# Taiwan Mobile Co., Ltd. and Subsidiaries

# Consolidated Financial Statements for the Six Months Ended June 30, 2014 and 2013, and Independent Auditors' Review Report

**Independent Auditors' Review Report**

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

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

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

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

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

**Notes to Readers**

The accompanying consolidated financial statements are intended only to present the financial position, results of operations, and cash flows in accordance with 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.

**(Reviewed, Not Audited, as of June 30, 2014 and 2013)**

# TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS

## JUNE 30, 2014, DECEMBER 31, AND JUNE 30, 2013

## (In Thousands of New Taiwan Dollars)

| | | 2014.6.30 | | 2013.12.31 | | 2013.6.30 | |
|---|---|---|---|---|---|---|---|
| | **ASSETS** | **Amount** | **%** | **Amount** | **%** | **Amount** | **%** |
| | **CURRENT ASSETS** | | | | | | |
| 1100 | Cash and cash equivalents (Notes 4, 6(a) and 7) | $ 6,000,358 | 4 | 7,954,294 | 6 | 11,277,499 | 10 |
| 1125 | Current available-for-sale financial assets (Notes 4, 6(b) and 7) | 978,415 | 1 | 960,945 | 1 | 1,170,723 | 1 |
| 1170 | Accounts and notes receivable, net (Notes 4, 5 and 6(d)) | 14,278,173 | 10 | 14,131,303 | 10 | 12,927,833 | 12 |
| 1180 | Accounts receivable from related parties (Note 7) | 49,929 | - | 49,557 | - | 70,547 | - |
| 1200 | Other receivables (Note 7) | 989,547 | 1 | 946,944 | - | 956,595 | 1 |
| 130x | Inventories (Notes 4 and 6(e)) | 3,059,935 | 2 | 3,781,354 | 3 | 3,179,472 | 3 |
| 1410 | Prepayments (Note 7) | 553,110 | - | 521,368 | - | 544,113 | - |
| 1460 | Non-current assets held for sale (Notes 4 and 6(f)) | - | - | 50,275 | - | - | - |
| 1476 | Other current financial assets (Notes 4, 7 and 8) | 863,217 | 1 | 1,046,057 | 1 | 1,412,644 | 1 |
| 1479 | Other current assets | 33,566 | - | 51,771 | - | 195,650 | - |
| | **Total current assets** | 26,806,250 | 19 | 29,493,868 | 21 | 31,735,076 | 28 |
| | **NON-CURRENT ASSETS** | | | | | | |
| 1523 | Non-current available-for-sale financial assets (Notes 4 and 6(b)) | 1,010,379 | 1 | 1,226,889 | 1 | 1,134,421 | 1 |
| 1543 | Non-current financial assets at cost (Notes 4 and 6(c)) | 175,926 | - | 178,325 | - | 181,328 | - |
| 1546 | Non-current bond investment without active market (Note 4) | 500,000 | - | 500,000 | - | 500,000 | 1 |
| 1550 | Investments accounted for using equity method (Notes 4, 5 and 6(g)) | 878,726 | 1 | 2,289,356 | 2 | 1,451,899 | 1 |
| 1600 | Property, plant and equipment (Notes 4, 5 and 6(i)) | 45,272,817 | 32 | 42,985,801 | 31 | 42,378,829 | 38 |
| 1760 | Investment property, net (Notes 4 and 6(j)) | 337,502 | - | 320,394 | - | 323,214 | - |
| 1791 | Concession (Notes 4, 6(k) and 8) | 39,704,882 | 28 | 32,748,545 | 24 | 4,112,400 | 4 |
| 1805 | Goodwill (Notes 4, 5 and 6(k)) | 15,845,930 | 11 | 15,845,930 | 11 | 15,845,930 | 14 |
| 1821 | Other intangible assets, net (Notes 4, 5 and 6(k)) | 6,160,446 | 4 | 6,242,796 | 5 | 6,278,431 | 6 |
| 1840 | Deferred tax assets (Notes 4 and 5) | 883,900 | 1 | 924,576 | 1 | 975,433 | 1 |
| 1980 | Other non-current financial assets (Notes 4, 6(n), 7 and 8) | 344,516 | - | 250,717 | - | 110,312 | - |
| 1995 | Other non-current assets (Notes 6(l) and 7) | 5,158,843 | 3 | 5,345,182 | 4 | 6,785,902 | 6 |
| | **Total non-current assets** | 116,273,867 | 81 | 108,858,511 | 79 | 80,078,099 | 72 |
| | **TOTAL** | **$ 143,080,117** | **100** | **138,352,379** | **100** | **111,813,175** | **100** |

| | | 2014.6.30 | | 2013.12.31 | | 2013.6.30 | |
|---|---|---|---|---|---|---|---|
| | **LIABILITIES AND EQUITY** | **Amount** | **%** | **Amount** | **%** | **Amount** | **%** |
| | **CURRENT LIABILITIES** | | | | | | |
| 2100 | Short-term borrowings (Notes 4, 6(m) and 7) | $ 12,371,276 | 9 | 30,605,813 | 22 | 767,482 | 1 |
| 2110 | Short-term notes and bills payable (Notes 4 and 6(m)) | 1,299,113 | 1 | 2,396,971 | 2 | - | - |
| 2150 | Notes payable | 121,837 | - | 408,904 | - | 184,805 | - |
| 2170 | Accounts payable | 6,377,758 | 4 | 6,661,431 | 5 | 6,400,415 | 6 |
| 2180 | Accounts payable to related parties (Note 7) | 80,108 | - | 73,080 | - | 84,583 | - |
| 2216 | Dividends payable (Note 6(v)) | 15,064,599 | 10 | - | - | 14,796,158 | 13 |
| 2219 | Other payables (Note 7) | 12,211,491 | 9 | 11,657,899 | 9 | 10,399,610 | 9 |
| 2230 | Current tax liabilities (Note 4) | 1,684,140 | 1 | 1,512,072 | 1 | 1,267,049 | 1 |
| 2250 | Current provisions (Notes 4 and 6(q)) | 196,359 | - | 193,886 | - | 163,314 | - |
| 2310 | Advance receipts (Note 6(n)) | 2,286,550 | 2 | 2,564,895 | 2 | 2,915,663 | 3 |
| 2320 | Long-term liabilities, current portion (Notes 6(o) and (p)) | 2,208,218 | 2 | 1,000,000 | 1 | 4,000,000 | 4 |
| 2399 | Other current liabilities | 1,489,581 | 1 | 1,530,687 | 1 | 1,331,361 | 1 |
| | **Total current liabilities** | 55,391,030 | 39 | 58,605,638 | 43 | 42,310,440 | 38 |
| | **NON-CURRENT LIABILITIES** | | | | | | |
| 2530 | Bonds payable (Note 6(o)) | 14,793,470 | 10 | 14,792,647 | 11 | 14,791,824 | 13 |
| 2540 | Long-term borrowings (Notes 6(p) and 7) | 14,286,435 | 10 | 2,000,000 | 1 | - | - |
| 2550 | Non-current provisions (Notes 4 and 6(q)) | 949,565 | 1 | 880,069 | 1 | 814,993 | 1 |
| 2570 | Deferred tax liabilities (Notes 4 and 5) | 2,441,763 | 2 | 2,599,791 | 2 | 2,478,346 | 2 |
| 2640 | Accrued pension liabilities (Note 4) | 107,704 | - | 115,463 | - | 116,184 | - |
| 2645 | Guarantee deposits | 827,656 | - | 818,386 | - | 826,266 | 1 |
| 2670 | Other non-current liabilities (Note 6(r)) | 904,848 | 1 | 19,744 | - | 19,744 | - |
| | **Total non-current liabilities** | 34,311,441 | 24 | 21,226,100 | 15 | 19,047,357 | 17 |
| | **Total liabilities** | 89,702,471 | 63 | 79,831,738 | 58 | 61,357,797 | 55 |
| | **EQUITY ATTRIBUTABLE TO OWNERS OF PARENT (Notes 4 and 6(v))** | | | | | | |
| 3110 | Ordinary shares | 34,208,328 | 24 | 34,208,328 | 25 | 34,208,328 | 31 |
| 3200 | Capital surplus | 12,475,758 | 9 | 12,456,891 | 9 | 12,431,851 | 11 |
| | Retained earnings : | | | | | | |
| 3310 | Legal reserve | 21,537,666 | 15 | 19,262,044 | 14 | 19,262,044 | 17 |
| 3350 | Unappropriated retained earnings | 13,052,044 | 9 | 22,171,132 | 16 | 14,374,045 | 13 |
| 3400 | Other equity interest | 220,517 | - | 412,682 | - | 344,540 | - |
| 3500 | Treasury shares | (31,077,183) | (22) | (31,077,183) | (23) | (31,077,183) | (28) |
| | **Total equity attributable to owners of parent** | 50,417,130 | 35 | 57,433,894 | 41 | 49,543,625 | 44 |
| 36xx | Non-controlling interests (Notes 6(h) and (v)) | 2,960,516 | 2 | 1,086,747 | 1 | 911,753 | 1 |
| | **Total equity** | 53,377,646 | 37 | 58,520,641 | 42 | 50,455,378 | 45 |
| | **TOTAL** | **$ 143,080,117** | **100** | **138,352,379** | **100** | **111,813,175** | **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 AND SIX MONTHS ENDED JUNE 30, 2014 AND 2013**
**(In Thousands of New Taiwan Dollars, Except Earnings Per Share)**
**(Reviewed, Not Audited)**

| | | For the Three Months Ended June 30 | | | | For the Six Months Ended June 30 | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | 2014 | | 2013 | | 2014 | | 2013 | |
| | | Amount | % | Amount | % | Amount | % | Amount | % |
| 4000 | **OPERATING REVENUES (Notes 4, 6(x) and 7)** | $ 26,936,239 | 100 | 26,559,039 | 100 | 54,662,713 | 100 | 52,915,694 | 100 |
| 5000 | **OPERATING COSTS (Notes 4, 7 and 12)** | 17,332,519 | 64 | 16,748,588 | 63 | 35,323,072 | 65 | 33,550,543 | 63 |
| 5900 | **GROSS PROFIT FROM OPERATIONS** | 9,603,720 | 36 | 9,810,451 | 37 | 19,339,641 | 35 | 19,365,151 | 37 |
| 6000 | **OPERATING EXPENSES (Notes 4, 7 and 12)** | | | | | | | | |
| 6100 | Marketing | 3,055,194 | 11 | 3,221,938 | 12 | 6,490,157 | 12 | 6,481,019 | 12 |
| 6200 | Administrative | 1,184,389 | 5 | 1,190,266 | 5 | 2,400,767 | 4 | 2,434,473 | 5 |
| | | 4,239,583 | 16 | 4,412,204 | 17 | 8,890,924 | 16 | 8,915,492 | 17 |
| 6500 | **NET OTHER INCOME AND EXPENSES (Note 6(y))** | 29,595 | - | 15,608 | - | 56,046 | - | 29,874 | - |
| 6900 | **NET OPERATING INCOME** | 5,393,732 | 20 | 5,413,855 | 20 | 10,504,763 | 19 | 10,479,533 | 20 |
| | **NON-OPERATING INCOME AND EXPENSES** | | | | | | | | |
| 7010 | Other income (Note 6(z)) | 49,366 | - | 47,298 | - | 84,038 | - | 70,479 | - |
| 7020 | Other gains and losses, net (Note 6(z)) | (104,795) | - | (422,646) | (1) | (13,752) | - | (650,494) | (2) |
| 7050 | Finance costs (Note 6(z)) | (144,584) | (1) | (83,643) | - | (296,315) | - | (163,576) | - |
| 7060 | Share of profit (loss) of associates accounted for using equity method (Note 4) | 897 | - | (3,478) | - | (5,053) | - | (1,133) | - |
| 7000 | **Total non-operating income and expenses** | (199,116) | (1) | (462,469) | (1) | (231,082) | - | (744,724) | (2) |
| 7900 | **PROFIT BEFORE TAX** | 5,194,616 | 19 | 4,951,386 | 19 | 10,273,681 | 19 | 9,734,809 | 18 |
| 7950 | **TAX EXPENSE (Note 6(u))** | 888,480 | 3 | 843,366 | 4 | 1,751,921 | 4 | 1,704,430 | 3 |
| 8000 | **PROFIT FROM CONTINUING OPERATIONS** | 4,306,136 | 16 | 4,108,020 | 15 | 8,521,760 | 15 | 8,030,379 | 15 |
| 8100 | **LOSS FROM DISCONTINUED OPERATIONS (AFTER TAX) (Notes 4 and 6(f))** | (38,597) | - | (88,435) | - | (78,329) | - | (155,132) | - |
| 8200 | **PROFIT** | **4,267,539** | **16** | **4,019,585** | **15** | **8,443,431** | **15** | **7,875,247** | **15** |
| 8300 | **OTHER COMPREHENSIVE INCOME (LOSS) :** | | | | | | | | |
| 8310 | Exchange differences on translation | (7,403) | - | 1,797 | - | (7,128) | - | 8,029 | - |
| 8325 | Unrealized gains (losses) on available-for-sale financial assets | (46,165) | - | (179,829) | (1) | (198,741) | - | (27,907) | - |
| 8370 | Share of other comprehensive income of associates accounted for using equity method | 32,946 | - | 92 | - | 33,034 | - | 290 | - |
| 8399 | Income tax generated from other comprehensive income | - | - | - | - | - | - | - | - |
| 8300 | **OTHER COMPREHENSIVE INCOME (AFTER TAX)** | **(20,622)** | **-** | **(177,940)** | **(1)** | **(172,835)** | **-** | **(19,588)** | **-** |
| 8500 | **COMPREHENSIVE INCOME** | **$ 4,246,917** | **16** | **3,841,645** | **14** | **8,270,596** | **15** | **7,855,659** | **15** |
| | **PROFIT ATTRIBUTABLE TO :** | | | | | | | | |
| 8610 | Owners of parent | $ 4,136,910 | 15 | 3,956,796 | 15 | 8,221,133 | 15 | 7,763,610 | 15 |
| 8620 | Non-controlling interests | 130,629 | 1 | 62,789 | - | 222,298 | - | 111,637 | - |
| | | **$ 4,267,539** | **16** | **4,019,585** | **15** | **8,443,431** | **15** | **7,875,247** | **15** |
| | **COMPREHENSIVE INCOME ATTRIBUTABLE TO :** | | | | | | | | |
| 8710 | Owners of parent | $ 4,100,177 | 15 | 3,804,014 | 14 | 8,028,968 | 15 | 7,768,124 | 15 |
| 8720 | Non-controlling interests | 146,740 | 1 | 37,631 | - | 241,628 | - | 87,535 | - |
| | | **$ 4,246,917** | **16** | **3,841,645** | **14** | **8,270,596** | **15** | **7,855,659** | **15** |
| | **EARNINGS PER SHARE** | | | | | | | | |
| | **BASIC (Note 6(w))** | | | | | | | | |
| 9710 | Basic earnings per share from continuing operations | $ 1.54 | | 1.49 | | 3.07 | | 2.92 | |
| 9720 | Basic loss per share from discontinued operations | - | | (0.02) | | (0.01) | | (0.03) | |
| 9750 | **Total basic earnings per share** | **$ 1.54** | | **1.47** | | **3.06** | | **2.89** | |
| | **DILUTED (Note 6(w))** | | | | | | | | |
| 9810 | Diluted earnings per share from continuing operations | $ 1.54 | | 1.49 | | 3.06 | | 2.91 | |
| 9820 | Diluted loss per share from discontinued operations | - | | (0.02) | | (0.01) | | (0.03) | |
| 9850 | **Total diluted earnings per share** | **$ 1.54** | | **1.47** | | **3.05** | | **2.88** | |

**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 SIX MONTHS ENDED JUNE 30, 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 six months ended June 30, 2013 | - | - | - | 7,763,610 | - | - | - | 7,763,610 | 111,637 | 7,875,247 |
| Other comprehensive income for the six months ended June 30, 2013 | - | - | - | - | 7,258 | (2,744) | - | 4,514 | (24,102) | (19,588) |
| Total comprehensive income for the six months ended June 30, 2013 | - | - | - | 7,763,610 | 7,258 | (2,744) | - | 7,768,124 | 87,535 | 7,855,659 |
| Appropriation and distribution of retained earnings | | | | | | | | | | |
| Legal reserve | - | - | 1,469,160 | (1,469,160) | - | - | - | - | - | - |
| Cash dividends | - | - | - | (14,526,578) | - | - | - | (14,526,578) | - | (14,526,578) |
| Legal reserve used to distribute cash dividends | - | - | (269,010) | - | - | - | - | (269,010) | - | (269,010) |
| Cash dividends from subsidiaries paid to non-controlling interests | - | - | - | - | - | - | - | - | (247,986) | (247,986) |
| **BALANCE, JUNE 30, 2013** | **$ 34,208,328** | **12,431,851** | **19,262,044** | **14,374,045** | **32,741** | **311,799** | **(31,077,183)** | **49,543,625** | **911,753** | **50,455,378** |
| **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 six months ended June 30, 2014 | - | - | - | 8,221,133 | - | - | - | 8,221,133 | 222,298 | 8,443,431 |
| Other comprehensive income for the six months ended June 30, 2014 | - | - | - | - | (4,531) | (187,634) | - | (192,165) | 19,330 | (172,835) |
| Total comprehensive income for the six months ended June 30, 2014 | - | - | - | 8,221,133 | (4,531) | (187,634) | - | 8,028,968 | 241,628 | 8,270,596 |
| Appropriation and distribution of retained earnings | | | | | | | | | | |
| Legal reserve | - | - | 2,275,622 | (2,275,622) | - | - | - | - | - | - |
| Cash dividends | - | - | - | (15,064,599) | - | - | - | (15,064,599) | - | (15,064,599) |
| Cash dividends from subsidiaries paid to non-controlling interests | - | - | - | - | - | - | - | - | (224,481) | (224,481) |
| Changes in equity of associates accounted for using equity method | - | 112 | - | - | - | - | - | 112 | (258) | (146) |
| Difference between consideration and carrying amount of subsidiaries' shares disposed of | - | 18,755 | - | - | - | - | - | 18,755 | 120,420 | 139,175 |
| Increase in non-controlling interests | - | - | - | - | - | - | - | - | 1,736,460 | 1,736,460 |
| **BALANCE, JUNE 30, 2014** | **$ 34,208,328** | **12,475,758** | **21,537,666** | **13,052,044** | **20,417** | **200,100** | **(31,077,183)** | **50,417,130** | **2,960,516** | **53,377,646** |

