012 AND JANUARY 1, 2012

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

ASSETS		2013.9.30		2012.12.31		2012.9.30		2012.1.1		LIABILITIES AND EQUITY		2013.9.30		2012.12.31		2012.9.30		2012.1.1	
		Amount	%	Amount	%	Amount	%	Amount	%			Amount	%	Amount	%	Amount	%	Amount	%
CURRENT ASSETS		CURRENT LIABILITIES																	
1100	Cash and Cash equivalents (Notes 4, 6(a) and 7)	\$ 7,786,162	7	6,191,140	6	4,706,339	5	6,572,192	7	2100	Short-term borrowings (Notes 4,6(m) and 7)\$	8,328,480	8	3,158,440	3	13,089,918	13	9,000,000	9
1110	Current financial assets at fair value through profit or loss (Notes 4 and 6(b))	-	-	-	-	-	-	60,186	-	2110	Short-term notes and bills payable (Notes 4 and 6(m))	399,600	-	-	-	299,643	-	899,273	1
1125	Current available-for-sale financial assets (Notes 4, 6(c) and 7)	955,500	1	205,397	-	204,093	-	217,351	-	2150	Notes payable	193,627	-	360,669	-	355,080	-	641,166	1
1170	Accounts and notes receivable, net (Note 4, 5 and 6(f))	14,129,515	13	11,803,424	12	10,775,203	11	9,847,366	10	2170	Accounts payable	6,036,261	5	7,154,428	7	4,792,449	5	5,489,957	6
1180	Accounts receivable due from related parties, net (Note 7)	68,682	-	71,039	-	89,647	-	129,019	-	2180	Accounts payable to related parties (Notes 7)	104,910	-	64,377	-	63,569	-	-	-
1200	Other receivables (Note 7)	439,285	-	741,489	1	698,287	1	882,986	1	2200	Other payables (Notes 7)	10,796,668	10	9,492,635	10	9,212,879	10	9,911,877	10
130x	Inventories (Note 4 and 6(g))	3,154,564	3	2,566,900	3	2,232,754	2	2,004,103	2	2230	Current tax liabilities (Notes 4)	913,868	1	1,523,604	2	848,133	1	1,331,623	1
1410	Prepayments (Note 7)	834,540	1	737,498	1	839,387	1	638,549	1	2250	Current provisions (Notes 4 and 6(p))	181,331	-	120,610	-	114,056	-	90,014	-
1470	Other current assets (Notes 6(l), 7 and 8)	1,487,358	1	1,623,562	1	1,485,631	2	346,025	-	2310	Advance receipts (Notes 6(n))	3,131,104	3	3,109,824	3	2,774,277	3	3,053,670	3
	Total current assets	<u>28,855,606</u>	<u>26</u>	<u>23,940,449</u>	<u>24</u>	<u>21,031,341</u>	<u>22</u>	<u>20,697,777</u>	<u>21</u>	2320	Long-term liabilities, current portion (Notes 6(o))	4,000,000	4	4,000,000	4	4,000,000	4	4,000,000	4
										2399	Other current liabilities, others	1,321,915	1	968,832	1	712,601	1	774,831	1
											Total current liabilities	<u>35,407,764</u>	<u>32</u>	<u>29,953,419</u>	<u>30</u>	<u>36,262,605</u>	<u>37</u>	<u>35,192,411</u>	<u>36</u>
											NON-CURRENT LIABILITIES								
	NON-CURRENT ASSETS									2530	Bonds payable (Notes 6(o))	14,792,235	14	8,995,180	9	4,000,000	4	4,000,000	4
1523	Non-current available-for-sale financial assets (Note 4 and 6(c))	1,253,952	1	1,127,655	1	1,159,229	1	1,123,144	1	2550	Non-current provisions (Notes 4 and 6(p))	837,570	1	755,195	1	733,399	1	670,001	1
1543	Non-current financial assets at cost (Notes 4 and 6(d))	181,328	-	181,328	-	181,328	-	186,276	-	2570	Deferred tax liabilities (Notes 4 and 5)	2,491,672	2	2,119,747	2	1,971,978	2	1,628,204	1
1546	Non-current bond investment without active market (Notes 4 and 6(e))	500,000	1	500,000	1	500,000	-	500,000	1	2640	Accrued pension liabilities (Notes 4)	116,127	-	116,237	-	107,866	-	106,748	-
1550	Investments accounted for using equity method (Notes 4, 5 and 6(h))	2,262,210	2	1,248,562	1	971,181	1	562,812	1	2645	Guarantee deposits	822,537	1	810,436	1	804,319	1	738,932	1
1600	Property, plant and equipment (Notes 4, 5 and 6(i))	42,519,084	39	40,593,173	40	40,684,151	42	41,470,962	43	2670	Other non-current liabilities, others	19,744	-	19,744	-	19,744	-	19,744	-
1760	Investment property, net (Notes 4 and 6(j))	328,554	-	299,991	-	300,756	-	302,799	-		Total non-current liabilities	<u>19,079,885</u>	<u>18</u>	<u>12,816,539</u>	<u>13</u>	<u>7,637,306</u>	<u>8</u>	<u>7,163,629</u>	<u>7</u>
1791	3G concession license (Notes 4 and 6(k))	3,925,473	4	4,486,254	4	4,673,182	5	5,233,964	5		Total liabilities	<u>54,487,649</u>	<u>50</u>	<u>42,769,958</u>	<u>43</u>	<u>43,899,911</u>	<u>45</u>	<u>42,356,040</u>	<u>43</u>
1805	Goodwill (Notes 4, 5 and 6(k))	15,845,930	14	15,845,930	16	15,845,930	16	15,845,930	16		EQUITY ATTRIBUTABLE TO OWNERS OF PARENT (Notes 6(t))								
1821	Other intangible assets, net (Notes 4, 5 and 6(k))	6,230,555	6	6,321,970	7	6,395,096	7	6,525,944	7	3110	Ordinary share	34,208,328	31	34,208,328	34	34,208,328	35	34,208,328	35
1840	Deferred tax assets (Notes 4 and 5)	973,957	1	1,072,844	1	1,093,422	1	1,181,857	1	3200	Capital surplus	12,431,851	11	12,431,851	12	12,431,851	13	12,431,851	13
1900	Other non-current assets (Notes 6(l), 7 and 8)	6,470,126	6	4,795,095	5	4,717,236	5	4,008,419	4		Retained earnings :								
										3310	Legal reserve	19,262,044	18	18,061,894	18	18,061,894	19	16,715,018	17
										3320	Special reserve	-	-	-	-	-	-	821,741	1
										3350	Unappropriated retained earnings	18,623,088	17	22,606,173	23	18,645,714	19	20,721,444	21
										3400	Other equity interest	444,804	-	340,026	-	370,500	-	356,218	1
										3500	Treasury share	(31,077,183)	(28)	(31,077,183)	(31)	(31,077,183)	(32)	(31,077,183)	(32)
											Total equity attributable to owners of parent	<u>53,892,932</u>	<u>49</u>	<u>56,571,089</u>	<u>56</u>	<u>52,641,104</u>	<u>54</u>	<u>54,177,417</u>	<u>56</u>
										36xx	Non-controlling interests	966,194	1	1,072,204	1	1,011,837	1	1,106,427	1
											Total equity	<u>54,859,126</u>	<u>50</u>	<u>57,643,293</u>	<u>57</u>	<u>53,652,941</u>	<u>55</u>	<u>55,283,844</u>	<u>57</u>
TOTAL		<u>\$ 109,346,775</u>	<u>100</u>	<u>100,413,251</u>	<u>100</u>	<u>97,552,852</u>	<u>100</u>	<u>97,639,884</u>	<u>100</u>	TOTAL	<u>\$ 109,346,775</u>	<u>100</u>	<u>100,413,251</u>	<u>100</u>	<u>97,552,852</u>	<u>100</u>	<u>97,639,884</u>	<u>100</u>	

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

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE THREE MONTHS AND FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2013 AND 2012
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)
(Reviewed, Not Audited)

	For the three months ended September 30				For the nine months ended September 30				
	2013		2012		2013		2012		
	Amount	%	Amount	%	Amount	%	Amount	%	
4000	OPERATING REVENUES (Notes 4, 6(v) and 7)								
	\$ 27,261,510	100	24,686,167	100	80,588,886	100	73,351,230	100	
5000	OPERATING COSTS (Notes 4, 7 and 12)								
	<u>17,422,063</u>	<u>64</u>	<u>15,112,646</u>	<u>61</u>	<u>51,119,122</u>	<u>64</u>	<u>44,966,427</u>	<u>61</u>	
5900	GROSS PROFIT FROM OPERATIONS								
	<u>9,839,447</u>	<u>36</u>	<u>9,573,521</u>	<u>39</u>	<u>29,469,764</u>	<u>36</u>	<u>28,384,803</u>	<u>39</u>	
6000	OPERATING EXPENSES (Notes 4, 7 and 12)								
6100	Marketing	3,106,348	11	3,123,211	13	9,986,266	12	9,267,298	13
6200	Administrative	<u>1,273,782</u>	<u>5</u>	<u>1,189,171</u>	<u>5</u>	<u>3,750,973</u>	<u>5</u>	<u>3,542,832</u>	<u>5</u>
		<u>4,380,130</u>	<u>16</u>	<u>4,312,382</u>	<u>18</u>	<u>13,737,239</u>	<u>17</u>	<u>12,810,130</u>	<u>18</u>
6500	NET OTHER INCOME AND EXPENSES (Notes 6(w))								
	<u>25,667</u>	<u>-</u>	<u>17,167</u>	<u>-</u>	<u>48,230</u>	<u>-</u>	<u>52,656</u>	<u>-</u>	
6900	NET OPERATING INCOME								
	<u>5,484,984</u>	<u>20</u>	<u>5,278,306</u>	<u>21</u>	<u>15,780,755</u>	<u>19</u>	<u>15,627,329</u>	<u>21</u>	
	NON-OPERATING INCOME AND EXPENSES								
7010	Other income (Notes 6(x))	43,213	-	43,192	-	120,244	-	92,800	-
7020	Other gains and losses, net (Notes 6(x))	(226,387)	(1)	(168,437)	(1)	(886,537)	(1)	(405,186)	(1)
7050	Financial costs (Notes 6(x) and 7)	(105,097)	-	(91,233)	-	(268,713)	-	(247,505)	-
7060	Share of profit (loss) of associates accounted for using equity method (Notes 4)	(8,437)	-	(965)	-	(9,570)	-	(13,496)	-
7000	Total non-operating income and expenses	<u>(296,708)</u>	<u>(1)</u>	<u>(217,443)</u>	<u>(1)</u>	<u>(1,044,576)</u>	<u>(1)</u>	<u>(573,387)</u>	<u>(1)</u>
7900	PROFIT BEFORE TAX								
	5,188,276	19	5,060,863	20	14,736,179	18	15,053,942	20	
7950	TAX EXPENSE (Notes 6(s))								
	<u>883,095</u>	<u>3</u>	<u>861,405</u>	<u>3</u>	<u>2,555,751</u>	<u>3</u>	<u>2,560,454</u>	<u>3</u>	
8200	PROFIT								
	<u>4,305,181</u>	<u>16</u>	<u>4,199,458</u>	<u>17</u>	<u>12,180,428</u>	<u>15</u>	<u>12,493,488</u>	<u>17</u>	
8300	OTHER COMPREHENSIVE INCOME (LOSS) :								
8310	Exchange differences on translation	(1,204)	-	(3,438)	-	7,115	-	(13,502)	-
8325	Unrealized gains on available-for-sale financial assets	99,771	-	13,314	-	71,864	-	22,826	-
8399	Less : income tax generated from other comprehensive income	-	-	-	-	-	-	-	-
8300	OTHER COMPREHENSIVE INCOME (AFTER TAX)	<u>98,567</u>	<u>-</u>	<u>9,876</u>	<u>-</u>	<u>78,979</u>	<u>-</u>	<u>9,324</u>	<u>-</u>
8500	COMPREHENSIVE INCOME								
	<u>\$ 4,403,748</u>	<u>16</u>	<u>4,209,334</u>	<u>17</u>	<u>12,259,407</u>	<u>15</u>	<u>12,502,812</u>	<u>17</u>	
	PROFIT, ATTRIBUTABLE TO :								
8610	Owners of parent	\$ 4,271,058	16	4,164,951	17	12,034,668	15	12,330,357	17
8620	Non-controlling interests	<u>34,123</u>	<u>-</u>	<u>34,507</u>	<u>-</u>	<u>145,760</u>	<u>-</u>	<u>163,131</u>	<u>-</u>
		<u>\$ 4,305,181</u>	<u>16</u>	<u>4,199,458</u>	<u>17</u>	<u>12,180,428</u>	<u>15</u>	<u>12,493,488</u>	<u>17</u>
	COMPREHENSIVE INCOME, ATTRIBUTABLE TO :								
8710	Owners of parent	\$ 4,371,322	16	4,175,844	17	12,139,446	15	12,344,639	17
8720	Non-controlling interests	<u>32,426</u>	<u>-</u>	<u>33,490</u>	<u>-</u>	<u>119,961</u>	<u>-</u>	<u>158,173</u>	<u>-</u>
		<u>\$ 4,403,748</u>	<u>16</u>	<u>4,209,334</u>	<u>17</u>	<u>12,259,407</u>	<u>15</u>	<u>12,502,812</u>	<u>17</u>
	EARNINGS PER SHARE(6(u))								
9750	BASIC	<u>\$ 1.58</u>		<u>1.54</u>		<u>4.47</u>		<u>4.58</u>	
9850	DILUTED	<u>\$ 1.58</u>		<u>1.54</u>		<u>4.46</u>		<u>4.57</u>	

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

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2013 AND 2012

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	Equity Attributable to Owners of Parent										
	Ordinary Share	Capital Surplus	Retained Earnings			Other Equity Interest		Treasury Share	Total	Non- Controlling Interests	Total Equity
			Legal Reserve	Special Reserve	Upappro- riated	Exchange Differences On Translation	Unrealized Gain (Loss) on Available- for-Sale Financial Assets				
BALANCE, JANUARY 1, 2012	\$ 34,208,328	12,431,851	16,715,018	821,741	15,297,352	34,231	321,987	(31,077,183)	48,753,325	1,106,427	49,859,752
Effects of retrospective application and retrospective restatement	-	-	-	-	5,424,092	-	-	-	5,424,092	-	5,424,092
Balance after adjustments	34,208,328	12,431,851	16,715,018	821,741	20,721,444	34,231	321,987	(31,077,183)	54,177,417	1,106,427	55,283,844
Profit for the nine months ended September 30, 2012	-	-	-	-	12,330,357	-	-	-	12,330,357	163,131	12,493,488
Other comprehensive income for the nine months ended September 30, 2012	-	-	-	-	-	(8,544)	22,826	-	14,282	(4,958)	9,324
Total comprehensive income for the nine months ended September 30, 2012	-	-	-	-	12,330,357	(8,544)	22,826	-	12,344,639	158,173	12,502,812
Appropriation and distribution of retained earnings											
Legal reserve	-	-	1,346,876	-	(1,346,876)	-	-	-	-	-	-
Cash dividends	-	-	-	-	(13,880,952)	-	-	-	(13,880,952)	-	(13,880,952)
Reversal of special reserve	-	-	-	(821,741)	821,741	-	-	-	-	-	-
Cash dividends from subsidiaries paid to non-controlling interests	-	-	-	-	-	-	-	-	-	(252,763)	(252,763)
BALANCE, SEPTEMBER 30, 2012	\$ 34,208,328	12,431,851	18,061,894	-	18,645,714	25,687	344,813	(31,077,183)	52,641,104	1,011,837	53,652,941
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
Profit for the nine months ended September 30, 2013	-	-	-	-	12,034,668	-	-	-	12,034,668	145,760	12,180,428
Other comprehensive income for the nine months ended September 30, 2013	-	-	-	-	-	5,828	98,950	-	104,778	(25,799)	78,979
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											
Legal reserve	-	-	1,469,160	-	(1,469,160)	-	-	-	-	-	-
Cash dividends	-	-	-	-	(14,526,578)	-	-	-	(14,526,578)	-	(14,526,578)
Legal reserve used to distribute cash dividends	-	-	(269,010)	-	-	-	-	-	(269,010)	-	(269,010)
Adjustments arising from changes in percentage of ownership of subsidiaries	-	-	-	-	(22,015)	-	-	-	(22,015)	22,015	-
Cash dividends from subsidiaries paid to non-controlling interests	-	-	-	-	-	-	-	-	-	(247,986)	(247,986)
BALANCE, SEPTEMBER 30, 2013	\$ 34,208,328	12,431,851	19,262,044	-	18,623,088	31,311	413,493	(31,077,183)	53,892,932	966,194	54,859,126

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, 2013 AND 2012

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the nine months ended	
	September 30	
	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	\$ 14,736,179	15,053,942
Adjustments		
Adjustments to reconcile profit (loss)		
Depreciation expense	6,508,962	6,283,673
Amortization expense	926,103	968,710
Loss on disposal of property, plant and equipment, net	876,132	382,858
Interest expense	268,713	247,505
Provision for bad debt expense	260,459	199,409
Interest income	(67,930)	(40,400)
Dividend income	(24,245)	(19,567)
Share of loss of associates accounted for using equity method	9,570	13,496
Loss on disposal of investments	5,723	-
Impairment loss on financial assets	-	1,948
Net gain on financial assets or liabilities at fair value through profit or loss	-	(287)
Others	113	(8,078)
Total adjustments to reconcile profit (loss)	<u>8,763,600</u>	<u>8,029,267</u>
Changes in operating assets and liabilities		
Current financial assets at fair value through profit or loss	-	60,473
Accounts and notes receivable	(3,171,299)	(1,736,330)
Accounts receivable due from related parties	2,357	39,372
Other receivables	301,258	185,951
Inventories	(586,177)	(228,651)
Prepayments	(98,247)	(203,551)
Other current assets	43,316	(17,574)
Other non-current assets	6,861	24,163
Notes payable	(167,042)	(286,086)
Accounts payable	(1,037,101)	(697,512)
Accounts payable to related parties	(40,533)	63,569
Other payables	495,875	(603,707)
Provisions	26,106	1,000
Advance receipts	21,280	(279,393)
Other current liabilities	353,083	(62,230)
Accrued pension liabilities	(404)	1,181
Total changes in operating assets and liabilities	<u>(3,850,667)</u>	<u>(3,739,325)</u>
Net cash inflows generated from operating activities	19,649,112	19,343,884
Interest paid	(58)	(71)
Income taxes paid	(2,395,328)	(2,944,994)
Net cash flows from operating activities	<u>17,253,726</u>	<u>16,398,819</u>

(Continued)

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOW(Continued)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2013 AND 2012

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the nine months ended September 30	
	2013	2012
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(8,941,170)	(5,741,984)
Increase in prepayments for equipment	(252,986)	(107,392)
Acquisition of computer software and other intangible assets	(118,254)	(102,345)
Acquisition of available-for-sale financial assets	(1,000,000)	-
Acquisition of investments accounted for using equity method	(1,037,850)	(422,000)
Increase in prepayments for investments	(30,000)	(199,600)
Increase in refundable deposits	(1,173,735)	(115,829)
Decrease in refundable deposits	175,286	85,555
Decrease in other financial assets	351,659	1,073,145
Increase in other financial assets	(325,253)	(2,155,164)
Proceeds from disposal of available-for-sale financial assets	194,277	-
Proceeds from disposal of software costs and other intangible assets	1	-
Proceeds from disposal of property, plant and equipment	106,722	5,890
Interest received	69,305	39,213
Dividend received	34,405	19,567
Proceeds from investees' capital reduction	-	3,000
Net cash used in investing activities	<u>(11,947,593)</u>	<u>(7,617,944)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term borrowings	32,264,254	55,989,918
Decrease in short-term borrowings	(27,100,000)	(51,900,000)
Proceeds from issuance of bonds	5,796,043	-
Increase in short-term notes and bills payable	899,119	1,898,274
Decrease in short-term notes and bills payable	(499,894)	(2,497,903)
Cash dividends paid	(14,795,584)	(13,880,940)
Cash dividends paid to non-controlling interests	(247,986)	(252,763)
Increase in guarantee deposits received	128,946	132,697
Decrease in guarantee deposits received	(116,044)	(67,184)
Interest paid	(44,068)	(63,108)
Net cash used in financing activities	<u>(3,715,214)</u>	<u>(10,641,009)</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	4,103	(5,719)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>1,595,022</u>	<u>(1,865,853)</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	6,191,140	6,572,192
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u><u>\$ 7,786,162</u></u>	<u><u>4,706,339</u></u>

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

(Concluded)

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2013 AND 2012
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)
(Reviewed, Not Audited)

1. ORGANIZATION AND OPERATIONS

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

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

To provide a high-speed broadband wireless communication service for long-term business development, the Board of Directors resolved to submit an application to NCC for the auction of Mobile Broadband Business licenses. TWM acquired Mobile Broadband Spectrum from the auction on October 30, 2013. Please refer to Note 11.

The consolidated financial statements of TWM as at and for the period ended September 30, 2013, comprise of 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, 2013.

3. NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

Except for the assessments of new standards and interpretations mentioned below, the ones which are not adopted by the Group are consistent with Note 3 of the interim consolidated financial statements for the three months ended March 31, 2013.

The following are the new standards and amendments issued recently by the International Accounting Standards Board ("IASB") that may have impacts on the consolidated financial statements. As of the reporting date, they have not yet been endorsed by the Financial Supervisory Commission R.O.C. ("FSC"):

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

<u>Issue Date</u>	<u>New Standards and Amendments</u>	<u>Description</u>	<u>Effective Date per IASB</u>
May 20, 2013	IFRIC 21 Levies	Timing to be recognized as liabilities and relevant accounting treatment for levies collected by the Government if IFRS 37 Provisions, Contingent Liabilities and Contingent Assets are applicable.	January 1, 2014
May 29, 2013	Amended IAS 36 Impairment of Assets	Based on the standard issued on January 1, 2013, when the amount of goodwill of an entity or intangible assets with uncertain useful life is significant, the entity shall reveal the recoverable amount of each cash-generating unit which is being allocated. The standard has been revised that if an impairment loss is recognized or reversed, then disclosure is required. Besides, the entity shall disclose its fair value level and related requirements for key assumptions of valuation (for Level 2 and 3) if the recoverable amount is calculated through fair value less selling costs.	January 1, 2014 Early adoption is permitted.

The Group is still assessing the impact of the initial adoption of the above new standards and interpretations which has not adopted on the consolidated financial statements.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

Statement of Compliance

The interim consolidated financial statements have been prepared in accordance with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers (the Guidelines) and IAS 34 “Interim Financial Reporting” endorsed by the FSC. The interim consolidated financial statements do not present full disclosures required by the Guidelines and IFRSs, IASs, IFRIC Interpretations and SIC Interpretations endorsed by the FSC (collectively, “Taiwan-IFRSs”) for annual consolidated financial statements.

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

Basis of Preparation

a. Basis of measurement

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

The first balance sheet at the date of transition has been measured and recognized in accordance with the IFRS 1 “First-time Adoption of International Financial Reporting Standards”. The Group retrospectively applied the regulations in IFRSs, except for exemption choices and the part which IFRSs forbids to retrospectively apply with.

b. Functional and presentation currency

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

Basis of Consolidation

a. Principles of preparation of interim consolidated financial statements

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

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

benefits from its activities.

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

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

Financial statements of subsidiaries are adequately adjusted to align the 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 interim consolidated financial statements.

b. The subsidiaries included in the interim consolidated financial statements.

