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2013 Annual Report



Taiwan Mobile

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Listing of Foreign Securities	None	

Disclaimer

Please note that the English annual report is a translation of the original Chinese version for convenience only.

In the event of any variance, the Chinese text shall prevail.

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Letter to Shareholders

Dear Shareholders,

Taiwan Mobile's ("TWM" or "The Company") consolidated revenue rose 9% YoY to NT\$109.1bn in 2013. EBITDA also grew 1% YoY to NT\$30.8bn. Net income was NT\$15.6bn, reaching 101% of the Company's target, while earnings per share came in at NT\$5.79, in line with the Company's expectations. Mobile data service remained the main growth driver, bolstered by the Company's introduction of a variety of flexible mobile data packages as well as a wide range of flagship and mid-to-low-end smartphones to encourage user migration from feature phones. This raised its mobile internet adoption rate to 54% at the end of 2013 from 42% the previous year, and boosted its wireless value-added service (VAS) revenue by 30% YoY. Mobile VAS as a percentage of total mobile service revenue climbed to 39% at the end of 2013 and more than offset softness in mobile voice revenue.

As the Company steadily expanded its core business, it also continued to gain recognition for its commitment to enhancing corporate value. These include:

1. World-class corporate governance

Taiwan Mobile is committed to maintaining integrity as a core value and promoting corporate governance. The Company's compliance with global standards has won not only the trust of investors, but also numerous awards and recognition from domestic and international rating institutions. Last year, it was once again selected as a member of the Dow Jones Sustainability Indices' (the world's first and most widely used global sustainability benchmarks) Emerging Markets Index. The Company was also a recipient of "The Best of Asia: Icon on Corporate Governance, Taiwan region," the highest honor given by *Corporate Governance Asia* (CGA) magazine in recognition of its continuous excellence as an award winner for seven years in a row. Furthermore, TWM received an "A++" rating and was ranked among the top five listed companies in "Transparency and Information Disclosure" by the Securities and Futures Institute for the eighth consecutive year.

2. A role model for corporate social responsibility

TWM's efforts to employ its corporate and financial resources to assist non-profit organizations in promoting social welfare have won wide recognition. These included receiving the "Corporate Social Responsibility Award" by *Global Views Monthly* for the sixth time last year – this time for education promotion; the "Excellence in Corporate Social Responsibility" award from *CommonWealth* magazine for the seventh year in a row; and the "2013 Taiwan Corporate Sustainability Awards – Excellence in Telecom Sector" as well as the "Role Model Award for Community Service and Outreach" from the Taiwan Institute for Sustainable Energy Research. In addition, the Company received an ISO 14064-1 certification for complying with greenhouse gas emissions and removals standards and an ISO 50001 certification for energy management.

3. Premium services and customer satisfaction

With customer care as its core value, TWM offers premium customer services, including world-class information security, network quality, and product and service innovations – all of which were critical to its earning the following recognitions: being named once again the “Most Prestigious Company” in the telecom sector in an annual survey by *CommonWealth* magazine in 2013 and receiving the “Trusted Brand Gold Award” from *Reader’s Digest* for the tenth consecutive year.

Taiwan’s wireless broadband industry is entering a new era with the completion of the 4G license auction at the end of October 2013. The Company won two 15MHz x 2 blocks on the 700MHz (spectrum A4) and the 1800MHz (spectrum C1) bands, with the lowest unit spectrum cost among the big three operators. This year could be a turning point for the industry, as incumbents and new entrants compete for a slice of the 4G market. TWM and its employees are ready to meet these challenges. The Company will continue to leverage its brand and provide superior networks, products and services through innovative research and development, comprehensive distribution channels and world-class information security. TWM is committed to becoming the top choice for high-speed wireless broadband for the consumer.



Richard Tsai
Chairman

Chapter 1 Company Highlights

Vision

The Company's core vision is to provide customers with the best user experience and become a leader in digital convergence. Maintaining integrity as a core value of the Company ensures that corporate social responsibility takes root, thereby enhancing the company's ability to maximize the interests of its stakeholders as it strives to become a top-tier company globally.

Core Competency

The Company has established a cross-media platform integrating mobile communications, fixed-line, cable TV and broadband services. Through integration, the Company is able to provide seamless digital convergence services across "multiple screens and a cloud" to meet the demands of the consumer, home and enterprise markets for excellent service and information security. TWM has become a leading player in TIME: telecommunications, internet, media and entertainment.

Excellent Brand Image

Brand-new experience to embrace 4G era

Continuing to pursue innovation, TWM has been leading the market by launching mobile cloud services – including myVideo (cloud video), myMusic (online music) and myPlay1 (mobile app games) – to let customers experience the variety of a digital life. Digital convergence lies at the heart of the Company's business strategy, integrating telecom, media, cloud service, and physical/virtual channel resources, to meet the new generation's demand for top-quality 4G high-speed mobile broadband services. In addition, TWM provides cross-platform, seamlessly integrated media and mobile application services to offer users a brand-new experience.

With its customer-centric approach, TWM has simplified complex technologies into simple, practical, user-friendly services to give customers the most satisfying digital experience possible. By providing localized but world-class quality service, TWM has become an integral part of each user's daily life.

Date of Incorporation

The Company was founded on February 25, 1997.

Milestones

1. The Company's merger and acquisition activities and status of affiliates:

- 1) Merger and acquisition activities: None
- 2) Status of affiliates: Please refer to Chapter 7 "Affiliates"

2. Status of the Company's reorganization: Not applicable

3. Significant changes in shareholdings of directors, supervisors and major shareholders:

Please refer to Chapter 2 “Changes in shareholdings of directors, managers and major shareholders”

4. Changes in management control: None

5. Changes in operation or business scope: None

6. Other major items that may significantly influence shareholders’ rights or the Company: None

January	2014	James Jeng was appointed President at the 16 th meeting of the sixth Board of Directors.
November	2013	Internet Data Center (IDC), which received an Uptime Institute Tier III certification for design and construction, began operations.
October	2013	Won two 15MHz x 2 blocks on the 700MHz (spectrum A4) and the 1800MHz (spectrum C1) bands in the 4G auction.
May	2013	Launched mobile app version of myfone online shopping service.
November	2012	Launched mobile video service, myVideo.
August	2012	Approved the acquisition of a 20% stake in Taiwan Pelican Express Co., Ltd. for NT\$344mn through Fubon Multimedia Technology (also known as momo).
May	2012	Launched instant messaging service, M+ messenger.
May	2012	Launched first own-brand smartphone, the Amazing A1.
August	2011	Company’s capital dropped to NT\$34.2bn after a capital reduction of NT\$3.8bn.
June	2011	Richard Tsai and Daniel Tsai were elected Chairman and Vice Chairman, respectively, at the first meeting of the sixth Board of Directors.
April	2011	The Board of Directors approved the acquisition of a 51% stake in Fubon Multimedia Technology for NT\$8.35bn through TWM’s 100%-owned subsidiary Wealth Media Technology.
October	2010	Cliff Lai and Vivien Hsu were appointed Co-Presidents at the 17 th meeting of the fifth Board of Directors, effective January 1, 2011.
May	2010	TFN Media Co., Ltd. (TFNM), a TWM affiliate, acquired a 45% stake in ezPeer of Taiwan Kuro Times Co., Ltd. TFNM raised its stake to 100% in August 2011.
January	2009	Founded Taipei New Horizon Co., Ltd. (49.9% holding) with Fubon Land Development Co., Ltd. to develop a cultural park at the site of the old Songshan tobacco plant under a 50-year BOT contract with the Taipei City Government.
June	2008	Richard Tsai and Daniel Tsai were elected Chairman and Vice Chairman, respectively, at the first meeting of the fifth Board of Directors.

April	2008	Acquired a 100% stake in Hurray! Times Communications (Beijing) Ltd.
February	2008	Introduced three new brands – Taiwan Mobile, TWM Broadband and TWM Solution – to provide consumers, homes and enterprises with integrated telecommunication services including wireless communication, cable TV and fixed-line services.
December	2007	Company's capital dropped to NT\$38bn after a capital reduction of NT\$12bn.
August	2007	Acquired a 45% stake in Taiwan Telecommunication Network Services Co., Ltd. (TTN). TWM raised its stake to 100% in August 2008 and merged it into Taiwan Fixed Network Co., Ltd. (TFN).
April	2007	Acquired an 84% stake in TFN. TWM acquired full ownership of TFN in December 2007.
January	2007	Launched 3.5G (HSDPA) service.
August	2006	Richard Tsai and Daniel Tsai were elected Chairman and Vice Chairman, respectively, at the 10 th meeting of the fourth Board of Directors.
May	2005	First in Taiwan to launch 3G (WCDMA) services.
November	2004	Joined the Bridge Mobile Alliance, the largest mobile alliance in Asia.
August	2004	Acquired a 67% stake in Mobitai, increasing its subscriber base to 8.2 million. TWM acquired full ownership of Mobitai In January 2006 and merged it into TransAsia Telecommunications (TAT) in December 2007.
July	2003	Harvey Chang was appointed President and CEO at the 15 th meeting of the third Board of Directors.
July	2003	Daniel Tsai and Richard Tsai were elected Chairman and Vice Chairman, respectively, at the 2 nd meeting of the third Board of Directors.
June	2003	TCC Group's operating model was discontinued.
August	2002	Listed on the Taiwan Stock Exchange.
May	2002	C. S. Chen was appointed President at the 2 nd meeting of the third Board of Directors.
May	2002	Set up TCC Group to centralize the administration of Taiwan Cellular Corp., TFN and other affiliates. Jack T. Sun was appointed Committee Chairman, Richard Tsai Committee Vice Chairman, Joseph Lee CEO, S. T. Chang COO and Ray-Ying Fan CSO.
April	2002	Jack T. Sun and Joseph Lee were re-elected Chairman and Vice Chairman, respectively, at the 1 st meeting of the third Board of Directors.
February	2002	Granted 3G license.
July	2001	Acquired a 95.62% stake in TransAsia Telecommunications (TAT), boosting its subscriber base to 6.42 million. TWM acquired full ownership of TAT in June 2006 and merged it into TWM in September 2008.
November	2000	Ray-Ying Fan was appointed President at the 8 th meeting of the second Board of Directors.
September	2000	First private telecom operator to be listed on Taiwan's OTC market.
June	1999	Jack T. Sun and Joseph Lee were re-elected Chairman and Vice Chairman, respectively, at the 1 st meeting of the second Board of Directors.

January	1998	Started commercial operations.
December	1997	First nationwide private operator to obtain a GSM 1800 network operating license.
February	1997	Company was incorporated.
January	1997	Jack T. Sun and Joseph Lee were elected Chairman and Vice Chairman, respectively, while Lai-Ting Zou was appointed President at the 1 st meeting of the first Board of Directors.
May	1996	Prepared for the Company's incorporation.

Awards and recognitions from 2013 up to the publication date in 2014

November	2013	Received the ISO 50001 certification for efficient energy management.
November	2013	Received the "2013 Taiwan Corporate Sustainability Award - Excellence in Telecom Sector" and the "Role Model Award for Community Service and Outreach" from the Taiwan Institute for Sustainable Energy Research.
October	2013	Recognized as the "2013 Most Prestigious Company in Taiwan" by <i>CommonWealth</i> magazine, ranking No.1 in the telecom sector.
September	2013	Selected once again as a member of the Dow Jones Sustainability Indices' Emerging Markets Index.
September	2013	Achieved ISO 14064-1 standards for greenhouse gas (GHG) emissions and removals.
September	2013	Received an award for excellence due to joining the Ministry of Economic Affairs' voluntary energy-saving program from 2011 to 2013.
August	2013	Awarded "Excellence in Corporate Social Responsibility" by <i>CommonWealth</i> magazine for the seventh consecutive year.
July	2013	Received the highest "A++" rating and ranked as one of the top 5 listed companies in "Transparency and Information Disclosure" from Taiwan's Securities and Futures Institute for the eighth year in a row.
June	2013	Named a recipient of "The Best of Asia: Icon on Corporate Governance, Taiwan region" award, marking the seventh year in a row that TWM received an award from <i>Corporate Governance Asia</i> magazine.
May	2013	Received the "Trusted Brand Gold Award" for the tenth consecutive year from <i>Reader's Digest</i> .

May	2013	Received the top prize of the “Corporate Social Responsibility Award” in the Education Promotion category from <i>Global Views Monthly</i> magazine.
March	2013	Received the internationally renowned Swiss SGS Qualicert certification for its quality direct store channel and customer service system.

Divisional Scope of Responsibilities

Division		Scope of responsibilities
Internal Audit Office		<p>Audit of the Company and its subsidiaries</p> <p>Monitor and examine effectiveness and efficiency of the Company's internal control system</p> <p>Develop, manage and oversee information security management</p>
Corporate Group	President's Office	<p>Corporate strategy and investment evaluation</p> <p>Develop new businesses and strategic alliances</p> <p>Enhance corporate management mechanism and cross-department project management</p> <p>Ensure customer satisfaction with Taiwan Mobile's network quality</p>
	Legal Office	Legal counsel, company litigation and legal document review
	Regulatory and Carriers Relations Division	Regulatory matters, government relations and inter-carrier relations
	Public Affairs Division	<p>Corporate image promotion and management</p> <p>Media communication, news agenda, press release and crisis management</p> <p>Corporate social responsibility strategy planning and execution</p> <p>Website maintenance for the Company and TWM Foundation</p>
Finance & Administration Group	Accounting Division	<p>Accounting information management</p> <p>Tax planning and compliance</p> <p>Preparation of financial reports</p>
	Billing Management Division	<p>Billing, receivables collection and settlement</p> <p>Credit check and risk management</p>
	Operation Analysis Division	Analysis of operating performance, review of financial forecasts/annual budget, and cost & benefit analysis of capex project
	Investor Relations Division	<p>Timely disclosure of the Company's operating and financial status, management strategy, future business plans and developments to investors</p> <p>Communication between the Company and investors</p>
	Finance Division	<p>Treasury management</p> <p>Monitor investments and subsidiaries' business activities</p> <p>Finance-related project evaluation, planning and execution</p>
	Secretarial Division	<p>Board meeting and shareholders' meeting facilitation</p> <p>Corporate registration affairs and corporate share registrar management</p> <p>Company seal custodian</p> <p>Receipt/transmission of corporate documents</p>
	Human Resources Division	Human resources planning, staffing, employee compensation and benefits, training and relations coordination between employees and the Company
	Administration Division	<p>Office machinery and equipment management</p> <p>General and administrative affairs coordination</p> <p>Base station administration and related expense payments</p>
	Procurement and Logistics Division	<p>Procurement policy and system planning</p> <p>Handling procurement-related activities</p> <p>Suppliers evaluation and management</p> <p>Contract negotiations and signing</p>
Occupational Safety and Health Office	<p>Occupational safety and health management</p> <p>Site area safety management</p> <p>Environmental protection management</p> <p>Workplace health promotion</p>	

Information Technology Group	E-Service Technology Division	Corporate website and e-service systems Service-oriented architecture and enterprise service bus (SOA/ESB) Fixed network application systems IT governance, enterprise architecture, software development process and basic architecture software/tools development and management
	Channel Management and Payment Solutions Division	Sales, channel services and commission system solutions Enterprise management information system solutions Member center and payment service solutions
	Data Analytics Technology Division	Data analytics system solutions, including data warehouse and business intelligence solutions Telecom network assets management, warehouse management, repair and maintenance management system solutions
	Billing Solutions Division	Billing systems operation and development
	Call Center Solutions Division	Call center infrastructure and operational management solutions
	ERP Technology Division	TWM's customer care application systems Enterprise resource planning (ERP) and human resources solutions Front-end customer management, sales management, and order and provision solutions for fixed-line business
	Information Technology Infrastructure Division	Data center, systems and network infrastructure construction and operations management Implementation of information security policy
Technology Group	Systems Design Division	Plan and design core, IP and transmission network systems for mobile and fixed networks Verification testing of network elements
	Network Technical Support Division	Mobile network technical support Fixed network technical support IP-based network technical support
	Radio Network Planning and Management	Radio network strategy development Radio network planning Site planning and performance management Radio network quality management
	Network Management Division	24-hour supervision of mobile/fixed network management System design and maintenance of network management system Technical support for network issues from customers Network security management of Technology Group
	Network Engineering Division	Mobile telecom and fixed network business infrastructure budget, control and management Supervision of outsourced engineering and construction projects Cable, conduit management for government agencies Fixed network service management, project evaluation and coordination
	Network Operations and Maintenance – North I, North II, Central and South Regions	2G/3G and fixed network construction, expansion, operation, maintenance and optimization, including core, transmission and radio networks Network construction management and technical support
	Acquisition and Loyalty Marketing Division	Develop and execute strategies to acquire new customers, increase customer loyalty and lower churn rates Strategy development for prepaid business
	Brand Management and Customer Communication Division	Manage brand identity, strategic development, integrated marketing communication, and implement ad campaigns Execute store signage/interior design and customer retention plans Integrate marketing resources and cost control Integrate and operate Company website, including e-marketing, online sales and customer service

Consumer Business Group	Mobile Marketing Division	Establish leading content platforms, communication platforms, and mobile advertising solutions
	Digital Media Division	Business management and product quality assurance for online music, online bookstore, mobile gaming and legacy value-added services (VAS) Strategy setting, product planning, development and management of online music, online bookstore and mobile gaming services
	Mobile Commerce Division	Strategy planning, business development and operation management of mobile commerce and online video services Merchandising, digital content development, supply chain management, product mix, marketing promotion, member acquisition management of mobile commerce and online video services Development/management of payment system, logistics and information flows of mobile commerce and online video businesses
	Product Technology Division	Technical consultation and solution analysis for VAS products and CPE technologies Solutions design, systems development and delivery for VAS products and marketing promotions
	Product Infrastructure Division	Design, integrated construction and operation management of the cloud internet data center Design, integrated implementation and operation management of Infrastructure as a service (IaaS) product Design, integrated implementation and operation management of value-added services and innovated products
	Customer Service Division	Customer service and call center management Telemarketing sales and customer retention
	Franchise Division	Supervision of franchisees' product promotion, distribution and customer service
	Open Channel Sales Division	Open channel development, distribution and management of postpaid, prepaid products and agency / sales of mobile phones
	Channel Strategy and Management Office	Channel positioning and deployment, sales targets setting, performance evaluation and devising incentive schemes Planning and managing retail store layouts and displays, sales materials and special campaigns Setting up training programs Products and services promotions, sales skill certifications and sales support
	Business Operations Management Division	Front-end sales/service operation process planning and implementation Back-end resource management and channel performance awards management Sales channel logistics and service fulfillment
Home Business Group	CATV/DTV, broadband internet access (cable modem/FTTx), and connected TV services Implementation of integrated technology solutions for the development of new products and VAS to increase video and broadband internet access penetration rates and overall revenue Expansion of two-way optical network to broaden coverage and ensure better internet access quality and stable cable signals	
Enterprise Business Group	Strategy development and business analysis Direct sales and channel development, and customer relationship management Enterprise ICT solutions planning, marketing and execution Enterprise customer service and billing IDC and cloud service development Inter-carrier relations and international business (including international roaming) planning and implementation	

Board of Directors and Executive Management

Board of Directors

The board of directors, acting on behalf of the Company's shareholders, is charged with the task of supervising the management team. The board, elected and approved during the AGM on June 15, 2011, includes four independent directors, which more than fulfill current regulations requiring public companies to have at least two independent directors. The Audit Committee, composed entirely of independent directors, replaced board supervisors. Information on the Company's Sixth Board of Directors is detailed below:

As of March 20, 2014

Title	Name	Date elected	Term expires	Shareholding when elected		Current shareholding		Spouse/minor's shareholdings		Education and experience	Current position(s) in the Company and other companies	Officer or director is a spouse or consanguineous within two degrees		
				Shares	%	Shares	%	Shares	%			Title	Name	Relationship
Chairman	Fu-Chi Venture Corp. Representative: Richard Tsai	2011.06.15	2014.06.14	6,387,515	0.168	5,748,763 *90,127,938	0.168 *2.635	5,986,496	0.175	BA, National Taiwan University MBA, Stern School, New York University Chairman, Fubon Securities Co., Ltd. Chairman, Fubon Life Insurance Co., Ltd.	Vice Chairman, Fubon Financial Holding Co., Ltd. Vice Chairman, Taipei Fubon Commercial Bank Co., Ltd. Chairman, Taiwan Fixed Network Co., Ltd.	Vice Chairman	Daniel Tsai	Brother
Vice Chairman	Fu-Chi Venture Corp. Representative: Daniel Tsai	2011.06.15	2014.06.14	6,387,515	0.168	5,748,763 *91,979,990	0.168 *2.689	4,580,070	0.134	LL.B., National Taiwan University LL.M., Georgetown University Chairman, Fubon Insurance Co., Ltd. Chairman, Fubon Land Development Co., Ltd.	Chairman, Fubon Financial Holding Co., Ltd. Chairman, Taipei Fubon Commercial Bank Co., Ltd.	Chairman	Richard Tsai	Brother
Director	TCC Investment Co., Ltd. Representative: Benny Chen (Note 1)	2011.06.15	2014.06.14	222,774,179	5.861	200,496,761 *None	5.861 *None	-	-	BA, Business Administration, National Taiwan University MBA, Southern Illinois University Senior Vice President, McDonald's Corp., Taiwan Chief Strategy Officer and Chief Marketing Officer, Far EasTone Telecommunications Co., Ltd. Deputy President, Consumer Financial Services, Chinatrust Financial Holding Co., Ltd. General Manager, Retail Banking Group, Chinatrust Commercial Bank Country Business Manager, Citibank, China Senior Vice President and Chief Business Officer, Taiwan Mobile Co., Ltd. Chairman, Fubon Securities Co., Ltd. Senior Executive VP, Fubon Financial Holding Co., Ltd.	Senior Adviser, Fubon Financial Holding Co., Ltd.	-	-	-
Director	TCC Investment Co., Ltd. Representative: James Jeng (Note 2)	2011.06.15	2014.06.14	222,774,179	5.861	200,496,761 *None	5.861 *None	-	-	BSEE, National Cheng Kung University Ph.D. and MS in Electrical and Computer Engineering, New York State University, USA Member of Technical Staff, AT&T Bell Labs, USA EVP, United Fiber Optic Communication Inc. CEO, Asia Pacific Telecom Group CEO, Asia Pacific Broadband and Wireless Communications Inc. CEO, Asia Pacific Broadband Telecom President, Asia Pacific Online CTO and HBG COO, Taiwan Mobile Co., Ltd. Chairman and CEO, Kbro Co., Ltd.	President, Taiwan Mobile Co., Ltd. Director, Taipei New Horizon Co., Ltd. Director and President, Taiwan Cellular Co., Ltd. Director and President, Taiwan Fixed Network Co., Ltd. Chairman and President, Taiwan Digital Service Co., Ltd. Director and President, Wealth Media Technology Co., Ltd. Director and President, TFN Media Co., Ltd. Chairman, Win TV Broadcasting Co., Ltd. Chairman, Globalview Cable TV Co., Ltd. Chairman, Union Cable TV Co., Ltd. Chairman, Yeong Jia Leh Cable TV Co., Ltd. Chairman, Phoenix Cable TV Co., Ltd. Chairman, Taiwan Kuro Times Co., Ltd. Chairman, Taiwan Teleservices & Technologies Co., Ltd. Chairman and President, TWM Communications (Beijing) Co., Ltd. Director, Fubon Multimedia Technology Co., Ltd.	-	-	-

Title	Name	Date elected	Term expires	Shareholding when elected		Current shareholding		Spouse/minor's shareholdings		Education and experience	Current position(s) in the Company and other companies	Officer or director is a spouse or consanguineous within two degrees		
				Shares	%	Shares	%	Shares	%			Title	Name	Relationship
Director	Fu-Chi Venture Corp. Representative: Vivien Hsu (Note 3)	2011.06.15	2014.06.14	6,387,515	0.168	5,748,763 *8,377	0.168 *0.000	-	-	MBA, University of New South Wales, Sydney, Australia MBA, National Chengchi University CFO, Cathay Financial Holding Co., Ltd. SVP and Chief of Staff, Taiwan Mobile Co., Ltd. Chairman, Taiwan Tele-Shop Co., Ltd. Senior Consultant & Acting President, Taiwan Fixed Network Co., Ltd. Chairman, Win TV Broadcasting Co., Ltd. SVP and CFO, Taiwan Mobile Co., Ltd. Co-President, Taiwan Mobile Co., Ltd.	President, Fubon Financial Holding Co., Ltd. Director, Fubon Bank (China) Co., Ltd. Non-Executive Director, Fubon Bank (Hong Kong) Ltd. Director, Social Enterprise Commitment Foundation Supervisor, Commerce Development Research Institute	-	-	-
Independent Director	Jack J.T. Huang	2011.06.15	2014.06.14	-	-	-	-	-	-	LL.B., National Taiwan University LL.M., Northwestern University S.J.D., Harvard University	Partner-in-charge, Jones Day Taipei Independent Director, World Peace Holding Independent Director, Systex Corp. Director, Yulon Motor Co., Ltd.	-	-	-
Independent Director	Tsung-Ming Chung	2011.06.15	2014.06.14	-	-	-	-	-	-	BBA, National Taiwan University MBA, National Chengchi University CPA, ROC CPA, Connecticut, USA Partner, T.N. Soong & Co., CPAs Lecturer, Department of Accounting, National Chengchi University Lecturer, Department of Accounting, National Taiwan University	Chairman, Dynapack Technology Corp. Independent Director, Chroma ATE Inc. Director, Far Eastern International Commercial Bank Director, Unity Opto Technology Co., Ltd. Supervisor, Chien Kuo Construction Co., Ltd.	-	-	-
Independent Director	Wen-Li Yeh	2011.06.15	2014.06.14	-	-	-	-	-	-	Department of Architecture, Chung Yuan Christian University MA and Ph.D. candidate, University of Paris EMBA studies, University of California, Berkeley Planner, Department of Housing and Urban Development under the Cabinet's Council for Economic Planning and Development Managing Director, United Pacific International Inc. President, United Communications Managing Director and Vice Chairman, United Advertising Co., Ltd. Chairman, Carat-United Media Services (Taiwan) Ltd. Chairman, Aegis Media Taiwan	Chairman, Aegis Media Greater China Supervisor, Cheng Sheng Broadcasting Corp.	-	-	-
Independent Director	J. Carl Hsu	2011.06.15	2014.06.14	-	-	-	-	-	-	BSEE, National Taiwan University Ph.D. and MS in Computer Science, University of California, Los Angeles Senior Executive, AT&T, Bell Labs and Lucent Technologies Communications Software Group Professor, National Tsing Hua University in Taiwan, Peking University and others	Professor, Peking University and other universities Board member of Rogers Corp., USA	-	-	-

* Personal shareholdings

Note 1: TCC Investment Co., Ltd. appointed Benny Chen as its representative, taking over Vivien Hsu's duties on October 1, 2013. Benny Chen had served as a representative of an institutional director of TWM from August 26, 2007 to September 18, 2009.

Note 2: TCC Investment Co., Ltd. appointed James Jeng as its representative, taking over Cliff Lai's duties on January 6, 2014.

Note 3: Fu-Chi Venture Corp. appointed Vivien Hsu as its representative, taking over Victor Kung's duties on October 1, 2013.

Note 4: Shareholdings of less than 0.001 are denoted as "0.000" and zero shareholdings are denoted as "None".