**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 SIX MONTHS ENDED JUNE 30, 2014 AND 2013**
**(In Thousands of New Taiwan Dollars)**
**(Reviewed, Not Audited)**

| | For the Six Months Ended June 30 | |
|---|---|---|
| | 2014 | 2013 |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| **Profit from continuing operations before tax** | $ 10,273,681 | 9,734,809 |
| **Loss from discontinued operations before tax** | (94,363) | (186,906) |
| **Profit before tax** | 10,179,318 | 9,547,903 |
| **Adjustments** | | |
| Adjustments to reconcile profit (loss) | | |
| Depreciation expense | 4,720,588 | 4,318,875 |
| Amortization expense | 719,460 | 616,653 |
| Gain on disposal of non-current assets held for sale, net | (153,706) | - |
| Loss on disposal of property, plant and equipment, net | 161,629 | 674,373 |
| Provision for bad debt expense | 165,134 | 148,386 |
| Finance costs | 296,315 | 163,616 |
| Interest income | (49,882) | (41,263) |
| Dividend income | (12,967) | (12,617) |
| Impairment loss on non-financial assets (from discontinued operations) | 17,794 | - |
| Share of loss of associates accounted for using equity method | 5,053 | 1,133 |
| Others | 29 | 47 |
| Total adjustments to reconcile profit (loss) | 5,869,447 | 5,869,203 |
| Changes in operating assets and liabilities | | |
| Accounts and notes receivable | (32,507) | (1,741,226) |
| Accounts receivable from related parties | (372) | 492 |
| Other receivables | 5,265 | (118,092) |
| Inventories | 721,401 | (612,597) |
| Prepayments | 6,648 | 25,051 |
| Other current assets | 18,092 | (14,984) |
| Other assets | 16,701 | 571 |
| Notes payable | (287,067) | (175,864) |
| Accounts payable | (287,869) | (730,986) |
| Accounts payable to related parties | 7,028 | 20,206 |
| Other payables | (694,832) | 438,325 |
| Provisions | (5,768) | 26,818 |
| Advance receipts | (285,699) | (194,161) |
| Other current liabilities | (49,701) | 362,528 |
| Accrued pension liabilities | (7,759) | (347) |
| Total changes in operating assets and liabilities | (876,439) | (2,714,266) |
| Net cash inflows generated from operating activities | 15,172,326 | 12,702,840 |
| Interest received | 1,135 | - |
| Interest paid | (5,573) | (43) |
| Income taxes paid | (1,648,327) | (1,335,520) |
| **Net cash flows from operating activities** | 13,519,561 | 11,367,277 |

**(Continued)**

**TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)**

**FOR THE SIX MONTHS ENDED JUNE 30, 2014 AND 2013**

**(In Thousands of New Taiwan Dollars)**

**(Reviewed, Not Audited)**

| | For the Six Months Ended June 30 | |
|---|---|---|
| | 2014 | 2013 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Acquisition of property, plant and equipment | (6,476,696) | (6,390,964) |
| Acquisition of intangible assets | (437,599) | (81,862) |
| Increase in prepayments for equipment | (131,169) | (226,483 |
| Net cash inflows from new consolidated entities | 1,193,252 | - |
| Acquisition of available-for-sale financial assets | - | (1,000,000) |
| Acquisition of investments accounted for using equity method | (148,118) | (214,500) |
| Increase in prepayments for investments | (172,155) | (558,940) |
| Increase in refundable deposits | (91,700) | (1,131,115) |
| Decrease in refundable deposits | 79,174 | 85,361 |
| Increase in other financial assets | (99,812) | (217,808) |
| Decrease in other financial assets | 208,564 | 243,912 |
| Proceeds from disposal of non-current assets held for sale | 250,291 | - |
| Proceeds from disposal of property, plant and equipment | 3,727 | 2,757 |
| Other non-current assets | (3,707) | - |
| Interest received | 49,069 | 40,887 |
| Dividend received | - | 10,320 |
| Proceeds from investees’ capital reduction | 2,399 | - |
| **Net cash used in investing activities** | (5,774,480) | (9,438,435) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Increase in short-term borrowings | 51,049,204 | 14,101,658 |
| Decrease in short-term borrowings | (69,281,272) | (16,500,000) |
| Increase in short-term notes and bills payable | 3,994,597 | - |
| Decrease in short-term notes and bills payable | (5,092,786) | - |
| Proceeds from long-term borrowings | 10,000,000 | - |
| Proceeds from issuance of bonds | - | 5,796,043 |
| Cash dividends paid to non-controlling interests | (224,481) | (247,416) |
| Disposal of ownership interests in subsidiaries (without losing control) | 142,246 | - |
| Increase in guarantee deposits received | 69,061 | 87,221 |
| Decrease in guarantee deposits received | (103,863) | (71,258) |
| Interest paid | (250,610) | (13,581) |
| **Net cash flows from (used in) financing activities** | (9,697,904) | 3,152,667 |
| **EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS** | (1,113) | 4,850 |
| **NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS** | (1,953,936) | 5,086,359 |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD** | 7,954,294 | 6,191,140 |
| **CASH AND CASH EQUIVALENTS AT END OF PERIOD** | **$ 6,000,358** | **11,277,499** |

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

**(Concluded)**

**(Reviewed, Not Audited, for the Six Months Ended June 30, 2014 and 2013)**

# TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

# FOR THE SIX MONTHS ENDED JUNE 30, 2014 AND 2013

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

## 1. ORGANIZATION AND OPERATIONS

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

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 frequency of 30 MHz x 2 (15 MHz x 2 in the 700 MHz frequency band and 15 MHz x 2 in the 1800 MHz frequency band) on October 30, 2013. In July 2014, the NCC authorized TWM to return the mobile telephone service frequency of 5 MHz x 2 in the 1800 MHz frequency band.

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

## 2. APPROVAL DATE AND PROCEDURES OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

## 3. NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

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

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

| New Standards, Amendments and Interpretations | Effective Date Issued by 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 amendments to IAS 19 require companies to calculate a "net interest" amount by applying the discount rate to the net defined benefit liability or asset to replace the interest cost and expected return on plan assets used in the previous IAS 19. In addition, the amendments eliminate the accounting treatment of either the corridor approach or the immediate recognition of actuarial gains and losses in profit or loss when they occur, and instead require companies to recognize all actuarial gains and losses immediately through other comprehensive income. The past service cost, on the other hand, will be expensed immediately when it is incurred and will no longer be amortized over the average period before meeting vesting conditions on a straight-line basis. In addition, the amendments also require a broader disclosure of defined benefit plans. 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. New standards and interpretations of 2013 IFRSs version issued by the IASB but not yet endorsed by the FSC

| New Standards, Amendments and Interpretations | Effective Date Issued by IASB |
|---|---|
| IFRS 9 *Financial Instruments* | Not yet announced |
| IFRS 14 *Regulatory Deferral Accounts* | January 1, 2016 |
| IFRS 15 *Revenue from Contracts with Customers* | January 1, 2017 |
| Amended IFRS 11 *Accounting for Acquisitions of Interests in Joint Operations* | January 1, 2016 |
| Amended IAS 16 and IAS 38 *Clarification of Acceptable Methods of Depreciation and Amortisation* | January 1, 2016 |
| Amended IAS16 and IAS 41 *Agriculture: Bearer Plants* | January 1, 2016 |
| Amended IAS 19 *Defined Benefit Plans: Employee Contributions* | July 1, 2014 |
| Amended IAS 36 *Recoverable Amount Disclosure for* | January 1, 2014 |

| New Standards, Amendments and Interpretations | Effective Date Issued by IASB |
|---|---|
| *Non-Financial Assets* | |
| 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" and IAS 34 *Interim Financial Reporting* endorsed by the FSC. The interim consolidated financial statements do not include all the information which should be disclosed in the annual consolidated financial statements in accordance with the IFRSs, IASs, IFRIC Interpretations, and SIC Interpretations endorsed by the FSC.

### Basis of Preparation

a. Basis of measurement

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

b. Functional and presentation currency

The functional currency of each individual consolidated entity is determined based on the primary economic environment in which the entity operates. The Group's interim consolidated financial statements are presented in New Taiwan Dollars, which is TWM's 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 Ownership | | | |
|---|---|---|---|---|---|---|
| **Investor** | **Subsidiary** | **Main Business and Products** | **2014.6.30** | **2013.12.31** | **2013.6.30** | **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 | - |

(Continued)

| | | | Percentage of Ownership | | | |
|---|---|---|---|---|---|---|
| **Investor** | **Subsidiary** | **Main Business and Products** | **2014.6.30** | **2013.12.31** | **2013.6.30** | **Note** |
| 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 | - |
| GWMT | Globalview Cable TV Co., Ltd. (GCTV) | Cable TV service provider | 6.83 | 6.83 | 6.83 | - |
| WMT | Global Forest Media Technology Co., Ltd. (GFMT) | Investment | 100.00 | 100.00 | 100.00 | - |
| GFMT | Union Cable TV Co., Ltd. (UCTV) | Cable TV service provider | 0.76 | 0.76 | 0.76 | - |
| WMT | Win TV Broadcasting Co., Ltd. (WTVB) | TV program provider | 100.00 | 100.00 | 100.00 | - |
| WMT | TFN Media Co., Ltd. (TFNM) | Cable broadband and value-added services provider | 100.00 | 100.00 | 100.00 | - |
| TFNM | UCTV | Cable TV service provider | 99.22 | 99.22 | 99.22 | - |
| TFNM | Yeong Jia Leh Cable TV Co., Ltd. (YJCTV) | Cable TV service provider | 100.00 | 100.00 | 100.00 | - |
| 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 | - |

(Continued)

| Investor | Subsidiary | Main Business and Products | Percentage of Ownership 2014.6.30 | 2013.12.31 | 2013.6.30 | Note |
|---|---|---|---|---|---|---|
| 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 | 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 June 30, 2014. |
| TCCI | TCCI Investment & Development Co., Ltd. (TID) | Investment | 100.00 | 100.00 | 100.00 | - |
| TCC | Taiwan Fixed Network Co., Ltd. (TFN) | Fixed-line service provider | 100.00 | 100.00 | 100.00 | - |
| TFN | TFN Union Investment Co., Ltd. (TUI) | Investment | 100.00 | 100.00 | 100.00 | - |
| TFN | TFN HK Ltd. | Telecommunication service provider | 100.00 | 100.00 | 100.00 | - |
| TCC | Taiwan Digital Communications Co., Ltd. (TDC) | TV program production and mobile phones wholesaling | 100.00 | 100.00 | 100.00 | - |
| TCC | TWM Holding Co., Ltd. (TWM Holding) | Investment | 100.00 | 100.00 | 100.00 | - |
| TWM Holding | TWM Communications (Beijing) Co., Ltd. (TWMC) | Mobile application development and design | 100.00 | 100.00 | 100.00 | - |
| 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 | - |

(Continued)

| | | | Percentage of Ownership | | | |
|---|---|---|---|---|---|---|
| **Investor** | **Subsidiary** | **Main Business and Products** | **2014.6.30** | **2013.12.31** | **2013.6.30** | **Note** |
| 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 | 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 seats 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 the end of the reporting period (the reporting date), foreign currency monetary amounts are reported using the closing rate.

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

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

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

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

**Classification of Current and Non-current Assets and Liabilities**

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

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

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

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

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

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

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

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

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

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

**Voluntary Change in Accounting Policy**

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

**Cash and Cash Equivalents**

Cash and cash equivalents comprise cash, cash in bank, and short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes should be recognized as cash equivalents. If they do not meet the above definition, time deposits should be recognized as other current and non-current financial assets.

**Financial Instruments**

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

a. Financial assets

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

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

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

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

(2) Available-for-sale financial assets

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

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

(3) Loans and receivables

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

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

(4) Impairment of financial assets

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

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

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

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

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

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

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

(5) Derecognition of financial assets

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

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

b. Financial liabilities

(1) Recognition

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

(2) Derecognition of financial liabilities

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

**Inventories**

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

**Non-current Assets Held for Sale and Discontinued Operations**

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

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

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

**Investment in Associates**

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

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

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

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

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

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(i).

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

**Investment Property**

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

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

**Leases**

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

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

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

**Intangible Assets**

a. Goodwill

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

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

b. Service concession agreement

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

c. Other intangible assets

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

d. Amortization

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

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

**Impairment of Non-financial Assets**

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

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

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

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

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

**Provisions**

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

a. Restoration

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

b. Warranties

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

c. Decommissioning

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

**Treasury Shares**

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

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

**Employee Benefits**

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

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

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 it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Deferred taxes shall not be recognized for temporary differences from the following:

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

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

(3) Initial recognition of goodwill.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted on the reporting date. The measurement reflects the entity's expectations on the reporting date as to the manner in which the carrying amount of its assets and liabilities will be recovered or settled.

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

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

**Revenue**

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

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

b. Sales of goods

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

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

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

(3) The amount can be reliably measured;

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

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

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

c. Customer loyalty program

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

d. Commissions

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

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

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.

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

b. Impairment assessment of goodwill

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

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

c. Impairment assessment of investments accounted for using equity method

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

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

d. Income tax

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

As of June 30, 2014, and December 31 and June 30, 2013, the carrying value of deferred income tax assets amounted to $883,900 thousand, $924,576 thousand, and $975,433 thousand, respectively; the carrying value of deferred income tax liabilities amounted to $2,441,763 thousand, $2,599,791 thousand, and $2,478,346 thousand, respectively.

e. Useful lives of property, plant and equipment

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

f. Impairment assessment of accounts receivable

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

As of June 30, 2014, and December 31 and June 30, 2013, the carrying value of accounts receivable amounted to $14,247,460 thousand, $13,920,744 thousand, and $12,908,938 thousand, respectively. They were the net amounts after subtracting the allowances for doubtful accounts amounting to $281,720 thousand, $286,019 thousand, and $290,882 thousand, respectively.

## 6. DESCRIPTION OF SIGNIFICANT ACCOUNTS

a. Cash and cash equivalents

| | **2014.6.30** | **2013.12.31** | **2013.6.30** |
|---|---|---|---|
| Government bonds with repurchase rights | $ 3,499,013 | 4,070,060 | 5,206,397 |
| Cash in banks | 1,659,304 | 2,053,132 | 3,071,603 |
| Time deposits | 709,070 | 1,748,153 | 2,806,942 |
| Cash on hand | 124,429 | 73,530 | 182,092 |
| Revolving funds | 8,542 | 9,419 | 10,460 |
| Short-term notes and bills with repurchase rights | - | - | 5 |
| | **$ 6,000,358** | **7,954,294** | **11,277,499** |

b. Available-for-sale financial assets

| | **2014.6.30** | **2013.12.31** | **2013.6.30** |
|---|---|---|---|
| Domestic emerging stock | $ 1,010,379 | 1,226,889 | 1,134,421 |
| Beneficiary certificates | 769,323 | 758,591 | 949,025 |
| Domestic listed stock | 209,092 | 202,354 | 221,698 |
| | **$ 1,988,794** | **2,187,834** | **2,305,144** |

| | 2014.6.30 | 2013.12.31 | 2013.6.30 |
|---|---|---|---|
| Current | **$ 978,415** | **960,945** | **1,170,723** |
| Non-current | **$ 1,010,37** | **1,226,889** | **1,134,421** |

c. Non-current financial assets at cost

| | 2014.6.30 | 2013.12.31 | 2013.6.30 |
|---|---|---|---|
| Domestic unlisted stocks | $ 125,602 | 128,001 | 131,004 |
| Foreign unlisted stock | 50,324 | 50,324 | 50,324 |
| | **$ 175,926** | **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 six months ended June 30, 2014 and 2013, there was no impairment loss.

d. Accounts and notes receivable, net

| | 2014.6.30 | 2013.12.31 | 2013.6.30 |
|---|---|---|---|
| Notes receivable | $ 30,713 | 210,559 | 18,895 |
| Accounts receivable | 14,529,180 | 14,206,763 | 13,199,820 |
| Less: allowance for doubtful accounts | (281,720) | (286,019) | (290,882) |
| Accounts receivable, net | 14,247,460 | 13,920,744 | 12,908,938 |
| Total | **$ 14,278,173** | **14,131,303** | **12,927,833** |

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 was as follows:

| | 2014.6.30 | 2013.12.31 | 2013.6.30 |
|---|---|---|---|
| Neither past due nor impaired | $ 13,884,135 | 13,551,429 | 12,543,921 |
| Past due but not impaired | | | |
| Past due within 180 days | 358,727 | 363,196 | 359,104 |
| Past due over 180 days | 4,598 | 6,119 | 5,913 |
| | **$ 14,247,460** | **13,920,744** | **12,908,938** |

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

| | For the Six Months Ended June 30 | |
|---|---|---|
| | 2014 | 2013 |
| Beginning balance | $ 286,019 | 267,589 |
| Add: Provision | 127,397 | 128,028 |
| Reversal | 78,868 | 78,137 |
| Less: Write-off | (210,564) | (182,872) |
| Ending balance | **$ 281,720** | **290,882** |

e. Inventories

| | 2014.6.30 | 2013.12.31 | 2013.6.30 |
|---|---|---|---|
| Merchandise | $ 2,993,233 | 3,708,181 | 3,105,562 |
| Materials for maintenance | 66,702 | 73,173 | 73,910 |
| | **$ 3,059,935** | **3,781,354** | **3,179,472** |

For the three months and six months ended June 30, 2014, the cost of goods sold recognized in consolidated comprehensive income amounted to $9,344,646 thousand and $19,464,660 thousand, respectively, which included the inventory write-downs amounting to $27,758 thousand and $14,064 thousand, respectively.

