Taiwan Mobile Co., Ltd. and Subsidiaries

Consolidated Financial Statements for the Three Months Ended March 31, 2014 and 2013, and Independent Auditors' Review Report

Independent Auditors' Review Report

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

We have reviewed the accompanying consolidated balance sheets of Taiwan Mobile Co., Ltd. and subsidiaries as of March 31, 2014, and March 31, 2013, and the related consolidated statements of comprehensive income, changes in equity, and cash flows for the three months ended March 31, 2014 and 2013. These interim consolidated financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these interim consolidated financial statements based on our review.

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

Based on our review, nothing has come to our attention that causes us to believe that the consolidated interim financial statements referred to above as of March 31, 2014, are not prepared, in all material respects, in conformity with the "Regulations Governing the Preparation Financial Reports by Securities Issuers" and IAS 34 "Interim Financial Reporting" endorsed by the Financial Supervisory Commission.

KPMG
Taipei, Taiwan (the Republic of China)
April 29, 2014

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

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

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
MARCH 31, 2014, DECEMBER 31, AND MARCH 31, 2013
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

		2014.3.31		2013.12.31		2013.3.31	
	ASSETS	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
	CURRENT ASSETS						
1100	Cash and cash equivalents (Notes 4, 6(a) and 7)	$ 8,178,517	6	7,954,294	6	6,076,085	6
1125	Current available-for-sale financial assets (Notes 4, 6(b) and 7)	968,198	1	960,945	1	201,702	-
1170	Accounts and notes receivable, net (Notes 4, 5 and 6(e))	14,091,403	10	14,217,990	10	12,025,640	12
1180	Accounts receivable from related parties (Note 7)	56,249	-	49,557	-	71,815	-
1200	Other receivables (Note 7)	794,278	-	860,257	-	926,262	1
130x	Inventories (Notes 4 and 6(f))	2,937,872	2	3,781,354	3	3,483,166	3
1410	Prepayments (Note 7)	544,833	-	521,368	-	811,501	1
1460	Non-current assets classified as held for sale (Notes 4 and 6(g))	46,310	-	50,275	-	-	-
1476	Other current financial assets (Notes 4, 6(o), 7 and 8)	865,957	1	1,046,057	1	1,398,291	1
1479	Other current assets	55,100	-	51,771	-	200,248	-
	Total current assets	28,538,717	20	29,493,868	21	25,194,710	24
	NON-CURRENT ASSETS						
1523	Non-current available-for-sale financial assets (Notes 4 and 6(b))	1,066,762	1	1,226,889	1	1,283,271	1
1543	Non-current financial assets at cost (Notes 4 and 6(c))	178,325	-	178,325	-	181,328	-
1546	Non-current bond investment without active market (Notes 4 and 6(d))	500,000	-	500,000	-	500,000	1
1550	Investments accounted for using the equity method (Notes 4, 5, and 6 (h))	725,578	-	2,289,356	2	1,465,638	2
1600	Property, plant and equipment (Notes 4, 5 and 6(j))	42,808,799	30	42,985,801	31	42,621,812	41
1760	Investment property, net (Notes 4 and 6(k))	339,688	-	320,394	-	299,289	-
1791	Concession (Notes 4, 6(l) and 8)	40,018,829	28	32,748,545	24	4,299,327	4
1805	Goodwill (Notes 4, 5 and 6(l))	15,845,930	11	15,845,930	11	15,845,930	15
1821	Other intangible assets, net (Notes 4, 5 and 6(l))	6,194,933	5	6,242,796	5	6,318,788	6
1840	Deferred tax assets (Notes 4 and 5)	894,765	1	924,576	1	1,033,721	1
1980	Other non-current financial assets (Notes 4, 6(o) and 8)	272,350	-	250,717	-	111,103	-
1995	Other non-current assets (Notes 6(m) and 7)	5,541,122	4	5,345,182	4	5,189,296	5
	Total non-current assets	114,387,081	80	108,858,511	79	79,149,503	76
	TOTAL	$ 142,925,798	100	138,352,379	100	104,344,213	100

		2014.3.31		2013.12.31		2013.3.31	
	LIABILITIES AND EQUITY	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
	CURRENT LIABILITIES						
2100	Short-term borrowings (Notes 4, 6(n) and 7)	$ 23,844,858	17	30,605,813	22	3,415,825	3
2110	Short-term notes and bills payable (Notes 4 and 6(n))	499,328	-	2,396,971	2	-	-
2150	Notes payable	4,677	-	408,904	-	202,376	-
2170	Accounts payable	6,020,209	4	6,661,431	5	5,780,973	6
2180	Accounts payable to related parties (Note 7)	38,495	-	73,080	-	52,506	-
2200	Other payables (Note 7)	11,622,096	8	11,657,899	9	9,655,930	9
2230	Current tax liabilities (Note 4)	2,230,805	2	1,512,072	1	2,076,391	2
2250	Current provisions (Notes 4 and 6(r))	195,604	-	193,886	-	142,870	-
2310	Advance receipts (Note 6(o))	2,440,823	2	2,564,895	2	3,227,245	3
2320	Long-term liabilities, current portion (Notes 6(p) and 6(q))	1,208,218	1	1,000,000	1	4,000,000	4
2399	Other current liabilities	1,511,762	1	1,530,687	1	1,043,351	1
	Total current liabilities	49,616,875	35	58,605,638	43	29,597,467	28
	NON-CURRENT LIABILITIES						
2530	Bonds payable (Note 6(p))	14,793,058	10	14,792,647	11	8,995,369	9
2540	Long-term borrowings (Notes 6(q) and 7)	8,285,989	6	2,000,000	1	-	-
2550	Non-current provisions (Notes 4 and 6(r))	916,543	1	880,069	1	783,856	1
2570	Deferred tax liabilities (Notes 4 and 5)	2,657,317	2	2,599,791	2	2,349,609	2
2640	Accrued pension liabilities (Note 4)	112,437	-	115,463	-	116,298	-
2645	Guarantee deposits	830,657	-	818,386	-	824,563	1
2670	Other non-current liabilities (Note 6(s))	1,293,483	1	19,744	-	19,744	-
	Total non-current liabilities	28,889,484	20	21,226,100	15	13,089,439	13
	Total liabilities	78,506,359	55	79,831,738	58	42,686,906	41
	EQUITY ATTRIBUTABLE TO OWNERS OF PARENT (Note 6(w))						
3110	Ordinary shares	34,208,328	24	34,208,328	25	34,208,328	33
3200	Capital surplus	12,475,389	9	12,456,891	9	12,431,851	12
	Retained earnings：						
3310	Legal reserve	19,262,044	14	19,262,044	14	18,061,894	17
3350	Unappropriated retained earnings	26,255,355	18	22,171,132	16	26,412,987	25
3400	Other equity interest	257,250	-	412,682	-	497,322	1
3500	Treasury shares	(31,077,183)	(22)	(31,077,183)	(23)	(31,077,183)	(30)
	Total equity attributable to owners of parent	61,381,183	43	57,433,894	41	60,535,199	58
36xx	Non-controlling interests (Notes 6(i) and (w))	3,038,256	2	1,086,747	1	1,122,108	1
	Total equity	64,419,439	45	58,520,641	42	61,657,307	59
	TOTAL	$ 142,925,798	100	138,352,379	100	104,344,213	100

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 ENDED MARCH 31, 2014 AND 2013
(In Thousands of New Taiwan Dollars, Except Earnings per Share)
(Reviewed, Not Audited)

		For the three months ended March 31			
		2014		2013	
		Amount	%	Amount	%
4000	**OPERATING REVENUES (Notes 4, 6(y) and 7)**	$ 27,726,474	100	26,356,655	100
5000	**OPERATING COSTS (Notes 4, 7 and 12)**	17,990,553	65	16,801,955	64
5900	**GROSS PROFIT FROM OPERATIONS**	9,735,921	35	9,554,700	36
6000	**OPERATING EXPENSES (Notes 4, 7 and 12)**				
6100	Marketing	3,434,963	12	3,259,081	12
6200	Administrative	1,216,378	5	1,244,207	5
		4,651,341	17	4,503,288	17
6500	**NET OTHER INCOME AND EXPENSES (Note 6(z))**	26,451	-	14,266	-
6900	**NET OPERATING INCOME**	5,111,031	18	5,065,678	19
	NON-OPERATING INCOME AND EXPENSES				
7010	Other income (Note 6(aa))	34,672	-	23,181	-
7020	Other gains and losses, net (Note 6(g) and 6(aa))	91,043	-	(227,848)	(1)
7050	Finance costs (Notes 6(aa))	(151,731)	-	(79,933)	-
7060	Share of profit (loss) of associates accounted for using the equity method (Note 4)	(5,950)	-	2,345	-
7000	**Total non-operating income and expenses**	(31,966)	-	(282,255)	(1)
7900	**PROFIT BEFORE TAX**	5,079,065	18	4,783,423	18
7950	**TAX EXPENSE (Note 6(v))**	863,441	3	861,064	3
8000	**PROFIT FROM CONTINUING OPERATIONS**	4,215,624	15	3,922,359	15
8100	**LOSS FROM DISCONTINUED OPERATIONS (AFTER TAX) (Notes 4 and 6(g))**	(39,732)	-	(66,697)	-
8200	**PROFIT**	**4,175,892**	**15**	**3,855,662**	**15**
8300	**OTHER COMPREHENSIVE INCOME (LOSS) :**				
8310	Exchange differences on translation	275	-	6,232	-
8325	Unrealized gains (losses) on available-for-sale financial assets	(152,576)	-	151,922	-
8370	Share of other comprehensive income of associates accounted for using the equity method	88	-	198	-
8399	Income tax generated from other comprehensive income	-	-	-	-
8300	**OTHER COMPREHENSIVE INCOME (AFTER TAX)**	**(152,213)**	**-**	**158,352**	**-**
8500	**COMPREHENSIVE INCOME**	**$ 4,023,679**	**15**	**4,014,014**	**15**
	PROFIT ATTRIBUTABLE TO:				
8610	Owners of parent	$ 4,084,223	15	3,806,814	15
8620	Non-controlling interests	91,669	-	48,848	-
		$ 4,175,892	**15**	**3,855,662**	**15**
	COMPREHENSIVE INCOME ATTRIBUTABLE TO :				
8710	Owners of parent	3,928,791	15	3,964,110	15
8720	Non-controlling interests	94,888	-	49,904	-
		$ 4,023,679	**15**	**4,014,014**	**15**
	EARNINGS PER SHARE				
	BASIC (Note 6(x))				
9710	Basic earnings per share from continuing operations	$ 1.53		1.43	
9720	Basic loss per share from discontinued operations	(0.01)		(0.01)	
9750	**Total basic earnings per share**	**$ 1.52**		**1.42**	
	DILUTED (Note 6(x))				
9810	Diluted earnings per share from continuing operations	$ 1.52		1.42	
9820	Diluted loss per share from discontinued operations	(0.01)		(0.01)	
9850	**Total diluted earnings per share**	**$ 1.51**		**1.41**	

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 THREE MONTHS ENDED MARCH 31, 2014 AND 2013

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	Equity Attributable to Owners of Parent									
			Retained Earnings		Other Equity Interest					
	Ordinary Shares	Capital Surplus	Legal Reserve	Unappropriated	Exchange Differences on Translation	Unrealized Gain (Loss) on Available-for-Sale Financial Assets	Treasury Shares	Total	Non-controlling Interests	Total Equity
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 three months ended March 31, 2013	-	-	-	3,806,814	-	-	-	3,806,814	48,848	3,855,662
Other comprehensive income for the three months ended March 31, 2013	-	-	-	-	5,374	151,922	-	157,296	1,056	158,352
Total comprehensive income for the three months ended March 31, 2013	-	-	-	3,806,814	5,374	151,922	-	3,964,110	49,904	4,014,014
BALANCE, MARCH 31, 2013	**$ 34,208,328**	**12,431,851**	**18,061,894**	**26,412,987**	**30,857**	**466,465**	**(31,077,183)**	**60,535,199**	**1,122,108**	**61,657,307**
BALANCE, JANUARY 1, 2014	$ 34,208,328	12,456,891	19,262,044	22,171,132	24,948	387,734	(31,077,183)	57,433,894	1,086,747	58,520,641
Profit for the three months ended March 31, 2014	-	-	-	4,084,223	-	-	-	4,084,223	91,669	4,175,892
Other comprehensive income for the three months ended March 31, 2014	-	-	-	-	100	(155,532)	-	(155,432)	3,219	(152,213)
Total comprehensive income for the three months ended March 31, 2014	-	-	-	4,084,223	100	(155,532)	-	3,928,791	94,888	4,023,679
Changes in equity of associates accounted for using the equity method	-	(257)	-	-	-	-	-	(257)	(259)	(516)
Increase in non-controlling interests	-	-	-	-	-	-	-	-	1,736,460	1,736,460
Difference between consideration and the carrying amount of subsidiaries' shares disposed	-	18,755	-	-	-	-	-	18,755	120,420	139,175
BALANCE, MARCH 31, 2014	**$ 34,208,328**	**12,475,389**	**19,262,044**	**26,255,355**	**25,048**	**232,202**	**(31,077,183)**	**61,381,183**	**3,038,256**	**64,419,439**

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 THREE MONTHS ENDED MARCH 31, 2014 AND 2013
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	For the three months ended March 31	
	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit from continuing operations before tax	$ 5,079,065	4,783,423
Loss from discontinued operations before tax	(47,867)	(80,358)
Profit before tax	5,031,198	4,703,065
Adjustments		
Adjustments to reconcile profit (loss)		
Depreciation expense	2,345,909	2,160,783
Amortization expense	322,264	307,823
Gain on disposal of non-current assets classified as held for sale	(158,568)	-
Loss on disposal of property, plant and equipment, net	73,735	240,731
Provision for bad debt expense	63,032	52,826
Finance costs	151,731	79,954
Interest income	(24,170)	(14,273)
Impairment loss on non-financial assets (from discontinued operations)	17,794	-
Share of loss (profit) of associates accounted for using the equity method	5,950	(2,345)
Others	80	28
Total adjustments to reconcile profit (loss)	2,797,757	2,825,527
Changes in operating assets and liabilities		
Accounts and notes receivable	40,647	(567,374)
Accounts receivable from related parties	(6,692)	(776)
Other receivables	67,544	(101,416)
Inventories	843,465	(916,266)
Prepayments	24,741	(241,936)
Other current assets	3,337	(19,592)
Other non-current assets	10,912	(6,718)
Notes payable	(404,227)	(158,293)
Accounts payable	(645,710)	(1,350,429)
Accounts payable to related parties	(34,585)	(11,871)
Other payables	(653,165)	(421,126)
Provisions	(13,433)	16,174
Advance receipts	(124,354)	117,421
Other current liabilities	(33,061)	74,519
Accrued pension liabilities	(3,026)	(232)
Total changes in operating assets and liabilities	(927,607)	(3,587,915)
Net cash inflows generated from operating activities	6,901,348	3,940,677
Interest paid	(807)	-
Income taxes (paid) refunded	(57,772)	8,675
Net cash flows from operating activities	6,842,769	3,949,352

(Continued)

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)
FOR THE THREE MONTHS ENDED MARCH 31, 2014 AND 2013
(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the three months ended March 31	
	2014	**2013**
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(2,164,714)	(3,766,691)
Acquisition of computer software and other intangible assets	(44,099)	(44,195)
Increase in prepayments for equipment	(59,835)	(175,186)
Net cash inflows from combination	1,193,252	-
Increase in prepayments for investments	(320,273)	(175,150)
Acquisition of investments accounted for using equity method	-	(214,500)
Decrease in other financial assets	203,431	201,940
Increase in other financial assets	(25,253)	(162,273)
Decrease in refundable deposits	38,504	49,651
Increase in refundable deposits	(44,755)	(52,191)
Proceeds from disposal of non-current assets classified as held for sale	208,843	-
Proceeds from disposal of property, plant and equipment	2,127	1,040
Interest received	24,028	15,431
Net cash used in investing activities	(988,744)	(4,322,124)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term borrowings	25,129,281	13,552,213
Decrease in short-term borrowings	(31,890,000)	(13,300,000)
Increase in short-term notes and bills payable	2,596,445	-
Decrease in short-term notes and bills payable	(4,493,533)	-
Proceeds from long-term borrowings	3,000,000	-
Disposal of ownership interests in subsidiaries (without losing control)	142,246	-
Increase in guarantee deposits received	31,658	44,802
Decrease in guarantee deposits received	(60,920)	(30,905)
Interest paid	(85,520)	(12,243)
Net cash flows from (used in) financing activities	(5,630,343)	253,867
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	541	3,850
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	224,223	(115,055)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	7,954,294	6,191,140
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 8,178,517	6,076,085

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

(Concluded)

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
THREE MONTHS ENDED MARCH 31, 2014 AND 2013
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. ORGANIZATION AND OPERATIONS

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

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

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

The interim consolidated financial statements of TWM as at and for the three months ended March 31, 2014, comprise TWM and its subsidiaries (the Group).