1. Major shareholders of TWM's institutional investors

As of March 20, 2014

Institutional investor	Major shareholders
Fu-Chi Venture Corp.	Richard Tsai (50.20%), Mei-Hui Ueng Tsai (49.75%), Cheng Ru Tsai (0.05%)
TCC Investment Co., Ltd.	Taiwan Cellular Co., Ltd. (100%)

2. Major shareholders of companies mentioned on the right hand side of the table above

As of March 20, 2014

Company	Major shareholders
Taiwan Cellular Co., Ltd.	Taiwan Mobile Co., Ltd. (100%)

3. Qualifications and independence of directors

As of March 20, 2013

Name	Over five years of experience in business, finance, legal and/or other areas related to the Company's business	Independence criteria (Notes)										No. of public companies in which he or she also serves as an independent director
		1	2	3	4	5	6	7	8	9	10	
Richard Tsai	V						V	V		V		0
Daniel Tsai	V						V	V		V		0
Benny Chen	V			V	V		V	V	V	V		0
James Jeng	V			V	V		V	V	V	V		0
Vivien Hsu	V			V	V		V	V	V	V		0
Jack J.T. Huang	V	V	V	V	V	V	V	V	V	V	V	2
Tsung-Ming Chung	V	V	V	V	V	V	V	V	V	V	V	1
Wen-Li Yeh	V	V	V	V	V	V	V	V	V	V	V	0
J. Carl Hsu	V	V	V	V	V	V	V	V	V	V	V	0

"V" denotes meeting the conditions specified above

Criterion 1: Not an employee of the Company or its affiliated companies

Criterion 2: Not a director or supervisor of the Company's affiliated companies (unless the person is an independent director of the Company, the Company's parent company or any subsidiary in which the Company holds, directly or indirectly, more than 50 percent of the voting shares)

Criterion 3: Not a shareholder whose total holdings, including that of his/her spouse and minor children, or shares held under others' names reach or exceed 1 percent of the total outstanding shares of the Company or rank among the top 10 individual shareholders

Criterion 4: Not a spouse or relative within second degree by affinity, or within five degrees by consanguinity to any person specified in criteria 1 to 3

Criterion 5: Neither a director, supervisor, or employee of an entity that directly and/or indirectly holds more than 5% of the Company's shares, nor one of the Company's top five shareholders

Criterion 6: Not a director, supervisor, manager, or shareholder owning more than 5% of the outstanding shares of any company that has financial or business relations with the Company

Criterion 7: Not an owner, partner, director, supervisor, manager, or spouse of any of the aforementioned, of any sole proprietorship, partnership, company, or institution that provides commercial, legal, financial and accounting services or consultation to the Company or its affiliates. However, members of the Compensation Committee are not covered by this restriction per Article 7 of the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter

Criterion 8: Not a spouse or relative within second degree by affinity to other directors

Criterion 9: Not in contravention of Article 30 of the Company Act

Criterion 10: Not an institutional shareholder or its representative pursuant to Article 27 of the Company Act

Management Team

As of March 20, 2013

Title / Division	Name	Effective date	Shareholding / %	Spouse/ minor's shareholding / %	Education and experience	Current position(s) in other companies	Manager or director is a spouse or consanguineous within two degrees		
							Title	Name	Relationship
President/ President's Office	James Jeng	2014.01.06	-	-	BSEE, National Cheng Kung University Ph.D. and MS in Electrical and Computer Engineering, New York State University, USA Member of Technical Staff, AT&T Bell Lab, USA EVP, United Fiber Optic Communication Inc. CEO, Asia Pacific Telecom Group CEO, Asia Pacific Broadband and Wireless Communications Inc. CEO, Asia Pacific Broadband Telecom President, Asia Pacific Online CTO and HBG COO, Taiwan Mobile Co., Ltd. Chairman and CEO, Kbro Co., Ltd.	Director, Taipei New Horizon Co., Ltd. Director and President, Taiwan Cellular Co., Ltd. Director and President, Taiwan Fixed Network Co., Ltd. Chairman and President, Taiwan Digital Service Co., Ltd. Director and President, Wealth Media Technology Co., Ltd. Director and President, TFN Media Co., Ltd. Chairman, Win TV Broadcasting Co., Ltd. Chairman, Globalview Cable TV Co., Ltd. Chairman, Union Cable TV Co., Ltd. Chairman, Yeong Jia Leh Cable TV Co., Ltd. Chairman, Phoenix Cable TV Co., Ltd. Chairman, Taiwan Kuro Times Co., Ltd. Chairman, Taiwan Teleservices & Technologies Co., Ltd. Chairman and President, TWM Communications (Beijing) Co., Ltd. Director, Fubon Multimedia Technology Co., Ltd.	-	-	-

Title / Division	Name	Effective date	Shareholding / %	Spouse/ minor's shareholding / %	Education and experience	Current position(s) in other companies	Manager or director is a spouse or consanguineous within two degrees		
							Title	Name	Relationship
Senior Vice President and Chief Financial Officer / Finance and Administration Group	Rosie Yu	2011.01.01	-	-	BA, National Taiwan University Executive Vice President, China Securities Co., Ltd. General Manager, Citicorp International Securities Ltd., Taipei Branch General Manager, Credit Lyonnais Securities (Asia) Ltd., Taipei Branch President, Global Investment Holdings Co., Ltd. Chairman, Global Investment Advisory (HK) Ltd.	Director, Globalview Cable TV Co., Ltd. Director, Union Cable TV Co., Ltd. Director, Yeong Jia Leh Cable TV Co., Ltd. Director, Phoenix Cable TV Co., Ltd. Director, Taiwan Kuro Times Co., Ltd. Director, Taiwan Pelican Express Co., Ltd. Supervisor, Taiwan Cellular Co., Ltd. Supervisor, Taiwan Fixed Network Co., Ltd. Supervisor, Taiwan Digital Service Co., Ltd. Supervisor, Wealth Media Technology Co. Ltd. Supervisor, Win TV Broadcasting Co., Ltd. Supervisor, Taiwan Teleservices & Technologies Co., Ltd. Supervisor, TWM Communications (Beijing) Co., Ltd.	-	-	-
Vice President / Finance and Administration Group	Jay Hong	2004.05.06	5,000/0.000	-	EMBA, National Sun Yat-sen University Engineering Supervisor, Engineering Division, Nan Ya Plastics Corp. Director, Procurement Division, TransAsia Telecommunications Inc. Vice President, Customer Service Division, TransAsia Telecommunications Inc. Vice President, Direct Store Division, Taiwan Mobile Co., Ltd. President, Taiwan Teleservices & Technologies Co., Ltd. Vice President, President's Office, Taiwan Mobile Co., Ltd.	Supervisor, Globalview Cable TV Co., Ltd. Supervisor, Union Cable TV Co., Ltd. Supervisor, Yeong Jia Leh Cable TV Co., Ltd. Supervisor, Phoenix Cable TV Co., Ltd.	-	-	-

Title / Division	Name	Effective date	Shareholding / %	Spouse/ minor's shareholding / %	Education and experience	Current position(s) in other companies	Manager or director is a spouse or consanguineous within two degrees		
							Title	Name	Relationship
Vice President / Corporate Group	Ariel Hwang	2004.03.01	-	-	EMBA, National Taiwan University LL.M., National Chung Hsing University LL.B., National Taiwan University Judge, Taiwan Taoyuan District Court Judge, Taiwan New Taipei District Court Judge, Taiwan Taipei District Court Judge, Taiwan High Court	Supervisor, Taipei New Horizon Co., Ltd. Supervisor, Globalview Cable TV Co., Ltd. Supervisor, Union Cable TV Co., Ltd. Supervisor, Yeong Jia Leh Cable TV Co., Ltd. Supervisor, Phoenix Cable TV Co., Ltd. Legal Consultant, Fubon Financial Holding Co., Ltd. Legal Consultant, Taiwan Fixed Network Co., Ltd. Independent Director, Tynsolar Corp.	-	-	-
Vice President / Corporate Group	Joseph Yang	2007.11.09	-	-	BS in Transportation Management, National Chiao Tung University Advisory Systems Engineer, IBM Taiwan Technical Manager, Central and South Branch, IBM Taiwan Solutions Director, Finance Industry, IBM Taiwan Sales Director, Finance Industry, IBM Taiwan Vice President for Sales, Eastern Broadband Telecom Chief Operating Officer, Eastern Broadband Telecom Senior Vice President, Asia Pacific Telecom Group Chief Marketing Officer, Asia Pacific Telecom Group Product Director, Asia Region, HTC Corp.	None	-	-	

Title / Division	Name	Effective date	Shareholding / %	Spouse/ minor's shareholding / %	Education and experience	Current position(s) in other companies	Manager or director is a spouse or consanguineous within two degrees		
							Title	Name	Relationship
Vice President / Information Technology Group	James Chang	2004.09.17	163,084/0.005	-	MS in Computer Science, University of Illinois at Chicago District Manager, AT&T Laboratories Senior Delivery Manager, IBM Global Services Senior Director, TBCommerce Network Corp. Director, AT&T Laboratories	None	-	-	-
Acting Chief Technology Officer / Technology Group	CH Jih	2014.02.10	-	-	Electronic Engineering, National Taipei Industry of Technology Institute Project Manager, Siemens Telecom, Vietnam Region Vice President, Suretone Telecom Inc. Engineering Vice President, Taiwan Cellular Corp. Vice President, Taiwan Fixed Network Co., Ltd. Vice President, TFN Media Co., Ltd. Chief Technology Officer, Kbro Co., Ltd.	Director, Globalview Cable TV Co., Ltd. Director, Union Cable TV Co., Ltd. Director, Yeong Jia Leh Cable TV Co., Ltd. Director, Phoenix Cable TV Co., Ltd. Director, TWM Communications (Beijing) Co., Ltd. Director, Taiwan Mobile Basketball Co., Ltd. Independent Director, ACTi Corp. Supervisor, Taiwan Kuro Times Co., Ltd.	-	-	-
Vice President / Technology Group	Egon Chen	2004.02.16	55,158/0.002	-	BS in Electrical Engineering, Tamkang University Director, Suretone Telecom Inc. Senior Director, Taiwan Fixed Network Co., Ltd. Vice President, Howin Technologies Corp.	None	-	-	-
Vice President / Technology Group	Chien Chen	2004.02.16	-	-	EMBA, National Taiwan University Manager, Siemens Telecom Systems Ltd. Director, Suretone Telecom Inc. Vice President, Taiwan Fixed Network Co., Ltd. Vice President, Howin Technologies Corp.	None	-	-	-

Title / Division	Name	Effective date	Shareholding / %	Spouse/ minor's shareholding / %	Education and experience	Current position(s) in other companies	Manager or director is a spouse or consanguineous within two degrees		
							Title	Name	Relationship
Vice President / Technology Group	Tom Koh	2011.10.17	-	-	Ph.D. in Electrical and Computer Engineering, Johns Hopkins University Member of Tech. Staff, Bellcore Senior Technologist, Motorola Senior Sales Engineer, Ensemble Communications Senior Technical Marketing Engineer, Cisco-Linksys Senior Director, Qualcomm	None	-	-	-
Acting Senior Vice President and Chief Business Officer / Consumer Business Group	Jeff Ku	2014.02.10	2,243/0.000	-	EMBA, National Taiwan University MBA, University of Wollongong, Australia Director, Far EasTone Telecommunications Co., Ltd. Vice President, Taiwan High Speed Rail Corp.	Director and President, Taiwan Kuro Times Co., Ltd. Director, TWM Communications (Beijing) Co., Ltd.	-	-	-
Vice President / Consumer Business Group	Sean Hsieh	2003.12.08	151,396/0.004	-	BS in Business Administration and Sociology, Fu Jen Catholic University University of Texas, Austin Account Supervisor, Bozell CCAA Group Account Director, Series DMB&B Communications Marketing and Sales Manager, PUMA North Asia Ltd., Taiwan Branch Marketing Director, TransAsia Telecommunications Inc. Vice President, TransAsia Telecommunications Inc. Vice President, Enterprise Solution and Channel Sales, Taiwan Mobile Co., Ltd.	None	-	-	-

Title / Division	Name	Effective date	Shareholding / %	Spouse/ minor's shareholding / %	Education and experience	Current position(s) in other companies	Manager or director is a spouse or consanguineous within two degrees		
							Title	Name	Relationship
Vice President / Consumer Business Group	Paul Huang	2008.01.21	199,338/0.006	-	MS in Computer Science, Bradley University, USA Supervisor, Siemens Telecommunication Systems Ltd. Account and Project Manager, Nortel, Taiwan Branch Vice President, Business Development, Hong Kong Telecom, Taiwan Branch Vice President, Sales and Services, Far EasTone Telecommunications Co., Ltd. Vice President, Business and Operation, Far Eastern Electronic Toll Collection Co., Ltd.	None	-	-	-
Vice President / Consumer Business Group	Steve Chou	2011.04.25	-	-	MBA, Southern Methodist University, USA Assistant Vice President, Credit Card, Citibank, N.A., Taiwan Vice President, Customer Service, TransAsia Telecommunications Inc. Vice President, Customer Service, Sparq Telecom General Manager, Secured Lending, Standard Chartered Bank, Taiwan Senior Vice President, Customer Service, HSBC Bank Taiwan	Director and President, Taiwan Teleservices & Technologies Co., Ltd.	-	-	-

Note: Shareholdings of less than 0.001 are denoted as "0.000" and zero shareholdings are denoted as "None".

Compensation to directors and management executives

1. Compensation to directors

Unit: NT\$

Title		Chairman	Vice Chairman	Director	Director	Director	
Name		Fu-Chi Venture Corp.	Fu-Chi Venture Corp.	TCC Investment Co., Ltd.	TCC Investment Co., Ltd.	Fu-Chi Venture Corp.	
Representative		Richard Tsai	Daniel Tsai	Benny Chen (Note 1)	James Jeng (Note 2)	Vivien Hsu (Note 3)	
Director's compensation	Cash compensation (A)	Stand-alone	-	-	-	-	
		Consolidated	-	-	-	-	
	Pension (B)	Stand-alone	-	-	-	-	
		Consolidated	-	-	-	-	
	Earnings paid as compensation to directors (C)	Stand-alone	6,732,048	5,049,037	3,366,025	3,366,025	3,366,025
		Consolidated	6,732,048	5,049,037	3,366,025	3,366,025	3,366,025
	Professional fee (D) (Note 4)	Stand-alone	180,000	120,000	120,000	120,000	120,000
		Consolidated	285,000	213,000	517,000	516,000	120,000
A+B+C+D as a % of net profit		Stand-alone	0.0444%	0.0332%	0.0224%	0.0224%	
		Consolidated	0.0450%	0.0338%	0.0249%	0.0224%	
Employee profit sharing	Performance-based salary (E)	Stand-alone					
		Consolidated					
	Retirement pay of employees (F)	Stand-alone					
		Consolidated					
	Earnings paid as bonus to employees (G)	Stand-alone	Cash bonus				
			Stock bonus				
		Consolidated	Cash bonus				
			Stock bonus				
	Employee stock option granted (H)	Stand-alone					
		Consolidated					
New restricted employee shares (I)	Stand-alone						
	Consolidated						
A+B+C+D+E+F+G as a % of net profit		Stand-alone					
		Consolidated					
Compensation from investees other than subsidiaries		-	-	12,000	12,000	-	
Other allowances		Stand-alone					
		Consolidated					

Unit: NT\$

Title		Independent Director	Independent Director	Independent Director	Independent Director	Total		
Name		Jack J.T. Huang	Tsung-Ming Chung	Wen-Li Yeh	J. Carl Hsu			
Representative								
Director's compensation	Cash compensation (A)	Stand-alone	-	-	-	-		
		Consolidated	-	-	-	-		
	Pension (B)	Stand-alone	-	-	-	-		
		Consolidated	-	-	-	-		
	Earnings paid as compensation to directors (C)	Stand-alone	5,049,037	5,049,037	5,049,037	5,049,037	42,075,308	
		Consolidated	5,049,037	5,049,037	5,049,037	5,049,037	42,075,308	
Professional fee (D)	Stand-alone	290,000	330,000	220,000	220,000	1,720,000		
	Consolidated	290,000	330,000	220,000	220,000	2,711,000		
A+B+C+D as a % of net profit		Stand-alone	0.0343%	0.0345%	0.0338%	0.0338%	0.2810%	
		Consolidated	0.0343%	0.0345%	0.0338%	0.0338%	0.2874%	
Employee profit sharing	Performance-based salary (E)	Stand-alone					87,781,308	
		Consolidated					87,781,308	
	Retirement pay of employees (F)	Stand-alone					189,000	
		Consolidated					189,000	
	Earnings paid as bonus to employees (G)	Stand-alone	Cash bonus					-
			Stock bonus					-
		Consolidated	Cash bonus					-
			Stock bonus					-
	Employee stock option granted (H)	Stand-alone					-	
		Consolidated					-	
New restricted employee shares (I)	Stand-alone					-		
	Consolidated					-		
A+B+C+D+E+F+G as a % of net profit		Stand-alone					0.8455%	
		Consolidated					0.8519%	
Compensation from investees other than subsidiaries		-	-	-	-	24,000		
Other allowances		Stand-alone					1,709,381	
		Consolidated					1,709,381	

Note 1: TCC Investment Co., Ltd. appointed Benny Chen as its representative, taking over Vivien Hsu's duties on October 1, 2013.

Note 2: TCC Investment Co., Ltd. appointed James Jeng as its representative, taking over Cliff Lai's duties on January 6, 2014.

Note 3: Fu-Chi Venture Corp. appointed Vivien Hsu as its representative, taking over Victor Kung's duties on October 1, 2013.

Note 4: The professional fees included fees paid to the current and previous representatives mentioned in Notes 1 to 3.

2. Range of compensation to directors

Range of compensation to directors	Name of directors			
	Director's compensation		Director's compensation + employee profit sharing	
	On a stand-alone basis	On a consolidated basis*	On a stand-alone basis	On a consolidated basis*
NT\$0~NT\$1,999,999	Richard Tsai, Daniel Tsai, Victor Kung, Cliff Lai, Vivien Hsu, Benny Chen	Richard Tsai, Daniel Tsai, Victor Kung, Cliff Lai, Vivien Hsu, Benny Chen	Victor Kung	Victor Kung,
NT\$2,000,000~NT\$4,999,999	-	-	Benny Chen	Benny Chen
NT\$5,000,000~NT\$9,999,999	Jack J.T.Huang, Tsung-Ming Chung, Wen-Li Yeh, J. Carl Hsu ,TCC Investment Co., Ltd.	Jack J.T.Huang, Tsung-Ming Chung, Wen-Li Yeh, J. Carl Hsu ,TCC Investment Co., Ltd.	Jack J.T.Huang, Tsung-Ming Chung, Wen-Li Yeh, J. Carl Hsu ,TCC Investment Co., Ltd.	Jack J.T.Huang, Tsung-Ming Chung, Wen-Li Yeh, J. Carl Hsu ,TCC Investment Co., Ltd.
NT\$10,000,000~NT\$14,999,999	-	-	Cliff Lai	-
NT\$15,000,000~NT\$29,999,999	Fu-Chi Venture Corp.	Fu-Chi Venture Corp.	Richard Tsai, Daniel Tsai, Vivien Hsu, Fu-Chi Venture Corp.	Richard Tsai, Daniel Tsai, Cliff Lai, Vivien Hsu, Fu-Chi Venture Corp.
NT\$30,000,000~NT\$49,999,999	-	-	-	-
NT\$50,000,000~NT\$99,999,999	-	-	-	-
NT\$100,000,000 and above	-	-	-	-
Total	12	12	12	12

* Including compensation from investees other than subsidiaries

3. Compensation to management executives

Unit: NT\$

Title and name	Senior Vice President and Chief Financial Officer, Rosie Yu; Acting Senior Vice President and Chief Business Officer, Jeff Ku; Vice President, Jay Hong; Vice President, Ariel Hwang; Vice President, Joseph Yang; Vice President, James Chang; Vice President, Egon Chen; Vice President, Chien Chen; Vice President, Tom Koh; Vice President, Sean Hsieh; Vice President, Paul Huang; Vice President, Steve Chou; <u>Resigned managers:</u> Co-President, Cliff Lai; Co-President, Vivien Hsu; Vice President and Acting Chief Technology Officer, H.S. Wang; Vice President, C.A. Chuang ; Vice President, Simon Wang; Vice President, Tech Juan	Total	
Salary (A)	Stand-alone	116,921,871	
	Consolidated	116,921,871	
Pension (B) (Note 1)	Stand-alone	1,593,000	
	Consolidated	1,593,000	
Performance-based salary (C)	Stand-alone	44,862,428	
	Consolidated	44,862,428	
Employee profit sharing (D)	Stand-alone	Cash	22,463,883
		Stock	—
	Consolidated	Cash	22,463,883
		Stock	—
A+B+C+D as a % of net profit	Stand-alone	1.1926%	
	Consolidated	1.1926%	
Employee stock options	Stand-alone	—	
	Consolidated	—	
New restricted employee shares	Stand-alone	—	
	Consolidated	—	
Compensation from investees other than subsidiaries		63,000	
Transportation allowance	Stand-alone	2,187,617	
	Consolidated	2,187,617	

Note 1: The Company's contribution to employee's pension account, not actual amount paid.

4. Range of compensation to management executives

Range of compensation to executives	Name of management executives	
	On a stand-alone basis	On a consolidated basis*
NT\$0~NT\$1,999,999	-	-
NT\$2,000,000~NT\$4,999,999	-	-
NT\$5,000,000~NT\$9,999,999	Jeff Ku, H.S. Wang, Jay Hong, Ariel Hwang, Joseph Yang, Egon Chen, Chien Chen, Tom Koh, Sean Hsieh, Paul Huang, Steve Chou, Tech Juan	Jeff Ku, H.S. Wang, Jay Hong, Ariel Hwang, Joseph Yang, Egon Chen, Chien Chen, Tom Koh, Sean Hsieh, Paul Huang, Steve Chou, Tech Juan
NT\$10,000,000~NT\$14,999,999	Cliff Lai, Rosie Yu, James Chang, C.A. Chuang, Simon Wang	Cliff Lai, Rosie Yu, James Chang, C.A. Chuang, Simon Wang
NT\$15,000,000~NT\$29,999,999	Vivien Hsu	Vivien Hsu
NT\$30,000,000~NT\$49,999,999	-	-
NT\$50,000,000~NT\$99,999,999	-	-
NT\$100,000,000 and above	-	-
Total	18	18

Note: Compensation paid to managers in the above table was based on tenure. Compensation paid to managers who also served as directors is detailed in the "Compensation to directors" table.

* Including compensation from investees other than subsidiaries

5. Managers and employee bonuses

Unit: NT\$
As of March 20, 2014

Title and name of managers	Stock bonus	Cash bonus	Total	As a % of net profit
Senior Vice President and Chief Financial Officer, Rosie Yu Acting Senior Vice President and Chief Business Officer, Jeff Ku Vice President, Jay Hong Vice President, Ariel Hwang Vice President, Joseph Yang Vice President, James Chang Vice President, Egon Chen Vice President, Chien Chen Vice President, Tom Koh Vice President, Sean Hsieh Vice President, Paul Huang Vice President, Steve Chou Senior Director, Accounting Division, Darren Shih	-	23,802,376	23,802,376	0.1527%

Compensation to directors and management executives as a percentage of net income over the past two years and guiding principles

1. Compensation to directors

Unit: NT\$

Type	Year	Compensation to directors	As a % of net income	Net income
On a stand-alone basis	2012	123,899,392	0.7589%	16,326,013,098
	2013	131,765,616	0.8455%	15,583,447,479
On a consolidated basis*	2012	124,955,392	0.7654%	16,326,013,098
	2013	132,780,616	0.8521%	15,583,447,479

* Including compensation from investees other than subsidiaries

Guiding principles for compensation to directors

Remuneration policies, standards and package

- (1) The board is authorized to decide the remuneration for the chairman and vice chairman, but it should not be higher than the remuneration payable to the president of the Company.
- (2) Directors are paid according to the resolution on earnings distribution approved at the annual general shareholders' meeting. Remuneration or other equivalent allowance for directors is based on their involvement in the Company's operations and contribution to the Company, the "Rules for Setting Director's Remuneration" and industry norms.
- (3) Transportation allowances are paid quarterly based on attendance in board meetings and for services rendered as the chairman or a member of the Audit Committee and Compensation Committee.

Procedure for setting remuneration

- (1) In accordance with the Company's Articles of Incorporation, compensation to directors shall not exceed 0.3% of the Company's annual net income after deducting applicable taxes and losses from previous years, appropriating legal reserves, and setting aside or reversal of special reserves for business needs.
- (2) Transportation allowances are determined in accordance with the "Rules for Setting Director's Remuneration."

Performance factor

Compensation to each director is assessed based on his/her contribution to the operations of the Company and the board. The Compensation Committee reviews the compensation mechanism periodically, taking future operating risks, environmental conservation and corporate social responsibility into consideration.

2. Compensation to management executives

Unit: NT\$

Type	Year	Compensation to management executives	As a % of net profit	Net profit
On a stand-alone basis	2012	179,660,213	1.1005%	16,326,013,098
	2013	185,841,182	1.1926%	15,583,447,479
On a consolidated basis*	2012	179,763,813	1.1011%	16,326,013,098
	2013	185,904,182	1.1930%	15,583,447,479

* Including compensation from investees other than subsidiaries

Guiding principles for compensation to management executives

Remuneration policies, standards and package

- (1) Compensation to the president and vice presidents comprises of a fixed monthly salary and performance bonus.
- (2) Performance bonuses are determined based on the president's or the vice president's contribution to the Company and the results of an annual performance appraisal. The above-mentioned bonuses are proposed by the Compensation Committee for approval at the board meeting.

Procedure for setting performance bonus

- (1) In accordance with the Company's Articles of Incorporation, employee profit sharing comes from the pool of 1% to 3% of the Company's annual net income after deducting applicable taxes and losses from previous years, appropriating legal reserves, and setting aside or reversal of special reserves for business needs.
- (2) Year-end bonuses are set based on the Company's performance and the annual budget approved by the board and the chairman.

Performance factor

- (1) Variable compensations in the form of employee profit sharing and performance-based bonuses account for approximately 50% of the remuneration and are determined based on the president's or vice president's contribution to the Company's operations. The Company shall review the compensation mechanism periodically, taking future operating risks, environmental conservation, and corporate social responsibility into consideration.
- (2) The Human Resources Department is tasked with preparing the annual compensation for the president and vice presidents and submitting a report to the Compensation Committee.

Corporate Governance

Board of Directors attendance

1. The Board of Directors convened six times in 2013

Title	Name	Attendance in person	By proxy	Attendance ratio	Remarks
Chairman	Fu-Chi Venture Corp. Representative: Richard Tsai	6	0	100%	None
Vice Chairman	Fu-Chi Venture Corp. Representative: Daniel Tsai	6	0	100%	None
Director	TCC Investment Co., Ltd. Representative: Vivien Hsu / Benny Chen	6	0	100%	Benny Chen took over Vivien Hsu's duties on October 1, 2013. Mr. Chen and Ms. Hsu each attended three board meetings during their tenure.
Director	TCC Investment Co., Ltd. Representative: Cliff Lai	6	0	100%	Cliff Lai resigned as representative on January 6, 2014. James Jeng has been appointed to take over the position in 2014.
Director	Fu-Chi Venture Corp. Representative: Victor Kung / Vivien Hsu	6	0	100%	Vivien Hsu took over Victor Kung's duties on October 1, 2013. Ms. Hsu and Mr. Kung each attended three board meetings during their tenure.
Independent Director	Jack J.T. Huang	5	1	83%	None
Independent Director	Tsung-Ming Chung	6	0	100%	None
Independent Director	Wen-Li Yeh	5	1	83%	None
Independent Director	J. Carl Hsu	4	2	67%	None

2. Any objections or issues raised by independent directors against resolutions passed by the Board of Directors pursuant to Article 14-3 of the Securities and Exchange Act: None

3. Any conflict of interests among directors: None

4. Other BOD objectives:

- (1) Performance evaluation and enhancement: The board approved the "Rules and Procedures Governing Board of Directors' Meetings," which were modeled after the "Regulations Governing Procedures for Meetings of Listed Companies' Board of Directors." It also passed the "Rules and Procedures on Evaluating Board of Directors' Performance" to enhance efficiency, under which the Compensation Committee would evaluate the board's performance and submit a report on proposed improvements to the board. All members participated in a self-evaluation of individual performances for 2013 during the 17th meeting of the sixth board of directors on January 28, 2014.
- (2) Training programs for directors: Since 2008, the Company has conducted annual in-house seminars to facilitate interaction between the lecturer and directors and to meet the required training hours.
- (3) Information transparency: Committed to upholding transparency in operations and protecting shareholders' interests, the Company regularly discloses resolutions by the Board of Directors in a timely and consistent manner. In addition, the Company holds institutional investors' conferences on a quarterly basis.
- (4) Liability insurance: The Company purchases annual liability insurance for its directors and managers to cover risks as they carry out their duties.

Audit Committee attendance

The Audit Committee was set up in June 2008 to replace board supervisors, pursuant to provisions in the Securities and Exchange Act. The committee's operation is bound by the "Audit Committee Charter" and its main responsibility is to assist the board in overseeing the following:

- (1) Integrity of the Company's financial statements
- (2) Independent auditors' appointment (termination) and integrity/performance
- (3) Internal risk controls
- (4) Company's compliance with legal and regulatory requirements
- (5) Company's existing and potential risks

1. The Audit Committee convened six times in 2013

Title	Name	Attendance in person	By proxy	Attendance ratio	Remarks
Independent Director	Tsung-Ming Chung	6	0	100%	Appointed committee chairman
Independent Director	Jack J.T. Huang	6	0	100%	
Independent Director	Wen-Li Yeh	5	1	83%	
Independent Director	J. Carl Hsu	4	2	67%	

2. Any objections or issues raised by the Audit Committee against resolutions, pursuant to Article 14-5 of the Securities and Exchange Act, that were approved by over two-thirds of the directors: None

3. Any conflict of interests among the independent directors: None

4. Communication between independent directors and the Internal Audit Chief Officer and CPAs:

- (1) In addition to presenting monthly reports to the independent directors, the Internal Audit Chief Officer met with the independent directors at the quarterly Audit Committee meetings, bringing communication into full play.
- (2) The CPAs presented audit reports and findings to the independent directors during the committee's quarterly meetings.
- (3) The Internal Audit Chief Officer and CPAs also communicated directly with the independent directors when needed.

Corporate governance practices

Item		Current practice
Shareholding structure and shareholders' interests	Handling of shareholders' suggestions and disputes	The spokesperson or Secretarial Division handles all non-legal issues; the legal division handles all legal issues.
	Identification of major shareholders and investors with controlling interest	The Secretarial Division submits a monthly report listing the shareholdings of directors, managers and major shareholders (over 10% shareholding) to the authorities.
	Risk control mechanisms and firewalls between the Company and its subsidiaries	The Company's internal control system has set up "Rules and Procedures on Conducting Transactions between Group Companies and Related Parties" and "Rules and Procedures on Monitoring Subsidiaries" as risk control mechanisms.
Board of directors and its responsibilities	Independent directors	The Company's board includes four independent directors.
	Periodic review of CPA's independence	<p>The Audit Committee is authorized to evaluate the independence of the CPAs according to the "Bulletin of Norm of Professional Ethics for Certified Public Accountant of the Republic of China" and "Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies" on a quarterly basis based on the following criteria:</p> <ol style="list-style-type: none"> 1. The CPAs neither serve as a director/supervisor /manager nor hold a position with major influence in the Company or its subsidiaries. Neither are they related parties nor do they have direct or indirect interests that conflict with the Company's. 2. The Company has not engaged the services of the same CPA for seven consecutive years. 3. The CPAs should provide the Company with a Declaration of Independence on a periodic basis. <p>All CPAs engaged by the Company have fulfilled the aforementioned criteria.</p>
Communication channels with shareholders		The spokesperson and the mailboxes of the spokesperson and the Audit Committee serve as the main communication channels between the Company and shareholders.
Information disclosure	Disclosure of information on financial status, operations and corporate governance	Disclosure of financial-related and corporate governance information is posted periodically on the Company's website.
	Other ways of disclosing information	Aside from having a spokesperson, the Company has a dedicated department, the Investor Relations Division, to handle information disclosure. It also has an English website and a team working on gathering and releasing relevant Company information.
Functional committees		An Audit Committee and a Compensation Committee were set up under the board of directors. Their operations are detailed in Chapter 2.

Item	Current practice
<p>Has the Company established principles based on the “Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies”? If yes, detail progress of implementation and any deviations:</p> <p>Although the Company has not established said principles, its operations fully comply with the requirements set forth in the “Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies.”</p>	

Additional information

1. Employee rights

The Company’s human resource policies not only comply with, but offer even better provisions than those prescribed under the law, such as the Labor Standards Act, in safeguarding employee rights.

2. Employee care

The Company provides different communication channels to facilitate communication within the Company. These include holding regular employee and managerial meetings to accommodate suggestions for improvement and conducting surveys to collect employees’ views and opinions.

3. Investor relations

The Company posts financial, operational and material information on the Company website and the market observation post system (MOPS) in a timely manner to keep investors abreast of Company developments and strategies and, thus, maximize shareholders’ interests.

4. Supplier relations

The Company holds procurement bids based on the “Procedures Governing Procurement” and suppliers deliver products in accordance with the contract.

5. Stakeholders’ rights

To protect the interests of stakeholders, the Company has established various free and open communication channels to promote trust and corporate social responsibility.