The consolidated entities were as follows:

Investor	Subsidiary	Main Business and Products	Percentage of Direct Ownership				Note
			2013.9.30	2012.12.31	2012.9.30	2012.1.1	
TWM	Wealth Media Technology Co., Ltd. (WMT)	Investment	100.00	100.00	100.00	100.00	-
WMT	Taiwan Win TV Broadcasting Co., Ltd. (TWTV)	Entertainment	-	-	-	100.00	TWTV was merged by WMT and dissolved on March 1, 2012.
WMT	Fubon Multimedia Technology Co., Ltd. (FMT)	Wholesale and retail sales via traditional and online shopping channels	50.64	50.64	50.64	50.64	-
FMT	Fu Sheng Travel Service Co., Ltd. (FST)	Travel agent	100.00	100.00	100.00	100.00	-
FMT	Fuli Life Insurance Agent Co., Ltd. (FLI)	Life insurance agent	100.00	100.00	100.00	100.00	-

(Continued)

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

Investor	Subsidiary	Main Business and Products	Percentage of Direct Ownership				Note
			2013.9.30	2012.12.31	2012.9.30	2012.1.1	
FMT	Fuli Property Insurance Agent Co.,Ltd. (FPI)	Property insurance agent	100.00	100.00	100.00	100.00	-
FMT	Asian Crown International Co., Ltd (Asian Crown (BVI))	Investment	100.00	100.00	100.00	100.00	-
Asian Crown (BVI)	Fortune Kingdom Corporation (Fortune Kingdom)	Investment	100.00	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	100.00	-
HK Fubon Multimedia	Fubon Gehua (Beijing) Enterprise Ltd. (FGE)	Wholesale and retail sales	87.50	80.00	80.00	80.00	-
WMT	Tai Fu Media Technology Co., Ltd. (TFMT)	Investment	-	-	-	100.00	TFMT was dissolved and merged by WMT on March 1, 2012.
WMT	Global Wealth Media Technology Co., Ltd. (GWMT)	Investment	100.00	100.00	100.00	100.00	(Note 1)
GWMT	Globalview Cable TV Co., Ltd. (GCTV)	Cable TV service provider	6.83	6.83	6.83	6.83	-
WMT	Fu Jia Leh Media Technology Co., Ltd. (FJLMT)	Investment	-	-	-	100.00	Note 1 and FJLMT were dissolved and were merged by TFNM on March 2, 2012.
WMT	Fu Sin Media Technology Co., Ltd. (FSMT)	Investment	-	-	-	100.00	Note 1 and FSMT were dissolved and were merged by TFNM on March 2, 2012.
WMT	Global Forest Media Technology Co., Ltd. (GFMT)	Investment	100.00	100.00	100.00	100.00	(Note 1)
GFMT	Union Cable TV Co., Ltd. (UCTV)	Cable TV service provider	0.76	0.76	0.76	0.76	-
WMT	Win TV Broadcasting Co., Ltd. (WTVB)	TV program provider	100.00	100.00	100.00	100.00	(Note 2)

(Continued)

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

<u>Investor</u>	<u>Subsidiary</u>	<u>Main Business and Products</u>	<u>Percentage of Direct Ownership</u>				<u>Note</u>
			<u>2013.9.30</u>	<u>2012.12.31</u>	<u>2012.9.30</u>	<u>2012.1.1</u>	
WMT	TFN Media Co., Ltd. (TFNM)	Cable broadband and value-added services provider	100.00	100.00	100.00	100.00	(Note 2)
TFNM	UCTV	Cable TV service provider	99.22	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	100.00	-
TFNM	Mangrove Cable TV Co., Ltd. (MCTV)	Cable TV service provider	29.53	29.53	29.53	29.53	Another 70.47% shares were held under trustee accounts
TFNM	Phoenix Cable TV Co., Ltd. (PCTV)	Cable TV service provider	100.00	100.00	100.00	100.00	(Note 3)
TFNM	GCTV	Cable TV service provider	92.38	92.38	92.38	92.38	-
TFNM	Taiwan Kuro Times Co., Ltd. (TKT)	Online music platform	100.00	100.00	100.00	100.00	-
TKT	ezPeer Multimedia Ltd. (ezPeer Samoa)	Investment	100.00	100.00	100.00	100.00	-
TWM	Taiwan Cellular Co., Ltd. (TCC)	Investment	100.00	100.00	100.00	100.00	-
TCC	Taiwan Fixed Network Co., Ltd. (TFN)	Fixed-line service provider	100.00	100.00	100.00	100.00	-
TFN	TFN HK Ltd.	Telecommunications service provider	100.00	100.00	100.00	100.00	-
TFN	TFN Union Investment Co., Ltd. (TUI)	Investment	100.00	100.00	100.00	100.00	-
TCC	Taiwan Digital Communications Co., Ltd. (TDC)	TV program production and mobile phones wholesale	100.00	100.00	100.00	100.00	-
TCC	TCC Investment Co., Ltd. (TCCI)	Investment	100.00	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, 2013.
TCCI	TCCI Investment & Development Co., Ltd. (TID)	Investment	100.00	100.00	100.00	100.00	-

(Continued)

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

Investor	Subsidiary	Main Business and Products	Percentage of Direct Ownership				Note
			2013.9.30	2012.12.31	2012.9.30	2012.1.1	
TCC	TWM Holding Co., Ltd. (TWM Holding)	Investment	100.00	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	100.00	-
TCC	Taiwan Teleservices & Technologies Co., Ltd. (TT&T)	Call center service and telephone marketing	100.00	100.00	100.00	100.00	-
TT&T	Taiwan Super Basketball Co., Ltd. (TSB)	Basketball team management	100.00	100.00	100.00	100.00	-
TT&T	TT&T Holdings Co., Ltd. (TT&T Holdings)	Investment	100.00	100.00	100.00	100.00	-
TT&T Holdings	Xiamen Taifu Teleservices & Technologies Co., Ltd.	System integration, management, analysis and development of CRM application and information consulting services	100.00	100.00	100.00	100.00	-
TCC	Taiwan Digital Service Co., Ltd. (TDS)	Telecommunications Service Agencies and retail business	100.00	-	-	-	TDS was established on April 2, 2013.

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

Note 2: Became a subsidiary of WMT due to the spin-off of WTVB and TFNM into TFMT from TCCI on February 8, 2012. Then, TFMT was merged by WMT on March 1, 2012.

Note 3: FSMT originally owned 3.34% of PCTV's shares. The 96.66% shares of PCTV were originally owned by TFNM. FSMT was merged by TFNM on March 2, 2012. Now, TFNM owned all the shares of PCTV.

c. The subsidiary excluded in the interim consolidated financial statements: None.

Foreign Currency

Foreign currency transactions are recorded initially using the respective functional currencies of the Group's entities at the spot exchange rate on the date of the transaction. At each subsequent balance sheet dates, 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

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

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 consolidated financial statements, the assets and liabilities of foreign operations are translated to New Taiwan Dollars (NTD) using exchange rates at the reporting date. The income and expenses of foreign operations are translated at 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 and cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

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

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

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

Voluntary Change of Accounting Policy

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

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

Cash and Cash Equivalents

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

Financial Instruments

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

a. Financial assets

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

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

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

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

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

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

(3) Loans and receivables

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

Loans and receivables are comprised of cash and cash equivalents, trade receivables, other receivables, investment in debt security with no active market and other financial assets.

(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

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

that can be estimated reliably.

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

Trade receivables are assessed if any impairment has occurred at every reporting date. 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 financial assets 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 account to the guarantee and collateral) discounted at the asset's original effective interest rate.

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

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

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

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

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

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

(5) Derecognition of financial assets

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

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

b. Financial liabilities

(1) Recognition

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

(2) Derecognition of financial liabilities

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

Inventories

Inventories are measured at the lower of cost and net realizable value. Inventories are assessed respectively by specific items unless those with similar characteristics are collectively assessed. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of selling expenses. Weighted-average method is used in calculation of cost.

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 the equity method and are recognized

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

initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill which is arising from the acquisition less any accumulated impairment losses. Goodwill is not permit amortization.

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 the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

If the Group doesn't subscribe the new-issued stocks in accordance with the percentage of ownership which cause 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 the equity method to be offset against, then such losses should be accounted for under retained earnings.

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

When the Group's share of losses exceeds its interest in associates, 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 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 separate depreciation rate or depreciation method.

Property, plant and equipment are derecognized when disposed or expected to have no future economic benefits generated through usage. The gain or loss arising from the

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

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 losses.

b. Reclassification to investment property

The 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 is expensed as incurred.

d. Depreciation

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

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

Land has an unlimited useful life and therefore is not depreciated.

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

(1) buildings	
primary buildings	20~55years
mechanical and electrical equipment	15years
(2) telecommunication equipment	2~15years
(3) office equipment	3~8 years
(4) leased assets	20 years
(5) miscellaneous equipment	2~10 years

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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 an 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 terms of 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 were recognized as income or expense, respectively, on a straight-line basis over the lease term.

Under a finance leased asset, it is recognized on a net basis as lease receivable when the Group is a 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 that is arising from business combination has been included in the intangible asset.

Goodwill is measured at cost less accumulated impairment losses. Investments in associates are accounted for using the equity method. The carrying amount of the investment in associates includes goodwill, which kind of investment of impairment losses are recognized as a part of the carrying amount of the investment, not associated to goodwill and any other assets.

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b. Other Intangible Assets

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

c. Amortization

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill and intangible assets with indefinite useful life, from the date that they are available for use. The estimated useful lives for the current and comparative periods are as follows:

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

The amortization method, the amortization period, and the residual value for an intangible asset with a finite useful life shall be reviewed at each financial year-end. Such 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 its 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 have to determine the recoverable amount for the asset's cash-generating unit.

The recoverable amount for 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.

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

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other than goodwill shall be reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If this is the case, the carrying amount of the asset shall be increased to its recoverable amount. That increase is a reversal of an impairment loss. An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

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

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

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 probably that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

a. Restoration

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

b. Warranties

A provision for warranties is recognized when the underlying products or services are sold.

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The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

Treasury Share

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

Gains on disposal of treasury shares should be recognized under Capital Reserve – Treasury Shares 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 be offset against, then such losses should be accounted for under retained earnings. The carrying amount of treasury shares should be calculated using the weight average method of different types of repurchase.

Employee Benefits

a. Retirement benefit plans

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

The Group recognizes gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on curtailment comprises any resulting change in the fair value of plan assets, change in the present value of 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 is consistent with those of

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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 financial year, and is adjusted if there is any significant market change, curtailment, settlement or other significant one-time event.

b. Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

Income Tax

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

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

Additional 10% surtax on undistributed earnings calculated through income tax laws are recognized in current taxes at the year which the shareholders' meeting resolution.

b. Deferred taxes

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. A deferred tax asset is recognized when TWM has a great chance to have a taxable profit to offset deductible temporary differences, deduction of losses and deduction of taxes accrued from

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buying equipment, research and development and employee training. Deferred taxes shall not be recognized for temporary differences from the following exceptions:

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

Deferred taxes are measured based on the statutory tax rate on the reporting date; or the actual legislative tax rate, during the year of expected asset realization or debt liquidation. The measurement of deferred tax liabilities and deferred tax assets shall reflect the tax consequences that would follow the manner in which the entity expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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 reporting date.

Revenue

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

- a. Service revenues from mobile communication services, wireless services, fixed network

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services, and value-added services, net of any applicable discount, are billed at predetermined rates; the fixed monthly fees on the basic cable TV services are accrued.

b. Sales of goods

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

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

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

c. Customer loyalty program

The amount allocated to the customer loyalty program is estimated at fair value. Revenue is recognized 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.

e. Dividend and interest

Dividend income attributable to investments is recognized on the date that the Group's right to receive payment and under the premise that the associated economic benefits will probably flow into the Group and the amount can be reliably measured.

Interest which arose from financial instruments is recognized when the economic benefits will probably flow into the Group and the amount can be reliably measured. Recognition is based on accrual basis and revenue is in accordance with weighted average outstanding

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principal and effective interest.

Business Combination

Upon conversion to IFRSs that is endorsed by the Financial Supervisory Commission, R.O.C., the Group recognized the amount of goodwill for those acquisitions occurred prior to 1 January 2012, based on the Guidelines issued by Financial Supervisory Commission in 10 January 2009 and the financial accounting standards and interpretation issued by the Accounting Research and Development Foundation. (The former GAAP)

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the interim consolidated financial statements in conformity with IFRSs (in accordance 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.

In the preparation of the interim consolidated financial statements, the critical accounting judgments and the key sources of estimation uncertainty are expected to be consistent with the first annual financial statements prepared under Taiwan-IFRSs.

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 estimation from any change in economic condition or business strategy may lead to significant impairment loss in the future.

The Group has not recognized any impairment loss for the nine months ended September 30, 2013 and 2012.

b. Impairment assessment of goodwill

The use value of 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 resolves 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, 2013, December 31, September 30 and January 1, 2012, the carrying value of goodwill each amounted to \$15,845,930 thousand. The Group has not recognized

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any impairment loss on goodwill for the nine months ended September 30, 2013 and 2012.

c. Impairment assessment of investments accounted for using equity method

Impairment assessment is required if, and only if, there is an objective evidence of impairment on investments accounted for using equity method and carrying value may not be recoverable. Management assesses the impairment based on the expected future cash flows from investee, including the growth rate of revenues estimated by the management of investee. General situation of the market and business, which share similar characteristics, is taken into consideration to identify 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, 2013 and 2012.

d. Income tax

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

As of September 30, 2013, December 31, September 30 and January 1, 2012, the carrying value of deferred income tax assets amounted to are \$973,957 thousand, \$1,072,844 thousand, \$1,093,422 thousand and \$1,181,857 thousand, respectively; the carrying value of deferred income tax liabilities amounted to \$2,491,672 thousand, \$2,119,747 thousand, \$1,971,978 thousand and \$1,628,204 thousand, respectively .

e. Useful lives of property, plant and equipment

Please refer to the summary of significant accounting policies — property, plant and equipment. 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 its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Significant impairment loss may occur if actual cash flows are less than forecasted.

As of September 30, 2013, December 31, September 30 and January 1, 2012, the carrying value of accounts receivable amounted to \$14,093,419 thousand, \$11,760,714 thousand, \$10,722,779 thousand and \$9,823,943 thousand. They were the net amounts after subtracting the allowances for doubtful accounts that amounted to \$315,369 thousand,

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\$267,589 thousand, \$258,344 thousand and \$247,803 thousand, respectively.

6. DESCRIPTION OF THE SIGNIFICANT ACCOUNTS

a. Cash and Cash Equivalents

	<u>2013.9.30</u>	<u>2012.12.31</u>	<u>2012.9.30</u>	<u>2012.1.1</u>
Government bonds with repurchase rights	\$ 4,275,781	2,316,352	1,689,847	2,607,596
Cash in banks	2,414,937	1,317,845	940,260	1,135,422
Time deposits	960,391	2,336,475	1,956,413	2,709,645
Cash on hand	125,269	207,380	105,881	19,989
Revolving funds	9,784	13,088	13,938	12,558
Short-term notes and bills with repurchase rights	-	-	-	86,982
	<u><u>\$ 7,786,162</u></u>	<u><u>6,191,140</u></u>	<u><u>4,706,339</u></u>	<u><u>6,572,192</u></u>

As of September 30, 2013, December 31, September 30, and January 1, 2012, the time deposits with original maturities of more than three months amounted to \$982,416 thousand, \$1,032,500 thousand, \$1,032,500 thousand and \$121,800 thousand, respectively, which were classified as other financial assets under current assets. Please refer to Note 6 (1) Other assets.

b. Current financial assets at fair value through profit or loss

	<u>2013.9.30</u>	<u>2012.12.31</u>	<u>2012.9.30</u>	<u>2012.1.1</u>
Beneficiary certificates	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>60,186</u>

c. Available-for-sale financial assets

	<u>2013.9.30</u>	<u>2012.12.31</u>	<u>2012.9.30</u>	<u>2012.1.1</u>
Domestic emerging stock –Taiwan High Speed Rail	\$ 1,253,952	1,127,655	1,159,229	1,123,144
Beneficiary certificates	749,668	-	-	-
Domestic listed stocks – Chunghwa Telecom Co., Ltd.	205,832	205,397	204,093	217,351
	<u><u>\$2,209,452</u></u>	<u><u>1,333,052</u></u>	<u><u>1,363,322</u></u>	<u><u>1,340,495</u></u>
Current	<u>\$ 955,500</u>	<u>205,397</u>	<u>204,093</u>	<u>217,351</u>
Non-current	<u>\$ 1,253,952</u>	<u>1,127,655</u>	<u>1,159,229</u>	<u>1,123,144</u>

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d. Non-current financial assets at cost

	<u>2013.9.30</u>	<u>2012.12.31</u>	<u>2012.9.30</u>	<u>2012.1.1</u>
Domestic unlisted stocks				
Arcoa Communication Co., Ltd.	\$ 67,731	67,731	67,731	67,731
Great Taipei Broadband Co., Ltd.	39,627	39,627	39,627	41,241
Parawin Venture Capital Corp.	16,873	16,873	16,873	20,207
WEB Point Co., Ltd.	6,773	6,773	6,773	6,773
Foreign unlisted stocks				
Bridge Mobile Pte Ltd.	50,324	50,324	50,324	50,324
	<u>\$ 181,328</u>	<u>181,328</u>	<u>181,328</u>	<u>186,276</u>

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

For the nine months ended September 30, 2013 and 2012, the Group recognized an impairment loss of \$0 and \$1,948 thousand, respectively.

e. Non-current bond investment without active market

	<u>2013.9.30</u>	<u>2012.12.31</u>	<u>2012.9.30</u>	<u>2012.1.1</u>
Taiwan High Speed Rail Corporation – unlisted convertible preferred stock – series A	<u>\$ 500,000</u>	<u>500,000</u>	<u>500,000</u>	<u>500,000</u>

f. Accounts and Notes receivable, net

	<u>2013.9.30</u>	<u>2012.12.31</u>	<u>2012.9.30</u>	<u>2012.1.1</u>
Notes receivable	\$ 36,096	42,710	52,424	23,423
Accounts receivable	14,408,788	12,028,303	10,981,123	10,071,746
Less: allowance for doubtful accounts	(315,369)	(267,589)	(258,344)	(247,803)
Accounts receivable, net	<u>14,093,419</u>	<u>11,760,714</u>	<u>10,722,779</u>	<u>9,823,943</u>
Total	<u>\$ 14,129,515</u>	<u>11,803,424</u>	<u>10,775,203</u>	<u>9,847,366</u>

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Movements of allowance for doubtful receivables for the nine months ended September 30, 2013 and 2012 are as follows:

	For the nine months ended September 30	
	2013	2012
Beginning balance	\$ 267,589	247,803
Add: Provision	232,770	219,337
Reversal	98,767	109,122
Less: write-off	(283,757)	(317,902)
Effects of exchange rate changes	-	(16)
Ending balance	\$ 315,369	258,344

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

g. Inventories

	2013.9.30	2012.12.31	2012.9.30	2012.1.1
Merchandise	\$ 3,078,831	2,554,992	2,232,754	2,004,103
Materials for maintenance	75,733	11,908	-	-
	\$ 3,154,564	2,566,900	2,232,754	2,004,103

For the three months ended September 30, 2013 and for the 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, which included a loss of \$63,935 thousand and \$63,651 thousand from the decrease of net realizable value, respectively.

For the three months ended September 30, 2012 and for the nine months ended September 30, 2012, the cost of goods sold recognized in the consolidated comprehensive income amounted to \$7,025,022 thousand and \$21,034,606 thousand, which included a loss of \$60 thousand and \$49,282 thousand from the decrease of net realizable value, respectively.

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h. Investments Accounted for Using Equity Method

Company invested	2013.9.30		2012.12.31		2012.9.30		2012.1.1	
	Amount	% of Ownership	Amount	% of Ownership	Amount	% of Ownership	Amount	% of Ownership
Taipei New Horizons Co., Ltd. (TNH)	\$ 1,601,580	49.90	811,841	49.90	544,111	49.90	562,812	49.90
Taiwan Pelican Express Co., Ltd. (TPE)	370,329	20.00	359,643	20.00	349,491	20.00	-	-
Kbro Media Co., Ltd.	290,301	32.50	77,078	32.50	77,579	32.50	-	-
	<u>\$ 2,262,210</u>		<u>1,248,562</u>		<u>971,181</u>		<u>562,812</u>	

(1) TNH

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

On May 15, 2012, TNH's board of directors resolved to increase TNH's capital by \$550,000 thousand, divided into 55,000 thousand shares with par value of \$10 per share, with a record date of November 6, 2012. TWM subscribed for the shares based on its proportion of the shareholding, which remains at 49.9%. TWM paid \$199,600 thousand as of September 30, 2012 and recognized the investment in other non-current assets, Please refer to Note 6(l) Other assets.

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

(2) TPE

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

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(3) Kbro Media Co., Ltd.

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

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

i. Property, Plant and Equipment

Movements of the cost, depreciation and impairment loss of property, plant and equipment of the Group for the nine months ended September 30, 2013 and 2012 are as follows:

	Land	Buildings	Office equipment	Telecommunication equipment	Lease Assets	Miscellaneous equipment	Construction in progress	Total
Cost:								
Balance, January 1, 2013	\$ 6,735,900	4,145,550	141,867	70,234,280	1,285,920	4,112,591	3,915,581	90,571,689
Additions	-	748	12,333	227,601	-	362,255	8,839,311	9,442,248
Reclassification	1,983,782	814,705	-	4,964,121	-	312,859	(8,133,327)	(57,860)
Disposals	-	-	(4,794)	(3,035,720)	-	(325,684)	(32,229)	(3,398,427)
Effect of exchange rate changes	-	-	119	6,599	-	2,867	-	9,585
Balance, September 30, 2013	<u>\$ 8,719,682</u>	<u>4,961,003</u>	<u>149,525</u>	<u>72,396,881</u>	<u>1,285,920</u>	<u>4,464,888</u>	<u>4,589,336</u>	<u>96,567,235</u>
Balance, January 1, 2012	\$ 6,457,641	4,102,798	142,497	66,400,798	1,285,920	3,423,970	2,788,504	84,602,128
Additions	278,258	40,952	10,136	279,034	-	324,363	4,949,662	5,882,405
Reclassification	-	-	1,849	4,081,613	-	255,584	(4,330,783)	8,263
Disposals	-	-	(15,321)	(1,390,050)	-	(109,871)	(2,453)	(1,517,695)
Effect of exchange rate changes	-	-	(475)	(5,034)	-	(2,258)	-	(7,767)
Balance, September 30, 2012	<u>\$ 6,735,899</u>	<u>4,143,750</u>	<u>138,686</u>	<u>69,366,361</u>	<u>1,285,920</u>	<u>3,891,788</u>	<u>3,404,930</u>	<u>88,967,334</u>
Accumulated depreciation and impairment:								
Balance, January 1, 2013	\$ 83,426	1,127,005	112,400	45,302,209	680,182	2,673,294	-	49,978,516
Depreciation	-	103,101	12,821	5,782,301	48,360	560,114	-	6,506,697
Reclassification	-	(4,698)	-	-	-	(18,342)	-	(23,040)
Disposals	-	-	(3,533)	(2,190,429)	-	(221,927)	-	(2,415,889)
Effect of exchange rate changes	-	-	29	1,141	-	697	-	1,867
Balance, September 30, 2013	<u>\$ 83,426</u>	<u>1,225,408</u>	<u>121,717</u>	<u>48,895,222</u>	<u>728,542</u>	<u>2,993,836</u>	<u>-</u>	<u>54,048,151</u>

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

	Land	Buildings	Office equipment	Telecommunication equipment	Lease Assets	Miscellaneous equipment	Construction in progress	Total
Balance, January 1, 2012	\$ 83,426	977,746	102,026	39,285,293	615,702	2,066,973	-	43,131,166
Depreciation	-	85,918	18,315	5,590,427	48,360	538,526	-	6,281,546
Reclassification	-	84	-	-	-	355	-	439
Disposals	-	-	(13,400)	(1,022,485)	-	(93,079)	-	(1,128,964)
Effect of exchange rate changes	-	-	(392)	(207)	-	(405)	-	(1,004)
Balance, June 30, 2012	<u>\$ 83,426</u>	<u>1,063,748</u>	<u>106,549</u>	<u>43,853,028</u>	<u>664,062</u>	<u>2,512,370</u>	<u>-</u>	<u>48,283,183</u>
Carrying amount:								
Balance, January 1, 2013	<u>\$ 6,652,474</u>	<u>3,018,545</u>	<u>29,467</u>	<u>24,932,071</u>	<u>605,738</u>	<u>1,439,297</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>27,808</u>	<u>23,501,659</u>	<u>557,378</u>	<u>1,471,052</u>	<u>4,589,336</u>	<u>42,519,084</u>
Balance, January 1, 2012	<u>\$ 6,374,215</u>	<u>3,125,052</u>	<u>40,471</u>	<u>27,115,505</u>	<u>670,218</u>	<u>1,356,997</u>	<u>2,788,504</u>	<u>41,470,962</u>
Balance, September 30, 2012	<u>\$ 6,652,473</u>	<u>3,080,002</u>	<u>32,137</u>	<u>25,513,333</u>	<u>621,858</u>	<u>1,379,418</u>	<u>3,404,930</u>	<u>40,684,151</u>

j. Investment Property

	2013.9.30	2012.12.31	2012.9.30	2012.1.1
Land:				
Cost	<u>\$ 241,257</u>	<u>216,465</u>	<u>216,465</u>	<u>216,465</u>
Buildings:				
Cost	\$ 122,101	113,168	113,168	113,168
Accumulated depreciation	34,804	29,642	28,877	26,834
Carrying amount	<u>\$ 87,297</u>	<u>83,526</u>	<u>84,291</u>	<u>86,334</u>
Total investment property	<u>\$ 328,554</u>	<u>299,991</u>	<u>300,756</u>	<u>302,799</u>
Fair value	<u>\$ 722,122</u>	<u>654,623</u>	<u>667,511</u>	<u>667,514</u>