2. APPROVAL DATE AND PROCEDURES OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Board of Directors approved the interim consolidated financial statements on April 29, 2014.

3. NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

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

In accordance with Rule No. 1030010325 issued by the Financial Supervisory Commission ("FSC") on April 3, 2014, companies listed for trading on the stock exchange or over-the-counter market or for registration as emerging stock should adopt the 2013 IFRSs (excluding IFRS 9 *Financial Instruments*) endorsed by the FSC beginning in 2015. The new standards, amendments and interpretations which were announced by the International Accounting Standards Board ("IASB"), but not yet adopted by the Group, are as follows:

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

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

(1) IAS 19 *Employee Benefits*

The primary amendment of IAS 19 was calculating interest expense on the net defined benefit liability (asset) by applying the discount rate to replace the interest cost on the defined benefit obligation and the expected return on plan assets and deleting the optional accounting of calculating the actuarial gain or loss by the corridor method or recognizing immediately. Under this amendment, IAS 19 recognized the actuarial gain or loss in other comprehensive income immediately, and the former service costs should be recognized at the time when the service is received and not be recognized on a straight-line basis. It also redefined the components of defined benefit cost. The Group anticipates recognizing all the unrecognized former service costs, which could have an influence on the measurement of pension liabilities, pension costs, and actuarial gains or losses and cause the former retained earnings to be adjusted. The above amounts are still being assessed, and it is not anticipated they will have significant influence on the Group.

(2) IAS 1 *Presentation of Financial Statements*

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

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

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

(4) IFRS 13 *Fair Value Measurement*

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

b. Influences of new standards and interpretations announced by the IASB but not yet endorsed by the FSC

New Standards, Amendments and Interpretations	**Effective Date per IASB**
IFRS 9 *Financial Instruments*	Not yet announced
IFRS 14 *Regulatory Deferral Accounts*	January 1, 2016
Amended IAS 19 *Defined Benefit Plans: Employee Contributions*	July 1, 2014
Amended IAS 36 *Recoverable Amount Disclosure for Non-Financial Assets*	January 1, 2014
Amended IAS 39 *Novation of Derivatives and Continuation of Hedge Accounting*	January 1, 2014
IFRIC 21 *Levies*	January 1, 2014

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

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

Basis of Preparation

a. Basis of measurement

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

b. Functional and presentation currency

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

Basis of Consolidation

a. Principles of preparation of interim consolidated financial statements

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

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

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

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

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

b. The subsidiaries included in the consolidated financial statements

The consolidated entities were as follows:

			Percentage of Direct Ownership			
Investor	Subsidiary	Main Business and Products	2014.3.31	2013.12.31	2013.3.31	Note
TWM	Wealth Media Technology Co., Ltd. (WMT)	Investment	100.00	100.00	100.00	-
WMT	Fubon Multimedia Technology Co., Ltd. (FBM)	Wholesale and retail sales	49.93	50.64	50.64	Note 1
FBM	Fu Sheng Travel Service Co., Ltd. (FST)	Travel agent	100.00	100.00	100.00	-
FBM	Fuli Life Insurance Agent Co., Ltd. (FLI)	Life insurance agent	100.00	100.00	100.00	-
FBM	Fuli Property Insurance Agent Co., Ltd. (FPI)	Property insurance agent	100.00	100.00	100.00	-
FBM	Asian Crown International Co., Ltd. (Asian Crown (BVI))	Investment	100.00	100.00	100.00	-
Asian Crown (BVI)	Fortune Kingdom Corporation (Fortune Kingdom)	Investment	100.00	100.00	100.00	-
Fortune Kingdom	Hong Kong Fubon Multimedia Technology Co., Ltd. (HK Fubon Multimedia)	Investment	100.00	100.00	100.00	-
HK Fubon Multimedia	Fubon Gehua (Beijing) Enterprise Ltd. (FGE)	Wholesale and retail sales	87.50	87.50	80.00	-
WMT	Global Wealth Media Technology Co., Ltd. (GWMT)	Investment	100.00	100.00	100.00	
WMT	Globalview Cable TV Co., Ltd. (GCTV)	Cable TV service provider	6.83	6.83	6.83	-

(Continued)

Investor	Subsidiary	Main Business and Products	Percentage of Direct Ownership 2014.3.31	2013.12.31	2013.3.31	Note
WMT	Global Forest Media Technology Co., Ltd. (GFMT)	Investment	100.00	100.00	100.00	-
GFMT	Union Cable TV Co., Ltd. (UCTV)	Cable TV service provider	0.76	0.76	0.76	-
WMT	Win TV Broadcasting Co., Ltd. (WTVB)	TV program provider	100.00	100.00	100.00	-
WMT	TFN Media Co., Ltd. (TFNM)	Cable broadband and value-added services provider	100.00	100.00	100.00	-
TFNM	UCTV	Cable TV service provider	99.22	99.22	99.22	-
TFNM	Yeong Jia Leh Cable TV Co., Ltd. (YJCTV)	Cable TV service provider	100.00	100.00	100.00	-
TFNM	Mangrove Cable TV Co., Ltd. (MCTV)	Cable TV service provider	29.53	29.53	29.53	The other 70.47% of shares were held under trustee accounts.
TFNM	Phoenix Cable TV Co., Ltd. (PCTV)	Cable TV service provider	100.00	100.00	100.00	-
TFNM	GCTV	Cable TV service provider	92.38	92.38	92.38	-
TFNM	Taiwan Kuro Times Co., Ltd. (TKT)	Online music platform	100.00	100.00	100.00	-
TKT	ezPeer Multimedia Ltd. (ezPeer Samoa)	Investment	-	-	100.00	ezPeer Samoa was dissolved in November 2013.
TWM	Taiwan Cellular Co., Ltd. (TCC)	Investment	100.00	100.00	100.00	-
TCC	Taiwan Fixed Network Co., Ltd. (TFN)	Fixed-line service provider	100.00	100.00	100.00	-
TFN	TFN HK Ltd.	Telecommunications service provider	100.00	100.00	100.00	-
TFN	TFN Union Investment Co., Ltd. (TUI)	Investment	100.00	100.00	100.00	-
TCC	Taiwan Digital Communications Co., Ltd. (TDC)	TV program production and mobile phones wholesaling	100.00	100.00	100.00	-

(Continued)

			Percentage of Direct Ownership			
Investor	Subsidiary	Main Business and Products	2014.3.31	2013.12.31	2013.3.31	Note
TCC	TCC Investment Co., Ltd. (TCCI)	Investment	100.00	100.00	100.00	TCCI, TID and TUI collectively owned 730,726 thousand shares of TWM representing 21.36% of total outstanding shares as of March 31, 2014.
TCCI	TCCI Investment & Development Co., Ltd. (TID)	Investment	100.00	100.00	100.00	-
TCC	TWM Holding Co., Ltd. (TWM Holding)	Investment	100.00	100.00	100.00	-
TWM Holding	TWM Communications (Beijing) Co., Ltd. (TWMC)	Mobile application development and design	100.00	100.00	100.00	-
TCC	Taiwan Teleservices & Technologies Co., Ltd. (TT&T)	Call center service and telephone marketing	100.00	100.00	100.00	-
TT&T	Taiwan Mobile Basketball Co., Ltd. (TMB)	Basketball team management	100.00	100.00	100.00	-
TT&T	TT&T Holdings Co., Ltd. (TT&T Holdings)	Investment	100.00	100.00	100.00	-
TT&T Holdings	Xiamen Taifu Teleservices & Technologies Co., Ltd.	System integration, management, analysis and development of CRM application and information consulting services	-	-	100.00	Xiamen Taifu Teleservices & Technologies Co., Ltd. was dissolved in November 2013.
TCC	Taiwan Digital Service Co., Ltd. (TDS)	Telecommunica-tions service agencies and retail business	100.00	100.00	-	TDS was established in April 2013.
TWM	Taipei New Horizon Co., Ltd. (TNH)	Infrastructure projects and real estate leasing	49.90	Note 2	Note 2	Note 2

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

Note 2: TWM subscribed for the shares based on its proportion of the shareholding in TNH, which remained at 49.9%. Since February 21, 2014, TWM has had control over TNH due to a change in the board members of TNH, and therefore TNH is included in the consolidated entities as a subsidiary.

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

Foreign Currency

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

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

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

Exchange differences arising on non-monetary items carried at fair value (for example, equity instruments) are recognized in profit or loss. If a gain or loss on a non-monetary item is recognized in other comprehensive income, any foreign exchange component of that gain or loss is also recognized in other comprehensive income.

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

Classification of Current and Non-current Assets and Liabilities

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

a. It expects to realize the asset, or intends to sell or consume it, in its normal operating cycle;

b. It holds the asset primarily for the purpose of trading;

c. It expects to realize the asset within twelve months after the reporting period; or

d. The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

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

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

b. It holds the liability primarily for the purpose of trading;

c. The liability is due to be settled within twelve months after the reporting period; or

d. It does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Voluntary Change in Accounting Policy

In response to the development of IAS 18 *Revenue*, the Group consulted the practical experience of most of the telecommunication service providers abroad and professional investigations of accounting firms, and changed the recognition method for bundle sales from the residual value method to the relative fair value method on January 1, 2013. Instead of recognizing revenue from telecommunication service charges and sales of inventories, the total price of the contract is allocated based on the relative fair value of each component, which fairly presents transactions and attributes gain and loss to the correct accounting period.

Cash and Cash Equivalents

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

Financial Instruments

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

a. Financial assets

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

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

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

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

(2) Available-for-sale financial assets

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

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

(3) Loans and receivables

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

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

(4) Impairment of financial assets

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

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

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

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

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

An impairment loss in respect of a financial asset measured at cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Such impairment loss is not reversible in subsequent periods.

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

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

(5) Derecognition of financial assets

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

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

b. Financial liabilities

(1) Recognition

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

(2) Derecognition of financial liabilities

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

Inventories

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

Non-current assets classified as held for sale and Discontinued Operations

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

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

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

Investment in Associates

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

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

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

If the Group does not subscribe the newly issued shares of associates in accordance with the percentage of ownership, which causes a change in percentage of ownership and net worth of the investment, the adjustment should be reflected in capital surplus and investments accounted for using the equity method. If there is insufficient capital surplus from the investments accounted for using the equity method to offset the change, then such insufficiency 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 an associate, the carrying amount of the investment, including any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

Property, Plant and Equipment

a. Recognition and measurement

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

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

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

b. Reclassification to investment property

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

c. Subsequent cost

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

d. Depreciation

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

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

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

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

Investment Property

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

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

Leases

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

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

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

Intangible Assets

a. Goodwill

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

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

b. Service concession agreement

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

c. Other intangible assets

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

d. Amortization

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

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

Impairment of Non-financial Assets

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

The recoverable amount for an individual asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use. If, and only if, the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset shall be reduced to its recoverable amount. That reduction is an impairment loss. An impairment loss shall be recognized immediately in profit or loss.

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

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

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

Provisions

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

a. Restoration

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

b. Warranties

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

c. Decommissioning

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

Treasury Shares

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

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

Employee Benefits

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

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

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

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

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

Income Tax

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

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

a. Current taxes

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

An additional 10% surtax on undistributed earnings, computed according to the ROC Income Tax Act, is recognized in current taxes in the year of approval by a shareholders' meeting resolution.

b. Deferred taxes

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

(1) Assets and liabilities that are initially recognized but not related to a business combination and have no effect on net income or taxable gains (losses) during the combination.

(2) Temporary differences arising from equity investments in subsidiaries or joint ventures where there is a high probability that such temporary differences will not reverse.

(3) Initial recognition of goodwill.

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

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

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

Revenue

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

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

b. Sales of goods

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

(1) The Group has transferred significant risks and returns of ownership to the counterparty;

(2) The Group has not been involved in any control activities and has not maintained effective control over the goods sold;

(3) The amount can be reliably measured;

(4) Economic benefits relevant to the transactions will probably flow to the Group;

(5) Costs related to the transactions, whether incurred or expected, can be reliably measured.

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

c. Customer loyalty program

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

d. Commissions

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

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

e. Dividend and interest income

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

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

Business Combination

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

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

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

The Group has not recognized any impairment loss for the three months ended March 31, 2014 and 2013.

b. Impairment assessment of goodwill

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

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

c. Impairment assessment of investments accounted for using the equity method

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

The Group has not recognized any impairment loss on investments accounted for using the equity method for the three months ended March 31, 2014 and 2013.

d. Income tax

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

As of March 31, 2014, and December 31 and March 31, 2013, the carrying value of deferred income tax assets amounted to $894,765 thousand, $924,576 thousand and $1,033,721 thousand, respectively; the carrying value of deferred income tax liabilities amounted to $2,657,317 thousand, $2,599,791 thousand and $2,349,609 thousand, respectively.

e. Useful lives of property, plant and equipment

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

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 March 31, 2014, and December 31 and March 31, 2013, the carrying value of accounts receivable amounted to $14,018,506 thousand, $14,007,431 thousand, and $11,997,444 thousand, respectively. They were the net amounts after subtracting the allowances for doubtful accounts amounting to $280,316 thousand, $288,620 thousand, and $277,110 thousand, respectively.