For the three months and six months ended June 30, 2013, the cost of goods sold recognized in consolidated comprehensive income amounted to $9,004,660 thousand and $18,091,834 thousand, respectively, which included the inventory write-downs amounting to $16,781 thousand and the reversal of the inventory amounting to $284 thousand, respectively. The reversal of the inventory was due to clearing out obsolete inventories.

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

(1) Non-current assets held for sale

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

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

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

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

| | For the Three Months Ended June 30 | | For the Six Months Ended June 30 | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| Profit and loss from discontinued operations: | | | | |
| Operating revenue | $ 49,625 | 211,269 | 172,273 | 411,681 |
| Operating costs | 47,518 | 131,949 | 138,848 | 258,075 |
| Gross profit | 2,107 | 79,320 | 33,425 | 153,606 |
| Operating expenses | 41,993 | 177,784 | 102,382 | 330,058 |
| Other income and expenses | (1,543) | (1,302) | (1,727) | (1,271) |
| Loss from discontinued operations before tax | (41,429) | (99,766) | (70,684) | (177,723) |
| Non-operating income and expenses | | | | |
| Loss on disposal of property, plant, and equipment | (956) | (7,032) | (2,148) | (9,636) |
| Interest income | 9 | 204 | 39 | 405 |
| Finance costs | - | (19) | - | (40) |
| Others | 742 | 65 | 1,086 | 88 |
| Tax revenue | 7,073 | 18,113 | 12,183 | 31,774 |
| Loss from discontinued operations after tax | (34,561) | (88,435) | (59,524) | (155,132) |

| | For the Three Months Ended June 30 | | For the Six Months Ended June 30 | |
|---|---|---|---|---|
| | **2014** | **2013** | **2014** | **2013** |
| Gain (loss) on disposal of the assets from discontinued operations | | | | |
| Loss recognized on measurement of fair value less costs to sell of the assets from discontinued operations before tax | $ - | - | (17,794 ) | - |
| Loss recognized on the disposal of the assets from discontinued operations before tax | (4,862 ) | - | (4,862 ) | - |
| Tax revenue | 826 | - | 3,851 | - |
| Loss recognized on measurement of fair value less costs to sell of the assets disposed of from discontinued operations after tax | (4,036 ) | - | (18,805 ) | - |
| Loss from discontinued operations after tax | **$ (38,597 )** | **(88,435 )** | **(78,329 )** | **(155,132 )** |
| Cash flows from (used in) discontinued operations: | | | | |
| Net cash from operating activities | $ 6,566 | (54,685 ) | 40,612 | (93,721 ) |
| Net cash from investing activities | 56,390 | (5,005 ) | 58,270 | (20,949 ) |
| Net cash from financing activities | (1,483 ) | (1,113 ) | (1,796 ) | (4,547 ) |
| Net cash inflow (outflow) | **$ 61,473** | **(60,803 )** | **97,086** | **(119,217 )** |

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

g. Investments accounted for using equity method

| | 2014.6.30 | | 2013.12.31 | | 2013.6.30 | |
|---|---|---|---|---|---|---|
| **Investee Company** | **Amount** | **% of Ownership** | **Amount** | **% of Ownership** | **Amount** | **% of Ownership** |
| TNH | $ - | - | 1,566,952 | 49.90 | 790,382 | 49.90 |
| Taiwan Pelican Express Co., Ltd. (TPE) | 425,762 | 17.70 | 409,142 | 17.70 | 370,178 | 20.00 |
| Kbro Media Co., Ltd. | 283,055 | 32.50 | 284,748 | 32.50 | 291,339 | 32.50 |
| TVD Shopping Co., Ltd. (TVD Shopping) | 144,434 | 35.00 | - | - | - | - |
| Alliance Digital Tech Co., Ltd. (ADT) | 25,475 | 16.67 | 28,514 | 19.23 | - | - |
| | **$ 878,726** | | **2,289,356** | | **1,451,899** | |

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

| **Investee Company** | **2014.6.30** | **2013.12.31** | **2013.6.30** |
|---|---|---|---|
| TPE | **$ 754,272** | **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.

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

(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 for 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) TVD Shopping

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

(5) ADT

In November 2013, TWM acquired 19.23% of ADT.

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

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

h. 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 Group's share of operating revenue of TNH was $65,512 thousand and $93,773 thousand and the Group's share of the net loss was $507 thousand and $4,870 thousand for the three months ended June 30 and the period from February 21 to June 30, 2014, respectively. If the business combination had occurred at the beginning of the fiscal year, the pro forma operating revenue and net loss in the Group's consolidated comprehensive income statement would have been$129,949 thousand and $24,066 thousand, respectively, for the six months ended June 30, 2014. The pro forma revenue and net loss could not be regarded as the actual operating outcome on the basis that the business combination occurred at the beginning of the year and revenue and net loss were projected into the future.

(2) Transactions with non-controlling interests

WMT disposed of part of its shareholding in FBM in February 2014. Despite the decrease in the shareholding in FBM from 50.64% to 49.93%, WMT still maintains control of 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 of | **$ 18,755** |

i. Property, plant and equipment

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

| | Land | Buildings | Telecommunication equipment and machinery | Miscellaneous equipment | Construction in progress and equipment to be inspected | Total |
|---|---|---|---|---|---|---|
| **Cost:** | | | | | | |
| Balance, January 1, 2014 | $ 8,675,595 | 4,961,737 | 73,940,408 | 6,049,561 | 3,162,832 | 96,790,133 |
| Additions | 1,717,927 | 2,061 | 141,963 | 186,470 | 5,209,625 | 7,258,046 |
| Acquisition from combination | - | - | - | 10,232 | - | 10,232 |
| Reclassification | (13,092 ) | (9,347 ) | 4,384,045 | 309,396 | (4,832,677 ) | (161,675 ) |
| Disposals | - | - | (882,770 ) | (100,537 ) | (4,080 ) | (987,387 ) |
| Effect of exchange rate changes | - | - | (4,482 ) | (1,967 ) | - | (6,449 ) |
| Balance, June 30, 2014 | **$ 10,380,430** | **4,954,451** | **77,579,164** | **6,453,155** | **3,535,700** | **102,902,900** |
| Balance, January 1, 2013 | 6,735,900 | 4,145,550 | 70,234,280 | 5,540,378 | 4,060,086 | 90,716,194 |
| Additions | - | 748 | 146,175 | 156,773 | 6,349,399 | 6,653,095 |
| Reclassification | 2,007,756 | 788,959 | 3,346,034 | 186.656 | (6,387,249 ) | (57,844 ) |
| Disposals | - | - | (2,498,747 ) | (60,204 ) | (6,814 ) | (2,565,765 ) |
| Effect of exchange rate changes | - | - | 8,422 | 3,812 | - | 12,234 |
| Balance, June 30, 2013 | **$ 8,743,656** | **4,935,257** | **71,236,164** | **5,827,415** | **4,015,422** | **94,757,914** |
| **Accumulated depreciation and impairment:** | | | | | | |
| Balance, January 1, 2014 | 83,426 | 1,260,526 | 48,470,898 | 3,989,482 | - | 53,804,332 |
| Depreciation | - | 72,041 | 4,217,812 | 429,023 | - | 4,718,876 |
| Acquisition from combination | - | - | - | 835 | - | 835 |
| Reclassification | - | (3,619 ) | (80,643 ) | 15,095 | - | (69,167 ) |
| Disposals | - | - | (729,341 ) | (92,690 ) | - | (822,031 ) |
| Effect of exchange rate changes | - | - | (1,734 ) | (1,028 ) | - | (2,762 ) |
| Balance, June 30, 2014 | **$ 83,426** | **1,328,948** | **51,876,992** | **4,340,717** | **-** | **57,630,08** |
| Balance, January 1, 2013 | $ 83,426 | 1,127,005 | 45,302,209 | 3,465,876 | - | 49,978,516 |
| Depreciation | - | 66,589 | 3,832,077 | 418,144 | - | 4,316,810 |
| Reclassification | - | (12,008 ) | - | (18,322 ) | - | (30,330 ) |
| Disposals | - | - | (1,842,310 ) | (46,325 ) | - | (1,888,635) ) |
| Effect of exchange rate changes | - | - | 1,672 | 1,052 | - | 2,724 |
| Balance, June 30, 2013 | **$ 83,426** | **1,181,586** | **47,293,648** | **3,820,425** | **-** | **52,379,085** |
| **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, June 30, 2014 | **$ 10,297,004** | **3,625,503** | **25,702,172** | **2,112,438** | **3,535,700** | **45,272,817** |
| Balance, January 1, 2013 | **$ 6,652,474** | **3,018,545** | **24,932,071** | **2,074,502** | **4,060,086** | **40,737,678** |
| Balance, June 30, 2013 | **$ 8,660,230** | **3,753,671** | **23,942,516** | **2,006,990** | **4,015,422** | **42,378,829** |

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

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

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

| | For the Six Months Ended June 30 | |
|---|---|---|
| | **2014** | **2013** |
| Acquisition of property, plant and equipment | $ 7,258,046 | 6,653,095 |
| Changes in other payables | (734,806) | (193,463) |
| Changes in provisions | (46,544) | (68,668) |
| Cash paid for acquisition of property, plant and equipment | **$ 6,476,696** | **6,390,964** |

j. Investment property

| | **2014.6.30** | **2013.12.31** | **2013.6.30** |
|---|---|---|---|
| Land: | | | |
| Cost | **$ 248,160** | **235,068** | **217,282** |
| Buildings: | | | |
| Cost | $ 130,715 | 121,367 | 149,646 |
| Accumulated depreciation | 41,373 | 36,041 | 43,714 |
| Carrying amount | **$ 89,342** | **85,326** | **105,932** |
| Total investment property | **$ 337,502** | **320,394** | **323,214** |
| Fair value | **$ 744,587** | **717,142** | **742,656** |
| 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.

k. Intangible assets

The cost, amortization, and impairment of intangible assets of the Group for the six months ended June 30, 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 | - | 67,230 | - | 75,461 | - | - | 6 | - | 142,697 |
| Acquisition from combination | - | 7,460,415 | - | - | - | - | - | - | 7,460,415 |
| Disposals | - | - | - | (1,119 ) | - | - | - | - | (1,119 ) |
| Deduction | - | (87,874 ) | - | - | - | - | - | - | (87,874 ) |
| Reclassification | - | - | - | 78,486 | - | - | - | - | 78,486 |
| Effect of exchange rate changes | - | - | - | (565 ) | - | - | - | (74 ) | (639 ) |
| Balance, June 30, 2014 | **$ 39,291,000** | **7,439,771** | **15,845,930** | **2,172,471** | **2,849,197** | **1,382,000** | **2,517,866** | **5,033** | **71,503,268** |
| 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 | - | - | - | 82,385 | - | - | 570 | - | 82,955 |
| Deduction | - | - | - | (31,733) | - | - | - | (731 ) | (32,464 ) |
| Reclassification | - | - | - | 116,247 | - | - | - | - | 116,247 |
| Effect of exchange rate changes | - | - | - | 1,067 | - | - | - | 173 | 1,240 |
| Balance, June 30, 2013 | **$ 10,281,000** | **-** | **15,845,930** | **1,831,997** | **2,849,197** | **1,382,000** | **2,517,860** | **5,073** | **34,713,057** |
| **Amortization and impairment:** | | | | | | | | | |
| Balance, January 1, 2014 | $ 6,542,455 | - | - | 1,502,406 | 1,023,771 | - | 579 | 4,820 | 9,074,031 |
| Amortization | 426,543 | 56,891 | - | 167,439 | 68,200 | - | 100 | 287 | 719,460 |
| Disposals | - | - | - | (1,119 ) | - | - | - | - | (1,119 ) |
| Effect of exchange rate changes | - | - | - | (288 ) | - | - | - | (74 ) | (362 ) |
| Balance, June 30, 2014 | **$ 6,968,998** | **56,891** | **-** | **1,668,438** | **1,091,971** | **-** | **679** | **5,033** | **9,792,010** |
| Balance, January 1, 2013 | $ 5,794,746 | - | - | 1,232,525 | 860,198 | - | 400 | 3,056 | 7,890,925 |
| Amortization | 373,854 | - | - | 153,252 | 88,750 | - | 81 | 716 | 616,653 |
| Deduction | - | - | - | (31,733 ) | - | - | - | - | (31,733 ) |
| Effect of exchange rate changes | - | - | - | 384 | - | - | - | 67 | 451 |
| Balance, June 30, 2013 | **$ 6,168,600** | **-** | **-** | **1,354,428** | **948,948** | **-** | **481** | **3,839** | **8,476,296** |
| **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, June 30, 2014 | **$ 32,322,002** | **7,382,880** | **15,845,930** | **504,033** | **1,757,226** | **1,382,000** | **2,517,187** | **-** | **61,711,258** |
| 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, June 30, 2013 | **$ 4,112,400** | **-** | **15,845,930** | **477,569** | **1,900,249** | **1,382,000** | **2,517,379** | **1,234** | **26,236,761** |

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

| | |
|---|---|
| (1) 4G concession license (700 MHz) | 16 years and 7 months |
| (2) 3G concession license | 13 years and 9 months |
| (3) Service concession | 45 years and 5 months ~50 years |
| (4) Computer software | 3~10 years |
| (5) Customer relationship | 20 years |
| (6) Trademarks | 10 years |
| (7) Others | 1~3 years |

(1) 4G concession license

TWM won the Mobile Broadband Spectrum frequency of 30 MHz x 2 for 4G service on October 30, 2013. The bid of $29,010,000 thousand ($10,485,000 thousand for 15 MHz x 2 in the 700 MHz frequency band and $18,525,000 thousand for 15 MHz x 2 in the 1800 MHz frequency band) has been paid. 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. On April 30, 2014, TWM acquired the permit for Mobile Broadband Spectrum frequency of 700 MHz (15 MHz x 2) for 4G service and amortized the cost from the business launch date.

(2) Service concession

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

(3) Customer relationship, trademarks, and operating rights

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

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

(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:

| | 2014.6.30 | 2013.12.31 | 2013.6.30 |
|---|---|---|---|
| Mobile communication service | $ 7,238,758 | 7,238,758 | 7,238,758 |
| Fixed network service | 357,970 | 357,970 | 357,970 |
| Cable television business | 3,269,636 | 3,269,636 | 3,269,636 |
| Retail business | 4,979,566 | 4,979,566 | 4,979,566 |
| | **$ 15,845,930** | **15,845,930** | **15,845,930** |

(5) Impairment of assets

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

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

(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 June 30, 2014.

l. Other non-current assets

| | **2014.6.30** | **2013.12.31** | **2013.6.30** |
|---|---|---|---|
| Long-term accounts receivable | $ 3,916,604 | 4,198,548 | 3,848,991 |
| Refundable deposits | 580,421 | 561,223 | 1,620,397 |
| Prepayments for equipment | 141,219 | 59,619 | 224,284 |
| Prepayments for investments | - | - | 558,940 |
| Others | 520,599 | 525,792 | 533,290 |
| | **$ 5,158,843** | **5,345,182** | **6,785,902** |

In June 2013, TWM prepaid an investment of $528,940 thousand in TNH and an investment of $30,000 thousand in the establishment of ADT.

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

| | 2014.6.30 | |
|---|---|---|
| | **Annual interest rate** | **Amount** |
| Unsecured loans－financial institutions | 0.82%~1.08% | $ 12,200,000 |
| Secured loans－financial institutions (related parties) | 7.2% | 171,276 |
| | | **$ 12,371,276** |
| Bills payable | 0.803% | $ 1,300,000 |
| Less: Discount on bills payable | | (887) |
| | | **$ 1,299,113** |

| | 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** |

| | 2013.6.30 | |
|---|---|---|
| | **Annual interest rate** | **Amount** |
| Unsecured loans－financial institutions | 1.08% | $ 500,000 |
| Secured loans－financial institutions (related parties) | 6.3% | 267,482 |
| | | **$ 767,482** |

For financial risk information of the Group, please refer to Note 6(ac); for the information on loans from related parties, please refer to Note7; and for the information on time deposits pledged as collateral for bank loans and commitments, please refer to Notes 8 and 9.

n. Advance receipts

| | 2014.6.30 | 2013.12.31 | 2013.6.30 |
|---|---|---|---|
| Advance receipts from customers | $ 2,126,628 | 2,405,345 | 2,749,729 |
| Deferred customer loyalty revenues | 55,726 | 51,116 | 69,663 |
| Others | 104,196 | 108,434 | 96,271 |
| | **$ 2,286,550** | **2,564,895** | **2,915,663** |

(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 $585,646 thousand and $10,570 thousand, respectively, as of June 30, 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 $56 thousand as of June 30, 2014. The guarantee will last for a year.