6. Corporate governance related training programs for management in 2013

Training program	Organizer	Date	Hours	Participants
The science of leadership: theories and practices	NTU EMBA	2013/01/02	2	Egon Chen
Negotiation: Collaborative decision making	NTU EMBA	2013/01/05 2013/01/19	8	Egon Chen
Corporate governance and capital market overview in Taiwan	Accounting Research and Development Foundation	2013/01/17	3	Darren Shih
Technology management	NTU EMBA	2013/02/02 ~ 2013/05/25	32	Egon Chen
Crisis management	TWM HR Div.	2013/03/12	4	Cliff Lai*, Jay Hong, Joseph Yang, Egon Chen, Chien Chen, Tom Koh, Steve Chou
How to develop long-term incentive programs for executives	Towers Watson	2013/03/29	4	Cliff Lai*

Training program	Organizer	Date	Hours	Participants
The 4th cross-strait CIO forum	Taiwan CIO magazine	2013/04/19	4	James Chang
Innovative marketing strategies and corporate competitiveness	TWM HR Div.	2013/05/7	2.5	Jeff Ku, Jay Hong, James Chang, Egon Chen, Chien Chen, Tom Koh, Steve Chou
Corporate governance and securities regulation	Taiwan Corporate Governance Association	2013/06/14	3	Rosie Yu
Management case studies: Industry competitive analysis	TWM HR Div.	2013/06/25	7	Vivien Hsu*, Jeff Ku, H.S. Wang*, Joseph Yang, Tom Koh, Paul Huang
Practical rules on "Personal Information Protection Act"	TWM Internal Audit Office	2013/08/27	0.5	Cliff Lai*, Vivien Hsu*, Rosie Yu, Jeff Ku, H.S. Wang*, Jay Hong, Ariel Hwang, Joseph Yang, James Chang, Egon Chen, Chien Chen, Tom Koh, Sean Hsieh, Paul Huang, Steve Chou
The corporate values and innovative approaches of Google	TWM HR Div.	2013/10/30	2	Jeff Ku, H.S. Wang*, James Chang, Tom Koh, Sean Hsieh, Paul Huang, Steve Chou
Information security fundamentals : Information leakage & hacking	TWM Internal Audit Office	2013/11/26	0.5	Cliff Lai*, Rosie Yu, Jeff Ku, H.S. Wang*, Jay Hong, Ariel Hwang, Joseph Yang, James Chang, Egon Chen, Chien Chen, Tom Koh, Sean Hsieh, Paul Huang, Steve Chou
Information security: protecting sensitive data	TWM Internal Audit Office	2013/11/27	0.5	Sean Hsieh

* Has resigned as manager

7. Training programs for directors in 2013

Training program	Organization	Date	Hours	Name
The impact of IFRS on corporate governance	Corporate Governance Association	2013/07/26	3	Richard Tsai, Daniel Tsai, Vivien Hsu, Jack J.T. Huang, Wen-Li Yeh, J. Carl Hsu, Cliff Lai*, Victor Kung*
Financial industry development policy	Corporate Governance Association	2013/12/18	3	Richard Tsai, Daniel Tsai
The responsibility of directors and supervisors in issuing IFRS- compliant financial statements	Corporate Governance Association	2013/01/30	3	Jack J.T. Huang
The legal implications of financial statement fraud	Chinese National Association of Industry and Commerce	2013/10/25	3	Benny Chen
The 9th Taipei corporate governance forum	Financial Supervisory Commission	2013/11/28	3	Tsung-Ming Chung
			6	Cliff Lai*

*Has resigned as director

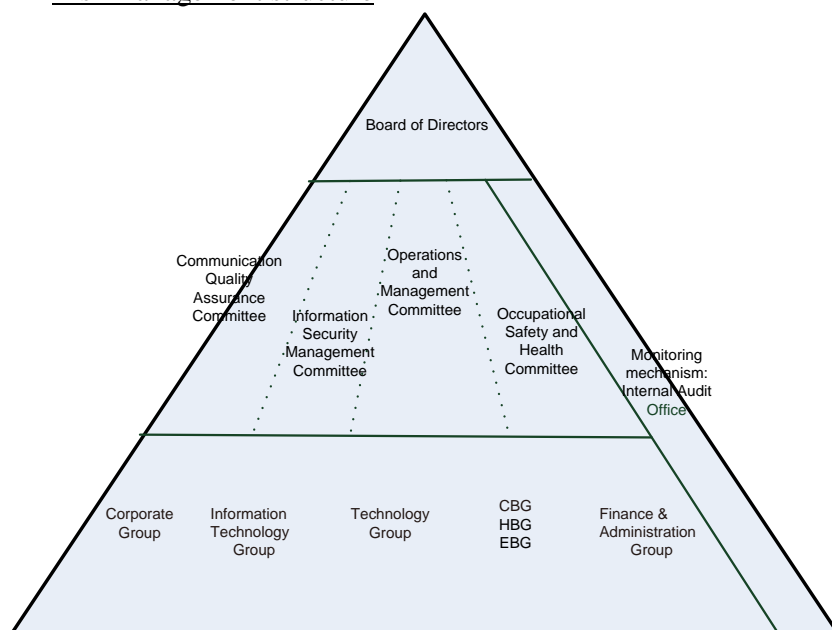
Note: The training hour requirements listed above have been fulfilled.

8. Risk management

Risk management policies

- (1) Promote a risk management-based business model
- (2) Establish a risk management mechanism that can effectively cite, evaluate, supervise and control risk
- (3) Create a company-wide risk management structure that can limit risk to an acceptable level
- (4) Introduce best risk management practices and continue to seek improvements

Risk management structure



The Company's risk management structure is made up of three levels of control mechanism:

(1) Ground

- Risk factors are analyzed and assigned to responsible units to monitor and ensure timely and effective detection.
- Each unit shall ensure, on a daily basis, that risks are kept under acceptable levels. Should there be any changes in condition or other factors, the responsible unit shall report these to the Company for an appropriate course of action.

(2) Middle

- Operations and Management Committee, Occupational Safety and Health Committee, Information Security Management Committee, and Communication Quality Assurance Committee assume responsibility. Presidents and committee heads convene a task force composed of unit chief officers of concerned departments.
- Should any material event or situation arise, the responsible unit shall report it to the Operations and Management Committee or the other three committees to examine the risks and undertake any necessary measures. The functions of the four committees are as follows:
 - Operations and Management Committee: Conduct periodic review of each business group's operating target and performance to meet the Company's guidance and budget.
 - Occupational Safety and Health Committee: Tasked with supervising and reducing potential risks to workers' safety and health.
 - Information Security Management Committee: Supervise important information assets for confidentiality, integrity, availability, and regulatory compliance in order to control and reduce operational risks to an effective and reasonable level.
 - Communication Quality Assurance Committee: Ensure and manage communication quality of the networks.

(3) Top: Board of Directors

- The Board of Directors is responsible for assessing material risks, designating actions to control these risks and keeping track of their execution.

(4) Monitoring mechanism: Internal Audit Office

- The Internal Audit Office regularly monitors and assesses potential and varying levels of risks that the Company 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.

Risk factors and management structure

	Important risk factors	Responsible unit	Examining committee	Decision making and supervision	
1	Operating risk	Technology units / IT units	Operations and Management Committee	The highest decision-making body: Board of Directors	
2	Risks related to information security	Internal Audit Office - Information Security Management Department	Information Security Management Committee		
3	Technology and maintenance risk	President's Office - Communication Quality Assurance Department	Communication Quality Assurance Committee		
4	Market risk A. Competition B. New products C. Channel management D. Inventory management	Marketing units and Business Operations Management units	Operations and Management Committee		
5	Credit and collection risk	Business Operations Management Division and Billing Management Division			
6	Government policies and regulatory compliance	Regulatory and Carrier Relations Division			
7	Corporate image	Public Affairs Division			
8	M&A and investments	President's Office			
9	Employee safety	Occupational Safety and Health Office and Administration Division	Occupational Safety and Health Committee		Monitoring mechanism: Internal Audit Office
10	Employee behavior, code and ethics	Human Resources Division	Operations and Management Committee		
11	Volatility of interest rates, exchange rates and financial risks	Finance Division			
12	Financing and endorsements/guarantees provided to others, derivatives transaction and working capital management	Finance Division			
13	Financial report disclosure	Accounting Division			
14	Litigious and non-litigious matters	Legal Office			
15	Changes in shareholding of directors and major shareholders	Secretarial Division			
16	Board meeting facilitation	Secretarial Division			

9. Implementation of customer policy

With the mission of “creating the best user experience,” the Company is continuously striving to improve its products, services and operations to win customers’ trust and raise the quality of customer care.

10. The Company has purchased liability insurance for its directors.

11. Employee certifications relating to financial transparency

- (1) Certified Internal Auditor (CIA): six employees in the Internal Audit Office; one in the Finance Division; and one in the Accounting Division
- (2) First-level examiner of internal controls (Securities and Futures Institute): three employees in the Secretarial Division
- (3) Qualified Internal Auditor (QIA): six employees in the Internal Audit Office; one in the Finance Division; two in the Accounting Division; and one in the Procurement and Logistics Division
- (4) Certified Public Accountant (CPA): one in the Finance Division; two in the Accounting Division; four in the Operation Analysis Division; one in the Secretarial Division; and one in the Procurement and Logistics Division

12. Any internal evaluation or third party assessment reports on corporate governance. If yes, specify results, major flaws or recommendations for improvements: None

Compensation Committee operations

The Compensation Committee, composed entirely of independent board directors, is bound by the “Compensation Committee Charter.” The committee is responsible for evaluation of the following matters:

- (1) Establish a policy, system, standard and structure for directors and managers’ compensation and review them periodically.
- (2) Decide compensation for directors and managers and carry out periodic evaluations.

Qualifications and independence of members of the Compensation Committee

Identity (Note 1)	Name	Over five years of experience in business, finance, legal and/or other areas related to the Company’s business	Independence criteria (Note 2)								No. of public companies in which he or she also serves as a member of the Compensation Committee
			1	2	3	4	5	6	7	8	
Independent Director	Jack J.T. Huang	V	V	V	V	V	V	V	V	V	1
Independent Director	Tsung-Ming Chung	V	V	V	V	V	V	V	V	V	1
Independent Director	Wen-Li Yeh	V	V	V	V	V	V	V	V	V	0
Independent Director	J. Carl Hsu	V	V	V	V	V	V	V	V	V	0

Note 1: The identities of the members of the Compensation Committee all meet the requirements stipulated in Item 5, Article 6 of the “Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter.”

Note 2: “V” denotes meeting the conditions during the tenure and a two-year duration prior to the tenure specified below

- Criterion 1: Not an employee of the Company or its affiliated companies
- Criterion 2: Not a director or supervisor of the Company or its affiliated companies (unless the person is an independent director of the Company, the Company’s parent company or of any subsidiary in which the Company holds, directly or indirectly, more than 50 percent of the voting shares)
- Criterion 3: Not a shareholder whose total holdings, including that of his/her spouse and minor children, or shares held under others’ names reach or exceed 1 percent of the total outstanding shares of the Company or rank among the top 10 individual shareholders
- Criterion 4: Not a spouse or a relative within second degree of affinity, or within five degrees of consanguinity to any person specified in criteria 1 to 3
- Criterion 5: Neither a director, supervisor, or employee of an entity that directly or indirectly holds more than 5% of the Company’s shares, nor one of the Company’s top five shareholders
- Criterion 6: Not a director, supervisor, manager, or shareholder owning more than 5% of the outstanding shares of any company that has financial or business relations with the Company
- Criterion 7: Not an owner, partner, director, supervisor, manager, or spouse of any of the aforementioned, of any sole proprietorship, partnership, company, or institution that provides commercial, legal, financial and accounting services or consultation to the Company or its affiliates.
- Criterion 8: Not in contravention of Article 30 of the Company Act

Compensation Committee attendance

(1) The Compensation Committee consists of four members.

(2) Tenure: July 28, 2011 to June 14, 2014. The Compensation Committee convened three times in 2013:

Title	Name	Attendance in person	By proxy	Attendance ratio	Remarks
Independent Director	Jack J.T. Huang	3	0	100%	Appointed committee chairman
Independent Director	Tsung-Ming Chung	3	0	100%	-
Independent Director	Wen-Li Yeh	2	1	67%	-
Independent Director	J. Carl Hsu	3	0	100%	-

1. Any suggestion made by the Compensation Committee that was not accepted or revised by the Board of Directors: None
2. Any written objections or issues raised by a member of the Compensation Committee against resolutions passed by the committee: None

Corporate social responsibility (CSR)

Item	Current Practices												
<p>Corporate governance</p> <ol style="list-style-type: none"> 1. Establishing a CSR policy or system and review mechanism 2. Setting up a unit to carry out this policy or system 3. Holding regular training programs on business ethics for directors and employees and establishing a reward-and-punishment system incorporated in the Company's employee performance evaluation 	<ol style="list-style-type: none"> 1. The Company set up the "Taiwan Mobile CSR Policy" to ensure effective execution of corporate social responsibility in January 2011. 2. In 2007, TWM established a Social Responsibility Department under the Public Relations Division to draft and carry out CSR initiatives. With designated personnel and a separate budget, the department provides planning, execution and coordination across different divisions. 3. In addition to regular training programs on business ethics, the Company formulated a Code of Ethics that all directors, managers and employees are expected to follow and support. Since August 2010, employees can access the Code of Ethics through TWM's e-learning website. An intranet hotline was also set up for employees to report any violation of the Code. Violators shall be punished in accordance with Company regulations. 												
<p>Environmental sustainability</p> <ol style="list-style-type: none"> 1. Promoting advanced and efficient use of renewable resources to reduce their impact on the environment 2. Establishing an environmental management system in line with the nature of the Company's business operations 3. Setting up a framework and allocating staff to promote environmental conservation 4. Monitoring the impact of climate change on operating activities and adopting measures to reduce greenhouse gas emissions and minimize their impact on the environment 	<ol style="list-style-type: none"> 1. The Company has continuously worked to improve the efficient use of resources, including paper, water and electricity, as well as to promote recycling of cables and battery modules. 2. TWM has established an internal Sustainable Development Committee that is responsible for monitoring energy management activities and environment-related indexes and efforts to reduce carbon emissions, as well as planning, promoting and integrating all of the Company's environmental protection-related activities. 3. The Company has designated personnel in the Administration Division, Public Affairs Division and Network Engineering Division to promote its environmental protection program. 4. TWM has made use of its operating management practices and communications technology to reduce energy consumption and greenhouse gas (GHG) emissions. These measures include: <ul style="list-style-type: none"> ● Data center energy-saving program ● Base station equipment upgrading ● Energy management program for TWM's office buildings and direct stores ● Telepresence service ● Green value-added service ● e-service and mobile service <p style="text-align: right;">Unit: tCO₂e</p> <table border="1" data-bbox="630 1512 1380 1814"> <thead> <tr> <th></th> <th>2012</th> <th>2013*</th> </tr> </thead> <tbody> <tr> <td>Direct emissions</td> <td>2,617</td> <td>3,016</td> </tr> <tr> <td>Indirect emissions</td> <td>160,201</td> <td>173,082</td> </tr> <tr> <td>Total GHG Emissions</td> <td>162,818</td> <td>176,098</td> </tr> </tbody> </table> <p>* The increases were due to the inclusion of a cloud internet data center completed in October 2013.</p>		2012	2013*	Direct emissions	2,617	3,016	Indirect emissions	160,201	173,082	Total GHG Emissions	162,818	176,098
	2012	2013*											
Direct emissions	2,617	3,016											
Indirect emissions	160,201	173,082											
Total GHG Emissions	162,818	176,098											

Item	Current Practices
<p>Commitment to corporate social responsibility</p> <ol style="list-style-type: none"> 1. Complying with domestic and international labor laws to safeguard and uphold the rights of workers, following a non-discriminatory hiring policy and establishing appropriate management practices, procedures and execution 2. Providing employees with a safe and healthy working environment, as well as regular training on safety and health education 3. Building a regular communication mechanism and notifying employees about potential operating changes that may have a significant impact on them 4. Drawing up a policy on protecting consumers' rights and providing a transparent and effective mechanism for filing and processing complaints about products and services 5. Working with vendors to promote corporate social responsibility. 6. Promoting community development projects and philanthropic work through commercial activities, donations, volunteer work or other services 	<ol style="list-style-type: none"> 1. Pursuant to related national regulations, including the Labor Standards Act, Employment Services Act and Gender Equality in Employment Act, the Company has never employed child workers, discriminated against any employee or ethnic group or forced its employees to work. In addition, TWM's Code of Ethics serves as a guideline for employees. The company has also established a performance-based reward system to motivate employees. 2. The Company aims to provide a safe and healthy working environment for employees and has implemented related measures to promote employee health and mental well-being. It also conducts periodic evaluations of the working environment and programs on promoting workers' safety and health education. Related information on employee safety and health is posted on the Company's intranet. 3. The Company has set up multiple channels to communicate with employees on a regular basis about the company's operational decisions. <ol style="list-style-type: none"> (1) Dialogue between employees and management: Managerial meetings are held every three months to deliver the company's vision and recent critical developments to all employees. (2) A President's Mailbox has been set up for employees to submit recommendations to the company. (3) Information disclosure: All information is posted on the company's intranet, where employees can view the company's press releases, product information and management measures. 4. To protect consumers' rights, the Company provides various services and information, such as information related to outdoor coverage for wireless broadband; free trial service for mobile internet; customers' prior agreement needed to activate mobile internet and international roaming services; measures to protect young adults and children; notification of activating international data roaming service; and voluntarily notifying customers about the collection, processing and use of their personal information. All these are written in the customer service contracts and posted on the company website and on posters in Company stores. The Company aims to provide customers with the most diversified and convenient service channels by integrating its call center service, store service, website service and smartphone app service into an integrated customer-centric service network. In 2013, the Company was awarded an ISO 10002 certification for its customer service system. 5. TWM believes that ethics serves as the moral foundation of a well-managed enterprise. To promote a fair and just system, the Company set up an open procurement system to select suppliers and required that all suppliers comply with the "Environmental and Occupational Health and Safety Policy" for contractors and "Guidelines on Corporate Social Responsibility for Suppliers." Furthermore, TWM provides first bargaining rights to green-product and conflict-free product suppliers to encourage others to likewise produce environmentally friendly products. <ol style="list-style-type: none"> (1) TWM does not use any product from conflict material/product suppliers. (2) TWM requests its suppliers investigate their supply chains to ensure that no products are from conflict areas. 6. TWM has made significant progress in fulfilling its corporate social responsibility systematically and strategically. The Company leverages its core competence to generate wider benefits for society. <ol style="list-style-type: none"> (1) The potential benefit of carbon emissions reduction throughout the ICT industry is far greater than what TWM can achieve on its own. As such, the Company has actively helped consumers and other organizations meet energy-saving and carbon-reduction goals through handset recycling, e-billing, video conferencing and green value-added services (electronically and mobilized). (2) In addition to the 5180 Mobile Donation Hotline and 909 Mobile Phone Audio Guide, TWM holds the annual myfone Mobile Awards to encourage

	<p>creativity and innovation in order to enrich digital content and applications for its telecom business.</p> <p>(3) TWM provides discount rates for people with disabilities, and has also contributed hardware equipment and applications to promote information literacy to expand digital opportunities for remote and underprivileged communities to enhance the nation's digital competitiveness.</p> <p>(4) In 2007, TWM introduced its "Corporate Volunteer Guidelines" to encourage employees to take an active role in fulfilling their social responsibilities. Volunteers can take two paid days off a year to participate in community service activities. Transportation allowances and insurance, as well as comprehensive training, are provided. To date, 1,616 participants have joined these activities.</p>
<p>Information disclosure</p> <p>1. Disclosing relevant and reliable information on corporate social responsibility</p> <p>2. Process for preparing and disclosing CSR information</p>	<p>1. CSR-related information is updated on the websites of the Company and the Taiwan Mobile Foundation in a timely manner. All information and data contained in the CSR reports are compiled internally and verified by an external party to ensure their reliability and accuracy. All information (subject and content) are deemed to be materially important and designed to meet stakeholders' expectations.</p> <p>2. TWM released its first CSR report in 2007. A second report, released in 2009, complies with the GRI and the AA1000 assurance standards on CSR disclosure practices. In addition, information disclosed in the 2013 CSR report complies with the latest GRI G3.1 application level of A+, as audited by an independent third-party organization.</p>
<p>The Company's CSR policy and practices fully comply with the "Corporate Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies."</p> <p>The concept of corporate social responsibility has been embedded in the strategic decisions and daily operations of all departments. TWM went a step further, with the Board of Directors passing the "Taiwan Mobile CSR Policy" to serve as a long-term guideline for promoting CSR and fulfilling the company's commitment to society in January 2011.</p> <p>The policy contains six articles, with the Company's underlying corporate philosophy and core values serving as the foundation, emphasizing corporate governance, stakeholder's interests and full disclosure, and leveraging off the Company's core competence and services to promote environmental conservation and public welfare.</p>	

Additional information on CSR-related matters:

TWM leverages its core competence in telecommunications, network and digital convergence to generate wider benefits for society.

1. Environmental protection

Aside from compliance and reducing pollution, TWM has also taken the initiative to help build an intelligent low-carbon society by leveraging its key resources in the ICT service industry. The Company (i.e., its office buildings, server rooms, base stations and company stores) met ISO 14064-1 standards for greenhouse gas (GHG) emissions and removals as well as received an ISO 50001 certification for energy management.

2. Consumers’ interests

TWM introduced a global standard information security management system to ensure that customers’ personal information is strictly protected every step of the way – from form application to activation, information changes, billing, settlement and customer service. The Company strictly follows government regulations and information security policies on respecting customer privacy and protecting the use of client information.

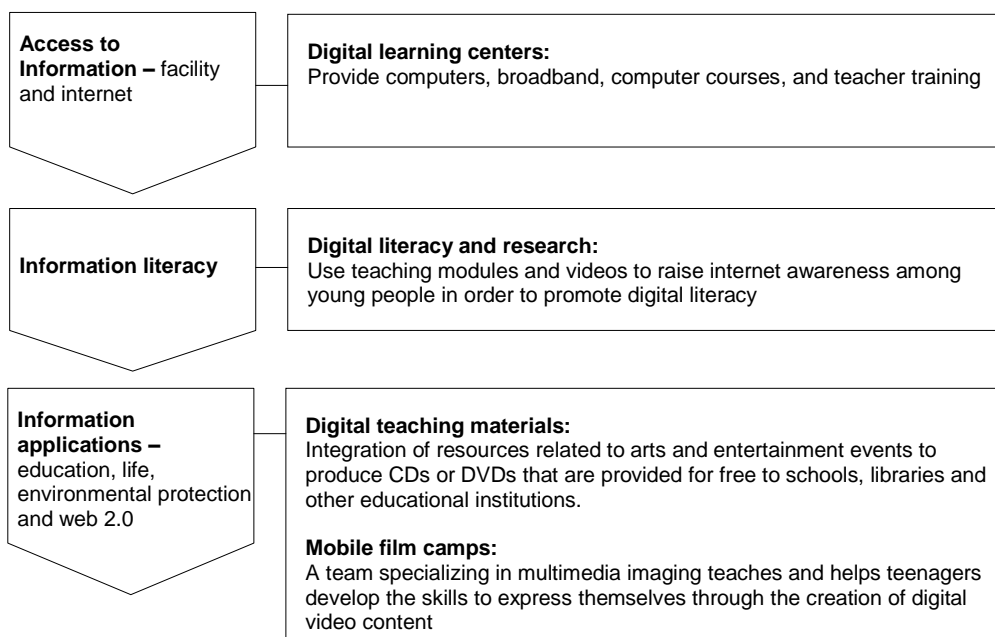
3. Human rights

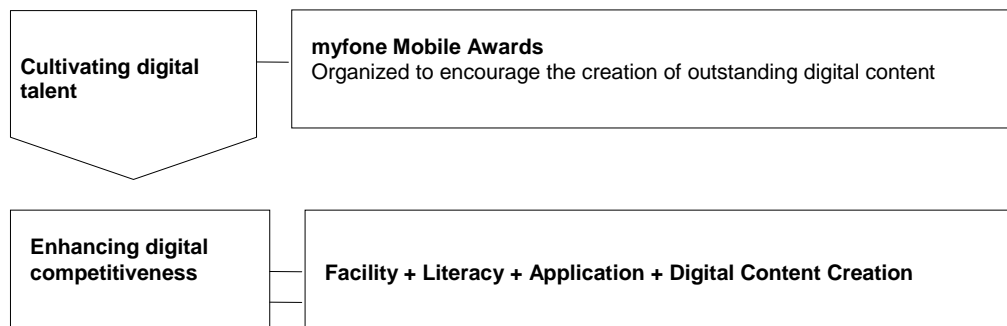
TWM has never employed child workers. Pursuant to the Gender Equality in Employment Act and Employment Services Act, the Company has never discriminated against any employee and ethnic group or forced labor on its employees. Employees are free to form associations.

4. Safety and health

To build a vital, happy and healthy workplace, TWM has designed various activities for its employees with a focus on promoting a safe environment, disease prevention, health and spiritual relaxation. From 2007 to 2013, the Company received the following awards: “LOHAS (Lifestyles of Health and Sustainability),” “Community Health,” “Leader in Health” and “Best Weight Loss Office” from the Cabinet-level Department of Health. It also received top certifications from Taipei City’s Health Department for its breastfeeding rooms.

5. Enhancing digital competitiveness





- TWM continued to set up broadband services in remote areas in 2013. The Company also collaborated with local nonprofit organizations (NPOs) and was operating 15 digital learning centers as of the end of 2013.
- TWM has published 26 sets of digital teaching materials since 2009, with content covering live concerts, raising internet literacy among young adults and children, creating digital videos, digital music composition, environmental education and human care.
- TWM hosted the “Mobile Film Creation Camp for Teenagers” to teach imaging techniques and applications, helping teenagers learn how to express their ideas through the creation of video content in order to cultivate future multimedia talent.
- TWM launched the “myfone Mobile Awards” to encourage the creation of new types of literature and music. The contest attracted a record nearly 50,000 entries in 2013.

6. Digital social welfare “i-Infinity”

In 2012, TWM started integrating its core competencies and resources to help non-profit organizations develop the ability to harness the power of digital applications, help disadvantaged groups that other public or private institutions are not able to assist and enhance these NPOs’ operating efficiency and fundraising capabilities. In 2013, TWM proposed five mobile application programs to aid these organizations’ digital application development and cater to their digital marketing and training needs. Cumulatively, 37 social welfare groups attended 51 seminars on these programs.

- “Wheelmap (Taiwan)” App was launched to enable the elderly, people with disabilities and parents with small children search for attractions, hotels, restaurants and shopping centers in Taiwan that have barrier-free facilities and for bus routes served by low-floor buses.
- “Flora App,” developed in collaboration with the Society of Wilderness, National Taiwan University, and National Chengchi University’s computer science department, is a mobile flower library in Taiwan.
- Three social-welfare short films have helped NPOs raise more than NT\$6 million since they were posted online.
- Teleconferencing service: TWM has helped thirteen NPOs install video conference equipment as of the end of 2013. The teleconferencing service has helped these NPOs save more than NT\$5 million in travel expenses and more than 60 tons in carbon emissions. More than 7,300 participants have been trained using the service.
- E-books: TWM has assisted 27 NPOs in developing electronic books. As of the end of 2013, the e-book service has helped reduce mailing costs by 30%, which translates into savings of around NT\$720,000 from annual printing expenses.

7. Community participation and social care

- TWM introduced the “5180 Mobile Donation Hotline,” a micro-donation platform, to provide a long-term fundraising channel for 67 NPOs.
- TWM sponsors tutorial sessions after school for more than 60 children from underprivileged families.
- TWM works with the Canlove Social Services Association to provide professional counseling services to people with depression and to promote suicide prevention awareness. More than 45,000 participants took part in these activities in 2013.
- TWM sponsors an NGO that provides classes on “EQ Management” and “Suicide Prevention” to junior-high school students. More than 192,000 students have been involved in this program.

8. Cultural promotions:

- TWM introduced the “909 Mobile Phone Audio Guide,” which employs mobile communications technology and cloud database to promote art and culture.
- To promote cultural literacy, TWM has since 2005 held 39 large outdoor concerts throughout the country, with more than 530,000 people attending these events.

Has the Company issued CSR reports that have been verified by an independent third-party assurance organization?

Since 2009, TWM's CSR reports have been verified by an independent third-party organization, the British Standards Institute, in accordance with its AA1000 assurance standards and GRI guidelines. In addition, information disclosed in the 2013 CSR report complies with the latest GRI G3.1 application level of A+, as audited by an independent third-party organization.

Ethical corporate management

Item	Current Practice
<p>1. Establishing a policy on ethical corporate management:</p> <p>(1) Specifying the Company's policy on ethical corporate management in its official charter and material documents, including the board and management's commitment to its implementation</p> <p>(2) Setting up a system – including operation, guidelines and training – to prevent dishonest behavior</p> <p>(3) Adopting measures to prevent high-risk dishonest behavior, such as offering or accepting bribes, giving illegal political donations</p>	<p>(1) The Company has promulgated its Ethical Corporate Management Best Practice Principles and disseminates them on an annual basis to ensure that employees, management and the board comply with the principles. Moreover, the principles have been incorporated into the Company's internal control system.</p> <p>(2) The Company's Ethical Corporate Management Best Practice Principles have established preventive measures against the following:</p> <ul style="list-style-type: none"> a. offering and accepting bribes b. illegal political donations c. improper charitable donations or sponsorship d. offering or accepting unreasonable gifts or hospitality, or other inappropriate benefits <p>The aforementioned principles and related regulations were announced and disseminated to employees, managers and board directors to enhance integrity and self-discipline. In addition, all employees are required to sign a "Declaration of Integrity" every year starting 2014.</p> <p>(3) The Company has set up an accounting system and internal control system for business activities that are at higher risk of dishonest behavior. The Company has no under-the-table accounts or secret accounts. The aforementioned systems are reviewed periodically to ensure that they are working and measures are implemented.</p>
<p>2. Implementation of ethical corporate management</p> <p>(1) Avoiding transactions with parties that have a record of dishonest behavior; stipulating in all contracts what constitute unacceptable behavior</p> <p>(2) Establishing a full-time or part-time unit to promote the Ethical Corporate Management Best Practice Principles and supervision by the board of directors</p> <p>(3) Setting up policies to prevent conflict of interests and providing channels to report such conflict</p> <p>(4) Building an effective accounting system and internal control system to carry out ethical corporate management, with internal auditors auditing the process</p>	<p>(1) The Company's Guidelines on Corporate Social Responsibility for Suppliers states that all suppliers should not engage in bribery.</p> <p>(2) The Internal Audit Office is responsible for promulgating and overseeing policies and programs relating to ethical corporate management and tasked with reporting to the board of directors.</p> <p>(3) The Company has promulgated policies to prevent conflict of interests. Any violation should be reported to the Audit Committee, the managers or the chief internal audit officer.</p> <p>(4) The Company has established an effective accounting system and internal control system. In addition, internal auditors schedule regular audits according to the level of risks. No material violation has ever been found.</p> <p>Moreover, all employees are required to sign a "Declaration of integrity," while suppliers are required to sign a "Declaration of Integrity in Business Conduct."</p>
<p>3. Providing reporting channels and a system for appeal and punishment in cases of ethics violation</p>	<p>The reporting channels include mailboxes for employee or vendor complaints. If any violation is found, the Internal Audit Office will conduct an investigation and report the results, with punishment being meted out in accordance with the severity of the offense. The Company has incorporated its Ethical Corporate Management Best Practice Principles into its employee performance evaluation and human resource policies to create an effective reward/punishment mechanism.</p>
<p>4. Strengthening information disclosure</p> <p>(1) Disclosing related information on ethical corporate management on the Company's website</p> <p>(2) Other ways of disclosure (e.g. setting up an English website or designating dedicated personnel to collect and disclose related information on the Company's website)</p>	<p>(1) The Company's Ethical Corporate Management Best Practice Principles have already been posted on the Company's Chinese / English websites as well as its intranet.</p> <p>(2) The Company has designated dedicated personnel to collect and disclose related information on the official website and update the revision of related regulation duly.</p>
<p>5. Has the company promulgated its own ethical corporate management principles in accordance with the "Ethical Corporate Management for TWSE/GTSM-listed Companies"? If yes, describe the differences between the principles and current practices: No difference</p>	

6. Other important information to facilitate understanding of the Company's implementation of ethical corporate management practices, such as the Company publishing its ethical corporate management practices and inviting vendors to participate in the Company's training on and amendment of the principles:

The Company has promulgated its Guidelines on Corporate Social Responsibility for Suppliers to serve as a guide for doing business with vendors. In addition, the Company issued a CSR report in 2013, which was verified by an independent third-party organization, in accordance with its AA1000 (2008) Type 2 high assurance standards. The information disclosed in the aforementioned report complies with the latest GRI G3.1 application level of A+, as audited by an independent third-party organization. This is another evidence of the Company's commitment to carrying out ethical corporate management.

Corporate governance rules and procedures

The Company has implemented a number of rules and procedures to enhance its corporate governance practices. It has revised the Audit Committee Charter, the Compensation Committee Charter, Rules and Procedures Governing Board of Directors' Meetings, Rules and Procedures Governing Shareholders' Meetings, Regulations Governing Internal Material Information, Code of Ethics, Ethical Corporate Management Best Practice Principles, Corporate Social Responsibility Policy, and Rules and Procedures on Conducting Transactions between Group Companies and Related Parties. With these changes, not only does the Company's corporate governance mechanism comply with Taiwan's Securities and Exchange Act, but it also adheres to the highest international standards. The aforementioned charters and rules are available on the Company's website: www.taiwanmobile.com.

Additional information on corporate governance operations:

Corporate governance principles

- Timely disclosure of material information
- Checks and balances between the board and management
- Fair representation of independent board members
- Audit Committee ensures fair and independent financial oversight
- Compensation Committee ensures sound corporate governance practices and compensation systems for directors and managers are in place
- Adoption of a high cash dividend payout policy
- Shareholders' rights guaranteed with the right to vote on all proposals at the annual general meeting or through an electronic voting system
- Strict compliance with the Code of Ethics and Ethical Corporate Management Best Practice Principles and establishment of an internal audit mechanism

To ensure that employees, managers and directors promote information transparency and timely disclosure, the Company disseminates its "Regulations Governing Internal Material Information" (approved by the Board on January 22, 2009) on an annual basis and has incorporated them into its internal control system to avoid risks of insider trading.