6. DESCRIPTION OF SIGNIFICANT ACCOUNTS

a. Cash and Cash Equivalents

	2014.3.31	2013.12.31	2013.3.31
Government bonds with repurchase rights	$ 3,797,622	4,070,060	2,127,674
Time deposits	2,183,825	1,748,153	2,103,562
Cash in banks	2,066,145	2,053,132	1,657,550
Cash on hand	120,842	73,530	175,949
Revolving funds	10,083	9,419	11,350
	$ 8,178,517	**7,954,294**	**6,076,085**

b. Available-for-sale Financial Assets

	2014.3.31	2013.12.31	2013.3.31
Domestic emerging stock – Taiwan High Speed Rail	$ 1,066,762	1,226,889	1,283,271
Beneficiary certificates	764,540	758,591	-
Domestic listed stock – Chunghwa Telecom Co., Ltd.	203,658	202,354	201,702
	$ 2,034,960	**2,187,834**	**1,484,973**
Current	**$ 968,198**	**960,945**	**201,702**
Non-current	**$ 1,066,762**	**1,226,889**	**1,283,271**

c. Non-current Financial Assets at Cost

	2014.3.31	2013.12.31	2013.3.31
Domestic unlisted stocks			
Arcoa Communication Co., Ltd.	$ 67,731	67,731	67,731
Great Taipei Broadband Co., Ltd.	39,627	39,627	39,627
Parawin Venture Capital Corp.	13,870	13,870	16,873
WEB Point Co., Ltd.	6,773	6,773	6,773
Foreign unlisted stock			
Bridge Mobile Pte Ltd.	50,324	50,324	50,324
	$ 178,325	**178,325**	**181,328**

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

For the three months ended March 31, 2014 and 2013, there was no impairment loss in the Group.

d. Non-current Bond Investment without Active Market

	2014.3.31	2013.12.31	2013.3.31
Taiwan High Speed Rail Corporation – unlisted convertible preferred stock – series A	**$ 500,000**	**500,000**	**500,000**

e. Accounts and Notes Receivable, Net

	2014.3.31	2013.12.31	2013.3.31
Notes receivable	$ 72,897	210,559	28,196
Accounts receivable	14,298,822	14,296,051	12,274,554
Less: allowance for doubtful accounts	(280,316)	(288,620)	(277,110)
Accounts receivable, net	14,018,506	14,007,431	11,997,444
Total	**$ 14,091,403**	**14,217,990**	**12,025,640**

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

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

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

	2014.3.31	2013.12.31	2013.3.31
Neither past due nor impaired	$ 13,648,979	13,626,915	11,258,119
Past due but not impaired			
Past due within 180 days	360,427	373,591	712,194
Past due over 180 days	9,100	6,925	27,131
	$ 14,018,506	**14,007,431**	**11,997,444**

Movements of allowance for doubtful receivables for the three months ended March 31, 2014 and 2013, were as follows:

	For the three months ended March 31	
	2014	2013
Beginning balance	$ 288,620	267,589
Add: Provision	27,953	37,560
Reversal	61,517	58,943
Less: Write-off	(97,774)	(86,982)
Ending balance	**$ 280,316**	**277,110**

f. Inventories

	2014.3.31	2013.12.31	2013.3.31
Merchandise	$ 2,864,388	3,708,181	3,445,115
Materials for maintenance	73,484	73,173	38,051
	$ 2,937,872	**3,781,354**	**3,483,166**

For the three months ended March 31, 2014 and 2013, the cost of goods sold recognized in consolidated comprehensive income amounted to $10,120,014 thousand and $9,087,174 thousand, respectively, which included the reversal of write-downs amounting to $13,694 thousand and $17,065 thousand, respectively. The reversal of the inventory for the three months ended March 31, 2014 and 2013, was because of appropriate inventory control and the clearing-out of the obsolete inventories.

g. Non-current Assets Classified as Held for Sale and Discontinued Operations

(1) Non-current assets classified as held for sale

(a) In November 2013, TFN decided to dispose of a piece of land and sold it to Chii Lih Development Enterprise Co., Ltd. The land was recorded as held for sale amounting to $50,275 on December 31, 2013, and the transfer of the ownership, which was finished on January 28, 2014, led to a gain of $158,568 thousand.

(b) On March 28, 2014, the Board of Directors of FBM resolved to sell the traditional retail business of We Can Medicines Co., Ltd. in May 2014 to enhance operations and expand sales through the online market. The total value of machinery, storage equipment, and telecommunication equipment held for sale was $46,310 thousand, and a total impairment loss of $17,794 thousand was recognized under discontinued operations in the consolidated comprehensive income statement through measurement at the lower of carrying amount and fair value less costs to sell.

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

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

	For the three months ended March 31	
	2014	**2013**
Profit and loss from discontinued operations:		
Operating revenue	$ 122,648	200,412
Operating costs	91,330	126,126
Gross profit	31,318	74,286
Operating expenses	60,389	152,274
Other income and expenses	(184)	31
Loss from discontinued operations before tax	(29,225)	(77,957)
Non-operating income and expenses		
Loss on disposal of property, plant, and equipment	(1,192)	(2,604)
Interest income	30	201
Finance costs	-	(21)
Others	344	23
Tax benefits	5,110	13,661
Loss from discontinued operations after tax	(24,963)	(66,697)

	For the three months ended March 31	
	2014	2013
Gain (loss) on disposal of assets or disposal groups constituting discontinued operation		
Loss recognized on measurement of fair value less cost to sell of assets or disposal groups constituting discontinued operations before tax	$ (17,794)	-
Tax benefits	3,025	-
Loss recognized on measurement of fair value less costs to sell of assets or disposal groups constituting discontinued operations after tax	(14,769)	-
Loss from discontinued operations after tax	**$ (39,732)**	**(66,697)**
Cash flows from (used in) discontinued operations:		
Net cash from operating activities	$ 34,046	(39,036)
Net cash from investing activities	1,880	(15,944)
Net cash from financing activities	(313)	(3,434)
Net cash inflow (outflow)	**$ 35,613**	**(58,414)**

(3) Profit (loss) from discontinued operations attributable to owners of parent: Please refer to Note 6(x).

h. Investments Accounted for Using the Equity Method

	2014.3.31		2013.12.31		2013.3.31	
Investee Company	Amount	% of Ownership	Amount	% of Ownership	Amount	% of Ownership
TNH	$ -	-	1,566,952	49.90	804,043	49.90
Taiwan Pelican Express Co., Ltd. (TPE)	414,788	17.70	409,142	17.70	369,943	20.00
Kbro Media Co., Ltd.	283,561	32.50	284,748	32.50	291,652	32.50
Alliance Digital Tech Co., Ltd. (ADT)	27,229	19.23	28,514	19.23	-	-
	$ 725,578		**2,289,356**		**1,465,638**	

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

Investee Company	2014.3.31	2013.12.31	2013.3.31
TPE	**$ 1,030,473**	**1,140,278**	**-**

(1) TNH

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

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

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

(2) TPE

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

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

(3) Kbro Media Co., Ltd.

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

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

(4) ADT

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

i. Acquisition of subsidiaries and transactions with non-controlling interests

(1) Acquisition of subsidiaries

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

(a) Assets acquired and liabilities assumed

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

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

(b) Operating influences of combination

The operating revenue and net loss in the consolidated comprehensive income statement of TNH contributed to the owners of the parent were $28,261 thousand and $4,363 thousand, respectively, during the period from February 21 to March 31, 2014. If the business combination had occurred at the beginning of the fiscal year, the profoma operating revenue and net loss in the consolidated comprehensive income statement would have been $64,437 thousand and $23,559 thousand, respectively, for the three months ended March 31, 2014. The profoma revenue and net loss could not be regarded as the actual operating outcome on the basis that the business combination occurred at the beginning of the year and revenue and the net loss were not projected into the future.

(2) Transactions with non-controlling interests

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

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

j. Property, Plant and Equipment

Movements of the cost, depreciation, and impairment of property, plant and equipment of the Group for the three months ended March 31, 2014 and 2013, were as follows:

	Land	Buildings	Telecommunication equipment and machinery	Miscellaneous equipment	Construction in progress and equipment to be inspected	Total
Cost:						
Balance, January 1, 2014	$ 8,675,595	4,961,737	73,940,408	6,049,561	3,162,832	96,790,133
Additions	-	2,061	84,267	97,867	2,140,707	2,324,902
Acquisition from combination	-	-	-	10,232	-	10,232
Reclassification	(14,300)	(10,076)	1,924,090	133,309	(2,192,933)	(159,910)
Disposals	-	-	(267,180)	(58,164)	(3,087)	(328,431)
Effect of exchange rate changes	-	-	(430)	(188)	-	(618)
Balance, March 31, 2014	**$ 8,661,295**	**4,953,722**	**75,681,155**	**6,232,617**	**3,107,519**	**98,636,308**
Balance, January 1, 2013	$ 6,735,900	4,145,550	70,234,280	5,540,378	4,060,086	90,716,194
Additions	-	748	64,606	82,253	4,133,840	4,281,447
Reclassification	2,008,573	825,438	1,857,299	99,976	(4,793,512)	(2,226)
Disposals	-	-	(875,685)	(33,248)	(2,074)	(911,007)
Effect of exchange rate changes	-	-	5,900	2,669	-	8,569
Balance, March 31, 2013	**$ 8,744,473**	**4,971,736**	**71,286,400**	**5,692,028**	**3,398,340**	**94,092,977**
Accumulated depreciation and impairment:						
Balance, January 1, 2014	$ 83,426	1,260,526	48,470,898	3,989,482	-	53,804,332
Depreciation	-	35,984	2,095,797	213,210	-	2,344,991
Acquisition from combination	-	-	-	835	-	835
Reclassification	-	(4,165)	(29,065)	(36,483)	-	(69,713)
Disposals	-	-	(200,249)	(52,320)	-	(252,569)
Effect of exchange rate changes	-	-	(232)	(135)	-	(367)
Balance, March 31, 2014	**$ 83,426**	**1,292,345**	**50,337,149**	**4,114,589**	-	**55,827,509**

	Land	Buildings	Telecommunication equipment and machinery	Miscellaneous equipment	Construction in progress and equipment to be inspected	Total
Accumulated depreciation and impairment:						
Balance, January 1, 2013	$ 83,426	1,127,005	45,302,209	3,465,876	-	49,978,516
Depreciation	-	30,598	1,919,149	210,335	-	2,160,082
Disposals	-	-	(639,221)	(30,015)	-	(669,236)
Effect of exchange rate changes	-	-	1,105	698	-	1,803
Balance, March 31, 2013	**$ 83,426**	**1,157,603**	**46,583,242**	**3, 646,894**	**-**	**51,471,165**
Carrying amount:						
Balance, January 1, 2014	**$ 8,592,169**	**3,701,211**	**25,469,510**	**2,060,079**	**3,162,832**	**42,985,801**
Balance, March 31, 2014	**$ 8,577,869**	**3,661,377**	**25,344,006**	**2,118,028**	**3,107,519**	**42,808,799**
Balance, January 1, 2013	**$ 6,652,474**	**3,018,545**	**24,932,071**	**2,074,502**	**4,060,086**	**40,737,678**
Balance, March 31, 2013	**$ 8,661,047**	**3,814,133**	**24,703,158**	**2,045,134**	**3,398,340**	**42,621,812**

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

(a) Buildings	
Primary buildings	20~55 years
Mechanical and electrical equipment	15 years
(b) Telecommunication equipment and machinery	20 years
(c) Miscellaneous equipment	2~15 years

(2) The non-cash investing of the Group for the three months ended March 31, 2014 and 2013, was as follows:

	For the three months ended March 31	
	2014	**2013**
Acquisition of property, plant and equipment	$ 2,324,902	4,281,447
Changes in other payables	(137,210)	(483,487)
Changes in provisions	(22,978)	(31,269)
Cash paid for acquisition of property, plant and equipment	**$ 2,164,714**	**3,766,691**

k. Investment Property

	2014.3.31	**2013.12.31**	**2013.3.31**
Land:			
Cost	**$ 249,368**	**235,068**	**216,465**

	2014.3.31	2013.12.31	2013.3.31
Buildings:			
Cost	$ 131,443	121,367	113,168
Accumulated depreciation	41,123	36,041	30,344
Carrying amount	**$ 90,320**	**85,326**	**82,824**
Total investment property	**$ 339,688**	**320,394**	**299,289**
Fair value	**$ 750,538**	**717,142**	**652,167**
Capitalization rate	**1.19%~3.12%**	**1.19%~3.12%**	**1.19%~3.12%**

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

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

l. Intangible Assets

The cost, amortization, and impairment of intangible assets of the Group for the three months ended March 31, 2014 and 2013, were as follows:

	Concession			Other intangible assets					
	Concession license	Service concession	Goodwill	Computer software	Customer relationship	Operating rights	Trademarks	Others	Total
Cost:									
Balance, January 1, 2014	$ 39,291,000	-	15,845,930	2,020,208	2,849,197	1,382,000	2,517,860	5,107	63,911,302
Addition	-	14,294	-	28,374	-	-	7	-	42,675
Acquisition from combination	-	7,460,415	-	-	-	-	-	-	7,460,415
Reclassification	-	-	-	41,614	-	-	-	-	41,614
Effect of exchange rate changes	-	-	-	(55)	-	-	-	(7)	(62)
Balance, March 31, 2014	**$ 39,291,000**	**7,474,709**	**15,845,930**	**2,090,141**	**2,849,197**	**1,382,000**	**2,517,867**	**5,100**	**71,455,944**
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	-	-	-	49,389	-	-	450	-	49,839
Disposals	-	-	-	(31,042)	-	-	-	-	(31,042)
Reclassification	-	-	-	67,309	-	-	-	-	67,309
Effect of exchange rate changes	-	-	-	748	-	-	-	121	869
Balance, March 31, 2013	**$ 10,281,000**	**-**	**15,845,930**	**1,750,435**	**2,849,197**	**1,382,000**	**2,517,740**	**5,752**	**34,632,054**

	Concession			Other intangible assets					
	Concession license	Service concession	Goodwill	Computer software	Customer relationship	Operating rights	Trademarks	Others	Total
Amortization and impairment:									
Balance, January 1, 2014	$ 6,542,455	-	-	1,502,406	1,023,771	-	579	4,820	9,074,031
Amortization	186,927	17,498	-	83,398	34,100	-	51	290	322,264
Effect of exchange rate changes	-	-	-	(33)	-	-	-	(10)	(43)
Balance, March 31, 2014	**$ 6,729,382**	**17,498**	**-**	**1,585,771**	**1,057,871**	**-**	**630**	**5,100**	**9,396,252**
Balance, January 1, 2013	$ 5,794,746	-	-	1,232,525	860,198	-	400	3,056	7,890,925
Amortization	186,927	-	-	76,205	44,375	-	26	290	307,823
Disposals	-	-	-	(31,042)	-	-	-	-	(31,042)
Effect of exchange rate changes	-	-	-	261	-	-	-	42	303
Balance, March 31, 2013	**$ 5,981,673**	**-**	**-**	**1,277,949**	**904,573**	**-**	**426**	**3,388**	**8,168,009**
Carrying amounts:									
Balance, January 1, 2014	**$ 32,748,545**	**-**	**15,845,930**	**517,802**	**1,825,426**	**1,382,000**	**2,517,281**	**287**	**54,837,271**
Balance, March 31, 2014	**$ 32,561,618**	**7,457,211**	**15,845,930**	**504,370**	**1,791,326**	**1,382,000**	**2,517,237**	**-**	**62,059,692**
Balance, January 1, 2013	**$ 4,486,254**	**-**	**15,845,930**	**431,506**	**1,988,999**	**1,382,000**	**2,516,890**	**2,575**	**26,654,154**
Balance, March 31, 2013	**$ 4,299,327**	**-**	**15,845,930**	**472,486**	**1,944,624**	**1,382,000**	**2,517,314**	**2,364**	**26,464,045**

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

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

(1) Concession license

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

(2) Service concession

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

(3) Customer relationship, trademarks, and operating rights

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

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

(b) Taiwan United Communication Co., Ltd. (TUC) was established on April 14, 2007, and was merged into TFN on January 1, 2008. In September 2007, TUC, TWM's 100%-owned subsidiary, acquired more than 50% of Taiwan Telecommunication Network Services Co., Ltd. (TTN) shares. TTN was merged into TFN on August 1, 2008. TWM measured the fair value of the acquired assets and viewed TTN's ISP services as one cash-generating unit. Accordingly, customer relationship is identified as a major intangible asset.

(c) On September 1, 2010, TFNM, TWM's 100%-owned subsidiary, acquired 55% of TKT. On August 12, 2011, TFNM acquired 45% of TKT. TWM measured the fair value of the acquired assets and viewed TKT's wireless services as one cash-generating unit. Accordingly, trademarks and customer relationship are identified as major intangible assets.

(d) On July 13, 2011, WMT, TWM's 100%-owned subsidiary, acquired more than 50% of FBM. TWM measured the fair value of the acquired assets and viewed

FBM's retail business as one cash-generating unit. Accordingly, trademarks are identified as major intangible assets.