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

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

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

k. Intangible Assets

The cost, amortization and impairment loss of intangible assets of the Group for the nine months ended September 30, 2013 and 2012 are as follows:

	3G concession license	Goodwill	Other intangible assets					Total
			Computer software	Customer relationship	Operating rights	Trademarks	Others	
Cost:								
Balance, January 1, 2013	\$ 10,281,000	15,845,930	1,664,031	2,849,197	1,382,000	2,517,290	5,631	34,545,079
Addition	-	-	119,375	-	-	570	-	119,945
Disposals	-	-	(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>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>
Balance, January 1, 2012	\$ 10,281,000	15,845,930	1,399,057	2,849,197	1,382,000	2,516,947	2,864	34,276,995
Addition	-	-	100,661	-	-	343	1,398	102,402
Disposals	-	-	(52,474)	-	-	-	-	(52,474)
Reclassification	-	-	173,153	-	-	-	-	173,153
Effect of exchange rate changes	-	-	(501)	-	-	-	(27)	(528)
Balance, September 30, 2012	<u>\$ 10,281,000</u>	<u>15,845,930</u>	<u>1,619,896</u>	<u>2,849,197</u>	<u>1,382,000</u>	<u>2,517,290</u>	<u>4,235</u>	<u>34,499,548</u>
Amortization and impairment loss:								
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
Disposals	-	-	(48,416)	-	-	-	-	(48,416)
Effect of exchange rate changes	-	-	282	-	-	-	44	326
Balance, September 30, 2013	<u>\$ 6,355,527</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>
Balance, January 1, 2012	\$ 5,047,036	-	940,532	681,090	-	273	2,226	6,671,157
Amortization	560,782	-	272,485	134,734	-	92	617	968,710
Disposals	-	-	(52,474)	-	-	-	-	(52,474)
Reclassification	-	-	(1,890)	-	-	-	-	(1,890)
Effect of exchange rate changes	-	-	(145)	-	-	-	(18)	(163)
Balance, September 30, 2012	<u>\$ 5,607,818</u>	<u>-</u>	<u>1,158,508</u>	<u>815,824</u>	<u>-</u>	<u>365</u>	<u>2,825</u>	<u>7,585,340</u>
Carrying amounts:								
Balance, January 1, 2013	<u>\$ 4,486,254</u>	<u>15,845,930</u>	<u>431,506</u>	<u>1,988,999</u>	<u>1,382,000</u>	<u>2,516,890</u>	<u>2,575</u>	<u>26,654,154</u>
Balance, September 30, 2013	<u>\$ 3,925,473</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>
Balance, January 1, 2012	<u>\$ 5,233,964</u>	<u>15,845,930</u>	<u>458,525</u>	<u>2,168,107</u>	<u>1,382,000</u>	<u>2,516,674</u>	<u>638</u>	<u>27,605,838</u>
Balance, September 30, 2012	<u>\$ 4,673,182</u>	<u>15,845,930</u>	<u>461,388</u>	<u>2,033,373</u>	<u>1,382,000</u>	<u>2,516,925</u>	<u>1,410</u>	<u>26,914,208</u>

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

(1) 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 relative standards. Although parts of the intangible assets such as operating rights and trademarks have 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.
- (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 the FMT. TWM measured the fair value of the acquired assets and viewed FMT's retailing as one cash-generating unit. Accordingly, trademarks are identified as major intangible assets.

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

(2) Goodwill

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

	<u>2013.9.30</u>	<u>2012.12.31</u>	<u>2012.9.30</u>	<u>2012.1.1</u>
Mobile communication service	\$ 7,238,758	7,238,758	7,238,758	7,238,758
Fixed network service	357,970	357,970	357,970	357,970
Cable television business	3,269,636	3,269,636	3,269,636	3,269,636
Retail business	4,979,566	4,979,566	4,979,566	4,979,566
	<u>\$15,845,930</u>	<u>15,845,930</u>	<u>15,845,930</u>	<u>15,845,930</u>

(3) Impairment of assets

In conformity with IAS No. 36 “Impairment of Assets,” the Group identified the smallest identifiable group of cash-generating units, which were engaged in mobile communication services, fixed network services, cable television business and the retail business, were viewed as separate, independent cash-generating units.

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

(a) Wireless service

(i) Assumptions on cash flows

The five-year cash flow projections were estimated on the basis of previous experiences, actual operating results, and 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 customer obtained and existing customer maintained. The estimates of remaining costs and expenses were based on the cost drivers of each item.

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

(iv) Assumptions on discount rate

For the year ended December 31, 2012 and 2011, the discount rate used to calculate the asset recoverable amounts of TWM was 6.20% and 6.98%, respectively.

(b) Fixed network service

(i) Assumptions on cash flows

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

(ii) Assumptions on operating revenues

After taking into consideration the changes in the telecom industry and TWM's growth of operation, the operating revenues were estimated basing on the demand of the 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 costs and expenses.

(iv) Assumptions on discount rate

For the year ended December 31, 2012 and 2011, the discount rates were 6.44% and 7.22%, 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 experiences, actual operating results and 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.

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

(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 proportion of the actual costs and expenses to operating revenues.

(iv) Assumptions on discount rate

The discount rates used to calculate the asset recoverable amounts for each system operator ranged from 10.36% to 11.12% and from 8.20% to 8.47% for the year ended December 31, 2012 and 2011, respectively.

(d) Retail business

(i) Assumptions on cash flows

The five-year cash flow projections were estimated on the basis of previous experiences, actual operating results and 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 basing on the classification and the average price of commodities, and the degree of the contribution of the customers.

(iii) Assumptions on operating costs and expenses

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

(iv) Assumptions on discount rate

For the year ended December 31, 2012 and 2011, the discount rates were 6.89% and 10.72%, respectively, in calculating the asset recoverable amounts.

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 were no impairment in intangible assets for the year ended 2012 and 2011. As of September 30, 2013, there is no significant change that leads to impairment in intangible assets.

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

1. Other assets

	<u>2013.9.30</u>	<u>2012.12.31</u>	<u>2012.9.30</u>	<u>2012.1.1</u>
Current :				
Other financial assets—				
time deposits with original maturity of more than three months	\$ 982,416	1,032,500	1,032,500	121,800
Pledged time deposits and restricted deposits	446,696	406,030	261,518	73,062
Current tax assets	7,296	106,091	106,991	105,122
Others	50,950	78,941	84,622	46,041
	<u>\$ 1,487,358</u>	<u>1,623,562</u>	<u>14,85,631</u>	<u>346,025</u>
Non—current :				
Long-term accounts receivables	\$ 4,029,386	3,477,817	3,285,720	2,726,570
Refundable deposits (Note1)	1,572,991	574,301	546,969	516,978
Prepayments for equipment	212,854	111,821	80,116	147,618
Other financial assets—				
pledged time deposits and restricted deposits	93,542	110,530	73,688	90,825
Prepayments for investments(Note 2)	30,000	-	199,600	-
Others	531,353	520,626	531,143	526,428
	<u>\$ 6,470,126</u>	<u>4,795,095</u>	<u>4,717,236</u>	<u>4,008,419</u>

Note 1: TWM has submitted an application to NCC for the auction of Mobile Broadband Business licenses, and has deposited \$1,000,000 thousand as bid bond as of June, 2013. Please refer to Note 11.

Note 2: Details of prepayments for investments were as follows:

- (1) For business development, TWM participated in the establishment of NFC (Near Field Communication) trusted service manager corporation –Alliance Digital Technology Co., Ltd. As of September 30, 2013, the prepayment of \$30,000 thousand has been paid for establishing the pre-opening office.
- (2) As of September 30, 2012, prepayments for subscribing shares from capital increase of TNH amounted to \$199,600 thousand. Please refer to Note 6(h).

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

m. Short-term Borrowings and Short-term Notes and Bills payable

2013.9.30		
	Annual interest rate	Amount
Unsecured loans— financial institutions	0.83%~1.25%	\$ 8,000,000
Secured loans— related parties	6.3%~7.224%	328,480
		\$ 8,328,480
Bills Payable	0.7%~0.742%	\$ 400,000
Less: Discount on bills payable		(400)
		\$ 399,600
2012.12.31		
	Annual interest rate	Amount
Unsecured loans— financial institutions	0.88%~1.15%	\$ 3,000,000
Secured loans— related parties	6.3 %	158,440
		\$ 3,158,440
2012.9.30		
	Annual interest rate	Amount
Unsecured loans— financial institutions	0.89%~1.322%	\$ 13,000,000
Secured loans— financial institutions	6.048%~7.0848%	89,918
		\$ 13,089,918
Bills Payable	1.4%	\$ 300,000
Less: Discount on bills payable		(357)
		\$ 299,643
2012.1.1		
	Annual interest rate	Amount
Unsecured loans— financial institutions	0.89%~0.98%	\$ 9,000,000
Bills payable	0.948%~0.958%	\$ 900,000
Less: Discount on bills payable		(727)
		\$ 899,273

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

For the information of time deposits pledged as collateral of bank loans, please refer to Note 8.

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

n. Advance Receipts

	<u>2013.9.30</u>	<u>2012.12.31</u>	<u>2012.9.30</u>	<u>2012.1.1</u>
Advance receipts from customers	\$ 2,935,805	2,942,912	2,616,240	2,937,104
Customers loyalty deferred	72,163	77,824	68,397	39,326
Others	123,136	89,088	89,640	77,240
	<u>\$ 3,131,104</u>	<u>3,109,824</u>	<u>2,774,277</u>	<u>3,053,670</u>

- (1) In accordance with 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 amounted to \$1,279,694 thousand and \$8,074 thousand, respectively, as of September 30, 2013. The guaranty will last for a year.
- (2) In accordance with NCC's policy, TFN entered into a contract with First Commercial Bank Co., Ltd., which provided performance guarantee for advance receipts from International Direct Dialing (IDD) calling card amounted to \$4,029 thousand as of September 30, 2013. The guaranty will last for a year.
- (3) In accordance with 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, 2013, the cable television companies had provided \$54,915 thousand as performance deposit, which is classified as other non-current assets – other financial asset.
- (4) In accordance with the Ministry of Economic Affairs' policy, FMT entered into a contract with Taipei Fubon Commercial Bank Co., Ltd. In order to provide a performance deposit, the trust account balance maintained monthly by FMT should be the same as the amount of the outstanding gift certificates. As of September 30, 2013, FMT had provided \$1,196 thousand as performance deposit, which is classified as Other current assets – other financial asset.
- (5) In accordance with NCC's and ministry of Economic Affairs' policies, TKT entered into a contract with Mega International Commercial Bank Co., Ltd. which provided performance guarantee for advance receipts from prepaid music cards which amounted to \$2,062 thousand as of September 30, 2013. The guaranty will last for a year.

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

o. Bonds Payable

	<u>2013.9.30</u>	<u>2012.12.31</u>	<u>2012.9.30</u>	<u>2012.1.1</u>
2nd domestic unsecured bonds	\$ 4,000,000	4,000,000	8,000,000	8,000,000
3rd domestic unsecured bonds	8,995,747	8,995,180	-	-
4th domestic unsecured bonds	<u>5,796,488</u>	<u>-</u>	<u>-</u>	<u>-</u>
	18,792,235	12,995,180	8,000,000	8,000,000
Less: current portion	<u>(4,000,000)</u>	<u>(4,000,000)</u>	<u>(4,000,000)</u>	<u>(4,000,000)</u>
	<u>\$ 14,792,235</u>	<u>8,995,180</u>	<u>4,000,000</u>	<u>4,000,000</u>

(1) 2nd domestic unsecured bonds

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

Future repayment of the above-mentioned corporate bonds is as below:

<u>Year</u>	<u>Amount</u>
The fourth quarter of 2013	<u><u>\$ 4,000,000</u></u>

(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 year 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	<u>4,500,000</u>
	<u><u>\$ 9,000,000</u></u>

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

(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 year with equal installments, i.e., \$2,900,000 thousand.

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

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

p. Provisions

	2013.9.30	2012.12.31	2012.9.30	2012.1.1
Restoration	\$ 973,753	875,805	847,455	760,015
Warranties	45,148	-	-	-
	\$ 1,018,901	875,805	847,455	760,015
Current	\$ 181,331	120,610	114,056	90,014
Non-current	837,570	755,195	733,399	670,001
	\$ 1,018,901	875,805	847,455	760,015

	Restoration	Warranties	Total
Balance, January 1, 2013	\$ 875,805	-	875,805
Provision	122,377	70,757	193,134
Discounted or amortized	10,625	-	10,625
Payment	(35,054)	(25,609)	(60,663)
Balance, September 30, 2013	\$ 973,753	45,148	1,018,901
Balance, January 1, 2012	\$ 760,015	-	760,015
Provision	97,295	-	97,295
Discounted or amortized	9,695	-	9,695
Payment	(19,550)	-	(19,550)
Balance, September 30, 2012	\$ 847,455	-	847,455

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

(1) Restoration

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

(2) Warranties

The Group estimates provisions based on the expected expenses from sales contracts, which provide a one-year warranty.

q. Operating Lease

(1) Lessee

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

	<u>2013.9.30</u>	<u>2012.12.31</u>	<u>2012.9.30</u>	<u>2012.1.1</u>
Less than one year	\$ 2,847,103	2,781,216	2,577,493	2,187,976
Between one to five years	5,446,897	5,725,608	5,288,940	3,910,579
More than five years	128,641	124,612	125,394	146,613
	<u>\$ 8,422,641</u>	<u>8,631,436</u>	<u>7,991,827</u>	<u>6,245,168</u>

The Group leases offices, stores, base transceiver station and 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.

For the three months ended September 30, 2013 and 2012, and for the nine months ended September 30, 2013 and 2012, \$904,441 thousand, \$717,061 thousand, \$2,495,740 thousand and \$2,035,410 thousand were recognized respectively as rental expenses in profit or loss in respect of operating leases.

(2) Leaser

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

	<u>2013.9.30</u>	<u>2012.12.31</u>	<u>2012.9.30</u>	<u>2012.1.1</u>
Less than one year	\$ 20,314	20,710	21,403	12,624
Between one to five years	27,105	40,800	45,570	20,108
	<u>\$ 47,419</u>	<u>61,510</u>	<u>66,973</u>	<u>32,732</u>

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

r. Employee Benefits

(1) Defined benefit plan

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. The Group's expenses recognized in profit or loss amounted to \$1,103 thousand, \$1,503 thousand, \$3,310 thousand and \$4,370 thousand for the three months ended September 30, 2013 and 2012, and for the nine months ended September 30, 2013 and 2012, respectively.

(2) Defined contribution plans

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

The Group's pension expenses recognized in profit or loss amounted to \$60,869 thousand, \$56,642 thousand, \$180,729 thousand and \$166,816 thousand for the three months ended September 30, 2013 and 2012, and for the nine months ended September 30, 2013 and 2012, respectively. As of September 30, 2013 and 2012, \$41,258 thousand and \$45,348 thousand were payable to the Bureau of the Labor Insurance. The amounts were all paid after the balance sheet date.

s. Income Tax

(1) Components of income tax expense are as below:

	For the three months ended September 30		For the nine months ended September 30	
	2013	2012	2013	2012
Current income tax expense				
Current period	\$ 785,342	749,972	2,061,710	2,154,676
Prior years adjustment on current income tax	(664)	(15,459)	23,229	(26,431)
	<u>784,678</u>	<u>734,513</u>	<u>2,084,939</u>	<u>2,128,245</u>
Deferred income tax expense				
Current period	98,417	126,892	470,812	432,209
Income tax expense	<u><u>\$ 883,095</u></u>	<u><u>861,405</u></u>	<u><u>2,555,751</u></u>	<u><u>2,560,454</u></u>

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

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

	For the nine months ended September 30	
	2013	2012
Profit before tax	\$ 14,736,179	15,053,942
Income tax expense at domestic statutory tax rate	2,295,323	2,538,262
Permanent differences		
Investment income from domestic investees accounted for using the equity method	1,627	2,294
Others	(12,732)	(1,588)
Temporary differences	(216,297)	(373,632)
Deferred income taxes	470,812	432,209
Prior years' adjustment	23,229	(26,431)
Prior years' loss carryforwards	(6,211)	(10,660)
	<u>\$ 2,555,751</u>	<u>2,560,454</u>

Integrated income tax information was as follows:

	<u>2013.9.30</u>	<u>2012.12.31</u>	<u>2012.9.30</u>	<u>2012.1.1</u>
Balance of the Group's imputation credit account (ICA)	<u>\$ 787,942</u>	<u>1,145,595</u>	<u>365,796</u>	<u>2,442,957</u>

As of September 30, 2013, there were no unappropriated earnings generated before 1997.

The actual tax creditable ratio was 23.73% for the 2011 earnings appropriation.

The actual tax creditable ratio in 2012 was 12.43%, based on Interpretation No.10204562810 which was announced on October 17, 2012 by Ministry of Finance of 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 the tax is credit allocated to each shareholder. Actual allocation of 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 2012 earnings appropriation.

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

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

	<u>Year</u>
TWM	2011
TransAsian Telecommunications Inc. (TAT)	All examined
Mobitai Communications (Mobitai)	All examined
TCC	2010
WMT	2011
GWMT	2011
GFMT	2011
TDC	2011
TDS (established on April 2,2013)	-
TCCI	2011
TID	2011
TSB	2011
TFN	2011, but 2010 not yet authorized
TT&T	2010
TUI	2011
TFNI	2008
WTVB	2011
TFNM	2011, but 2008 not yet authorized
UCTV	2010
YJCTV	2011
MCTV	2011
PCTV	2011
GCTV	2010
TKT	2011
FMT	2011
FST	2010
FLI	2011
FPI	2011
TFMT	2011
FSMT	2011

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

TWM's income tax returns for the years up to 2011 had been examined by the tax authorities. TWM disagreed with the following examination results of the income tax returns and had requested for a reexamination for the years 2006, 2008, 2009 and 2010. TWM planned to request a reexamination for the year of 2011. TWM had filed for corrections of its 2006 income tax returns.

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

Mobitai's income tax returns up to 2007 had been examined by the tax authorities. Mobitai disagreed with the examination results on the income tax return for 2006 and 2007 and requested a reexamination.

TFN's income tax returns up to 2011(except for 2010) had been examined by the tax authorities. TFN disagreed with the examination results of the income tax return for 2008 and 2009 and requested a reexamination.

TFNM's income tax returns up to 2011 had been examined by the tax authorities, except for 2008. TFNM disagreed with the examination results of the income tax returns and requested an appeal for 2006 and 2007. TFNM had requested a reexamination for the tax returns for 2009.

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

t. Capital and Other Equities

(1) Ordinary Share

As of September 30, 2013, TWM has authorized ordinary share of 6,000,000 thousand shares, with 3,420,833 thousand shares outstanding. (par value \$10).

(2) Capital surplus

Under the Company Act, capital surplus, the part which generated from the excess of the issue price over the par value of capital stock, including the stock issued for new capital, provisions for convertible corporate bonds and treasury share transactions, may be applied to cover deficit, or be transferred to capital as stock dividends or distributed as cash dividends when there is no deficit, and this transfer is restricted to a certain percentage of the paid-in capital.

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

The capital surplus on September 30, 2013, December 31, 2012, September 30, 2012 and January 1, 2012 were as follows:

	Amount
Additional paid-in capital from convertible corporate bonds	\$ 8,775,820
Treasury share transaction	3,639,301
Others	16,730
	\$ 12,431,851

(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 to the paid-in capital. After offsetting any deficit, the legal reserve may be transferred to capital as stock dividends or distributed as cash dividends within the amount in excess of 25% of the paid-in capital in pursuant to the resolution to be adopted by the shareholders' meeting.

(4) Appropriation of earnings and dividend policy

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

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

TWM's dividend distribution is based on the availability of excess funds. That is, TWM first projects future capital needs through a capital budgeting process and then provides for the projected capital needs by using retained earnings. The remainder is available for cash dividend distribution. However, the amount of stock dividends should not be more than 80% of the total dividends to be distributed in a single year. The final amount, type and percentage of the dividends are subject to the approval of the board of directors and

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

shareholders based on actual earnings and working capital requirements of TWM in a particular year.

A regulation issued by the Securities and Futures Bureau requires a special reserve be made from the unappropriated earnings, equivalent to the debit balance of any account (except for treasury share) shown in other shareholders' equity. The special reserve appropriated will be reversed to the extent that the net debit balance reverses. The Group is not applicable to the regulations in Interpretation No.1010012865 by FSC for recognizing special reserve.

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

TWM's estimated bonuses to employees amounted to \$115,319 thousand and \$105,601 thousand, respectively, for the three months ended September 30, 2013 and 2012, and those amounted to \$324,936 thousand and \$301,855 thousand, respectively, were for the nine months of September 30, 2013 and 2012. The estimated remuneration to directors amounted to \$11,532 thousand and \$10,560 thousand, respectively, for the three months ended September 30, 2013 and 2012, and those amounted to \$32,494 thousand and \$30,185 thousand respectively, were for the nine month, of September 30, 2013 and 2012.

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

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

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

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

The cash dividends of \$5.4 per share mentioned above were distributed from unappropriated earnings. Besides, the board of directors resolved another cash appropriation with legal reserve which amounted to \$269,010 thousand, that is, \$0.1 per share. Total appropriation distributed in 2012 was \$5.5 per share.

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

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

(5) Other equity interest

	<u>Exchange differences on translation</u>	<u>Unrealized gain (loss) on available-for-sale financial assets</u>	<u>Total</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>
Balance, January 1, 2012	\$ 34,231	321,987	356,218
— The Group	(8,409)	22,826	14,417
— Associates	(135)		(135)
Balance, September 30, 2012	<u><u>\$ 25,687</u></u>	<u><u>344,813</u></u>	<u><u>370,500</u></u>

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(6) Treasury share

As of September 30, 2013, December 31, June 30, January 1, 2012, TWM's stock held by TCCI, TUI and TID (all are subsidiaries 100% owned by TWM) was 730,726 thousand shares and the carrying and market values were \$76,726,214 thousand, \$78,187,666 thousand, \$78,187,666 thousand and \$68,980,520 thousand, respectively. For the reasons that shares held by subsidiaries regarded as treasury share, TWM reclassified \$31,077,183 thousand from investments accounted for using the equity method to treasury share. Although these shares are treated as treasury share in the financial statements, the shareholders are entitled to exercise their rights over these shares, except for the participation in capital injection by cash. In addition, based on the ROC Company Act, the holders, which are subsidiaries over 50% owned by TWM, of treasury share cannot exercise the voting rights.