(3) In accordance with the NCC's policy, cable television companies should provide a performance deposit based on a certain proportion of the advance receipts for a prepaid period. As of June 30, 2014, the cable television companies had provided $55,411 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 First Commercial Bank Co., Ltd. which provided a performance guarantee for advance receipts from prepaid bonus amounting to $18,519 thousand as of June 30, 2014. The guarantee will last for a year.

(5) In accordance with the NCC's and the Ministry of Economic Affairs' policies, TKT entered into a contract with Mega International Commercial Bank Co., Ltd. which provided a performance guarantee for advance receipts from prepaid music cards amounting to $1,445 thousand as of June 30, 2014. The guarantee will last for a year.

o. Bonds payable

| | **2014.6.30** | **2013.12.31** | **2013.6.30** |
|---|---|---|---|
| 2nd domestic unsecured bonds | $ - | - | 4,000,000 |
| 3rd domestic unsecured bonds | 8,996,314 | 8,995,936 | 8,995,558 |
| 4th domestic unsecured bonds | 5,797,156 | 5,796,711 | 5,796,266 |
| | 14,793,470 | 14,792,647 | 18,791,824 |
| Less: current portion | - | - | (4,000,000) |
| | **$ 14,793,470** | **14,792,647** | **14,791,824** |

(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** |

p. Long-term borrowings

| | 2014.6.30 | |
|---|---|---|
| | **Annual interest rate** | **Amount** |
| Unsecured loans－financial institutions | 1.05%~1.08% | $ 13,000,000 |
| Secured loans－financial institutions | 2.2526% | 3,494,653 |
| Less: current portion | | (2,208,218) |
| | | **$ 14,286,435** |

| | 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 covenants regarding debt ratio and interest protection multiples during the facility period.

(2) Secured loans

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

q. Provisions

| | 2014.6.30 | 2013.12.31 | 2013.6.30 |
|---|---|---|---|
| Restoration | $ 1,058,369 | 1,021,896 | 945,588 |
| Warranties | 46,960 | 52,059 | 32,719 |
| Decommissioning | 40,595 | - | - |
| | **$ 1,145,924** | **1,073,955** | **978,307** |
| Current | $ 196,359 | 193,886 | 163,314 |
| Non-current | 949,565 | 880,069 | 814,993 |
| | **$ 1,145,924** | **1,073,955** | **978,307** |

| | Restoration | Warranties | Decommissioning | Total |
|---|---|---|---|---|
| Balance, January 1, 2014 | $ 1,021,896 | 52,059 | - | 1,073,955 |
| Provision | 54,899 | 43,615 | 14,728 | 113,242 |
| Acquisition from combination | - | - | 25,494 | 25,494 |
| Reversal | - | (21,851) | - | (21,851) |
| Unwinding of discount | 6,649 | - | 373 | 7,022 |
| Payment | (25,075) | (26,863) | - | (51,93) |
| Balance, June 30, 2014 | **$ 1,058,369** | **46,960** | **40,595** | **1,145,924** |
| Balance, January 1, 2013 | $ 875,805 | - | - | 875,805 |
| Provision | 78,289 | 40,532 | - | 118,821 |
| Unwinding of discount | 7,016 | - | - | 7,016 |
| Payment | (15,522) | (7,813) | - | (23,335) |
| Balance, June 30, 2013 | **$ 945,588** | **32,719** | **-** | **978,307** |

r. Other non-current liabilities

| | 2014.6.30 | 2013.12.31 | 2013.6.30 |
|---|---|---|---|
| Construction retainage payable | $ 114,635 | - | - |
| Concession payable | 905,357 | - | - |
| Less: Discounts on concession payable | (134,888) | - | - |
| Others | 19,744 | 19,744 | 19,744 |
| | **$ 904,848** | **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).

s. Operating lease

(1) Lessee

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

| | 2014.6.30 | 2013.12.31 | 2013.6.30 |
|---|---|---|---|
| Less than one year | $ 2,941,978 | 2,920,143 | 3,191,911 |
| Between one and five years | 5,080,395 | 5,403,480 | 6,464,524 |
| More than five years | 111,140 | 123,538 | 150,210 |
| | **$ 8,133,513** | **8,447,161** | **9,806,645** |

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 June 30, 2014, and December 31 and June 30, 2013, the Group anticipated it would receive total future minimum sublease payments under the non-cancellable sublease contracts in the amount of $10,435 thousand, $9,930 thousand, and $9,716 thousand, respectively.

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

| | For the Three Months Ended June 30 | | For the Six Months Ended June 30 | |
|---|---|---|---|---|
| | **2014** | **2013** | **2014** | **2013** |
| Minimum lease payment | $ 858,302 | 809,846 | 1,715,165 | 1,591,708 |
| Sublease payment | (231) | (29) | (325) | (409) |
| | **$ 858,071** | **809,556** | **1,714,840** | **1,591,299** |

(2) Lessor

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

| | 2014.6.30 | 2013.12.31 | 2013.6.30 |
|---|---|---|---|
| Less than one year | $ 19,766 | 20,036 | 20,933 |
| Between one and five years | 17,975 | 22,220 | 31,164 |
| | **$ 37,741** | **42,256** | **52,097** |

t. Employee benefits

(1) Defined benefit plan

According to the actuarial reports, the Group recognized $1,487 thousand and $1,041 thousand of pension for the three months ended June 30, 2014 and 2013, respectively, and $2,974 thousand and $2,207 thousand for the six months ended June 30, 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 contribution to the pension funds of the Group under the pension plan amounted to $63,450 thousand and $60,568 thousand for the three months ended June 30, 2014 and 2013, respectively, and $128,643 thousand and $119,835 thousand for the six months ended June 30, 2014 and 2013, respectively.

u. Income tax from continuing operations

The reconciliation of income tax expense was as follows:

| | For the Three Months Ended June 30 | | For the Six Months Ended June 30 | |
|---|---|---|---|---|
| | **2014** | **2013** | **2014** | **2013** |
| Current income tax expense | | | | |
| Current period | $ 943,270 | 698,144 | 1,702,621 | 1,307,688 |
| Prior years' adjustment | 16,878 | (19,974) | 33,631 | 24,347 |
| | 960,148 | 678,170 | 1,736,252 | 1,332,035 |
| Deferred income tax expense | | | | |
| Current period | (71,668 ) | 165,196 | 15,669 | 372,395 |
| Income tax expense | **$ 888,480** | **843,366** | **1,751,921** | **1,704,430** |

Integrated income tax information was as follows:

| | **2014.6.30** | **2013.12.31** | **2013.6.30** |
|---|---|---|---|
| Balance of the Group's imputation credit account (ICA) | **$ 3,135,246** | **1,312,654** | **2,767,761** |

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

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

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 | 2012 |
| 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 | 2011 |
| YJCTV | 2012 |
| MCTV | 2012 |
| PCTV | 2012 |
| GCTV | 2012 |
| TKT | 2012 |
| FBM | 2012 |
| FST | 2012 |
| FLI | 2012 |
| FPI | 2012 |
| 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 return for 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 return for 2008 and requested a reexamination.

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

v. Capital and other equity

(1) Ordinary shares

As of June 30, 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, the conversion premium from convertible corporate bonds, the difference between consideration and carrying amount of subsidiaries' shares acquired or disposed of, and treasury share transactions, may be applied to cover a deficit, or be transferred to capital as stock dividends, or be distributed as cash dividends when there is no deficit, and this transfer is restricted to a certain percentage of the paid-in capital. The capital surplus recognized from changes in net value of investments accounted for using equity method cannot be used for any purpose.

The capital surplus on June 30, 2014, and December 31 and June 30, 2013, was as follows:

| | **2014.6.30** | **2013.12.31** | **2013.6.30** |
|---|---|---|---|
| Additional paid-in capital from convertible corporate bonds | $ 8,778,398 | 8,778,398 | 8,778,398 |
| Treasury share transactions | 3,639,301 | 3,639,301 | 3,639,301 |
| Difference between consideration and carrying amount of subsidiaries' shares disposed of | 18,755 | - | - |
| Changes in equity of associates accounted for using equity method | 25,151 | 25,039 | - |
| Others | 14,153 | 14,153 | 14,152 |
| | **$12,475,758** | **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 surplus profits. The special reserve appropriated will be reversed to the extent that the net debit balance of the other shareholders' equity reverses.

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

TWM's estimated bonuses to employees amounted to $111,697 thousand and $106,833 thousand for the three months ended June 30, 2014 and 2013, respectively, and $221,971 thousand and $209,617 thousand for the six months ended June 30, 2014 and 2013, respectively and estimated remuneration to directors amounted to $11,170 thousand and $10,684 thousand for the three months ended June 30, 2014 and 2013, respectively, and $22,197 thousand and $20,962 thousand for the six months ended June 30, 2014 and 2013, respectively.

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

The 2013 and 2012 earnings appropriations resolved by the AGM on June 12, 2014, and June 21, 2013, were as follows:

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

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

As of June 30, 2014, the bonuses to shareholders of TWM of $15,064,599 thousand were recognized under dividends payable.

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

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

(5) Other equity interest

| | Exchange Differences on Translation | Unrealized Gain (Loss) on Available-for-sale Financial Assets | Total |
|---|---|---|---|
| Balance, January 1, 2014 | $ 24,948 | 387,734 | 412,682 |
| The Group | (2,635 ) | (204,121 ) | (206,756 ) |
| Associates | (1,896 ) | 16,487 | 14,591 |
| Balance, June 30, 2014 | **$ 20,417** | **200,100** | **220,517** |

| | | Exchange Differences on Translation | Unrealized Gain (Loss) on Available-for-sale Financial Assets | Total |
|---|---|---|---|---|
| Balance, January 1, 2013 | $ | 25,483 | 314,543 | 340,026 |
| The Group | | 7,016 | (2,744 ) | 4,272 |
| Associates | | 242 | - | 242 |
| Balance, June 30, 2013 | **$** | **32,741** | **311,799** | **344,540** |

(6) Treasury shares

As of June 30, 2014, and December 31 and June 30, 2013, TWM's stock held by TCCI, TUI and TID (all are subsidiaries 100% owned by TWM) was 730,726 thousand shares, and the carrying and market values were $67,519,068 thousand, $70,368,899 thousand, and $86,591,013 thousand, respectively. Since the shares held by subsidiaries are regarded as treasury shares, TWM reclassified $31,077,183 thousand from investments accounted for using equity method to treasury shares. Although these shares are treated as treasury shares in the financial statements, the shareholders are entitled to excise their rights over these shares, except for participation in capital injection by cash. In addition, based on the ROC Company Act, subsidiaries with over 50% shareholding by TWM cannot exercise the voting rights over their treasury shares.

(7) Non-controlling interests

| | | For the Six Months Ended June 30 | |
|---|---|---|---|
| | | 2014 | 2013 |
| Beginning balance | $ | 1,086,747 | 1,072,204 |
| Portion attributable to non-controlling interests | | | |
| Profit | | 222,298 | 111,637 |
| Unrealized gain (loss) on available-for-sale financial assets | | 21,885 | (25,163 ) |
| Exchange differences on translation | | (2,555 ) | 1,061 |
| Cash dividends from subsidiaries paid to non-controlling interests | | (224,481 ) | (247,986 ) |
| Changes in equity of associates accounted for using equity method | | (258 ) | - |
| Disposal of partial ownership interests in subsidiaries | | 120,420 | - |
| Increase in non-controlling interests | | 1,736,460 | - |
| Ending balance | **$** | **2,960,516** | **911,753** |

w. Earnings per share

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

| | For the Three Months Ended June 30, 2014 | | |
|---|---|---|---|
| | **Amount after income tax** | **Weighted-average number of ordinary shares** | **EPS** |
| **Basic EPS** | | | |
| Profit from continuing operations attributable to owners of parent | $ 4,156,181 | 2,690,107 | $ 1.54 |
| Loss from discontinued operations attributable to owners of parent | (19,271) | 2,690,107 | - |
| Profit attributable to owners of parent | **$ 4,136,910** | **2,690,107** | **$ 1.54** |
| **Diluted EPS** | | | |
| Profit from continuing operations attributable to owners of parent | $ 4,156,181 | 2,690,107 | |
| Effect of potential dilutive ordinary shares: | | | |
| Effect of employees' bonuses | - | 5,970 | |
| Profit from continuing operations attributable to owners of parent | $ 4,156,181 | 2,696,077 | $ 1.54 |
| Loss from discontinued operations attributable to owners of parent | (19,271) | 2,696,077 | - |
| Profit attributable to owners of parent (adjusted for potential effect of dilutive ordinary shares) | **$ 4,136,910** | **2,696,077** | **$ 1.54** |

| | For the Three Months Ended June 30, 2013 | | |
|---|---|---|---|
| | **Amount after income tax** | **Weighted-average number of ordinary shares** | **EPS** |
| **Basic EPS** | | | |
| Profit from continuing operations attributable to owners of parent | $ 4,001,576 | 2,690,107 | $ 1.49 |
| Loss from discontinued operations attributable to owners of parent | (44,780) | 2,690,107 | (0.02) |
| Profit attributable to owners of parent | **$ 3,956,796** | **2,690,107** | **$ 1.47** |
| **Diluted EPS** | | | |
| Profit from continuing operations attributable to owners of parent | $ 4,001,576 | 2,690,107 | |
| Effect of potential dilutive ordinary shares: | | | |
| Effect of employees' bonuses | - | 5,069 | |
| Profit from continuing operations attributable to owners of parent | $ 4,001,576 | 2,695,176 | $ 1.49 |
| Loss from discontinued operations attributable to owners of parent | (44,780) | 2,695,176 | (0.02) |
| Profit attributable to owners of parent (adjusted for potential effect of dilutive ordinary shares) | **$ 3,956,796** | **2,695,176** | **$ 1.47** |

| | For the Six Months Ended June 30, 2014 | | |
|---|---|---|---|
| | Amount after income tax | Weighted-average number of ordinary shares | EPS |
| **Basic EPS** | | | |
| Profit from continuing operations attributable to owners of parent | $ 8,260,242 | 2,690,107 | $ 3.07 |
| Loss from discontinued operations attributable to owners of parent | (39,109) | 2,690,107 | (0.01) |
| Profit attributable to owners of parent | **$ 8,221,133** | **2,690,107** | **$ 3.06** |
| **Diluted EPS** | | | |
| Profit from continuing operations attributable to owners of parent | $ 8,260,242 | 2,690,107 | |
| Effect of potential dilutive ordinary shares: | | | |
| Effect of employees' bonuses | - | 6,439 | |
| Profit from continuing operations attributable to owners of parent | $ 8,260,242 | 2,696,546 | $ 3.06 |
| Loss from discontinued operations attributable to owners of parent | (39,109) | 2,696,546 | (0.01) |
| Profit attributable to owners of parent (adjusted for potential effect of dilutive ordinary shares) | **$ 8,221,133** | **2,696,546** | **$ 3.05** |

| | For the Six Months Ended June 30, 2013 | | |
|---|---|---|---|
| | Amount after income tax | Weighted-average number of ordinary shares | EPS |
| **Basic EPS** | | | |
| Profit from continuing operations attributable to owners of parent | $ 7,842,162 | 2,690,107 | $ 2.92 |
| Loss from discontinued operations attributable to owners of parent | (78,552) | 2,690,107 | (0.03) |
| Profit attributable to owners of parent | **$ 7,763,610** | **2,690,107** | **$ 2.89** |
| **Diluted EPS** | | | |
| Profit from continuing operations attributable to owners of parent | $ 7,842,162 | 2,690,107 | |
| Effect of potential dilutive ordinary shares: | | | |
| Effect of employees' bonuses | - | 5,271 | |
| Profit from continuing operations attributable to owners of parent | $ 7,842,162 | 2,695,378 | $ 2.91 |
| Loss from discontinued operations attributable to owners of parent | (78,552) | 2,695,378 | (0.03) |
| Profit attributable to owners of parent (adjusted for potential effect of dilutive ordinary shares) | **$ 7,763,610** | **2,695,378** | **$ 2.88** |

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

x. Operating revenues from continuing operations

The Group's operating revenues were as follows:

| | For the Three Months Ended June 30 | | For the Six Months Ended June 30 | |
|---|---|---|---|---|
| | **2014** | **2013** | **2014** | **2013** |
| Telecommunication service | $14,596,401 | 14,936,968 | 29,135,887 | 29,485,211 |
| Sales revenue | 10,008,748 | 9,556,272 | 20,854,293 | 19,409,366 |
| Cable TV and broadband | 1,545,339 | 1,490,425 | 3,074,160 | 2,972,080 |
| Other operating revenues | 785,751 | 575,374 | 1,598,373 | 1,049,080 |
| | **$26,936,239** | **26,559,039** | **54,662,713** | **52,915,694** |

y. Other income and expenses from continuing operations

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

| | For the Three Months Ended June 30 | | For the Six Months Ended June 30 | |
|---|---|---|---|---|
| | **2014** | **2013** | **2014** | **2013** |
| Police inquiry | $ 9,388 | 7,922 | 16,887 | 15,550 |
| Government subsidy | 8,310 | 327 | 16,742 | 2,601 |
| Others | 11,897 | 7,359 | 22,417 | 11,723 |
| | **$ 29,595** | **15,608** | **56,046** | **29,874** |

z. Non-operating income and expenses from continuing operations

(1) Other income

The Group's other income was as follows:

| | For the Three Months Ended June 30 | | For the Six Months Ended June 30 | |
|---|---|---|---|---|
| | **2014** | **2013** | **2014** | **2013** |
| Interest income | $ 25,703 | 26,786 | 49,843 | 40,858 |
| Dividend income | 12,967 | 12,617 | 12,967 | 12,617 |
| Rent income | 8,057 | 7,571 | 16,602 | 16,074 |
| Other income | 2,639 | 324 | 4,626 | 930 |
| | **$ 49,366** | **47,298** | **84,038** | **70,479** |