(4) Goodwill

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

	2014.3.31	2013.12.31	2013.3.31
Mobile communication service	$ 7,238,758	7,238,758	7,238,758
Fixed network service	357,970	357,970	357,970
Cable television business	3,269,636	3,269,636	3,269,636
Retail business	4,979,566	4,979,566	4,979,566
	$15,845,930	**15,845,930**	**15,845,930**

(5) Impairment of assets

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

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

(a) Mobile communication service

(i) Assumptions on cash flows

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

(ii) Assumptions on operating revenues

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

(iii) Assumptions on operating costs and expenses

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

(iv) Assumptions on discount rate

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

(b) Fixed network service

(i) Assumptions on cash flows

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

(ii) Assumptions on operating revenues

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

(iii) Assumptions on operating costs and expenses

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

(iv) Assumptions on discount rate

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

(c) Cable television business

(i) Assumptions on cash flows

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

(ii) Assumptions on operating revenues

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

(iii) Assumptions on operating costs and expenses

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

(iv) Assumptions on discount rate

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

(d) Retail business

(i) Assumptions on cash flows

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

(ii) Assumptions on operating revenues

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

(iii) Assumptions on operating costs and expenses

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

(iv) Assumptions on discount rate

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

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

m. Other Non-current Assets

	2014.3.31	2013.12.31	2013.3.31
Long-term accounts receivable	$ 4,225,861	4,198,548	3,678,497
Refundable deposits	567,685	561,223	577,085
Prepayments for investments	148,118	-	175,150
Prepayments for equipment	82,170	59,619	224,083
Others	517,288	525,792	534,481
	$ 5,541,122	**5,345,182**	**5,189,296**

The information on prepayments for investments is as follows:

(1) On March 31, 2013, TWM prepaid an investment of $174,650 thousand in TNH and an investment of $500 thousand in the TDS preparatory office through TCC.

(2) FBM entered into a joint venture with Thailand TV Direct Co., Ltd. to establish TVD SHOPPING CO., LTD. to expand the online market in Thailand. As of March 31, 2014, FBM had prepaid $148,118 thousand to get 35% ownership.

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

	2014.3.31	
	Annual interest rate	**Amount**
Unsecured loans－financial institutions	0.78%~1.085%	$ 23,700,000
Secured loans－financial institutions (related parties)	7.2%~7.224%	144,858
		$ 23,844,858
Bills payable	0.60%	$ 500,000
Less: Discount on bills payable		(672)
		$ 499,328

	2013.12.31	
	Annual interest rate	**Amount**
Unsecured loans－financial institutions	0.83%~1.15%	$ 30,500,000
Secured loans－financial institutions (related parties)	6.3 %~7.224%	105,813
		$ 30,605,813
Bills payable	0.62%~0.72%	$ 2,400,000
Less: Discount on bills payable		(3,029)
		$ 2,396,971

	2013.3.31	
	Annual interest rate	**Amount**
Unsecured loans－financial institutions	0.88%~1.1%	$ 3,200,000
Secured loans－financial institutions (related parties)	6.3 %	215,825
		$ 3,415,825

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

o. Advance Receipts

	2014.3.31	2013.12.31	2013.3.31
Advance receipts from customers	$ 2,287,261	2,405,345	3,040,318
Deferred customer loyalty revenues	52,155	51,116	69,061
Others	101,407	108,434	117,866
	$ 2,440,823	**2,564,895**	**3,227,245**

(1) In accordance with the NCC's policy, TWM entered into a contract with First Commercial Bank Co., Ltd. which provided a performance guarantee for advance receipts from prepaid cards and electronic gift certificates amounting to $709,746 thousand and $10,822 thousand, respectively, as of March 31, 2014. The guarantee will last for a year.

(2) In accordance with the NCC's policy, TFN entered into a contract with First Commercial Bank Co., Ltd. which provided a performance guarantee for advance receipts from International Direct Dialing (IDD) calling cards amounting to $89 thousand as of March 31, 2014. The guarantee will last for a year.

(3) In accordance with the NCC's policy, cable television companies should provide a performance deposit based on a certain proportion of the advance receipts for a prepaid period. As of March 31, 2014, the cable television companies had provided $55,245 thousand as a performance deposit, classified as other non-current financial assets.

(4) In accordance with the Ministry of Economic Affairs' policy, FBM entered into a contract with Taipei Fubon Commercial Bank Co., Ltd. In order to provide a performance deposit, the trust account balance maintained monthly by FBM should be the same as the amount of the outstanding gift certificates. As of March 31, 2014, FBM had provided $798 thousand as a performance deposit, classified as other current financial assets.

(5) In accordance with the Ministry of Economic Affairs' policy, FBM entered into a contract with First Commercial Bank Co., Ltd. which provided a performance guarantee for advance receipts from prepaid bonus amounting to $16,363 thousand as of March 31, 2014. The guarantee will last for a year.

(6) In accordance with the NCC's and the Ministry of Economic Affairs' policies, TKT entered into a contract with Mega International Commercial Bank Co., Ltd. which provided a performance guarantee for advance receipts from prepaid music cards amounting to $1,716 thousand as of March 31, 2014. The guaranty will last for a year.

p. Bonds Payable

	2014.3.31	2013.12.31	2013.3.31
2nd domestic unsecured bonds	$ -	-	4,000,000
3rd domestic unsecured bonds	8,996,125	8,995,936	8,995,369
4th domestic unsecured bonds	5,796,933	5,796,711	-
	14,793,058	14,792,647	12,995,369
Less: current portion	-	-	(4,000,000)
	$ 14,793,058	**14,792,647**	**8,995,369**

(1) 2nd domestic unsecured bonds

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

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

(2) 3rd domestic unsecured bonds

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

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

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

(3) 4th domestic unsecured bonds

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

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

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

q. Long-term Borrowings

	2014.3.31		
	Annual interest rate		Amount
Unsecured loans－financial institutions	1.05%~1.07%	$	6,000,000
Secured loans－financial institutions	2.2526%		3,494,207
Less: current portion			(1,208,218)
		$	**8,285,989**

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

(1) Unsecured loans

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

(2) Secured loans

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

r. Provisions

	2014.3.31	2013.12.31	2013.3.31
Restoration	$ 1,033,363	1,021,896	909,684
Warranties	49,515	52,059	17,042
Decommissioning	29,269	-	-
	$ 1,112,147	**1,073,955**	**926,726**
Current	$ 195,604	193,886	142,870
Non-current	916,543	880,069	783,856
	$ 1,112,147	**1,073,955**	**926,726**

	Restoration	Warranties	Decommis-sioning	Total
Balance, January 1, 2014	$ 1,021,896	52,059	-	1,073,955
Provision	26,973	10,526	3,682	41,181
Acquisition from combination	-	-	25,494	25,494
Discounted or amortized	3,332	-	93	3,425
Payment	(18,838)	(13,070)	-	(31,908)
Balance, March 31, 2014	**$ 1,033,363**	**49,515**	**29,269**	**1,112,147**
Balance, January 1, 2013	$ 875,805	-	-	875,805
Provision	35,787	19,297	-	55,084
Discounted or amortized	3,478	-	-	3,478
Payment	(5,386)	(2,255)	-	(7,641)
Balance, March 31, 2013	**$ 909,684**	**17,042**	-	**926,726**

s. Other Non-current Liabilities

	2014.3.31	2013.12.31	2013.3.31
Construction retainage payable	$ 508,526	-	-
Concession payable	905,357	-	-
Less: Discounts on concession payable	(140,144)	-	-
Others	19,744	19,744	19,744
	$ 1,293,483	**19,744**	**19,744**

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

t. Operating Lease

(1) Lessee

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

	2014.3.31	2013.12.31	2013.3.31
Less than one year	$ 2,908,235	2,920,143	2,913,301
Between one and five years	5,164,061	5,403,480	5,770,803
More than five years	115,725	123,538	142,049
	$ 8,188,021	**8,447,161**	**8,826,153**

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

As of March 31, 2014, and December 31 and March 31, 2013, the Group anticipated it would receive total future minimum sublease payments under the non-cancellable sublease contracts in the amount of $22,351 thousand, $20,787 thousand, and $11,789 thousand, respectively.

For the three months ended March 31, 2014 and 2013, the payment of leases and subleases, recognized as gains or losses, was as follows:

	For the three months ended March 31	
	2014	**2013**
Minimum lease payment	$ 856,863	781,862
Sublease payment	(94)	(119)
	$ 856,769	**781,743**

(2) Lessor

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

	2014.3.31	2013.12.31	2013.3.31
Less than one year	$ 22,055	20,036	21,853
Between one and five years	21,851	22,220	35,965
	$ 43,906	**42,256**	**57,818**

u. Employee Benefits

(1) Defined benefit plan

The Group recognized $1,487 thousand and $1,166 thousand of pension expense for the three months ended March 31, 2014 and 2013, respectively, by using the actuarially determined pension cost rate on December 31, 2013 and 2012, respectively.

(2) Defined contribution plans

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

The Group recognized $65,193 thousand and $59,267 thousand of pension costs under the pension plan for the three months ended March 31, 2014 and 2013, respectively.

v. Income Tax from Continuing Operations

The reconciliation of income tax expense was as follows:

	For the three months ended March 31	
	2014	2013
Current income tax expense		
Current period	$ 759,351	609,544
Prior years' adjustment on current income tax	16,753	44,321
	776,104	653,865
Deferred income tax expense		
Current period	87,337	207,199
Income tax expense	**$ 863,441**	**861,064**

Integrated income tax information was as follows:

	2014.3.31	2013.12.31	2013.3.31
Balance of the Group's imputation credit account (ICA)	**$ 1,333,860**	**1,312,831**	**1,139,893**

As of March 31, 2014, there were no unappropriated earnings generated before 1997.

The estimated tax creditable ratio for 2013 and actual tax creditable ratio for 2012 were 14.33% and 12.05%, respectively, based on Decree No. 10204562810 announced on October 17, 2013, by the Ministry of Finance of the Republic of China. Under the Integrated Income Tax System, ROC resident shareholders are allowed a tax credit for the income tax paid by TWM. An imputation credit account (ICA) is maintained by TWM for such income tax, and a tax credit is allocated to each shareholder. Actual allocation of the imputation credit account is based on the balance on the date of dividend distribution. Therefore, the estimated tax creditable ratio may differ from the actual tax creditable ratio for the 2013 earnings appropriation.

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

	Year
TWM	2011
TCC	2011
WMT	2012
GWMT	2011
GFMT	2012
TDC	2012
TDS (established on April 2, 2013)	-
TCCI	2012
TID	2012
TMB	2012
TFN	2011
TT&T	2012
TUI	2012
TFNI	2008
WTVB	2011
TFNM	2011
UCTV	2010
YJCTV	2012
MCTV	2012
PCTV	2012
GCTV	2012
TKT	2012
FBM	2011
FST	2012
FLI	2011
FPI	2011
TNH	2012

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

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

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

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

w. Capital and Other Equities

(1) Ordinary shares

As of March 31, 2014, TWM had authorized 6,000,000 thousand ordinary shares, with 3,420,833 thousand shares outstanding (par value $10).

(2) Capital surplus

Under the Company Act, capital surplus generated from the excess of the issue price over the par value of capital stock, including the stock issued for new capital, provisions for convertible corporate bonds, and treasury share transactions, may be applied to cover a deficit, or be transferred to capital as stock dividends, or be distributed as cash dividends when there is no deficit, and this transfer is restricted to a certain percentage of the paid-in capital. The capital surplus recognized from changes in net value of investments accounted for using the equity method cannot be used for any purpose.

The capital surplus on March 31, 2014, and December 31 and March 31, 2013, was as follows:

	2014.3.31	**2013.12.31**	**2013.3.31**
Additional paid-in capital from convertible corporate bonds	$ 8,775,820	8,775,820	8,775,820
Treasury share transaction	3,639,301	3,639,301	3,639,301
Others	60,268	41,770	16,730
	$12,475,389	**12,456,891**	**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 the paid-in capital. After offsetting any deficit, the legal reserve may be transferred to capital and distributed as stock dividends or distributed as cash dividends for the amount in excess of 25% of the paid-in capital pursuant to a resolution adopted by the shareholders' meeting.

(4) Appropriation of earnings and dividend policy

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

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

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

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

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

TWM's estimated bonuses to employees amounted to $110,274 thousand and $102,784 thousand as of March 31, 2014 and 2013, respectively. The estimated remuneration to directors amounted to $11,027 thousand and $10,278 thousand as of March 31, 2014 and 2013, respectively.

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

The 2013 and 2012 earnings appropriations resolved by the AGM on April 29, 2014, and June 21, 2013, were as follows:

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

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

The AGM on April 29, 2014, and June 21, 2013, resolved to distribute bonuses to employees amounting to $420,753 thousand and $396,673 thousand, respectively, and the remuneration to directors amounting to $42,075 thousand and $39,667 thousand, respectively, for the years ended December 31, 2013 and 2012. There were no differences between the above actual distributions and the amounts recognized in the financial statements for 2013 and 2012.

The resolution on appropriation of earnings for 2013 had not been approved by the AGM as of the reporting date. Information on the appropriation of the earnings, bonus to employees, and remuneration to directors proposed by the Board of Directors and to be approved at the AGM is available on the Market Observation Post System website of the Taiwan Stock Exchange.

(5) Other equity interest

	Exchange differences on translation	Unrealized gain (loss) on available-for-sale financial assets	Total
Balance, January 1, 2014	$ 24,948	387,734	412,682
The Group	63	(155,560)	(155,497)
Associates	37	28	65
Balance, March 31, 2014	**$ 25,048**	**232,202**	**257,250**
Balance, January 1, 2013	$ 25,483	314,543	340,026
The Group	5,176	151,922	157,098
Associates	198	-	198
Balance, March 31, 2013	**$ 30,857**	**466,465**	**497,322**

(6) Treasury shares

As of March 31, 2014, and December 31 and March 31, 2013, TWM's stock held by TCCI, TUI and TID (all are subsidiaries 100% owned by TWM) was 730,726 thousand shares, and the carrying and market values were $69,711,246 thousand, $70,368,899 thousand, and $74,168,674 thousand, respectively. Since the shares held by subsidiaries are regarded as treasury shares, TWM reclassified $31,077,183 thousand from investments accounted for using the equity method to treasury shares. Although these shares are treated as treasury shares in the financial statements, the shareholders are entitled to excise their rights over these shares, except for participation in capital injection by cash. In addition, based on the ROC Company Act, subsidiaries with over 50% shareholding by TWM cannot exercise the voting rights over their treasury shares.