Internal control system

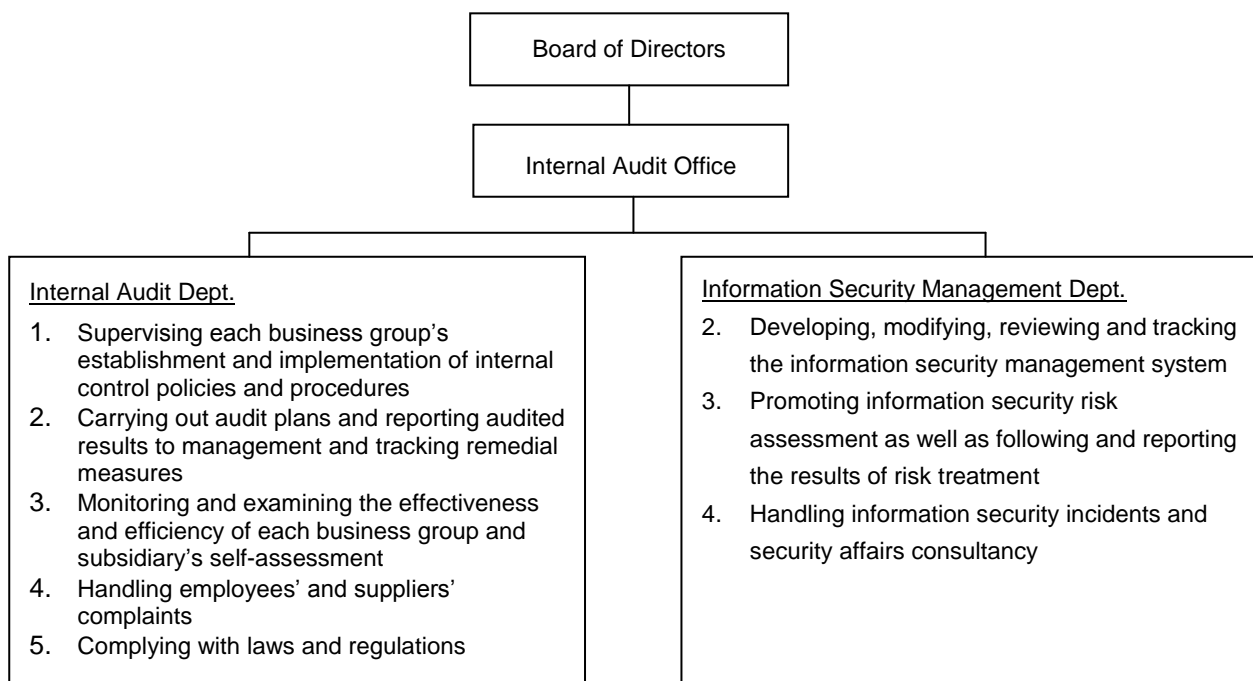
1. Internal control mechanism

The Company's Internal Audit Office is made up of two departments: internal audit and information security management. The internal audit department carries out audits, while the information security management department sets information security affairs into action.

The Internal Audit Office is an independent unit with designated personnel who report directly to the Board of Directors. It is responsible for the examination and assessment of the internal controls of the Company's financial, sales, operations and management departments. All departments, including those of the subsidiaries, are subject to its audit.

Regular internal audits are executed according to an annual audit plan. Special audit projects are implemented as needed. These audits enhance internal control and provide timely recommendations for future improvements. In accordance with corporate governance, audit reports are submitted on a regular basis and reviewed by the Chairman, as well as presented to the Audit Committee and the Board of Directors by the Chief Internal Auditor. The Internal Audit Office also examines the mechanisms and results of self-evaluations by departments and subsidiaries to ensure strict implementation. In addition, it generates and consolidates related inspection reports for the President and the Board of Directors to evaluate the overall efficiency of existing internal control systems before generating an internal control system statement.

There are 11 dedicated internal audit staff members, including one supervisor in charge of the Internal Audit Office, whose responsibilities are detailed below:



2. Has the Company delegated CPAs to review its internal audit system and issued an audit report?

No.

3. Internal control statement

Taiwan Mobile Co., Ltd.

Internal Control Statement

Date: January 28, 2014

Taiwan Mobile (TWM) states the following with regard to its internal control system for the year 2013:

1. TWM is fully aware that establishing, operating, and maintaining an internal control system are the responsibilities of its Board of Directors and management. TWM has established such a system to provide reasonable assurance in achieving objectives related to the effectiveness and efficiency of operations (including profits, performance, and safeguarding of assets), reliability of financial reporting, and compliance with applicable laws and regulations.
2. An internal control system has inherent limitations. An effective internal control system, no matter how perfectly designed, can provide only a reasonable assurance in the accomplishment of the three goals mentioned above. Furthermore, the effectiveness of an internal control system may change along with changes in the environment or circumstances. The internal control system of the Company contains self-monitoring mechanisms and the Company takes corrective actions as soon as a deficiency is identified.
3. TWM evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the "Regulations Governing the Establishment of Internal Control Systems" by public companies promulgated by the Securities and Futures Bureau, the Financial Supervisory Commission, and the Executive Yuan (herein referred to as "Regulations"). The internal control system evaluation criteria stated in the Regulations classify internal control into five key elements based on the process of management control: 1. Control environment, 2. Risk assessment and response, 3. Control activities, 4. Information and communications, 5. Monitoring. Please refer to the Regulations for details on these five key elements.
4. TWM has evaluated the design and operating effectiveness of its internal control system according to the aforesaid criteria.
5. Based on the findings of the evaluation mentioned in the third paragraph, TWM believes that as of Dec. 31, 2013, its internal control system (including its supervision of subsidiaries), which encompasses internal controls to achieve effective and efficient operations, reliable financial reporting, and compliance with applicable laws and regulations, was effectively designed and operating, and is reasonably assured of achieving the above-stated objectives.
6. This statement will form a major part of the Company's Annual Report and Prospectus and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171 and 174 of the Securities and Exchange Act.
7. This statement has been passed by the TWM Board of Directors' Meeting on January 28, 2014, where all of the nine attending directors did not express any dissenting opinion and affirmed the content of the same.

Taiwan Mobile Co., Ltd.



Richard Tsai
Chairman



James Jeng
President

Violation of regulations and internal policies: None

Major resolutions at the shareholders' meeting and board meetings

1. Major resolutions at the 2013 shareholders' meeting

Issues approved and subsequent execution:

- (1) 2012 business report and financial statements
- (2) 2012 earnings distribution proposal

Execution: Set record date of ex-dividend for July 14, 2013, cash payment on July 26, 2013.

- (3) Approved plan for the Company to consign its direct store related operations to Taiwan Digital Service Co., Ltd.

Execution: The Company signed a management contract consigning its direct store related operations to Taiwan Digital Service Co., Ltd. from July 1, 2013.

- (4) Amendments to the Company's "Articles of Incorporation"

Execution: Already approved by Minister of Economic Affairs on July 15, 2013 and disclosed on Company website

- (5) Amendments to the Company's "Rules and Procedures on Lending and Making Endorsements/Guarantees"

Execution: implemented in accordance with the revised rules.

- (6) Amendments to rename the Company's "Election Rules on Directors and Supervisors"

Execution: implemented in accordance with the revised rules.

2. Major resolutions by the board (from 2013 up to the publication date in 2014)

1. 10th meeting of the sixth BOD on January 31, 2013

- (1) Approved 2012 business report and financial statements
- (2) Approved plan to change chief internal audit officer
- (3) Approved changes to accounting policy on bundled sales starting January 1, 2013
- (4) Approved 2013 consolidated financial forecasts
- (5) Approved 2013 capital expenditure plans

- (6) Approved the consignment of the Company's direct store related operations to a newly established 100%-owned subsidiary, Taiwan Digital Service Co., Ltd.

- (7) Approved schedule for 2013 general shareholders' meeting

2. 11th meeting of the sixth BOD on April 30, 2013

- (1) Approved 2012 earnings distribution proposal and cash returns distributed from legal reserve
- (2) Approved proposal to participate in Taiwan Cellular Co., Ltd.'s rights issue

3. 12th meeting of the sixth BOD on July 30, 2013

- (1) Approved plan to participate in the government's 4G license auction

4. 13th meeting of the sixth BOD on October 1, 2013

- (1) Approved the appointment of a new Managing Director and Co-President Vivien Hsu's resignation

5. 14th meeting of the sixth BOD on October 31, 2013

- (1) Approved additional capital expenditure plans for 2013

6. 15th meeting of the sixth BOD on November 26, 2013

- (1) Approved additional capital expenditure plans for 2013
- 7. 16th meeting of the sixth BOD on January 6, 2014
 - (1) Approved the appointment of a new President and his exemption from non-competition restrictions
- 8. 17th meeting of the sixth BOD on January 28, 2014
 - (2) Approved 2013 business report and financial statements
 - (3) Approved 1Q14 consolidated financial forecasts
 - (4) Approved 2014 capital expenditure plan
 - (5) Approved the procurement of mobile broadband equipment from Nokia Siemens Networks Taiwan Co., Ltd.
 - (6) Approved the schedule for the 2014 general shareholders' meeting

The above information is posted on MOPS: <http://mops.twse.com.tw>.

Major dissenting comments among directors over board meeting resolutions from 2013 up to the publication date in 2014: None

Resigned/discharged chairman, president, chief accounting officer, chief financial officer, chief internal audit officer and chief research officer:

As of March 20, 2014

Title	Name	Date of taking office	Date of resignation	Reason for resignation/discharge
Co-President	Vivien Hsu	2011.01.01	2013.10.01	Resignation
President	Cliff Lai	2011.01.01	2014.01.06	Resignation
Internal Auditor	Christine Yang	2013.01.31	2014.02.17	Position Adjustment

Certified Public Accountant (CPA) Information

1. CPA service fees

Unit: NT\$'000

Accounting firm	Name of CPA	Audit fee	Non-audit fee			Period covered by CPA's audit	Remarks
			Company registration	Others	Total		
KPMG	Simon Chen Janice Lai	8,500	-	1,315	1,315	2013.01.01~2013.06.30	Fees for other non-audit services were for tax-related and attestation services.
	Simon Chen Leo Chi					2013.07.01~2013.12.31	

Note: Change of CPAs dated July 1, 2013 was due to job rotations at KPMG.

Range of CPA service fee	Audit fee	Non-audit fee	Total
NT\$0~NT\$1,999,999	-	✓	-
NT\$2,000,000~NT\$3,999,999	-	-	-
NT\$4,000,000~NT\$5,999,999	-	-	-
NT\$6,000,000~NT\$7,999,999	-	-	-
NT\$8,000,000~NT\$9,999,999	✓	-	✓
NT\$10,000,000 and above	-	-	-

2. Other information

- (1) If non-audit fees paid to CPAs, their accounting firm and its affiliates are more than one-fourth of audit fees, specify the amount of audit and non-audit fees, as well as the scope of non-audit services: Not applicable
- (2) For CPA changes, if the audit fee in the first year is lower than that of the prior year, specify the audit fee before and after the change and the reasons: Not applicable
- (3) If audit fees dropped by more than 15%, specify the amount and percentage of decline and reasons: Not applicable

3. Information on CPA changes: Change on July 1, 2013 was due to job rotations at KPMG.

4. Company Chairman, President or finance/accounting manager held positions in the Company's audit firm or its affiliates within the past year: None

Direct and indirect investments in affiliated companies

As of December 31, 2013

Unit: shares, %

Long-term investments under equity method	Investment by TWM		Direct and indirect investment by TWM directors and management		Total investment	
	Shares	Holding (%)	Shares	Holding (%)	Shares	Holding (%)
Taiwan Cellular Co., Ltd.	371,195,800	100.00%	–	–	371,195,800	100.00%
Wealth Media Technology Co., Ltd.	39,065,000	100.00%	–	–	39,065,000	100.00%
Taipei New Horizons Co., Ltd.	174,650,000	49.90%	–	–	174,650,000	49.90%
Alliance Digital Technology Co., Ltd.	3,000,000	19.23%	–	–	3,000,000	19.23%

Changes in shareholdings of directors, managers and major shareholders

1. Minor changes in shareholder structure

Unit: shares

Title	Name	2013		2014 (as of March 20)	
		Net change in shareholding	Net change in shares pledged	Net change in shareholding ¹	Net change in shares pledged
Chairman	Fu-Chi Venture Corp. Representative: Richard Tsai				
Vice Chairman	Fu-Chi Venture Corp. Representative: Daniel Tsai	0	0	0	0
Director	Fu-Chi Venture Corp. Representative: Vivien Hsu (Note 1)				
Director	TCC Investment Co., Ltd. Representative: Benny Chen (Note 2)	0	0	0	0
Director	TCC Investment Co., Ltd. Representative: James Jeng (Note 3)				
Independent Director	Jack J.T. Huang	0	0	0	0
Independent Director	Tsung-Ming Chung	0	0	0	0
Independent Director	Wen-Li Yeh	0	0	0	0
Independent Director	J. Carl Hsu	0	0	0	0
Major Shareholder (shareholding of more	TFN Union Investment Co., Ltd.	0	0	0	0

Title	Name	2013		2014 (as of March 20)	
		Net change in shareholding	Net change in shares pledged	Net change in shareholding ¹	Net change in shares pledged
than 10%)					
President	James Jeng (took office on January 6, 2014)	NA	NA	0	0
SVP and Chief Financial Officer	Rosie Yu	0	0	0	0
Acting Chief Technology Officer	CH Jih (took office on February 10, 2014)	NA	NA	0	0
Acting SVP & Chief Business Officer	Jeff Ku	(2,000)	0	0	0
Vice President	Jay Hong	0	0	0	0
Vice President	Ariel Hwang	0	0	0	0
Vice President	Joseph Yang	(13,720)	0	0	0
Vice President	James Chang	0	0	0	0
Vice President	Egon Chen	(20,000)	0	0	0
Vice President	Chien Chen	0	0	0	0
Vice President	Tom Koh	0	0	0	0
Vice President	Sean Hsieh	0	0	0	0
Vice President	Paul Huang	0	0	0	0
Vice President	Steve Chou	0	0	0	0
Chief Accounting Officer	Darren Shih	0	0	0	0
Co-President	Vivien Hsu (resigned on October 1, 2013)	0	0	NA	NA
President	Cliff Lai (resigned on January 6, 2014)	0	0	0	0
Vice President & Acting Chief Technology Officer	HS Wang (resigned on February 10, 2014)	0	0	0	0

Note 1: Fu-Chi Venture Corp. appointed Vivien Hsu as its representative, taking over Victor Kung's duties on October 1, 2013.

Note 2: TCC Investment Co., Ltd. appointed Benny Chen as its representative, taking over Vivien Hsu's duties on October 1, 2013.

Note 3: TCC Investment Co., Ltd. appointed James Jeng as its representative, taking over Cliff Lai's duties on January 6, 2014.

2. Shareholding transferred with related party: None

3. Stock pledged with related party: None

Relationship between TWM's top 10 shareholders

As of July 14, 2013

Name (A)	Current shareholding		Spouse's/minor's shareholding		Name and relationship between TWM's shareholders who are defined as related parties, spouse or relatives within two degrees	
	Shares	%	Shares	%	Name (B)	Relationship
TFN Union Investment Co., Ltd.	410,665,284	12.00%	-	-	TCC Investment Co., Ltd. Ming Dong Co., Ltd. Fubon Life Insurance Co., Ltd. TCCI Investment & Development Co., Ltd. Dao Ying Co., Ltd. Wan-Tsai Tsai Daniel Tsai Richard Tsai	A and B have the same chairman B's chairman is a relative within two degrees of A's chairman Related party A and B have the same chairman B's chairman is a relative within two degrees of A's chairman B is a relative within two degrees of A's chairman B is a director at A B is A's chairman
Chairman: Richard Tsai	-	-	-	-	TFN Union Investment Co., Ltd. TCC Investment Co., Ltd. Ming Dong Co., Ltd. Fubon Life Insurance Co., Ltd. TCCI Investment & Development Co., Ltd. Dao Ying Co., Ltd. Wan-Tsai Tsai Daniel Tsai	A is B's chairman A is B's chairman A is a director at B A is a director at B A is B's chairman A is a director at B B is A's relative within two degrees B is A's relative within two degrees
TCC Investment Co., Ltd.	200,496,761	5.86%	-	-	TFN Union Investment Co., Ltd. Ming Dong Co., Ltd. Fubon Life Insurance Co., Ltd. TCCI Investment & Development Co., Ltd. Dao Ying Co., Ltd. Wan-Tsai Tsai Daniel Tsai Richard Tsai	A and B have the same chairman B's chairman is a relative within two degrees of A's chairman Related party A and B have the same chairman B's chairman is a relative within two degrees of A's chairman B is a relative within two degrees of A's chairman B is a director at A B is A's chairman

Name (A)	Current shareholding		Spouse's/minor's shareholding		Name and relationship between TWM's shareholders who are defined as related parties, spouse or relatives within two degrees	
	Shares	%	Shares	%	Name (B)	Relationship
Chairman: Richard Tsai	-	-	-	-	TFN Union Investment Co., Ltd. TCC Investment Co., Ltd. Ming Dong Co., Ltd. Fubon Life Insurance Co., Ltd. TCCI Investment & Development Co., Ltd. Dao Ying Co., Ltd. Wan-Tsai Tsai Daniel Tsai	A is B's chairman A is B's chairman A is a director at B A is a director at B A is B's chairman A is a director at B B is A's relative within two degrees B is A's relative within two degrees
Ming Dong Co., Ltd.	184,736,452	5.40%	-	-	TFN Union Investment Co., Ltd. TCC Investment Co., Ltd. Fubon Life Insurance Co., Ltd. TCCI Investment & Development Co., Ltd. Dao Ying Co., Ltd. Wan-Tsai Tsai Daniel Tsai Richard Tsai	B's chairman is a relative within two degrees of A's chairman B's chairman is a relative within two degrees of A's chairman Related party B's chairman is a relative within two degrees of A's chairman A and B have the same chairman B is A's chairman B is a director at A B is a director at A
Chairman: Wan-Tsai Tsai	-	-	-	-	TFN Union Investment Co., Ltd. TCC Investment Co., Ltd. Ming Dong Co., Ltd. Fubon Life Insurance Co., Ltd. TCCI Investment & Development Co., Ltd. Dao Ying Co., Ltd. Daniel Tsai Richard Tsai	B's chairman is A's relative within two degrees B's chairman is A's relative within two degrees A is B's chairman Related party B's chairman is A's relative within two degrees A is B's chairman B is A's relative within two degrees B is A's relative within two degrees
Fubon Life Insurance Co., Ltd.	123,791,400	3.62%	-	-	TFN Union Investment Co., Ltd. TCC Investment Co., Ltd. Ming Dong Co., Ltd. TCCI Investment & Development Co., Ltd. Dao Ying Co., Ltd. Wan-Tsai Tsai Daniel Tsai Richard Tsai	Related party Related party Related party Related party Related party Related party Related party B is a director at A
Chairman: Oliver Cheng	-	-	-	-	None	None
TCCI Investment & Development Co., Ltd.	119,563,804	3.50%	-	-	TFN Union Investment Co., Ltd. TCC Investment Co., Ltd.	A and B have the same chairman A and B have the same chairman

Name (A)	Current shareholding		Spouse's/minor's shareholding		Name and relationship between TWM's shareholders who are defined as related parties, spouse or relatives within two degrees	
	Shares	%	Shares	%	Name (B)	Relationship
					Ming Dong Co., Ltd. Fubon Life Insurance Co., Ltd. Dao Ying Co., Ltd. Wan-Tsai Tsai Daniel Tsai Richard Tsai	B's chairman is a relative within two degrees of A's chairman Related party B's chairman is a relative within two degrees of A's chairman B is a relative within two degrees of A's chairman B is a director at A B is A's chairman
Chairman: Richard Tsai	-	-	-	-	TFN Union Investment Co., Ltd. TCC Investment Co., Ltd. Ming Dong Co., Ltd. Fubon Life Insurance Co., Ltd. TCCI Investment & Development Co., Ltd. Dao Ying Co., Ltd. Wan-Tsai Tsai Daniel Tsai	A is B's chairman A is B's chairman A is a director at B A is a director at B A is B's chairman A is a director at B B is A's relative within two degrees B is A's relative within two degrees
Dao Ying Co., Ltd.	104,954,742	3.07%	-	-	TFN Union Investment Co., Ltd. TCC Investment Co., Ltd. Ming Dong Co., Ltd. Fubon Life Insurance Co., Ltd. TCCI Investment & Development Co., Ltd. Wan-Tsai Tsai Daniel Tsai Richard Tsai	B's chairman is a relative within two degrees of A's chairman B's chairman is a relative within two degrees of A's chairman A and B have the same chairman Related party B's chairman is a relative within two degrees of A's chairman B is A's chairman B is a director at A B is a director at A
Chairman: Wan-Tsai Tsai	-	-	-	-	TFN Union Investment Co., Ltd. TCC Investment Co., Ltd. Ming Dong Co., Ltd. Fubon Life Insurance Co., Ltd. TCCI Investment & Development Co., Ltd. Dao Ying Co., Ltd. Daniel Tsai Richard Tsai	B's chairman is A's relative within two degrees B's chairman is A's relative within two degrees A is B's chairman Related party B's chairman is A's relative within two degrees A is B's chairman B is A's relative within two degrees B is A's relative within two degrees
JP Morgan Chase Bank N.A. Taipei Branch, custodian for Saudi Arabian Monetary Agency	100,866,526	2.95%	-	-	None	None
Shin Kong Life Insurance Co., Ltd.	100,561,000	2.94%	-	-	None	None

Name (A)	Current shareholding		Spouse's/minor's shareholding		Name and relationship between TWM's shareholders who are defined as related parties, spouse or relatives within two degrees	
	Shares	%	Shares	%	Name (B)	Relationship
Chairman: Tung-Chin Wu	-	-	-	-	None	None
Daniel Tsai	91,979,990	2.69%	4,580,070	0.13%	TFN Union Investment Co., Ltd. TCC Investment Co., Ltd. Ming Dong Co., Ltd. Fubon Life Insurance Co., Ltd. TCCI Investment & Development Co., Ltd. Dao Ying Co., Ltd. Wan-Tsai Tsai Richard Tsai	A is a director at B A is a director at B A is a director at B Related party A is a director at B A is a director at B B is A's relative within two degrees B is A's relative within two degrees
Richard Tsai	90,127,938	2.64%	5,986,496	0.18%	TFN Union Investment Co., Ltd. TCC Investment Co., Ltd. Ming Dong Co., Ltd. Fubon Life Insurance Co., Ltd. TCCI Investment & Development Co., Ltd. Dao Ying Co., Ltd. Wan-Tsai Tsai Daniel Tsai	A is B's chairman A is B's chairman A is a director at B A is a director at B A is B's chairman A is a director at B B is A's relative within two degrees B is A's relative within two degrees

Chapter 3 Financial Information

Capital and shares

Source of capital

As of March 20, 2014

Unit: shares / NT\$

Date	Par value (NT\$)	Authorized capital		Paid-in capital		Remarks		
		Shares	Amount (NT\$)	Shares	Amount (NT\$)	Source of capital (NT\$)	In a form other than cash	Cert. No. & effective date
Oct. 2011	10	6,000,000,000	60,000,000,000	3,420,832,827	34,208,328,270	Cash capital reduction: NT\$ 3,800,925,360	--	Authorization No. 1000031760 July 15, 2011

As of March 20, 2014

Unit: shares

	Authorized capital			Remarks
	Listed shares	Unissued shares	Total	
Common stock	3,420,832,827	2,579,167,173	6,000,000,000	None

Shareholder structure

As of July 14, 2013

	Government agencies	Financial institutions	Other institutions	Individuals	Foreign institutions & individuals	Total
No. of shareholders	7	17	271	33,541	897	34,733
Total shares owned	112,300,256	382,471,744	1,335,532,577	336,256,158	1,254,272,092	3,420,832,827
Holding percentage (%)	3.28	11.18	39.04	9.83	36.67	100.00

Shareholding distribution

As of July 14, 2013

Common shares

Shareholding range	No. of shareholders	Total shares owned	Holding percentage
1 ~ 999	16,788	6,344,118	0.18%
1,000 ~ 5,000	13,120	27,708,764	0.81%
5,001 ~ 10,000	2,196	15,998,583	0.47%
10,001 ~ 15,000	627	7,630,879	0.22%
15,001 ~ 20,000	421	7,410,153	0.22%
20,001 ~ 30,000	327	8,136,917	0.24%
30,001 ~ 50,000	261	10,156,819	0.30%
50,001 ~ 100,000	254	18,293,213	0.53%
100,001 ~ 200,000	168	24,345,477	0.71%
200,001 ~ 400,000	160	45,528,560	1.33%
400,001 ~ 600,000	100	50,185,593	1.47%
600,001 ~ 800,000	38	26,870,408	0.79%
800,001 ~ 1,000,000	35	32,218,856	0.94%
1,000,001 and above	238	3,140,004,487	91.79%
Total	34,733	3,420,832,827	100.00%

Major shareholders

As of July 14, 2013

Name	Total shares owned	Holding percentage
TFN Union Investment Co., Ltd.	410,665,284	12.00%
TCC Investment Co., Ltd.	200,496,761	5.86%
Ming Dong Co., Ltd.	184,736,452	5.40%
Fubon Life Insurance Co., Ltd.	123,791,400	3.62%
TCCI Investment & Development Co., Ltd.	119,563,804	3.50%
Dao Ying Co., Ltd.	104,954,742	3.07%
JPMorgan Chase Bank N.A. Taipei Branch, Custodian for Saudi Arabian Monetary Agency	100,866,526	2.95%
Shin Kong Life Insurance Co., Ltd.	100,561,000	2.94%
Daniel Tsai	91,979,990	2.69%
Richard Tsai	90,127,938	2.63%

Major shareholders of TWM's institutional investors

Institutional investors	Major shareholders
TFN Union Investment Co., Ltd.	Taiwan Fixed Network Co., Ltd. (100%)
TCC Investment Co., Ltd.	Taiwan Cellular Co., Ltd. (100%)
Ming Dong Co., Ltd.	Fubon Land Development Co., Ltd. (16.36%), Fubon Construction Co., Ltd. (13.89%), Fu-Chi Investment Co., Ltd. (12.63%), Ru Chi Investment Co., Ltd. (12.63%), Dao Chi Co., Ltd. (12.63%), Chung Shing Development Co., Ltd. (11.77%), Dao Ying Co., Ltd. (9.60%), Fubon Charity Foundation (3.43%), Fubon Cultural and Education Foundation (2.52%), Daniel Tsai (1.31%)
Fubon Life Insurance Co., Ltd.	Fubon Financial Holding Co., Ltd. (100%)
TCCI Investment & Development Co., Ltd.	TCC Investment Co., Ltd. (100%)
Dao Ying Co., Ltd.	Fubon Land Development Co., Ltd. (17.69%), Fubon Construction Co., Ltd. (17.69%), Fu-Chi Investment Co., Ltd. (13.13%), Ru Chi Investment Co., Ltd. (13.13%), Dao Chi Co., Ltd. (13.13%), Ming Dong Co., Ltd. (9.60%), Chung Shing Development Co., Ltd. (8.84%), Fubon Charity Foundation (1.01%), Wan-Tsai Tsai (1.01%), Shiang-Shun Yang Tsai (1.01%)
Shin Kong Life Insurance Co., Ltd.	Shin Kong Financial Holdings Co., Ltd. (100%)

Share price, net worth, earnings, dividends and related information

Unit: NT\$, '000 shares

		2012	2013	As of March 20, 2014	
Share price (NT\$)	High	115.50	121.50	97.30	
	Low	86.30	87.20	85.00	
	Average	98.26	104.50	91.22	
Net worth per share (NT\$)	Before earnings appropriation	21.03 (Note 1)	21.35	—	
	After earnings appropriation	15.53 (Note 1)	Note 1	—	
Earnings per share (NT\$)	Adjusted weighted average outstanding shares	2,690,107	2,690,107	2,690,107	
	Earnings per share	6.07 (Note 1)	5.79	—	
Dividends per share (NT\$)	Cash dividends	5.5	Note 1	—	
	Stock dividends	Retained earnings	—	Note 1	—
		Capital surplus	—	—	—
	Accumulated unpaid dividends	—	—	—	
PE and dividend yield (Note 2)	Price earnings ratio (x)	16.19 (Note 1)	18.05	—	
	Price to cash dividend (x)	17.87	—	—	
	Cash dividend yield (%)	5.6	—	—	

Note 1: The appropriation amount indicated above is based on resolutions approved at the annual shareholders' meetings in the subsequent year. The 2012 numbers were restated based on IFRS. The appropriation amount for 2013 has not yet been approved at an AGM.

Note 2: Price earnings ratio = Average closing price / earnings per share
Price to cash dividend = Average closing price / cash dividend per share
Cash dividend yield = Cash dividend per share / average closing price

Dividend policy

1. Dividend policy under Articles of Incorporation

The dividend policy in general is to distribute earnings from retained earnings in the form of cash after deducting forecasted capital expenditure. Should there be a stock dividend distribution, it should not exceed 80% of the total dividends distributed in a single year. The dividend payout proposed by the board of directors (BOD) has to be approved at the annual shareholders' meeting.

2. Proposed dividend allocation for approval at the annual shareholders' meeting

The BOD has not yet approved the proposal for dividend allocation of the 2013 earnings as of the publication date. The board expects to approve the proposal 40 days prior to the AGM, and any resolution will be announced on the Company's website and MOPS.

3. The Company maintains a dividend policy with a high payout ratio. Historically, dividends distributed to shareholders were no less than 80% of net income for that year and composed of over 80% cash. A historical listing of dividends distributed is listed on TWM's official website.

Impact of stock dividend distribution on business performance and EPS

The BOD has not yet approved the proposal for dividend allocation of the 2013 earnings as of the publication date.

Employee bonus and compensation to directors

1. Earnings distribution plan according to the Company's Articles of Incorporation

According to the Company's Articles of Incorporation, annual net income after deducting losses from previous years, appropriating 10% thereof for legal reserves and setting aside special reserves, shall be distributed in the following order:

- 1) Maximum of 0.3% as compensation to directors;
- 2) 1% to 3% as bonuses to employees;
- 3) Remainder thereafter to be set aside for stock/cash dividends to shareholders as determined in the annual shareholders' meeting.

The board of directors is empowered to decide the allocation of stock bonuses to employees. Recipients are to include qualified employees of the subsidiaries.

2. Accounting treatment for the deviation between estimated and actual distribution amount of employee bonuses and compensation to directors

Should there be a significant adjustment to the distribution amount approved by the BOD from the previous accrual after year-end, the accrued amount should be revised accordingly. However, should there be another change in the amount approved at the annual shareholders' meeting, the adjustment should be treated as a "change in accounting estimation," and the difference from the BOD resolution should be booked in the year the AGM is held.

3. 2013 proposal on employee bonuses and compensation to directors adopted by the board of directors

The BOD has not yet approved the proposal for dividend allocation of the 2013 earnings as of the publication date. The BOD expects to approve the dividend distribution 40 days prior to the AGM, and any resolution will be announced on the Company's website and MOPS.

4. Earnings distributed as employee bonuses and compensation to directors in the previous year

An employee cash bonus of NT\$396,673,322 and compensation to directors of NT\$39,667,332 from the 2012 earnings, as approved at the 2013 board of directors' and shareholders' meetings, were duly paid in 2013.