(7) Non-controlling interests

	For the nine months ended September 30	
	2013	2012
Beginning balance	\$ 1,072,204	1,106,427
Portion attributable to non-controlling interest		
Profit	145,760	163,131
Unrealized loss on available- for -sale financial assets	(27,085)	-
Exchange differences on translation	1,286	(4,958)
Cash dividends from subsidiaries paid to non-controlling interests	(247,986)	(252,763)
Changes in ownership percentage of subsidiaries	22,015	-
Ending balance	\$ 966,194	1,011,837

u. Earnings Per Share

The Group calculated the basic and diluted EPS as follows:

	For the three months ended September 30		For the nine months ended September 30	
	2013	2012	2013	2012
Basic EPS				
Profit attributable to ordinary shareholders	\$ 4,271,058	4,164,951	12,034,668	12,330,357
Weighted average number of ordinary shares	2,690,107	2,690,107	2,690,107	2,690,107
	\$ 1.58	1.54	4.47	4.58

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

	For the three months ended September 30		For the nine months ended September 30	
	2013	2012	2013	2012
	Diluted EPS			
Profit attributable to ordinary shareholders	<u>\$ 4,271,058</u>	<u>4,164,951</u>	<u>12,034,668</u>	<u>12,330,357</u>
Weighted average number of ordinary shares (adjusted with potential effect of diluted ordinary shares)	2,690,107	2,690,107	2,690,107	2,690,107
Effect of employees' bonuses	<u>3,095</u>	<u>2,821</u>	<u>5,417</u>	<u>5,414</u>
Weighted average number of ordinary shares (adjusted with potential effect of diluted ordinary shares)	<u>2,693,202</u>	<u>2,692,928</u>	<u>2,695,524</u>	<u>2,695,521</u>
	<u>\$ 1.58</u>	<u>1.54</u>	<u>4.46</u>	<u>4.57</u>

If TWMM may settle the bonus to employees by cash or shares, TWMM 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 from dividing the entire amount of the bonus by the closing price of the shares at the balance sheet 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.

v. Operating Revenues

The Group's operating revenues are detailed as follows:

	For the three months ended September 30		For the nine months ended September 30	
	2013	2012	2013	2012
	Telecommunication service	\$ 15,193,875	14,937,261	44,679,086
Sales revenue	9,911,041	7,857,434	29,672,314	23,464,547
Cable TV and broadband	1,504,942	1,485,200	4,476,979	4,437,168
Other operating revenues	<u>651,652</u>	<u>406,272</u>	<u>1,760,507</u>	<u>1,150,916</u>
	<u>\$ 27,261,510</u>	<u>24,686,167</u>	<u>80,588,886</u>	<u>73,351,230</u>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

w. Other Income and Expenses

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

	For the three months ended		For the nine months ended	
	September 30		September 30	
	2013	2012	2013	2012
Police inquiry	\$ 8,475	8,062	24,025	23,190
Government subsidy	989	314	3,590	2,921
Others	16,203	8,791	20,615	26,545
	\$ 25,667	17,167	48,230	52,656

x. Non-operating Income and Expenses

(1) Other income

The Group's other income are as follows:

	For the three months ended		For the nine months ended	
	September 30		September 30	
	2013	2012	2013	2012
Interest income	\$ 26,667	12,772	67,930	40,400
Dividend income	11,628	19,567	24,245	19,567
Other income	4,918	10,853	28,069	32,833
	\$ 43,213	43,192	120,244	92,800

(2) Other gains and losses, net

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

	For the three months ended		For the nine months ended	
	September 30		September 30	
	2013	2012	2013	2012
Loss on disposal of property, \$ plant and equipment	(201,759)	(157,234)	(876,132)	(382,858)
Foreign exchange gains (losses)	(17,018)	(7,949)	3,867	(11,721)
Others	(7,610)	(3,254)	(14,272)	(10,607)
	\$ (226,387)	(168,437)	(886,537)	(405,186)

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(3) Financial costs

The Group's financial costs are as follows:

	For the three months ended		For the nine months ended	
	September 30		September 30	
	2013	2012	2013	2012
Interest expense				
Corporate bonds	\$ 79,107	58,819	211,013	175,198
Bank loans	23,169	27,674	45,729	61,607
Others	9,865	8,129	28,118	21,278
	112,141	94,622	284,860	258,083
Less: capitalized interest	(7,044)	(3,389)	(16,147)	(10,578)
	\$ 105,097	91,233	268,713	247,505

Capitalization rates are as follows:

	For the three months ended		For the nine months ended	
	September 30		September 30	
	2013	2012	2013	2012
Capitalization rates	1.41%~1.42%	1.56 %	1.36%~1.60%	1.56%~1.92%

y. Capital Management

The Group manages its capital to maintain a healthy capital base, to meet the minimal paid-in capital required by authority-in-charge, and to optimize the balance of liability and equity in order to maximize shareholders' return. By periodically reviewing and measuring relative cost, risk and rate of return to ensure well-performing profit and financial ratio, 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.

z. Financial Instruments

(1) Credit risk

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

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(b) Impairment loss

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

	2013.9.30		2012.12.31		2012.9.30		2012.1.1	
	Total amount	Impairment	Total amount	Impairment	Total amount	Impairment	Total amount	Impairment
Not past due	\$ 13,870,587	182,817	11,257,293	150,687	10,125,047	143,074	9,518,878	126,473
Overdue within 180 days	528,717	131,752	742,229	115,653	839,596	114,021	539,807	120,081
Overdue more than 180 days	9,484	800	28,781	1,249	16,480	1,249	13,061	1,249
	\$ 14,408,788	315,369	12,028,303	267,589	10,981,123	258,344	10,071,746	247,803

(2) Liquidity risk

The Group's working capitals are 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 which carrying amounts approximate to contractual cash flows.

	Carrying amount	Contractual cash flows	Within 1 year	1~5 years	More than 5 years
2013.9.30					
Unsecured loans	\$ 8,000,000	8,012,872	8,012,872	-	-
Secured loans	328,480	331,849	331,849	-	-
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
2012.12.31					
Unsecured loans	\$ 3,000,000	3,004,073	3,004,073	-	-
Secured loans	158,440	168,422	168,422	-	-
Bonds payable	12,995,180	13,899,100	4,235,800	482,400	9,180,900
	\$ 16,153,620	17,071,595	7,408,295	482,400	9,180,900
2012.9.30					
Unsecured loans	\$ 13,000,000	13,023,010	13,023,010	-	-
Secured loans	89,918	91,057	91,057	-	-
Bills payable	299,643	300,000	300,000	-	-
Bonds payable	8,000,000	8,345,600	4,230,400	4,115,200	-
	\$ 21,389,561	21,759,667	17,644,467	4,115,200	-
2012.1.1					
Unsecured loans	\$ 9,000,000	9,010,726	9,010,726	-	-
Bills payable	899,273	900,000	900,000	-	-
Bonds payable	8,000,000	8,345,600	4,230,400	4,115,200	-
	\$ 17,899,273	18,256,326	14,141,126	4,115,200	-

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(3) Exchange rate risk

(a) Exposure to exchange rate risk

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

	2013.9.30			2012.12.31			2012.9.30			2012.1.1		
	Foreign currency	Exchange Rate	NTD	Foreign currency	Exchange Rate	NTD	Foreign currency	Exchange Rate	NTD	Foreign currency	Exchange Rate	NTD
Financial Assets												
RMB	\$ 89,124	4.827	430,205	32,213	4.657	150,019	29,425	4.659	137,088	45,755	4.793	219,304
USD	39,339	29.54	1,162,091	26,814	29.04	778,753	18,395	29.36	540,115	20,009	30.28	605,864
JPY	183	0.2998	55	69	0.3391	24	61	0.3778	23	245	0.3897	95
HKD	3,214	3.809	12,242	2,593	3.747	9,717	2,575	3.787	9,753	1,807	3.896	7,039
EUR	886	39.88	35,344	110	38.48	4,223	59	37.83	2,242	20	39.17	765
Financial Liabilities												
RMB	79,658	4.827	384,515	49,280	4.657	229,494	31,745	4.659	147,901	12,602	4.793	60,403
USD	14,636	29.54	432,349	8,172	29.04	236,900	6,155	29.36	180,722	8,264	30.28	250,284
JPY	9,716	0.2998	2,913	11,932	0.3391	4,046	4,265	0.3788	1,611	13,126	0.3897	5,115
HKD	7,894	3.809	30,071	7,881	3.747	29,529	8,481	3.787	32,119	12,733	3.896	49,607
EUR	18	39.88	730	6	38.48	224	337	37.83	12,759	9	39.17	339
GBP	3	47.52	155	3	46.89	145	23	47.57	1,116	33	46.87	1,547

(b) Sensitivity analysis

The Group's exchange rate risk comes mainly from conversion gains and losses of accounts measured in foreign currencies such as cash and cash equivalents, accounts receivable and other receivables, refundable deposits, loans, accounts payable, other payables and guarantee deposits, etc. NTD, when compared with CNY, USD, JPY, HKD, EUR, and GBP, appreciates or depreciates for 5%, (with other factors remain constant on reporting date and analyses of the two periods are on the same basis) profit will be increased or decreased by \$39,460 thousand and by \$15,668 thousand for the nine months ended September 30, 2013 and 2012, respectively.

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

(4) Interest rate analysis

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

	Carrying amount			
	2013.9.30	2012.12.31	2012.9.30	2012.1.1
Fair value interest rate risk				
Financial assets	\$ 6,642,534	3,480,906	2,667,315	2,861,092
Financial liabilities	27,191,835	15,995,180	21,299,643	17,899,273
Cash flow interest rate risk				
Financial assets	2,466,635	3,946,856	3,207,142	3,812,744
Financial liabilities	328,480	158,440	89,918	-

The following sensitivity analysis is determined through the exposure to interest rate risk of derivative and non-derivative instruments on the reporting date. For floating rate assets and liabilities, the analysis assumes that the balances of outstanding assets and liabilities on the reporting date have been outstanding for the whole period, and their rational change intervals are being estimated. If the interest rate increase/decrease by 0.5% (with other factors remain constant on reporting date and analyses of the two periods are on the same basis), for the nine months ended September 30, 2013 and 2012, the Group's profit would increase or decrease by \$8,018 thousand and \$11,690 thousand, respectively.

(5) Fair value of financial instruments

(a) Financial instruments not at fair value through profit or loss

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

	2013.9.30		2012.12.31		2012.9.30		2012.1.1	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial liabilities								
Corporate bonds payable	\$18,792,235	18,731,684	12,995,180	13,071,134	8,000,000	8,101,584	8,000,000	8,192,952
(Including portion due within a year)								

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

Corporate bonds payable's fair value are measured based on a volume-weighted average price on the reporting date listed on OTC.

(b) Fair value measurements recognized in the consolidated balance sheets.

Fair value levels are defined on a basis to 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>
2013.9.30				
<u>Available-for-sale financial assets</u>				
Domestic emerging stock	\$ 1,253,952	-	-	1,253,952
Beneficiary certificate	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>
2012.12.31				
<u>Available-for-sale financial assets</u>				
Domestic emerging stock	\$ 1,127,655	-	-	1,127,655
Domestic listed stock	205,397	-	-	205,397
	<u>\$ 1,333,052</u>	<u>-</u>	<u>-</u>	<u>1,333,052</u>
2012.9.30				
<u>Available-for-sale financial assets</u>				
Domestic emerging stock	\$ 1,159,229	-	-	1,159,229
Domestic listed stock	204,093	-	-	204,093
	<u>\$ 1,363,322</u>	<u>-</u>	<u>-</u>	<u>1,363,322</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>
2012.1.1				
<u>Financial asset at fair value through profit and loss</u>				
Beneficiary certificates	<u>\$ 60,186</u>	<u>-</u>	<u>-</u>	<u>60,186</u>
<u>Available-for-sale financial assets</u>				
Domestic emerging stock	\$ 1,123,144	-	-	1,123,144
Domestic listed stock	217,351	-	-	217,351
	<u>\$ 1,340,495</u>	<u>-</u>	<u>-</u>	<u>1,340,495</u>

There was no transfer between the fair value measurements for the nine months ended September 30, 2013 and 2012.

aa. Financial Risk Management

(1) Outlines

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

(2) Risk Management Framework

(a) Decision-making Mechanism:

The Board of Directors is the highest supervisory and decision-making body responsible for assessing material risks, designating actions to control these risks and keeping track of their execution. Besides, the Operations and Management Committee conducts periodic review of each business group's operating target and performance to meet the Company'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 cite, evaluate, supervise and control risk.

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

iii. Create a company-wide risk management structure that can limit risk to an acceptable level.

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

(c) Monitoring Mechanism:

The Internal Audit Office regularly monitors and assesses potential and varying levels of risks that the Company may face and uses this information as 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 financial instrument fails to meet its contractual obligations, which arises principally from the Group's receivables from customers and financial instrument. The Group deals with customers with good reputation and monitors customer credit risk and credit rating continuously. The Group doesn't concentrate transaction significantly with any single customer, 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 have 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 properly. As of September 30, 2013, December 31, 2012, September 30, 2012 and January 1, 2012, the Group had unused bank facilities for \$62,685,913 thousand, \$67,537,430 thousand, \$57,009,991 thousand and \$58,131,014 thousand, respectively.

(5) Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, will affect the Group's income or the value of its holdings of financial

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

instruments. The objective of market risk management is to manage and control market risk exposures within acceptable range and to optimize the return.

The Group's engages in transaction of financial instruments without involving any significant risk such as exchange rate risk, fair value risk arose from interest rate change, 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. Small portion of the expenses are paid in EUR and USD, thus the Group purchases currency at the spot rate based on conservative principle in order to hedge from exchange rate risk. Overall, exchange rate risk does not affect the Group significantly.

(b) Interest Rate Risk

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

(c) Other Market Price Risk

The Group's exposure to equity price risk is mainly due to holding of the 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 increased/decreased by 5% (With other factors remain constant and the analyses of the two periods are on the same basis), for the nine months ended September 30, 2013 and 2012, other comprehensive income would increase or decrease by \$110,473 thousand and \$68,166 thousand, respectively.

7. RELATED PARTY TRANSACTION

a. Parent Company and Ultimate Controlling Party

TWM is the ultimate controlling party of the Group.

b. Key Management Personnel Compensation

	For the three months ended		For the nine months ended	
	September 30		September 30	
	2013	2012	2013	2012
Short-term employee benefits	\$ 42,217	71,709	230,069	243,279
Post-employment benefits	616	817	2,008	2,487
Termination benefits	34,245	-	34,245	-
	\$ 77,078	72,526	266,322	245,766

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

c. Other Related Party Transactions

(1) Sale of Goods to Related Parties

	Operating revenues			
	For the three months ended		For the nine months ended	
	September 30		September 30	
	2013	2012	2013	2012
Associates	\$ 9,580	183	9,580	183
Other related parties	59,175	63,828	157,132	160,359
	\$ 68,755	64,011	166,712	160,542

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

(2) Purchase of Service from Related Parties

	Operating costs			
	For the three months ended		For the nine months ended	
	September 30		September 30	
	2013	2012	2013	2012
Associates	\$ 128,928	121,505	446,052	121,505
Other related parties	54,723	47,890	141,102	142,889
	\$ 183,651	169,395	587,154	264,394

Entities mentioned above provide logistics, copyright, insurance service and so on. The transaction terms from related parties were not significantly different from those of purchases from third parties.

(3) Receivables and Payables

	Accounts receivable (Notes)			
	2013.9.30	2012.12.31	2012.9.30	2012.1.1
Associates	\$ 4,974	107	-	-
Other related parties	63,708	70,932	89,647	129,019
	\$ 68,682	71,039	89,647	129,019

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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

Note: Information of leasehold receivable from other related parties mentioned above were as follows: (Long-term receivables are recognized in non-current assets.)

<u>Terms</u>	<u>Leasehold receivable</u>		<u>Unrealized income</u>	
	<u>Short-term</u>	<u>Long-term</u>	<u>Short-term</u>	<u>Long-term</u>
2013.9.30	\$ 18,348	14,224	(563)	(632)
2012.12.31	37,874	26,570	(881)	(1,270)
2012.9.30	32,997	31,048	(1,118)	(1,633)
2012.1.1	56,952	62,164	(2,139)	(3,020)

	<u>Accounts payable</u>			
	<u>2013.9.30</u>	<u>2012.12.31</u>	<u>2012.9.30</u>	<u>2012.1.1</u>
Associates	\$ 46,821	64,377	63,569	-
Other related parties	58,089	-	-	-
	\$ 104,910	64,377	63,569	-

(4) Bank Deposits

	<u>2013.9.30</u>	<u>2012.12.31</u>	<u>2012.9.30</u>	<u>2012.1.1</u>
(a) <u>Bank deposits and time deposits</u>				
Other related parties	\$ 1,112,598	704,620	689,994	814,306
(b) <u>Other financial assets — Pledged time deposits and restricted deposits</u>				
Other related parties	\$ 56,111	28,796	45,474	39,252
<u>Time deposits with maturities of more than three months</u>				
Other related parties	\$ 932,916	923,000	923,000	22,300

(5) Borrowings from Related Parties

	<u>2013.9.30</u>	<u>2012.12.31</u>	<u>2012.9.30</u>	<u>2012.1.1</u>
Other related parties	\$ 328,480	158,440	-	-

(6) Mutual funds purchased from Related Parties

	<u>2013.9.30</u>	<u>2012.12.31</u>	<u>2012.9.30</u>	<u>2012.1.1</u>
Other related parties	\$ 200,000	-	-	-

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

(7) Government Bonds with repurchase rights purchased from Related Parties

	<u>2013.9.30</u>	<u>2012.12.31</u>	<u>2012.9.30</u>	<u>2012.1.1</u>
Other related parties	\$ -	339,156	302,000	407,459

(8) Others

	<u>2013.9.30</u>	<u>2012.12.31</u>	<u>2012.9.30</u>	<u>2012.1.1</u>
(a) <u>Other receivables</u>				
Associates	\$ 96,985	166,868	124,414	-
Other related parties	56,970	49	37	467
	<u>\$ 153,955</u>	<u>166,917</u>	<u>124,451</u>	<u>467</u>

(b) Prepayments

Other related parties	<u>\$ 23,081</u>	<u>9,758</u>	<u>13,137</u>	<u>11,244</u>
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(c) Guarantee deposits

Other related parties	<u>\$ 27,726</u>	<u>56,306</u>	<u>56,306</u>	<u>56,201</u>
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(d) Other payables

Other related parties	<u>\$ 13,020</u>	<u>6,862</u>	<u>6,954</u>	<u>4,949</u>
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For the three months ended
September 30

For the nine months ended
September 30

	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
(e) <u>Insurance expense</u>				
Other related parties	<u>\$ 2,162</u>	<u>2,896</u>	<u>10,990</u>	<u>13,023</u>
(f) <u>Repair and maintenance expense</u>				
Other related parties	<u>\$ 6,666</u>	<u>6,422</u>	<u>20,216</u>	<u>18,053</u>
(g) <u>Donation expense</u>				
Other related parties	<u>\$ -</u>	<u>-</u>	<u>14,540</u>	<u>7,900</u>

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

	For the three months ended		For the nine months ended	
	September 30		September 30	
	2013	2012	2013	2012
(h) <u>Other expense</u>				
Other related parties	\$ 66,480	38,641	159,664	109,359
(i) <u>Financial costs</u>				
Other related parties	\$ 11,631	-	11,631	-
(j) <u>Rental expenses</u>				
Other related parties	\$ 29,400	29,465	88,335	88,396

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

8. ASSETS PLEDGED

The assets pledged as collateral for bank loans, credit line of deposit overdraft and guarantees, and refundable deposits for construction contracts were as follows:

	2013.9.30	2012.12.31	2012.9.30	2012.1.1
Other current assets – time deposits	\$ 445,500	403,000	254,468	73,062
Other non-current assets – time deposits	38,626	56,110	19,433	28,369
	<u>\$ 484,126</u>	<u>459,110</u>	<u>273,901</u>	<u>101,431</u>

FMT uses the above current assets – time deposits as collateral to issue letter of credit (LC) as guarantee for the loan of Fubon Gehua (Beijing) Enterprise Ltd. Please refer to Note 9(g).

9. COMMITMENTS AND CONTINGENCIES

- a. To enhance 3G mobile communications, expand network coverage, and increase the service functions, TWM entered into 3G expansion contracts with Nokia Siemens Networks Taiwan Co., Ltd. for \$6,650,000 thousand in February 2011. TWM increased the total amount of the contract to not higher than 14,600,000 thousand in September 2012. As of September 30, 2013, December 31, 2012, September 30, 2012 and January 1, 2012, the purchase amount was \$9,328,885 thousand, \$5,526,374 thousand, \$4,639,114 thousand and \$1,980,972 thousand, respectively.

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

- b. TWM provided a maximum \$21,500,000 thousand guarantee for TFN's bank loans. Under bank practices, TWM also provided \$15,133,900 thousand, \$21,116,400 thousand, \$21,127,600 thousand and 19,759,800 thousand of promissory notes outstanding for TFN's borrowings from banks, respectively. As of September 30, 2013, December 31, 2012, September 30, 2012 and January 1, 2012, TFN had drawdown \$0, \$500 thousand, \$0 and \$0 from the banks within the guarantee amount, respectively.
- c. TWM provided a maximum \$50,000 thousand guarantee for TKT's bank guarantee. Under bank practices, TWM also provided \$50,000 thousand in promissory notes outstanding for TKT's guarantee from banks. As of September 30, 2013, TKT had drawdown \$2,062 thousand from the banks within the guarantee amount.
- d. To improve the network quality and bandwidth, TFN entered into a purchase contract of transmission facility and IP equipment with Nokia Siemens Networks Taiwan Co., Ltd. in July 2011. The total amount of the contract will be no higher than \$769,576 thousand. As of September 30, 2013, December 31, 2012, September 30, 2012 and January 1, 2012, the purchase amount was \$607,657 thousand, \$448,776 thousand, \$245,114 thousand and \$46,123 thousand, respectively.
- e. To improve the cloud service, TFN entered into an engineering contract of cloud service facility with Shen Ton information technology Co., Ltd. in October 2012. The total amount of the contract will be not higher than \$443,990 thousand. As of September 30, 2013 and December 31, 2012, \$133,197 thousand and \$0 had been paid, respectively.
- f. In accordance with NCC's policy to establish network equipment that meets the Fixed Network Regulations, TFN entered into a contract with CommVerge Solutions (BVI) Taiwan branch to displace the existing Carrier Ethernet Network in March, 2013. The total amount of the contract will be no higher than \$357,739 thousand. As of September 30, 2013, the purchase amount was \$78,829 thousand.
- g. As of September 30, 2013, December 31, 2012 and September 30, 2012, FMT provided a guarantee for Fubon Gehua (Beijing) Enterprise Ltd. (FGE) with a ceiling of US\$12,320 thousand, US\$11,400 thousand and US\$ 5,700 thousand, respectively. The amount of LC, under bank practices, was US\$12,320 thousand, US\$11,400 thousand and US\$ 5,250 thousand, respectively, deriving from bank loans; and the time deposit of \$424,000 thousand, \$380,000 thousand and \$180,000 thousand, respectively, were pledged as guarantee for the LC. The ending drawdown balance within the guarantee and endorsement was CNY\$68,050 thousand, CNY\$34,022 thousand and CNY\$19,300 thousand,

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

respectively, and no balance as of January 1, 2012.

10. SIGNIFICANT CASUALTY LOSS: NONE

11. SIGNIFICANT SUBSEQUENT EVENTS:

TWM won the Mobile Broadband spectrum of 30 MHz x 2 bandwidth for 4G service on October 30, 2013. The bid of 29,010,000 thousand (10,485,000 thousand for 700MHz 15MHz x 2 bandwidth, and 18,525,000 thousand for 1800MHz 15MHz x 2 bandwidth.) will be paid in full within 30 days from the date of declaration of authority-in-charge. TWM has deposited \$1,000,000 thousand as bid bond. Please refer to Note 6(l) Other assets.

12. OTHERS

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

	For the three months ended September 30					
	2013			2012		
	Classified as Operating Costs	Classified as Operating Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Total
Employee benefits						
Salary	\$ 522,393	990,324	1,512,717	470,952	919,489	1,390,441
Labor and health insurance	41,300	78,409	119,709	35,303	67,233	102,526
Pension	22,196	39,801	61,997	20,421	37,671	58,092
Others	23,339	49,296	72,635	20,447	41,751	62,198
Depreciation	2,046,388	143,500	2,189,888	1,946,642	168,022	2,114,664
Amortization	232,793	76,657	309,450	234,033	84,094	318,127

	For the nine months ended September 30					
	2013			2012		
	Classified as Operating Costs	Classified as Operating Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Total
Employee benefits						
Salary	\$ 1,534,243	3,062,549	4,596,792	1,417,749	2,733,391	4,151,140
Labor and health insurance	118,706	236,067	354,773	105,268	197,099	302,367
Pension	63,831	120,208	184,039	60,778	110,408	171,186
Others	63,956	143,043	206,999	59,347	122,831	182,178
Depreciation	6,044,196	462,501	6,506,697	5,796,914	484,632	6,281,546
Amortization	701,555	224,548	926,103	701,627	267,083	968,710

b. Certain accounts in the consolidated financial statements as of and for the nine months

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

ended September 30, 2012, have been reclassified to conform to the presentation of consolidated financial statements as of and for the nine months ended September 30, 2013.