(7) Non-controlling interests

	For the three months ended March 31		
	2014		2013
Beginning balance	$	1,086,747	1,072,204
Portion attributable to non-controlling interests			
Profit		91,669	48,848
Unrealized gain on available-for-sale financial assets		2,984	-
Exchange differences on translation		235	1,056
Changes in equity of associates accounted for using the equity method		(259)	-
Increase in non-controlling interests		1,736,460	-
Disposal of partial ownership interests in subsidiaries		120,420	-
Ending balance	**$**	**3,038,256**	**1,122,108**

x. Earnings per Share

The Group calculated the basic and diluted EPS as follows:

	For the three months ended March 31, 2014				
	Amount after income tax		Weighted-average number of ordinary shares	EPS	
Basic EPS					
Profit from continuing operations attributable to owners of parent	$	4,106,061	2,690,107	$	1.53
Loss from discontinued operations attributable to owners of parent		(19,838)	2,690,107		(0.01)
Profit attributable to owners of parent	**$**	**4,084,223**	**2,690,107**	**$**	**1.52**
Diluted EPS					
Profit from continuing operations attributable to owners of parent	$	4,104,061	2,690,107		
Effect of potential dilutive ordinary shares:					
Effect of employees' bonuses		-	5,566		
Profit from continuing operations attributable to owners of parent	$	4,104,061	2,695,673	$	1.52
Loss from discontinued operations attributable to owners of parent		(19,838)	2,695,673		(0.01)
Profit attributable to owners of parent (adjusted for potential effect of dilutive ordinary shares)	**$**	**4,084,223**	**2,695,673**	**$**	**1.51**

	For the three months ended March 31, 2013				
	Amount after income tax		Weighted-average number of ordinary shares	EPS	
Basic EPS					
Profit from continuing operations attributable to owners of parent	$	3,840,586	2,690,107	$	1.43
Loss from discontinued operations attributable to owners of parent		(33,772)	2,690,107		(0.01)
Profit attributable to owners of parent	**$**	**3,806,814**	**2,690,107**	**$**	**1.42**
Diluted EPS					
Profit from continuing operations attributable to owners of parent	$	3,840,586	2,690,107		
Effect of potential dilutive ordinary shares:					
Effect of employees' bonuses		-	4,921		
Profit from continuing operations attributable to owners of parent	$	3,840,586	2,695,028	$	1.42
Loss from discontinued operations attributable to owners of parent		(33,772)	2,695,028		(0.01)
Profit attributable to owners of parent (adjusted for potential effect of dilutive ordinary shares)	**$**	**3,806,814**	**2,695,028**	**$**	**1.41**

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

y. Operating Revenues from Continuing Operations

The Group's operating revenues were detailed as follows:

	For the three months ended March 31		
	2014		2013
Telecommunication service	$	14,539,486	14,548,243
Sales revenue		10,845,545	9,853,094
Cable TV and broadband		1,528,821	1,481,612
Other operating revenues		812,622	473,706
	$	**27,726,474**	**26,356,655**

z. Other Income and Expenses from Continuing Operations

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

	For the three months ended March 31	
	2014	**2013**
Government subsidy	$ 8,432	2,274
Police inquiry	7,499	7,628
Others	10,520	4,364
	$ 26,451	**14,266**

aa. Non-operating Income and Expenses from Continuing Operations

(1) Other income

The Group's other income was as follows:

	For the three months ended March 31	
	2014	**2013**
Interest income	$ 24,140	14,072
Rent income	8,545	8,503
Other income	1,987	606
	$ 34,672	**23,181**

(2) Other gains and losses, net

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

	For the three months ended March 31	
	2014	**2013**
Gain on disposal of non-current assets classified as held for sale	$ 158,568	-
Loss on disposal of property, plant and equipment	(72,543)	(238,127)
Foreign exchange gains	7,869	13,481
Others	(2,851)	(3,202)
	$ 91,043	**(227,848)**

(3) Finance costs

The Group's finance costs were as follows:

	For the three months ended March 31	
	2014	**2013**
Interest expense		
Bank loans	$ 90,477	16,613
Corporate bonds	48,597	58,740
Others	16,055	8,959
	155,129	84,312
Less: capitalized interest	(3,398)	(4,379)
	$ 151,731	**79,933**

Capitalization rates were as follows:

	For the three months ended March 31	
	2014	**2013**
Capitalization rates	1.20%~1.35%	1.36%~1.60%

ab. Capital Management

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

ac. Financial Instruments

(1) Categories of financial instruments

Financial assets

	2014.3.31	2013.12.31	2013.3.31
Available-for-sale financial assets (including current and non-current portions)	$ 2,034,960	2,187,834	1,484,973
Financial assets carried at cost	178,325	178,325	181,328
Loans and receivables:			
Cash and cash equivalents	8,178,517	7,954,294	6,076,085
Receivables (including current and non-current portions)	19,167,791	19,326,352	16,702,214
Bond investment without an active market	500,000	500,000	500,000
Other financial assets (including current and non-current portions)	1,138,307	1,296,774	1,509,394
Refundable deposits	567,685	561,223	577,085
Subtotal	29,552,300	29,638,643	25,364,778
Total	$ **31,765,585**	**32,004,802**	**27,031,079**

Financial liabilities

	2014.3.31	2013.12.31	2013.3.31
Short-term borrowings	$ 23,844,858	30,605,813	3,415,825
Short-term notes and bills payable	499,328	2,396,971	-
Payables (including current and non-current portions)	18,959,216	18,801,314	15,691,785
Bonds payable (including current portion)	14,793,058	14,792,647	12,995,369
Long-term borrowings (including current portion)	9,494,207	3,000,000	-
Guarantee deposits	830,657	818,386	824,563
Total	**$ 68,421,324**	**70,415,131**	**32,927,542**

(2) Credit risk

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

(3) Liquidity risk

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

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

	Carrying amount	Contractual cash flows	Within 1 year	1~5 years	More than 5 years
2014.3.31					
Unsecured loans	$ 29,700,000	29,848,674	24,806,134	5,042,540	-
Secured loans	3,639,065	3,883,155	437,335	3,445,820	-
Bills payable	499,328	500,000	500,000	-	-
Bonds payable	14,793,058	15,799,990	195,420	11,044,270	4,560,300
	$ 48,631,451	**50,031,819**	**25,938,889**	**19,532,630**	**4,560,300**
2013.12.31					
Unsecured loans	$, 33,500,000	33,623,454	31,607,747	2,015,707	-
Secured loans	105,813	111,349	111,349	-	-
Bills payable	2,396,971	2,400,000	2,400,000	-	-
Bonds payable	14,792,647	15,799,990	195,420	11,044,270	4,560,300
	$ 50,795,431	**51,934,793**	**34,314,516**	**13,059,977**	**4,560,300**
2013.3.31					
Unsecured loans	$ 3,200,000	3,202,349	3,202,349	-	-
Secured loans	215,825	229,422	229,422	-	-
Bonds payable	12,995,369	13,899,100	4,235,800	482,400	9,180,900
	$ 16,411,194	**17,330,871**	**7,667,571**	**482,400**	**9,180,900**

(4) Exchange rate risk

(a) Exposure to exchange rate risk

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

	2014.3.31			2013.12.31			2013.3.31		
	Foreign currency	**Exchange rate**	**NTD**	**Foreign currency**	**Exchange rate**	**NTD**	**Foreign currency**	**Exchange rate**	**NTD**
Financial Assets									
RMB	29,255	4.915	143,789	27,917	4.926	137,521	29,301	4.809	140,907
USD	35,431	30.495	1,080,458	33,167	29.90	991,719	23,888	29.89	714,065
JPY	40	0.2986	12	110	0.2838	31	76	0.3172	24
HKD	3,281	3.930	12,896	3,394	3.856	13,087	2,752	3.851	10,598
EUR	1,588	41.87	66,489	870	41.14	35,820	321	38.24	12,268
Financial Liabilities									
RMB	47,823	4.915	235,048	37,460	4.926	184,532	58,065	4.809	279,235
USD	15,153	30.495	462,833	4,187	29.90	125,213	6,841	29.89	204,944
JPY	4,932	0.2986	1,473	5,280	0.2838	1,499	5,969	0.3172	1,894
HKD	10,522	3.930	41,352	6,712	3.856	25,882	9,974	3.851	38,412
EUR	4	41.87	161	10	41.14	431	4	38.24	149
GBP	-	-	-	6	49.33	321	31	45.32	1,414

(b) Sensitivity analysis

The Group's exchange rate risk comes mainly from conversion gains and losses of accounts measured in foreign currencies such as cash and cash equivalents, accounts receivable and other receivables, refundable deposits, loans, accounts payable, other payables, guarantee deposits, etc. If the NTD, when compared with the CNY, USD, JPY, HKD, EUR, and GBP, had depreciated 5% (with other factors remaining constant on the reporting date and with analyses of the two periods on the same basis), profit would have increased by $28,930 thousand and by $18,047 thousand for the three months ended March 31, 2014 and 2013, respectively.

(5) Interest rate analysis

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

	Carrying amount		
	2014.3.31	**2013.12.31**	**2013.3.31**
Fair value interest rate risk			
Financial assets	$ 6,969,889	6,982,121	5,437,662
Financial liabilities	44,992,386	50,689,618	16,195,369
Cash flow interest rate risk			
Financial assets	2,205,052	2,177,000	1,866,271
Financial liabilities	3,639,065	105,813	215,825

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 that the changes in interest rates are reasonable. If the interest rate had increased by 0.5% (with other factors remaining constant on the reporting date and with analyses of the two periods on the same basis), for the three months ended March 31, 2014 and 2013, the Group's profit would have decreased by $1,793 thousand and increased by $2,063 thousand, respectively.

(6) Fair value of financial instruments

(a) Financial instruments not at fair value

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

	2014.3.31		2013.12.31		2013.3.31	
	Carrying Amount	**Fair Value**	**Carrying Amount**	**Fair Value**	**Carrying Amount**	**Fair Value**
Financial liabilities						
Corporate bonds payable (including portion due within a year)	$14,793,058	14,717,038	14,792,647	14,713,072	12,995,369	13,051,178

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

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

(i) The fair value of financial assets and liabilities traded in active markets is based on quoted market prices (including investments in stocks and funds from listed entities).

(ii) The fair value of corporate bonds payable is measured based on a volume-weighted-average price on the OTC on the reporting date.

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

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

(i) Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

(ii) Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

(iii) Level 3: Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

	Level 1	Level 2	Level 3	Total
2014.3.31				
Available-for-sale financial assets				
Domestic emerging stock	$ 1,066,762	-	-	1,066,762
Beneficiary certificates	764,540	-	-	764,540
Domestic listed stock	203,658	-	-	203,658
	$ 2,034,960	-	-	**2,034,960**
2013.12.31				
Available-for-sale financial assets				
Domestic emerging stock	$ 1,226,889	-	-	1,226,889
Beneficiary certificates	758,591			758,591
Domestic listed stock	202,354	-	-	202,354
	$ 2,187,834	-	-	**2,187,834**
2013.3.31				
Available-for-sale financial assets				
Domestic emerging stock	$ 1,283,271	-	-	1,283,271
Domestic listed stock	201,702	-	-	201,271
	$ 1,484,973	-	-	**1,484,973**

There was no transfer between the fair value levels for the three months ended March 31, 2014 and 2013.

ad. Financial Risk Management

(1) Overview

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

(a) Credit risk

(b) Liquidity risk

(c) Market risk

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

(2) Risk management framework

(a) Decision-making mechanism:

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

(b) Risk management policies:

i. Promote a risk-management-based business model.

ii. Establish a risk management mechanism that can effectively recognize, evaluate, supervise and control risk.

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

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

(3) Credit risk

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

(4) Liquidity risk

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

The Group ensures sufficient cash for the requirements of paying estimated operating expenditures, including financial obligations. The Group also monitors its bank credit facilities and ensures that the provisions of loan contracts are all complied with properly. As of March 31, 2014, and December 31 and March 31, 2013, the Group had unused bank facilities of $58,409,216 thousand, $49,957,934 thousand, and $67,558,440 thousand, respectively.

(5) Market risk

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

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

(a) Exchange rate risk

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

(b) Interest rate risk

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

(c) Other market price risk

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

Sensitivity analysis: If the equity securities price had increased by 5% (with other factors remaining constant and with the analyses of the two periods on the same basis), for the three months ended March 31, 2014 and 2013, other comprehensive income would have increased by $101,748 thousand and $74,249 thousand, respectively.

7. RELATED-PARTY TRANSACTIONS

a. Parent Company and Ultimate Controlling Party

TWM is the ultimate controlling party of the Group.

b. Significant Transactions with Related Parties

(1) Operating revenue

	For the three months ended March 31		
	2014		2013
Associates	$	4,551	325
Other related parties		32,411	29,351
Less: operating revenue from discontinued operations		-	(45)
	$	**36,962**	**29,631**

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

(2) Purchases

	For the three months ended March 31		
	2014		2013
Associates	$	122,954	177,555
Other related parties		58,773	43,954
Less: purchases from discontinued operations		(4,866)	(8,480)
	$	**176,861**	**213,029**

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

(3) Receivables from Related Parties

The amount of receivables from related parties was as follows:

Account	Related Party Categories	2014.3.31	2013.12.31	2013.3.31
Accounts receivable	Associates	$ 3,783	3,720	401
Accounts receivable	Other related parties	52,466	45,837	71,414
		$ 56,249	**49,557**	**71,815**
Other receivables	Associates	$ 95,043	53,587	120,715
Other receivables	Other related parties	53,859	36,358	65
		$ 148,902	**89,945**	**120,780**

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

(4) Payables to Related Parties

The amount of payables to related parties was as follows:

Account	Related Party Categories	2014.3.31	2013.12.31	2013.3.31
Accounts payable	Associates	**$ 38,495**	**73,080**	**52,506**
Other payables	Other related parties	**$ 32,017**	**27,601**	**12,143**

(5) Prepayments

The amount of prepayments to related parties was as follows:

	2014.3.31	2013.12.31	2013.3.31
Other related parties	**$ 27,632**	**15,394**	**19,529**

(6) Borrowings from related parties

The amount of borrowings from related parties was as follows:

	2014.3.31	2013.12.31	2013.3.31
Other related parties	**$ 894,858**	**105,813**	**215,825**

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

(7) Bank deposits

	2014.3.31	2013.12.31	2013.3.31
(a) Bank deposits and time deposits			
Other related parties	**$ 1,287,251**	**1,563,806**	**1,624,870**
(b) Other financial assets－pledged time deposits and restricted deposits			
Other related parties	**$ 56,044**	**55,924**	**26,047**
time deposits with maturities of more than three months			
Other related parties	**$ 728,898**	**928,760**	**216,500**

(8) Mutual funds purchased from related parties

	2014.3.31	2013.12.31	2013.3.31
Other related parties	**$ -**	**200,000**	**-**

(9) Others

	2014.3.31	2013.12.31	2013.3.31
(a) Guarantee deposits			
Other related parties	**$ 30,722**	**30,682**	**56,550**

	For the three months ended March 31	
	2014	2013
(b) Donation expense		
Other related parties	**$ 15,000**	**10,905**
(c) Other expense		
Other related parties	$ 80,243	41,004
Less: other expense from discontinued operations	(168)	(990)
	$ 80,075	**40,014**
(d) Rental expenses		
Other related parties	$ 18,491	29,467
Less: rental expense from discontinued operations	(852)	(29,360)
	$ 17,639	**107**

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

c. Key Management Personnel Compensation

	For the three months ended March 31	
	2014	**2013**
Short-term employee benefits	$ 72,884	78,923
Termination benefits	27,560	30,670
Post-employment benefits	701	709
	$ 101,145	**110,302**

8. ASSETS PLEDGED

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

	2014.3.31	**2013.12.31**	**2013.3.31**
Other current financial assets			
Time deposits and restricted deposits	$ 85,735	66,070	365,791
Services concession	7,457,211	-	-
Other non-current financial assets	272,350	250,717	111,103
Time deposits and restricted deposits			
	$ 7,815,296	**316,787**	**476,894**

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

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

a. Unrecognized commitments

	2014.3.31	**2013.12.31**	**2013.3.31**
Purchases of property, plant and equipment	**$ 14,667,741**	**5,213,950**	**8,998,604**
Purchases of cellular phones	**$ 5,014,719**	**3,462,588**	**1,792,893**

b. As of March 31, 2014, and December 31 and March 31, 2013, the Group had provided endorsement guarantees for bank loans obtained by related parties, including Group entities, amounting to $21,793,960 thousand, $21,789,200 thousand, and $21,486,896 thousand, respectively.

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

(1) Construction and operating period:

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

(2) Development concession:

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

The first phase starts within 30 days from the day following the signing of the BOT contract, and 10% of total development concession would be paid. The second phase starts from the fifth year after the date of contract, and 90% of total development concession would be paid in 16 yearly installments (5.625% of total concession per installment). As of March 31, 2014, TNH had paid $123,810 thousand and $139,286 thousand for the first and second phases, respectively.