Share buyback: None.

Corporate bond issuance

Corporate bonds

Issuance	Second unsecured corporate bonds	Third unsecured corporate bonds	Fourth unsecured corporate bonds
Issue date	November 14, 2008	December 20, 2012	April 25, 2013
Denomination	NT\$10,000,000	NT\$10,000,000	NT\$10,000,000
Issuance and listing	Not applicable	Not applicable	Not applicable
Issue price	100%	100%	100%
Total amount	NT\$8,000,000,000	NT\$9,000,000,000	NT\$5,800,000,000
Coupon	2.88% p.a.	1.34% p.a.	1.29% p.a.
Term	5 years, maturing on Nov. 14, 2013	7 years, maturing on Dec. 20, 2019	5 years, maturing on Apr. 25, 2018
Guarantor	None	None	None
Trustee	Hua Nan Bank, Trust Division	Hua Nan Bank, Trust Division	Hua Nan Bank, Trust Division
Underwriter	None	None	None
Legal counsel	Jim Chen, Attorney	Bang Shang Lin, Attorney	Bang Shang Lin, Attorney
Auditor	Vita Kuo, CPA Deloitte & Touche	Simon Chen, CPA KPMG	Simon Chen, CPA KPMG
Repayment	Repayment of 50% of the principal in the 4th year and the remaining 50% in the 5th year	Repayment of 50% of the principal in the 6th year and the remaining 50% in the 7th year	Repayment of 50% of the principal in the 4th year and the remaining 50% in the 5th year
Outstanding balance	NT\$0	NT\$9,000,000,000	NT\$5,800,000,000
Early repayment clause	None	None	None
Covenants	None	None	None
Credit rating agency, rating date, company credit rating	Taiwan Ratings Corp. (TRC), 2008.09.15, twAA TRC, 2009.06.10, twAA TRC, 2010.05.31, twAA TRC, 2011.05.31, twAA TRC, 2012.05.23, twAA TRC, 2013.06.04, twAA	TRC, 2012.11.12, twAA TRC, 2013.06.04, twAA	TRC, 2013.01.30, twAA TRC, 2013.06.04, twAA
Ancillary rights	Amount converted/exchanged into common shares, ADRs or other securities	Not applicable	Not applicable
	Rules governing issuance or conversion (exchanged or subscription)	Not applicable	Not applicable
Dilution and other effects on shareholders' equity	Not applicable	Not applicable	Not applicable
Custodian	Not applicable	Not applicable	Not applicable

Convertible bond information: None

Exchangeable bond: None

Shelf registration issuance: None

Bond with warrant: None

Preferred shares: None

Depositary receipt issuance: None

Employee stock options and new restricted employee shares: None

Shares issued for mergers and acquisitions: None

Use of proceeds from rights issue: None

Chapter 4 Operational Highlights

Macro Environment

Consumer spending on communication and broadcasting related services is largely influenced by the macroeconomic environment. According to the Directorate-General of Budget, Accounting and Statistics (DGBAS), private consumption growth increased mildly to 1.77% in 2013 from 1.62% a year ago, on the back of a stable global economy and stock market recovery. Buoyed by rising corporate recruitment and wages, consumer confidence is expected to further improve this year. Rising imports of mid-priced cars and budget airlines' expansion are also expected to stimulate consumption, helping private consumption grow by 2.44% in 2014.

Overall Operating Results

The Company's consolidated revenue expanded 9% YoY in 2013, bolstered by a 30% increase in mobile value-added service (VAS) revenue, continuous mobile revenue growth from enterprise customers, an 8% gain in cable internet revenue, and an over 40% jump in momo's (TWM's 51%-owned subsidiary) online shopping revenue. In terms of profitability, despite higher expenses to expand the Company's mobile data capacity, smartphone adoption rate and distribution network, EBITDA still edged up 1% YoY in 2013. In addition, operating income slightly exceeded the Company's guidance at 102%.

Performance by division

Unit: NT\$m

	Consumer Business Group	Home Business Group	Enterprise Business Group	Fubon Media Technology
Brand name	Taiwan Mobile	TWM Broadband	TWM Business Solution	momo
Services	<ul style="list-style-type: none"> ● Voice and data mobile services for consumers ● Mobile to international direct dialing (IDD) services 	<ul style="list-style-type: none"> ● Pay TV services ● Cable broadband services ● Others 	<ul style="list-style-type: none"> ● Voice and data mobile services for enterprises ● Fixed-line services ● International simple resale (ISR) services 	<ul style="list-style-type: none"> ● Online shopping ● TV home shopping ● Mail order
2013 revenue*	71,199	6,244	10,734	21,278
As a % of group revenue	65%	6%	10%	19%
2013 EBITDA*	22,945	3,278	3,748	833
As a % of group EBITDA	75%	11%	12%	2%

	Mobile business	Cable business	Fixed-line business	Retail business
Market position	Second-largest mobile operator in a five-player market, with a market share of around 29% in terms of mobile service revenue	Fourth-largest multisystem operator (MSO), covering about 11% of the households in Taiwan	A market share of around 2% for ADSL/FTTx business. Second-largest internet service provider (ISP), with a market share of 6% (including 180K cable broadband subscribers from the cable business)	Ranked among the top three in both online shopping and TV home shopping
Subscriber base	<ul style="list-style-type: none"> ● 7,225K mobile subscribers 	<ul style="list-style-type: none"> ● 584K CATV subscribers ● 180K cable broadband subscribers 	<ul style="list-style-type: none"> ● Around 80K ADSL/FTTx internet access users 	Not applicable

* Source: 2013 financial reports. The difference between the sum of each division and consolidated number was due to inter-division adjustments and eliminations.

Operating Results Review

Consumer Business Group

Benefiting from a continuous increase in mobile data subscriptions bundled with smartphones, the Company's mobile internet adoption rate among postpaid subscribers rose to 54% from 42% a year ago, boosting its VAS revenue as a percentage of mobile service revenue to 39%. As a result, mobile service revenue grew 6% YoY. This, together with handset sales, lifted CBG's total revenue by 8% from a year ago.

Home Business Group

HBG's 2013 revenue rose 2% from a year ago due to revenue growth from its digital TV and cable broadband businesses. Growth is attributed to an expanding digital TV penetration rate and higher adoption rate for high-speed cable broadband services.

Enterprise Business Group

EBG's 2013 revenue grew 3% YoY, largely due to an expanding client base, which boosted its enterprise mobile revenue by 13% YoY. EBITDA rose 9% from a year ago due to rising revenue and strict cost/expense control.

Fubon Media Technology

momo's main growth driver came from the continuous expansion of its online shopping business. Revenue from online shopping grew 43% YoY in 2013, while EBITDA increased close to 30%.

Scope of Business

Business overview

Consumer Business Group

1. Products and services

The Consumer Business Group (CBG) is mainly engaged in providing mobile communication services to individual users. The Company offers a wide range of products, including SIM cards for postpaid subscribers, as well as SIM and reloadable cards for prepaid subscribers that can be used for making/receiving calls and other services, such as short messaging service (SMS), data, multimedia and other value-added services.

Target customers	Service category	Description	Highlights
Individual consumers	Mobile	Voice	Basic telecommunication voice services, including calling and receiving calls from fixed-line and mobile phones
		Data	Value-added services, including voice mail, call forwarding, call waiting, conferencing, SMS, roaming, call barring, video calls, multimedia and content (e.g. mobile TV, music, games, finance information, online bookstore, messaging apps, video clips, video streaming), and internet access using GPRS/3G/HSDPA transmission
	IDD	International direct dialing services	

2. Revenue breakdown by service

Unit: NT\$mn

Item \ Year	2013	
	Revenue	% of total
Telecom service	49,200	69%
Handset sales and others	21,999	31%
Total	71,199	100%

3. New products and services

- (1) Voice services: Continue to roll out innovative rate plans to better meet customers' different calling patterns and personal demands.
- (2) Value-added services: Focus on mainstream smart devices; develop a diverse range of services and digital content to better meet customers' various mobile needs.

4. Operating status

(1) Postpaid products and services

To offset the impact of the voluntary tariff cuts imposed by the National Communications Commission (NCC) on voice revenue, the Company focused on improving the percentage of mid-to-high rate plan subscribers and sales of smart devices to raise its average revenue per user (ARPU). By the end of 2013, mid-to-high rate plan users as a percentage of total subscribers had increased by 4 ppts.

The Company also has excellent loyalty programs in place to secure its customer base and minimize churn rates. With the aid of business intelligence tools and its direct marketing network, the Company uses market segmentation to target and provide customers with services that better match their needs. For instance, the Company provides discounts on handsets or phone bills as incentives for clients renewing their contracts. For high ARPU customers, the Company has an exclusive program called “myVIP”. The Company also offers a credit card program that allows customers to earn rebates based on their phone bills.

(2) Prepaid products and services

The Company launched a prepaid card that can be used for voice and mobile internet (1GB data) for only NT\$180 in 2013. This helped boost the Company’s prepaid subscriber numbers by 12% in 2013.

The Company also aggressively promoted VAS usage and adoption rate. Various mobile internet data packs and daily charge mobile data products were sold through different channels. The Company was the first Taiwanese telecom carrier to offer international voice roaming service for prepaid card users. All these efforts contributed to the 89% growth in non-SMS VAS revenue for the Company’s prepaid business in 2013.

(3) Value-added services

The Company saw a significant increase in VAS revenue in 2013, surging 30% from a year ago. In particular, revenue from mobile internet access rose 39%, thanks to high-quality mobile internet services and flexible data rate plans, as well as a growth in the popularity of smartphones, tablets, 3.5G data cards and netbooks. These helped attract a large number of mobile internet users and also encouraged existing subscribers to use value-added services.

Home Business Group

1. Products and services

TFN Media (TFNM), a subsidiary of the Company, holds a cable television system operator's license and a Type II telecommunication license. Its main products and services cover analog cable TV service, high-definition digital cable TV service, high-speed cable broadband service, HomePlay (a multi-screen sharing service), Super MOD (multimedia on demand) service, internet TV and Connect TV. Combining the group's resources – from mobile and fixed-line to innovative cloud technology – HBG provides digital convergence services across “four screens and a cloud” to home users. Its subsidiary, TV production company Win TV Broadcasting, operates the “momo family channel” and owns distribution rights to a large number of outstanding domestic and foreign TV content, enabling it to provide subscribers with a wide range of digital audiovisual entertainment services.

Service category	Products / Services	Description
Pay TV	Analog cable TV	Uses high bandwidth coaxial cable to transmit a wide range of TV channels and programs to home TVs.
	Digital cable TV	TWM Broadband's CATV networks transmit domestic and international digital TV channels to subscribers' homes; subscribers can use the set-top box provided by TWM Broadband to view high-definition digital video content.
Broadband internet access	Cable fiber-optic broadband internet access	Provides high-speed internet access service via a hybrid fiber/coaxial (HFC) network deployed by the CATV system operator in combination with new-generation DOCSIS 3.0 broadband internet access technology.
Content distribution	Analog and digital TV channels	Distributes high-quality domestic and foreign TV content on both analog and digital TV services by licensing the broadcasting rights of these channels to other CATV system operators and video service platforms.
Digital home service	Super MOD service	The first in Taiwan to provide high-definition on-demand video, audio and interactive applications/content by combining video on demand, internet TV and digital TV onto a single platform. Subscribers can access Super MOD content on their TVs, computers, smartphones and tablets anytime, anywhere.
	HomePlay service	A multi-screen sharing service that enables subscribers to share and watch TV programs, HD video on demand and internet video content via multiple screens such as TVs, tablets and smartphones. Subscribers can access any content through any device via HomePlay's user-friendly application at home.

2. Revenue breakdown by service

Unit: NT\$mn

Item \ Year	2013	
	Revenue	% of total
Pay TV service	4,308	69%
Cable broadband service	1,161	19%
TV content distribution and others	775	12%
Total	6,244	100%

3. New products and services

(1) High-definition digital TV channels and programs:

With the government pushing for 100% digital cable TV penetration rate by 2016, TWM Broadband has positioned itself to maximize the opportunity by expanding the economic scale of HDTV and digitizing audio-visual home entertainment.

(2) High-speed fiber-optic internet access service:

Consumer demand for high-speed Internet access has soared with the fast-growing popularity of online videos and social media. TWM Broadband was ahead of the trend in upgrading its fiber-optic network, enabling it to provide 100M and 120M high-speed broadband access services in 2012 and 2013, respectively.

(3) Digital home service:

In 2012, TWM Broadband launched the first platform integrating internet TV, video on demand and connected TV called Super MOD. The platform enables subscribers to watch high-definition video on demand and use interactive digital applications across multiple devices, from televisions and smartphones to tablets and computers, offering the convenience of “four screens and a cloud” digital home service. In 2013, TWM Broadband again led the industry in introducing a multi-screen sharing service called “HomePlay,” ushering in the digital home 2.0 era by giving users a true “TV Everywhere” experience.

Enterprise Business Group

1. Products and services

The Enterprise Business Group (EBG) offers enterprise customers integrated mobile/fixed and cloud services.

Service category	Description
Fixed-line voice	EBG provides integrated voice solutions, including Enterprise E phone, local calls, long-distance calls, international calls, Centrex, 080 domestic toll-free service, audio conference, intelligent network services (e.g., 0209 services) and ISR, enabling users to save on calling costs. TWM Solution continues to develop advanced technologies to enhance reliability and provide instant response to ensure customer satisfaction.
Fixed-line data	EBG offers different types of circuits for information transmission, including leased line, Metro Ethernet, IP virtual private network (VPN), international private leased circuit (IPLC) and ADSL VPN. These circuits and bandwidth for data transmission among terminals enable users to build a communication network and expand their business opportunities.
Internet	EBG offers internet access via leased line, Metro Ethernet, ADSL, FTTx and dial-up.
Mobile	EBG offers regular voice services, mobile VPN, intelligent transportation system (ITS), BlackBerry enterprise solution, mobile audio conference and MVPN data service.
Systems integration and cloud service	EBG provides internet data center (IDC) services, including co-location, web hosting, super mail and domain name registration. EBG's IDC services not only cover carrier-level facilities, but also management/maintenance services for customers. In addition, EBG provides video conference services, information security services (Security Operation Center), network management, and infrastructure as a service (IaaS).

2. Revenue breakdown by service

Unit: NT\$m

Item \ Year	2013	
	Revenue	% of total
Mobile service	4,700	43%
Fixed-line service	3,478	32%
ISR and others	2,556	24%
Total	10,734	100%

3. New products and services

- (1) Remote desktop service: A productivity-enhancing service that allows business travelers to use their mobile devices to access their office files and applications anywhere.
- (2) Cloud storage service: A cost-effective solution for enterprise customers to build a disaster recovery site and off-site backup in order to enhance data security, protection and compliance.
- (3) Enterprise mobility applications service: The proliferation and popularity of smart devices have made "Bring Your Own Device" (BYOD) a common corporate policy. TWM has responded to this trend by providing customers a variety of productivity and efficiency-enhancing applications. With the launch of the Company's high-speed 4G service this year, clients can look forward to even faster and easier mobile data transmission services.

Fubon Multimedia Technology (momo)

1. Products and services

Momo offers TV home shopping, online shopping, mail order service, travel services, and property and life insurance sales.

2. Revenue breakdown by service

Unit: NT\$mn

Item	Year	2013	
		Revenue	% of total
Online shopping		11,522	54%
TV home shopping and mail order service		8,713	41%
Brick-and-mortar channels* and others		1,043	5%
Total		21,278	100%

* momo sold its cosmetic chain store operation in March 2014.

3. New products and services

- (1) Develop new product categories: As online shopping takes off, offering product variety is critical to maintaining view rates and targeting the right customers. Momo has successfully explored and developed new product categories, including food, men's wear and artworks, to sustain buyers' interest.
- (2) Introduce new brands: Backed by its rich marketing resources and a stable supply chain, momo has launched new quality brands, such as Laneige, Brand's, Dyson and Philips. Momo aims to continue this strategy of introducing famous local and foreign brands.
- (3) Expand business platforms: With CATV penetration nearly saturated and traditional TV viewership falling while digital TV and mobile devices rise in popularity, TV home shopping is adapting to changes in consumer lifestyle and trends by expanding into other broadcasting platforms, such as Super MOD (a high-definition digital content and TV application platform launched by TWM), shopping via remote control, interactive digital shopping and mobile apps.

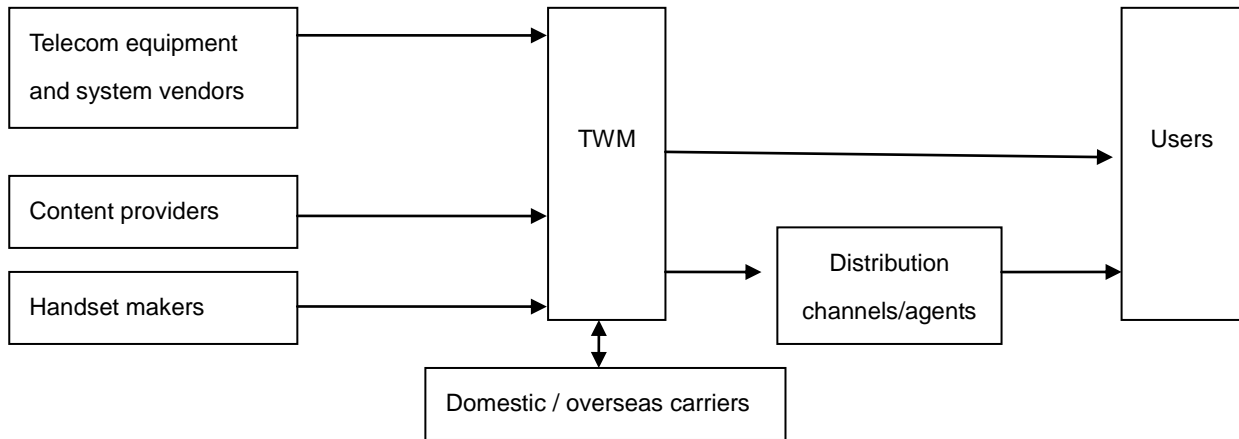
Industry overview

Consumer Business Group

1. Industry status and development

The three leading players continued to dominate Taiwan's mobile telecommunication market, and smaller players' share of mobile service revenue declined in 2013. However, the National Communications Commission's request that the three leading players offer voluntary mobile tariff reductions could weigh on their revenue going forward.

2. Industry value chain



3. Product development trends and competitive landscape

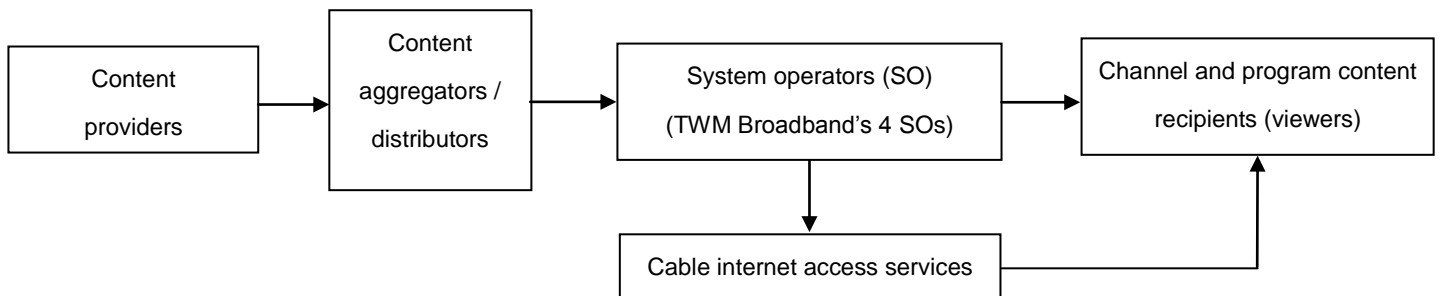
The operators are seeking to further expand the mobile broadband market in the 4G era. A variety of new rate plans for data services, combined with new terminal devices and new VAS, have been introduced to stimulate subscriber take-up. This should be an important future revenue growth driver. As for the prepaid segment, pricing competition is intensifying.

Home Business Group

1. Industry status and development

Cable TV has become a must-have video platform, but it faces challenges from alternative services such as IPTV, digital terrestrial TV and other emerging media that have successively entered the market. The cable TV industry must digitalize aggressively and continue to provide innovative digital TV value-added services to attract traditional cable TV subscribers to switch to digital TV.

2. Industry value chain



TWM Broadband has the advantage of controlling “last mile” access to customers. TWM Broadband aims to take the lead in vertical integration to build up its core competitiveness and explore new business opportunities in the age of digitalization.

3. Product development trends and competitive landscape

Despite a saturated market which is dominated by Chunghwa Telecom, HBG managed to grow its subscriber number

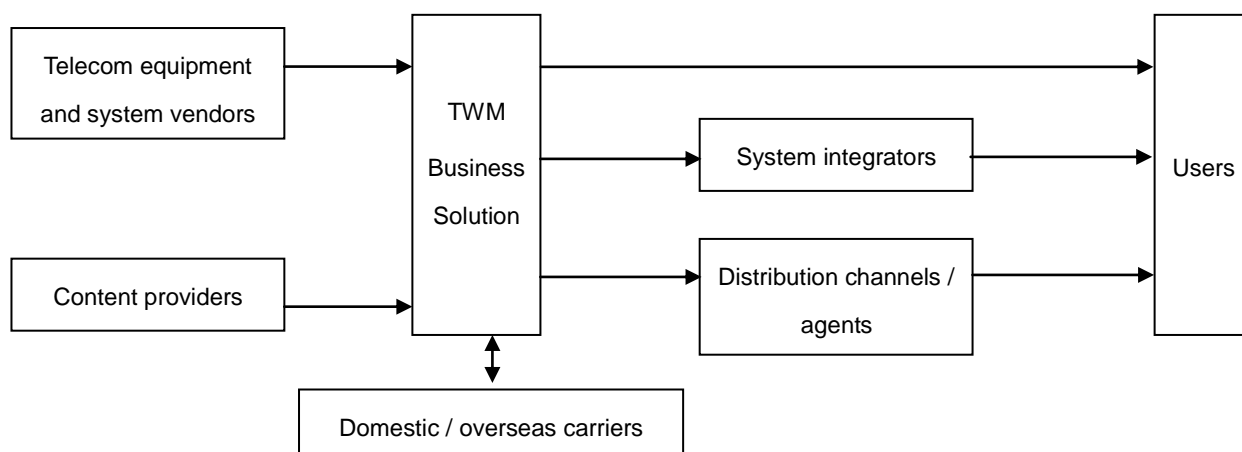
in the cable internet business by bundling cable broadband products with HD DTV services offered in its cable TV service areas, taking examples from global leading operators such as PCCW in HK as well as AT&T and Comcast in U.S. To fend off competition, TWM Broadband will provide high-speed broadband internet access service, increase the number of high definition programs and develop more innovative digital value-added services to let subscribers enjoy a whole new experience in home entertainment.

Enterprise Business Group

1. Industry status and development

According to NCC statistics, there were 79 Type I telecommunication providers, including four fixed-line operators, five mobile operators and other circuit leasing operators; and 448 Type II telecommunication providers, including international simple resale (ISR), internet service providers (ISP), VoIP and other value-added service providers. All these have resulted in keen competition. And, as the trend toward digital convergence expands, the boundaries between telephone, cable TV, wireless and PC are getting increasingly blurry, intensifying cross-industry competition.

2. Industry value chain



3. Product development trends and competitive landscape

NCC statistics show that Chunghwa Telecom (CHT) has a virtual monopoly of the telecom market, accounting for 91.32% of local network service revenue, 76.63% of long-distance network service revenue and 49.91% of international network service revenue. FTTx is the most popular type of broadband internet access in Taiwan, with an increasing number of users choosing higher-speed services. Since CHT has the “last mile” advantage, other ISPs find it hard to effectively compete with the firm, except for cable broadband operators.

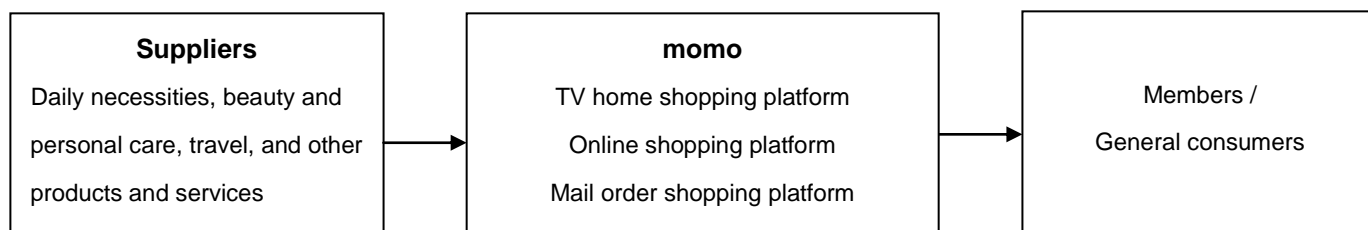
Along with the rising popularity of smart devices and as network infrastructure matures, the government is planning to invest in the transformation of the information/telecommunication industry into a cloud computing industry. Carriers planning to continue promoting enterprise customer applications will contribute to the building of this cloud center and providing various cloud application services. Hence, cloud, m-commerce and integrated mobile data services will be the main revenue growth drivers in the future.

Fubon Multimedia Technology

1. Industry status and development

The proliferation of cable TV, digital TV and smart devices has given rise to a new breed of home shoppers. Consumers can order a product by telephone or through virtual shopping platforms, choose from a host of convenient payment systems and receive the product in a short period.

2. Industry value chain



momo sources its products from suppliers of daily necessities, beauty and personal care, travel services, and other products and services, and sell them through its TV home shopping networks, online shopping sites and mail-order catalogues for members and general consumers.

3. Product development trends and competitive landscape

- (1) TV home shopping: The rise of virtual shopping platforms has helped e-commerce and mobile commerce gain a foothold in Taiwan's TV home shopping market. And as digital TVs become more popular, TV home shopping programs are finding greater opportunities to reach out to consumers. Aside from momo, leading players in the field are Easter Home Shopping (EHS), U-Life and ViVa. Momo aims to provide better broadcasting programs that cater to consumers' needs in a timely manner.
- (2) Online shopping: Although momo entered the market later than its peers Yahoo! Taiwan and PChome Online, it has made major strides as a comprehensive business-to-consumer (B2C) e-commerce player, growing rapidly by leveraging its know-how in TV home shopping.
- (3) Mail order: The mail order business attracts different types of players, from TV home shopping operators (e.g., momo, EHS, U-Life and ViVa) to multi-level marketing players (e.g., Amway, Avon, Herbalife and Nu Skin), and Japanese mail order companies (e.g. DHC and Orbis). Momo's main rivals are multi-level marketing players and Japanese mail order companies.

Research and development expenditure

Investment in research and development and its ratio as a percentage of total revenue are shown in the table below. For 2014, the Company plans to spend NT\$959mn on the research and development of more advanced technologies to increase customer satisfaction, which in turn should boost value-added service revenue and overall operations growth.

Year	2012	2013	2014 (As of February 28)
R&D expense (NT\$'000)	551,589	598,864	132,822
As a % of total revenue	0.55%	0.55%	0.70%

Major research and development achievements

Project name	Description
LTE new technology research	<ul style="list-style-type: none"> • 4G broadband service spectrum evaluation • Frequency planning and resource management mechanisms for LTE-Advanced (LTE-A) system deployment • 3D-MIMO (multi-input multi-output) for LTE-A • Design of an integrated group mobility mechanism for LTE-A networks
Daily scale charges for data roaming service	Flexible billing system to provide customers with better and more convenient mobile data roaming service
Enterprise sales incentive/sales performance evaluation (SI/SPE) system	Sales incentive and performance evaluation system for enterprise business to boost sales efficiency
Gift certificate management system	Designed to support distribution and consumption of gift certificates to encourage clients to use the myfone shopping website
Integrated payment service	Integrated payment platform provides multiple payment options for customers across physical and virtual channels
Expanded mobile phone billing system	Extended mobile phone bill's coverage to include payment for e-commerce and m-commerce transactions to stimulate sales and reduce credit card service charges
NFC PayPass	A new mobile payment service integrating the functions of a credit card and public transit fare card for users of NFC-enabled smartphones
M+ messaging app	Free VoIP service launched to enrich customers' communication experience; enterprise accounts also set up in cooperation with EasyCard Corp and Fubon Securities Co., Ltd.
TAMedia mobile advertisement platform	Expanded platform to support rich media (expandable and interstitial) and video ad content
myVideo	Streaming service offers MLB/NBA gaming content and news updates for smartphone, tablet and PC users
Cloud IDC	Received Tier III certification from Uptime Institute for its internet data center facility. The center will be used to provide stable and uninterrupted IaaS for enterprise customers in the financial, telecom, e-commerce and other industries.

Sales development plans

Consumer Business Group

1. Short-term plan

- (1) Introduce 4G LTE service to continue supplying faster and more convenient mobile internet service for customers.
- (2) Develop standard service flow from customers' point of view to give them the best service experience.
- (3) Develop a wide variety of voice/data and VAS rate plans and campaigns to target different customer segments and strengthen customer relations as well as acquire new subscribers by enhancing management of local

channels.

- (4) Offer a greater variety of mobile phones, accessories and other 3C products, and build a one-stop shop that meets all TWM customers' digital needs.

2. Long-term plan

The Company aims to provide subscribers with a variety of digital convergence services through 4G's faster transmission speed. The focus will be on the following:

- (1) Establishing a "quadruple-play" platform that integrates mobile communication, fixed-line, broadband internet access and cable TV services to give the Company a lead over its competitors in offering digital convergence services in Taiwan.
- (2) Leveraging machine-to-machine (M2M) technology into TWM products and services to integrate mobile handsets, high-quality mobile networks and cloud computing technology so as to expand its service range and support the development of innovative, profitable business models.
- (3) Increasing the number of company stores and providing extensive training to franchise shops to enhance service quality and availability, as well as providing a wider variety of services and customer experience to attract users and fulfill their mobile needs.

Home Business Group

1. Short-term plan

- (1) TWM Broadband will continue to optimize its network infrastructure in those regions where it is already operating cable TV systems, and provide high-definition digital content and VOD to set the foundation for its digital services.
- (2) TWM Broadband has commercially launched its 100Mbps+ super high-speed internet access service bundled with high-definition digital TV to boost its cable broadband and digital TV service penetration rates in hopes of raising its subscriber mix of high-speed broadband service users and DTV customer numbers.

2. Long-term plan

In line with the Executive Yuan's goal of raising the digital TV penetration rate to 100% by 2016, TWM Broadband aims to become a one-stop shop for home digital services by integrating high-definition digital content, multiple-viewing terminal devices, high-speed fiber-optic broadband service and cloud technology, allowing families and individual subscribers to enjoy the benefits of "four screens and a cloud" (i.e., mobile phones, PCs, tablets and TVs).

Enterprise Business Group

1. Short-term plan

The popularity of smart devices has gradually changed enterprise communication patterns. To meet the need of mobile offices, the Company commenced operations of a 26,000 sq.m. internet data center in November 2013 to provide better cloud computing services. Since winning a 4G mobile broadband license in October 2013, the company has aimed to provide faster and better data transmission quality. The Company is further developing enterprise mobility solutions to help reduce corporate costs and enhance operating efficiency.

To cope with the increasing demand for cloud computing services and growing transnational bandwidth traffic, the Company invested in the Tamsui-Fuzhou submarine cable project, which was commercially launched in November 2013. The cable line should provide quick, stable and cost-efficient integrated data services across the Taiwan Strait for enterprise customers.