(2) Other gains and losses, net

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

| | For the Three Months Ended June 30 | | For the Six Months Ended June 30 | |
|---|---|---|---|---|
| | **2014** | **2013** | **2014** | **2013** |
| Gain on disposal of non-current assets held for sale | $ - | - | 158,658 | - |
| Loss on disposal of property, plant and equipment | (86,938) | (426,610) | (159,481) | (664,737) |
| Foreign exchange gains (losses) | (15,417) | 7,404 | (7,548) | 20,885 |
| Others | (2,440) | (3,440) | (5,291) | (6,642) |
| | **$ (104,795)** | **(422,646)** | **(13,752)** | **(650,494)** |

(3) Finance costs

The Group's finance costs were as follows:

| | For the Three Months Ended June 30 | | For the Six Months Ended June 30 | |
|---|---|---|---|---|
| | **2014** | **2013** | **2014** | **2013** |
| Interest expense | $ 87,788 | 5,947 | 178,265 | 22,560 |
| Bank loans | 49,133 | 73,166 | 97,730 | 131,906 |
| Corporate bonds | 10,253 | 9,254 | 26,308 | 18,213 |
| Others | 147,174 | 88,367 | 302,303 | 172,679 |
| Less: capitalized interest | (2,590) | (4,724) | (5,988) | (9,103) |
| | **$ 144,584** | **83,643** | **296,315** | **163,576** |

Capitalization rates were as follows:

| | For the Three Months Ended June 30 | | For the Six Months Ended June 30 | |
|---|---|---|---|---|
| | **2014** | **2013** | **2014** | **2013** |
| Capitalization rates | 1.27%~1.30% | 1.48%~1.58% | 1.20%~1.35% | 1.36%~1.60% |

aa. Capital management

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

ab. Financial instruments

(1) Categories of financial instruments

Financial assets

| | **2014.6.30** | **2013.12.31** | **2013.6.30** |
|---|---|---|---|
| Available-for-sale financial assets (including current and non-current portions) | $ 1,988,794 | 2,187,834 | 2,305,144 |
| Financial assets carried at cost | 175,926 | 178,325 | 181,328 |
| Loans and receivables: | | | |
| Cash and cash equivalents | 6,000,358 | 7,954,294 | 11,277,499 |
| Receivables (including current and non-current portions) | 19,234,253 | 19,326,352 | 17,803,966 |
| Bond investment without an active market | 500,000 | 500,000 | 500,000 |
| Other financial assets (including current and non-current portions) | 1,207,733 | 1,296,774 | 1,522,956 |
| Refundable deposits | 580,421 | 561,223 | 1,620,397 |
| Subtotal | 27,522,765 | 29,638,643 | 32,724,818 |
| Total | $ **29,687,485** | **32,004,802** | **35,211,290** |

Financial liabilities

| | 2014.6.30 | 2013.12.31 | 2013.6.30 |
|---|---|---|---|
| Short-term borrowings | $ 12,371,276 | 30,605,813 | 767,482 |
| Short-term notes and bills payable | 1,299,113 | 2,396,971 | - |
| Payables (including current and non-current portions) | 34,740,897 | 18,801,314 | 31,865,571 |
| Bonds payable (including current portion) | 14,793,470 | 14,792,647 | 18,791,824 |
| Long-term borrowings (including current portion) | 16,494,653 | 3,000,000 | - |
| Guarantee deposits | 827,656 | 818,386 | 826,266 |
| Total | **$ 80,527,065** | **70,415,131** | **52,251,143** |

(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 |
|---|---|---|---|---|---|
| **2014.6.30** | | | | | |
| Unsecured loans | $ 25,200,000 | 25,470,805 | 14,364,467 | 11,106,338 | - |
| Secured loans | 3,665,929 | 3,677,413 | 387,413 | 3,290,000 | - |
| Bills payable | 1,299,113 | 1,300,000 | 1,300,000 | - | - |
| Bonds payable | 14,793,470 | 15,725,170 | 195,420 | 10,969,450 | 4,560,300 |
| | **$ 44,958,512** | **46,173,388** | **16,247,300** | **25,365,788** | **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** |
| **2013.6.30** | | | | | |
| Unsecured loans | $ 500,000 | 500,044 | 500,044 | - | - |
| Secured loans | 267,482 | 284,333 | 284,333 | - | - |
| Bonds payable | 18,791,824 | 20,035,790 | 4,310,620 | 6,544,270 | 9,180,900 |
| | **$ 19,559,306** | **20,820,167** | **5,094,997** | **6,544,270** | **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:

| | 2014.6.30 | | | 2013.12.31 | | | 2013.6.30 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Foreign currency | Exchange rate | NTD | Foreign currency | Exchange rate | NTD | Foreign currency | Exchange rate | NTD |
| **Financial Assets** | | | | | | | | | |
| RMB | 34,930 | 4.811 | 168,051 | 27,917 | 4.926 | 137,521 | 81,666 | 4.874 | 398,039 |
| USD | 28,770 | 29.915 | 860,651 | 33,167 | 29.90 | 991,719 | 29,093 | 30.02 | 873,369 |
| JPY | 235 | 0.295 | 69 | 110 | 0.2838 | 31 | 79 | 0.3059 | 24 |
| HKD | 3,609 | 3.859 | 13,927 | 3,394 | 3.856 | 13,087 | 3,048 | 3.869 | 11,792 |
| EUR | 1,241 | 40.75 | 50,573 | 870 | 41.14 | 35,820 | 541 | 39.14 | 21,168 |
| **Financial Liabilities** | | | | | | | | | |
| RMB | 59,005 | 4.811 | 283,876 | 37,460 | 4.926 | 184,532 | 68,885 | 4.874 | 335,748 |
| USD | 4,503 | 29.915 | 134,708 | 4,187 | 29.90 | 125,213 | 12,212 | 30.02 | 366,609 |
| JPY | 6,018 | 0.295 | 1,775 | 5,280 | 0.2838 | 1,499 | 10,647 | 0.3059 | 3,257 |
| HKD | 8,020 | 3.859 | 30,948 | 6,712 | 3.856 | 25,882 | 6,281 | 3.869 | 24,300 |
| EUR | 3 | 40.75 | 105 | 10 | 41.14 | 431 | 148 | 39.14 | 5,803 |
| GBP | - | - | - | 6 | 49.33 | 321 | 36 | 46.03 | 1,650 |

(b) Sensitivity analysis

The Group's exchange rate risk comes mainly from conversion gains and losses of accounts measured in foreign currencies such as cash and cash equivalents, accounts receivable, other receivables, refundable deposits, loans, accounts payable, other payables, guarantee deposits, etc. If the NTD, when compared with the RMB, USD, JPY, HKD, EUR, and GBP, had depreciated 5% (with other factors remaining constant on the reporting date and with analyses of the two periods on the same basis), profit would have increased by $32,092 thousand and by $28,349 thousand for the six months ended June 30, 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 | | |
|---|---|---|---|
| | **2014.6.30** | **2013.12.31** | **2013.6.30** |
| Fair value interest rate risk | | | |
| Financial assets | $ 5,260,769 | 6,982,121 | 9,364,972 |
| Financial liabilities | 41,292,583 | 50,689,618 | 19,291,824 |
| Cash flow interest rate risk | | | |
| Financial assets | 1,803,284 | 2,177,000 | 3,165,964 |
| Financial liabilities | 3,665,929 | 105,813 | 267,482 |

The following sensitivity analysis is based on the exposure to interest rate risk of derivative and non-derivative instruments on the reporting date. For floating-rate assets and liabilities, the analysis assumes that the balances of outstanding assets and liabilities on the reporting date have been outstanding for the whole period and that the changes in interest rates are reasonable. If the interest rate had increased by 0.5% (with other factors remaining constant on the reporting date and with analyses of the two periods on the same basis), for the six months ended June 30, 2014 and 2013, the Group's profit would have decreased by $4,657 thousand and increased by $7,147 thousand, respectively.

(6) Fair value of financial instruments

(a) Financial instruments not at fair value

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

| | 2014.6.30 | | 2013.12.31 | | 2013.6.30 | |
|---|---|---|---|---|---|---|
| | **Carrying Amount** | **Fair Value** | **Carrying Amount** | **Fair Value** | **Carrying Amount** | **Fair Value** |
| Financial liabilities | | | | | | |
| Corporate bonds payable (including portion due within a year) | $ 14,793,470 | 14,721,055 | 14,792,647 | 14,713,072 | 18,791,824 | 18,827,928 |

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

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

(i) The fair value of financial assets and liabilities traded in active markets is based on quoted market prices (including stocks and bonds of companies that went public).

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

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

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

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

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

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

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| **2014.6.30** | | | | |
| Available-for-sale financial assets | | | | |
| Domestic emerging stock | $ 1,010,379 | - | - | 1,010,379 |
| Beneficiary certificates | 769,323 | - | - | 769,323 |
| Domestic listed stock | 209,092 | - | - | 209,092 |
| | **$ 1,988,794** | - | - | **1,988,794** |
| **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** |

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| **2013.6.30** | | | | |
| Available-for-sale financial assets | | | | |
| Domestic emerging stock | $ 1,134,421 | - | - | 1,134,421 |
| Beneficiary certificates | 949,025 | - | - | 949,025 |
| Domestic listed stock | 221,698 | - | - | 221,698 |
| | **$ 2,305,144** | - | - | **2,305,144** |

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

ac. Financial risk management

(1) Overview

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

(a) Credit risk

(b) Liquidity risk

(c) Market risk

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

(2) Risk management framework

(a) Decision-making mechanism:

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

(b) Risk management policies:

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

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

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

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

(c) Monitoring mechanism:

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

(3) Credit risk

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

(4) Liquidity risk

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

The Group ensures sufficient cash for the requirements of paying estimated operating expenditures, including financial obligations. The Group also monitors its bank credit facilities and ensures that the provisions of loan contracts are all complied with properly. As of June 30, 2014, and December 31 and June 30, 2013, the Group had unused bank facilities of $63,064,896 thousand, $49,957,934 thousand, and $69,326,774 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 six months ended June 30, 2014 and 2013, other comprehensive income would have increased by $99,440 thousand and $115,257 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 June 30 | | For the Six Months Ended June 30 | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| Associates | $ 4,271 | 5,396 | 8,822 | 5,721 |
| Other related parties | 52,984 | 68,606 | 85,395 | 97,957 |
| Less: operating revenue from discontinued operations | - | (63 ) | - | (108 ) |
| | **$ 57,255** | **73,939** | **94,217** | **103,570** |

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 June 30 | | For the Six Months Ended June 30 | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| Associates | $ 106,760 | 139,569 | 229,714 | 317,124 |
| Other related parties | 60,279 | 45,285 | 119,052 | 89,239 |
| Less: purchases from discontinued operations | (1,504 ) | (8,445 ) | (6,370 ) | (16,925 ) |
| | **$ 165,535** | **176,409** | **342,396** | **389,438** |

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

(3) Receivables from related parties

The amount of receivables from related parties was as follows:

| Account | Related Party Category | 2014.6.30 | 2013.12.31 | 2013.6.30 |
|---|---|---|---|---|
| Accounts receivable | Associates | $ 3,859 | 3,720 | 4,982 |
| Accounts receivable | Other related parties | 46,070 | 45,837 | 65,565 |
| | | **$ 49,929** | **49,557** | **70,547** |
| Other receivables | Associates | $ 171,755 | 53,587 | 119,966 |
| Other receivables | Other related parties | 93,117 | 36,358 | 65,786 |
| | | **$ 264,872** | **89,945** | **185,752** |

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

(4) Payables to related parties

The amount of payables to related parties was as follows:

| Account | Related Party Category | 2014.6.30 | 2013.12.31 | 2013.6.30 |
|---|---|---|---|---|
| Accounts payable | Associates | $ 45,704 | 73,080 | 49,730 |
| Accounts payable | Other related parties | 34,404 | - | 34,853 |
| | | **$ 80,108** | **73,080** | **84,583** |
| Other payables | Other related parties | **$ 78,479** | **35,757** | **15,883** |

(5) Prepayments

The amount of prepayments to related parties was as follows:

| | 2014.6.30 | 2013.12.31 | 2013.6.30 |
|---|---|---|---|
| Other related parties | **$ 21,206** | **15,394** | **33,076** |

(6) Borrowings from related parties

The amount of borrowings from related parties was as follows:

| | 2014.6.30 | 2013.12.31 | 2013.6.30 |
|---|---|---|---|
| Other related parties | **$ 921,276** | **105,813** | **267,482** |

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

(7) Bank deposits

| | 2014.6.30 | 2013.12.31 | 2013.6.30 |
|---|---|---|---|
| (a) Bank deposits and time deposits | | | |
| Other related parties | **$ 1,047,323** | **1,563,806** | **1,284,427** |
| (b) Other financial assets (including current and non-current) | | | |
| Other related parties | **$ 784,177** | **984,684** | **1,003,494** |

(8) Mutual funds purchased from related parties

| | 2014.6.30 | 2013.12.31 | 2013.6.30 |
|---|---|---|---|
| Other related parties | **$ -** | **200,000** | **200,000** |

(9) Others

| | 2014.6.30 | 2013.12.31 | 2013.6.30 |
|---|---|---|---|
| (a) Guarantee deposits | | | |
| Other related parties | **$ 32,417** | **30,682** | **88,063** |

| | For the Three Months Ended June 30 | | For the Six Months Ended June 30 | |
|---|---|---|---|---|
| | **2014** | **2013** | **2014** | **2013** |
| (b) Donation expense | | | | |
| Other related parties | **$ -** | **3,635** | **15,000** | **14,540** |
| (c) Other expense | | | | |
| Other related parties | $ 96,350 | 52,180 | 176,593 | 93,184 |
| Less: other expense from discontinued operations | (146 ) | (6,192 ) | (314 ) | (7,182 ) |
| | **$ 96,204** | **45,988** | **176,279** | **86,002** |
| (d) Repair and maintenance expense | | | | |
| Other related parties | **$ 12,850** | **13,550** | **12,850** | **13,550** |

| | For the Three Months Ended June 30 | | For the Six Months Ended June 30 | |
|---|---|---|---|---|
| | **2014** | **2013** | **2014** | **2013** |
| (e) Rental expenses | | | | |
| Other related parties | $ 20,695 | 29,468 | 39,186 | 58,935 |
| Less: rental expenses from discontinued operations | (705 ) | (29,361 ) | (1,557 ) | (58,721 ) |
| | **$ 19,990** | **107** | **37,629** | **214** |

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

c. Key management personnel compensation

| | For the Three Months Ended June 30 | | For the Six Months Ended June 30 | |
|---|---|---|---|---|
| | **2014** | **2013** | **2014** | **2013** |
| Short-term employee benefits | $ 70,786 | 69,450 | 143,670 | 148,373 |
| Termination benefits | - | - | 27,560 | 30,670 |
| Post-employment benefits | 701 | 683 | 1,402 | 1,392 |
| | **$ 71,487** | **70,133** | **172,632** | **180,435** |

## 8. ASSETS PLEDGED

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

| | **2014.6.30** | **2013.12.31** | **2013.6.30** |
|---|---|---|---|
| Other current financial assets | | | |
| Time deposits and restricted deposits | $ 44,951 | 66,070 | 397,236 |
| Services concession | 7,382,880 | - | - |
| Other non-current financial assets | | | |
| Time deposits and restricted deposits | 344,516 | 250,717 | 110,312 |
| | **$ 7,772,347** | **316,787** | **507,548** |

## 9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

a. Unrecognized commitments

| | 2014.6.30 | 2013.12.31 | 2013.6.30 |
|---|---|---|---|
| Purchases of property, plant and equipment | **$ 12,758,678** | **5,213,950** | **7,611,855** |
| Purchases of cellular phones | **$ 3,808,911** | **3,462,588** | **4,082,059** |

b. As of June 30, 2014, and December 31 and June 30, 2013, the Group had provided endorsement guarantees for bank loans obtained by related parties, including Group entities, amounting to $22,028,640 thousand, $21,789,200 thousand, and $20,520,456 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 the contract are summarized as follows:

(1) Construction and operating period:

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

(2) Development concession:

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

The first phase starts within 30 days from the day following the signing of the BOT contract, and 10% of total development concession would be paid. The second phase starts from the fifth year after the date of contract, and 90% of total development concession would be paid in 16 yearly installments (5.625% of total concession per installment). As of June 30, 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 June 30, 2014, TNH had provided a $65,000 thousand performance guarantee regarding the BOT contract.

(5) Rental of land

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

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

## 10. SIGNIFICANT CASUALTY LOSS: NONE

## 11. SIGNIFICANT SUBSEQUENT EVENTS

a. In July 2014, a special shareholders' meeting of FGE resolved to increase capital by RMB 70,000 thousand, and a shareholders' meeting of FBM resolved to invest RMB 20,000 thousand indirectly in FGE.

b. In July 2014, TWM's and WMT's Board of Directors resolved to participate in WMT'S capital injection by cash, which plans to increase capital by $3,000,000 thousand.

c. In July 2014, TWM's Board of Directors resolved to issue the 1st foreign unsecured bonds not to exceed the sum of USD 500,000 thousand.