(3) Operating concession

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

(4) Performance guarantee

As of March 31, 2014, TNH had provided a $65,000 thousand performance guarantee regarding the BOT contract.

(5) Rental of land

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

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

10. SIGNIFICANT CASUALTY LOSS: NONE

11. SIGNIFICANT SUBSEQUENT EVENTS: NONE

12. OTHERS

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

	For the three months ended March 31					
	2014			2013		
	Classified as Operating Costs	Classified as Operating Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Total
Employee benefits						
Salary	$ 543,777	1,076,264	1,620,041	526,688	1,089,238	1,615,926
Labor and health insurance	44,980	87,093	132,073	38,244	77,445	115,689
Pension	22,626	43,310	65,936	20,856	39,577	60,433
Others	24,352	47,555	71,907	20,125	43,944	64,069
Depreciation	2,216,177	128,814	2,344,991	1,999,243	160,839	2,160,082
Amortization	245,033	77,231	322,264	234,045	73,778	307,823

For the three months ended March 31, 2014 and 2013, the depreciation expense in non-operating expenses was $918 thousand and $701 thousand, respectively.

b. Certain accounts in the interim consolidated financial statements as of and for the three months ended March 31, 2014, have been reclassified to conform to the presentation of consolidated financial statements as of and for the three months ended March 31, 2013.

13. ADDITIONAL DISCLOSURES

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

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

(1) Fund financing to other parties: Table 1 (attached)

(2) Guarantees and endorsements for other parties: Table 2 (attached)

(3) Marketable securities held at reporting date: Table 3 (attached)

(4) Marketable securities for which the accumulated purchase or sale amounts for the period exceed NT$300 million or 20% of the paid-in capital: None

(5) Acquisition of real estate which exceeds NT$300 million or 20% of the paid-in capital: None

(6) Disposal of real estate which exceeds NT$300 million or 20% of the paid-in capital: None

(7) Total purchases from and sales to related parties which exceed NT$100 million or 20% of the paid-in capital: Table 4 (attached)

(8) Receivables from related parties which exceed NT$100 million or 20% of the paid-in capital: Table 5 (attached)

(9) Names and locations of, and related information on, investees (on which TWM exercised significant influence): Table 6 (attached)

(10) Trading in derivative instruments: None

(11) Business relationships and significant intercompany transactions: Table 7 (attached)

b. Information on Investment in Mainland China:

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

(2) Significant direct or indirect transactions with the investee company, the prices and terms of payment, unrealized gain or loss, and other related information which is helpful to understand the impact of investment in Mainland China on financial reports: Please refer to "Information on Significant Transactions" above.

14. SEGMENT INFORMATION

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

For the three months ended March 31, 2014	Telecommu-nication	Retail	Cable Television	Others	Adjustments and Eliminations	Total
Operating revenues	$ 20,527,873	5,663,933	1,581,301	39,118	(85,751)	27,726,474
Operating costs	12,328,907	4,934,427	736,375	32,297	(41,453)	17,990,553
Operating expenses	4,020,695	446,739	183,304	607	(4)	4,651,341
Other gains and losses, net	16,761	1,042	8,648	-	-	26,451
Profit	4,195,032	283,809	670,270	6,214	(44,294)	5,111,031
EBITDA (Note)	6,573,054	317,016	861,410	23,932	(3,689)	7,771,723

For the three months ended March 31, 2013		Telecommunication	Retail	Cable Television	Others	Adjustments and Eliminations	Total
Operating revenues	$	19,933,083	4,937,949	1,541,407	-	(55,784)	26,356,655
Operating costs		11,780,525	4,338,986	694,797	-	(12,353)	16,801,955
Operating expenses		3,938,391	391,224	182,618	-	(8,945)	4,503,288
Other gains and losses, net		13,182	1,020	64	-	-	14,266
Profit		4,227,349	208,759	664,056	-	(34,486)	5,065,678
EBITDA (Note)		6,461,772	234,714	820,151	-	(2,896)	7,513,741

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

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

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

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

Cable Television: Providing pay TV and cable broadband services.

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

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

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

FUND FINANCING TO OTHER PARTIES

FOR THE THREE MONTHS ENDED MARCH 31, 2014

TABLE 1

(In Thousands of New Taiwan Dollars)

No.	Lending Company	Borrowing Company	Financial Statement Account	Related Parties	Maximum Balance for the Period (Note 1)	Ending Balance (Note 1)	Drawdown Amounts	Interest Rate	Nature of Financing	Transaction Amounts	Reasons for Short-term Financing	Allowance for Doubtful Accounts	Collateral		Lending Limit for Each Borrowing Company	Lending Company's Lending Amount Limits
													Item	Value		
0	TWM	TFN Media Co., Ltd.	Other receivables	Yes	$ 4,000,000	$ 4,000,000	$ 1,580,000	1.176%~1.196%	Short-term financing	-	Operation requirements	-	—	—	$ 24,552,473 (Note 2)	$ 24,552,473 (Note 2)
		Win TV Broadcasting Co., Ltd	Other receivables	Yes	600,000	600,000	90,000	1.196%	Short-term financing	-	Operation requirements	-	—	—	24,552,473 (Note 2)	24,552,473 (Note 2)
1	Taiwan Fixed Network Co., Ltd.	TWM	Other receivables	Yes	7,830,000	7,830,000	7,830,000	1.183%~1.200%	Short-term financing	-	Operation requirements	-	—	—	20,419,390 (Note 2)	20,419,390 (Note 2)
2	Globalview Cable TV Co., Ltd.	TFN Media Co., Ltd.	Other receivables	Yes	251,000	250,000	250,000	1.184%~1.194%	Short-term financing	-	Repayment of financing	-	—	—	278,493 (Note 3)	496,269 (Note 3)
3	Phoenix Cable TV Co., Ltd.	TFN Media Co., Ltd.	Other receivables	Yes	545,000	545,000	545,000	1.184%~1.194%	Transactions	550,254	-	-	—	—	550,254 (Note 3)	987,169 (Note 3)
4	Yeong Jia Leh Cable TV Co., Ltd.	TFN Media Co., Ltd.	Other receivables	Yes	495,000	495,000	455,000	1.184%~1.196%	Transactions	500,567	-	-	—	—	500,567 (Note 3)	802,434 (Note 3)
5	Wealth Media Technology Co., Ltd.	TWM	Other receivables	Yes	800,000	800,000	550,000	1.184%~1.201%	Short-term financing	-	Operation requirements	-	—	—	6,739,831 (Note 2)	6,739,831 (Note 2)
		Taiwan Kuro Times Co., Ltd.	Other receivables	Yes	100,000	100,000	30,000	1.196%	Short-term financing	-	Operation requirements	-	—	—	6,739,831 (Note 2)	6,739,831 (Note 2)

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

Note 2: Where funds are loaned for reasons of business dealings and short-term financing needs, the amount of loaned funds shall be limited to 40% of the lending company's net worth. For short-term financing needs, the aggregate amount of loaned funds shall not exceed 40 percent of the lending company's net worth. The individual loan funds shall be limited to the lowest amount of the following items: 1) 40 percent of the lending company's net worth; 2) the amount that the lending company invests in the borrowing entities; or 3) the amount equal to (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 loaned funds shall not exceed 40% of the lending company's net worth.

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

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

ENDORSEMENT/GUARANTEE PROVIDED

FOR THE THREE MONTHS ENDED MARCH 31, 2014

TABLE 2

(In Thousands of New Taiwan Dollars)

No.	Endorsement/Guarantor	Receiving Party		Limits on Guarantee/ Endorsement Amount Provided to Each Entity	Maximum Balance for the Period (Note 1)	Ending Balance (Note 1)	Drawdown Amounts (Note 1)	Amount of Endorsement/ Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Worth of the Guarantor (Note 1)	Maximum Guarantee/ Endorsement Amount Allowable	Guarantee Provided by Parent Company	Guarantee Provided by a Subsidiary	Guarantee Provided to Subsidiaries in Mainland China
		Name	Nature of Relationship										
0	TWM	Taiwan Fixed Network Co., Ltd.	(Note 2)	$ 42,000,000 (Note 3)	$ 21,500,000	$ 21,500,000	$14,167,325	$ -	35.03%	$ 61,381,183 (Note 3)	Y	N	N
		Taiwan Kuro Times Co., Ltd.	(Note 2)	259,800 (Note 3)	50,000	50,000	50,000	-	0.08%	61,381,183 (Note 3)	Y	N	N
1	Fubon Multimedia Technology Co., Ltd.	Fubon Gehua (Beijing) Enterprise Ltd.(FGE)	(Note 2)	670,669 (Note 4)	243,960	243,960	243,960	182,790	10.31%	2,365,450 (Note 4)	N	N	Y

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

Note 2: Direct/indirect subsidiary.

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

Note 4: FGE is more than 50% directly and indirectly owned by FBM. The aggregate endorsement/guarantee amount provided by FBM shall be limited to the net worth of FBM, and the individual amount shall be limited to the investment amount in FGE.

※Limit for individual amount: The limit of guarantee/endorsement provided by FBM to FGE is limited to the investment amount (USD12,322,314 × 30.495 + RMB60,000,00 × 4.915 = NTD670,669 thousand)

※The FBM Board of Directors authorized the guarantee amount (USD8,000,000 × 30.495 = NTD243,960 thousand).

※Drawn-down amount: USD8,000,000 × 30.495 = NTD243,960 thousand.

※Amount of guarantee collateralized by properties: USD6,000,000 × 30.495 = NTD182,970 thousand.

Note: The exchange rate was US$1＝NT$30.495 and RMB 1＝NT$4.915 at the end of the period.

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES
MARKETABLE SECURITIES HELD
FOR THE THREE MONTHS ENDED MARCH 31, 2014

TABLE 3

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

Investing Company	Marketable Securities Type and Name	Relationship with the Securities Issuer	Financial Statement Account	March 31, 2014				Note
				Shares/Units (Thousands)	Carrying Value	Percentage of Ownership	Fair Value	
TWM	Stock							
	Chunghwa Telecom Co., Ltd.	—	Available-for-sale financial assets–current	2,174	$ 203,658	0.028	$ 203,658	Note 3
	Bridge Mobile Pte Ltd.	—	Financial assets at cost–non-current	2,200	50,324	10	-	Note 2
	Yes Mobile Holdings Company	—	Financial assets at cost–non-current	74	-	0.19	-	Note1& Note2
Fubon Multimedia Technology Co., Ltd.	Beneficiary Certificate							
	Fubon Strategic High Income-Type B	Related party in substance	Available-for-sale financial assets–current	18,302	194,916	-	194,916	Note 3
	FuhHwa Emerging Market High Yield Bond-Type B	—	Available-for-sale financial assets–current	10,225	84,253	-	84,253	Note 3
	PineBridge Global Multi-Strategy High Yield Bond-Type B	—	Available-for-sale financial assets–current	17,089	146,796	-	146,796	Note 3
	Eastspring Global High Income Bond Fund-Type B	—	Available-for-sale financial assets–current	19,028	197,024	-	197,024	Note 3
	Morgan Asia High Yield Total Return Bond Fund-Type B	—	Available-for-sale financial assets–current	13,909	141,551	-	141,551	Note 3
Taiwan Cellular Co., Ltd.	Stock							
	Arcoa Communication Co., Ltd.	—	Financial assets at cost–non-current	6,998	67,731	5.21	-	Note 2
	Parawin Venture Capital Corp.	—	Financial assets at cost–non-current	2,400	13,870	3	-	Note 2
	Transportation High Tech Inc.	—	Financial assets at cost–non-current	1,200	-	12	-	Note1& Note2
	WEB Point Co., Ltd.	—	Financial assets at cost–non-current	803	6,773	3.17	-	Note 2
TCC Investment Co., Ltd.	Stock							
	TWM	TWM	Available-for-sale financial assets–non-current	200,497	19,127,391	5.86	19,127,391	Note 3
	Great Taipei Broadband Co., Ltd.	—	Financial assets at cost–non-current	10,000	39,627	6.67	-	Note 2

(Continued)

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES
MARKETABLE SECURITIES HELD
FOR THE THREE MONTHS ENDED MARCH 31, 2014

Investing Company	Marketable Securities Type and Name	Relationship with the Securities Issuer	Financial Statement Account	March 31, 2014				Note
				Shares/Units (Thousands)	Carrying Value	Percentage of Ownership	Market Value or Net Worth	
	Preferred stock Taiwan High Speed Rail Corporation Unlisted Convertible Preferred Stock – Series A	—	Bond investment without active market - non-current	50,000	$ 500,000	1.24	$ -	Note 2
TCCI Investment and Development Co., Ltd.	Stock TWM	TWM	Available-for-sale financial assets –non-current	119,564	11,406,387	3.5	11,406,387	Note 3
Taiwan Fixed Network Co., Ltd.	Stock Taiwan High Speed Rail Corporation	—	Available-for-sale financial assets –non-current	225,531	1,066,762	3.46	1,066,762	Note 3
TFN Union Investment Co., Ltd.	Stock TWM	TWM	Available-for-sale financial assets –non-current	410,665	39,177,468	12	39,177,468	Note 3

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

Note 2: As of the issuance date of the report, the investee’s net worth on March 31, 2014 was not available.

Note 3: Based on the closing price or net worth of beneficiary certificate on March 31, 2014.

Note 4: For the information on investments in subsidiaries and associates, please refer to table 6 and table 8.

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 THREE MONTHS ENDED MARCH 31, 2014

TABLE 4

(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	$ (475,419)	2	Based on contract terms	—	—	$ 301,254	3	Note 1
			Purchase	1,504,443	(Note 2)	Based on contract terms	—	—	(557,297)	(Note 3)	
	Taiwan Teleservices & Technologies Co., Ltd.	Subsidiary	Purchase	266,795	(Note 2)	Based on contract terms	—	—	(87,033)	(Note 3)	
	Taiwan Digital Service Co., Ltd.	Subsidiary	Sale	(2,646,658)	14	Based on contract terms	—	—	802,635	7	Note 8
			Purchase	2,827,406	(Note 4)	Based on contract terms	—	—	(1,291,211)	(Note 3)	Note 7
Taiwan Teleservices & Technologies Co., Ltd.	TWM	Ultimate parent	Sale	(266,795)	91	Based on contract terms	—	—	87,033	91	
Taiwan Fixed Network Co., Ltd.	TWM	Ultimate parent	Sale	(1,504,433)	46	Based on contract terms	—	—	555,178	52	Note 5
			Purchase	476,665	26	Based on contract terms	—	—	(301,184)	42	Note 1
Taiwan Digital Service Co., Ltd.	TWM	Ultimate parent	Sale	(2,827,435)	67	Based on contract terms	—	—	1,291,211	98	
			Purchase	2,646,658	(Note 2)	Based on contract terms	—	—	(802,635)	99	Note 8
TFN Media Co., Ltd.	Phoenix Cable TV Co., Ltd.	Subsidiary	Channel leasing fee	(116,534)	15	Based on contract terms	(Note 6)	(Note 6)	-	-	
	Yeong Jia Leh Cable TV Co., Ltd.	Subsidiary	Channel leasing fee	(104,975)	14	Based on contract terms	(Note 6)	(Note 6)	-	-	
Yeong Jia Leh Cable TV Co., Ltd.	TFN Media Co., Ltd.	Parent	Royalty for copyright	104,975	56	Based on contract terms	(Note 6)	(Note 6)	-	-	
Phoenix Cable TV Co., Ltd.	TFN Media Co., Ltd.	Parent	Royalty for copyright	116,534	58	Based on contract terms	(Note 6)	(Note 6)	-	-	
Fubon Multimedia Technology Co., Ltd.	Taiwan Pelican Express Co., Ltd.	Equity-method investee	Purchase	118,572	2	Based on contract terms	—	—	(33,887)	2	

Note 1: The $11,298 thousand accounts receivable on the books was the net amount of accounts receivable of $301,254 thousand minus accounts payable and custodial receipts of $289,956 thousand.