2. Long-term plan

EBG's vision is to expand its enterprise services from network-centric to IP solutions, cloud services and mobile application by implementing the following:

- (1) Grow revenue from cloud computing and mobile applications.
- (2) Raise sales productivity and expand the small-and-medium enterprise market segment by integrating channels.
- (3) Improve the international business division's operating efficiency by increasing direct peering coverage, managing quality and reducing international IP cost.

Fubon Media Technology

1. Short-term plan

- (1) TV home shopping: Increase scale of products, expand mobile and digital platforms, and incorporate main suppliers into the company's supply chain management system.
- (2) Online shopping: Provide differentiated value-added services, enhance competitive advantages in the mobile market, perform big data analytics and recommend more individualized products to clients.
- (3) Mail order: Strengthen visual editing to refine the design of momo catalogs and develop e-catalog services to expand touch points with customers.

2. Long-term plan

Take a pro-active approach in increasing momo's brand image, explore Southeast Asia's TV shopping market to export best-selling products, leverage off the Group's marketing resources and sales channels to enhance operating efficiency and provide innovative services through mobile and cloud platforms.

Customer satisfaction

To create the best experience for customers, TWM conducts annual customer satisfaction surveys by telephone to better understand their needs and expectations. Customers are asked to evaluate call quality, rates, bills, customer hotline service, store service, value-added services, and the Company's website among others. The findings from these polls are used as a reference to set new objectives and improve service quality.

Customer satisfaction key indicators	2011	2012	2013
Overall satisfaction	3.7	3.8	3.7
Call quality	3.6	3.7	3.7
Customer hotline service	4.3	4.5	4.4
Store service	4.0	4.1	4.2

Note: Customer satisfaction is rated based on the following scores: Very satisfied (5), Satisfied (4), Neither satisfied nor dissatisfied (3), Dissatisfied (2) and Very dissatisfied (1).

Market and Sales Overview

Market analysis

Consumer Business Group

1. Main products and service areas

The Company provides mobile services nationwide, covering Taiwan and the outlying islands of Kinmen and Matsu.

2. Market status

By the end of December 2013, the penetration rate for mobile subscribers had reached 127%, implying a saturated market. However, the release of 4G licenses, rapid innovations in mobile devices and rising demand for mobile internet and value-added services all suggest a growing market, encouraging new entrants to venture into the market.

3. Competitive advantages

(1) Better customer mix

In 2013, the Company succeeded in improving its subscriber base structure. The percentage of low usage subscribers fell by 4 pts from a year ago, while the percentage of mid-to-high usage subscribers continued to increase.

(2) Market leader in wireless broadband

In 2005, the Company became the first mobile communication operator in Taiwan to launch 3G services, and in 2007, it rolled out the nation's first 3.5G service. Subscribers enjoyed flexible rate plans, high-quality mobile handsets, and a wide range of value-added services. By the end of 2013, the Company had a 3G subscriber base of over 6.4 million users, who contributed more significantly to value-added service ARPU than 2G subscribers, and have become the main driver of VAS revenue growth.

4. Opportunities and challenges

Positive factors

- (1) With the introduction of 4G service, lower prices for smart devices and data rate plans, and the emergence of new, varied applications, mobile internet access is rapidly spreading from entrepreneurs and professionals to ordinary consumers, contributing to the rapid growth in non-voice revenue.
- (2) With information technology, communication and media trends converging, mobile operators play a pivotal role in the supply chain.

Negative factors

- (1) The NCC's implementation of mobile termination rate (MTR) cuts from 2013 to 2016 is expected to weigh on mobile voice revenue in the future.
- (2) The increasing popularity of IP messaging apps has affected mobile voice revenue.

Countermeasures

- (1) The Company plans to roll out its 4G network at full speed to satisfy customers' needs for high-speed internet access.
- (2) The Company maps out strategies in response to government policy changes and new laws and regulations.
- (3) The Company will continue to introduce innovative value-added services for smartphones to stimulate data service revenue growth and offset the impact of falling voice revenue.

Home Business Group

1. Main products and service areas

TWM Broadband provides cable TV, high-definition digital cable TV, and fiber-optic broadband internet access services. Its main service areas are New Taipei City's Sinjhuang and Sijhih districts, Yilan County and Greater Kaohsiung's Fongshan District.

2. Market status

(1) Cable TV

Taiwan's cable TV penetration rate has reached over 60% of households, according to NCC data. Watching TV is a major leisure activity in Taiwan – one that is relatively unaffected by fluctuations in the economy, ensuring stable market demand.

(2) High-definition digital cable TV

Digitalization is the future trend for CATV. With the Executive Yuan setting a target of 100% digital TV penetration rate by the end of 2016, business opportunities abound in this market of 6 million households nationwide. TWM Broadband is tapping into this digitalization value chain by offering rich HD content, stable and quality signal, various platforms for viewing TV programs and an affordable TV set bundled promotion to boost digital TV's penetration rate.

(3) Broadband internet access

With the broadband internet access market moving toward high-speed services, the migration of mid-to-low speed users to faster speeds will be the main growth driver for the market. TWM expects to gain share in this market by offering competitive prices and superior quality for its 100Mbps and above internet access service.

3. Competitive advantages

(1) Optimize broadband network quality

TWM Broadband introduced network quality assurance management (QAM) to optimize management of its network system and bandwidth to ensure that customers get premium broadband access and the best user experience. Aside from lowering the group's broadband costs, this has helped strengthen TWM's competitiveness in the broadband access market and in facilitating digital convergence.

(2) Strengthen fiber-optic broadband cable networks

TWM Broadband will continue to deploy a dense, ring-type fiber-optic backbone network and provide back-up systems for its bi-directional network with advanced DOCSIS 3.0 network technology. TWM Broadband is able to provide 120Mbps or faster high-speed internet access services. Unlike ADSL with its range constraints, cable internet provides lower cost but premium quality super high-speed broadband services.

(3) Enrich digital content and VAS to increase ARPU of digital TV service

TWM Broadband aims to increase the variety and quantity of value-added services such as HomePlay and Super MOD to offer triple play bundled services (i.e., broadband access, digital TV and VAS) to increase its subscriber base and ARPU.

(4) Leverage off Taiwan Mobile Group's integrated resources to develop innovative digital convergence products and services

TWM Broadband's resources cover mobile communication, fixed network, CATV, ISP and channel content. The integration of these resources, together with the Taiwan Mobile Group's extensive technical support, as well as sales and marketing resources, forms the core of TWM Broadband's competitive advantage in the home market.

(5) Form strategic alliances with core industry players to create new business opportunities

TWM Broadband formed an innovative strategic alliance in November 2012 with the world's most advanced

producer of large-sized LCD panels – Sakai SIO International Holdings – to offer 60-inch TVs made by the Hon Hai Group. The initiative gave consumers a complete package of digital TV services, including nearly 30 HD channels and Super MOD, bundled with an extremely competitively priced large TV. TWM Broadband will continue to seek alliances with other partners to create new business opportunities

4. Opportunities and challenges

Positive factors

- (1) Government speeding up digitization policy to promote the development of digital TV
Riding on the government's digitization policy push and the launch of its Super MOD and HomePlay services, TWM Broadband promoted its CATV services and facilitated its analog TV customers' switch to digital services, thereby raising its digital TV subscriber numbers and penetration rate. TWM Broadband will further increase its digital TV value-added services to boost its revenue stream.
- (2) High-speed cable internet service has become the mainstream
TWM Broadband has completed upgrading its ring-type fiber-optic backbone network and infrastructure in its operating areas and adopted the latest high-speed DOCSIS 3.0 cable internet technology. It can provide high-speed broadband internet access speeds of 120 Mbps to help expand its market share, as well as increase customer loyalty and ARPU.

Negative factors

- (1) There is still a risk that local governments might lower the cap on cable TV fees during their annual review.
- (2) The NCC might support the airing of CATV content on Chunghwa Telecom's MOD, posing a threat to other CATV operators.
- (3) The NCC plans to make it mandatory that CATV operators provide customers with at least two free set-top boxes, which, if passed, would increase operating costs.
- (4) The NCC has introduced CATV service area rezoning, and competition is expected to intensify as new entrants compete for market share.

Countermeasures

- (1) TWM Broadband has been able to utilize its parent company's extensive resources (e.g., technology, marketing, sales and distribution) to promote high-speed internet access services and market digital convergence services with Taiwan Mobile Group's telecommunication, information and media content services. TWM Broadband aims to provide a "one-stop shopping" service that meets all of its customers' needs in order to boost its cable TV, broadband internet access and digital TV subscriber numbers and their contribution to revenue.
- (2) TWM Broadband is using its digital cable TV platform to cultivate Taiwan's cultural and creative industries, enrich the nation's digital channel and connected TV content, and stimulate the development of digital content

and innovative connected TV services.

- (3) TWM Broadband seeks to maintain good relations with local governments and communities. With the help of Taiwan Mobile Group's extensive resources – such as the Taiwan Mobile Foundation – TWM Broadband sponsors local artistic, cultural and charitable activities, while also subsidizing the cost of network deployment in remote areas, working to bridge the digital divide, and fulfilling its responsibilities as a good corporate citizen, thereby strengthening its corporate image of “community-based growth and giving back to the community.”
- (4) TWM Broadband is closely monitoring developments in the regulatory authorities' policies on digitization and relevant laws and regulations. TWM Broadband will take the initiative in formulating countermeasures to deal with changes in the market.

Enterprise Business Group

1. Main products and service areas

EBG mainly offers its products and services in Taiwan, but also provides international services in 262 countries. As of the end of 2013, the company's roaming services covered the following: GSM: 191 countries, 361 networks; 3G: 95 countries, 202 networks; GPRS: 156 countries, 297 networks.

2. Market status

EBG offers enterprise customers voice, internet and data services. Given the rising demand for ICT solutions and services, IP-based applications have become more popular, resulting in steady growth for the domestic telecommunication market.

- (1) Voice service: Fixed lines' local and international calls and average revenue per minute (ARPM) are expected to continue to decline because of rising competition from VoIP and mobile services in recent years and the introduction of new long-distance call rates in 2012.
- (2) Data service: Given stable demand for enterprise data access, revenue from IP VPN and Metro Ethernet will remain the main revenue contributor.
- (3) Internet service: As internet content services boom, enterprise demand for high-speed internet access service has been rising. However, fierce competition will result in moderate revenue growth.
- (4) Mobile service: As the demand for office mobility increases, TWM Solution is helping enterprise customers incorporate various mobile applications – including electronic workflow, commercial intelligence, mobile device management (MDM) and ERP – into their mobile devices. With enterprise users increasingly accessing internet information via their smart devices, mobile voice revenue should benefit from the rising demand for mobile internet services.
- (5) Cloud computing service: As cloud computing technology gradually matures and benefits from government support, operators are actively venturing into cloud computing services and strengthening the software and hardware supply chain. The diverse range of mobile devices and digital content should also boost demand for cloud services, underpinning growth in cloud app subscriber numbers and revenue.

3. Competitive advantages

- (1) Premium brand equity: The Company provides customer-centric quality services. TWM Business Solution is readily associated with Taiwan Mobile and has won recognition among major enterprises.
- (2) Professional management team and efficient support group: The Company leads the competition in achieving synergies from the integration of group resources, including mobile telephony, fixed network and cable TV network, with integrated back-office functions to support its frontline operations and provide enterprise customers with exclusive integrated information and communication technology for business expansion.
- (3) Effective sales teams and channels: The Company's direct sales teams and retail chains across the nation are an effective channel for developing and expanding services.
- (4) Expanding resources from international alliances: The Company is the sole Taiwanese member of the Bridge Alliance, the largest mobile alliance in the Asia-Pacific region with a combined customer base of about 340 million.

4. Opportunities and challenges

Positive factors

To increase efficiency, an increasing number of enterprises are adopting cloud computing technology and mobile applications to save maintenance expenses for software, hardware and IT personnel and equipment, while freeing them up to focus on their core business. The Company's newly launched internet data center has obtained Tier III certification from Uptime Institute for its design and facility, as well as ISO 50001 certification for energy management and silver certification for Green Grid PUE. TWM has also obtained ISO 27001 / ISO 27011 certifications – proof that it has passed global information security standards. Going forward, the Company will launch high-speed wireless broadband service with the spectrum acquired in the 4G auction to provide enterprise customers with the best choice. The Company also possesses a wealth of mobile and fixed resources to provide one-stop shopping for integrated services. EBG is well-positioned to meet Taiwanese companies' rising telecommunication needs in the Greater China area.

Negative factors

The local loop bottleneck is a major obstacle to fixed-line operators' business expansion, as market leader Chunghwa Telecom continues to dominate with its last mile advantage.

Countermeasures

To maintain its long-term partnership with high data users, the Company provides an excellent enterprise mobile integration program, a new cloud center and cloud management services. Targeting small and medium enterprise users, the Company provides standardized cloud products, helping them to simplify network

management and reduce operating costs. Furthermore, the Company is developing more cloud value-added applications to meet customers' diverse needs.

Fubon Multimedia Technology

1. Main products and service areas

Momo mainly provides TV home shopping and online shopping services in Taiwan and mainland China.

2. Market status

Despite a saturated cable TV penetration rate in Taiwan, the number of households signing up for digital TV services is increasing as digital TV uptake rises. Digital TV programs are set to become a two-way interactive platform between the Company and consumers. Social media marketing allows immediate feedback from customers and strengthens communication between members, thereby increasing their sense of loyalty. New types of marketing platforms such as shopping via mobile devices are also growing alongside the uptake in 4G services. Mobile platforms attract younger groups and could lead them back to cable or digital TV channels, allowing these sales channels to continue growing.

3. Competitive advantages

- (1) A solid reputation: Backed by years of experience, momo has built a solid reputation among suppliers and buyers in the TV home shopping field. Aside from winning customers' confidence, momo has enhanced suppliers' willingness to entrust their brands to the company, allowing it to offer a diverse range of products.
- (2) Solid support: momo is able to seize the initiative by leveraging off the resources of affiliates – including TWM's mobile, fixed-line and cable TV businesses and Fubon Group – to set up digital convergence, mobile platforms and mobile payment mechanisms.
- (3) Competitive brands: Momo has established an overseas merchandising department to scout for competitive brands abroad and serve as their sales agent or exclusive distributor. With well-known brands from South Korea, Japan, the US and Europe complementing its popular range of Taiwan-branded products, momo is able to offer a wide variety of first-rate beauty and personal care products on its website.
- (4) Travel services: Consumers can book domestic or international trips with momo's 100%-owned subsidiary Fu Sheng Travel Service Co., Ltd. through momo's shopping website.
- (5) Comprehensive product range: momo offers a wide range of products – from beauty/skin care to food/beverages/groceries, home appliances and health/fitness – that caters to the needs of the modern family and consumers for practical rather than simply trendy items.

4. Opportunities and challenges

Positive factors

- (1) A rising mobile device penetration rate should foster rapid growth in the mobile shopping market.
- (2) E-commerce should benefit from government policy to accelerate the rollout of fiber-optic and 4G wireless

broadband networks.

(3) A low birthrate and an aging population are creating a new social trend that is worth tapping into.

Negative factors

Some products featured on home shopping networks have been fined for deceptive and exaggerated advertising claims.

Countermeasures

(1) momo will continue to develop new display platforms, such as mobile apps, shopping via remote control and digital TV interactive shopping, to meet changes in consumer buying behavior.

(2) momo has enforced measures to filter out controversial or risky products and clearly define obligations between supplier and the company if and when fined.

Main features and production process of major products: Not applicable as the Company is not a manufacturer.

Supply of raw materials: Not applicable as the Company is not a manufacturer.

Major suppliers and customers in the past two years

Major suppliers

Unit: NT\$'000

	2012				2013			
	Company	Procurement amount	% of operating costs	Nature of relationship	Company	Procurement amount	% of operating costs	Nature of relationship
1	Company A	11,135,537	26	Third party	Company C	7,512,911	15	Third party
2	Company B	5,396,150	12	Third party	Company B	6,150,331	12	Third party
3					Company D	5,440,115	11	Third party
	Others	27,088,057	62		Others	32,566,649	62	
	Total	43,619,744	100		Total	51,670,006	100	

Major customers: Not applicable as the Company's revenue from a single customer does not exceed 10% of its total operating revenue.

Reasons for variation

Procurements from suppliers varied as the Company purchased handsets and other 3C products from different vendors to meet its business development needs and market demand.

Production volume in the past two years: Not applicable as the Company is not a manufacturer.

Sales volume in the past two years

Services		2012		2013	
		Sales volume	Revenue (NT\$'000)	Sales volume	Revenue (NT\$'000)
Mobile	Mobile ('000 subs)	7,012	51,270,830	7,225	52,577,783
Domestic Fixed-line	Local network ('000 subs)	175	1,749,717	168	1,609,890
	Domestic long distance ('000 minutes)	136,259	140,109	120,098	119,157
	Internet service ('000 subs)	180	1,098,034	158	1,016,758
International Fixed-line	International network ('000 minutes)*	629,187	4,857,707	513,041	4,268,363
Others		NA	40,623,859	NA	49,551,416
Total			99,740,256		109,143,367

* Outgoing minutes only

Human Resources

Employee statistics in the past two years up to date of publication

Year		2012	2013	2014 (as of March 20)
Number of employees	Consolidated	6,529	7,309	7,137
	Stand-alone	2,959	2,379	2,336
Education level (Note)	Ph.D.	0.24%	0.10%	0.11%
	Master's	20.71%	13.82%	13.89%
	University	53.09%	58.31%	58.05%
	College	20.99%	21.49%	21.51%
	Others	4.97%	6.28%	6.45%
Average age (Note)		36.43	35.06	35.22
Average years of service (Note)		6.78	5.82	6.00

Note: 2012 numbers were on a stand-alone basis, while those of 2013 and beyond were on a consolidated basis.

Environmental Protection Expenditure

Loss or penalty due to environmental pollution in the past two years up to date of publication: None

Countermeasures:

The Company has taken into consideration any potential risks or violation of environmental regulations in formulating its environmental management system. TWM also closely monitors developments in the government's environmental policies or regulations to be able to design precautionary measures. The Company does not expect any expenditure arising from environmental pollution in the future.

The Company is committed to protecting the environment and has adopted various measures such as promoting "green" procurement, establishing energy-efficient base stations and data centers, minimizing the use of paper in offices and stores, recycling waste cables, batteries and handsets, and encouraging users to switch to e-billing and online services.

Employee Relations

Employee behavior/ethical standards

The Company has established policies and rules as a guide for employee conduct, rights, responsibilities, and ethical standards.

Delegation of authority

1. Authorization guidelines and limitations: Aimed at streamlining business processes, strengthening distribution of responsibility, as well as detailing management authority at each job level.

2. Empowerment and delegation rules: Designed to ensure smooth and normal business operations.
3. Job ranking, title and organizational structure policy: Formulated to correspond to employees' career plans.

Work rules

The Company's work rules clearly define the rights and obligations of management and labor. The Company's modern management approach has promoted cooperation among employees and benefited the Company.

Divisional responsibilities

The Company's major divisions are separated by functions. Each division is tasked with specific job responsibilities and this separation of functions has strengthened the core competency of the Company.

Reward and punishment policies

The Company has drawn up a number of policies on rewards and punishments to encourage employees who have made special contributions to the Company, as well as discourage employees from behaving in a manner deemed damaging to the Company. These policies are stated in the Company's "Work Rules."

Employee assessment policy

Supervisors provide feedback, assistance and map out individual development plans based on employee performance.

Attendance and leave policy

Enforcement of this policy – designed to serve as a guideline for employees – helps enhance work quality.

Business confidentiality policy

To maintain the Company's competitiveness, employees are required to sign a "Confidentiality and Intellectual Property Rights Statement" and an "Employment Contract" as safeguards against potential damage arising from the disclosure of trade secrets. The Company provides employees with the required information and training courses to strengthen their understanding of information security.

Sexual harassment prevention and handling procedures

The Company's "Work Rules" include rules on preventing sexual harassment in the workplace and promoting gender equality. The Company disseminates information on laws and procedures for filing complaints on sexual harassment on the intranet to serve as a guideline for employees.

Code of Conduct

The Company and its affiliates have a Code of Conduct that all directors, managers and employees are expected to adhere to and advocate in accordance with the highest ethical standards.

Employee benefits program

1. All employees are entitled to labor insurance, national health insurance, and group insurance coverage starting from the first day of work.
2. The Company has an employee stock subscription plan and an employee profit-sharing plan.
3. The Company and its subsidiaries had established a respective Employee Welfare Committee to handle and implement employee benefits programs. This was replaced in 2006 by a Joint Welfare Committee integrating all the committees set up by TWM and affiliates TAT, Mobitai, TFN and TFNM into a single unit. The committee is in charge of a number of benefits designed to raise employees' quality of life and promote physical and mental well-being, including club activities, company outings, family day, and benefits for special occasions such as weddings, festivals and funerals.

Employee training and education program

1. Training expense in 2013 and up to February 28, 2014 totaled NT\$30,994,791, with 72,097 participants and 80,871 in training hours.
2. Orientation for new employees includes introduction to the corporate culture, company organization, telecommunication market, IT and network systems, labor safety, as well as information security training.
3. Core competency development: Focus on basic competencies, including problem solving, decision-making, communication, project management, basic legal knowledge of the telecommunication market, team building and service skills.
4. Management training and development: Separate training programs for entry-level management, middle management and senior management. Training courses include performance management, leadership, motivation skills, strategy management, innovative thinking, team dynamics and organizational development skills.
5. The Company sends large numbers of employees to local and international telecommunication conferences, management forums, consulting seminars, and vendor training programs every year. These activities have a profound impact on upgrading the Company's technologies, developing new products, introducing new and innovative ideas, and improving managerial skills.
6. The Company has a scholarship program for employees to develop their expertise in telecommunication technologies and business administration.
7. The Company sponsors external training courses for all employees annually. Employees can select courses that combine their personal interests and job needs to reap the maximum benefits from these training sessions.

Retirement plan and implementation

1. The Company has published Employee Retirement Guidelines according to regulations.
2. The Company has a Labor Pension Supervisory Committee, which was approved by the Taipei City

Government. In addition, the Company retains the services of an actuary to assess and calculate labor pension reserves and provide a detailed report.

3. The Company implemented the New Labor Pension System in July 2005.

Employee safety and sanitary policy

To fulfill the Company's social responsibility in providing its employees with a safe, healthy and comfortable working environment, the Company endeavors to:

1. Abide by and comply with regulations on environmental protection, safety and sanitation.
2. Be on constant lookout for potential hazards in the work environment to minimize accidents.
3. Promote health education, conduct physical examinations, and implement health management programs.
4. Promote and instill energy-saving consciousness to help reduce waste of resources.

The Company's employee safety and sanitary policy is posted on the intranet and is summarized as follows:

1. A unit dedicated to conducting environmental inspections and carrying out employee sanitary training courses was established in accordance with regulations.
2. A Health and Safety Committee was set up to draft a plan to prevent job injuries, ensure compliance and review related rules on employee health and sanitary improvement solutions through periodic meetings.
3. Full-time professional nursing personnel are employed to perform health checks, track the progress of staff who failed their health examinations, and hold talks on health promotion. Staffers who are able to administer first aid treatment have been placed in each work area.
4. Fire/flood protection exercises are held periodically to reduce risks of employee injury and property loss from natural disasters.
5. Guards and security systems have been installed at all main base stations and work offices to protect staff, property and information security.
6. Energy-saving policies have been established to reduce carbon emissions.

Labor negotiations and protection of employee benefits

The Company, working under the management and labor as one concept and belief that a win-win situation can be achieved when the two sides work together, has followed relevant labor laws and regulations, held quarterly management/labor forums to facilitate communication, and promoted employee benefits to build a harmonious and satisfactory management/labor relationship.

Losses caused by labor disputes in the recent year up to publication date: The Company maintains a harmonious management/labor relationship and no material dispute occurred

Number of disabilities due to on-the-job injuries/fatalities in the recent year up to publication date

Year	2012	2013
Number of disabilities	2	2
Disabling Frequency Rate (FR, Note 1)	0.35	0.38
Disabling Severity Rate (SR, Note 2)	12.1	2.58

Note 1: The number of injuries resulting in fatalities and permanent total disabilities cases per million hours worked.

Note 2: The number of workday lost due to fatalities, permanent total disabilities per million hours worked.

Major Contracts

Nature	Counterpart	Contract period	Description	Restriction clauses
Sales and distribution	E-Life Mall Corp.	2012.09.01~2013.08.31 (Note 1)	E-Life Mall is authorized to distribute TWM's mobile services.	Non-disclosure
	Aurora Telecom Corp.	2012.07.01~2013.06.30	Aurora is authorized to distribute TWM's mobile services.	Non-disclosure
	Tsann Kuen Enterprise Co., Ltd.	2013.06.01~2014.05.31	Tsann Kuen is authorized to distribute TWM's mobile services.	Non-disclosure
Network interconnection	Chunghwa Telecom Co., Ltd.	2011.06.01~2012.05.31 (Note 2)	Network interconnection	Non-disclosure
	New Century InfoComm Tech Co., Ltd.	2005.05.01~2006.04.30 (Note 2)	Network interconnection	Non-disclosure
	Taiwan Fixed Network Co., Ltd.	2011.01.01~2011.12.31 (Note 2)	Network interconnection	Non-disclosure
	VIBO Telecom Inc.	2006.01.16~2007.01.15 (Note 3)	Voice and SMS interconnection	Non-disclosure
	Asia Pacific Telecom Co., Ltd.	2011.08.01~2012.07.31 (Note 2)	Network interconnection	Non-disclosure
	Far EastTone Telecommunications Co., Ltd.	2004.02.10~2005.02.09 (Note 1)	Voice and SMS interconnection	Non-disclosure
	First International Telecom Corp.	2013.12.20~2014.12.20 (Note 2)	Voice and SMS interconnection	Non-disclosure
Global Mobile Corp.	2011.05.01~2012.04.30 (Note 2)	Network interconnection	Non-disclosure	

Nature	Counterpart	Contract period	Description	Restriction clauses
Corporate bond offering	Chinatrust Securities and 9 other securities companies	2008.11.14~2013.11.14	Second unsecured straight corporate bond issue of NT\$8 billion, with the remaining NT\$4 billion balance repaid on Nov. 14, 2013.	Non-disclosure
	KGI Securities Co., Ltd. and Grand Cathay Securities Corp.	2012.12.20~2019.12.20	Third unsecured straight corporate bond issue of NT\$9 billion.	Non-disclosure
	Yuanta Securities, MasterLink Securities, Sinopac Securities and Cathay Securities Corp.	2013.04.25~2018.04.25	Fourth unsecured straight corporate bond issue of NT\$5.8 billion.	Non-disclosure
Long-term credit facility	The Bank of Tokyo-Mitsubishi UFJ, Ltd., Taipei Branch	2013.12.31~2015.12.31	The total aggregate amount of the long-term credit facility was NT\$3 billion.	Non-disclosure
	Sumitomo Mitsui Banking Corporation, Taipei Branch	2014.02.17~2016.02.17	The total aggregate amount of the long-term credit facility was NT\$3 billion.	Non-disclosure
Mobile phone purchase	Samsung Electronics Taiwan Co., Ltd.	2012.11.01~2013.10.31 (Note 1)	Mobile phone purchase agreement	Non-disclosure
Equipment purchase	Nokia Solutions and Networks Taiwan Co., Ltd. (former name as Nokia Siemens Networks Taiwan Co., Ltd.)	2011.02.01~2014.12.31	NT\$6.65 billion contract for 3G equipment supply. Maximum purchase amount increased to NT\$14.6 billion in September 2012.	Non-disclosure
		2014.01.01~2016.12.31	4G equipment supply contract amounts to NT\$11.564 billion.	Non-disclosure
Customer service	Taiwan Teleservices & Technologies Co., Ltd. (TT&T)	2006.01.01~2010.12.31 (Note 1)	TT&T handles TWM's customer services and product sales.	Non-disclosure

Operation consignment	Taiwan Digital Service Co., Ltd. (TDS)	2013.07.01~2014.06.30 (Note 1)	TDS manages TWM's direct sales channel and other related businesses.	Non-disclosure
Affiliates				
TFN project construction	MiTAC Information Technology Corp.	2012.11.30~the expiry date of warranty period	The construction of Taiwan Fixed Network Co., Ltd.'s (TFN) cloud IDC amounts to NT\$443 million.	Non-disclosure
TDS mobile phone purchase	Taiwan Mobile Co., Ltd. (TWM)	2013.07.01~2014.06.30	TWM manages TDS's mobile phone purchase business	Non-disclosure

Note 1: The contract shall remain valid past its expiration date if both parties do not issue any objection to the continuation of the contract.

Note 2: When any network interconnection contract expires, should the two parties not be able to conclude their negotiations within three months after their commencement, the process shall be as follows:

- (1) If the two parties concur to continue their negotiations, the terms and conditions of the current contract or such other conditions agreed by both parties will apply during the negotiation period.
- (2) Either party can appeal to the NCC for a ruling. Prior to the date of such a ruling, the terms and conditions of the current contract shall apply until the NCC makes a decision. The new contract will be made based on the NCC's ruling.

Note 3: Negotiations for the following year's contract shall commence three months prior to the contract expiry date. If negotiations are not finalized prior to the expiry date, the parties shall agree to perform their obligations based on the current contract until such time when negotiations are finalized.

Chapter 5 Financial Highlights

Condensed Balance Sheets and Statements of Comprehensive Income

Consolidated condensed balance sheet (2012-2013) – Based on IFRS

Unit: NT\$'000

		2012	2013
Current assets		23,772,918	29,493,868
Investments		3,057,545	4,194,570
Property, plant and equipment (PP&E)		40,737,678	42,985,801
Intangible assets		26,654,154	54,837,271
Other assets		6,167,930	6,840,869
Total assets		100,390,225	138,352,379
Current liabilities	Before appropriation	29,930,393	58,605,638
	After appropriation	44,725,981	(Note1)
Non-current liabilities		12,816,539	21,226,100
Total liabilities	Before appropriation	42,746,932	79,831,738
	After appropriation	57,542,520	(Note1)
Equity attributable to owners of parent company		56,571,089	57,433,894
Paid-in capital		34,208,328	34,208,328
Capital surplus		12,431,851	12,456,891
Retained earnings	Before appropriation	40,668,067	41,433,176
	After appropriation	25,872,479	(Note1)
Other equity interest		340,026	412,682
Treasury shares		(31,077,183)	(31,077,183)
Non-controlling interest		1,072,204	1,086,747
Total equity	Before appropriation	57,643,293	58,520,641
	After appropriation	42,847,705	(Note1)

Note 1: The appropriation amount for the 2013 earnings has not yet been approved by the AGM.

Note 2: The 2012-2013 financial data have been duly audited by independent auditors.

Stand-alone condensed balance sheet (2012-2013) – Based on IFRS

Unit: NT\$'000

		2012	2013
Current assets		16,467,066	19,819,698
Investments		33,717,978	39,563,373
Property, plant and equipment (PP&E)		29,799,766	28,975,365
Intangible assets		11,932,848	40,247,043
Other assets		6,647,558	5,571,753
Total assets		98,565,216	134,177,232
Current liabilities	Before appropriation	30,377,402	57,236,700
	After appropriation	45,172,990	(Note1)
Non-current liabilities		11,616,725	19,506,638
Total liabilities	Before appropriation	41,994,127	76,743,338
	After appropriation	56,789,715	(Note1)
Paid-in capital		34,208,328	34,208,328
Capital surplus		12,431,851	12,456,891
Retained earnings	Before appropriation	40,668,067	41,433,176
	After appropriation	25,872,479	(Note1)
Other equity interest		340,026	412,682
Treasury shares		(31,077,183)	(31,077,183)
Total shareholders' equity	Before appropriation	56,571,089	57,433,894
	After appropriation	41,775,501	(Note1)

Note 1: The appropriation amount for the 2013 earnings has not yet been approved by the AGM.