13. ADDITIONAL DISCLOSURES

a. Information on significant transactions and b. Information on investees:

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

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

c. Information on investment in Mainland China:

- (1) The name of the investee in Mainland China, the main businesses and products, issued capital, method of investment, information on inflow or outflow of capital, ownership, investment gain or loss, ending balance, amount received as earnings distributions from the investment, and the limitation on investment: Table 8 (attached)

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

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

14. SEGMENT INFORMATION

For the three months ended September 30, 2013	Consumer Business Group (CBG)	Enterprise Business Group (EBG)	Home Business Group (HBG)	Fubon Multimedia Technology (FMT)	Adjustments and Eliminations	Total
Operating Revenues	\$ 17,842,758	2,623,408	1,566,421	5,302,239	(73,316)	27,261,510
Operating Costs	10,295,436	1,762,711	728,678	4,648,227	(12,989)	17,422,063
Operating Expenses	3,436,359	242,587	196,462	524,864	(17,142)	4,383,130
Other gains and losses, net	22,885	5,248	871	(3,254)	(83)	25,667
Profit	4,133,848	623,358	645,152	125,894	(43,268)	5,484,984
EBITDA (Note)	6,106,573	891,182	820,774	170,697	(4,705)	7,984,521
For the three months ended September 30, 2012						
Operating Revenues	\$ 16,116,689	2,631,229	1,540,146	4,318,883	79,220	24,686,167
Operating Costs	8,830,152	1,764,138	687,775	3,713,184	117,397	15,112,646
Operating Expenses	3,398,750	254,686	184,694	498,015	(23,763)	4,312,382
Other gains and losses, net	13,760	2,770	(17)	655	(1)	17,167
Profit	3,901,547	615,175	667,660	108,339	(14,415)	5,278,306
EBITDA (Note)	5,870,008	851,473	816,249	154,586	19,505	7,711,821
For the nine months ended September 30, 2013						
Operating Revenues	\$ 52,657,895	7,951,742	4,654,834	15,544,077	(219,662)	80,588,886
Operating Costs	30,364,282	5,172,742	2,127,997	13,502,807	(48,706)	51,119,122
Operating Expenses	10,879,534	741,852	553,168	1,617,669	(54,984)	13,737,239
Other gains and losses, net	42,140	6,922	1376	(2,125)	(83)	48,230
Profit	11,456,219	2,044,070	1,975,045	421,476	(116,055)	15,780,755
EBITDA (Note)	17,361,575	2,825,469	2,470,504	560,966	(2,694)	23,215,820
For the nine months ended September 30, 2012						
Operating Revenues	\$ 48,377,010	7,820,197	4,582,544	12,744,625	(173,146)	73,351,230
Operating Costs	26,908,341	5,238,775	2,020,728	10,820,420	(21,837)	44,966,427
Operating Expenses	10,124,981	774,862	549,417	1,454,066	(93,196)	12,810,130
Other gains and losses, net	41,612	8,538	1,355	1,152	(1)	52,656
Profit	11,385,300	1,815,098	2,013,754	471,291	(58,114)	15,627,329
EBITDA (Note)	17,281,898	2,495,800	2,436,547	610,487	54,980	22,879,712

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

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

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

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

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

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

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

15. FIRST-TIME ADOPTION OF IFRSs

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

The accounting policies described in Note 4 has been adopted to the comparative interim consolidated financial statements for the nine months ended September 30, 2012, consolidated balance sheet as of December 31, 2012, and initial IFRSs consolidated balance sheet as of January 1, 2012 (The Group's conversion date).

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

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

a. Reconciliation of Balance sheet

	2012.12.31			
	Former ROC GAAP	Changes in accounting policy (Note)	Effects of transition to IFRSs	IFRSs
ASSETS:				
CURRENT ASSETS:				
Cash and cash equivalents	\$ 7,223,640	-	(1,032,500)	6,191,140
Investments	205,397	-	-	205,397
Accounts receivable and other receivables	8,282,404	4,333,548	-	12,615,952
Inventories	2,566,900	-	-	2,566,900
Prepayments	1,136,424	-	(398,926)	737,498
Other current assets	637,702	-	985,860	1,623,562
Total current assets	20,052,467	4,333,548	(445,566)	23,940,449
NON-CURRENT ASSETS:				
Investments	2,842,353	-	215,192	3,057,545
Property, plant and equipment	39,834,181	-	758,992	40,593,173
Investment property	299,991	-	-	299,991
Intangible assets	26,781,024	-	(126,870)	26,654,154
Deferred income tax assets	496,957	550	575,337	1,072,844
Other non-current assets	2,068,071	3,402,679	(675,655)	4,795,095
Total non-current assets	72,322,577	3,403,229	746,996	76,472,802
TOTAL ASSETS	\$ 92,375,044	7,736,777	301,430	100,413,251
LIABILITIES AND EQUITY:				
CURRENT LIABILITIES:				
Short-term borrowings	\$ 3,158,440	-	-	3,158,440
Notes payable and accounts payable	7,579,474	-	-	7,579,474
Current tax liability	1,523,604	-	-	1,523,604
Other payables	9,425,186	-	67,449	9,492,635
Current provisions	120,610	-	-	120,610
Long-term liabilities, current portion	4,000,000	-	-	4,000,000
Advance receipts and other current liabilities, others	4,942,192	(905,666)	42,130	4,078,656
Total current liabilities	30,749,506	(905,666)	109,579	29,953,419
NON-CURRENT LIABILITIES:				
Bonds payable	8,995,180	-	-	8,995,180
Accrued pension liabilities	-	-	116,237	116,237
Deferred tax liabilities	239,163	1,469,672	410,192	2,119,747
Guarantee deposits	810,436	-	-	810,436
Other non-current liabilities, others	774,939	-	-	774,939
Total non-current liabilities	10,819,718	1,469,672	527,149	12,816,539
TOTAL LIABILITIES	41,569,224	564,006	636,728	42,769,958
EQUITY ATTRIBUTABLE TO OWNERS OF PARENT				
Ordinary share	34,208,328	-	-	34,208,328
Capital surplus	12,432,446	-	(595)	12,431,851
Retained earnings	34,082,930	7,172,771	(587,634)	40,668,067
Other equity interest	77,416	-	262,610	340,026
Treasury share	(31,077,183)	-	-	(31,077,183)
Total equity attributable to owners of parent	49,723,937	7,172,771	(325,619)	56,571,089
Non-controlling interests	1,081,883	-	(9,679)	1,072,204
TOTAL EQUITY	50,805,820	7,172,221	(335,298)	57,643,293
TOTAL LIABILITIES AND EQUITY	\$ 92,375,044	7,736,777	301,430	100,413,251

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

	2012.9.30			
	Former ROC GAAP	Changes in accounting policy (Note)	Effects of transition to IFRSs	IFRSs
ASSETS:				
CURRENT ASSETS:				
Cash and cash equivalents	\$ 5,738,839	-	(1,032,500)	4,706,339
Investments	204,093	-	-	204,093
Accounts receivable and other receivables	7,782,558	3,780,579	-	11,563,137
Inventories	2,232,754	-	-	2,232,754
Prepayments	1,156,918	-	(314,531)	839,387
Other current assets	499,674	-	985,957	1,485,631
Total current assets	<u>17,611,836</u>	<u>3,780,579</u>	<u>(361,074)</u>	<u>21,031,341</u>
NON-CURRENT ASSETS:				
Investments	2,764,572	-	47,166	2,811,738
Property, plant and equipment	39,946,939	-	737,212	40,684,151
Investment property	300,756	-	-	300,756
Intangible assets	27,009,872	-	(95,664)	26,914,208
Deferred income tax assets	562,223	290	530,909	1,093,422
Other non-current assets	1,977,063	3,210,584	(470,411)	4,717,236
Total non-current assets	<u>72,561,425</u>	<u>3,210,874</u>	<u>749,212</u>	<u>76,521,511</u>
TOTAL ASSETS	<u>\$ 90,173,261</u>	<u>6,991,453</u>	<u>388,138</u>	<u>97,552,852</u>
LIABILITIES AND EQUITY:				
CURRENT LIABILITIES:				
Short-term borrowings	\$ 13,089,918	-	-	13,089,918
Short-term notes and bills payable	299,643	-	-	299,643
Notes payable and accounts payable	5,211,098	-	-	5,211,098
Current tax liability	848,133	-	-	848,133
Other payables	9,148,285	-	64,594	9,212,879
Current provisions	114,056	-	-	114,056
Long-term liabilities, current portion	4,000,000	-	-	4,000,000
Advance receipts and other current liabilities	4,435,348	(989,659)	41,189	3,486,878
Total current liabilities	<u>37,146,481</u>	<u>(989,659)</u>	<u>105,783</u>	<u>36,262,605</u>
NON-CURRENT LIABILITIES:				
Bonds payable	4,000,000	-	-	4,000,000
Accrued pension liabilities	-	-	107,866	107,866
Deferred tax liabilities	228,158	1,357,030	386,790	1,971,978
Guarantee deposits	804,319	-	-	804,319
Other non-current liabilities, others	753,143	-	-	756,143
Total non-current liabilities	<u>5,785,620</u>	<u>1,357,030</u>	<u>494,656</u>	<u>7,637,306</u>
TOTAL LIABILITIES	<u>49,932,101</u>	<u>367,371</u>	<u>600,439</u>	<u>43,899,911</u>
EQUITY ATTRIBUTABLE TO OWNERS OF PARENT				
Ordinary share	34,208,328	-	-	34,208,328
Capital surplus	12,432,446	-	(595)	12,431,851
Retained earnings	30,571,133	6,624,082	(487,607)	36,707,608
Other equity interest	85,599	-	284,901	370,500
Treasury share	(31,077,183)	-	-	(31,077,183)
Total equity attributable to owners of parent	<u>46,220,323</u>	<u>6,624,082</u>	<u>(203,301)</u>	<u>52,641,104</u>
Non-controlling interests	<u>1,020,837</u>	<u>-</u>	<u>(9,000)</u>	<u>1,011,837</u>
TOTAL EQUITY	<u>47,241,160</u>	<u>6,991,453</u>	<u>(212,301)</u>	<u>53,652,941</u>
TOTAL LIABILITIES AND EQUITY	<u>\$ 90,173,261</u>	<u>6,991,453</u>	<u>388,138</u>	<u>97,552,852</u>

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

	2012.1.1			
	Former ROC GAAP	Changes in accounting policy (Note)	Effects of transition to IFRSs	IFRSs
ASSETS:				
CURRENT ASSETS:				
Cash and cash equivalents	\$ 6,693,992	-	(121,800)	6,572,192
Investments	277,537	-	-	277,537
Accounts receivable and other receivables	7,953,882	2,905,489	-	10,859,371
Inventories	2,004,103	-	-	2,004,103
Prepayments	893,383	-	(254,834)	638,549
Other current assets	252,616	-	93,409	346,025
Total current assets	18,075,513	2,905,489	(283,225)	20,697,777
NON-CURRENT ASSETS:				
Investments	2,161,551	-	210,681	2,372,232
Property, plant and equipment	40,801,447	-	669,515	41,470,962
Investment property	302,799	-	-	302,799
Intangible assets	27,760,674	-	(154,836)	27,605,838
Deferred income tax assets	743,916	472	437,469	1,181,857
Other non-current assets	1,948,468	2,616,895	(556,944)	4,008,419
Total non-current assets	73,718,855	2,617,367	605,885	76,942,107
TOTAL ASSETS	\$ 91,794,368	5,522,856	322,660	97,639,884
LIABILITIES AND EQUITY:				
CURRENT LIABILITIES:				
Short-term borrowings	\$ 9,000,000	-	-	9,000,000
Short-term notes and bills payable	899,273	-	-	899,273
Notes payable and accounts payable	6,131,123	-	-	6,131,123
Current tax liability	1,331,623	-	-	1,331,623
Other payables	9,850,737	-	61,140	9,911,877
Current provisions	90,014	-	-	90,014
Long-term liabilities, current portion	4,000,000	-	-	4,000,000
Advance receipts and other current liabilities	4,803,189	(1,012,667)	37,979	3,828,501
Total current liabilities	36,105,959	(1,012,667)	99,119	35,192,411
NON-CURRENT LIABILITIES:				
Bonds payable	4,000,000	-	-	4,000,000
Accrued pension liabilities	-	-	106,748	106,748
Deferred tax liabilities	195,847	1,111,431	320,926	1,628,204
Guarantee deposits	738,932	-	-	738,932
Other non-current liabilities, others	689,745	-	-	689,745
Total non-current liabilities	5,624,524	1,111,431	427,674	7,163,629
TOTAL LIABILITIES	41,730,483	98,764	526,793	42,356,040
EQUITY ATTRIBUTABLE TO OWNERS OF PARENT				
Ordinary share	34,208,328	-	-	34,208,328
Capital surplus	12,432,446	-	(595)	12,431,851
Retained earnings	33,272,277	5,424,092	(438,166)	38,258,203
Other equity interest	112,143	-	244,075	356,218
Treasury share	(31,077,183)	-	-	(31,077,183)
Total equity attributable to owners of parent	48,948,011	5,424,092	(194,686)	54,177,417
Non-controlling interests	1,115,874	-	(9,447)	1,106,427
TOTAL EQUITY	50,063,885	5,424,092	(204,133)	55,283,844
TOTAL LIABILITIES AND EQUITY	\$ 91,794,368	5,522,856	322,660	97,639,884

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

b. Reconciliation of Comprehensive Income Statement

	For the year ended December 31, 2012			
	Former ROC GAAP	Changes in accounting policy (Note)	Effects of transition to IFRSs	IFRSs
OPERATING REVENUES	\$ 98,250,353	2,138,282	(648,379)	99,740,256
OPERATING COSTS	62,273,706	-	(652,600)	61,621,106
GROSS PROFIT FROM OPERATIONS	35,976,647	2,138,282	4,221	38,119,150
OPERATING EXPENSES				
Marketing	12,464,605	-	140,605	12,605,210
Administrative	4,777,201	31,440	(6,899)	4,801,742
	17,241,806	31,440	133,706	17,406,952
NET OTHER INCOME AND EXPENSES	-	-	70,012	70,012
NET OPERATING INCOME	18,734,841	2,106,842	(59,473)	20,782,210
NON-OPERATING INCOME AND EXPENSES				
Other income	122,034	-	(6)	122,028
Other gains and losses, net	(542,837)	-	(77,460)	(620,297)
Financial costs	(332,114)	-	-	(332,114)
Share of profit (loss) of associates accounted for using equity method	(10,502)	-	-	(10,502)
	(763,419)	-	(77,466)	(840,885)
PROFIT BEFORE TAX	17,971,422	2,106,842	(136,939)	19,941,325
LESS: TAX EXPENSE	3,055,140	358,163	(22,177)	3,391,126
PROFIT	14,916,282	1,748,679	(114,762)	16,550,199
OTHER COMPREHENSIVE INCOME (LOSS)				
Exchange differences on translation				(13,663)
Unrealized gains on available-for-sale financial assets				(7,444)
Actuarial losses on defined benefit plans				(43,286)
Income tax generated from other comprehensive income				7,359
OTHER COMPREHENSIVE INCOME (AFTER TAX)				(57,034)
COMPREHENSIVE INCOME				\$ 16,493,165
Earnings per share				
Basic	\$ 5.46	0.65	(0.04)	6.07
Diluted	\$ 5.45	0.65	(0.04)	6.06

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

	For the three months ended September 30, 2012			
	Former ROC GAAP	Changes in accounting policy (Note)	Effects of transition to IFRSs	IFRSs
OPERATING REVENUES	\$ 24,673,825	318,551	(306,209)	24,686,167
OPERATING COSTS	15,418,630	-	(305,984)	15,112,646
GROSS PROFIT FROM OPERATIONS	9,255,195	318,551	(225)	9,573,521
OPERATING EXPENSES				
Marketing	3,120,870	-	2,341	3,123,211
Administrative	1,182,388	7,237	(454)	1,189,171
	4,303,258	7,237	1,887	4,312,382
NET OTHER INCOME AND EXPENSES	-	-	17,167	17,167
NET OPERATING INCOME	4,951,937	311,314	15,055	5,278,306
NON-OPERATING INCOME AND EXPENSES				
Other income	43,195	-	(3)	43,192
Other gains and losses, net	(147,819)	-	(20,618)	(168,437)
Financial costs	(91,233)	-	-	(91,233)
Share of profit (loss) of associates accounted for using equity method	(965)	-	-	(965)
	(196,822)	-	(20,621)	(217,443)
PROFIT BEFORE TAX	4,755,115	311,314	(5,566)	5,060,863
LESS: TAX EXPENSE	808,835	52,924	(354)	861,405
PROFIT	3,946,280	258,390	(5,212)	4,199,458
OTHER COMPREHENSIVE INCOME (LOSS)				
Exchange differences on translation				(3,438)
Unrealized gains on available-for-sale financial assets				13,314
Income tax generated from other comprehensive income				-
OTHER COMPREHENSIVE INCOME (AFTER TAX)				9,876
COMPREHENSIVE INCOME				\$ 4,209,334
Earnings per share				
Basic (NTD)	\$ 1.46	0.10	(0.02)	1.54
Diluted (NTD)	\$ 1.45	0.11	(0.02)	1.54

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

	For the nine months ended September 30, 2012			
	Former ROC GAAP	Changes in accounting policy (Note)	Effects of transition to IFRSs	IFRSs
OPERATING REVENUES	\$ 72,678,988	1,466,611	(794,369)	73,351,230
OPERATING COSTS	45,760,806	-	(794,379)	44,966,427
GROSS PROFIT FROM OPERATIONS	26,918,182	1,466,611	10	28,384,803
OPERATING EXPENSES				
Marketing	9,210,731	-	56,567	9,267,298
Administrative	3,525,108	20,839	(3,115)	3,542,832
	12,735,839	20,839	53,452	12,810,130
NET OTHER INCOME AND EXPENSES	-	-	52,656	52,656
NET OPERATING INCOME	14,182,343	1,445,772	(786)	15,627,329
NON-OPERATING INCOME AND EXPENSES				
Other income	92,804	-	(4)	92,800
Other gains and losses, net	(347,025)	-	(58,161)	(405,186)
Financial costs	(247,505)	-	-	(247,505)
Share of profit (loss) of associates accounted for using equity method	(13,496)	-	-	(13,496)
	(515,222)	-	(58,165)	(573,387)
PROFIT BEFORE TAX	13,667,121	1,445,772	(58,951)	15,053,942
LESS: TAX EXPENSE	2,323,905	245,781	(9,232)	2,560,454
PROFIT	11,343,216	1,199,991	(49,719)	12,493,488
OTHER COMPREHENSIVE INCOME (LOSS)				
Exchange differences on translation				(13,502)
Unrealized gains on available-for-sale financial assets				22,826
Income tax generated from other comprehensive income				-
OTHER COMPREHENSIVE INCOME (AFTER TAX)				9,324
COMPREHENSIVE INCOME				<u>\$ 12,502,812</u>
Earnings per share				
Basic (NTD)	<u>\$ 4.16</u>	<u>0.45</u>	<u>(0.03)</u>	<u>4.58</u>
Diluted (NTD)	<u>\$ 4.15</u>	<u>0.45</u>	<u>(0.03)</u>	<u>4.57</u>

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

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

c. Explanation to the Reconciliation of Primary Significant Differences

(1) Customer Loyalty Programmers

Under former GAAP, expenses arising from the credit award plan is estimated and recognized in financial statement as obligation of the plan has incurred. After the adoption of IFRSs, credit award, which is allocated based on the relative fair value method, should be included in deferred revenue and recognized as revenue when the redemption obligations are fulfilled the in accordance with IFRIC No. 13, "Customer Loyalty Programs." The effects of changes are summarized as follows:

	<u>2012</u>	<u>For the three months ended September 30, 2012</u>	<u>For the nine months ended September 30, 2012</u>
Consolidated statements of comprehensive income			
Operating revenues	<u>\$ (4,052)</u>	<u>(1,028)</u>	<u>(3,017)</u>
Consolidated balance sheets			
Deferred revenue		<u>\$ 42,224</u>	<u>41,189</u>
		<u>2012.12.31</u>	<u>2012.9.30</u>
		<u>2012.1.1</u>	

(2) Prepaid Card Commission

Former GAAP adopts a revenue and cost matching principle. Revenue from selling prepaid cards and its corresponding commission are recognized as revenue received in advance and expense payment in advance, which will then be recognized as service revenue and selling expense, respectively, based on customer's usage. After the adoption of IFRSs, upon the sales of prepaid cards to customers, the commission paid to the distributors shall be recognized as commission expense, in accordance with IAS (International Accounting Standards) No. 38, "Intangible Assets." The effects of changes are summarized as follows:

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

	<u>2012</u>	<u>For the three months ended September 30, 2012</u>	<u>For the nine months ended September 30, 2012</u>
Consolidated statements of comprehensive income			
Commission expenses	\$ 137,288	13	53,551
		<u>2012.12.31</u>	<u>2012.9.30</u>
Consolidated balance sheets			<u>2012.1.1</u>
Prepaid commissions		\$ (400,336)	(316,599)
			(263,048)

(3) Financial Assets – Equity Instruments

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

<u>Former GAAP</u>		<u>IFRSs</u>		
<u>Item</u>	<u>Amount of measurement</u>	<u>Item</u>	<u>Amount of measurement</u>	<u>Difference</u>
As of December 31, 2012				
		Non-current available-for-sale financial assets	1,127,655	1,127,655
Non-current financial assets carried at cost	\$ 1,093,791	Non-current financial assets carried at cost	181,328	(912,463)
	<u>\$ 1,093,791</u>		<u>1,308,983</u>	<u>215,192</u>
As of September 30, 2012				
		Non-current available-for-sale financial assets	1,159,229	1,159,229
Non-current financial assets carried at cost	\$ 1,093,791	Non-current financial assets carried at cost	181,328	(912,463)
	<u>\$ 1,093,791</u>		<u>1,340,557</u>	<u>246,766</u>

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

Former GAAP		IFRSs		
Item	Amount of measurement	Item	Amount of measurement	Difference
As of January 1, 2012				
		Non-current available-for-sale financial assets	1,123,144	1,123,144
Non-current financial assets carried at cost	\$ 1,098,739	Non-current financial assets carried at cost	186,276	(912,463)
	<u>\$ 1,098,739</u>		<u>1,309,420</u>	<u>210,681</u>

	As of December 31, 2012	As of September 30, 2012	As of January 1, 2012
The above adjustment of differences:			
Other equity interest – unrealized gains on available-for-sale financial assets	\$ 215,192	246,766	210,681

(4) Employee Benefits – Compensated Absences

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

	2012	For the three months ended September 30, 2012	For the nine months ended September 30, 2012
Consolidated statements of comprehensive income			
Wages and Salaries	\$ 550	392	(1,151)
Consolidated balance sheets		2012.12.31	2012.9.30
Wages and salaries payable		\$ 39,596	37,895
			2012.1.1
			39,046

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

(5) Leases

Under former GAAP, the period rental of the leased objective is recognized as expense. After the adoption of IFRSs, it has to be recognized as expense using the straight-line basis in accordance with the amount of contract or the amount of actual hike over the lease term in accordance with IAS No. 17, "Leases." The effects of changes are summarized as follows:

	2012	For the three months ended September 30, 2012	For the nine months ended September 30, 2012
Consolidated statements of comprehensive income			
Rent expense	\$ 5,765	2,553	4,611
Consolidated balance sheets		2012.12.31	2012.9.30
Rents payable		\$ 27,853	26,699
			22,088

(6) Employee Benefits – Post-Employment Defined Benefits Plan

Under former GAAP, the pension cost and pension liability under the defined benefit pension plan are recognized on the basis of actuarial calculations. After the adoption of IFRSs, the actuarial calculation for the defined benefit obligation is determined in accordance with IAS No. 19, "Employee Benefits."

Under former GAAP, unrecognized net transition assets or obligations is amortized on a straight-line basis over the employee's remaining service period. After the adoption of IFRSs, the aforementioned assets or obligations shall be recognized as addition/deduction of retained earnings on the date of transition to IFRSs due to the absence of the requirement under IAS No. 19, "Employee Benefits."