Note 2: Included operating costs and operating expenses.

Note 3: Included accounts payable and other payables.

Note 4: Recognized as operating expenses.

Note 5: The $546,563 thousand accounts receivable on the books was the net amount of accounts receivable of $555,178 thousand minus custodial receipts of $8,615 thousand.

Note 6: The companies authorized a related party to deal with the copyright fees for cable television. As said account item is the only one, there is no comparable transaction.

Note 7: The $214,490 thousand other payable on the books was the net amount of accounts payable of $1,291,211 thousand minus custodial receipts of $1,076,721 thousand.

Note 8: The $0 accounts receivable (payable) on the books was the net amount of accounts receivable (payable) of $802,635 thousand minus accounts payable (receivable) of $802,635 thousand.

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

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

MARCH 31, 2014

TABLE 5

(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Ending Balance		Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Bad Debts
						Amount	Action Taken		
TWM	Taiwan Fixed Network Co., Ltd.	Subsidiary	Accounts receivable	$ 301,254	6.31	$ -	—	$ 289,956	$ -
			Other receivables	38,004		-	—	332	-
	TFN Media Co., Ltd.	Subsidiary	Other receivables	1,583,360		-	—	-	-
	Taiwan Digital Service Co., Ltd.	Subsidiary	Accounts receivable	802,635	5.79	-	—	-	-
			Other receivables	235,462		-	—	214,897	-
Wealth Media Technology Co., Ltd.	TWM	Parent	Other receivables	550,959		-	—	-	-
Taiwan Fixed Network Co., Ltd.	TWM	Ultimate parent	Accounts receivable	555,178	9.12	-	—	12,683	-
			Other receivables	7,939,152		-	—	35,283	-
Taiwan Digital Service Co., Ltd.	TWM	Ultimate parent	Accounts receivable	1,291,211	7.97	-	—	64	-
			Other receivables	2,456		-	—	-	-
Phoenix Cable TV Co., Ltd.	TFN Media Co., Ltd.	Parent	Accounts receivable	11,849	4.63	-	—	-	-
			Other receivables	546,768		-	—	-	-
Globalview Cable TV Co., Ltd.	TFN Media Co., Ltd.	Parent	Accounts receivable	4,951	4.59	-	—	-	-
			Other receivables	250,733		-	—	-	-
Yeong Jia Leh Cable TV Co., Ltd.	TFN Media Co., Ltd.	Parent	Accounts receivable	10,835	4.74	-	—	-	-
			Other receivables	456,359		-	—	-	-

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

NAMES AND LOCATION OF, AND RELATED INFORMATION

FOR THE THREE MONTHS ENDED MARCH 31, 2014

TABLE 6

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

Investor	Investee	Location	Main Businesses and Products	Investment Amount		Balance as of March 31, 2014			Net Income (Loss) of the Investee	Investment Income (Loss)	Note
				March 31, 2014	December 31, 2013	Shares (Thousands)	Percentage of Ownership	Carrying Value			
TWM	Taiwan Cellular Co., Ltd.	Taiwan	Investment	$ 44,767,288	$ 44,467,288	371,196	100	$ 23,740,937	$ 1,374,486	$ 2,135,969	Note 1
	Taipei New Horizon Co., Ltd.	Taiwan	Infrastructure projects and real estate leasing	1,918,655	1,746,500	174,650	49.9	1,727,350	(23,559)	(11,756)	Note 2
	Wealth Media Technology Co., Ltd.	Taiwan	Investment	13,802,000	13,802,000	39,065	100	16,849,578	670,691	670,691	
	Alliance Digital Tech Co., Ltd.	Taiwan	Technology development of mobile payment and information processing services	30,000	30,000	3,000	19.23	27,229	(7,944)	(1,284)	
Wealth Media Technology Co., Ltd.	Fubon Multimedia Technology Co., Ltd.	Taiwan	Wholesale and retail sales	8,231,515	8,347,949	63,839	49.93	8,552,324	203,576	-	Note 3
	Win TV Broadcasting Co., Ltd.	Taiwan	TV program provider	222,417	222,417	18,177	100	267,852	16,125	-	Note 3
	TFN Media Co., Ltd.	Taiwan	Cable broadband and value added service provider	5,210,443	5,210,443	230,921	100	7,307,168	583,370	-	Note 3
	Global Wealth Media Technology Co., Ltd.	Taiwan	Investment	92,189	92,189	8,945	100	97,071	1,443	-	Note 3
	Global Forest Media Technology Co., Ltd.	Taiwan	Investment	16,984	16,984	1,500	100	17,400	132	-	Note 3
Global Wealth Media Technology Co., Ltd.	Globalview Cable TV Co., Ltd.	Taiwan	Cable TV service provider	91,910	91,910	3,825	6.83	95,567	22,315	-	Note 3
Global Forest Media Technology Co., Ltd.	Union Cable TV Co., Ltd.	Taiwan	Cable TV service provider	16,218	16,218	1,300	0.76	15,632	26,988	-	Note 3
Fubon Multimedia Technology Co., Ltd.	Fu Sheng Travel Service Co., Ltd.	Taiwan	Travel agent	6,000	6,000	2,500	100	55,088	8,464	-	Note 3
	Fuli Life Insurance Agent Co., Ltd.	Taiwan	Life insurance agent	3,000	3,000	300	100	11,098	941	-	Note 3
	Fuli Property Insurance Agent Co., Ltd.	Taiwan	Property insurance agent	3,000	3,000	300	100	16,959	1,777	-	Note 3
	Asian Crown (BVI)	British Virgin Islands	Investment	690,824	690,824	74	100	67,758	(51,480)	-	Note 3
	Taiwan Pelican Express Co., Ltd.	Taiwan	Logistics industry	337,860	337,860	16,893	17.70	414,788	43,279	-	Note 3
	TVD SHOPPING CO., LTD.	Thailand	TV shopping	148,118	-	-	35	148,118	-	-	Note 2
Asian Crown (BVI)	Fortune Kingdom	Samoa	Investment	690,824	690,824	22,237	100	67,758	(51,480)	-	Note 3
Fortune Kingdom	HK Fubon Multimedia	Hong Kong	Investment	690,824	690,824	22,237	100	67,758	(51,480)	-	Note 3
Taiwan Cellular Co., Ltd.	TWM Holding	British Virgin Islands	Investment	347,951	347,951	1 share	100	251,379	2,780	-	Note 3
	Taiwan Fixed Network Co., Ltd.	Taiwan	Fixed line service provider	21,000,000	21,000,000	2,100,000	100	51,204,487	1,182,833	-	Note 3
	Taiwan Digital Communication Co., Ltd.	Taiwan	TV program production and mobile phones wholesaling	112,000	112,000	11,200	100	129,159	1,131	-	Note 3
	TCC Investment Co., Ltd.	Taiwan	Investment	20,680,441	20,680,441	22,103	100	29,343,260	(19)	-	Note 3
	Taiwan Teleservices & Technologies Co., Ltd.	Taiwan	Call center service and telephone marketing	56,210	56,210	2,484	100	109,080	16,399	-	Note 3
	Taiwan Digital Service Co., Ltd.	Taiwan	Telecommunications service agencies and retail business	1,000,000	1,000,000	20,000	100	1,397,649	171,200	-	Note 3
Taiwan Teleservices & Technologies Co., Ltd.	TT&T Holdings	Samoa	Investment	36,284	36,284	1,300	100	50,063	1,040	-	Note 3
	Taiwan Mobile Basketball Co., Ltd.	Taiwan	Basketball team management	3,511	3,511	2,000	100	23,518	1,790	-	Note 3

(Continued)

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES
NAMES AND LOCATION OF, AND RELATED INFORMATION
FOR THE THREE MONTHS ENDED MARCH 31, 2014

Investor	Investee	Location	Main Businesses and Products	Investment Amount		Balance as of March 31, 2014			Net Income (Loss) of the Investee	Investment Income (Loss)	Note
				March 31, 2014	December 31, 2013	Shares (Thousands)	Percentage of Ownership	Carrying Value			
TCC Investment Co., Ltd.	TCCI Investment and Development Co., Ltd.	Taiwan	Investment	$ 6,498,076	$ 6,498,076	400	100	$ 9,909,066	$ (2)	$ -	Note 3
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	2,279,148	52,912	-	Note 3
	Mangrove Cable TV Co., Ltd	Taiwan	Cable TV service provider	510,724	510,724	6,248	29.53	646,696	24,740	-	Notes 3 & 4
	Phoenix Cable TV Co., Ltd.	Taiwan	Cable TV service provider	3,261,073	3,261,073	68,090	100	3,417,072	53,600	-	Note 3
	Union Cable TV Co., Ltd.	Taiwan	Cable TV service provider	1,986,250	1,986,250	169,141	99.22	2,033,374	26,988	-	Note 3
	Globalview Cable TV Co., Ltd.	Taiwan	Cable TV service provider	1,221,002	1,221,002	51,733	92.38	1,265,706	22,315	-	Note 3
	Taiwan Kuro Times Co., Ltd.	Taiwan	Online music platform	129,900	129,900	14	100	210,926	51,771	-	Note 3
	Kbro Media Co., Ltd.	Taiwan	Film distribution, arts and literature service and entertainment	292,500	292,500	29,250	32.5	283,561	(3,698)	-	Note 3
Taiwan Fixed Network Co., Ltd.	TFN Union Investment Co., Ltd.	Taiwan	Investment	22,314,536	22,314,536	400	100	34,014,385	(2)	-	Note 3
	TFN HK LIMITED	Hong Kong	Telecommunications service provider	2,924 (HK$744)	2,924 (HK$744)	1,300	100	13,554	540	-	Note 3

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

Note 2: As of the reporting date, the balance of shares was not included, because the company had not finished the registration and establishment process.

Note 3: Income/Loss of the investee is already included in the investor, so it is not mentioned in this table.

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

Note 5: The above amounts were translated into New Taiwan dollars at the exchange rate of HK$1＝NT$3.93 as of the reporting date.

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

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES
BUSINESS RELATIONSHIP AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE THREE MONTHS ENDED MARCH 31, 2014

TABLE 7

(In Thousands of New Taiwan Dollars)

Number	Company Name	Counterparty	Nature of Relationship (Note)	Transaction Details			
				Account	Amount	Transaction Terms	Percentage of Consolidated Total Operating Revenues or Total Assets
0	TWM	Taiwan Fixed Network Co., Ltd.	1	Accounts receivable	$ 11,298	Payment terms varied depending on the agreements or were based on regular terms	--
		Fubon Multimedia Technology Co., Ltd.	1	Accounts receivable	10,048	Payment terms varied depending on the agreements or were based on regular terms	-
		TFN Media Co., Ltd.	1	Other receivables	1,583,360	Payment terms varied depending on the agreements or were based on regular terms	1%
		Taiwan Digital Service Co., Ltd.	1	Other receivables	235,462	Payment terms varied depending on the agreements or were Based on regular terms	-
		Taiwan Fixed Network Co., Ltd.	1	Other receivables	38,004	Payment terms varied depending on the agreements or were based on regular terms	-
		Fubon Multimedia Technology Co., Ltd.	1	Other receivables	10,143	Payment terms varied depending on the agreements or were based on regular terms	-
		Taiwan Win TV Broadcasting Co., Ltd.	1	Other receivables	90,206	Payment terms varied depending on the agreements or were based on regular terms	-
		Taiwan Digital Service Co., Ltd.	1	Prepayments	64,126	Payment terms varied depending on the agreements or were based on regular terms	-
		Taipei New Horizon Co,. Ltd.	1	Refundable deposits	16,712	Payment terms varied depending on the agreements or were based on regular terms	-
		Wealth Media Technology Co., Ltd.	1	Short-term borrowings	550,000	Payment terms varied depending on the agreements or were based on regular terms	-
		Taiwan Fixed Network Co., Ltd.	1	Short-term borrowings	7,830,000	Payment terms varied depending on the agreements or were based on regular terms	5%
		Taiwan Fixed Network Co., Ltd.	1	Accounts payable	1,161	Payment terms varied depending on the agreements or were based on regular terms	-
		Taiwan Kuro Times Co., Ltd.	1	Accounts payable	93,024	Payment terms varied depending on the agreements or were based on regular terms	-
		Taiwan Digital Communications Co., Ltd.	1	Other payables	13,456	Payment terms varied depending on the agreements or were based on regular terms	-

(Continued)

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

BUSINESS RELATIONSHIP AND SIGNIFICANT INTERCOMPANY TRANSACTIONS

FOR THE THREE MONTHS ENDED MARCH 31, 2014

Number	Company Name	Counterparty	Nature of Relationship (Note)	Transaction Details			
				Account	Amount	Transaction Terms	Percentage of Consolidated Total Operating Revenues or Total Assets
		Taiwan Digital Service Co., Ltd.	1	Other payables	$ 214,491	Payment terms varied depending on the agreements or were based on regular terms	-
		Taiwan Mobile Basketball Co., Ltd.	1	Other payables	12,771	Payment terms varied depending on the agreements or were based on regular terms	-
		Taiwan Fixed Network Co., Ltd.	1	Other payables	607,218	Payment terms varied depending on the agreements or were based on regular terms	-
		Taiwan Teleservices & Technologies Co., Ltd.	1	Other payables	87,022	Payment terms varied depending on the agreements or were based on regular terms	-
		Taiwan Kuro Times Co., Ltd.	1	Other payables	2,405	Payment terms varied depending on the agreements or were based on regular terms	-
		Taiwan Digital Service Co., Ltd.	1	Advance receipts	9,244	Payment terms varied depending on the agreements or were based on regular terms	-
		Taiwan Fixed Network Co., Ltd.	1	Other current liabilities, others	46,913	Payment terms varied depending on the agreements or were based on regular terms	-
		Taiwan Kuro Times Co., Ltd.	1	Other current liabilities, others	3,032	Payment terms varied depending on the agreements or were based on regular terms	-
		Yeong Jia Leh Cable TV Co., Ltd.	1	Other current liabilities, others	1,934	Payment terms varied depending on the agreements or were based on regular terms	-
		Phoenix Cable TV Co., Ltd.	1	Other current liabilities, others	3,167	Payment terms varied depending on the agreements or were based on regular terms	-
		Union Cable TV Co., Ltd.	1	Other current liabilities, others	1,192	Payment terms varied depending on the agreements or were based on regular terms	-
		Taiwan Digital Service Co., Ltd.	1	Operating revenues	2,720,608	Payment terms varied depending on the agreements or were based on regular terms	10%
		Taiwan Fixed Network Co., Ltd.	1	Operating revenues	475,419	Payment terms varied depending on the agreements or were based on regular terms	2%
		Fubon Multimedia Technology Co., Ltd.	1	Operating revenues	36,838	Payment terms varied depending on the agreements or were based on regular terms	-
		Taipei New Horizon Co., Ltd.	1	Operating costs	3,342	Payment terms varied depending on the agreements or were based on regular terms	

(Continued)

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES
BUSINESS RELATIONSHIP AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE THREE MONTHS ENDED MARCH 31, 2014