Note 2: The 2012-2013 financial data have been duly audited by independent auditors.

Consolidated condensed balance sheet (2009-2012) – Based on ROC GAAP

Unit: NT\$'000

		2009	2010	2011	2012
Current assets		11,564,180	15,242,392	18,126,033	19,884,936
Investments		3,210,954	3,196,711	2,161,551	2,842,353
Fixed assets		46,543,617	43,613,993	40,801,447	39,978,686
Intangible assets		21,213,738	20,347,050	27,760,674	26,781,024
Other assets		3,353,626	3,084,054	2,944,663	2,865,019
Total assets		85,886,115	85,484,200	91,794,368	92,352,018
Current liabilities	Before appropriation	24,747,402	23,231,653	36,105,959	30,726,480
	After appropriation	39,775,637	35,671,620	49,986,911	45,522,068
Long-term liabilities		8,000,000	10,300,000	4,000,000	8,995,180
Other liabilities		1,055,604	1,053,129	1,624,524	1,824,538
Total liabilities	Before appropriation	33,803,006	34,584,782	41,730,483	41,546,198
	After appropriation	48,831,241	47,024,749	55,611,435	56,341,786
Paid-in capital		38,009,254	38,009,254	34,208,328	34,208,328
Capital surplus		12,431,704	12,432,489	12,432,446	12,432,446
Retained earnings	Before appropriation	33,449,530	32,243,481	33,272,277	34,082,930
	After appropriation	18,421,295	19,803,514	19,391,325	19,287,342
Unrealized valuation loss on financial instruments		63,624	89,842	111,306	99,351
Translation adjustments		12,011	(5,716)	17,612	2,115
Net loss not recognized as pension cost		(3,797)	(10,695)	(16,775)	(24,050)
Treasury shares		(31,889,100)	(31,889,100)	(31,077,183)	(31,077,183)
Minority interest		9,883	29,863	1,115,874	1,081,883
Total shareholders' equity	Before appropriation	52,083,109	50,899,418	50,063,885	50,805,820
	After appropriation	37,054,874	38,459,451	36,182,933	36,010,232

Note: The 2009-2012 financial data have been duly audited by independent auditors.

Stand-alone condensed balance sheet (2009-2012) – Based on ROC GAAP

Unit: NT\$'000

		2009	2010	2011	2012
Current assets		13,530,729	23,819,685	10,307,087	12,702,556
Investments		9,808,833	11,359,143	26,670,657	34,466,074
Fixed assets		39,033,012	35,014,385	31,268,171	29,131,007
Intangible assets		13,567,671	12,818,208	12,816,185	12,014,914
Other assets		4,823,691	4,144,036	3,665,604	3,650,151
Total assets		80,763,936	87,155,457	84,727,704	91,964,702
Current liabilities	Before appropriation	18,833,732	25,621,285	29,800,200	31,158,254
	After appropriation	33,861,967	38,061,252	43,681,152	45,953,842
Long-term liabilities		8,000,000	8,800,000	4,000,000	8,995,180
Other liabilities		1,856,978	1,864,617	1,979,493	2,087,331
Total liabilities	Before appropriation	28,690,710	36,285,902	35,779,693	42,240,765
	After appropriation	43,718,945	48,725,869	49,660,645	57,036,353
Paid-in capital		38,009,254	38,009,254	34,208,328	34,208,328
Capital surplus		12,431,704	12,432,489	12,432,446	12,432,446
Retained earnings	Before appropriation	33,449,530	32,243,481	33,272,277	34,082,930
	After appropriation	18,421,295	19,803,514	19,391,325	19,287,342
Unrealized valuation loss on financial instruments		63,624	89,842	111,306	99,351
Translation adjustments		12,011	(5,716)	17,612	2,115
Net loss not recognized as pension cost		(3,797)	(10,695)	(16,775)	(24,050)
Treasury shares		(31,889,100)	(31,889,100)	(31,077,183)	(31,077,183)
Total shareholders' equity	Before appropriation	52,073,226	50,869,555	48,948,011	49,723,937
	After appropriation	37,044,991	38,429,588	35,067,059	34,928,349

Note: The 2009-2012 financial data have been duly audited by independent auditors.

Consolidated statements of comprehensive income (2012-2013) – Based on IFRS

Unit: NT\$'000

	2012	2013
Revenue	99,740,256	109,143,367
Gross profit	38,114,612	39,110,048
Operating income	20,782,210	20,794,837
Non-operating income and expenses	(840,885)	(1,676,296)
Pre-tax income	19,941,325	19,118,541
Net income	16,550,199	15,817,781
Other comprehensive income (after tax)	(57,035)	53,691
Comprehensive income	16,493,164	15,871,472
Profit attributable to owners of parent company	16,326,013	15,583,447
Profit attributable to non-controlling interest	224,186	234,334
Comprehensive income attributable to owners of parent company	16,274,624	15,655,368
Comprehensive income attributable to non-controlling interest	218,540	216,104
EPS (NT\$)	6.07	5.79

Note: The 2012-2013 financial data have been duly audited by independent auditors.

Stand-alone statements of comprehensive income (2012-2013) – Based on IFRS

Unit: NT\$'000

	2012	2013
Revenue	69,867,814	78,928,492
Gross profit	27,460,813	27,629,638
Operating income	13,063,580	8,258,017
Non-operating income and expenses	5,244,610	8,329,636
Pre-tax income	18,308,190	16,587,653
Net income	16,326,013	15,583,447
Other comprehensive income (after tax)	(51,389)	71,921
Comprehensive income	16,274,624	15,655,368
EPS (NT\$)	6.07	5.79

Note: The 2012-2013 financial data have been duly audited by independent auditors.

Consolidated condensed income statement (2009-2012) – Based on ROC GAAP

Unit: NT\$'000

	2009	2010	2011	2012
Revenue	68,470,232	70,146,004	81,369,183	98,250,353
Gross profit	35,260,771	31,983,641	32,727,673	35,972,109
Operating income	20,448,134	18,307,711	17,589,805	18,734,841
Non-operating income	596,131	739,516	672,876	200,288
Non-operating expenses	2,397,934	1,945,905	2,134,112	963,707
Pre-tax income	18,646,331	17,101,322	16,128,569	17,971,422
Net income	13,890,516	13,817,778	13,626,180	14,916,282
EPS (NT\$)	4.66	4.62	4.70	5.46

Note: The 2009-2012 financial data have been duly audited by independent auditors.

Stand-alone condensed income statement (2009-2012) – Based on ROC GAAP

Unit: NT\$'000

	2009	2010	2011	2012
Revenue	57,015,452	58,547,285	61,919,273	68,025,875
Gross profit	29,849,527	25,738,573	24,125,399	25,616,164
Operating income	16,632,797	13,700,566	11,169,724	11,310,743
Non-operating income	3,730,713	4,465,716	4,506,462	6,068,970
Non-operating expenses	2,231,019	1,768,138	833,190	994,871
Pre-tax income	18,132,491	16,398,144	14,842,996	16,384,842
Net income	13,888,862	13,822,186	13,468,763	14,691,605
EPS (NT\$)	4.66	4.62	4.70	5.46

Note: The 2009-2012 financial data have been duly audited by independent auditors.

Independent auditors' names and their audit opinions for the past five years

Year	Accounting firm	Name of CPA	Opinion
2009	Deloitte & Touche	Peter Fan, S. C. Huang	Unqualified opinion
2010	KPMG	Simon Chen, Janice Lai	Modified unqualified opinion
2011	KPMG	Simon Chen, Janice Lai	Unqualified opinion
2012	KPMG	Simon Chen, Janice Lai	Unqualified opinion
2013	KPMG	Simon Chen, Leo Chi	Modified unqualified opinion

Financial Analysis

Consolidated financial analysis (2012-2013) – Based on IFRS

		2012	2013
Financial structure	Liability to asset ratio (%)	42.58	57.70
	Long-term fund to PP&E ratio (%)	170.33	182.99
Solvency	Current ratio (%)	79.43	50.33
	Quick ratio (%)	68.95	42.98
	Interest coverage ratio (%)	6,104.36	4,911.23
Operations	Accounts receivable turnover (x)	6.72	6.14
	Average collection days	54.31	59.44
	Inventory turnover (x)	13.05	12.00
	Accounts payable turnover (x)	9.01	9.53
	Average days sales	27.96	30.41
	Property, plant and equipment turnover (x)	2.45	2.54
	Total asset turnover (x)	0.99	0.79
Profitability	Return on assets (%)	16.99	13.53
	Return on equity (%)	29.48	27.34
	Pre-tax income as a % of paid-in capital	58.29	55.89
	Net income margin (%)	16.59	14.49
	EPS (NT\$)	6.07	5.79
Cash flow	Cash flow ratio (%)	86.82	42.37
	Cash flow adequacy ratio (%)	129.18	111.11
	Cash reinvestment rate (%)	11.86	9.08
Leverage	Operating leverage	2.07	2.13
	Financial leverage	1.02	1.02
Others	EBITDA (NT\$'000)	30,529,287	30,796,504
	EBITDA margin (%)	30.61	28.22

Explanation of significant changes in 2013 compared with the previous year:

- (1) Bank borrowings and corporate bonds payable increased to finance the acquisition of a 4G license. The increase in total assets led to decreases in total assets turnover and return on assets. The increases in the ratios of liabilities to assets and long-term fund to property, plant and equipment and the declines in the current ratio, quick ratio and cash flow ratio were all due to the increases in liabilities mentioned above.
- (2) The resultant rise in interest expense led to a lower interest coverage ratio.
- (3) The cash flow adequacy ratio and cash reinvestment rate dropped due to higher cash dividend distribution and capital expenditure in 2013.

Stand-alone financial analysis (2012-2013) – Based on IFRS

		2012	2013
Financial structure	Liability to asset ratio (%)	42.61	57.20
	Long-term fund to PP&E ratio (%)	228.82	265.54
Solvency	Current ratio (%)	54.21	34.63
	Quick ratio (%)	46.49	29.92
	Interest coverage ratio (%)	4,841.74	3,835.17
Operations	Accounts receivable turnover (x)	5.39	5.10
	Average collection days	67.71	71.56
	Inventory turnover (x)	10.10	11.13
	Accounts payable turnover (x)	10.28	11.46
	Average days sales	36.13	32.79
	Property, plant and equipment turnover (x)	2.27	2.69
	Total asset turnover (x)	0.71	0.59
Profitability	Return on assets (%)	17.73	13.71
	Return on equity (%)	29.48	27.34
	Pre-tax income as a % of paid-in capital	53.52	48.49
	Net profit margin (%)	23.37	19.74
	EPS (NT\$)	6.07	5.79
Cash flow	Cash flow ratio (%)	58.81	21.31
	Cash flow adequacy ratio (%)	128.55	103.57
	Cash reinvestment rate (%)	3.49	-
Leverage	Operating leverage	2.02	2.64
	Financial leverage	1.03	1.06
Others	EBITDA (NT\$'000)	21,046,995	16,260,324
	EBITDA margin (%)	30.12	20.60
	ARPU (NT\$)	735	746
	MOU (in thousand minutes)	16,496,235	14,864,026

Explanation of significant changes in 2013 compared with the previous year:

- (1) Bank borrowings and corporate bonds payable increased to finance the acquisition of a 4G license. The increase in total assets led to decreases in total assets turnover and return on assets. The increases in the ratios of liabilities to assets and long-term fund to property, plant and equipment and the declines in the current ratio, quick ratio and cash flow ratio were all due to the increases in liabilities mentioned above.
- (2) The resultant rise in interest expense led to a lower interest coverage ratio.
- (3) The cash reinvestment rate dropped due to higher cash dividend distribution and investments in subsidiaries in 2013.

Note: The 2012-2013 financial data have been duly audited by independent auditors.

Formulas for the above tables:

Financial structure

- (1) Debt to asset ratio = Total liabilities / Total assets
- (2) Long-term fund to PP&E ratio = (Shareholders' equity + Long-term liabilities) / Net PP&E

Solvency

- (1) Current ratio = Current assets / Current liabilities
- (2) Quick ratio = (Current assets – Inventory – Prepaid expenses) / Current liabilities
- (3) Interest coverage ratio = Income before interest and taxes / Interest expense

Operations

- (1) Accounts receivable turnover = Net revenue / Average accounts receivable
- (2) Average collection days = 365 / AR turnover
- (3) Inventory turnover = COGS / Average inventory
- (4) Accounts payable turnover = COGS / Average accounts payable
- (5) Average days sales = 365 / Inventory turnover
- (6) PP&E turnover = Net revenue / Net PP&E
- (7) Total asset turnover = Net revenue / Total assets

Profitability

- (1) Return on assets = [Net income + Interest expense x (1 – Tax rate)] / Average assets
- (2) Return on equity = Net income / Average equity
- (3) Net income margin = Net income / Net sales
- (4) EPS = (Net income – Preferred stock dividend) / Weighted average outstanding shares

Cash flow

- (1) Cash flow ratio = Cash flow from operating activities / Current liabilities
- (2) Cash flow adequacy ratio = Net cash flow from operating activities for the past 5 years / (Capital expenditures + Increases in inventory + Cash dividend) for the past 5 years (2009-2011 numbers were calculated based on ROC GAAP)
- (3) Cash reinvestment rate = (Cash flow from operating activities – Cash dividends) / (Gross fixed assets + Long-term investments + Other assets + Working capital) (Note: Use zero if working capital value is negative)

Leverage

- (1) Operating leverage = (Net revenue – Variable operating costs and expenses) / Operating income
- (2) Financial leverage = Operating income / (Operating income – Interest expense)

Others

- (1) EBITDA = Operating income + Depreciation + Amortization
- (2) EBITDA margin = EBITDA / Net revenue
- (3) ARPU = Net telecom service revenue / Average number of subscribers
- (4) MOU = Outgoing & incoming minutes

Consolidated financial analysis (2009-2012) – Based on ROC GAAP

		2009	2010	2011	2012	
Financial structure	Liability to asset ratio (%)	39.36	40.46	45.46	44.99	
	Long-term fund to fixed asset ratio (%)	129.07	140.25	131.98	146.88	
Solvency	Current ratio (%)	46.73	65.61	50.20	64.72	
	Quick ratio (%)	42.06	57.83	42.04	53.21	
	Interest coverage ratio (%)	3,421.61	5,452.51	6,796.94	5,511.22	
Operations	Accounts receivable turnover (x)	8.81	9.25	10.35	11.81	
	Average collection days	41.43	39.46	35.27	30.91	
	Inventory turnover (x)	7.48	10.31	11.39	13.24	
	Accounts payable turnover (x)	11.33	11.68	9.73	8.96	
	Average days sales	48.80	35.40	32.05	27.57	
	Fixed asset turnover (x)	1.47	1.61	1.99	2.46	
	Total asset turnover (x)	0.80	0.82	0.89	1.06	
Profitability	Return on assets (%)	16.10	16.44	15.60	16.50	
	Return on equity (%)	26.97	26.85	26.99	29.78	
	% of paid-in capital	Operating income	53.80	48.17	51.42	54.77
		Pre-tax income	49.06	44.99	47.15	52.54
	Net profit margin (%)	20.29	19.70	16.75	15.18	
Cash flow	EPS (NT\$)	4.66	4.62	4.70	5.46	
	Cash flow ratio (%)	96.78	111.89	69.93	84.16	
	Cash flow adequacy ratio (%)	157.94	140.61	154.74	130.24	
Leverage	Cash reinvestment rate (%)	11.64	12.87	14.50	12.40	
	Operating leverage	1.83	1.91	1.97	2.14	
	Financial leverage	1.03	1.02	1.01	1.02	
Others	EBITDA (NT\$'000)	29,291,707	27,464,723	27,086,632	26,985,307	
	EBITDA margin (%)	42.78	39.15	33.29	27.47	

Stand-alone financial analysis (2009-2012) – Based on ROC GAAP

		2009	2010	2011	2012	
Financial structure	Liability to asset ratio (%)	35.52	41.63	42.23	45.93	
	Long-term fund to fixed asset ratio (%)	153.90	170.41	169.34	201.57	
Solvency	Current ratio (%)	71.84	92.97	34.59	40.77	
	Quick ratio (%)	67.00	87.00	28.47	32.04	
	Interest coverage ratio (%)	3,316.61	5,099.46	6,314.20	4,343.60	
Operations	Accounts receivable turnover (x)	8.56	9.17	9.76	10.22	
	Average collection days	42.64	39.80	37.39	35.71	
	Inventory turnover (x)	7.85	10.76	10.37	10.09	
	Accounts payable turnover (x)	12.71	13.68	12.26	10.28	
	Average days sales	46.50	33.92	35.19	36.17	
	Fixed asset turnover (x)	1.46	1.67	1.98	2.34	
	Total asset turnover (x)	0.71	0.67	0.73	0.74	
Profitability	Return on assets (%)	16.80	16.79	15.90	16.99	
	Return on equity (%)	26.97	26.85	26.99	29.78	
	% of paid-in capital	Operating income	43.76	36.05	32.65	33.06
		Pre-tax income	47.71	43.14	43.39	47.90
	Net profit margin (%)	24.36	23.61	21.75	21.60	
	EPS (NT\$)	4.66	4.62	4.70	5.46	
Cash flow	Cash flow ratio (%)	139.10	91.01	74.40	67.31	
	Cash flow adequacy ratio (%)	143.32	131.99	148.99	133.23	
	Cash reinvestment rate (%)	14.54	9.89	9.70	6.38	
Leverage	Operating leverage	1.77	1.94	2.16	2.18	
	Financial leverage	1.04	1.02	1.02	1.04	
Others	EBITDA (NT\$'000)	24,519,524	21,763,237	19,239,530	19,294,158	
	EBITDA margin (%)	43.01	37.17	31.07	28.36	
	ARPU (NT\$)	721	718	719	735	
	MOU (in thousand minutes)	15,797,024	14,399,713	15,305,902	16,496,235	

Note: The 2009-2012 financial data have been duly audited by independent auditors.

Formulas for the above tables:

Financial structure

- (1) Debt to asset ratio = Total liabilities / Total assets
- (2) Long-term fund to fixed asset ratio = (Shareholders' equity + Long-term liabilities) / Net fixed assets

Solvency

- (1) Current ratio = Current assets / Current liabilities
- (2) Quick ratio = (Current assets – Inventory – Prepaid expenses) / Current liabilities
- (3) Interest coverage ratio = Income before interest and tax / Interest expense

Operations

- (1) Accounts receivable turnover = Net revenue / Average accounts receivable
- (2) Average collection days = 365 / AR turnover
- (3) Inventory turnover = COGS / Average inventory
- (4) Accounts payable turnover = COGS / Average accounts payable
- (5) Average days sales = 365 / Inventory turnover
- (6) Fixed asset turnover = Net revenue / Net fixed assets
- (7) Total asset turnover = Net revenue / Total assets

Profitability

- (1) Return on assets = [Net income + Interest expense * (1 – Tax rate)] / Average assets
- (2) Return on equity = Net income / Average equity
- (3) Net income margin = Net income / Net sales
- (4) EPS = (Net income – Preferred stock dividend) / Weighted average outstanding shares

Cash flow

- (1) Cash flow ratio = Cash flow from operating activities / Current liabilities
- (2) Cash flow adequacy ratio = Net cash flow from operating activities for the past 5 years / (Capital expenditures + Increases in inventory + Cash dividend) for the past 5 years
- (3) Cash reinvestment rate = (Cash flow from operating activities – Cash dividends) / (Gross fixed assets + Long-term investments + Other assets + Working capital) (Note: Use zero if working capital value is negative)

Leverage

- (1) Operating leverage = (Net revenue – Variable operating costs and expenses) / Operating income
- (2) Financial leverage = Operating income / (Operating income – Interest expense)

Others

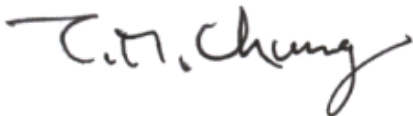
- (1) $\text{EBITDA} = \text{Operating income} + \text{Depreciation} + \text{Amortization}$
- (2) $\text{EBITDA margin} = \text{EBITDA} / \text{Net revenue}$
- (3) $\text{ARPU} = \text{Net telecom service revenue} / \text{Average number of subscribers}$
- (4) $\text{MOU} = \text{Outgoing \& incoming minutes}$

Audit Committee Report

Date: January 27, 2014

The Board of Directors of Taiwan Mobile Co., Ltd. (TWM) has submitted the Company's 2013 financial statements to the Audit Committee. The CPA firm, KPMG, was retained by the Board to audit TWM's financial statements and has issued an audit report relating to the financial statements. The financial statements have been reviewed and determined to be correct and accurate by the Audit Committee of TWM. According to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, I hereby submit this report on behalf of all members of the committee to the 2014 Annual General Meeting for ratifications.

Taiwan Mobile Co., Ltd.



Tsung-Ming Chung
Chairman of the Audit Committee

2013 Consolidated Financial Statements:

Refer to the attachment.

2013 Stand-alone Financial Statements:

Refer to the attachment.

Financial Difficulties for the Company and its Affiliates:

None

Chapter 6. Review and Analysis of Financial Conditions, Operating Results and Risk Management

Balance Sheet Analysis

Consolidated balance sheet analysis

Explanation of significant changes (at least a 20% change) in the past two years' assets, liabilities and shareholders' equity:

1. Current assets increased as accounts receivable and inventories rose due to higher smartphone and bundled sales.
2. Investments increased mainly due to a capital injection in Taipei New Horizon.
3. Intangible assets increased due to the acquisition of 4G license.
4. Current liabilities increased due to rising short-term borrowings to finance the payment of 4G license fees.
5. Non-current liabilities increased due to a new corporate bond issuance in 2013 and increased borrowings to finance mid and long-term working capital requirements.

2012 - 2013 Consolidated Balance Sheet

Unit: NT\$'000, %

	2012	2013	YoY change	
			Amount	%
Current assets	23,772,918	29,493,868	5,720,950	24.06
Investments	3,057,545	4,194,570	1,137,025	37.19
Property, plant and equipment	40,737,678	42,985,801	2,248,123	5.52
Intangible assets	26,654,154	54,837,271	28,183,117	105.74
Other assets	6,167,930	6,840,869	672,939	10.91
Total assets	100,390,225	138,352,379	37,962,154	37.81
Current liabilities	29,930,393	58,605,638	28,675,245	95.81
Non-current liabilities	12,816,539	21,226,100	8,409,561	65.61
Total liabilities	42,746,932	79,831,738	37,084,806	86.75
Paid-in capital	34,208,328	34,208,328	-	-
Capital surplus	12,431,851	12,456,891	25,040	0.20
Retained earnings	40,668,067	41,433,176	765,109	1.88
Other equity and treasury stock	(30,737,157)	(30,664,501)	72,656	(0.24)
Non-controlling interests	1,072,204	1,086,747	14,543	1.36
Total equity	57,643,293	58,520,641	877,348	1.52

Stand-alone balance sheet analysis

Explanation of significant changes (at least a 20% change) in the past two years' assets, liabilities and shareholders' equity:

1. Current assets increased as accounts receivable and inventories rose due to higher smartphone and bundled sales.
2. Intangible assets increased due to the acquisition of 4G license.
3. Current liabilities increased due to rising short-term borrowings to finance the payment of 4G license fees.
4. Non-current liabilities increased due to a new corporate bond issuance in 2013 and increased borrowings to finance mid and long-term working capital requirements.

2012- 2013 Stand-alone Balance Sheet

Unit: NT\$'000, %

	2012	2013	YoY change	
			Amount	%
Current assets	16,467,066	19,819,698	3,352,632	20.36
Investments	33,717,978	39,563,373	5,845,395	17.34
Property, plant and equipment	29,799,766	28,975,365	(824,401)	(2.77)
Intangible assets	11,932,848	40,247,043	28,314,195	237.28
Other assets	6,647,558	5,571,753	(1,075,805)	(16.18)
Total assets	98,565,216	134,177,232	35,612,016	36.13
Current liabilities	30,377,402	57,236,700	26,859,298	88.42
Non-current liabilities	11,616,725	19,506,638	7,889,913	67.92
Total liabilities	41,994,127	76,743,338	34,749,211	82.75
Paid-in capital	34,208,328	34,208,328	-	-
Capital surplus	12,431,851	12,456,891	25,040	0.20
Retained earnings	40,668,067	41,433,176	765,109	1.88
Other equity and treasury stock	(30,737,157)	(30,664,501)	72,656	(0.24)
Total shareholders' equity	56,571,089	57,433,894	862,805	1.53

Impact of changes on financial results: No significant impact

Preventive measures: Not applicable

Statements of Comprehensive Income Analysis

Consolidated Statements of Comprehensive Income

1. Increase in revenue and operating costs: Growing mobile broadband and online shopping businesses, coupled with strong smartphone sales, led to higher revenue and operating costs.
2. Increase in operating expenses: Operating expenses rose due to expansion of company stores.
3. Increase in non-operating expenses: Non-operating expenses expanded due to higher losses from asset write-offs and disposal of fixed assets.

2012 – 2013 Consolidated Statements of Comprehensive Income

Unit: NT\$'000, %

	2012	2013	YoY change	
			Amount	%
Revenue	99,740,256	109,143,367	9,403,111	9.43
Operating costs	61,625,644	70,033,319	8,407,675	13.64
Gross profit	38,114,612	39,110,048	995,436	2.61
Operating expenses	17,402,414	18,374,554	972,140	5.59
Operating income	20,782,210	20,794,837	12,627	0.06
Non-operating income (expenses)	(840,885)	(1,676,296)	(835,411)	99.35
Income before tax	19,941,325	19,118,541	(822,784)	(4.13)
Net income	16,550,199	15,817,781	(732,418)	(4.43)

Stand-alone Statements of Comprehensive Income

1. Increase in operating costs: Operating costs rose in 2013 due to rising smartphone sales and mobile data subscriber number.
2. Increase in operating expenses: Operating expenses rose due to store expansion and handset promotional campaigns to acquire new or retain customers.
3. Increase in non-operating income: Non-operating income rose due to higher investment gains from Taiwan Fixed Network.

2012 – 2013 Stand-alone Statements of Comprehensive Income

Unit: NT\$'000, %

	2012	2013	YoY change	
			Amount	%
Revenue	69,867,814	78,928,492	9,060,678	12.97
Operating costs	42,407,001	51,265,449	8,858,448	20.89
Gross profit	27,460,813	27,629,638	168,825	0.61
Operating expenses	14,450,553	19,424,256	4,973,703	34.42
Operating income	13,063,580	8,258,017	(4,805,563)	(36.79)
Non-operating income (expenses)	5,244,610	8,329,636	3,085,026	58.82
Income before tax	18,308,190	16,587,653	(1,720,537)	(9.40)
Net income	16,326,013	15,583,447	(742,566)	(4.55)

Revenue outlook, key assumptions, potential impact on the Company's business and corresponding proposal:

In 2014, the Company will continue to leverage mobile internet products to expand its wireless market share. As demand for smart devices expands, the Company aims to invest in value-added services to tap into this market's full growth potential. The Company will focus on developing the latest top-of-the-line mobile value-added services, such as mobile shopping, video/audio services and myBook store (an e-book platform), to satisfy customers' demand in order to boost revenue and increase average revenue per user. The Company will make full use of its potential and competitive edge in handset procurement to raise its cost-efficiency so as to meet its profit target.

Cash Flow Analysis

Consolidated cash flow analysis

1. Increase in cash outflow from investment activities: Cash outflow rose due to the payment of 4G license fees.
2. Increase in cash inflow from financing activities: Cash inflow rose due to increased bank borrowings.

2012 – 2013 Consolidated Cash Flow Statement

Unit: NT\$'000, %

	2012	2013	YoY change	
			Amount	%
Cash inflow (outflow) from operating activities	25,984,728	24,833,011	(1,151,717)	(4.43)
Cash inflow (outflow) from investment activities	(10,227,809)	(42,345,998)	(32,118,189)	(314.03)
Cash inflow (outflow) from financing activities	(16,132,067)	19,267,519	35,399,586	NM
Impact from changes in exchange rate	(5,904)	8,622	14,526	NM
Net cash increase (decrease)	(381,052)	1,763,154	2,144,206	NM

Stand-alone cash flow analysis

1. Decrease in cash inflow from operating activities: Cash inflow decreased due to increasing operating expenditure from expanding scale of business.
2. Increase in cash outflow from investment activities: Cash outflow rose due to the payment of 4G license fees.
3. Increase in cash inflow from financing activities: Cash inflow rose due to increased bank borrowings.

2012 – 2013 Stand-alone Cash Flow Statement

Unit: NT\$'000, %

	2012	2013	YoY change	
			Amount	%
Cash inflow (outflow) from operating activities	17,863,604	12,197,463	(5,666,141)	(31.72)
Cash inflow (outflow) from investment activities	(8,278,465)	(32,140,946)	(23,862,481)	(288.25)
Cash inflow (outflow) from financing activities	(9,307,302)	19,389,851	28,697,153	NM
Net cash increase (decrease)	277,837	(553,632)	(831,469)	NM

Plans to improve negative liquidity: Not applicable

Consolidated projected cash flow for 2014

1. Projected cash inflow from operating activities: Expected to remain stable
2. Projected cash outflow from investment activities: For capital expenditure
3. Projected cash outflow from financing activities: For cash dividend distribution

2014 Consolidated Projected Cash Flow Analysis

Unit: NT\$'000

Cash balance, beginning of the year (1)	Forecast net cash inflow from operations (2)	Forecast cash outflow from investment and financing activities (3)	Cash balance, end of the year (1) + (2) - (3)	Source of funding for negative cash balance	
				Cash inflow from investment activities	Cash inflow from financing activities
7,954,294	26,194,429	26,048,724	8,099,999	—	—

Source of funding for negative cash flow in 2014: Not applicable

Analysis of Major Capex and its Impact on Finance and Operations

Given stable operations and operating cash inflows, the Company funds its major capex with its own working capital, thus, having a minimal impact on its financials.

Investment Policies, Reasons for Profit/Loss, Plans for Improvement, and Future Investment Plan

All of TWM's long-term holdings are strategic investments. The Company is committed to promoting digital convergence and becoming a leading player in the T.I.M.E (telecommunication, internet, media and entertainment) era. In 2013, on a consolidated basis, TWM's losses from long-term investments under the equity method amounted to NT\$55,403,000, as many of these investments were still in the initial stage. The Company expects return on investment to improve going forward. It will also continue to make prudent strategic investments.

Risk Management

Impact of inflation, interest and exchange rate fluctuations, and preventive measures:

1. Impact of interest rate fluctuations

Interest rate fluctuations had a minimal impact on TWM's 2013 short-term bank borrowings, as interest rates remained low and stable because of the global economic slowdown. The Company issued straight corporate bonds and signed a mid-term loan agreement with banks to lock in mid-to-long-term interest rates and minimize impacts from interest rate fluctuations.

2. Impact of exchange rate fluctuations

The Company's main service area is Taiwan. Except for its international roaming business, all operating revenues and expenses are denominated in NT dollars. However, some of the Company's expenditures are denominated in euros and US dollars. To minimize the impact from foreign exchange rate fluctuations, the Company hedges risks through foreign exchange spot market transactions. Overall, exchange rate fluctuations had a minimal impact on the Company.

3. Impact of inflation

Inflation had a minimal impact on the Company's operating performance in 2013 and up to the publication date.

4. Objectives and methods for hedge accounting of financial instruments (including derivatives) owned or used by the Company:

Not applicable as the financial instruments owned or used by the Company do not meet the criteria for hedge accounting.

Investment policy and reasons for gains & losses for high-risk/high-leverage financial products, derivatives, loans to others and guarantees of debts:

1. The Company was not involved in any high-risk, high-leverage financial investment.
2. The Company passed the "Rules and Procedures on Lending and Making Endorsements/Guarantees" to supervise its financing and endorsement activities.
3. Derivatives transaction: None.