## 12. OTHERS

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

| | For the Three Months Ended June30 | | | | | |
|---|---|---|---|---|---|---|
| | 2014 | | | 2013 | | |
| | Classified as Operating Costs | Classified as Operating Expenses | Total | Classified as Operating Costs | Classified as Operating Expenses | Total |
| Employee benefits | | | | | | |
| Salary | $ 494,700 | 951,814 | 1,446,514 | 478,507 | 976,922 | 1,455,429 |
| Labor and health insurance | 41,070 | 81,767 | 122,837 | 39,842 | 79,532 | 119,374 |
| Pension | 21,814 | 40,858 | 62,672 | 21,115 | 40,494 | 61,609 |
| Others | 24,527 | 46,869 | 71,396 | 21,651 | 50,362 | 72,013 |
| Depreciation | 2,245,647 | 128,238 | 2,373,885 | 2,002,183 | 154,545 | 2,156,728 |
| Amortization | 319,248 | 77,948 | 397,196 | 234,717 | 74,113 | 308,830 |

| | For the Six Months Ended June30 | | | | | |
|---|---|---|---|---|---|---|
| | 2014 | | | 2013 | | |
| | Classified as Operating Costs | Classified as Operating Expenses | Total | Classified as Operating Costs | Classified as Operating Expenses | Total |
| Employee benefits | | | | | | |
| Salary | $ 1,038,477 | 2,028,078 | 3,066,555 | 1,005,195 | 2,066,160 | 3,071,355 |
| Labor and health insurance | 86,050 | 168,860 | 254,910 | 78,086 | 156,977 | 235,063 |
| Pension | 44,440 | 84,168 | 128,608 | 41,971 | 80,071 | 122,042 |
| Others | 48,879 | 94,424 | 143,30 | 41,776 | 94,306 | 136,082 |
| Depreciation | 4,461,824 | 257,052 | 4,718,876 | 4,001,426 | 315,384 | 4,316,810 |
| Amortization | 564,281 | 155,179 | 719,460 | 468,762 | 147,891 | 616,653 |

For the three months and six months ended June 30, 2014 and 2013, the depreciation expense in non-operating expenses was $794 thousand, $1,364 thousand, $1,712 thousand and $2,065 thousand, respectively.

b. Certain accounts in the interim consolidated financial statements as of and for the six months ended June 30, 2014, have been reclassified to conform to the presentation of consolidated financial statements for the six months ended June 30, 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) Financing extended to other parties: Table 1 (attached)

(2) Endorsements/guarantees provided to other parties: Table 2 (attached)

(3) Marketable securities held: Table 3 (attached)

(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 amounting to at least NT$300 million or 20% of the paid-in capital: Table 4 (attached)

(6) Disposal of real estate amounting to at least NT$300 million or 20% of the paid-in capital: None

(7) Total purchases from or sales to related parties amounting to at least NT$100 million or 20% of the paid-in capital: Table 5 (attached)

(8) Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital: Table 6 (attached)

(9) Names, locations and related information of investees on which TWM exercised significant influence: Table 7 (attached)

(10) Trading in derivative instruments: None

(11) Business relationships and significant intercompany transactions: Table 8 (attached)

c. Information on investment in Mainland China:

(1) The names of investees in Mainland China, the main businesses and products, issued capital, method of investment, information on inflow or outflow of capital, ownership, investment gain or loss, ending balance, amount received as earnings distributions from the investment, and limitation on investment: Table 9 (attached)

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

## 14. SEGMENT INFORMATION

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

| For the Three Months Ended June 30, 2014 | Telecommu-nication | Retail | Cable Television | Others | Adjustments and Eliminations | Total |
|---|---|---|---|---|---|---|
| Operating revenues | $ 19,733,113 | 5,616,264 | 1,581,575 | 108,956 | (103,669) | 26,936,239 |
| Operating costs | 11,703,156 | 4,830,808 | 743,215 | 76,616 | (21,276) | 17,332,519 |
| Operating expenses | 3,658,132 | 417,346 | 183,755 | 13,516 | (33,166) | 4,239,583 |
| Other gains and losses, net | 21,217 | - | 8,378 | - | - | 29,595 |
| Profit | 4,393,042 | 368,110 | 662,983 | 18,824 | (49,227) | 5,393,732 |
| EBITDA (Note) | 6,854,917 | 400,183 | 858,730 | 58,768 | (8,388) | 8,164,210 |

| For the Three Months Ended June 30, 2013 | Telecommu-nication | Retail | Cable Television | Others | Adjustments and Eliminations | Total |
|---|---|---|---|---|---|---|
| Operating revenues | $ 20,183,604 | 4,892,208 | 1,574,005 | - | (63,778) | 26,559,039 |
| Operating costs | 11,809,912 | 4,257,519 | 704,522 | - | (23,365) | 16,748,588 |
| Operating expenses | 3,863,701 | 371,524 | 177,088 | - | (109) | 4,412,204 |
| Other gains and losses, net | 13,786 | 1,380 | 442 | - | - | 15,608 |
| Profit | 4,523,777 | 264,545 | 665,837 | - | (40,304) | 5,413,855 |
| EBITDA (Note) | 6,735,560 | 290,024 | 829,904 | - | 2,577 | 7,858,065 |
| **For the Six Months Ended June 30, 2014** | | | | | | |
| Operating revenues | $ 40,260,986 | 11,280,197 | 3,162,876 | 148,074 | (189,420) | 54,662,713 |
| Operating costs | 24,032,063 | 9,765,235 | 1,479,590 | 108,913 | (62,729) | 35,323,072 |
| Operating expenses | 7,678,893 | 864,085 | 367,059 | 14,123 | (33,236) | 8,890,924 |
| Other gains and losses, net | 37,978 | 1,042 | 17,026 | - | - | 56,046 |
| Profit | 8,588,008 | 651,919 | 1,333,253 | 25,038 | (93,455) | 10,504,763 |
| EBITDA (Note) | 13,427,971 | 717,199 | 1,720,140 | 82,700 | (12,077) | 15,935,933 |
| **For the Six Months Ended June 30, 2013** | | | | | | |
| Operating revenues | $ 40,116,687 | 9,830,157 | 3,088,412 | - | (119,562) | 52,915,694 |
| Operating costs | 23,590,437 | 8,596,505 | 1,399,319 | - | (35,718) | 33,550,543 |
| Operating expenses | 7,802,092 | 762,748 | 359,706 | - | (9,054) | 8,915,492 |
| Other gains and losses, net | 26,968 | 2,400 | 506 | - | - | 29,874 |
| Profit | 8,751,126 | 473,304 | 1,329,893 | - | (74,790) | 10,479,533 |
| EBITDA (Note) | 13,197,332 | 524,738 | 1,650,055 | - | (319) | 15,371,806 |

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

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

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

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

Cable Television: Providing pay TV and cable broadband services.

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

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

**TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES**

**FINANCING EXTENDED TO OTHER PARTIES**

**FOR THE SIX MONTHS ENDED JUNE 30, 2014**

TABLE 1

(In Thousands of New Taiwan Dollars)

| No. | Lending Company | Borrowing Company | Financial Statement Account | Related Parties | Maximum Balance for the Period (Note 1) | Ending Balance (Note 1) | Drawdown Amounts | Interest Rate | Nature of Financing | Transaction Amounts | Reasons for Short-term Financing | Allowance for Doubtful Accounts | Collateral | | Lending Limit for Each Borrowing Company | Lending Company's Lending Amount Limits |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | | | | Item | Value | | |
| 0 | TWM | TFN Media Co., Ltd. | Other receivables | Yes | $ 4,000,000 | $ 3,840,000 | $ 840,000 | 1.176%~1.196% | Short-term financing | - | Operating requirements | - | — | — | $ 20,166,852 (Note 2) | $ 80,166,852 (Note 2) |
| | | Win TV Broadcasting Co., Ltd | Other receivables | Yes | 600,000 | 600,000 | 80,000 | 1.196%~1.197% | Short-term financing | - | Operating requirements | - | — | — | 20,166,852 (Note 2) | 20,166,852 (Note 2) |
| 1 | Taiwan Fixed Network Co., Ltd. | TWM | Other receivables | Yes | 9,000,000 | 9,000,000 | 8,180,000 | 1.183%~1.200% | Short-term financing | - | Operating requirements | - | — | — | 18,601,059 (Note 2) | 18,601,059 (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 | - | — | — | 266,278 (Note 3) | 483,104 (Note 3) |
| 3 | Phoenix Cable TV Co., Ltd. | TFN Media Co., Ltd. | Other receivables | Yes | 545,000 | 545,000 | 545,000 | 1.184%~1.194% | Transactions | 548,782 | - | - | — | — | 548,782 (Note 3) | 944,243 (Note 3) |
| 4 | Yeong Jia Leh Cable TV Co., Ltd. | TFN Media Co., Ltd. | Other receivables | Yes | 495,000 | 360,000 | 305,000 | 1.184%~1.196% | Transactions | 498,913 | - | - | — | — | 498,913 (Note 3) | 752,378 (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 | - | Operating requirements | - | — | — | 6,231,166 (Note 2) | 6,231,166 (Note 2) |
| | | Taiwan Kuro Times Co., Ltd. | Other receivables | Yes | 100,000 | 100,000 | 30,000 | 1.196%~1.197% | Short-term financing | - | Operating requirements | - | — | — | 6,231,166 (Note 2) | 6,231,166 (Note 2) |
| 6 | Taiwan Cellular Co., Ltd. | TWM | Other receivables | Yes | 300,000 | 300,000 | 150,000 | 1.186% | Short-term financing | - | Operating requirements | - | — | — | 30,788.387 (Note 2) | 30,788,387 (Note 2) |

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

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

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

**TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES**

**ENDORSEMENTS/GUARANTEES PROVIDED TO OTHER PARTIES**

**FOR THE SIX MONTHS ENDED JUNE 30, 2014**

TABLE 2

(In Thousands of New Taiwan Dollars)

| No. | Company Providing Endorsements/Guarantees | Receiving Party | | Limit on Endorsements/ Guarantees Amount Provided to Each Entity | Maximum Balance for the Period (Note 1) | Ending Balance (Note 1) | Drawdown Amounts (Note 1) | Amount of Endorsements/ Guarantees Collateralized by Property | Ratio of Accumulated Endorsements/ Guarantees to Net Worth of the Guarantor (Note 1) | Maximum Endorsements /Guarantees Amount Allowable | Guarantee Provided by Parent Company | Guarantee Provided by a Subsidiary | Guarantee Provided to Subsidiaries in Mainland China |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Name | Nature of Relationship | | | | | | | | | | |
| 0 | TWM | Taiwan Fixed Network Co., Ltd. | (Note 2) | $ 42,000,000 (Note 3) | $ 21,500,000 | $ 21,500,000 | $13,548,725 (Note 4) | $ - | 42.64% | $ 50,417,130 (Note 3) | Y | N | N |
| | | Taiwan Kuro Times Co., Ltd. | (Note 2) | 259,800 (Note 3) | 50,000 | 50,000 | 50,000 | - | 0.10% | 50,417,130 (Note 3) | Y | N | N |
| 1 | Fubon Multimedia Technology Co., Ltd. | Fubon Gehua (Beijing) Enterprise Ltd.(FGE) | (Note 2) | 657,282 (Note 5) | 480,640 | 478,640 | 478,640 | 203,422 | 21.52% | 2,224,196 (Note 5) | N | N | Y |

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

Note 2: Direct/indirect subsidiary.

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

Note 4: Including USD15,000 thousand.

Note 5: FGE is more than 50% directly and indirectly owned by 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 × 29.915 + RMB60,000,00 × 4.811 = NTD657,282 thousand)

※The FBM Board of Directors authorized the guarantee amount (USD16,000,000 × 29.915 = NTD478,640 thousand).

※Drawn-down amount: USD16,000,000 × 29.915 = NTD478,640 thousand.

※Amount of guarantee collateralized by property: USD6,800,000 × 29.915 = NTD203,422 thousand.

Note 6: The exchange rate was US$1＝NT$29.915 and RMB 1＝NT$4.811 at the end of the period.

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

TABLE 3

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

| Investing Company | Marketable Securities Type and Name | Relationship with the Securities Issuer | Financial Statement Account | June 30, 2014 Shares/Units (Thousands) | Carrying Value | Percentage of Ownership | Fair Value | Note |
|---|---|---|---|---|---|---|---|---|
| TWM | Stock | | | | | | | |
| | Chunghwa Telecom Co., Ltd. | — | Available-for-sale financial assets–current | 2,174 | $ 209,092 | 0.028 | $ 209,092 | |
| | Bridge Mobile Pte Ltd. | — | Financial assets at cost–non-current | 2,200 | 50,324 | 10 | - | |
| | Yes Mobile Holdings Company | — | Financial assets at cost–non-current | 74 | - | 0.19 | - | Note1 |
| 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 | 195,269 | - | 195,269 | |
| | FuhHwa Emerging Market High Yield Bond–Type B | — | Available-for-sale financial assets–current | 10,225 | 86,605 | - | 86,605 | |
| | PineBridge Global Multi-Strategy High Yield Bond–Type B | — | Available-for-sale financial assets–current | 17,089 | 146,758 | - | 146,758 | |
| | Eastspring Global High Income Bond Fund–Type B | — | Available-for-sale financial assets–current | 19,028 | 197,637 | - | 197,637 | |
| | Morgan Asia High Yield Total Return Bond Fund–Type B | — | Available-for-sale financial assets–current | 13,909 | 143,054 | - | 143,054 | |
| Taiwan Cellular Co., Ltd. | Stock | | | | | | | |
| | Arcoa Communication Co., Ltd. | — | Financial assets at cost–non-current | 6,998 | 67,731 | 5.21 | - | |
| | Parawin Venture Capital Corp. | — | Financial assets at cost–non-current | 2,160 | 11,471 | 3 | - | |
| | Transportation High Tech Inc. | — | Financial assets at cost–non-current | 1,200 | - | 12 | - | Note1 |
| | WEB Point Co., Ltd. | — | Financial assets at cost–non-current | 803 | 6,773 | 3.17 | - | |
| TCC Investment Co., Ltd. | Stock | | | | | | | |
| | TWM | TWM | Available-for-sale financial assets–non-current | 200,497 | 18,525,901 | 5.86 | 18,525,901 | |
| | Great Taipei Broadband Co., Ltd. | — | Financial assets at cost–non-current | 10,000 | 39,627 | 6.67 | - | |

(Continued)

**TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES**

**MARKETABLE SECURITIES HELD (EXCLUDING INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES)**

**JUNE 30, 2014**

| Investing Company | Marketable Securities Type and Name | Relationship with the Securities Issuer | Financial Statement Account | June 30, 2014 | | | | Note |
|---|---|---|---|---|---|---|---|---|
| | | | | Shares/Units (Thousands) | Carrying Value | Percentage of Ownership | Market Value or Net Worth | |
| | Preferred stock<br>Taiwan High Speed Rail Corporation Unlisted Convertible Preferred Stock – Series A | – | Bond investment without active market–non-current | 50,000 | $ 500,000 | 1.24 | $ - | |
| TCCI Investment and Development Co., Ltd. | Stock<br>TWM | TWM | Available-for-sale financial assets–non-current | 119,564 | 11,047,695 | 3.5 | 11,047,695 | |
| Taiwan Fixed Network Co., Ltd. | Stock<br>Taiwan High Speed Rail Corporation | – | Available-for-sale financial assets–non-current | 225,531 | 1,010,379 | 3.46 | 1,010,379 | |
| TFN Union Investment Co., Ltd. | Stock<br>TWM | TWM | Available-for-sale financial asset –non-current | 410,665 | 37,945,472 | 12 | 37,945,472 | |

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

Note 2: For the information on investments in subsidiaries and associates, please refer to table 7 and table 9.

**TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES**

**ACQUISITION OF REAL ESTATE AMOUNTING TO AT LEAST NT$300 MILLION OR 20% OF THE PAID-IN CAPITAL**

**FOR THE SIX MONTHS ENDED JUNE 30, 2014**

TABLE 4

(In Thousands of New Taiwan Dollars)

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

**TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES**

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL**

**FOR THE SIX MONTHS ENDED JUNE 30, 2014**

TABLE 5

(In Thousands of New Taiwan Dollars)

| Company Name | Related Party | Nature of Relationship | Transaction Details | | | | Transactions with Terms Different from Others | | Notes/Accounts Payable or Receivable | | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Purchase/ Sale | Amount | % to Total | Payment Terms | Unit Price | Payment Terms | Ending Balance | % to Total | |
| TWM | Taiwan Fixed Network Co., Ltd. | Subsidiary | Sale | $ (935,288) | 2 | Based on contract terms | — | — | $ 307,804 | 3 | Note 1 |
| | | | Purchase | 3,334,610 | (Note 2) | Based on contract terms | — | — | (747,000) | (Note 3) | |
| | Taiwan Kuro Times Co., Ltd. | Subsidiary | Purchase | 182,851 | 1 | Based on contract terms | — | — | (91,869) | 3 | Note 9 |
| | Taiwan Teleservices & Technologies Co., Ltd. | Subsidiary | Purchase | 529,253 | (Note 2) | Based on contract terms | — | — | (85,766) | (Note 3) | |
| | Taiwan Digital Service Co., Ltd. | Subsidiary | Sale | (5,125,999) | 13 | Based on contract terms | — | — | 702,826 | 6 | Note 8 |
| | | | Purchase | 5,086,027 | (Note 4) | Based on contract terms | — | — | (1,095,604) | (Note 3) | Note 7 |
| Taiwan Teleservices & Technologies Co., Ltd. | TWM | Ultimate parent | Sale | (529,253) | 91 | Based on contract terms | — | — | 85,766 | 91 | |
| Taiwan Fixed Network Co., Ltd. | TWM | Ultimate parent | Sale | (3,334,610) | 49 | Based on contract terms | — | — | 743,523 | 60 | Note 5 |
| | | | Purchase | 935,274 | 26 | Based on contract terms | — | — | (307,804) | 52 | Note 1 |
| Taiwan Digital Service Co., Ltd. | TWM | Ultimate parent | Sale | (5,086,079) | 68 | Based on contract terms | — | — | 1,095,604 | 99 | |
| | | | Purchase | 5,125,999 | (Note 2) | Based on contract terms | — | — | (702,826) | 99 | Note 8 |
| Taiwan Kuro Times Co., Ltd. | TWM | Ultimate parent | Sale | (182,851) | 40 | Based on contract terms | — | — | 91,869 | 61 | Note 10 |
| TFN Media Co., Ltd. | Phoenix Cable TV Co., Ltd. | Subsidiary | Channel leasing fee | (233,068) | 15 | Based on contract terms | (Note 6) | (Note 6) | - | - | |
| | Yeong Jia Leh Cable TV Co., Ltd. | Subsidiary | Channel leasing fee | (209,951) | 14 | Based on contract terms | (Note 6) | (Note 6) | - | - | |
| | Union Cable TV Co., Ltd. | Subsidiary | Channel leasing fee | (107,144) | 7 | Based on contract terms | (Note 6) | (Note 6) | - | - | |
| Yeong Jia Leh Cable TV Co., Ltd. | TFN Media Co., Ltd. | Parent | Royalty for copyright | 209,951 | 56 | Based on contract terms | (Note 6) | (Note 6) | - | - | |
| Phoenix Cable TV Co., Ltd. | TFN Media Co., Ltd. | Parent | Royalty for copyright | 233,068 | 59 | Based on contract terms | (Note 6) | (Note 6) | - | - | |
| Union Cable TV Co., Ltd. | TFN Media Co., Ltd. | Parent | Royalty for copyright | 107,144 | 51 | Based on contract terms | (Note 6) | (Note 6) | - | - | |
| Fubon Multimedia Technology Co., Ltd. | Taiwan Pelican Express Co., Ltd. | Equity-method investee | Purchase | 222,185 | 2 | Based on contract terms | — | — | (44,484) | 2 | |

Note 1: The $29,888 thousand accounts receivable on the books was the net amount of accounts receivable of $307,804 thousand minus accounts payable and custodial receipts of $277,916 thousand.

Note 2: Including operating costs and operating expenses.

Note 3: Including accounts payable and other payables.

Note 4: Recognized as operating expenses.

Note 5: The $734,881 thousand accounts receivable on the books was the net amount of accounts receivable of $743,523 thousand minus custodial receipts of $8,642thousand.

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 $100,868 thousand other payable on the books was the net amount of accounts payable of $1,095,604 thousand minus custodial receipts of $994,736 thousand.

Note 8: The $302 thousand accounts receivable on the books was the net amount of accounts receivable of $702,826 thousand minus custodial receipts of $702,524 thousand.

Note 9: The $91,667 thousand accounts payable on the books was the net amount of accounts payable of $91,869 thousand minus custodial receipts of $202 thousand.

Note 10: The $95,696 thousand accounts receivable on the books was the net amount of accounts receivable of $91,869 thousand minus custodial receipts of $(3,827) thousand.

**TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES**

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

**JUNE 30, 2014**

TABLE 6

(In Thousands of New Taiwan Dollars)

| Company Name | Related Party | Nature of Relationship | Ending Balance | | Turnover Rate | Overdue | | Amount Received in Subsequent Period | Allowance for Bad Debts |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | | Amount | Action Taken | | |
| TWM | Taiwan Fixed Network Co., Ltd. | Subsidiary | Accounts receivable | $ 307,804 | 6.14 | $ - | — | $ 277,916 | $ - |
| | | | Other receivables | 48,334 | | - | — | 265 | - |
| | TFN Media Co., Ltd. | Subsidiary | Other receivables | 841,803 | | - | — | 138 | - |
| | Taiwan Digital Service Co., Ltd. | Subsidiary | Accounts receivable | 702,826 | 5.76 | - | — | 702,826 | - |
| | | | Other receivables | 213,660 | | - | — | 210,315 | - |
| Taiwan Cellular Co., Ltd. | TWM | Parent | Other receivables | 150,297 | | - | — | - | - |
| Wealth Media Technology Co., Ltd. | TWM | Parent | Other receivables | 552,589 | | - | — | 2,336 | - |
| Taiwan Fixed Network Co., Ltd. | TWM | Ultimate parent | Accounts receivable | 743,523 | 8.84 | - | — | 725,961 | - |
| | | | Other receivables | 8,290,861 | | - | — | 83,875 | - |
| Taiwan Digital Service Co., Ltd. | TWM | Ultimate parent | Accounts receivable | 1,095,604 | 7.7 | - | — | 305,445 | - |
| | | | Other receivables | 2,508 | | - | — | - | - |
| Phoenix Cable TV Co., Ltd. | TFN Media Co., Ltd. | Parent | Accounts receivable | 16,422 | 3.65 | - | — | - | - |
| | | | Other receivables | 545,215 | | - | — | - | - |
| Globalview Cable TV Co., Ltd. | TFN Media Co., Ltd. | Parent | Accounts receivable | 6,796 | 3.64 | - | — | - | - |
| | | | Other receivables | 250,001 | | - | — | - | - |
| Yeong Jia Leh Cable TV Co., Ltd. | TFN Media Co., Ltd. | Parent | Accounts receivable | 16,382 | 3.56 | - | — | - | - |
| | | | Other receivables | 305,001 | | - | — | - | - |

## TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

## NAMES, LOCATIONS AND RELATED INFORMATION OF INVESTEES ON WHICH TWM EXERCISED SIGNIFICANT INFLUENCE

## (EXCLUDING INFORMATION ON INVESTMENT IN MAINLAND CHINA)

## JUNE 30, 2014

TABLE 7

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

| Investor | Investee | Location | Main Businesses and Products | Investment Amount | | Balance as of June 30, 2014 | | | Net Income (Loss) of the Investee | Investment Income (Loss) | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | June 30, 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 | $ 20,497,539 | $ 2,675,107 | $ 3,791,421 | Note 1 |
| | Taipei New Horizon Co., Ltd. | Taiwan | Infrastructure projects and real estate leasing | 1,918,655 | 1,746,500 | 174,650 | 49.9 | 1,727,098 | (24,066) | (12,009) | Note 2 |
| | Wealth Media Technology Co., Ltd. | Taiwan | Investment | 13,802,000 | 13,802,000 | 39,065 | 100 | 15,577,916 | 1,359,513 | 1,359,513 | |
| | Alliance Digital Tech Co., Ltd. | Taiwan | Technology development of mobile payment and information processing services | 30,000 | 30,000 | 3,000 | 16.67 | 25,475 | (20,685) | (3,408) | |
| 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 | 8,481,570 | 47,7268 | - | Note 3 |
| | Win TV Broadcasting Co., Ltd. | Taiwan | TV program provider | 222,417 | 222,417 | 18,177 | 100 | 239,031 | 20,111 | - | Note 3 |
| | TFN Media Co., Ltd. | Taiwan | Cable broadband and value added service provider | 5,210,443 | 5,210,443 | 230,921 | 100 | 6,119,902 | 1,162,291 | - | Note 3 |
| | Global Wealth Media Technology Co., Ltd. | Taiwan | Investment | 92,189 | 92,189 | 8,945 | 100 | 95,077 | 2,851 | - | Note 3 |
| | Global Forest Media Technology Co., Ltd. | Taiwan | Investment | 16,984 | 16,984 | 1,500 | 100 | 17,387 | 303 | - | 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 | 93,481 | 43,643 | - | 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 | 15,564 | 55,022 | - | Note 3 |
| Fubon Multimedia Technology Co., Ltd. | Fu Sheng Travel Service Co., Ltd. | Taiwan | Travel agent | 6,000 | 6,000 | 2,500 | 100 | 42,909 | 13,647 | - | Note 3 |
| | Fuli Life Insurance Agent Co., Ltd. | Taiwan | Life insurance agent | 3,000 | 3,000 | 300 | 100 | 10,114 | 1,618 | - | Note 3 |
| | Fuli Property Insurance Agent Co., Ltd. | Taiwan | Property insurance agent | 3,000 | 3,000 | 300 | 100 | 11,692 | 2,796 | - | Note 3 |
| | Asian Crown (BVI) | British Virgin Islands | Investment | 690,824 | 690,824 | 74 | 100 | 22,115 | (95,784) | - | Note 3 |
| | Taiwan Pelican Express Co., Ltd. | Taiwan | Logistics industry | 337,860 | 337,860 | 16,893 | 17.70 | 425,762 | 79,669 | - | Note 3 |
| | TVD Shopping Co., Ltd. | Thailand | TV shopping | 144,271 (THB155,750) | - | 31,150 | 35 | 144,434 | (1,358) | - | Note 3 |
| Asian Crown (BVI) | Fortune Kingdom | Samoa | Investment | 690,824 | 690,824 | 22,237 | 100 | 22,115 | (95,784) | - | Note 3 |
| Fortune Kingdom | HK Fubon Multimedia | Hong Kong | Investment | 690,824 | 690,824 | 22,237 | 100 | 22,115 | (95,784) | - | Note 3 |
| Taiwan Cellular Co., Ltd. | TWM Holding | British Virgin Islands | Investment | 347,951 | 347,951 | - | 100 | 247,283 | 464 | - | Note 3& 7 |
| | Taiwan Fixed Network Co., Ltd. | Taiwan | Fixed line service provider | 21,000,000 | 21,000,000 | 2,100,000 | 100 | 46,602,275 | 2,476,551 | - | Note 3 |
| | Taiwan Digital Communication Co., Ltd. | Taiwan | TV program production and mobile phones wholesaling | 112,000 | 112,000 | 11,200 | 100 | 117,258 | 892 | - | Note 3 |
| | TCC Investment Co., Ltd. | Taiwan | Investment | 20,680,441 | 20,680,441 | 22,103 | 100 | 28,440,312 | (396) | - | Note 3 |
| | Taiwan Teleservices & Technologies Co., Ltd. | Taiwan | Call center service and telephone marketing | 56,210 | 56,210 | 2,484 | 100 | 81,632 | 29,429 | - | Note 3 |
| | Taiwan Digital Service Co., Ltd. | Taiwan | Telecommunications service agencies and retail business | 1,000,000 | 1,000,000 | 20,000 | 100 | 1,176,802 | 154,157 | - | Note 3 |
| Taiwan Teleservices & Technologies Co., Ltd. | TT&T Holdings | Samoa | Investment | 36,284 | 36,284 | 1,300 | 100 | 49,182 | 158 | - | Note 3 |
| | Taiwan Mobile Basketball Co., Ltd. | Taiwan | Basketball team management | 3,511 | 3,511 | 2,000 | 100 | 22,566 | 1,997 | - | Note 3 |
| TCC Investment Co., Ltd. | TCCI Investment and Development Co., Ltd. | Taiwan | Investment | 6,498,076 | 6,498,076 | 400 | 100 | 9,571,866 | (32) | $ - | 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 | 2,158,142 | 110,339 | - | Note 3 |
| | Mangrove Cable TV Co., Ltd | Taiwan | Cable TV service provider | 510,724 | 510,724 | 6,248 | 29.53 | 596,287 | 53,712 | - | Notes 3 & 4 |
| | Phoenix Cable TV Co., Ltd. | Taiwan | Cable TV service provider | 3,261,073 | 3,261,073 | 68,090 | 100 | 3,313,439 | 110,596 | - | Note 3 |
| | Union Cable TV Co., Ltd. | Taiwan | Cable TV service provider | 1,986,250 | 1,986,250 | 169,141 | 99.22 | 2,024,545 | 55,022 | - | Note 3 |
| | Globalview Cable TV Co., Ltd. | Taiwan | Cable TV service provider | 1,221,002 | 1,221,002 | 51,733 | 92.38 | 1,237,495 | 43,643 | - | Note 3 |
| | Taiwan Kuro Times Co., Ltd. | Taiwan | Online music platform | 129,900 | 129,900 | 14 | 100 | 238,809 | 91,365 | - | Note 3 |
| | Kbro Media Co., Ltd. | Taiwan | Film distribution, arts and literature service and entertainment | 292,500 | 292,500 | 29,250 | 32.5 | 283,055 | (5,222) | - | Note 3 |

## TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES

## NAMES, LOCATIONS AND RELATED INFORMATION OF INVESTEES ON WHICH TWM EXERCISED SIGNIFICANT INFLUENCE

## (EXCLUDING INFORMATION ON INVESTMENT IN MAINLAND CHINA)

## JUNE 30, 2014

| Investor | Investee | Location | Main Businesses and Products | Investment Amount | | Balance as of June 30, 2014 | | | Net Income (Loss) of the Investee | Investment Income (Loss) | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | June 30, 2014 | December 31, 2013 | Shares (Thousands) | Percentage of Ownership | Carrying Value | | | |
| Taiwan Fixed Network Co., Ltd. | TFN Union Investment Co., Ltd. | Taiwan | Investment | 22,314,536 | 22,314,536 | 400 | 100 | 32,856,279 | (32) | - | Note 3 |
| | TFN HK LIMITED | Hong Kong | Telecommunications service provider | 2,871<br>(HK$744) | 2,871<br>(HK$744) | 1,300 | 100 | 14,027 | 1,262 | - | 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, a part of shares was not included, because the company had not finished the registration process of the capital increase.

Note 3: The income/loss of the investee was already included in the income/ loss of the investor, and is not presented 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$3.859 and THB1=NT$0.9263 at the end of the period.

Note 6: For information on investment in Mainland China, please refer to table 9.

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

**TAIWAN MOBILE CO., LTD. AND SUBSIDIARIES**
**BUSINESS RELATIONSHIP AND SIGNIFICANT INTERCOMPANY TRANSACTIONS**
**FOR THE SIX MONTHS ENDED JUNE 30, 2014**

TABLE 8
(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 | $ 29,888 | Payment terms varied depending on the agreements or were based on regular terms | -- |
| | | Fubon Multimedia Technology Co., Ltd. | 1 | Accounts receivable | 7,933 | Payment terms varied depending on the agreements or were based on regular terms | - |
| | | TFN Media Co., Ltd. | 1 | Other receivables | 841,803 | Payment terms varied depending on the agreements or were based on regular terms | 1% |
| | | Taiwan Digital Service Co., Ltd. | 1 | Other receivables | 213,660 | Payment terms varied depending on the agreements or were based on regular terms | - |
| | | Taiwan Fixed Network Co., Ltd. | 1 | Other receivables | 48,334 | Payment terms varied depending on the agreements or were based on regular terms | - |
| | | Fubon Multimedia Technology Co., Ltd. | 1 | Other receivables | 3,150 | Payment terms varied depend on the agreements or were based on regular terms | - |
| | | Taiwan Win TV Broadcasting Co., Ltd. | 1 | Other receivables | 80,008 | Payment terms varied depending on the agreements or were based on regular terms | - |
| | | Taiwan Digital Service Co., Ltd. | 1 | Prepayments | 44,704 | Payment terms varied depending on the agreements or were based on regular terms | - |
| | | Taipei New Horizon Co., Ltd. | 1 | Refundable deposits | 16,713 | Payment terms varied depending on the agreements and 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 Cellular Co., Ltd. | 1 | Short-term borrowings | 150,000 | 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 SIX MONTHS ENDED JUNE 30, 2014**

| Number | Company Name | Counterparty | Nature of Relationship (Note) | Transaction Details | | | |
|---|---|---|---|---|---|---|---|
| | | | | Account | Amount | Transaction Terms | Percentage of Consolidated Total Operating Revenues or Total Assets |
| | | Taiwan Fixed Network Co., Ltd. | 1 | Short-term borrowings | $ 8,180,000 | Payment terms varied depending on the agreements or were based on regular terms | 6% |
| | | Taiwan Fixed Network Co., Ltd. | 1 | Accounts payable | 1,637 | Payment terms varied depending on the agreements or were based on regular terms | - |
| | | Taiwan Kuro Times Co., Ltd. | 1 | Accounts payable | 91,667 | Payment terms varied depending on the agreements or were based on regular terms | - |
| | | Yeong Jia Leh Cable TV Co., Ltd. | 1 | Accounts payable | 2,371 | Payment terms varied depending on the agreements or were based on regular terms | - |
| | | Wealth Media Technology Co., Ltd. | 1 | Other payables | 2,589 | Payment terms varied depending on the agreements or were based on regular terms | - |
| | | Taiwan Digital Service Co., Ltd. | 1 | Other payables | 103,376 | 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 | 800,018 | Payment terms varied depending on the agreements or were based on regular terms | 1% |
| | | Taiwan Teleservices & Technologies Co., Ltd. | 1 | Other payables | 85,756 | Payment terms varied depending on the agreements or were based on regular terms | - |
| | | Taiwan Kuro Times Co., Ltd. | 1 | Other payables | 1,578 | Payment terms varied depending on the agreements or were based on regular terms | - |
| | | Yeong Jia Leh Cable TV Co., Ltd. | 1 | Other payables | 1,288 | 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 SIX MONTHS ENDED JUNE 30, 2014**