Number	Company Name	Counterparty	Nature of Relationship (Note)	Transaction Details			
				Account	Amount	Transaction Terms	Percentage of Consolidated Total Operating Revenues or Total Assets
		Taiwan Fixed Network Co., Ltd.	1	Op erating costs	$ 1,494,899	Payment terms varied depending on the agreements or were based on regular terms	5%
		Taiwan Kuro Times Co., Ltd.	1	Operating costs	92,106	Payment terms varied depending on the agreements or were based on regular terms	-
		Yeong Jia Leh Cable TV Co., Ltd.	1	Operating costs	2,645	Payment terms varied depending on the agreements or were based on regular terms	-
		Taipei New Horizon Co., Ltd.	1	Operating expenses	7,278	Payment terms varied depending on the agreements or were based on regular terms	-
		Taiwan Digital Communications Co., Ltd.	1	Operating expenses	19,024	Payment terms varied depending on the agreements or were based on regular terms	-
		Taiwan Digital Service Co., Ltd.	1	Operating expenses	2,827,407	Payment terms varied depending on the agreements or were based on regular terms	10%
		Taiwan Mobile Basketball Co., Ltd.	1	Operating expenses	12,771	Payment terms varied depending on the agreements or were based on regular terms	-
		Taiwan Fixed Network Co., Ltd.	1	Operating expenses	17,493	Payment terms varied depending on the agreements or were based on regular terms	-
		Taiwan Teleservices & Technologies Co., Ltd.	1	Operating expenses	266,774	Payment terms varied depending on the agreements or were based on regular terms	1%
		Wealth Media Technology Co., Ltd.	1	Finance costs	1,339	Payment terms varied depending on the agreements or were based on regular terms	-
		Taiwan Fixed Network Co., Ltd.	1	Finance costs	20,222	Payment terms varied depending on the agreements or were based on regular terms	-
		TFN Media Co., Ltd.	1	Interest income	5,602	Payment terms varied depending on the agreements or were based on regular terms	-
		Taiwan Digital Service Co., Ltd.	1	Rental income	4,392	Payment terms varied depending on the agreements or were based on regular terms	-
		Taiwan Fixed Network Co., Ltd.	1	Rental income	21,838	Payment terms varied depending on the agreements or were based on regular terms	-
		Taiwan Kuro Times Co., Ltd.	1	Rental income	2,022	Payment terms varied depending on the agreements or were based on regular terms	-

(Continued)

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

BUSINESS RELATIONSHIP AND SIGNIFICANT INTERCOMPANY TRANSACTIONS

FOR THE THREE MONTHS ENDED MARCH 31, 2014

Number	Company Name	Counterparty	Nature of Relationship (Note)	Transaction Details			
				Account	Amount	Transaction Terms	Percentage of Consolidated Total Operating Revenues or Total Assets
		Fubon Multimedia Technology Co., Ltd.	1	Rental income	$ 9,660	Payment terms varied depending on the agreements or were based on regular terms	-
1	Wealth Media Technology Co., Ltd.	Taiwan Kuro Times Co., Ltd.	1	Other receivables	30,067	Payment terms varied depending on the agreements or were based on regular terms	-
2	Fubon Multimedia Technology Co., Ltd.	Fu Sheng Travel Service Co.,Ltd.	1	Accounts receivable	22,678	Payment terms varied depending on the agreements or were based on regular terms	-
		TFN Media Co., Ltd.	3	Accounts payable	28,064	Payment terms varied depending on the agreements or were based on regular terms	-
		Mangrove Cable TV Co., Ltd.	3	Accounts payable	2,679	Payment terms varied depending on the agreements or were based on regular terms	-
		Fu Sheng Travel Service Co.,Ltd.	1	Operating revenues	1,545	Payment terms varied depending on the agreements or were based on regular terms	-
		TFN Media Co., Ltd.	3	Operating costs	28,064	Payment terms varied depending on the agreements or were based on regular terms	-
		Mangrove Cable TV Co., Ltd.	3	Operating costs	2,679	Payment terms varied depending on the agreements or were based on regular terms	-
3	TFN Media Co., Ltd.	Yeong Jia Leh Cable TV Co., Ltd.	1	Accounts receivable	33,370	Payment terms varied depending on the agreements or were based on regular terms	-
		Mangrove Cable TV Co., Ltd.	1	Accounts receivable	11,443	Payment terms varied depending on the agreements or were based on regular terms	-
		Phoenix Cable TV Co., Ltd.	1	Accounts receivable	31,456	Payment terms varied depending on the agreements or were based on regular terms	-
		Union Cable TV Co., Ltd.	1	Accounts receivable	22,018	Payment terms varied depending on the agreements or were based on regular terms	-
		Globalview Cable TV Co., Ltd.	1	Accounts receivable	13,727	Payment terms varied depending on the agreements or were based on regular terms	-
		Yeong Jia Leh Cable TV Co., Ltd.	1	Short-term borrowings	455,000	Payment terms varied depending on the agreements or were based on regular terms	-
		Phoenix Cable TV Co., Ltd.	1	Short-term borrowings	545,000	Payment terms varied depending on the agreements or were based on regular terms	-

(Continued)

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES
BUSINESS RELATIONSHIP AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE THREE MONTHS ENDED MARCH 31, 2014

Number	Company Name	Counterparty	Nature of Relationship (Note)	Transaction Details			
				Account	Amount	Transaction Terms	Percentage of Consolidated Total Operating Revenues or Total Assets
		Globalview Cable TV Co., Ltd.	1	Short-term borrowings	$ 250,000	Payment terms varied depending on the agreements or were based on regular terms	-
		Yeong Jia Leh Cable TV Co., Ltd.	1	Accounts payable	8,851	Payment terms varied depending on the agreements or were based on regular terms	-
		Mangrove Cable TV Co., Ltd.	1	Accounts payable	1,195	Payment terms varied depending on the agreements or were based on regular terms	-
		Phoenix Cable TV Co., Ltd.	1	Accounts payable	8,745	Payment terms varied depending on the agreements or were based on regular terms	-
		Union Cable TV Co., Ltd.	1	Accounts payable	4,386	Payment terms varied depending on the agreements or were based on regular terms	-
		Globalview Cable TV Co., Ltd.	1	Accounts payable	3,580	Payment terms varied depending on the agreements or were based on regular terms	-
		Taiwan Win TV Broadcasting Co., Ltd.	3	Accounts payable	14,953	Payment terms varied depending on the agreements or were based on regular terms	-
		Yeong Jia Leh Cable TV Co., Ltd.	1	Other payables	3,387	Payment terms varied depending on the agreements or were based on regular terms	-
		Phoenix Cable TV Co., Ltd.	1	Other payables	4,874	Payment terms varied depending on the agreements or were based on regular terms	-
		Union Cable TV Co., Ltd.	1	Other payables	2,166	Payment terms varied depending on the agreements or were based on regular terms	-
		Globalview Cable TV Co., Ltd.	1	Other payables	2,109	Payment terms varied depending on the agreements or were based on regular terms	-
		Yeong Jia Leh Cable TV Co., Ltd.	1	Operating revenues	114,370	Payment terms varied depending on the agreements or were based on regular terms	-
		Mangrove Cable TV Co., Ltd.	1	Operating revenues	4,196	Payment terms varied depending on the agreements or were based on regular terms	-
		Phoenix Cable TV Co., Ltd.	1	Operating revenues	126,994	Payment terms varied depending on the agreements or were based on regular terms	-
		Union Cable TV Co., Ltd.	1	Operating revenues	53,572	Payment terms varied depending on the agreements or were based on regular terms	-

(Continued)

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES
BUSINESS RELATIONSHIP AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE THREE MONTHS ENDED MARCH 31, 2014

Number	Company Name	Counterparty	Nature of Relationship (Note)	Transaction Details: Account	Amount	Transaction Terms	Percentage of Consolidated Total Operating Revenues or Total Assets
		Globalview Cable TV Co., Ltd.	1	Operating revenues	$ 49,843	Payment terms varied depending on the agreements or were based on regular terms	-
		Yeong Jia Leh Cable TV Co., Ltd.	1	Operating costs	9,034	Payment terms varied depending on the agreements or were based on regular terms	-
		Mangrove Cable TV Co., Ltd.	1	Operating costs	1,607	Payment terms varied depending on the agreements or were based on regular terms	-
		Phoenix Cable TV Co., Ltd.	1	Operating costs	9,455	Payment terms varied depending on the agreements or were based on regular terms	-
		Union Cable TV Co., Ltd.	1	Operating costs	5,368	Payment terms varied depending on the agreements or were based on regular terms	-
		Globalview Cable TV Co., Ltd.	1	Operating costs	3,777	Payment terms varied depending on the agreements or were based on regular terms	-
		Taiwan Win TV Broadcasting Co., Ltd.	3	Operating costs	14,953	Payment terms varied depending on the agreements or were based on regular terms	-
		Yeong Jia Leh Cable TV Co., Ltd.	1	Finance costs	1,358	Payment terms varied depending on the agreements or were based on regular terms	-
		Phoenix Cable TV Co., Ltd.	1	Finance costs	1,585	Payment terms varied depending on the agreements or were based on regular terms	-
4	Union Cable TV Co., Ltd.	Yeong Jia Leh Cable TV Co., Ltd.	3	Accounts receivable	1,228	Payment terms varied depending on the agreements or were based on regular terms	-
		Yeong Jia Leh Cable TV Co., Ltd.	3	Operating revenues	1,168	Payment terms varied depending on the agreements or were based on regular terms	-
		Yeong Jia Leh Cable TV Co., Ltd.	3	Operating costs	1,168	Payment terms varied depending on the agreements or were based on regular terms	-
5	Phoenix Cable TV Co., Ltd.	Yeong Jia Leh Cable TV Co., Ltd.	3	Accounts receivable	1,053	Payment terms varied depending on the agreements or were based on regular terms	-
		Yeong Jia Leh Cable TV Co., Ltd.	3	Operating revenues	1,002	Payment terms varied depending on the agreements or were based on regular terms	-
		Yeong Jia Leh Cable TV Co., Ltd.	3	Operating COSTS	1,002	Payment terms varied depending on the agreements or were based on regular terms	-

(Continued)

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

BUSINESS RELATIONSHIP AND SIGNIFICANT INTERCOMPANY TRANSACTIONS

FOR THE THREE MONTHS ENDED MARCH 31, 2014

Number	Company Name	Counterparty	Nature of Relationship (Note)	Transaction Details			
				Account	Amount	Transaction Terms	Percentage of Consolidated Total Operating Revenues or Total Assets
6	Taiwan Fixed Network Co., Ltd.	TFN Media Co., Ltd.	3	Accounts receivable	$ 22,361	Payment terms varied depending on the agreements or were based on regular terms	-
		Fubon Multimedia Technology Co., Ltd.	3	Accounts receivable	7,154	Payment terms varied depending on the agreements or were based on regular terms	-
		Taiwan Digital Service Co., Ltd.	3	Other receivables	1,634	Payment terms varied depending on the agreements or were based on regular terms	-
		Taipei New Horizon Co., Ltd.	3	Refundable deposits	8,772	Payment terms varied depending on the agreements or were based on regular terms	-
		TFN HK LIMITED	1	Other payables	41,464	Payment terms varied depending on the agreements or were based on regular terms	-
		Taiwan Teleservices & Technologies Co., Ltd.	3	Other payables	8,667	Payment terms varied depending on the agreements or were based on regular terms	-
		Taiwan Digital Service Co., Ltd.	3	Advanced receipts	1,373	Payment terms varied depending on the agreements or were based on regular terms	-
		TFN Media Co., Ltd.	3	Operating revenues	33,001	Payment terms varied depending on the agreements or were based on regular terms	-
		Taiwan Kuro Times Co., Ltd.	3	Operating revenues	1,518	Payment terms varied depending on the agreements or were based on regular terms	-
		Fubon Multimedia Technology Co., Ltd.	3	Operating revenues	8,741	Payment terms varied depending on the agreements or were based on regular terms	-
		Phoenix Cable TV Co., Ltd.	3	Operating revenues	1,386	Payment terms varied depending on the agreements or were based on regular terms	-
		Union Cable TV Co., Ltd.	3	Operating revenues	1,070	Payment terms varied depending on the agreements or were based on regular terms	-
		TFN HK LIMITED	1	Operating costs	16,180	Payment terms varied depending on the agreements or were based on regular terms	-
		Taiwan Teleservices & Technologies Co., Ltd.	3	Operating expenses	25,957	Payment terms varied depending on the agreements or were based on regular terms	-

(Continued)

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES
BUSINESS RELATIONSHIP AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE THREE MONTHS ENDED MARCH 31, 2014

Number	Company Name	Counterparty	Nature of Relationship (Note)	Transaction Details			
				Account	Amount	Transaction Terms	Percentage of Consolidated Total Operating Revenues or Total Assets
		Taiwan Win TV Broadcasting Co., Ltd.	3	Rental income	$ 1,365	Payment terms varied depending on the agreements or were based on regular terms	-
7	Taiwan Teleservices & Technologies Co., Ltd.	Taiwan Kuro Times Co., Ltd.	3	Operating revenues	1,336	Payment terms varied depending on the agreements or were based on regular terms	-
8	Taiwan Digital Service Co., Ltd.	Taipei New Horizon Co., Ltd.	3	Refundable deposits	5,841	Payment terms varied depending on the agreements or were based on regular terms	-
		Yeong Jia Leh Cable TV Co., Ltd.	3	Other current liabilities, others	2,185	Payment terms varied depending on the agreements or were based on regular terms	-
		Phoenix Cable TV Co., Ltd.	3	Other current liabilities, others	1,514	Payment terms varied depending on the agreements or were based on regular terms	-

Note: 1. Parent to subsidiary

2. Subsidiary to parent

3. Between subsidiaries

TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES
INFORMATION ON INVESTMENT IN MAINLAND CHINA
FOR THE THREE MONTHS ENDED MARCH 31, 2014

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

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2014	Investment Flows		Accumulated Outflow of Investment from Taiwan as of March 31, 2014	Net Income(Loss) of Investee	% Ownership through Direct or Indirect Investment	Investment Income (Loss)	Carrying Value as of March 31, 2014	Accumulated Inward Remittance of Earnings as of March 31, 2014
					Outflow	Inflow						
Xiamen Taifu Teleservices & Technologies Co., Ltd.	System integration, management, analysis and development of CRM application and information consulting services	NT$ - (Note 2)	Indirect investment in Mainland China through a third place by TWM's subsidiary Taiwan Teleservices & Technologies Co., Ltd.	NT$ 39,644 (US$ 1,300)	$ -	$ - (Note 2)	NT$ 39,644 (US$ 1,300)	$ -	100% indirect ownership through TWM's subsidiary	$ -	$ - (Note 2)	$ -
TWM Communications (Beijing) Co. Ltd.	Mobile application development and design	NT$ 91,485 (US$ 3,000)	Indirect investment in Mainland China through a third place by TWM's subsidiary Taiwan Cellular Co., Ltd.	NT$ 148,572 (US$ 4,872)	-	-	NT$ 148,572 (US$ 4,872)	(272)	100% indirect ownership through TWM's subsidiary	(272)	110,593	-
Fubon Gehua (Beijing) Enterprise Ltd.	Wholesale and retail sales	NT$ 786,400 (RMB 160,000)	Indirect investment in Mainland China through a third place by TWM's subsidiary Fubon Multimedia Technology Co., Ltd.	NT$ 671,407 (US$14,000, RMB49,741)	-	-	NT$671,407 (US$14,000, RMB49,741)	(58,733)	87.5% indirect ownership through TWM's subsidiary	(51,391)	67,182	-

Investee Company Name	Accumulated Investment in Mainland China as of December 31, 2013	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment Authorized by Investment Commission, MOEA
Xiamen Taifu Teleservices & Technologies Co., Ltd.	NT$39,644 (US$1,300)	NT$39,644 (US$1,300)	$80,000
TWM Communications (Beijing) Co., Ltd.	NT$148,572 (US$4,872)	NT$148,572 (US$4,872)	$449,633,692
Fubon Gehua (Beijing) Enterprise Ltd.	NT$671,407 (US$14,000, RMB49,741)	NT$752,325 (US$15,000, RMB60,000)	$1,425,029

Note 1: The above amounts were translated into New Taiwan dollars at the exchange rate of US$1＝NT$30.495 and RMB1＝NT$4.915 at the end of the period.

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