Research and development plans

Project name	Objective	Status	Completion date	Key to success
Sales incentive and sales performance evaluation system for repair and logistics	Develop an automated sales incentive and performance evaluation system to replace manual processing in order to enhance channel management and boost sales efficiency	Working on system design	Aug. 2014	TWM has control over the core technology as it was developed in-house.
Collection scorecard	Optimize collection process using collection scorecard results to forecast repayment probability to achieve a higher collection rate	Working on system design	Sept. 2014	TWM has mastered data mining techniques.
4G LTE billing system enhancement	Enhance TWM billing system to cope with the launch of the Company's 4G LTE service	Working on system implementation	2Q14 ~ 4Q14	TWM already has an established billing system that it can build on to support the new technology.
Mobile payment	Provide Mobile Wallet service using QR codes or NFC. Users can make payments through a credit card or bank account that is embedded on their mobile phones	Working on system design	Sept. 2014	Both the business model and technology are mature.

Regulatory changes and developments

1. Revision of digital convergence regulations

(1) Status

The "digital convergence development program" approved by the Executive Yuan is divided into two stages. The first stage involves promoting cross-media convergence services, solving urgent problems relating to other laws or regulations that might hinder its implementation and cross-industry barriers. The second stage focuses on creating a new environment to facilitate digital convergence, overcoming the obstacles left from the first stage and establishing a management structure with layers of networks, platforms and content.

For the first stage, proposed amendments to the Satellite Broadcasting Act, the Radio and Television Act and the Cable Radio and Television Act are currently under review by the Legislative Yuan, while the draft revision to the Telecommunications Act was returned by the Executive Yuan to the National Communications Commission (NCC) for changes amid concern over "separation of functions." In September 2013, the NCC decided to stop pushing for the revision of the Telecommunications Act and to move directly into the second stage by promoting legislation relating to digital convergence. The commission has been soliciting public opinions on digital convergence development since December 2013.

(2) Countermeasures

The Company is closely monitoring the progress of the amendments and continues to communicate with and forward suggestions and recommendations concerning related policies and regulations to the NCC.

2. TWM received NCC's approval for its 4G network rollout on January 15, 2014, and permit for equipment installation on March 12, 2014

(1) Status

The 4G license auction was completed on October 30, 2013, with TWM winning two 15MHz x 2 blocks on the 700MHz (spectrum A4) and the 1800MHz (spectrum C1) bands. The NCC approved the Company's 4G network rollout plan on January 15, 2014 and a permit for equipment installation on March 12, 2014. TWM aims to provide high-speed wireless broadband service to the public officially after receiving the 4G license.

(2) Countermeasures

To meet urgent public demand for high-speed wireless broadband service, the Company is working not only to speed up its own 4G network rollout, but has also urged the NCC to set up a designated window and simplify the approval process and steps to facilitate the launch of 4G services.

3. Rezoning of CATV service areas

(1) Status

On July 27, 2012, the NCC announced plans to expand CATV service areas based on city/county and to open license applications to new entrants. At press time, the NCC had approved a total of 10 applicants: four in New Taipei City, three in Greater Taichung, two in Taipei City and one in Greater Kaohsiung. The commission is further reviewing five new applications: one each in New Taipei City, Taipei City, Greater Taichung, Changhua County and Greater Taipei (New Taipei City and Taipei City).

(2) Countermeasures

With the threat of new competition, the Company is integrating its mobile, fixed-line, CATV and digital content to provide users with more digital convergence services, accelerating digitization services and offering more HD channels to enhance customer satisfaction.

4. Legislative Yuan reviewing ban on media investments by political interests

(1) Status

In March 2012, the Executive Yuan submitted a draft amendment to the Cable Radio and Television Act that will allow a company in which the government indirectly holds less than 10% of its shares to invest in the media industry. The threshold was lowered to 5% by the legislature's Transportation Committee. The amendment still has to be approved by the legislative plenary.

(2) Countermeasures

The relaxation on indirect government ownership should ease the restrictions preventing the Company from venturing into other CATV service areas, giving the Company more flexibility in managing its business. The Company will be closely monitoring the progress of the proposed amendment and continue to communicate with and forward suggestions and recommendations concerning related policies and regulations to the Legislative Yuan.

5. NCC drafting bill on preventing monopolies and promoting diversity in media

(1) Status

Following several controversial deals in recent years, public calls for a media anti-monopoly bill have intensified amid concern that the nation's media outlets may soon be controlled by a few powerful groups. The Legislative Yuan asked the Executive Yuan to submit a draft media anti-monopoly bill before March 22, 2013. In May 2013, the Executive Yuan submitted a draft on preventing monopolies and promoting diversity in the media industry to the Legislative Yuan. The Democratic Progressive Party (DPP) drafted another bill on preventing monopolies. Chinese Nationalist Party (KMT) Legislator Yang Li-hung and DPP Legislator Liu Chien-kuo also drafted their own versions of the bill.

The legislature's Transportation Committee completed reviewing all the above-mentioned drafts in June 2013. The Legislative Yuan held interparty negotiations twice, but failed to reach a consensus over controversial articles such as "restrictions on media investments by financial institutions" and whether they should be implemented retroactively.

(2) Countermeasures

Legislative approval will take time, as the government and the ruling and opposition lawmakers seek a consensus. The Company is closely monitoring the progress of the amendments and continues to communicate with and forward suggestions and recommendations concerning related policies and regulations to the Legislative Yuan to ensure room for development for the media industry.

6. NCC expects to implement "a la carte" pricing for basic channels starting in 2017

(1) Status

In April 2013, the NCC proposed an adjusted CATV pricing plan in response to digital convergence. The plan includes implementing "a la carte" pricing for basic channels starting in 2017 and a monthly fee cap for pay TV of less than NT\$500. The NCC has asked new entrants to commit to such a plan when they launch their service.

(2) Countermeasures

Discussions on adjusting CATV pricing are still in the initial stage, but the implementation of "a la carte" pricing for basic channels is expected to have a significant impact on the CATV industry. The Company is closely monitoring the progress of the policy and continues to communicate with the NCC, the Executive Yuan and lawmakers in hopes of maintaining the original cap on pay TV monthly fees and have more flexibility in bundling channels and rate plans.

Technology changes and development

1. Long Term Evolution (LTE)

(1) Status

LTE is the next generation mobile broadband access technology after 3G. As LTE can be used in different spectrum bands and is able to provide faster and more efficient mobile broadband access service than 3G, most mobile operators worldwide have built or plan to base their 4G services on LTE.

(2) Countermeasures

TWM has been monitoring LTE's technology evolution and commercial development for years. In 2013, TWM built three LTE trial networks in Taipei, Taichung and Tainan for LTE-related tests. During the 4G spectrum auction, TWM won two 15MHz x 2 blocks on the 700MHz (spectrum A4) and the 1800MHz (spectrum C1) bands. TWM is aggressively rolling out its LTE network and plans to launch commercial services in 2014.

2. Rising popularity of internet protocol

(1) Status

The popularity of internet protocol (IP) has revolutionized the telecommunications business and network infrastructure, giving rise to increased IP-based communications traffic. IP-based telecom is able to simplify network infrastructure, translating into big savings on operating costs. On the other hand, not only has the increasing availability of cheap or free VoIP services had a great impact on traditional fixed-line operators' long distance and international voice call revenue, free mobile IP messaging services even caused a decline in SMS traffic during the New Year holidays in 2012 to 2014.

(2) Countermeasures

The necessity of building an IP core network infrastructure based on next generation network (NGN) is an urgent task. TWM has been building the latest IP-based optical core network and has started to deploy IP core access and transmission technologies. It is also conducting laboratory tests of various End-to-End IP network quality measurements, VoIP and IP messaging application services to lead industry development.

In 2013, the Company started developing and testing new IPv6 technology and new IP application services, and conducting research on the latest optical packet carrier ethernet technologies to introduce more services that provide households with the most advanced and innovative broadband services. In addition to closely monitoring the free VoIP and IP messaging traffic trends, the Company launched its own free IP messaging service, M+, in 2012 to satisfy customers' real-time social communication needs, as well as proactively participate in the new over-the-top (OTT) service model.

3. Digital convergence and cloud services

(1) Status

Because of the digitalization trend, the transmission and exchange of related digital content and services among different carriers, systems and platforms have brought about changes in the wired and wireless communications and broadcasting industries. This has not only promoted competition and integration of the two industries, but also facilitated an industry consolidation. The digitalization of terrestrial TV, which went into force on July 1, 2012, is expected to accelerate the development of digital convergence services. As such, cloud computing technology and service – the base of digital convergence – have progressed from merely a concept to a profitable business, and should be the future trend.

(2) Countermeasures

Merging Taiwan Fixed Network (TFN) and Taiwan Telecommunication Network Services (TTN) in 2007 enhanced the Company's status as a leader in the digital convergence era. TWM had integrated the group's resources to facilitate research and development in digital convergence and launched fixed-mobile convergence (FMC) services for corporate accounts. It is also aggressively planning new digital convergence services that will integrate cable TV, digital TV, cable broadband, and interactive entertainment services. At the end of 2010, the Company launched its four-screen-and-a-cloud digital convergence service, integrating handset, PC, tablet and TV. Not only was TWM the first to introduce the

service in Taiwan, it was also an industry pioneer in Asia. In 2013, TWM completed the construction of a green data center and launched services. This data center is not only Taiwan's first world class data center, but also the only one to receive Uptime Tier III certification in the East Asian region. TWM will use this data center to provide infrastructure as a service (IAAS), enabling the Company to launch additional intelligent cloud services in four key areas – mobile life, digital content, intelligent life and intelligent enterprise – in the future.

4. Popularity of mobile smart devices and WiFi technologies

(1) Status

The popularity of the iPhone, Android phone and other mobile smart devices has dramatically boosted the growth of 3G data usage. This has forced global mobile operators to expand their 3G access networks' backhaul bandwidth and network capacity, which in turn has increased the pressure on their operating costs. Many mobile operators have started building WiFi networks to offload 3G data traffic.

(2) Countermeasures

In 2013, in addition to continuing to expand the backhaul bandwidth and network capacity of its HSPA network as well as WiFi coverage, the Company launched the EAP-SIM (Extensible Authentication Protocol for GSM Subscriber Identity Module) service to provide customers with easier WiFi access. The Company will continue to deploy more WiFi hotspots in the future.

Impact of changes in brand image on the Company's risk management policies:

None. TWM has long built up a sound image among investors and customers for its continuing efforts to enhance corporate governance, network communication quality and customer service, as well as to fulfill its corporate social responsibility. These efforts won numerous recognitions and awards in 2013 (please refer to Chapter 1) and should aid the Company in preventing, controlling and managing latent risks that it may face and help it maintain its good corporate image.

Expected benefits and risks from mergers in recent years until publication date: None.

Expected benefits and risks related to plant facility expansions: Not applicable as the Company is not a manufacturer.

Risks from supplier and buyer concentrations in recent years until publication date:

The Company encounters minimal risks from supplier and buyer concentrations (please refer to Chapter 4).

Significant changes in shareholdings of directors and major shareholders: None.

Changes in management controls: Not applicable.

Significant lawsuits and non-litigious matters

1. The Company: None.

2. The Company's directors, general manager, executives, major shareholder holding more than 10 percent of the Company's shares: None.

3. The Company's subsidiaries

(1) Taiwan Fixed Network Co., Ltd. (TFN)

The Construction Bureau of the Greater Taichung Government ruled that TFN should pay the construction and

maintenance fee of NT\$18,688,057 for the reconstruction of the National Second Highway extension's interchange system – A-J bids for common duct construction for 2-1 Road in Fongyuan City.

Parties Involved: TFN is the defaulting party.

Deadline for Filing an Administrative Appeal by TFN: April 14, 2014

Grounds for Lawsuit:

The Construction Bureau ruled that TFN should pay the construction and maintenance fees of NT\$18,688,057 according to Article 21 of the Common Duct Act and Articles 2, 3, and 4 of the Regulations on Cost Allotment for Common Duct Construction and Management in March 2014. TFN disagreed with the administrative disposition and is expected to file an administrative appeal before April 14, 2014.

(2) TCC Investment Co., Ltd. (TCCI)

TCCI filed a lawsuit against Taiwan High Speed Rail Corp (THSRC) for the payment of preferred share dividends in 2007 and 2008.

Parties Involved: TCCI is the plaintiff and THSRC is the defendant.

Amount Claimed: NT\$24,726,027 for the dividends in 2007, and NT\$25,000,000 for the dividends in 2008.

Date of Filing: The lawsuits for the dividends in 2007 and 2008 were filed on June 24, 2013 and September 23, 2013, respectively.

Grounds for Lawsuit:

On January 27, 2003, TCCI purchased 50,000,000 Class A name-bearing convertible preferred shares issued by THSRC at NT\$10 per share. According to Article 7-1 and Article 36, paragraph 3 of THSRC's Articles of Association, and Article 8 of the Regulations for the Issuance and Conversion of Class A Name-Bearing Convertible Preferred Shares, preferred stock dividends are set at 5% of par value per annum. Dividends are payable in cash on a yearly basis, but THSRC has failed to pay any dividend since January 5, 2007. To protect its interests, TCCI filed lawsuits against THSRC to claim its preferred stock dividends (NT\$24,726,027 for 2007 and NT\$ 25,000,000 for 2008) plus late payment interest.

Status: The lawsuits are currently pending in the Shihlin District Court.

(3) Taiwan Kuro Times Co., Ltd. ("Taiwan Kuro")

The Taiwan Intellectual Property Office ("TIPO") issued an administrative disposition in response to Taiwan Kuro's appeal for a review of the generalized licensing royalty rates announced by the Music Copyright Society of Chinese Taipei ("MUST"). Taiwan Kuro disagreed with TIPO's disposition and filed an administrative appeal. When the Ministry of Economic Affairs dismissed Taiwan Kuro's appeal, Taiwan Kuro filed an administrative litigation.

Parties Involved: Taiwan Kuro is the plaintiff and TIPO is the defendant.

Date of Filing: August 23, 2013

Grounds for Lawsuit:

On December 19, 2012, TIPO issued an administrative disposition in response to an appeal filed by Taiwan Kuro on September 1, 2010, for a review of the generalized licensing royalty rates announced by MUST on August 12, 2010. TIPO stated that pursuant to Article 25, Paragraph 6 of the Copyright Collective Management Organization Act: "When there is sufficient reason for an application for review under Paragraph 1, the specialized agency in charge of copyright matters shall make a determination of the given royalty rate, which shall be effective from the date of application for review, provided that in the case of applications made prior to the date of implementation of a given royalty rate, the newly determined rate shall take effect from the date of implementation." Taiwan Kuro disagreed with the generalized

licensing royalty rates stipulated in TIPO's disposition and filed an administrative appeal. The Ministry of Economic Affairs dismissed the administrative appeal issued by Taiwan Kuro on June 25, 2013. Taiwan Kuro filed an administrative litigation to revoke TIPO's disposition on August 23, 2013.

Status: The lawsuit is currently pending in the Intellectual Property Court.

Other major risks

Customer fraud management policy

1. Verification before activation

Applicants' identity and qualifications are carefully reviewed and verified before service is activated.

2. Monitoring after activation

- (1) Exception management: Relatively "high-risk" applicants are filtered out by the system to protect users' interests.
- (2) Credit control: The system analyzes customers' behavior patterns to strengthen client management.

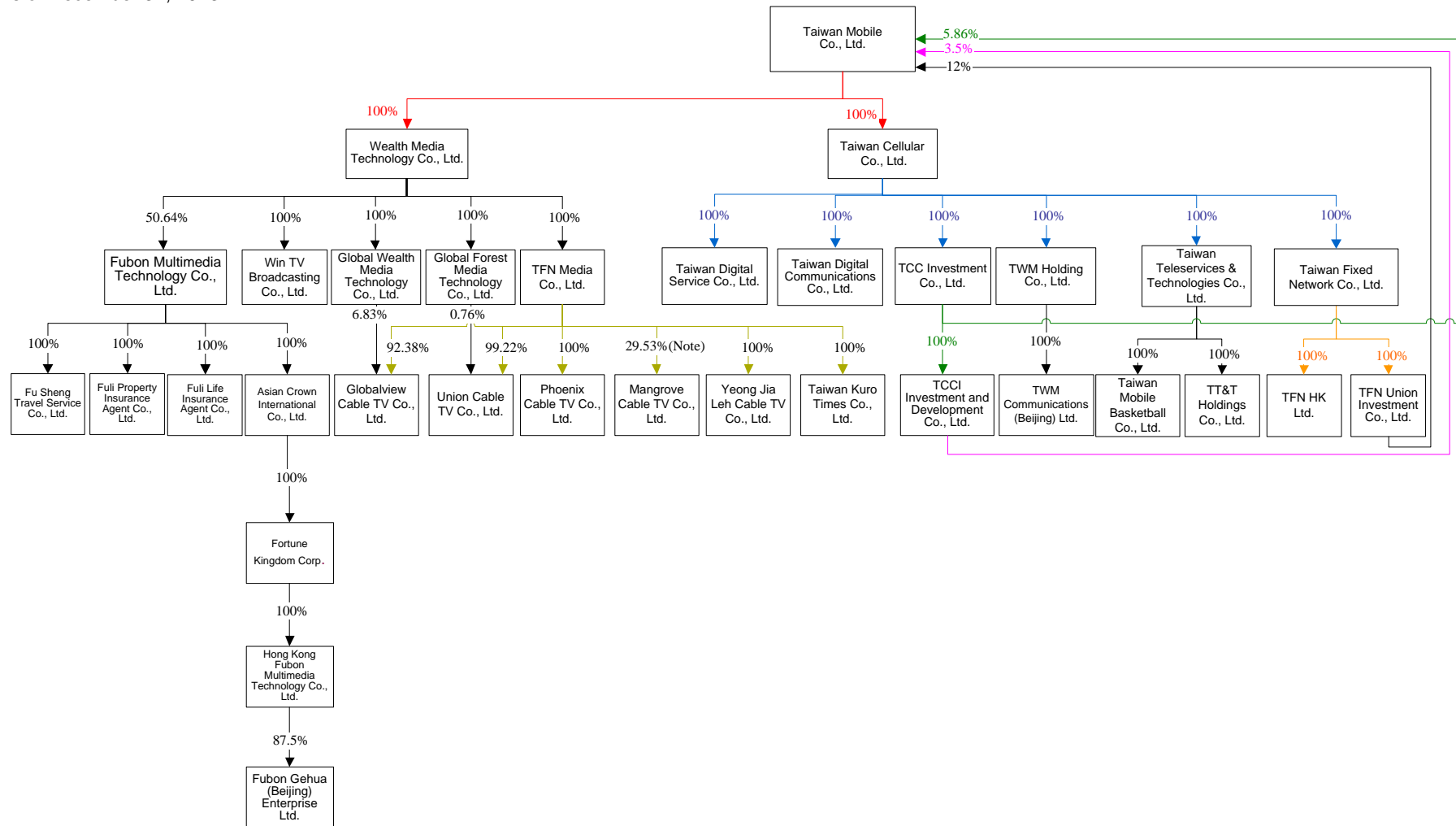
Other significant items: None.

Chapter 7. Special Notes

Affiliates

1. Investment holding structure

As of December 31, 2013



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

2. Affiliates' profile

December 31, 2013; Unit: NT\$ (unless otherwise stated)

Name	Date of incorporation	Address	Paid-in capital	Main business
Taiwan Cellular Co., Ltd.	2005.09.20	13F-1, No. 172-1, Jilong Rd., Sec. 2, Taipei	3,711,958,000	Investment
Taiwan Fixed Network Co., Ltd.	2007.01.30	13F-1, No. 172-1, Jilong Rd., Sec. 2, Taipei	21,000,000,000	Fixed-line service provider
Taiwan Digital Service Co., Ltd.	2013.04.02	13F-1, No. 172-1, Jilong Rd., Sec. 2, Taipei	200,000,000	Telecommunications service agency and retail business
Wealth Media Technology Co., Ltd.	2007.08.07	13F-1, No. 172-1, Jilong Rd., Sec. 2, Taipei	390,650,000	Investment
TFN Media Co., Ltd.	2005.01.25	11F, No. 98, Zhouzi St., Neihu District, Taipei	2,309,213,040	Cable broadband and value-added services provider
Win TV Broadcasting Co., Ltd.	2005.10.17	11F, No. 98, Zhouzi St., Neihu District, Taipei	181,773,820	TV program provider
Globalview Cable TV Co., Ltd.	1995.11.25	No. 206, Datong Rd., Sec. 2, Xizhi District, New Taipei City	560,000,000	Cable TV service provider
Union Cable TV Co., Ltd.	2005.02.04	No.179, Nujhong Rd., Sec. 1, Yilan City, Yilan County	1,704,632,800	Cable TV service provider
Yeong Jia Leh Cable TV Co., Ltd.	1994.09.26	10F, No. 651-5, Zhongzheng Rd., Xinzhuang District, New Taipei City	339,400,000	Cable TV service provider
Phoenix Cable TV Co., Ltd.	1996.08.22	No. 312, Fongping 1st Rd., Daliao Township, Greater Kaohsiung	680,901,980	Cable TV service provider
Mangrove Cable TV Co., Ltd.	1996.01.23	5F, No. 33, Lane 3, Zhongzheng E. Rd., Sec. 1, Danshui District, New Taipei City	211,600,000	Cable TV service provider
Taiwan Kuro Times Co., Ltd.	2009.02.11	15F, No. 172-1, Jilong Rd., Sec. 2, Taipei	136,730	Online music platform
Taiwan Teleservices & Technologies Co., Ltd.	2001.06.08	13F-1, No. 172-1, Jilong Rd., Sec. 2, Taipei	24,843,000	Call center service and telephone marketing
Taiwan Mobile Basketball Co., Ltd.	2007.09.21	15F-1, No. 172-1, Jilong Rd., Sec. 2, Taipei	20,000,000	Basketball team management

Name	Date of incorporation	Address	Paid-in capital	Main business
TWM Communications (Beijing) Ltd.	2002.09.17	Room 2106, No.9, Beisihuan West Rd., Haidian District, Beijing, China	US\$3,000,000	Mobile application development and design
TCC Investment Co., Ltd.	2009.08.10	13F-1, No. 172-1, Jilong Rd., Sec. 2, Taipei	221,030,440	Investment
TFN Union Investment Co., Ltd.	2009.09.22	13F-1, No. 172-1, Jilong Rd., Sec. 2, Taipei	4,000,000	Investment
TCCI Investment and Development Co., Ltd.	2009.09.22	13F-1, No. 172-1, Jilong Rd., Sec. 2, Taipei	4,000,000	Investment
Taiwan Digital Communications Co., Ltd.	2007.06.06	13F-1, No. 172-1, Jilong Rd., Sec. 2, Taipei	112,000,000	TV content production and mobile devices wholesale
TFN HK Ltd.	2003.05.14	Unit 511, 5/F, Tower 1, Silvercord, 30 Canton Road, Tsimshatsui, Kowloon, Hong Kong	HK\$1,300,000	Telecommunications service provider
Global Wealth Media Technology Co., Ltd.	2007.10.26	1F, No. 206, Datong Rd., Sec. 2, Xizhi District, New Taipei City	89,448,670	Investment
Global Forest Media Technology Co., Ltd.	2008.12.26	13F-1, No. 172-1, Jilong Rd., Sec. 2, Taipei	15,000,000	Investment
TWM Holding Co., Ltd.	2006.06.09	Arias, Fabrega & Fabrega Trust Co., BVI Ltd. 325 Waterfront Drive, Road Town, Tortola, British Virgin Islands	US\$1	Investment
TT&T Holdings Co., Ltd.	2004.10.08	TrustNet Chambers Lotemau Centre, P.O. Box 1225, Apia, Samoa	US\$1,300,000	Investment
Fubon Multimedia Technology Co., Ltd.	2004.09.27	4F, No 96, Zhouzi St., Neihu District, Taipei	1,278,585,000	Wholesale and retail sales via traditional and virtual channels
Fu Sheng Travel Service Co., Ltd.	2004.12.16	7F, No 92, Zhouzi St., Neihu District, Taipei	25,000,000	Travel agent
Fuli Life Insurance Agent Co., Ltd.	2005.12.27	7F, No 98, Zhouzi St., Neihu District, Taipei	3,000,000	Life insurance agent
Fuli Property	2006.01.03	7F, No 96, Zhouzi St.,	3,000,000	Property insurance agent

Name	Date of incorporation	Address	Paid-in capital	Main business
Insurance Agent Co., Ltd.		Neihu District, Taipei		
Asian Crown International Co., Ltd.	2009.01.07	Palm Grove House, P.O. Box 438, Road Town, Tortola, British Virgin Islands	US\$22,236,523	Investment
Fortune Kingdom Corp.	2009.01.06	Equity Trust Chambers, P.O. Box 3269, Apia, Samoa	US\$22,236,523	Investment
Hong Kong Fubon Multimedia Technology Co., Ltd.	2010.03.18	Unit 511, Tower 1, Silvercord, 30 Canton Road, Tsimshatsui , Kowloon, Hong Kong.	US\$22,236,523	Investment
Fubon Gehua (Beijing) Enterprise Ltd.	2010.12.08	Room 101-106, Building No. 402, A10 North Jiuxianqiao Road, Chaoyang District, Beijing, China	RMB160,000,000	Wholesale and retail sales

3. Industries covered by affiliates' operating areas and description of mutual dealings among these affiliates:

With digital convergence as its core strategy, the Company continues to aggressively roll out integrated communication platforms (mobile internet, cable/digital TV and cable broadband), enrich its content (shopping channels, family channel and online music), and expand its traditional/virtual channels (myfone stores/website, momo online shopping and momo catalogue services). All these have strengthened and advanced Taiwan Mobile's thrust into the T.I.M.E. – Telecom, Internet, Media and Entertainment – fields.

4. Affiliates' operating highlights

December 31, 2013; Unit: NT\$'000

Company name	Paid-in capital	Total assets	Total liabilities	Net worth	Operating revenue	Operating income	Net income	EPS (NT\$)
Taiwan Cellular Co., Ltd.	3,711,958	82,134,930	8,339	82,126,591	0	(957)	5,534,367	14.92
Taiwan Fixed Network Co., Ltd.	21,000,000	53,916,218	3,388,976	50,527,242	14,252,611	6,266,923	5,209,062	2.48
Taiwan Digital Service Co., Ltd.	200,000	3,921,850	2,695,402	1,226,448	8,630,117	269,276	226,448	11.32
Wealth Media Technology Co., Ltd.	390,650	16,157,325	263	16,157,062	0	(362)	2,217,698	56.77
TFN Media Co., Ltd.	2,309,213	13,382,029	4,238,782	9,143,247	3,102,694	1,733,025	2,025,585	8.77
Win TV Broadcasting Co., Ltd.	181,774	731,953	487,843	244,110	862,025	40,383	36,842	2.03
Globalview Cable TV Co., Ltd.	560,000	870,737	196,818	673,919	490,822	81,307	71,637	1.28
Union Cable TV Co., Ltd.	1,704,633	2,150,637	333,129	1,817,508	619,249	129,015	72,055	0.42
Yeong Jia Leh Cable TV Co., Ltd.	339,400	1,058,158	356,402	701,756	1,127,667	247,918	210,144	6.19
Phoenix Cable TV Co., Ltd.	680,902	1,310,420	271,733	1,038,687	1,188,915	240,029	207,334	3.04
Mangrove Cable TV Co., Ltd.	211,600	531,589	172,808	358,781	471,235	122,388	102,997	4.87
Taiwan Teleservices & Technologies Co., Ltd.	24,843	431,517	338,837	92,680	1,122,991	61,968	62,311	25.08
Taiwan Mobile Basketball Co., Ltd.	20,000	35,809	14,081	21,728	53,415	1,364	1,288	0.64
Taiwan Kuro Times Co., Ltd.	137	221,084	173,652	47,432	473,578	32,502	16,397	1,199.24
TWM Communications (Beijing) Co., Ltd.	89,700	84,770	541	84,229	5,295	(5,370)	(3,719)	NA
TCC Investment Co., Ltd.	221,030	29,916,073	429,206	29,486,867	707	(22)	5,885	0.27
TFN Union Investment Co., Ltd.	4,000	39,548,463	1,034,105	38,514,358	2	(69)	(69)	(0.17)
TCCI Investment and Development Co., Ltd.	4,000	11,515,526	301,112	11,214,414	3	(69)	(69)	(0.17)
Taiwan Digital Communications Co., Ltd.	112,000	133,287	5,259	128,028	424,804	15,536	12,958	1.16
TFN HK Ltd.	5,013	37,447	24,682	12,765	64,714	2,806	2,387	1.84
Global Wealth Media Technology Co., Ltd.	89,449	95,707	79	95,628	0	(157)	4,739	0.53
Global Forest Media Technology Co., Ltd.	15,000	17,319	51	17,268	0	(112)	441	0.29
TWM Holding Co., Ltd.	0.032	248,844	60	248,784	0	(218)	943	943,245
TT&T Holdings Co., Ltd.	40,943	49,024	0	49,024	0	(1)	10,992	8.46

Fubon Multimedia Technology Co., Ltd.	1,278,585	5,219,638	3,063,598	2,156,040	20,984,556	842,673	561,668	4.39
Fu Sheng Travel Service Co., Ltd.	25,000	457,334	410,710	46,624	65,811	21,980	19,291	7.72
Fuli Life Insurance Agent Co., Ltd.	3,000	10,716	559	10,157	4,533	1,932	1,673	5.58
Fuli Property Insurance Agent Co., Ltd.	3,000	15,956	774	15,182	9,046	7,481	6,301	21.00
Asian Crown International Co., Ltd.	690,824	118,883	0	118,883	0	0	(199,960)	(3,721.02)
Fortune Kingdom Corp.	690,824	118,883	0	118,883	0	0	(199,960)	(12.40)
Hong Kong Fubon Multimedia Technology Co., Ltd.	690,824	118,883	0	118,883	0	0	(199,960)	(12.40)
Fubon Gehua (Beijing) Enterprise Ltd.	788,160	319,861	184,755	135,106	227,452	(218,298)	(240,563)	NA

Note : Exchange rate of US\$1=NT\$29.90, HK\$1=NT\$3.856 and RMB1=NT\$4.926 as of December 31, 2013

Average exchange rate of US\$1=NT\$29.6812, HK\$1=NT\$3.8264 and RMB1=NT\$4.8283 for 2013

Private placement of company shares: None

TWM shares held / sold by subsidiaries

Subsidiary	TCC Investment Co., Ltd.	TFN Union Investment Co., Ltd. (TUI)	TCCI Investment and Development Co., Ltd. (TID)
Paid-in capital (NT\$'000)	221,030	4,000	4,000
Source of funding	Equity	TFN established TUI using shares of the Company	TFN Investment (Note 2) established TID using shares of the Company
% owned by the Company	100%	100%	100%
Acquisition / disposal date	–	–	–
No. of shares acquired and payment costs	–	–	–
No. of shares sold / proceeds	–	–	–
Investment income	–	–	–
Ending balance: Total No. of shares / value (NT\$'000) (Note 1)	200,496,761 shares / NT\$12,163,470	410,665,284 shares / NT\$22,312,814	119,563,804 shares / NT\$6,496,300
Pledges	None	None	None
Guarantees / endorsements provided by the Company	–	–	–
Financing provided by the Company	–	–	–

Note 1: Ending balance is carrying cost and does not include evaluation gains/losses.

Note 2: TFN Investment was merged into TCC Investment Co., Ltd. on September 19, 2009.

Other supplementary information: None

Other significant events affecting shareholders' equity or stock price: None



 **Taiwan Mobile**