| Number | Company Name | Counterparty | Nature of Relationship (Note) | Transaction Details | | | |
|---|---|---|---|---|---|---|---|
| | | | | Account | Amount | Transaction Terms | Percentage of Consolidated Total Operating Revenues or Total Assets |
| | | Taiwan Digital Service Co., Ltd. | 1 | Advance receipts | $ 9,131 | Payment terms varied depending on the agreements or were based on regular terms | - |
| | | Taiwan Fixed Network Co., Ltd. | 1 | Other current liabilities, others | 44,013 | Payment terms varied depending on the agreements or were based on regular terms | - |
| | | Taiwan Kuro Times Co., Ltd. | 1 | Other current liabilities, others | 2,635 | Payment terms varied depending on the agreements or were based on regular terms | - |
| | | Taiwan Digital Service Co., Ltd. | 1 | Operating revenues | 5,125,999 | Payment terms varied depending on the agreements or were based on regular terms | 10% |
| | | Taiwan Fixed Network Co., Ltd. | 1 | Operating revenues | 935,288 | Payment terms varied depending on the agreements or were based on regular terms | 2% |
| | | Taiwan Kuro Times Co., Ltd. | 1 | Operating revenues | 1,582 | Payment terms varied depending on the agreements or were based on regular terms | - |
| | | Yeong Jia Leh Cable TV Co., Ltd. | 1 | Operating revenues | 1,143 | Payment terms varied depending on the agreements or were based on regular terms | - |
| | | Fubon Multimedia Technology Co., Ltd. | 1 | Operating revenues | 62,639 | Payment terms varied depending on the agreements or were based on regular terms | - |
| | | Phoenix Cable TV Co., Ltd. | 1 | Operating revenues | 1,214 | Payment terms varied depending on the agreements or were based on regular terms | - |
| | | Taipei New Horizon Co., Ltd. | 1 | Operating costs | 11,881 | Payment terms varied depending on the agreements or were based on regular terms | - |
| | | TFN Media Co., Ltd. | 1 | Operating costs | 1,755 | 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 SIX MONTHS ENDED JUNE 30, 2014**

| Number | Company Name | Counterparty | Nature of Relationship (Note) | Transaction Details | | | |
|---|---|---|---|---|---|---|---|
| | | | | Account | Amount | Transaction Terms | Percentage of Consolidated Total Operating Revenues or Total Assets |
| | | Taiwan Fixed Network Co., Ltd. | 1 | Operating costs | $ 3,315,043 | Payment terms varied depending on the agreements or were based on regular terms | 6% |
| | | Taiwan Kuro Times Co., Ltd. | 1 | Operating costs | 182,851 | Payment terms varied depending on the agreements or were based on regular terms | - |
| | | Yeong Jia Leh Cable TV Co., Ltd. | 1 | Operating costs | 5,693 | Payment terms varied depending on the agreements or were based on regular terms | - |
| | | Globalview Cable TV Co., Ltd. | 1 | Operating costs | 1,277 | Payment terms varied depending on the agreements or were based on regular terms | - |
| | | Taipei New Horizon Co., Ltd. | 1 | Operating expenses | 23,817 | Payment terms varied depending on the agreements or were based on regular terms | - |
| | | Taiwan Digital Communications Co., Ltd. | 1 | Operating expenses | 20,454 | Payment terms varied depending on the agreements or were based on regular terms | - |
| | | Taiwan Digital Service Co., Ltd. | 1 | Operating expenses | 4,971,274 | Payment terms varied depending on the agreements or were based on regular terms | 9% |
| | | Taiwan Mobile Basketball Co., Ltd. | 1 | Operating expenses | 25,542 | Payment terms varied depending on the agreements or were based on regular terms | - |
| | | Taiwan Fixed Network Co., Ltd. | 1 | Operating expenses | 36,591 | Payment terms varied depending on the agreements or were based on regular terms | - |
| | | Taiwan Teleservices & Technologies Co., Ltd. | 1 | Operating expenses | 529,203 | Payment terms varied depending on the agreements or were based on regular terms | 1% |
| | | Wealth Media Technology Co., Ltd. | 1 | Finance costs | 2,969 | 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 SIX MONTHS ENDED JUNE 30, 2014

| Number | Company Name | Counterparty | Nature of Relationship (Note) | Transaction Details | | | |
|---|---|---|---|---|---|---|---|
| | | | | Account | Amount | Transaction Terms | Percentage of Consolidated Total Operating Revenues or Total Assets |
| | | Taiwan Fixed Network Co., Ltd. | 1 | Finance costs | $ 44,116 | Payment terms varied depending on the agreements or were based on regular terms | - |
| | | TFN Media Co., Ltd. | 1 | Interest income | 9,047 | Payment terms varied depending on the agreements or were based on regular terms | - |
| | | Taiwan Digital Service Co., Ltd. | 1 | Rental income | 7,806 | Payment terms varied depending on the agreements or were based on regular terms | - |
| | | Taiwan Fixed Network Co., Ltd. | 1 | Rental income | 43,642 | Payment terms varied depending on the agreements or were based on regular terms | - |
| | | Taiwan Kuro Times Co., Ltd. | 1 | Rental income | 4,011 | Payment terms varied depending on the agreements or were based on regular terms | - |
| | | Fubon Multimedia Technology Co., Ltd. | 1 | Rental income | 18,616 | 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 | 30,061 | 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 | 20,692 | Payment terms varied depending on the agreements or were based on regular terms | - |
| | | TFN Media Co., Ltd. | 3 | Accounts payable | 48,661 | Payment terms varied depending on the agreements or were based on regular terms | - |
| | | Mangrove Cable TV Co., Ltd. | 3 | Accounts payable | 4,674 | Payment terms varied depending on the agreements or were based on regular terms | - |
| | | Fu Sheng Travel Service Co., Ltd. | 1 | Operating revenues | 2,634 | 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 SIX MONTHS ENDED JUNE 30, 2014**

| Number | Company Name | Counterparty | Nature of Relationship (Note) | Transaction Details | | | |
|---|---|---|---|---|---|---|---|
| | | | | Account | Amount | Transaction Terms | Percentage of Consolidated Total Operating Revenues or Total Assets |
| | | TFN Media Co., Ltd. | 3 | Operating costs | $ 48,661 | Payment terms varied depending on the agreements or were based on regular terms | - |
| | | Mangrove Cable TV Co., Ltd. | 3 | Operating costs | 4,674 | 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 | 33,323 | Payment terms varied depending on the agreements or were based on regular terms | - |
| | | Mangrove Cable TV Co., Ltd. | 1 | Accounts receivable | 11,613 | Payment terms varied depending on the agreements or were based on regular terms | - |
| | | Phoenix Cable TV Co., Ltd. | 1 | Accounts receivable | 31,084 | Payment terms varied depending on the agreements or were based on regular terms | - |
| | | Union Cable TV Co., Ltd. | 1 | Accounts receivable | 21,187 | Payment terms varied depending on the agreements or were based on regular terms | - |
| | | Globalview Cable TV Co., Ltd. | 1 | Accounts receivable | 13,420 | Payment terms varied depending on the agreements or were based on regular terms | - |
| | | Yeong Jia Leh Cable TV Co., Ltd. | 1 | Short-term borrowings | 305,000 | 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 | - |
| | | 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 | 12,913 | 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 SIX MONTHS ENDED JUNE 30, 2014

| Number | Company Name | Counterparty | Nature of Relationship (Note) | Transaction Details | | | |
|---|---|---|---|---|---|---|---|
| | | | | Account | Amount | Transaction Terms | Percentage of Consolidated Total Operating Revenues or Total Assets |
| | | Mangrove Cable TV Co., Ltd. | 1 | Accounts payable | $ 1,108 | Payment terms varied depending on the agreements or were based on regular terms | - |
| | | Phoenix Cable TV Co., Ltd. | 1 | Accounts payable | 13,303 | Payment terms varied depending on the agreements or were based on regular terms | - |
| | | Taiwan Win TV Broadcasting Co., Ltd. | 3 | Accounts payable | 29,905 | Payment terms varied depending on the agreements or were based on regular terms | - |
| | | Union Cable TV Co., Ltd. | 1 | Accounts payable | 6,683 | Payment terms varied depending on the agreements or were based on regular terms | - |
| | | Globalview Cable TV Co., Ltd. | 1 | Accounts payable | 5,391 | Payment terms varied depending on the agreements or were based on regular terms | - |
| | | Yeong Jia Leh Cable TV Co., Ltd. | 1 | Other payables | 3,468 | Payment terms varied depending on the agreements or were based on regular terms | - |
| | | Mangrove Cable TV Co., Ltd. | 1 | Other payables | 1,200 | Payment terms varied depending on the agreements or were based on regular terms | - |
| | | Phoenix Cable TV Co., Ltd. | 1 | Other payables | 3,334 | Payment terms varied depending on the agreements or were based on regular terms | - |
| | | Union Cable TV Co., Ltd. | 1 | Other payables | 2,252 | Payment terms varied depending on the agreements or were based on regular terms | - |
| | | Globalview Cable TV Co., Ltd. | 1 | Other payables | 1,411 | Payment terms varied depending on the agreements or were based on regular terms | - |
| | | Yeong Jia Leh Cable TV Co., Ltd. | 1 | Operating revenues | 228,739 | 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 SIX MONTHS ENDED JUNE 30, 2014**

| Number | Company Name | Counterparty | Nature of Relationship (Note) | Transaction Details | | | |
|---|---|---|---|---|---|---|---|
| | | | | Account | Amount | Transaction Terms | Percentage of Consolidated Total Operating Revenues or Total Assets |
| | | Mangrove Cable TV Co., Ltd. | 1 | Operating revenues | $ 8,391 | Payment terms varied depending on the agreements or were based on regular terms | - |
| | | Phoenix Cable TV Co., Ltd. | 1 | Operating revenues | 253,988 | Payment terms varied depending on the agreements or were based on regular terms | - |
| | | Union Cable TV Co., Ltd. | 1 | Operating revenues | 107,144 | Payment terms varied depending on the agreements or were based on regular terms | - |
| | | Globalview Cable TV Co., Ltd. | 1 | Operating revenues | 99,686 | Payment terms varied depending on the agreements or were based on regular terms | - |
| | | Yeong Jia Leh Cable TV Co., Ltd. | 1 | Operating costs | 18,153 | Payment terms varied depending on the agreements or were based on regular terms | - |
| | | Mangrove Cable TV Co., Ltd. | 1 | Operating costs | 3,261 | Payment terms varied depending on the agreements or were based on regular terms | - |
| | | Phoenix Cable TV Co., Ltd. | 1 | Operating costs | 18,946 | Payment terms varied depending on the agreements or were based on regular terms | - |
| | | Taiwan Win TV Broadcasting Co., Ltd. | 1 | Operating costs | 29,905 | Payment terms varied depending on the agreements or were based on regular terms | - |
| | | Union Cable TV Co., Ltd. | 1 | Operating costs | 10,756 | Payment terms varied depending on the agreements or were based on regular terms | - |
| | | Globalview Cable TV Co., Ltd. | 1 | Operating costs | 7,590 | Payment terms varied depending on the agreements or were based on regular terms | - |
| | | Yeong Jia Leh Cable TV Co., Ltd. | 1 | Operating expenses | 1,436 | 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 SIX MONTHS ENDED JUNE 30, 2014

| Number | Company Name | Counterparty | Nature of Relationship (Note) | Transaction Details | | | |
|---|---|---|---|---|---|---|---|
| | | | | Account | Amount | Transaction Terms | Percentage of Consolidated Total Operating Revenues or Total Assets |
| | | Yeong Jia Leh Cable TV Co., Ltd. | 1 | Finance costs | $ 2,487 | Payment terms varied depending on the agreements or were based on regular terms | - |
| | | Phoenix Cable TV Co., Ltd. | 1 | Finance costs | 3,194 | Payment terms varied depending on the agreements or were based on regular terms | - |
| | | Globalview Cable TV Co., Ltd. | 1 | Finance costs | 1,470 | 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 | 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 | 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 | - |
| 6 | Taiwan Fixed Network Co., Ltd. | TFN Media Co., Ltd. | 3 | Accounts receivable | 36,360 | Payment terms varied depending on the agreements or were based on regular terms | - |
| | | Fubon Multimedia Technology Co., Ltd. | 3 | Accounts receivable | 4,902 | Payment terms varied depending on the agreements or were based on regular terms | - |
| | | Taiwan Digital Service Co., Ltd. | 3 | Other receivables | 1,601 | Payment terms varied depending on the agreements or were based on regular terms | - |
| | | Taipei New Horizon Co., Ltd. | 3 | Prepayments | 3,081 | 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 SIX MONTHS ENDED JUNE 30, 2014**

| Number | Company Name | Counterparty | Nature of Relationship (Note) | Transaction Details | | | |
|---|---|---|---|---|---|---|---|
| | | | | Account | Amount | Transaction Terms | Percentage of Consolidated Total Operating Revenues or Total Assets |
| | | 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 | 31,065 | Payment terms varied depending on the agreements or were based on regular terms | - |
| | | Taiwan Teleservices & Technologies Co., Ltd. | 3 | Other payables | 8,376 | Payment terms varied depending on the agreements or were based on regular terms | - |
| | | Taiwan Digital Service Co., Ltd. | 3 | Advanced receipts | 1,361 | Payment terms varied depending on the agreements or were based on regular terms | - |
| | | TFN Media Co., Ltd. | 3 | Operating revenues | 68,862 | Payment terms varied depending on the agreements or were based on regular terms | - |
| | | Taiwan Kuro Times Co., Ltd. | 3 | Operating revenues | 2,954 | Payment terms varied depending on the agreements or were based on regular terms | - |
| | | Mangrove Cable TV Co., Ltd. | 3 | Operating revenues | 1,163 | Payment terms varied depending on the agreements or were based on regular terms | - |
| | | Fubon Multimedia Technology Co., Ltd. | 3 | Operating revenues | 14,597 | Payment terms varied depending on the agreements or were based on regular terms | - |
| | | Phoenix Cable TV Co., Ltd. | 3 | Operating revenues | 2,591 | Payment terms varied depending on the agreements or were based on regular terms | - |
| | | Union Cable TV Co., Ltd. | 3 | Operating revenues | 2,140 | Payment terms varied depending on the agreements or were based on regular terms | - |
| | | TFN HK LIMITED | 1 | Operating costs | 35,704 | 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 SIX MONTHS ENDED JUNE 30, 2014**

| Number | Company Name | Counterparty | Nature of Relationship (Note) | Transaction Details | | | |
|---|---|---|---|---|---|---|---|
| | | | | Account | Amount | Transaction Terms | Percentage of Consolidated Total Operating Revenues or Total Assets |
| | | Taipei New Horizon Co., Ltd. | 3 | Operating expenses | $ 9,728 | Payment terms varied depending on the agreements or were based on regular terms | - |
| | | Taiwan Teleservices & Technologies Co., Ltd. | 3 | Operating expenses | 51,162 | Payment terms varied depending on the agreements or were based on regular terms | - |
| | | Taiwan Win TV Broadcasting Co., Ltd. | 3 | Rental income | 2,730 | 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 | 2,550 | 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 | - |
| | | Taipei New Horizon Co., Ltd. | 3 | Other current liabilities, others | 9,854 | 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 SIX MONTHS ENDED JUNE 30, 2014**

TABLE 9
(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 June 30, 2014 | Net (Loss) Income of Investee | % Ownership through Direct or Indirect Investment | Investment Income (Loss) | Carrying Value as of June 30, 2014 | Accumulated Inward Remittance of Earnings as of June 30, 2014 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Outflow | Inflow | | | | | | |
| Xiamen Taifu Teleservices & Technologies Co., Ltd. | System integration, management, analysis and development of CRM application and information consulting services | NT$ - (Note 3) | 2 | NT$ 38,890 (US$ 1,300) | $ - | $ - | NT$ 38,890 (US$ 1,300) | $ - | 100% indirect ownership through TWM's subsidiary | $ - | $ - (Note 3) | $ - |
| TWM Communications (Beijing) Co. Ltd. | Mobile application development and design | NT$ 89,745 (US$ 3,000) | 2 | NT$ 145,746 (US$ 4,872) | - | - | NT$ 145,746 (US$ 4,872) | (76) | 100% indirect ownership through TWM's subsidiary | (76) | 109,010 | - |
| Fubon Gehua (Beijing) Enterprise Ltd. | Wholesale and retail sales | NT$ 769,760 (RMB 160,000) | 2 | NT$ 658,114 (US$ 14,000, RMB 49,741) | - | - | NT$ 658,114 (US$ 14,000, RMB 49,741) | (109,354) | 87.5% indirect ownership through TWM's subsidiary | (95,684) | 21,550 | - |

| Investee Company Name | Accumulated Investment in Mainland China as of June 30, 2014 | Investment Amounts Authorized by Investment Commission, MOEA | Upper Limit on Investment Authorized by Investment Commission, MOEA |
|---|---|---|---|
| Xiamen Taifu Teleservices & Technologies Co., Ltd. | NT$38,890 (US$1,300) | NT$38,890 (US$1,300) | $80,000 |
| TWM Communications (Beijing) Co., Ltd. | NT$145,746 (US$4,872) | NT$145,746 (US$4,872) | $46,028,551 |
| Fubon Gehua (Beijing) Enterprise Ltd. | NT$658,114 (US$14,000, RMB49,741) | NT$737,385 (US$15,000, RMB60,000) | $1,336,365 |

Note 1: The investment types are as follows:

a. Direct investment in Mainland China.

b. Indirect investment in Mainland China through a subsidiary in a third place, e.g. TT&T, TCC and FBM.

c. Others.

Note 2: The above amounts were translated into New Taiwan dollars at the exchange rate of US$1＝NT$29.915 and RMB1＝NT$4.811 at the end of the period.

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

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