Under former GAAP, pension actuarial gain and loss is recognized as current pension cost by corridor approach in the income statement. After the adoption of IFRSs, the abovementioned gain or loss shall be recognized as other comprehensive income in the statement of comprehensive income, in accordance with IAS No. 19, "Employee Benefits." The effects of changes are summarized as follows:

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

	2012	For the three months ended September 30, 2012	For the nine months ended September 30, 2012
Consolidated statements of comprehensive income			
Pension expenses	\$ (17,334)	(1,907)	(5,719)
Actuarial losses on defined benefit plans	\$ 35,927	-	-
		2012.12.31	2012.9.30
Consolidated balance sheet			
Prepaid pension cost	\$ (21,050)	(1,667)	(8,504)
Deferred pension cost	\$ (22,039)	(25,409)	(25,409)
Accrued pension liabilities	\$ 116,237	107,866	106,748
Net loss not recognized as pension cost	\$ 24,050	16,775	16,775

(7) Affiliated Companies

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

	2012.12.31	2012.9.30	2012.1.1
Consolidated balance sheets			
Capital surplus	\$ (595)	(595)	(595)

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

(8) Functional Currency

Under former GAAP, the investment holding companies which are the consolidated entities used US dollars as their functional currency. After the adoption of IFRSs, they have to determine the functional currency based on the requirement under IAS No. 21 "The Effects of Changes in Foreign Exchange Rates." The effects of changes are summarized as follows:

	2012	For the three months ended September 30, 2012	For the nine months ended September 30, 2012
Consolidated statements of comprehensive income			
Amortizations	\$ (963)	-	(963)
Interest income	(6)	(3)	(4)
Exchange losses	7,576	3,484	5,601
	2012.12.31	2012.6.30	2012.1.1
Consolidated balance sheet			
Goodwill	\$ 966	681	(138)
Other payables	-	-	6
Exchange differences on translation of foreign statements	23,368	21,360	16,619

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

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

	2012.12.31	2012.9.30	2012.1.1
Consolidated balance sheet			
Cash and cash equivalents	\$ (1,032,500)	(1,032,500)	(121,800)
Other financial assets	1,032,500	1,032,500	121,800

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

(10) Classification of Leased Assets

Under former GAAP, leased offices are classified as leased assets under other assets. After the adoption of IFRSs, they are reclassified as investment properties in accordance with IAS No. 40, "Investment Property." The effects of changes are summarized as follows:

	<u>2012.12.31</u>	<u>2012.9.30</u>	<u>2012.1.1</u>
Consolidated balance sheet			
Leased assets	\$ (299,991)	(300,756)	(302,799)
Investment property	299,991	300,756	302,799

(11) Classification of Idle Assets

Under former GAAP, idle assets are classified as other assets. After the adoption of IFRSs, they are reclassified as property, plant and equipment, depending on their nature in accordance with IAS No. 16, "Property, Plant and Equipment." The effects of changes are summarized as follows:

	<u>2012</u>	<u>For the three months ended September 30, 2012</u>	<u>For the nine months ended September 30, 2012</u>
Consolidated statements of comprehensive income			
Depreciation expenses	\$ 128	33	96
Non-operating expenses-others	(128)	(33)	(96)
	<u>2012.12.31</u>	<u>2012.9.30</u>	<u>2012.1.1</u>
Consolidated balance sheets			
Idle asset	\$ (99,685)	(99,717)	(99,813)
Property, plant and equipment	99,685	99,717	99,813

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

(12) Classification of Prepayments of Property, Plant and Equipment and Computer Software Costs

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

	<u>2012.12.31</u>	<u>2012.9.30</u>	<u>2012.1.1</u>
Consolidated balance sheets			
Fixed assets	\$ (353)	-	(14,341)
Computer software	(111,468)	(78,352)	(133,277)
Other assets - prepayments for business facilities	111,821	78,352	147,618

(13) Classification of deferred charges

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

	<u>2012.12.31</u>	<u>2012.9.30</u>	<u>2012.1.1</u>
Consolidated balance sheets			
Other assets – deferred charges	\$ (666,741)	(646,979)	(596,245)
Prepayments	1,410	2,068	8,214
Property, plant and equipment	659,660	637,495	584,043
Intangible assets – computer software costs	5,671	7,416	3,988

(14) Classification of prepayments for long-term investments

Under former GAAP, prepayments for long-term investments are classified as investments. After the adoption of IFRSs, they are reclassified as prepayments of investments under other assets. The effects of changes are summarized as follows:

	<u>2012.12.31</u>	<u>2012.9.30</u>	<u>2012.1.1</u>
Consolidated balance sheets			
Investments	\$ -	(199,600)	-
Other assets –prepayments for long-term investments	-	199,600	-

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

(15) Classifications of Deferred Income Tax Assets/Liabilities and Valuation Allowance

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

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

	<u>2012.12.31</u>	<u>2012.9.30</u>	<u>2012.1.1</u>
Consolidated balance sheets			
Non-current deferred tax assets	\$ 453,107	430,606	362,336
Non-current deferred tax liabilities	453,107	430,606	362,336

(16) Revenue Recognition

There are some differences between the judgment of clients and agents under former GAAP and the requirement of IFRSs. After the adoption of IFRSs, a re-judgment is required in accordance with IAS No. 18, "Revenue." If the transaction is an agent relationship, commission will be recognized as revenue instead of the amounts received from clients.

Under former GAAP, the slotting fee, promotion fee and others, which were charged from the suppliers, are classified as operating revenue. Under IFRSs, the above-mentioned linked transactions should be recognized as purchase discounts and allowances in accordance with IAS No. 18, "Revenue." The effects of changes are summarized as follows:

	<u>2012</u>	<u>For the three months ended September 30, 2012</u>	<u>For the nine months ended September 30, 2012</u>
Consolidated statements of comprehensive income			
Operating revenues	\$ (644,327)	(305,181)	(791,352)
Operating costs	(644,327)	(305,181)	(791,352)

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

(17) Classification of income and expenses

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

	<u>2012</u>	<u>For the three months ended September 30, 2012</u>	<u>For the nine months ended September 30, 2012</u>
Consolidated statements of comprehensive income			
Non-operating income and expenses	\$ (70,012)	(17,167)	(52,656)
Other operating revenues and expenses	70,012	17,167	52,656

d. According to IFRS No. 1, except for the optional exemptions and mandatory exceptions, the Group applies the accounting policies which complies with each IFRS effective reporting period and applies them retroactively to the differences between IFRSs and ROC GAAP in its first IFRS financial statement.

The optional exemptions are set out as follows:

(a) Business Combination

The Group elects not to apply IFRS No. 3 “Business Combination” and IAS No. 27, “Consolidated and Separate Financial Statements” retroactively to business combination that occurred prior to the date of transition, including investments in associates.

(b) Pension

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

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES
FINANCING PROVIDED
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2013

TABLE 1

(In Thousands of New Taiwan Dollars)

No.	Lending Company	Borrowing Company	Financial Statement Account	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	\$ 4,000,000	\$ 4,000,000	\$ 2,070,000	1.194%~1.199%	Short-term financing	-	Operation requirements	-	-	-	\$ 21,557,173 (Note 2)	21,557,173 (Note 2)
		Global Wealth Media Technology Co., Ltd.	Other receivables	10,000	-	-	-	Short-term financing	-	Operation requirements	-	-	-	21,557,173 (Note 2)	21,557,173 (Note 2)
		Win TV Broadcasting Co., Ltd.	Other receivables	600,000	600,000	315,000	1.196%	Short-term financing	-	Operation requirements	-	-	-	21,557,173 (Note 2)	21,557,173 (Note 2)
		Taiwan Kuro Times Co., Ltd.	Other receivables	100,000	-	-	1.193%	Short-term financing	-	Operation requirements	-	-	-	21,557,173 (Note 2)	21,557,173 (Note 2)
		Wealth Media Technology Co., Ltd.	Other receivables	600,000	-	-	-	Short-term financing	-	Operation requirements	-	-	-	21,557,173 (Note 2)	21,557,173 (Note 2)
1	Taiwan Cellular Co., Ltd.	TWM	Other receivables	800,000	800,000	-	1.199%	Short-term financing	-	Operation requirements	-	-	-	34,638,674 (Note 2)	34,638,674 (Note 2)
		Taiwan Digital Communications Co., Ltd.	Other receivables	200,000	200,000	53,000	1.198%~1.199%	Short-term financing	-	Operation requirements	-	-	-	34,638,674 (Note 2)	34,638,674 (Note 2)
2	Taiwan Fixed Network Co., Ltd.	TWM	Other receivables	8,000,000	7,830,000	4,400,000	1.195%~1.199%	Short-term financing	-	Operation requirements	-	-	-	20,976,088 (Note 2)	20,976,088 (Note 2)
3	Union Cable TV Co., Ltd.	TFN Media Co., Ltd.	Other receivables	175,000	-	-	-	Short-term financing	-	Repayment of financing	-	-	-	721,730 (Note 3)	963,723 (Note 3)
4	Globalview Cable TV Co., Ltd.	TFN Media Co., Ltd.	Other receivables	261,000	251,000	251,000	1.190%~1.194%	Short-term financing	-	Repayment of financing	-	-	-	263,460 (Note 3)	484,724 (Note 3)
5	Phoenix Cable TV Co., Ltd.	TFN Media Co., Ltd.	Other receivables	560,000	532,000	532,000	1.190%~1.194%	Transactions	554,904	-	-	-	-	554,904 (Note 3)	951,407 (Note 3)
6	Yeong Jia Leh Cable TV Co., Ltd.	TFN Media Co., Ltd.	Other receivables	491,000	391,000	351,000	1.190%~1.200%	Transactions	504,865	-	-	-	-	504,865 (Note 3)	766,895 (Note 3)
7	Wealth Media Technology Co., Ltd.	TWM	Other receivables	500,000	500,000	400,000	1.196%	Short-term financing	-	Operation requirements	-	-	-	6,231,825 (Note 2)	6,231,825 (Note 2)
		Win TV Broadcasting Co., Ltd.	Other receivables	600,000	-	-	1.593%~1.608%	Short-term financing	-	Operation requirements	-	-	-	6,231,825 (Note 2)	6,231,825 (Note 2)
		Taiwan Kuro Times Co., Ltd.	Other receivables	100,000	100,000	30,000	1.196%	Short-term financing	-	Operation requirements	-	-	-	6,231,825 (Note 2)	6,231,825 (Note 2)

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

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

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

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES
ENDORSEMENT/GUARNTTEE PROVIDED
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2013

TABLE 2

(In Thousands of New Taiwan Dollars)

No.	Endorsement/Guarantor	Receiving Party		Limits on Guarantee/Endorsement Amount Provided to Each Entity	Maximum Balance for the Period (Note 1)	Ending Balance (Note 1)	Drawdown Amounts (Note 1)	Amount of Endorsement/Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/Guarantee to Net Worth of the Guarantor (Note 1)	Maximum Guarantee/Endorsement Amount Allowable	Guarantee Provided by Parent Company	Guarantee Provided by A Subsidiary	Guarantee Provided to Subsidiaries in Mainland China
		Name	Nature of Relationship										
0	TWM	Taiwan Fixed Network Co., Ltd.	(Note 2)	\$ 42,000,000 (Note 3)	\$ 21,500,000	\$ 21,500,000	\$15,133,900	\$ -	39.89%	\$ 53,892,932 (Note 3)	Y	N	N
		Taiwan Kuro Times Co., Ltd.	(Note 2)	259,800 (Note 3)	50,000	50,000	50,000	-	0.09%	53,892,932 (Note 3)	Y	N	N
1	Fubon Multimedia Technology Co., Ltd.	Fubon Gehua (Beijing) Enterprise Ltd.(FGE)	(Note 2)	653,62 (Note 4)	369,846	363,933	363,933	363,933	19.18%	1,897,473 (Note 4)	N	N	Y

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

Note 2: Direct/indirect subsidiary.

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

Note 4: FGE is directly and indirectly owned by FMT more than 50%. The aggregate endorsement/guarantee amount provided by FMT shall be limited to the net worth of FMT, and the individual amount shall be limited to the investment amount in FGE. The above amounts were translated into New Taiwan dollars at the exchange rate of US\$1 = NT\$29.54 and at the exchange rate of RMB 1 = NT\$4.827 as of September 30, 2013.

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

SEPTEMBER 30, 2013

TABLE 3

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

Investing Company	Marketable Securities Type and Name	Relationship with the Securities Issuer	Financial Statement Account	September 30, 2013				Note
				Shares/Units (Thousands)	Carrying Value	Percentage of Ownership	Market Value or Net Worth (Note 1)	
TWM	<u>Stock</u> Chunghwa Telecom Co., Ltd.	-	Available-for-sale financial assets –current	2,174	\$ 205,832	0.028	\$ 205,832 (Note 5)	
	Bridge Mobile Pte Ltd.	-	Financial assets at cost –non-current	2,200	50,324	10	- (Note 3)	
	Yes Mobile Holdings Company	-	Financial assets at cost–non-current	74	-	0.19	- (Note 3)	
	Wealth Media Technology Co., Ltd.	Subsidiary	Investments accounted for using equity method	39,065	15,579,562	100	15,579,562	
	Taiwan Cellular Co., Ltd.	Subsidiary	Investments accounted for using equity method	371,196	19,207,903	100	86,596,684 (Note 4)	
	Taipei New Horizons Co., Ltd.	Equity-method investee	Investments accounted for using equity method	174,650	1,601,580	49.9	1,601,580	
	Alliance Digital Tech. Ltd. (Pre-opening office)	-	Prepayments for investments	-	30,000	-	30,000	
Wealth Media Technology Co., Ltd.	<u>Stock</u> Fubon Multimedia Technology Co., Ltd.	Subsidiary	Investments accounted for using equity method	64,742	8,436,792	50.64	960,801	
	Win TV Broadcasting Co., Ltd.	Subsidiary	Investments accounted for using equity method	18,177	249,467	100	241,851	
	TFN Media Co., Ltd.	Subsidiary	Investments accounted for using equity method	230,921	6,315,549	100	8,666,812	
	Global Wealth Media Technology Co., Ltd.	Subsidiary	Investments accounted for using equity method	8,945	94,619	100	94,619	
	Global Forest Media Technology Co., Ltd.	Subsidiary	Investments accounted for using equity method	1,500	17,181	100	17,181	
Global Wealth Media Technology Co., Ltd.	<u>Stock</u> Globalview Cable TV Co., Ltd.	Subsidiary	Investments accounted for using equity method	3,825	93,000	6.83	44,992	
Global Forest Media Technology Co., Ltd.	<u>Stock</u> Union Cable TV Co., Ltd.	Subsidiary	Investments accounted for using equity method	1,300	15,326	0.76	13,764	

(Continued)

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

SEPTEMBER 30, 2013

Investing Company	Marketable Securities Type and Name	Relationship with the Securities Issuer	Financial Statement Account	September 30, 2013				Note
				Shares/Units (Thousands)	Carrying Value	Percentage of Ownership	Market Value or Net Worth (Note 1)	
Fubon Multimedia Technology Co., Ltd.	<u>Stock</u> Fu Sheng Travel Service Co., Ltd.	Subsidiary	Investments accounted for using equity method	2,500	\$ 32,851	100	\$ 32,851	
	Fuli Life Insurance Agent Co., Ltd.	Subsidiary	Investments accounted for using equity method	300	9,435	100	9,435	
	Fuli Property Insurance Agent Co., Ltd.	Subsidiary	Investments accounted for using equity method	300	14,075	100	14,075	
	Asian Crown (BVI)	Subsidiary	Investments accounted for using equity method	74	169,259	100	169,259	
	Taiwan Pelican Express Co., Ltd.	Equity-method investee	Investments accounted for using equity method	17,200	370,329	20	210,547	
	<u>Beneficiary Certificate</u> Fubon Strategic High Income	Related party in substance	Available-for-sale financial assets –current	18,302	187,880	-	187,880 (Note 5)	
	Emerging Market High Yield Bond	-	Available-for-sale financial assets –current	10,225	88,753	-	88,753 (Note 5)	
	Global Multi-Strategy High Yield Bond	-	Available-for-sale financial assets –current	17,089	142,002	-	142,002 (Note 5)	
	Global High Income Bond Fund	-	Available-for-sale financial assets –current	19,028	190,375	-	190,375 (Note 5)	
	Asia High Yield Total Return Bond Fund	-	Available-for-sale financial assets –current	13,909	140,658	-	140,658 (Note 5)	
Asian Crown (BVI)	<u>Stock</u> Fortune Kingdom	Subsidiary	Investments accounted for using equity method	22,236	169,259	100	169,259	
Fortune Kingdom	<u>Stock</u> HK Fubon Multimedia	Subsidiary	Investments accounted for using equity method	22,236	169,259	100	169,259	
HK Fubon Multimedia	<u>Stock</u> Fubon Gehua (Beijing) Enterprise Ltd.	Subsidiary	Investments accounted for using equity method	-	168,679	87.5	168,679	

(Continued)

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

SEPTEMBER 30, 2013

Investing Company	Marketable Securities Type and Name	Relationship with the Securities Issuer	Financial Statement Account	September 30, 2013				Note
				Shares/Units (Thousands)	Carrying Value	Percentage of Ownership	Market Value or Net Worth (Note 1)	
Taiwan Cellular Co., Ltd.	<u>Stock</u> Arcoa Communication Co., Ltd.	-	Financial assets at cost –non-current	6,998	\$ 67,731	5.21	\$ - (Note 3)	
	Parawin Venture Capital Corp.	-	Financial assets at cost –non-current	2,700	16,873	3	- (Note 3)	
	Transportation High Tech Inc.	-	Financial assets at cost –non-current	1,200	-	12	- (Note 3)	
	WEB Point Co., Ltd.	-	Financial assets at cost –non-current	803	6,773 (Note 2)	3.17	- (Note 3)	
	TWM Holding Co. Ltd.	Subsidiary	Investments accounted for using equity method	1 share	246,370	100	246,370	
	Taiwan Fixed Network Co., Ltd.	Subsidiary	Investments accounted for using equity method	2,100,000	52,441,934	100	52,440,221	
	Taiwan Digital Communication Co., Ltd.	Subsidiary	Investments accounted for using equity method	11,200	127,918	100	127,918	
	TCC Investment Co., Ltd.	Subsidiary	Investments accounted for using equity method	22,103	32,231,685	100	32,104,502	
	Taiwan Teleservices & Technologies Co., Ltd.	Subsidiary	Investments accounted for using equity method	2,484	87,600	100	87,600	
	Taiwan Digital Service Co., Ltd.	Subsidiary	Investments accounted for using equity method	20,000	1,173,257	100	1,173,257	
TWM Holding	<u>Stock</u> TWM Communications (Beijing) Co., Ltd.	Subsidiary	Investments accounted for using equity method	-	110,368	100	83,546	
Taiwan Teleservices & Technologies Co., Ltd.	<u>Stock</u> TT&T Holdings Co., Ltd.	Subsidiary	Investments accounted for using equity method	1,300	48,304	100	48,304	
	Taiwan Super Basketball Co., Ltd.	Subsidiary	Investments accounted for using equity method	2,000	25,821	100	25,821	
TT&T Holdings	<u>Stock</u> Xiamen Taifu Teleservices & Technologies Co., Ltd.	Subsidiary	Investments accounted for using equity method	-	48,014	100	48,014	

(Continued)

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

September 30, 2013

(Continued) Investing Company	Marketable Securities Type and Name	Relationship with the Securities Issuer)	Financial Statement Account	September 30, 2013				Note
				Shares/Units (Thousands)	Carrying Value	Percentage of Ownership	Market Value or Net worth (Note 1)	
TCC Investment Co., Ltd.	<u>Stock</u> TWN	TWM	Available-for-sale financial assets –non-current	200,497	\$ 21,052,160	5.86	\$ 21,052,160 (Note 5)	
	TCCI Investment and Development Co., Ltd.	Subsidiary	Investments accounted for using equity method	400	10,988,024	100	10,988,024	
	Great Taipei Broadband Co., Ltd.	-	Financial assets at cost –non-current	10,000	39,627	6.67	- (Note 3)	
	<u>Preferred stock</u> Taiwan High Speed Rail Corporation Unlisted Convertible Preferred Stock – Series A	-	Bond investment without active market - non-current	50,000	500,000	1.24	- (Note 3)	
TCCI Investment and Development Co., Ltd.	<u>Stock</u> TWM	TWM	Available-for-sale financial assets –non-current	119,564	12,554,199	3.50	12,554,199 (Note 5)	
TFN Media Co., Ltd.	<u>Stock</u> Yeong Jia Leh Cable TV Co., Ltd.	Subsidiary	Investments accounted for using equity method	33,940	2,179,556	100	655,076	
	Mangrove Cable TV Co., Ltd.	Related party in substance	Investments accounted for using equity method	6,248	596,416	29.53	333,241 (Note 6)	
	Phoenix Cable TV Co., Ltd.	Subsidiary	Investments accounted for using equity method	68,090	3,316,044	100	991,259	
	Union Cable TV Co., Ltd.	Subsidiary	Investments accounted for using equity method	169,141	1,993,515	99.22	1,790,330	
	Globalview Cable TV Co., Ltd.	Subsidiary	Investments accounted for using equity method	51,733	1,230,987	92.38	608,466	
	Taiwan Kuro Times Co., Ltd.	Subsidiary	Investments accounted for using equity method	14	163,940	100	54,172	
	Kbro Media Co., Ltd.	Equity-method investee	Investments accounted for using equity method	29,250	290,301	32.50	290,101	
Taiwan Kuro Times Co., Ltd.	<u>Stock</u> ezPeer Samoa	Subsidiary	Investments accounted for using equity method	1 share	4	100	4	

(Continued)

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

September 30, 2013

Investing Company	Marketable Securities Type and Name	Relationship with the Securities Issuer)	Financial Statement Account	September 30, 2013				Note
				Shares/Units (Thousands)	Carrying Value	Percentage of Ownership	Market Value or Net Worth (Note 1)	
Taiwan Fixed Network Co., Ltd.	<u>Stock</u> TFN Union Investment Co., Ltd.	Subsidiary	Investments accounted for using equity method	400	\$ 37,720,243	100	\$ 37,720,243	
	TFN HK LIMITED	Subsidiary	Investments accounted for using equity method	1,300	11,991	100	11,991	
	Taiwan High Speed Rail Corporation	-	Financial assets at cost –non-current	225,531	1,253,952	3.46	1,253,952 (Note 5)	
TFN Union Investment Co., Ltd.	<u>Stock</u> TWM	TWM	Available-for-sale financial assets –non-current	410,665	43,119,855	12	43,119,855 (Note 5)	

Note 1: The net worth is based on the investee's net worth per latest financial statement, unless stated otherwise.

Note 2: Impairment loss was recognized in 2004. The value was reduced to zero.

Note 3: As of the issuance date of the report, the investee's net worth of September 30, 2013 was not available.

Note 4: TWM's shares held by TCCI, TID and TUI (all subsidiaries that are 100% owned by TCC) are classified as treasury shares. Therefore, TWM's carrying cost of \$86,596,684 thousand for TCC shall be adjusted by the following: 1) downward adjusting \$(31,077,183) thousand, the carrying value of total treasury shares on TWM's books, 2) excluding \$(37,037,588) thousand of unrealized gain from financial asset investment, 3) adding back \$475,907 thousand of income tax expenses resulting from TFN's and TFNI's disposal gain from TWM's shares, and 4) excluding recognition of upstream and downstream transactions gain and consolidated adjustment of unrealized gain \$(250,083) thousand.

Note 5: Based on the closing price or net worth of beneficiary certificate on September 30, 2013.

Note 6: 70.47% of shares are held under trustee accounts.

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED OR DISPOSED AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2013

TABLE 4

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

Company Name	Marketable Securities Type and Issuer	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Shares/Units (Thousands)	Amount	Shares/Units (Thousands)	Amount	Shares/Units (Thousands)	Amount	Carrying Value	Gain (Loss) on Disposal	Shares/Units (Thousands)	Amount
TWM	<u>Stock</u> Taipei New Horizons Co., Ltd.	Investments accounted for using equity method	Taipei New Horizons Co., Ltd.	Equity-method investee	92,315	\$ 811,841	82,335 (Note 1)	\$ 823,350	-	\$ -	\$ -	\$ -	174,650	\$ 1,601,580 (Note 2)
	Taiwan Cellular Co., Ltd.	Investments accounted for using equity method	Taiwan Cellular Co., Ltd.	Subsidiary	370,896	17,013,105	300 (Note 1)	300,000	-	-	-	-	371,196	19,207,903 (Note 2)
Fubon Multimedia Technology Co., Ltd.	<u>Beneficiary Certificate</u> Fubon Strategic High Income	Available-for-sale financial assets - current	-	-	-	-	18,302	200,000	-	-	-	-	18,302	187,880 (Note 2)
	Emerging Market High Yield Bond	Available-for-sale financial assets - current	-	-	-	-	10,225	100,000	-	-	-	-	10,225	88,753 (Note 2)
	Global Multi-Strategy High Yield Bond	Available-for-sale financial assets - current	-	-	-	-	17,089	150,000	-	-	-	-	17,089	142,002 (Note 2)
	Global High Income Bond Fund	Available-for-sale financial assets - current	-	-	-	-	19,028	200,000	-	-	-	-	19,028	190,375 (Note 2)
	Asia High Yield Total Return Bond Fund	Available-for-sale financial assets - current	-	-	-	-	13,909	150,000	-	-	-	-	13,909	140,658 (Note 2)
	All Seasons Return Fund of Bond Funds	Available-for-sale financial assets - current	-	-	-	-	14,264	200,000	14,264	194,277	200,000	(5,723)	-	-
	<u>Stock</u> Asian crown(BVI)	Investments accounted for using equity method	Asian crown(BVI)	Subsidiary	47	110,681	27 (Note 1)	247,374	-	-	-	-	74	169,259 (Note 2)
Asian crown(BVI)	<u>Stock</u> Fortune Kingdom	Investments accounted for using equity method	Fortune Kingdom	Subsidiary	14,000	110,681	8,236 (Note 1)	247,374	-	-	-	-	22,236	169,259 (Note 2)

(Continued)

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED OR DISPOSED AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2013

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
Fortune Kingdom	<u>Stock</u> HK Fubon Multimedia	Investments accounted for using equity method	HK Fubon Multimedia	Subsidiary	14,000	110,681	8,236 (Note 1)	247,374	-	-	-	-	22,236	169,259 (Note 2)
HK Fubon Multimedia	<u>Stock</u> Fubon Gehua Enterprise Ltd.	Investments accounted for using equity method	Fubon Gehua Enterprise Ltd.	Subsidiary	-	64,270	-	289,758	-	-	-	-	-	168,679 (Note 2)
Taiwan Cellular Co., Ltd.	<u>Stock</u> Taiwan Digital Service Co., Ltd.	Investments accounted for using equity method	Taiwan Digital Service Co., Ltd.	Subsidiary	-	-	20,000	1,000,000	-	-	-	-	20,000	1,173,257 (Note 2)
TFN Media Co., Ltd.	<u>Stock</u> Kbro Media Co., Ltd.	Investments accounted for using equity method	Kbro Media Co., Ltd.	Equity-method investee	7,800	77,078	21,450 (Note 1)	214,500	-	-	-	-	29,250	290,301 (Note 2)

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

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

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES
TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2013

TABLE 5

(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Transaction Details				Transactions with Terms Different from Others		Notes/Accounts Payable or Receivable		Note
			Purchase/Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
TWM	Taiwan Fixed Network Co., Ltd.	Subsidiary	Sale	\$ (1,556,699)	3	Based on contract terms	-	-	\$ 336,314	2	(Note 1)
			Purchase	4,880,832	(Note 2)	Based on contract terms	-	-	(697,472)	(Note 3)	
	Taiwan Kuro Times Co., Ltd.	Subsidiary	Purchase	236,253	1	Based on contract terms	-	-	(86,539)	3	(Note 8)
	Taiwan Teleservices & Technologies Co., Ltd.	Subsidiary	Purchase	750,690	(Note 4)	Based on contract terms	-	-	(85,556)	(Note 3)	
	Taiwan Digital Service Co., Ltd.	Subsidiary	Sale	(3,960,921)	7	Based on contract terms	-	-	1,932,581	14	
			Purchase	2,869,667	(Note 4)	Based on contract terms	-	-	(2,048,716)	(Note 3)	
	Taiwan Digital Communication Co., Ltd.	Subsidiary	Purchase	335,254	(Note 5)	Based on contract terms	-	-	-	-	
Taiwan Teleservices & Technologies Co., Ltd.	TWM	Ultimate parent	Sale	(750,786)	90	Based on contract terms	-	-	85,567	90	
Taiwan Fixed Network Co., Ltd.	TWM	Ultimate parent	Sale	(4,868,914)	47	Based on contract terms	-	-	693,777	58	(Note 6)
			Purchase	1,560,154	29	Based on contract terms	-	-	(335,651)	48	(Note 1)
Taiwan Digital Service Co., Ltd.	TWM	Ultimate parent	Sale	(2,867,878)	73	Based on contract terms	-	-	2,048,716	99	(Note 10)
			Purchase	3,960,962	(Note 5)	Based on contract terms	-	-	(1,932,581)	99	
Taiwan Digital Communication Co., Ltd.	TWM	Ultimate parent	Sale	(335,299)	61	Based on contract terms	-	-	-	-	
Taiwan Kuro Times Co., Ltd.	TWM	Ultimate parent	Sale	(236,253)	69	Based on contract terms	-	-	86,539	82	(Note 9)
TFN Media Co., Ltd.	Phoenix Cable TV Co., Ltd.	Subsidiary	Channel leasing fee	(355,254)	15	Based on contract terms	(Note 7)	(Note 7)	-	-	
	Yeong Jia Leh Cable TV Co., Ltd.	Subsidiary	Channel leasing fee	(321,779)	14	Based on contract terms	(Note 7)	(Note 7)	-	-	
	Union Cable TV Co., Ltd.	Subsidiary	Channel leasing fee	(164,028)	7	Based on contract terms	(Note 7)	(Note 7)	-	-	
	Globalview Cable TV Co., Ltd.	Subsidiary	Channel leasing fee	(140,043)	6	Based on contract terms	(Note 7)	(Note 7)	-	-	
Yeong Jia Leh Cable TV Co., Ltd.	TFN Media Co., Ltd.	Parent	Royalty for copyright	321,779	60	Based on contract terms	(Note 7)	(Note 7)	-	-	
Phoenix Cable TV Co., Ltd.	TFN Media Co., Ltd.	Parent	Royalty for copyright	355,254	61	Based on contract terms	(Note 7)	(Note 7)	-	-	
Union Cable TV Co., Ltd.	TFN Media Co., Ltd.	Parent	Royalty for copyright	164,028	55	Based on contract terms	(Note 7)	(Note 7)	-	-	
Globalview Cable TV Co., Ltd.	TFN Media Co., Ltd.	Parent	Royalty for copyright	140,043	56	Based on contract terms	(Note 7)	(Note 7)	-	-	
Mangrove Cable TV Co., Ltd.	Dai-Ka Ltd.	Related party in substance	Royalty for copyright	116,342	55	Based on contract terms	(Note 7)	(Note 7)	(64,634)	94	
Fubon Multimedia Technology Co., Ltd.	Taiwan Pelican Express Co., Ltd.	Equity-method investee	Purchase	435,458	3	Based on contract terms	-	-	(45,835)	3	

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES
TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2013

Note 1: The \$1,587 thousand accounts receivable on the book was the net amount of accounts receivable \$336,314 thousand deducting accounts payable and custodial receipts \$334,727 thousand.

Note 2: Included operating costs and operating expenses.

Note 3: Included accounts payable and other payable.

Note 4: Recognized as operating expenses.

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

Note 6: The \$689,809 thousand accounts receivable on the book was the net amount of accounts receivable \$693,777 thousand deducting custodial receipts \$3,968 thousand.

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

Note 8: The \$86,327 thousand accounts payable on the book was the net amount of accounts payable \$86,539 thousand deducting accounts receivable \$212 thousand.

Note 9: The \$89,659 thousand accounts receivable on the book was the net amount of accounts receivable \$86,539 thousand deducting accounts payable and custodial receipts \$(3,120) thousand.

Note 10: The \$1,821,372 thousand accounts receivable on the book was the net amount of accounts receivable \$2,048,716 thousand deducting accounts payable and custodial receipts \$227,344 thousand.

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

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

September 30, 2013

TABLE 6

(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Ending Balance		Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Bad Debts
						Amount	Action Taken		
TWM	Taiwan Fixed Network Co., Ltd.	Subsidiary	Accounts receivable	\$ 336,314	5.72	\$ -	-	\$ 335,206	\$ -
			Other receivables	50,709		-	-	350	-
	TFN Media Co., Ltd.	Subsidiary	Other receivables	2,074,288	-	-	138	-	
	Win TV Broadcasting Co., Ltd.	Subsidiary	Other receivables	315,736	-	-	23	-	
	Taiwan Digital Service Co., Ltd.	Subsidiary	Accounts receivable	1,932,581	8.20	-	-	1,167,517	-
			Other receivables	211,675		-	-	206,342	-
Wealth Media Technology Co., Ltd.	TWM	Ultimate parent	Other receivables	400,800	-	-	-	-	
Taiwan Fixed Network Co., Ltd.	TWM	Ultimate parent	Accounts receivable	693,777	11.06	-	-	15,019	-
			Other receivables	4,557,192		-	-	88,482	-
Taiwan Digital Service Co., Ltd.	TWM	Ultimate parent	Accounts receivable	2,048,716	5.60	-	-	720,165	-
			Other receivables	3,079		-	-	508	-
Phoenix Cable TV Co., Ltd.	TFN Media Co., Ltd.	Parent	Accounts receivable	5,223	5.35	-	-	-	-
			Other receivables	533,795		-	-	-	-
Globalview Cable TV Co., Ltd.	TFN Media Co., Ltd.	Parent	Accounts receivable	2,393	5.02	-	-	-	-
			Other receivables	251,782		-	-	-	-
Yeong Jia Leh Cable TV Co., Ltd.	TFN Media Co., Ltd.	Parent	Accounts receivable	5,917	4.85	-	-	-	-
			Other receivables	352,125		-	-	-	-

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES
NAMES AND LOCATIONS OF, AND OTHER INFORMATION ON INVESTEES ON WHICH TWM EXERCISES SIGNIFICANT INFLUENCE
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2013

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

Investor	Investee	Location	Main Businesses and Products	Investment Amount		Balance as of September 30, 2013			Net Income (Loss) of the Investee	Investment Income (Loss)	Note
				September 30, 2013	December 31, 2012	Shares (Thousands)	Percentage of Ownership	Carrying Value			
TWM	Taiwan Cellular Co., Ltd.	Taiwan	Investment	\$ 44,767,288	\$ 44,467,288	371,196	100	\$ 19,207,903 (Note 1)	\$ 3,989,869	\$ 5,121,786	
	Taipei New Horizons Co., Ltd.	Taiwan	Real estate rental and sale	1,746,500	923,150	174,650	49.9	1,601,580	(67,356)	(33,611)	
	Wealth Media Technology Co., Ltd.	Taiwan	Investment	13,802,000	13,802,000	39,065	100	15,579,562	1,688,899	1,688,899	
Wealth Media Technology Co., Ltd.	Fubon Multimedia Technology Co., Ltd.	Taiwan	Wholesale and retail sales via traditional and online shopping channels	8,347,949	8,347,949	64,742	50.64	8,436,792	367,062	(Note 2)	
	Win TV Broadcasting Co., Ltd.	Taiwan	TV program provider	222,417	222,417	18,177	100	249,467	34,853	(Note 2)	
	TFN Media Co., Ltd.	Taiwan	Cable broadband and value added service provider	5,210,443	5,210,443	230,921	100	6,315,549	1,565,499	(Note 2)	
	Global Wealth Media Technology Co., Ltd.	Taiwan	Investment	92,189	92,189	8,945	100	94,619	3,681	(Note 2)	
	Global Forest Media Technology Co., Ltd.	Taiwan	Investment	16,984	16,984	1,500	100	17,181	369	(Note 2)	
Global Wealth Media Technology Co., Ltd.	Globalview Cable TV Co., Ltd.	Taiwan	Cable TV service provider	91,910	91,910	3,825	6.83	93,000	55,643	(Note 2)	
Global Forest Media Technology Co., Ltd.	Union Cable TV Co., Ltd.	Taiwan	Cable TV service provider	16,218	16,218	1,300	0.76	15,326	60,837	(Note 2)	
Fubon Multimedia Technology Co., Ltd.	Fu Sheng Travel Service Co., Ltd.	Taiwan	Travel agent	6,000	6,000	2,500	100	32,851	5,518	(Note 2)	
	Fuli Life Insurance Agent Co., Ltd.	Taiwan	Life Insurance Agent	3,000	3,000	300	100	9,435	951	(Note 2)	
	Fuli Property Insurance Agent Co., Ltd.	Taiwan	Property Insurance Agent	3,000	3,000	300	100	14,075	5,194	(Note 2)	
	Asian Crown (BVI)	British Virgin Islands	Investment	690,824	443,450	74	100	169,259	(146,915)	(Note 2)	
	Taiwan Pelican Express Co., Ltd.	Taiwan	Logistics industry	344,000	344,000	17,200	20	370,329	127,088	(Note 2)	
Asian Crown (BVI)	Fortune Kingdom	Samoa	Investment	690,824	443,450	22,236	100	169,259	(146,915)	(Note 2)	
Fortune Kingdom	HK Fubon Multimedia	Hong Kong	Investment	690,824	443,450	22,236	100	169,259	(146,915)	(Note 2)	
HK Fubon Multimedia	Fubon Gehua (Beijing) Enterprise Ltd.	China	Wholesale and retail sales	653,661	363,903	-	87.5	168,679	(179,813)	(Note 2)	
				(US\$14,000, RMB49,741)	(US\$12,319)						
Taiwan Cellular Co., Ltd.	TWM Holding	British Virgin Islands	Investment	347,951	347,951	1 share	100	246,370	228	(Note 2)	
	Taiwan Fixed Network Co., Ltd.	Taiwan	Fixed line service provider	21,000,000	21,000,000	2,100,000	100	52,441,934	3,736,270	(Note 2)	
	Taiwan Digital Communication Co., Ltd.	Taiwan	TV program production and mobile phones wholesale	112,000	112,000	11,200	100	127,918	12,848	(Note 2)	
	TCC Investment Co., Ltd.	Taiwan	Investment	20,680,441	20,680,441	22,103	100	32,231,685	6,064	(Note 2)	
	Taiwan Teleservices & Technologies Co., Ltd.	Taiwan	Call center service and telephone marketing	56,210	56,210	2,484	100	87,600	44,168	(Note 2)	
	Taiwan Digital Service Co., Ltd.	Taiwan	Telecommunications Service Agencies and retail business	1,000,000	-	20,000	100	1,173,257	173,257	(Note 2)	
TWM Holding	TWM Communications (Beijing) Co., Ltd.	China	Mobile application development and design	145,809 (US\$4,936)	145,809 (US\$4,936)	-	100	110,368	(2,704)	(Note 2)	
Taiwan Teleservices & Technologies Co., Ltd.	TT&T Holdings	Samoa	Investment	36,284	36,284	1,300	100	48,304	694	(Note 2)	
	Taiwan Super Basketball Co., Ltd.	Taiwan	Basketball team management	3,511	3,511	2,000	100	25,821	5,381	(Note 2)	

(Continued)

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES
NAMES AND LOCATIONS OF, AND OTHER INFORMATION ON INVESTEES ON WHICH TWM EXERCISES SIGNIFICANT INFLUENCE
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2013

Investor	Investee	Location	Main Businesses and Products	Investment Amount		Balance as of June 30, 2013			Net Income (Loss) of the Investee	Investment Income (Loss)	Note
				September 30, 2013	December 31, 2012	Shares (Thousands)	Percentage of Ownership	Carrying Value			
TT&T Holdings Co., Ltd.	Xiamen Taifu Teleservices & Technologies Co., Ltd.	China	System integration, and development, installation, maintenance, technical support and personal training of CRM and IM application and relative information consulting services	\$ 38,402 (US\$1,300)	\$ 38,402 (US\$1,300)	-	100	\$ 48,014	684	(Note 2)	
TCC Investment Co., Ltd.	TCCI Investment and Development Co., Ltd.	Taiwan	Investment	6,498,076	6,498,076	400	100	10,988,024	(57)	(Note 2)	
TFN Media Co., Ltd.	Yeong Jia Leh Cable TV Co., Ltd.	Taiwan	Cable TV service provider	2,061,522	2,061,522	33,940	100	2,179,556	163,718	(Note 2)	
	Mangrove Cable TV Co., Ltd	Taiwan	Cable TV service provider	510,724	510,724	6,248 (Note 3)	29.53	596,416	78,055	(Note 2)	
	Phoenix Cable TV Co., Ltd.	Taiwan	Cable TV service provider	3,261,073	3,261,073	68,090	100	3,316,044	159,510	(Note 2)	
	Union Cable TV Co., Ltd.	Taiwan	Cable TV service provider	1,986,250	1,986,250	169,141	99.22	1,993,515	60,837	(Note 2)	
	Globalview Cable TV Co., Ltd.	Taiwan	Cable TV service provider	1,221,002	1,221,002	51,733	92.38	1,230,987	55,643	(Note 2)	
	Taiwan Kuro Times Co., Ltd.	Taiwan	Online music platform	129,900	129,900	14	100	163,940	23,137	(Note 2)	
	Kbro Media Co., Ltd.	Taiwan	Film distribution, art and literature service and entertainer	292,500	78,000	29,250	32.50	290,301	(4,235)	(Note 2)	
Taiwan Kuro Times Co., Ltd.	ezPeer Multimedia Limited	Samoa	Investment	48,700	48,700	1 share	100	4	(10,800)	(Note 2)	
Taiwan Fixed Network Co., Ltd.	TFN Union Investment Co., Ltd.	Taiwan	Investment	22,314,536	22,314,536	400	100	37,720,243	(57)	(Note 2)	
	TFN HK LIMITED	Hong Kong	Telecommunications service provider	2,834 (HK\$744)	2,834 (HK\$744)	1,300	100	11,991	1,768	(Note 2)	

Note 1: TWM's shares held by TCCI, TID and TUI (all are subsidiaries 100% owned by TCC) are classified as treasury shares. Therefore, TWM's carrying cost of \$86,596,684 thousand for TCC shall be reduced by 1) downward adjusting \$(31,077,183) thousand, the carrying value of total treasury shares on TWM's books, 2) excluding \$(37,037,588) thousand of unrealized gain from financial asset investment, 3) adding back \$475,907 thousand of income tax expenses resulting from TFN's and TFNI's disposal gain from TWM's shares, 4) excluding recognition of upstream transactions gain and consolidated adjustment of unrealized gain \$(250,083) thousand.

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

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

Note 4: The above amounts were translated into New Taiwan dollars at the exchange rate of US\$1 = NT\$29.54 ; US\$1 = RMB 6.1197 and HK\$1 = NT\$3.809 as of September 30, 2013.

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES
INFORMATION ON INVESTMENT IN MAINLAND CHINA
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2013

TABLE 8

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

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2013	Investment Flows		Accumulated Outflow of Investment from Taiwan as of September 30, 2013	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Value as of September 30, 2013	Accumulated Inward Remittance of Earnings as of September 30, 2013
					Outflow	Inflow					
Xiamen Taifu Teleservices & Technologies Co., Ltd.	System integration, and development, installation, maintenance, technical support and personal training of CRM and IM application and relative information consulting services	US\$ 1,300 (NT\$ 38,402)	Indirect investment in Mainland China through a third place by TWM's subsidiary Taiwan Teleservices & Technologies Co., Ltd.	US\$ 1,300 (NT\$ 38,402)	\$ -	\$ -	US\$ 1,300 (NT\$ 38,402)	100% ownership of indirect investment by TWM's subsidiary	\$ 684	\$ 48,014	\$ -
TWM Communications (Beijing) Co. Ltd.	Mobile application development and design	US\$ 3,000 (NT\$ 88,620)	Indirect investment in Mainland China through a third place by TWM's subsidiary Taiwan Cellular Co., Ltd.	US\$ 4,872 (NT\$ 143,919)	-	-	US\$ 4,872 (NT\$ 143,919)	100% ownership of indirect investment by TWM's subsidiary	(2,704)	110,368	-
Fubon Gehua (Beijing) Enterprise Ltd.	Wholesale and retail sales	RMB160,000 (NT\$ 772,325)	Indirect investment in Mainland China through a third place by TWM's subsidiary Fubon Multimedia Technology Co., Ltd.	US\$ 12,319 (NT\$ 363,903)	US\$1,681, RMB49,741 (NT\$289,758)	-	US\$14,000, RMB49,741 (NT\$653,661)	87.5% ownership of indirect investment by TWM's subsidiary	(143,929)	168,679	-

Accumulated Investment in Mainland China as of September 30, 2013	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment Authorized by Investment Commission, MOEA
US\$1,300 (NT\$38,402)	US\$1,300 (NT\$38,402)	\$80,000
US\$4,872 (NT\$143,919)	US\$4,872 (NT\$143,919)	\$51,958,010
US\$14,000, RMB49,741 (NT\$653,661)	US\$15,000, RMB60,000 (NT\$732,722)	\$1,152,942

Note 1: The above amounts were translated into New Taiwan dollars at the exchange rate of US\$1 = NT\$29.54 and US\$1 = RMB6.1197 as of September 30, 2013.

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES
BUSINESS RELATIONSHIP AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2013

TABLE 9
(In Thousands of New Taiwan Dollars)

Number	Company Name	Counterparty	Nature of Relationship (Note)	Transaction Details			Percentage of Consolidated Total Operating Revenues or Total Assets
				Account	Amount	Transaction Terms	
0	TWM	Taiwan Fixed Network Co., Ltd.	1	Accounts receivable	\$ 1,587	Based on regular terms	-
		Fubon Multimedia Technology Co., Ltd.	1	Accounts receivable	4,981	Based on regular terms	-
		Taiwan Digital Service Co., Ltd.	1	Accounts receivable	1,932,581	Based on regular terms	2%
		Fubon Multimedia Technology Co., Ltd.	1	Other receivables	3,427	Based on regular terms	-
		Taiwan Kuro Times Co., Ltd.	1	Other receivables	7,778	Based on regular terms	-
		Taiwan Fixed Network Co., Ltd.	1	Other receivables	50,709	Based on regular terms	-
		Taiwan Digital Service Co., Ltd.	1	Other receivables	211,675	Based on regular terms	-
		Win TV Broadcasting Co., Ltd.	1	Other receivables	315,736	Based on regular terms	-
		TFN Media Co., Ltd.	1	Other receivables	2,074,288	Based on regular terms	2%
		Yeong Jia Leh Cable TV Co., Ltd.	1	Prepayments	1,215	Based on regular terms	-
		Taiwan Digital Service Co., Ltd.	1	Prepayments	123,521	Based on regular terms	-
		Wealth Media Technology Co., Ltd.	1	Short-term borrowings	400,000	Based on regular terms	-
		Taiwan Fixed Network Co., Ltd.	1	Short-term borrowings	4,400,000	Based on regular terms	4%
		Taiwan Fixed Network Co., Ltd.	1	Accounts payable	9,353	Based on regular terms	-
		Taiwan Kuro Times Co., Ltd.	1	Accounts payable	86,327	Based on regular terms	-
		Taiwan Kuro Times Co., Ltd.	1	Other payables	1,750	Based on regular terms	-
		Yeong Jia Leh Cable TV Co., Ltd.	1	Other payables	2,358	Based on regular terms	-
		Phoenix Cable TV Co., Ltd.	1	Other payables	2,426	Based on regular terms	-
		Taiwan Digital Communications Co., Ltd.	1	Other payables	5,588	Based on regular terms	-
		Taiwan Super Basketball Co., Ltd.	1	Other payables	24,197	Based on regular terms	-
		Taiwan Teleservices & Technologies Co., Ltd.	1	Other payables	85,556	Based on regular terms	-
		Taiwan Fixed Network Co., Ltd.	1	Other payables	787,000	Based on regular terms	1%
		Taiwan Digital Service Co., Ltd.	1	Other payables	1,824,451	Based on regular terms	2%
		Taiwan Digital Service Co., Ltd.	1	Advance receipts	11,780	Based on regular terms	-
		Union Cable TV Co., Ltd.	1	Other current liabilities	1,226	Based on regular terms	-
		Taiwan Kuro Times Co., Ltd.	1	Other current liabilities	1,452	Based on regular terms	-
		Yeong Jia Leh Cable TV Co., Ltd.	1	Other current liabilities	1,835	Based on regular terms	-
		Phoenix Cable TV Co., Ltd.	1	Other current liabilities	3,345	Based on regular terms	-
		Taiwan Fixed Network Co., Ltd.	1	Other current liabilities	49,678	Based on regular terms	-
		Union Cable TV Co., Ltd.	1	Operating revenues	1,111	Based on regular terms	-
		Yeong Jia Leh Cable TV Co., Ltd.	1	Operating revenues	1,541	Based on regular terms	-
		Taiwan Kuro Times Co., Ltd.	1	Operating revenues	1,582	Based on regular terms	-
		Phoenix Cable TV Co., Ltd.	1	Operating revenues	1,780	Based on regular terms	-
		Taiwan Digital Communications Co., Ltd.	1	Operating revenues	8,957	Based on regular terms	-
		Fubon Multimedia Technology Co., Ltd.	1	Operating revenues	36,071	Based on regular terms	-
		Taiwan Fixed Network Co., Ltd.	1	Operating revenues	1,556,699	Based on regular terms	2%
		Taiwan Digital Service Co., Ltd.	1	Operating revenues	3,960,869	Based on regular terms	5%
		Globalview Cable TV Co., Ltd.	1	Operating cost	1,386	Based on regular terms	-
		TFN Media Co., Ltd.	1	Operating cost	1,571	Based on regular terms	-
		Yeong Jia Leh Cable TV Co., Ltd.	1	Operating cost	4,366	Based on regular terms	-
Taiwan Digital Communications Co., Ltd.	1	Operating cost	7,927	Based on regular terms	-		
Taiwan Kuro Times Co., Ltd.	1	Operating cost	236,253	Based on regular terms	-		
Taiwan Fixed Network Co., Ltd.	1	Operating cost	4,827,437	Based on regular terms	6%		
Taiwan Digital Service Co., Ltd.	1	Unrealized profit from sales	32,420	Based on regular terms	-		
TCC Investment Co., Ltd.	1	Operating expenses	6,347	Based on regular terms	-		
Taiwan Super Basketball Co., Ltd.	1	Operating expenses	35,410	Based on regular terms	-		
Taiwan Fixed Network Co., Ltd.	1	Operating expenses	63,205	Based on regular terms	-		

(Continued)

Number	Company Name	Counterparty	Nature of Relationship (Note)	Transaction Details			Percentage of Consolidated Total Operating Revenues or Total Assets
				Account	Amount	Transaction Terms	
1	Wealth Media Technology Co., Ltd.	Taiwan Digital Communications Co., Ltd.	1	Operating expenses	\$ 288,026	Based on regular terms	-
		Taiwan Teleservices & Technologies Co., Ltd.	1	Operating expenses	750,690	Based on regular terms	1%
		Taiwan Digital Service Co., Ltd.	1	Operating expenses	2,869,667	Based on regular terms	4%
		Taiwan Digital Service Co., Ltd.	1	Other income (expenses)	2,574	Based on regular terms	-
		Taiwan Cellular Co., Ltd.	1	Financial costs	4,678	Based on regular terms	-
		Taiwan Fixed Network Co., Ltd.	1	Financial costs	47,649	Based on regular terms	-
		TFN Media Co., Ltd.	1	Interest income	15,499	Based on regular terms	-
		Taiwan Kuro Times Co., Ltd.	1	Rental income	3,348	Based on regular terms	-
		Taiwan Digital Service Co., Ltd.	1	Rental income	4,124	Based on regular terms	-
		TFN Media Co., Ltd.	1	Rental income	6,315	Based on regular terms	-
		Fubon Multimedia Technology Co., Ltd.	1	Rental income	29,378	Based on regular terms	-
		Taiwan Fixed Network Co., Ltd.	1	Rental income	65,446	Based on regular terms	-
		Taiwan Kuro Times Co., Ltd.	1	Other receivables	30,065	Based on regular terms	-
		TWM	2	Other receivables	400,800	Based on regular terms	-
2	Fubon Multimedia Technology Co., Ltd.	Fu Sheng Travel Service Co.,Ltd.	1	Accounts receivable	22,125	Based on regular terms	-
		TWM	2	Accounts payable	7,932	Based on regular terms	-
		Taiwan Fixed Network Co., Ltd.	3	Other payables	5,009	Based on regular terms	-
		Taiwan Fixed Network Co., Ltd.	3	Other non-current liabilities, others	1,476	Based on regular terms	-
		Fu Sheng Travel Service Co.,Ltd.	1	Operating revenues	10,437	Based on regular terms	-
		Mangrove Cable TV Co., Ltd.	3	Operating cost	8,342	Payment terms varied depend on the agreements and Based on regular term	-
		Taiwan Fixed Network Co., Ltd.	3	Operating cost	9,894	Based on regular terms	-
		TWM	2	Operating cost	65,176	Payment terms varied depend on the agreements and Based on regular term	-
		TFN Media Co., Ltd.	3	Operating cost	85,554	Payment terms varied depend on the agreements and Based on regular term	-
		Fu Sheng Travel Service Co.,Ltd.	1	Operating expenses	1,534	Payment terms varied depend on the agreements and Based on regular term	-
3	Fu Sheng Travel Service Co.,Ltd.	Taiwan Fixed Network Co., Ltd.	3	Operating expenses	9,338	Based on regular terms	-
		Fubon Multimedia Technology Co., Ltd.	2	Other payables	22,125	Based on regular terms	-
		Fubon Multimedia Technology Co., Ltd.	2	Operating cost	10,437	Based on regular terms	-
		Fubon Multimedia Technology Co., Ltd.	2	Rental income	1,800	Payment terms varied depend on the agreements and Based on regular term	-
4	Globalview Cable TV Co., Ltd.	TWM	2	Accounts receivable	1,895	Payment terms varied depend on the agreements and Based on regular term	-
		TFN Media Co., Ltd.	2	Accounts receivable	2,393	Payment terms varied depend on the agreements and Based on regular term	-
		TFN Media Co., Ltd.	2	Other receivables	251,782	Payment terms varied depend on the agreements and Based on regular term	-
		TFN Media Co., Ltd.	2	Other payables	12,847	Payment terms varied depend on the agreements and Based on regular term	-
		TWM	2	Operating revenues	1,386	Payment terms varied depend on the agreements	-

(Continued)

Number	Company Name	Counterparty	Nature of Relationship (Note)	Transaction Details			Percentage of Consolidated Total Operating Revenues or Total Assets
				Account	Amount	Transaction Terms	
5	Union Cable TV Co., Ltd.	TFN Media Co., Ltd.	2	Operating revenues	\$ 11,258	Payment terms varied depend on the agreements	-
		Win TV Broadcasting Co., Ltd.	3	Operating cost	1,206	Payment terms varied depend on the agreements	-
		Taiwan Fixed Network Co., Ltd.	3	Operating cost	1,251	Payment terms varied depend on the agreements and Based on regular term	-
		TFN Media Co., Ltd.	2	Operating cost	140,043	Payment terms varied depend on the agreements	-
		TFN Media Co., Ltd.	2	Operating expenses	12,574	Payment terms varied depend on the agreements	-
		TFN Media Co., Ltd.	2	Interest income	2,315	Payment terms varied depend on the agreements	-
		TWM	2	Accounts receivable	2,906	Payment terms varied depend on the agreements	-
		TFN Media Co., Ltd.	2	Accounts receivable	4,259	Payment terms varied depend on the agreements	-
		TFN Media Co., Ltd.	2	Other payables	21,944	Based on regular terms	-
		Taiwan Fixed Network Co., Ltd.	3	Operating revenues	1,910	Payment terms varied depend on the agreements	-
		TFN Media Co., Ltd.	2	Operating revenues	15,805	Payment terms varied depend on the agreements	-
		Win TV Broadcasting Co., Ltd.	3	Operating cost	1,410	Payment terms varied depend on the agreements	-
6	Win TV Broadcasting Co., Ltd.	Taiwan Fixed Network Co., Ltd.	3	Operating cost	2,877	Payment terms varied depend on the agreements	-
		TFN Media Co., Ltd.	2	Operating cost	164,028	Payment terms varied depend on the agreements	-
		Phoenix Cable TV Co., Ltd.	3	Accounts receivable	1,003	Payment terms varied depend on the agreements	-
		TFN Media Co., Ltd.	3	Accounts receivable	43,599	Payment terms varied depend on the agreements	-
		TWM	2	Short-term borrowings	315,000	Payment terms varied depend on the agreements	-
		Globalview Cable TV Co., Ltd.	3	Operating revenues	1,206	Payment terms varied depend on the agreements	-
		Mangrove Cable TV Co., Ltd.	3	Operating revenues	1,218	Payment terms varied depend on the agreements	-
		Union Cable TV Co., Ltd.	3	Operating revenues	1,410	Payment terms varied depend on the agreements	-
		Yeong Jia Leh Cable TV Co., Ltd.	3	Operating revenues	2,763	Payment terms varied depend on the agreements	-
		Phoenix Cable TV Co., Ltd.	3	Operating revenues	3,009	Payment terms varied depend on the agreements	-
		TFN Media Co., Ltd.	3	Operating revenues	43,597	Payment terms varied depend on the agreements	-
		Taiwan Fixed Network Co., Ltd.	3	Operating cost	2,934	Payment terms varied depend on the agreements and Based on regular term	-

(Continued)

Number	Company Name	Counterparty	Nature of Relationship (Note)	Transaction Details			Percentage of Consolidated Total Operating Revenues or Total Assets
				Account	Amount	Transaction Terms	
7	TFN Media Co., Ltd.	Taiwan Fixed Network Co., Ltd.	3	Operating expenses	\$ 1,337	Payment terms varied depend on the agreements and Based on regular term	-
		Taiwan Fixed Network Co., Ltd.	3	Accounts receivable	2,656	Payment terms varied depend on the agreements	-
		Mangrove Cable TV Co., Ltd.	1	Accounts receivable	11,225	Payment terms varied depend on the agreements	-
		Globalview Cable TV Co., Ltd.	1	Accounts receivable	12,847	Payment terms varied depend on the agreements	-
		Union Cable TV Co., Ltd.	1	Accounts receivable	21,944	Payment terms varied depend on the agreements	-
		Phoenix Cable TV Co., Ltd.	1	Accounts receivable	30,441	Payment terms varied depend on the agreements	-
		Yeong Jia Leh Cable TV Co., Ltd.	1	Accounts receivable	32,180	Payment terms varied depend on the agreements	-
		Globalview Cable TV Co., Ltd.	1	Short-term borrowings	251,000	Payment terms varied depend on the agreements	-
		Yeong Jia Leh Cable TV Co., Ltd.	1	Short-term borrowings	351,000	Payment terms varied depend on the agreements	-
		Phoenix Cable TV Co., Ltd.	1	Short-term borrowings	532,000	Payment terms varied depend on the agreements	-
		TWM	2	Short-term borrowings	2,070,000	Payment terms varied depend on the agreements	2%
		Mangrove Cable TV Co., Ltd.	1	Accounts payable	1,112	Payment terms varied depend on the agreements	-
		Globalview Cable TV Co., Ltd.	1	Accounts payable	1,627	Payment terms varied depend on the agreements	-
		Union Cable TV Co., Ltd.	1	Accounts payable	2,007	Payment terms varied depend on the agreements	-
		Phoenix Cable TV Co., Ltd.	1	Accounts payable	3,738	Payment terms varied depend on the agreements	-
		Yeong Jia Leh Cable TV Co., Ltd.	1	Accounts payable	4,168	Payment terms varied depend on the agreements	-
		Win TV Broadcasting Co., Ltd.	3	Accounts payable	43,597	Payment terms varied depend on the agreements	-
		Globalview Cable TV Co., Ltd.	1	Other payables	1,556	Payment terms varied depend on the agreements and Based on regular term	-
		Union Cable TV Co., Ltd.	1	Other payables	2,255	Payment terms varied depend on the agreements and Based on regular term	-
		Yeong Jia Leh Cable TV Co., Ltd.	1	Other payables	2,873	Payment terms varied depend on the agreements and Based on regular term	-
Phoenix Cable TV Co., Ltd.	1	Other payables	3,281	Payment terms varied depend on the agreements and Based on regular term	-		

(Continued)

Number	Company Name	Counterparty	Nature of Relationship (Note)	Transaction Details			Percentage of Consolidated Total Operating Revenues or Total Assets
				Account	Amount	Transaction Terms	
		TWM	2	Other payables	\$ 3,970	Payment terms varied depend on the agreements and Based on regular term	-
		Taiwan Fixed Network Co., Ltd.	3	Other payables	22,626	Payment terms varied depend on the agreements	-
		TWM	2	Operating revenues	1,751	Payment terms varied depend on the agreements	-
		Mangrove Cable TV Co., Ltd.	1	Operating revenues	8,551	Payment terms varied depend on the agreements	-
		Taiwan Fixed Network Co., Ltd.	3	Operating revenues	22,763	Payment terms varied depend on the agreements	-
		Fubon Multimedia Technology Co., Ltd.	3	Operating revenues	85,554	Payment terms varied depend on the agreements	-
		Globalview Cable TV Co., Ltd.	1	Operating revenues	152,618	Payment terms varied depend on the agreements	-
		Union Cable TV Co., Ltd.	1	Operating revenues	164,028	Payment terms varied depend on the agreements	-
		Yeong Jia Leh Cable TV Co., Ltd.	1	Operating revenues	349,962	Payment terms varied depend on the agreements	-
		Phoenix Cable TV Co., Ltd.	1	Operating revenues	386,634	Payment terms varied depend on the agreements	-
		Mangrove Cable TV Co., Ltd.	1	Operating cost	4,420	Payment terms varied depend on the agreements	-
		Globalview Cable TV Co., Ltd.	1	Operating cost	10,357	Payment terms varied depend on the agreements	-
		Union Cable TV Co., Ltd.	1	Operating cost	15,019	Payment terms varied depend on the agreements	-
		Yeong Jia Leh Cable TV Co., Ltd.	1	Operating cost	24,803	Payment terms varied depend on the agreements	-
		Phoenix Cable TV Co., Ltd.	1	Operating cost	26,197	Payment terms varied depend on the agreements	-
		Win TV Broadcasting Co., Ltd.	3	Operating cost	43,597	Payment terms varied depend on the agreements	-
		Taiwan Fixed Network Co., Ltd.	3	Operating cost	96,739	Payment terms varied depend on the agreements and Based on regular term	-
		Phoenix Cable TV Co., Ltd.	1	Operating expenses	1,219	Payment terms varied depend on the agreements and Based on regular term	-
		Taiwan Fixed Network Co., Ltd.	3	Operating expenses	1,561	Payment terms varied depend on the agreements and Based on regular term	-
		Yeong Jia Leh Cable TV Co., Ltd.	1	Operating expenses	1,665	Payment terms varied depend on the agreements and Based on regular term	-
		TWM	2	Operating expenses	6,977	Payment terms varied depend on the agreements and Based on regular term	-

(Continued)

Number	Company Name	Counterparty	Nature of Relationship (Note)	Transaction Details			Percentage of Consolidated Total Operating Revenues or Total Assets
				Account	Amount	Transaction Terms	
8	Yeong Jia Leh Cable TV Co., Ltd.	Globalview Cable TV Co., Ltd.	1	Financial costs	\$ 2,315	Payment terms varied depend on the agreements	-
		Yeong Jia Leh Cable TV Co., Ltd.	1	Financial costs	3,943	Payment terms varied depend on the agreements	-
		Phoenix Cable TV Co., Ltd.	1	Financial costs	4,776	Payment terms varied depend on the agreements	-
		TWM	2	Financial costs	15,499	Payment terms varied depend on the agreements	-
		TWM	2	Accounts receivable	5,222	Payment terms varied depend on the agreements	-
		TFN Media Co., Ltd.	2	Accounts receivable	5,917	Payment terms varied depend on the agreements	-
		TFN Media Co., Ltd.	2	Other receivables	352,125	Payment terms varied depend on the agreements	-
		TFN Media Co., Ltd.	2	Other payables	32,398	Payment terms varied depend on the agreements	-
		TWM	2	Operating revenues	4,318	Payment terms varied depend on the agreements	-
		TFN Media Co., Ltd.	2	Operating revenues	26,445	Payment terms varied depend on the agreements	-
		Win TV Broadcasting Co., Ltd.	3	Operating cost	2,763	Payment terms varied depend on the agreements	-
		TFN Media Co., Ltd.	2	Operating cost	321,779	Payment terms varied depend on the agreements	-
		TWM	2	Operating expenses	1,458	Payment terms varied depend on the agreements and Based on regular term	-
		TFN Media Co., Ltd.	2	Operating expenses	28,183	Payment terms varied depend on the agreements	-
		9	Mangrove Cable TV Co., Ltd.	TFN Media Co., Ltd.	2	Interest income	3,943
TWM	2			Accounts receivable	1,273	Payment terms varied depend on the agreements and Based on regular term	-
TFN Media Co., Ltd.	2			Accounts receivable	1,735	Payment terms varied depend on the agreements and Based on regular term	-
TFN Media Co., Ltd.	2			Other payables	11,225	Payment terms varied depend on the agreements and Based on regular term	-
TFN Media Co., Ltd.	2			Operating revenues	4,999	Payment terms varied depend on the agreements	-
Fubon Multimedia Technology Co., Ltd.	3			Operating revenues	8,342	Payment terms varied depend on the agreements	-
Win TV Broadcasting Co., Ltd.	3			Operating cost	1,038	Payment terms varied depend on the agreements	-

(Continued)

Number	Company Name	Counterparty	Nature of Relationship (Note)	Transaction Details			Percentage of Consolidated Total Operating Revenues or Total Assets
				Account	Amount	Transaction Terms	
10	Phoenix Cable TV Co., Ltd.	Taiwan Fixed Network Co., Ltd.	3	Operating cost	\$ 1,644	Payment terms varied depend on the agreements and Based on regular term	-
		TFN Media Co., Ltd.	2	Operating cost	5,371	Payment terms varied depend on the agreements and Based on regular term	-
		TFN Media Co., Ltd.	2	Operating expenses	3,180	Payment terms varied depend on the agreements and Based on regular term	-
		TFN Media Co., Ltd.	2	Accounts receivable	5,223	Payment terms varied depend on the agreements	-
		TWM	2	Accounts receivable	7,335	Payment terms varied depend on the agreements	-
		TFN Media Co., Ltd.	2	Other receivables	533,795	Payment terms varied depend on the agreements and Based on regular term	-
		Win TV Broadcasting Co., Ltd.	3	Other payables	1,003	Payment terms varied depend on the agreements	-
		TFN Media Co., Ltd.	2	Other payables	30,441	Payment terms varied depend on the agreements	-
		TFN Media Co., Ltd.	2	Operating revenues	27,095	Payment terms varied depend on the agreements and Based on regular term	-
		Win TV Broadcasting Co., Ltd.	3	Operating cost	3,009	Payment terms varied depend on the agreements	-
		Taiwan Fixed Network Co., Ltd.	3	Operating cost	3,400	Payment terms varied depend on the agreements and Based on regular term	-
		TFN Media Co., Ltd.	2	Operating cost	355,254	Payment terms varied depend on the agreements	-
		11	Taiwan Kuro Times Co., Ltd.	TWM	2	Operating expenses	1,291
TFN Media Co., Ltd.	2			Operating expenses	31,380	Payment terms varied depend on the agreements	-
TFN Media Co., Ltd.	2			Interest income	4,776	Payment terms varied depend on the agreements	-
TWM	2			Accounts receivable	89,659	Based on regular terms	-
Wealth Media Technology Co., Ltd.	2			Short-term borrowings	30,000	Based on regular terms	-
TWM	2			Other payables	7,904	Based on regular terms	-
TWM	2			Operating revenues	236,253	Based on regular terms	-
TWM Communications (Beijing) Co., Ltd.	3			Operating cost	1,245	Based on regular terms	-
TWM	2			Operating cost	1,806	Based on regular terms	-
Taiwan Fixed Network Co., Ltd.	3			Operating cost	4,202	Based on regular terms	-
12	Taiwan Cellular Co., Ltd.	Taiwan Teleservices & Technologies Co., Ltd.	3	Operating expenses	2,584	Based on regular terms	-
		TWM	2	Operating expenses	3,124	Based on regular terms	-
		Taiwan Digital Communications Co., Ltd.	1	Other receivables	53,265	Based on regular terms	-
13	Taiwan Fixed Network Co., Ltd.	TWM	2	Interest income	4,678	Based on regular terms	-
		Fubon Multimedia Technology Co., Ltd.	3	Accounts receivable	5,316	Based on regular terms	-

(Continued)

Number	Company Name	Counterparty	Nature of Relationship (Note)	Transaction Details			Percentage of Consolidated Total Operating Revenues or Total Assets
				Account	Amount	Transaction Terms	
		TFN Media Co., Ltd.	3	Accounts receivable	\$ 23,068	Based on regular terms	-
		TWM	2	Accounts receivable	689,809	Based on regular terms	1%
		Taiwan Digital Service Co., Ltd.	3	Other receivables	1,567	Based on regular terms	-
		TWM	2	Other receivables	4,555,635	Based on regular terms	4%
		Fubon Multimedia Technology Co., Ltd.	3	Other non-current assets	1,447	Based on regular terms	-
		TFN Media Co., Ltd.	3	Accounts payable	2,656	Based on regular terms	-
		Taiwan Teleservices & Technologies Co., Ltd.	3	Other payables	8,775	Based on regular terms	-
		TFN HK LIMITED	1	Other payables	31,507	Based on regular terms	-
		TWM	2	Other payables	50,785	Based on regular terms	-
		Globalview Cable TV Co., Ltd.	3	Operating revenues	1,567	Based on regular terms	-
		Mangrove Cable TV Co., Ltd.	3	Operating revenues	1,861	Based on regular terms	-
		Union Cable TV Co., Ltd.	3	Operating revenues	3,206	Based on regular terms	-
		Taiwan Kuro Times Co., Ltd.	3	Operating revenues	3,735	Based on regular terms	-
		Phoenix Cable TV Co., Ltd.	3	Operating revenues	4,112	Based on regular terms	-
		Fubon Multimedia Technology Co., Ltd.	3	Operating revenues	19,244	Based on regular terms	-
		TFN Media Co., Ltd.	3	Operating revenues	98,332	Based on regular terms	-
		TWM	2	Operating revenues	4,868,914	Based on regular terms	6%
		Union Cable TV Co., Ltd.	3	Operating cost	1,327	Based on regular terms	-
		TFN Media Co., Ltd.	3	Operating cost	22,763	Based on regular terms	-
		TFN HK LIMITED	1	Operating cost	50,363	Based on regular terms	-
		TWM	2	Operating cost	1,560,154	Based on regular terms	2%
		TWM	2	Operating expenses	61,610	Based on regular terms	-
		Taiwan Teleservices & Technologies Co., Ltd.	3	Operating expenses	78,426	Based on regular terms	-
		TWM	2	Interest income	47,649	Based on regular terms	-
		Taiwan Kuro Times Co., Ltd.	3	Rental income	1,128	Based on regular terms	-
		Win TV Broadcasting Co., Ltd.	3	Rental income	4,094	Based on regular terms	-
		TWM	2	Rental income	21,269	Based on regular terms	-
14	TFN HK LIMITED	Taiwan Fixed Network Co., Ltd.	2	Accounts receivable	30,238	Based on regular terms	-
		Taiwan Fixed Network Co., Ltd.	2	Operating revenues	48,791	Based on regular terms	-
15	Taiwan Digital Communications Co., Ltd.	TWM	2	Accounts receivable	1,085	Based on regular terms	-
		TWM	2	Other receivables	5,329	Based on regular terms	-
		Taiwan Cellular Co., Ltd.	2	Short-term borrowings	53,000	Based on regular terms	-
		TWM	2	Operating revenues	335,299	Based on regular terms	-
		TWM	2	Operating cost	5,448	Based on regular terms	-
		TWM	2	Operating expenses	3,831	Based on regular terms	-
		TWM	2	Other income, other	6,347	Based on regular terms	-
16	TCC Investment Co., Ltd.	Taiwan Kuro Times Co., Ltd.	3	Operating revenues	1,158	Based on regular terms	-
17	TWM Communications (Beijing) Co., Ltd.	Taiwan Fixed Network Co., Ltd.	3	Accounts receivable	8,775	Based on regular terms	-
		TWM	2	Accounts receivable	85,567	Based on regular terms	-
		Taiwan Kuro Times Co., Ltd.	3	Operating revenues	2,584	Based on regular terms	-
		Taiwan Fixed Network Co., Ltd.	3	Operating revenues	78,426	Based on regular terms	-
		TWM	2	Operating revenues	750,786	Based on regular terms	1%
18	Taiwan Super Basketball Co., Ltd.	TWM	2	Accounts receivable	24,197	Based on regular terms	-
		TWM	2	Operating revenues	35,410	Based on regular terms	-
19	Taiwan Digital Service Co., Ltd.	TWM	2	Accounts receivable	1,821,372	Based on regular terms	2%

(Continued)

Number	Company Name	Counterparty	Nature of Relationship (Note)	Transaction Details			Percentage of Consolidated Total Operating Revenues or Total Assets
				Account	Amount	Transaction Terms	
		TWM	2	Other receivables	\$ 3,079	Based on regular terms	-
		TWM	2	Other current assets	11,780	Based on regular terms	-
		TWM	2	Accounts payable	1,932,581	Based on regular terms	2 %
		Taiwan Fixed Network Co., Ltd.	3	Other payables	1,348	Based on regular terms	-
		TWM	2	Other payables	180,103	Based on regular terms	-
		TWM	2	Advance receipts	125,363	Based on regular terms	-
		Phoenix Cable TV Co., Ltd.	3	Other current liabilities	1,236	Based on regular terms	-
		Yeong Jia Leh Cable TV Co., Ltd.	3	Other current liabilities	1,700	Based on regular terms	-
		TWM	2	Other current liabilities	31,573	Based on regular terms	-
		TWM	2	Operating revenues	2,867,878	Based on regular terms	4 %
		TWM	2	Operating cost	3,838	Based on regular terms	-
		TWM	2	Operating expenses	3,307	Based on regular terms	-

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